

# Paris Alignment Standard for Proprietary Assets



# Contents

1.	Introduction .....	2
2.	Approach and principles .....	3
3.	Corporate investments .....	5
4.	Sovereign bonds.....	9
5.	Real estate .....	11
6.	Residential mortgages .....	14
7.	Private equity .....	16
8.	Infrastructure investments .....	18
9.	Private debt.....	20
10.	Investments in climate solutions .....	22
11.	Fossil fuel policies .....	24
	Annex: Categorisation framework corporate investments .....	25

## Clarification note

This document contains NN Group's Paris Alignment Standard and details our Paris alignment strategies for various asset classes within our Proprietary Assets. This Standard is part of the Responsible Investment Framework policy of NN Group N.V. (NN Group). Version: April 2026.

## 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.).

©2026 NN Group N.V.

# 1. Introduction

## Background

The global impacts of climate change are becoming increasingly evident, posing significant challenges to the planet and human well-being. These developments also have a far-reaching commercial and financial impact worldwide and affect international regulatory and legal frameworks. Addressing these issues requires cooperation on a global scale. The Paris Agreement was a milestone in this process. Adopted in 2015, signatory countries commit to limiting global warming to below 2°C compared to preindustrial levels, by the end of this century, and strive to limit it to 1.5°C.

As investors, we are exposed to climate change risks and opportunities and managing these requires a proactive approach. Simultaneously, we can play a role in facilitating the transition and in encouraging our investees to move towards a low-carbon economy.

## Objective

The objective of this Standard is to support NN in transitioning its own investment portfolio to net-zero greenhouse gas (GHG) emissions by 2050. It supports Business Units (BUs), the NN Group Investment Office (NNIO), and other departments in implementing NN Group's Paris alignment strategy requirements in line with the [Responsible Investment \(RI\) Framework policy](#).

## Scope

This Standard outlines the Paris alignment strategies for the general account investment portfolio of NN Group's insurance entities. In this document, these assets are also referred to as NN Group's Proprietary Assets.<sup>1</sup> It outlines our asset-class specific strategies, fossil fuel policies, and investments in climate solutions.

## Governance

The RI Committee plays a key role in overseeing the Paris alignment strategies and reviewing them annually. The Chief Investment Officer chairs the Committee. Members include the Chief People, Communications, and Sustainability Officer and the Chief Risk Officer, both of whom are also members of the NN Group Management Board, as well as representatives of the RI and Investment Risk Management teams. Legal, Compliance, and Finance have standing invitations.

The RI Committee, along with the Investment Office Investment Committee (IO IC), approves asset-class specific strategies. ESG-related investment proposals that could significantly impact the risk or return of the investment

portfolio require a second line opinion from Investment Risk Management. Where targets are involved, an NN Group Management Board decision is required.

## Requirements and monitoring

NN's BUs and/or NNIO are required to implement the policy guidelines described in this document. As portfolio alignment tools and methods develop, the asset-class specific Paris alignment strategies will be reviewed and updated regularly as needed.

The NNIO RI team employs reporting dashboards to monitor activities. These are regularly updated to align with strategic objectives and progress. Progress reports based on the dashboard are submitted to the NN Group Asset & Liability Committee (ALCO). The second line risk function has direct access to the data for independent analysis.

## Stakeholder consultation

NN Group regularly consults a broad range of stakeholders, such as civil society organisations, trade unions, and regulators, to inform and strengthen its sustainability approach<sup>2</sup>. These consultations occur through initiatives like the Dutch insurance association's IMVO 2.0 and NN Group's annual double materiality assessment for sustainability reporting. The insights we gain help shape our understanding of material impacts and refine our RI approach, including our strategy to transition our investment portfolio to net-zero emissions.

We integrate our RI Framework policy into all investment activities, recognising the important role it plays in our fiduciary duties and sustainable, long-term value creation. By systematically considering environmental, social, and governance (ESG) factors in investment decisions, we aim to reduce risks, capture opportunities, and support a sustainable economy. This balanced approach aligns financial and sustainability goals, fulfilling NN Group's commitments to customers and other stakeholders.

