Investment Guidance paper on Governance and Business Ethics

Supporting document to the Responsible Investment Policy Framework

April 2026

Contents

1. Introduction

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

Background Guidance Papers

NN Group adopted its Responsible Investment Framework policy 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 RI 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 referred to as principal adverse impacts (PAIs). These PAIs can occur in different areas and be related, for example, to ESG matters including climate change, employee and human rights, anti-corruption and anti-bribery.

NN Group has developed guidance papers that are intended to serve as a foundation for our discussions with our stakeholders. The guidance papers are considered living documents that will regularly be reviewed by NN Group to 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 to evaluate 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 governance

The basis of our approach to governance is embedded in the NN statement of Living our Values, which provides the foundation on which we do business. The statement says that we strive to '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 governance-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 governance considerations.

This paper begins with an introduction to the international frameworks and principles that are the foundation of governance. This is followed by an explanation of how companies and industries are potentially exposed to governance risks, illustrated with an investment-universe assessment that we performed on these (potential) governance risks. It also provides examples of sub-themes that we believe are important in relation to governance.

2. Governance

International legal and regulatory frameworks

According to the Office of the High Commissioner for Human Rights (OHCHR or UN Human Rights), Governance refers to all processes of governing – the institutions, processes and practices through which issues of common concern are decided upon and regulated. Good governance adds a normative or evaluative attribute to the process of governing. While there is no internationally agreed definition, the true test of 'good' governance is the degree to which it delivers on the promise of human rights: civil, cultural, economic, political and social rights. When good governance principles are not applied, there can be significant risks and negative consequences. These can include:

- **Corruption**: Corruption can become endemic, with public officials using their power for personal gain and engaging in bribery, embezzlement, and other corrupt practices. This can undermine public trust in government and lead to a loss of legitimacy.
- **Inefficiency**: Government institutions may be inefficient and ineffective, with limited capacity to deliver public services or respond to the needs of citizens. This can lead to frustration and disillusionment among the population and can also hinder economic development.
- **Human Rights Violations**: There is a potential risk of human rights violations, including the abuse of power, discrimination, and the suppression of political opposition. This can lead to social unrest, conflict, and even violence.
- **Lack of Accountability**: There may be a lack of accountability and transparency in government decision-making, with officials operating in secrecy and without oversight. This can lead to a lack of trust in government and public institutions.
- **Environmental Degradation**: There may be a disregard for environmental protection and sustainability, leading to pollution, deforestation, and other forms of environmental degradation.

Understanding the international regulatory frameworks and principles that serve as the foundation of governance is essential to grasp the role of companies and countries in promoting good governance. There are many different laws and regulations in place, including several international regulations, as well as regional and local laws. The most well-known international laws, guidelines and conventions that focus on governance-related topics include:

- **United Nations Development Programme principles of good governance**: These principles of good governance are designed to help promote democratic and accountable systems of government that are responsive to the needs and concerns of all members of society. See the text box on the next page for more details.
- **United Nations Convention against Corruption (UNCAC)**: This convention, adopted in 2003, is a legally binding agreement that requires countries to take measures to prevent and combat corruption, including bribery, money laundering, and embezzlement.
- **OECD Anti-Bribery Convention:** This convention, adopted in 1997, requires member countries to criminalize bribery of foreign public officials and to put in place measures to prevent and detect such bribery.
- **Financial Action Task Force (FATF) Recommendations:** The FATF is an intergovernmental organisation that sets global standards for combating money laundering, terrorist financing, and other threats to the international financial system. Its recommendations provide guidance to countries on how to prevent and detect money laundering and other financial crimes.

Additionally, regional organisations, such as the **Organization for Security and Co-operation in Europe (OSCE)**, have made decisions aimed at promoting good governance and combating corruption, money-laundering, and the financing of terrorism within its participating states. As part of its mandate, the OSCE works towards conflict prevention, crisis management, and post-conflict rehabilitation in Europe, Central Asia, and North America. The OSCE has made ministerial and permanent council decisions that call on participating states to take measures to prevent and combat corruption, including through the establishment of effective anti-corruption policies, laws, and institutions. The 2014 Basel Ministerial Council Decision on the Prevention of Corruption and the 2012 Dublin Ministerial Council Declaration on Strengthening Good Governance and Combating Corruption, Money-Laundering and the Financing of Terrorism provide guidelines for participating States to ensure transparency and accountability in government and prevent financial crimes that threaten regional stability and security.

Companies and corporate governance

Effective public governance involves managing and controlling public bodies, with a focus on transparency, accountability, integrity, and risk management. It aims to promote the efficient use of public funds, prevent corruption, and support improved performance of public bodies. Good governance, on the other hand, covers both public and private sector organisations.

Principles of good governance

The United Nations Development Programme (UNDP) has historically defined the following principles of good governance:

- **Participation** of all members of society, particularly those who are most affected by policies and decisions, is considered a key element of good governance. This principle aims to support inclusive decision-making and transparency by allowing different perspectives to be taken into account.
- **Rule of Law** is a core element of good governance as it supports fair and impartial legal frameworks and respect for human rights. It reflects the expectation that laws are applied equally and implemented consistently.
- **Transparency** contributes to good governance by promoting openness, accountability, and integrity in decision making. It relates to the availability of information and the clarity of processes through which decisions are taken.
- **Responsiveness** refers to the extent to which institutions and processes are able to address the needs and concerns of stakeholders in a timely and effective manner.
- **Consensus orientation** highlights the role of consultation and dialogue in decision-making. It supports efforts to balance different interests and to build broader understanding and acceptance of decisions.
- **Equity and inclusiveness** are important to good governance, as they seek to promote fair access to opportunities and services and to limit exclusion or unequal treatment.
- **Effectiveness and efficiency** relate to the ability of institutions and processes to deliver intended outcomes while making prudent use of available resources.

It involves clear rules and principles that promote better decision-making and efficient use of resources. It is essential for the sustainability of resources and operations in any organisation.

Corporate governance specifically focuses on the mechanisms of governance within companies. This includes the duties of and relationships between the various corporate bodies of a company, including decision-making processes, required to support a sound system of checks and balances. It holds management accountable for creating efficiency and value, and makes them responsible for their decisions, and alignment with company objectives and stakeholder interests.

The foundation of corporate governance lies in establishing a framework of rules, processes and principles to manage a company in an effective, efficient and ethical manner. At its core, corporate governance is based on the principles of accountability, transparency, and fairness. It is also guided by various regulations and guidelines. One aim of these regulations and guidelines is to make companies accountable to their stakeholders and to help them operate with integrity, transparency, and fairness.

The specific regulations and guidelines that apply to corporate governance vary from one country to another and in different industries, but some common examples include:

- **Company Law**: This sets out the legal framework for companies, including the requirements for corporate governance, such as the duties of directors, shareholder rights, and financial reporting requirements.
- **Regulatory Requirements**: These are specific requirements set by regulatory bodies, for example, financial regulators and include anti-money laundering regulations, data protection laws and environmental regulations.
- **Stock Exchange Listing Rules**: These are rules set by stock exchanges that companies must comply with in order to list on the exchange. These rules often include requirements for corporate governance, such as the composition of the board of directors, the role of independent directors, and disclosure requirements.
- **Corporate Governance Codes**: These are guidelines that set out best practices for corporate governance. They are often developed by industry associations or regulatory bodies, and can cover a wide range of issues, such as board composition, risk management, and stakeholder engagement.

Governance in NN's investment process

NN Group is committed to responsibly invest our assets. We incorporate ESG considerations into the investment process, including the (potential) sustainability risks and (potential) negative sustainability impacts of our investment decisions. Our RI Framework policy explains how we incorporate ESG factors into our investment process.

To adhere to this policy, we have developed norms-based RI criteria that reflect relevant laws, our values, and internationally recognised standards such as the as the UN Global Compact (UNGC) principles, the UN Guiding Principles (UNGPs) on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises On Responsible Business Conduct (OECD Guidelines).

One crucial aspect of our norms-based RI criteria is our expectation that the companies and governments in which we invest adopt and implement appropriate policies and practices to meet internationally recognised governance standards.
Based on international guidance and regulations, several criteria are commonly used by investors and other stakeholders to assess whether a company has established appropriate governance policies and commitments, including:

- **Transparency**: Companies are expected to be transparent about their operations, financial performance, and decision-making processes.
- **Accountability**: Companies are responsible for their actions, and they should be held accountable for any (material) wrongdoing.
- **Fairness**: Companies should treat all stakeholders fairly, including customers, employees, shareholders, and suppliers.
- **Responsibility**: Companies should take responsibility for their impact on the environment, communities, and society at large.
- **Compliance**: Companies are expected to materially comply with relevant laws and regulations.
- **Ethics**: Companies should aim to operate with integrity and adhere to ethical principles in all their dealings.
- **Board oversight**: Companies are expected to have a strong board of directors that provides oversight and guidance on corporate strategy and decision-making.

Good governance is also a crucial factor for governments to function effectively and serve the needs of their citizens. It involves upholding the rule of law, promoting transparency and accountability, encouraging citizen participation, being responsive to the needs of citizens, operating efficiently and ethically, protecting human rights, promoting sustainable development, and maintaining political stability. By adhering to these principles, governments can improve the quality of life for their citizens and promote overall societal well-being.

3. Understanding potential governance-related risks and impacts

A clear understanding of governance-related risks allows us to identify (potential) investment risks and opportunities and to focus dialogue and engagement with relevant stakeholders, including external asset managers, on topics that are relevant to the companies in which we invest. While all companies are exposed to some degree of governance risks, the types of risks companies face, and the severity and likelihood of occurrence of these risks will vary depending on their sector, operational and supply chain circumstances.