## Transparency and progress reporting

This document is published in the NN Group Policy House and is publicly available on our website. We provide stakeholders with regular updates on developments in our portfolio, including commitments, ambitions, targets, and reference objectives. These are published periodically, for example, in the Sustainability Statement in our Annual Report and in our Climate Action Plan and Active Ownership Report.

<sup>1</sup> See the [Responsible Investment Framework policy](#) for more details on the scope and definition of NN Group's proprietary assets.

<sup>2</sup> For more on our stakeholder engagement process, see the [Stakeholder Engagement Policy](#).

## 2. Approach and principles

### Our commitment to net zero

NN Group is committed to transitioning our proprietary investment portfolio to net-zero GHG emissions by 2050. This goal is grounded in scientific research that concludes that the increase in the global temperature needs to be limited to a maximum of 1.5°C above pre-industrial levels. Achieving net zero means reducing emissions in the real economy to as close to zero as possible and utilising carbon removal technologies to absorb any remaining emissions.

Our strategy focuses on decarbonising our investment portfolio and increasing investments in climate solutions. Because our portfolio emissions are largely indirect, our success depends on the actions of our investees to commit to science-based targets aligned with the Paris Agreement. With a large and diverse general account insurance portfolio, NN has opportunities to influence and support the transition to a low-carbon economy.

### Real world principle

In achieving our climate objectives, we are committed to using approaches and methods that provide us with the best chance of maximising real-world impact. There is a big difference between achieving net zero in the real world and in an investment portfolio. While reducing investments in carbon-intensive sectors like power generation, steel, and cement may quickly lower our portfolio emissions, these sectors remain essential and need capital to transition. We believe that supporting companies with ambitious and credible decarbonisation plans and engaging with existing portfolio companies to accelerate progress, has a bigger impact on achieving net zero in the real world than simply divesting.

### The key components of our net-zero approach

#### 1. Decarbonise by investing in better climate performers

Decarbonising our portfolio in line with trajectories consistent with the Paris Agreement means not just considering a carbon footprint but taking a forward-looking view and assessing credible transition strategies. We seek to invest in assets which have better climate strategies and/or green bonds.

#### 2. Engage with issuers to guide them in their transition

Engagement is an important instrument that we believe is key to ensuring decarbonisation in the real economy. We develop clear climate change expectations for our stewardship activities with milestones and targets. For transitioning companies, we want to see improvement against transparent and measurable criteria.

### 3. Investing in climate solutions

Investing in climate solutions is a core pillar of our Paris alignment strategy. We have developed an internal framework to identify and classify investments that contribute to climate mitigation and/or adaptation. As an initial step in this classification process, and in line with guidance from the Paris Aligned Investment Initiative (PAII), we focused on energy efficiency and renewable energy. Based on this framework, we have set a target for increasing our investments in climate solutions.

### 4. Selective divestment

We prefer engagement over divestment. However, if a company's activities and conduct do not align with our norms-based RI criteria and engagement fails to achieve the necessary change, we will divest as a last resort, subject to our contractual and legal limits. NN Group has clear restrictions on the most environmentally harmful fossil fuel activities, including exclusions for thermal coal mining and unconventional oil and gas. Additionally, we have a phase-out strategy for thermal coal mining and coal-fired power generation, aiming to reduce our exposure and transition to more sustainable alternatives. Our [Oil and gas policy for Proprietary Assets](#) enforces strict criteria for new investments in the oil and gas supply chain, ensuring they meet our high sustainability standards and align with our commitment to transitioning to a low-carbon economy.

### 5. Consider climate risks

To make our portfolios more resilient to climate risks, we assess the financial implications of material climate-related risks across asset classes. We use Network for Greening the Financial System (NGFS) and Intergovernmental Panel on Climate Change (IPCC) scenarios to quantify climate change risk exposures, over the short and medium term.

Furthermore, we incorporate climate change and net-zero considerations into our Strategic Asset Allocation (SAA). NN Group also conducts scenario analyses to further identify potential sensitivities to physical and transition climate risks in our portfolio.

To make informed decisions regarding our resilience to climate-related risks, it is essential to have access to comparable climate data. This is something we actively source and incorporate into our processes. We therefore also support the Task Force on Climate-related Financial Disclosures (TCFD) framework's role in supporting global climate reporting.