NN Group's Responsible Investment team conducted an assessment based on governance-related incidents and controversies related to companies' activities. This assessment is based on data points retrieved from our external ESG data provider Morningstar Sustainalytics, who base their research on public information. The analysis has not been limited to NN Group's investment universe. Instead, we assessed the entire investment universe that was made available to us, we therefore note that not all sectors and issues are fully covered. This approach was taken to provide a comprehensive perspective on potential governance risks and impacts. The data points provided relate to the involvement (both through direct operations and their supply chains) of companies in incidents and controversies across the following governance topics:

- Bribery and corruption
- Intellectual property
- Accounting and taxation
- Business ethics
- Corporate governance
- Lobbying
- Anti-competitive practices
- Data privacy and security
- Quality and safety
- Media ethics

Our assessment involved an analysis of the severity of the impact of incidents on society and the environment, and the level of potential financial risk posed to the company. Additionally, we evaluated the probability of a company within a specific industry getting involved in a severe incident. For each topic, the above metrics for company's own operations and its supply chain, as well as its potential adverse impacts and risk exposure were taken into account.

Table 1: Governance Sector Matrix

	Own Operations	Supply Chain
Consumer Discretionary	Medium	Medium
Consumer Staples	High	High
Energy	High	High
Financials	High	Medium
Healthcare	Medium	Low
Industrials	Low	High
Information Technology	Low	Medium
Materials	Low	Low
Real Estate	Low	Low
Telecommunication Services	High	Low
Utilities	Medium	High

The assessment indicates that, in general, companies operating in the Consumer Staples, Energy, Financial, Industrials, Utilities and Telecommunication Services sectors have an inherently higher risk of potential governance-related impacts or risks through their own operations and/or supply chain.

The assessment we conducted also indicates inherently lower ratings in some sectors such as real estate. However, these do not necessarily mean that there are no incidents or risks present. These lower ratings could be because the assessment outcomes are limited by the scope of the company universe as defined by the ESG rating provider, the availability of publicly available incident and controversy data or the premise that (individual) incidents might not necessarily directly impact the risk-profile of a sector or company.

It should also be kept in mind that the assessment is based on historical data at a specific point in time (February 2024), so it is important to update the analysis regularly as new incidents emerge and are resolved. Finally, it is essential to remember that the governance profile will vary from company to company. An analysis of a company's governance performance should therefore always be carried out at the individual company level.

Main governance-related issues per sector

Consumer Staples: Consumer staples companies are responsible for ensuring the safety of their products. However, in some cases, companies have been found to have failed to meet safety standards, resulting in product recalls and damage to their reputation. The sector also relies heavily on global supply chains, which can be complex and difficult to manage, and they have faced supply chain disruptions as a result. In addition, the sector has come under scrutiny for their labour practices, including low wages and poor working conditions. Finally, the consumer staples sector has had issues with effective corporate governance, lack of board oversight and corruption.

Energy: The energy sector has faced a range of governance issues. Regulatory capture is one such issue, where regulatory agencies become too closely aligned with the interests of the companies they are supposed to be regulating, leading to a lack of oversight and potential abuse of power. Corruption is another issue, with energy companies being accused of engaging in corrupt practices, such as bribery, to secure contracts and favourable treatment from government officials. Environmental concerns are also pressing, with the energy sector under increasing pressure to address issues such as climate change, air and water pollution, and resource depletion. Transparency is yet another issue, with the need for greater transparency in the energy sector, particularly around pricing and supply chains, to ensure that consumers and stakeholders have access to accurate information.

Telecommunication Services: The telecommunications services sector has faced a number of governance issues over the years. These issues include privacy and data protection concerns related to the collection and use of customer data, allegations of monopolistic behaviour and lack of competition, cybersecurity risks and data breaches, net neutrality violations, quality of service issues such as dropped calls and network outages, and corporate governance issues such as executive compensation and board independence. These issues have led to regulatory scrutiny, consumer complaints, and shareholder activism. Effective management and oversight of these governance issues are important for maintaining the trust of customers, regulators, and other stakeholders.

4. Important governance topics and trends

In this chapter, we discuss several governance related issues which we believe are important to address, as well as certain trends that have developed over the years and will play a crucial role in tackling governance failures.

Bribery and Corruption

Bribery and corruption refer to the act of giving or receiving something of value in exchange for a favour or an advantage that is not deserved. The bribe is usually given to influence the behaviour of the recipient and to gain an unfair advantage. Bribery and corruption can occur in many areas, including business, politics, and government. These practices are illegal and can result in severe consequences for those involved, including fines, imprisonment, and damage to reputation. Many countries have laws and regulations in place to prevent and punish bribery and corruption.

In the United States, for example, the Foreign Corrupt Practices Act (FCPA) prohibits US companies and individuals from bribing foreign officials to obtain or retain business. The FCPA also requires companies to maintain accurate books and records and to implement adequate internal controls to prevent bribery and corruption. Similarly, the United Kingdom has enacted the Bribery Act, which makes it illegal to offer, promise, or give a bribe, as well as to request, agree to receive, or accept a bribe. The Bribery Act applies to both individuals and organisations, and companies are required to implement adequate procedures to prevent bribery and corruption.

Many other countries, including Canada, Australia, and EU countries, have also enacted laws and regulations aimed at preventing bribery and corruption. In addition to national laws, many companies also adhere to international standards such as the UNGC or the OECD Guidelines, which provide guidance on ethical business practices and promote anti-corruption measures.

Despite the different laws and regulations, bribery and corruption still occur frequently. There have been several high-profile cases of bribery and corruption by companies in recent years. One of the most notable cases involved the Brazilian construction company Odebrecht, which was involved in a massive bribery scheme that spanned several countries in Latin America and Africa. The company paid bribes to government officials and political parties in exchange for contracts and other favours.

In another case, the Swedish telecommunications company Ericsson was fined USD 1 billion by the US Department of Justice for bribery and corruption in several countries. The company admitted to paying bribes to government officials in China, Vietnam, and Djibouti to win contracts. Other companies that have been implicated in bribery and corruption scandals include the German carmaker Volkswagen, which was fined USD 4.3 billion in the US for cheating on emissions tests, and the British multinational bank HSBC, which was fined USD 1.9 billion for laundering money for drug cartels and other criminal organisations.

These cases highlight the significant impact that bribery and corruption can have on companies, including financial penalties, damage to reputation, and loss of business. They also underscore the importance of strong anti-corruption measures and ethical business practices to prevent such conduct from occurring both at the company itself and within its supply chain.

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 oversees NN Group's direct, collaborative, and delegated engagement activities. The council meets quarterly to monitor progress on engagement activities and determine necessary steps to achieve engagement objectives at individual company level. 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. Indications that an issuer may not meet 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 the Council determines that engagement to address not meeting NN Group’s norms-based RI criteria is feasible, the company will be included in NN Group's engagement programme and can be engaged directly or through external asset managers or engagement service providers.

As such, it is important for investors to assess whether its investees have anti-corruption measures and ethical business practices in place and have these reflected in contracts with their (sub)contractors and suppliers.

In line with what we ask from investee companies, NN has policies in place that strictly prohibit the offering or accepting of bribes. NN expects employees not to engage in any activity that may give the appearance of offering or accepting a bribe. To further mitigate this risk, we have established rules to help prevent employees from unwittingly crossing boundaries and/or compromising their independent position in relation to third parties. In case of doubt, employees are expected to seek guidance from management and/or Compliance.

Money Laundering

The goal of money laundering is to conceal and disguise the origin of illicit proceeds and attempt to make it look as if they have been obtained legitimately. It usually involves three stages: i) placement of funds into a financial system, ii) layering of transactions to disguise the source, ownership and location of the funds, and iii) integration of the funds into society in the form of holdings that appear legitimate.

Money laundering can be used to conceal the proceeds of various illegal activities, such as drug trafficking and/or fraud. It can involve multiple transactions through various financial institutions and across different countries. It is a serious crime and is punishable by law. Governments and financial institutions have implemented various measures to prevent and detect money laundering, including the use of anti-money laundering (AML) regulations, Know Your Customer (KYC) requirements, and other measures aimed at detecting suspicious financial activity. These measures aim to help parties gain an understanding of the entity they plan to do business with, including its ownership structure. Companies are therefore encouraged to be transparent about their ultimate beneficial owner(s), by disclosing their identity, including their full name, date of birth, country of residence, and their shares (i.e., number, categories, proportion of shareholding and/or control).

Money laundering is a widespread problem that affects many countries and industries. There are some high-profile examples of where either companies or governments were involved:

- The 1MDB scandal in Malaysia, in which billions of dollars were embezzled from a government investment fund and laundered through various channels.
- TD Bank was fined with a record penalty of USD 3 billion under the US Bank Secrecy Act, after pleading guilty to conspiracy to commit money laundering. TD Bank admitted that it allowed three money-laundering networks to transfer more than USD 670 million through its accounts over a six-year period. Actions which many employees were aware of went unaddressed.
- The Danske Bank scandal in which over EUR 200 billion in suspicious transactions flowed through the bank's Estonian branch between 2007 and 2015.

NN's approach to Financial Economic Crime

NN Group is committed to combatting Financial Economic Crime to protect society and customers from criminal activities such as money laundering, financing terrorism, and breaching sanctions regimes. Our Financial Economic Crime (FEC) Policy outlines mandatory minimum requirements to detect and prevent financial economic crime based on applicable laws and guidelines. This policy requires implementation of customer and business partner due diligence processes, including sanction checks and where applicable, Ultimate Beneficial Ownership (UBO) and, Politically Exposed Persons (PEPs) checks to avoid engaging in business with individuals or entities assessed as an unacceptable risk. We have appointed FEC Compliance Officers for all business units to monitor compliance with this policy and train employees to detect and report FEC risks and incidents.