## 6. Join forces to develop best practices

We are part of the Paris Aligned Asset Owner (PAAO) initiative and work with our peers to drive best practice on measuring financed GHG emissions and Paris alignment strategies. Our continued involvement in the Platform Carbon Accounting Financials (PCAF) and the PAII, through our membership of the Institutional Investor Group on Climate Change (IIGCC), also help us to collaborate with other financial parties.

## 7. Public policy advocacy

Government policies are key to achieving the goals of the Paris Agreement. As a financial institution, we can play a part in this process by expressing our support for ambitious policy action. We join other investors and businesses in supporting the need for stronger climate policies.

## PAII's Net Zero Investment Framework (NZIF)

NN Group's approach to align its investment portfolio with the goals of the Paris Agreement is guided by the NZIF developed by the PAII. Since its launch, we have been implementing asset class-specific strategies and developing a dedicated approach for investments in climate solutions. The framework was updated in March 2024, with the latest version referred to as 'NZIF 2.0'. We have made several updates to this Paris Alignment Standard to align with the latest framework, with further steps expected to be taken in the future.

## Objectives and targets

To guide the transition of our investment portfolio towards net zero, we set clear decarbonisation objectives and targets across asset classes, guided by the NZIF framework.

For example, for our corporate investments, residential mortgages, and direct real estate portfolios, we have defined 'decarbonisation reference objectives'. These objectives help us track progress, understand changes in portfolio emissions, and evaluate the effectiveness of our Paris alignment strategies. These objectives are not meant to be used as a tool to reduce year-on-year financed emissions that may be achieved by portfolio changes that are not likely to reduce real economy emissions.

We focus on asset alignment to decarbonise our investment portfolio. For corporate investments, we set 'asset alignment targets' to increase the share of assets aligned with net-zero pathways. This involves assessing the company's future potential to decarbonise, prioritising investing in companies that are better aligned, engaging with non-aligned companies, and investing in climate solutions.

As we advance, similar reference objectives and targets will be extended to other asset classes, reflecting updates in NZIF 2.0. Asset alignment and engagement targets may vary by asset class, with specific definitions detailed in relevant strategies throughout this document.

# 3. Corporate investments

The scope of NN Group's Paris alignment strategy for corporate investments covers corporate bonds, listed equity and loans<sup>3</sup> managed through discretionary mandates, with the portfolio primarily composed of corporate bonds. For this corporate portfolio, we have implemented a Paris alignment strategy focused on real economy decarbonisation in order to align our investments with our climate goals.

## Strategy outline

- NN assesses companies to determine their alignment with net-zero global emissions trajectories, and revenues that can be categorised as climate solutions.
- For existing holdings that are managed actively on our behalf, we identify priority assets for engagement based on the alignment criteria. This means we develop an engagement plan, milestones and escalation timeframes. Divestment is used selectively, as a last resort or in specific circumstances.
- For new investments, we prefer to invest in companies that are considered 'best-in-class' based on their alignment criteria and/or make a substantial contribution to climate solutions.
- Over time, the companies that are aligned to net zero should represent an increasing share of the portfolio. As they implement their decarbonisation strategies, the portfolio's financed emissions are expected to gradually decrease.

## Steps in Paris alignment strategy

In developing the strategy, we have undertaken the following steps.

### Step 1: Define pathway

To monitor the effectiveness of our strategy, NN has established decarbonisation reference objectives for

corporate investments, aiming to reduce emissions by 25% by 2025 and 45% by 2030. These objectives are based on a baseline of 125 tCO<sub>2</sub>e per EUR million invested at year-end 2021, reflecting 2019 underlying emissions data due to a time lag.

To establish these objectives, we used different methods including the IIGCC recommended carbon budget approach, scenario tools from third-party data vendors, and IIGCC PAIL fair share calculations. By analysing sector-level carbon intensities and industry peer averages, we assessed the relative carbon efficiency of our corporate investment portfolio and explored various decarbonisation pathways to achieve net-zero emissions by 2050.