These cases underscore that investors should consider AML and sanctions governance (e.g., board oversight, customer due diligence, beneficial ownership transparency) as a core indicator of downside risk.

Responsible Taxation

Responsible tax reflects the principle that paying tax is more than a business expense, it should be seen as a contribution to society in the countries in which companies operate. Taxation plays a vital role in the sustainable development of people and planet, either as a source of income to finance the transformation, or as an instrument to influence behaviour.

The OECD Guidelines, as integrated in our norms-based RI criteria, provide direction for responsible tax behaviour and transparency. They lay out a number of expectations. For example, that companies comply with both the letter and spirit of tax laws and regulations in the countries where they operate, cooperate with tax authorities, and treat tax governance and tax compliance as important elements of their broader risk management system.

Tax transparency is an important way of demonstrating responsible tax behaviour. Comprehensive tax reporting enables an organisation to communicate its approach to tax, and to report its revenue, tax and business activities on a country-by-country basis. These disclosures could help stakeholders assess the organisation's tax practices and identify potential reputational and financial risk.

Good tax transparency practices include providing a description of an organisation's tax strategy, governance, control and risk management framework, the approach to engagement with tax authorities, and information, to the extent that this is legally permitted, on relevant tax rulings or dispute resolutions. Companies are encouraged to have mechanisms available for reporting concerns about tax avoidance and tax evasion and be transparent about these. Effective whistleblowing programmes can be a good instrument to discourage aggressive tax behaviour.

Companies are also encouraged to include terms in contracts (with subcontractors and suppliers) requiring them not to engage in facilitating tax avoidance and evasion and to report any related concerns immediately.

A best practice for comprehensive country-by-country reporting is outlined in the GRI 207 Tax standard. It stipulates disclosure at tax jurisdiction level that should include an overview of the entities, business activities, FTEs, revenues, profits before tax, and taxes paid (and withheld) and accrued. Reporting in line with GRI 207 provides insight into the economic entity's scale of activity and the contribution it makes through tax in each of the jurisdictions in which it operates.

Tax considerations for NN Group's own investments

Private market investments

An important part of NN Group's investments consist of private market investments. The NN Group Tax team acts as an advisor in the pre-investment process for new investments. Together with NN's Investment Office, the team monitors the tax aspects of investments. Investments are in scope for tax due diligence, which includes a review of compliance with NN's Tax Policy. The tax team also monitors whether profit is taxed once for each investment structure to avoid double taxation. Furthermore, we aim to avoid investments that have their tax residency or their principal place of business in a low-tax or non-cooperative jurisdiction unless it can be sufficiently substantiated that the profits are generated from local economic activities.

NN Group maintains a dialogue with fund managers to help make them aware of NN's Tax Policy and to prevent the fund from engaging in aggressive tax planning.

Public market investments

When making new investments in public markets, our external asset managers conduct investment research on individual issuers. This research draws on input from ESG data providers and includes screening for compliance with the OECD Guidelines – covering aspects such as tax transparency and potential tax controversies.

NN Group, as the asset owner, monitors how investee companies perform on relevant governance topics. As part of this monitoring, companies are periodically screened on 'business ethics', which includes the areas of accounting practices and taxation. This helps us to identify emerging risks, track developments in tax-related controversies, and determine when engagement on responsible tax practices may be appropriate.

Where such concerns arise, we may address them through dialogue and engagement with investee companies. For example, Morningstar Sustainalytics engages on behalf of asset owners, including NN Group, when severe tax controversies are identified through the business-ethics screening. They also conduct thematic engagement on Good Governance, where responsible tax strategy and transparency are core elements. The purpose of these dialogues is to increase board-level awareness of responsible taxation and to promote higher standards of transparency and sustainable management of corporate tax affairs.

Through these engagements, we aim to encourage companies to adopt country-by-country tax disclosures, publish detailed global tax policies, and strengthen board awareness and oversight of the organisation's tax approach.

Finally, if a company's tax behaviour does not align with NN Group's expectations and we hold listed equity in that company we may choose to use our voting rights to express our concerns (see our Voting Policy for Proprietary Assets for more details).

NN Group's approach to Taxation

At NN Group, we believe that being a responsible taxpayer is part of good corporate citizenship (see our website). In our Tax Policy and Principles of Conduct (Tax Policy), we lay down the principles of behaving responsibly, in the context of tax, this basically means the timely payment of our fair share of taxes in the countries in which we operate.
Our Tax Policy is applicable to NN Group's own operations and in our relationships with our stakeholders, such as tax authorities, governmental bodies, customers, society at large and other parties in NN Group's value chain, including asset and fund managers.

The Tax Policy contains a number of principles relevant for NN's own corporate and investment structures (see previous page). The most relevant ones are:

1. Compliance: NN is committed to comply with both the letter and the spirit of the tax laws and regulations of the countries in which it operates. Complying with the spirit means following the intention of the legislation. NN is committed to pay the right amount of tax, at the right place and at the right time.
2. Tax follows the business: We aim not to engage in artificial arrangements that do not respect business reality, or which may be reasonably assumed to offer undue tax advantages. NN does not undertake or engage in arrangements with the sole purpose of creating a tax benefit. This is to prevent arrangements contrary to the spirit of the relevant tax provisions or system that result, for example, in double deduction, deduction with non-inclusion, double non-taxation or benefit from any asymmetries between the tax systems of the different jurisdictions. Profits should be taxed once at an acceptable tax rate.
3. Low-tax rate or no tax jurisdictions or non-cooperative jurisdictions: NN Group does not aim to make use of low-tax rate, no-tax or so-called non-cooperative jurisdictions, unless it can be substantiated that the profits are generated by local economic activities (see Tax havens).

To provide insight into its tax behaviour, NN Group is transparent about its responsible approach to tax and its tax positions, and we expect the same transparency from the companies in which we invest. Disclosures should be made in accordance with international reporting requirements and standards, such as the GRI 207 Tax standard, which NN Group uses as guidance for its tax reporting, as well as relevant local regulations. We encourage companies to seek external assurance of their tax disclosures.

Tax havens

One of the principles of behaving responsibly relates to low-tax rate, no tax or non-cooperative jurisdictions. Reference is often made to 'tax havens' and when applying this principle to NN's legal and investment structures, the question arises about which jurisdictions would disqualify as a consequence of this principle. In practice, there is no general consensus on the definition of tax havens or non-cooperative jurisdictions. The concept is fluid and various definitions have emerged over time. For reasons of simplicity, efficiency, and to capture the dynamics of the definition, NN Group makes use of the existing Dutch list of low taxed states and non-cooperative jurisdictions, including the non-cooperative jurisdictions as listed on the EU list, for tax purposes as a standard reference material.

Country Embargoes

An embargo is a government-imposed restriction on trade or economic activity with a particular country or group of countries. Embargoes are often used as a diplomatic tool to put pressure on a country to change its policies or behaviour. They can be comprehensive, prohibiting all trade with a country, or targeted, focusing on specific goods or services, and they are typically imposed for political or security reasons, such as to encourage a country to comply with international law, to prevent the spread of nuclear weapons, or to stop human rights abuses. They can also be used to punish a country for engaging in aggressive behaviour or supporting terrorism.

These restrictions can have significant economic consequences for both the target country and the countries imposing the embargo. The targeted country may experience a decline in trade and investment, while the countries imposing the embargo may lose access to a valuable market.

Embargoes are regulated by international law, including the UN, EU and the World Trade Organization (WTO). Countries that impose embargoes must comply with these regulations, and violations can result in economic sanctions or other penalties.

NN Group follows the relevant sanction laws and regulations in our Financial Economic Crime (FEC) policy (see text box on page 10). The FEC Policy also sets out our principles on dealing with Ultra High-Risk Countries. NN has (business) reasons for avoiding transactions with people and entities from some specific countries. NN companies cannot enter into new relationships with customers from these countries and have processes to discontinue any existing relationships or positions involving these countries. In addition, our Responsible Investment Framework policy restricts investing in sovereign bonds issued by countries that are subject to an arms embargo by the UN Security Council and/or European Union.

We may also restrict sovereign bond investments for other reasons on a case-by-case basis. Our Sovereign bond criteria for Proprietary Assets are included in Appendix IV of the RI Framework Policy.

In 2025, the United Nations Security Council (UNSC) introduced several notable updates to its sanctions regimes. Among the most significant was the reinstatement of the UN arms embargo on Iran, which had previously lapsed in 2020. The UNSC also extended a number of existing embargoes, including those on the Central African Republic, the Democratic Republic of the Congo, and South Sudan. During the same period, the EU prolonged several of its own arms embargoes, covering countries such as Belarus, Iran, Myanmar, Russia, Syria, Venezuela, and Zimbabwe, ensuring the continuation of restrictive measures across multiple regions[1].

Investors are encouraged to regularly consult reputable independent research organisations, such as the Stockholm International Peace Research Institute (SIPRI) for up-to-date information on global arms embargo developments.

Supply of Arms

NN considers the trade of arms to certain countries or non-state actors as controversial, due to the high risk that these arms will be used to commit severe human rights violations or prolong conflict. Companies are identified if they are involved in making weapons, weapons systems, or related materials or in providing services to countries where there is a serious risk that the weapons can be used for internal repression, serious human rights violations or for any other purpose which cannot reasonably be considered consistent with normal and legitimate national security and defence.

We restrict companies that are demonstrably involved in making weapons, weapon systems, or related materials or in providing services that are available to (i) countries that are subject to a UN or EU arms embargo that is targeting the central government or (ii) non-state actors sanctioned by the UN or EU. Not in the scope are companies that carry out such activities in relation to humanitarian missions or to (peacekeeping) military missions that have been commissioned by the international community.

Corporate Governance

As highlighted in section 2, corporate governance involves the systems, processes, policies, and practices used to facilitate a sound and transparent system of checks and balances within a company. It aims to promote responsible and ethical behaviour among management, directors, shareholders, and stakeholders. Good corporate governance is essential for long-term success, building trust with investors, customers, and stakeholders. It drives accountability, compliance with legal and regulatory requirements, and emphasises transparency, fairness, and responsibility.

Corporate governance is regulated by laws, regulations, and guidelines. In most countries, legal and regulatory requirements, and corporate governance codes, set minimum standards for, for example, board composition, financial disclosure, and shareholder rights. Companies may also adopt additional guidelines and best practices, such as codes of conduct and policies for risk management, to promote transparency, accountability, and responsible decision-making.

Good corporate governance is critically important for investors, as it helps to establish trust and confidence in a company. A company with strong corporate governance practices is more likely to be transparent in its operations, accountable for its actions, and responsible in its decision-making processes. This can help to reduce the risk of fraud, mismanagement, and other unethical or illegal activities that can harm investors. Investors are also more likely to support companies with good corporate governance practices, as they are seen as being more likely to achieve long-term success.

Proxy voting is a crucial tool that investors can use to promote better corporate governance practices. It allows shareholders to exercise their voting rights and influence the decision-making process of a company, thereby holding management accountable for decisions made in the best interests of the company. By using proxy voting, shareholders can approve or reject critical corporate governance issues such as the election of directors, executive compensation, and changes to the company's articles of association. In this way, shareholders can help to foster good corporate governance by promoting companies with strong and effective boards of directors, where executive pay is aligned with performance, and where the company's articles of association reflect best practices in corporate governance. See text box on how NN Group uses its proxy voting rights.

[1] Developments in 2025 | SIPRI

Proxy voting

NN Group's voting activities focus on promoting strong corporate governance, aligning executive remuneration with long-term sustainable performance, and supporting the integration of environmental, social, and human rights considerations into corporate strategy. Voting is a key element of NN Group's active ownership approach and an important mechanism for encouraging long-term value creation.

Board elections

A well-functioning, diverse, and independent board is essential for effective oversight, sound risk management, and long-term company performance. NN Group reviews director (re)elections in the broader context of board composition, independence, diversity, time commitment, and the board's oversight of material ESG risks.

We look for boards to maintain a balanced governance structure, including a clear division of responsibilities and independent board committees. We also encourage companies to make progress on gender diversity and to work toward more balanced representation, aiming for at least one-third women and one-third men on supervisory boards, supported by transparent targets and annual reporting.

Remuneration

Executive remuneration continues to be a focal point at AGMs and should incentivise sustainable long-term value creation and align executives' interests with those of shareholders and wider stakeholders. NN Group supports remuneration policies that are transparent, well balanced, and clearly linked to a company's long-term strategy. Variable compensation should be tied to measurable performance criteria, including material ESG indicators where relevant.

We may vote against remuneration proposals when pay structures are overly focused on the short term, insufficiently linked to performance, overly reliant on discretionary outcomes, or lacking meaningful integration of ESG metrics where these are material to the business.

Integrating sustainability into long-term strategy

NN Group encourages investee companies to act responsibly towards all stakeholders and to incorporate environmental, social, human rights, and biodiversity-related considerations into their strategic planning and operations. We look for transparent reporting on greenhouse-gas emissions, credible reduction targets, and responsible practices in areas such as human rights, supply-chain due diligence, and the management of nature-related impacts.

We may use our voting rights to hold boards accountable when companies do not provide adequate sustainability disclosures, lack clear plans to manage climate-related risks, or fail to address salient human rights concerns.

Further details can be found in our Voting Policy for Proprietary Assets.

Business Ethics

Business ethics refers to the moral principles and values that guide behaviour in the business world. It involves making decisions that are not only legal and financially sound, but also socially responsible and ethical. It covers a wide range of topics, including corporate social responsibility, workplace diversity and inclusion, fair labour practices, environmental sustainability, and anti-corruption measures.

Some common ethical dilemmas in business include conflicts of interest, insider trading, bribery, discrimination, and environmental pollution. Adopting ethical business practices can have a positive impact on a company's reputation and bottom line, and contribute to a more sustainable and just society. Many companies have developed codes of ethics, established ethical training programmes for employees, and implemented sustainability practices as part of their business operations.

NN's Code of Conduct

NN has three core values: Care, Clear, Commit. Our values, which we published under the title NN statement of Living our Values, set the standard for conduct and provide a compass for decision making. The NN Code of Conduct outlines our position on a number of important topics and lists clear rules of conduct. These rules of conduct are minimum standards to which employees are expected to adhere at all times. Some NN businesses may have implemented their own, specific rules of conduct in addition to this Code. If applicable, these rules are laid down in a supplement.

The statement of Living our Values includes the requirement that employees comply with applicable laws, regulations and internal policies and guidelines. The Code of Conduct and supplements in use in the relevant businesses are an important part of this set of rules. As a result, they apply to every NN employee, and we expect all to be familiar with them and live up to them. The Code of Conduct outlines our views and expectations related to:

1. How we interact
2. How we deal with information and (personal) data
3. How we deal with conflicts of interest, fraud, financial economic crime and competition law
4. How we use equipment and the Internet
5. How we report breaches
6. How we deal with breaches

For more information see our website.

There are regulations when it comes to business ethics, and governments around the world have enacted laws and regulations to ensure that businesses operate ethically and responsibly. These regulations may cover a wide range of areas, such as labour practices, environmental protection, consumer protection, and anti-corruption measures.

There have been many high-profile cases related to business ethics over the years. One of the most infamous cases of corporate fraud was Enron, a major energy company that collapsed in 2001 after it was revealed that its executives had engaged in accounting fraud to hide billions of dollars in debt. In 2015, Volkswagen was caught using software to cheat on emissions tests for its diesel cars, leading to billions of dollars in fines and settlements and damage to the company's reputation. In 2024, Boeing faced scrutiny after governance failures. Following two fatal crashes of its 737 MAX in 2018 and 2019, Boeing paid USD 2.5 billion to settle charges of fraud conspiracy. However, another incident involving a 737 MAX in 2024, raised serious questions as to whether Boeing truly overhauled its safety and compliance culture. This increases potential long-term risks for investors, even if fines are manageable, reputational damage and regulatory hurdles can depress earnings for years.

Political Contributions

Political contributions are donations made by companies to political parties, candidates, or campaigns. These contributions may take the form of cash donations, in-kind contributions, or other types of support, such as providing goods or services to a political campaign.

Contributions by companies are governed by a range of laws and regulations, which vary by country and jurisdiction. In many countries, there are strict rules regarding political contributions, including limits on the amount that companies can donate, disclosure requirements for political contributions, and restrictions on the types of entities that can make political contributions. For example, in the United States, political contributions by companies are governed by the Federal Election Campaign Act (FECA) and other laws and regulations. Under FECA, companies are prohibited from making direct contributions to federal candidates, political parties, or political action committees (PACs). However, companies may establish separate segregated funds (SSFs), which can make contributions to political candidates or campaigns.

In other countries, such as the United Kingdom, companies are required to disclose political contributions in their annual financial statements, including details of the recipient and the amount donated. The rules governing political contributions by companies in other countries may vary depending on the specific legal and regulatory framework in place.
Investors often engage with companies on political contributions as part of their strategy to promote good corporate governance and social responsibility. These engagements may include shareholder proposals, and voting on resolutions related to political contributions at a company's AGM. Political contributions are considered a (potential) risk to companies, and investors believe that engagement on this issue can promote transparency, accountability, and responsible corporate behaviour.

Cybersecurity governance

Cybersecurity refers to the measures taken to protect systems and sensitive data from unauthorised access, theft, damage, and other cyber threats. Some of the common cybersecurity measures include firewalls, antivirus software, intrusion detection and prevention systems, encryption, multi-factor authentication, and regular backups of important data.

In addition to these technical measures, cybersecurity also involves educating employees about cyber threats and best practices for staying safe online. This may include regular training sessions, phishing simulations, and policies around topics like password management and data handling.

Cybersecurity is important for investors. Cyber threats such as data breaches, ransomware attacks, and other types of cybercrime can result in costly financial and legal consequences, damage to brand reputation, and loss of customer trust. A company with strong cybersecurity measures in place is less likely to suffer a major data breach or other cyberattack.

NN Group’s approach to cyber security

We are committed to comply with relevant legislation, such as the General Data Protection Regulation (GDPR) and the AI Act. We have key mechanisms in place for managing information security. Several committees monitor security processes and discuss security incidents, after being detected and analysed by our Security Operation Centre.

We take substantial efforts to protect the confidentiality and integrity of personal data, preferences and other information. To protect this information, we make yearly investments in our IT technologies.

Mitigating AI risks requires a multi-layered approach combining frameworks and governance, secure engineering practices, and modern security tools. NN Group implemented the key strategies like Security Software Development Lifecycle (SSDLC) for AI, Access controls and constant security assessments.

5. Concluding remarks

NN's Responsible Investment Policy Framework highlights the measures we will take to systematically integrate sustainability matters in the investment decision making and active ownership practices. We have developed norms-based RI criteria, including governance, 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 (potential) risks and opportunities and to engage in a dialogue with companies to address governance 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 a governance 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.