Our decarbonisation reference objective does not include Scope 3 emissions, which form the majority of corporate emissions in most sectors. Although we collect and disclose Scope 3 data, its quality is low due to reliance on estimates. Assessing these emissions, however, is important, especially when they are significant and the company can influence them. Industry standards and NN's methodology both need further development in this area.

We do not use offsetting (e.g. buying carbon credits) to reduce the financed emissions of our investment portfolio, nor do we encourage companies we invest in to do this. However, offsetting could help companies achieve alignment in cases where there is no technologically or economically viable alternative to an activity. Here too, more clarity and guidance are needed.

We calculate emissions for green bond holdings using the same approach as for regular bonds. As methodologies develop, we monitor updates from PCAF and intend to implement best practice recommendations when available.

## NN's Paris alignment strategy for Corporate Investments

### Step 1: Define pathway

- Net zero by 2050
- 1a: Decarbonisation
- 1b: Investing in climate solutions

### Step 2: Assess issuers

- Current and forward-looking alignment criteria
- Exposure to climate solutions

### Step 3: Align investment

- Stewardship
- Redirecting investment to 'best-in-class' climate performance or green bonds
- Selective divestment

<sup>3</sup> For corporate loans, we believe that the same principals should apply, though we recognise there is a lack of data in particular for private market investments. We will further investigate possible additional tools or data to help assess climate alignment and GHG emission performance for loans.

## Step 2: Assess issuers

NN has created a framework to categorise portfolio companies based on their alignment, or potential to align, with net-zero targets. Categories range from 'not aligned' to 'achieving net zero,' assessed on six key elements: ambition, targets, emissions performance, disclosure, decarbonisation strategy, and capital allocation. There are more details on the categorisation framework in the Annex.

This evaluation will continue to evolve as new data sources and information such as EU Taxonomy-aligned revenue and CapEx become available. Other key criteria for a company's net-zero transition, that we may also consider integrating as data availability increases include:

- Climate policy engagement: Alignment of direct and indirect lobbying activities with the Paris goals.
- Climate governance: Oversight of net-zero planning, with executive remuneration tied to achieving targets.
- Just transition: Efforts to prevent negative impacts on workers and communities during carbon reduction steps.
- Climate risk and accounts: Transparency on transition risks via TCFD reporting and integration into financial accounts.

## Step 3: Actions to align

To achieve the decarbonisation reference objectives for corporate investments, NN has established the following asset alignment targets:

- **Asset alignment target:** By 2030, 60% of assets under management (AuM) that are classified as 'aligning' or 'aligned' to a net-zero pathway, or 'achieving net zero'.
- **Engagement threshold target:** By 2030, 75% of financed emissions should be invested in companies classified as 'aligned' to a net-zero pathway or 'achieving net zero', or that are subject to direct engagement actions.

## Climate solutions

The NZIF also recommends setting a target for increasing climate solutions revenues/AuM, preferably aligned with the EU Taxonomy. However, as corporate disclosures on EU taxonomy aligned revenues are still developing, we recognise the role of verified green bonds as a measure of investment in climate solutions and seek to promote growth within this market.

When classifying green bonds on behalf of NN Group's portfolio, portfolio managers should use the **NN Green, Social, and Sustainability Bond Standard**. This standard follows the ICMA Green Bond Principles and outlines criteria for identifying green bonds at NN. For more information, see the chapter on 'Investments in climate solutions.'

Because green bonds must meet stringent standards in terms of both project eligibility and issuer intent, NN's Paris alignment categorisation method classifies green bonds as 'aligned'.

Policy guidelines:

- Portfolio managers and analysts are asked to use the categorisation methodology and allocate new assets based on a best-in-class approach. This involves investing in Paris aligned or aligning companies, those with higher EU Taxonomy aligned revenues, or green bonds, if all else is equal (sector level 'best-in-class approach').

## Active ownership

Engagement constitutes a key component of NN Group's active ownership strategy. Through dialogues with investee companies, we aim to drive climate alignment and further net-zero goals. These actions are focused on influencing corporate behaviour and aligning portfolio assets with credible pathways to sustainable practices.

### Engagement and monitoring process

NN implements a structured approach to engagement by identifying priority assets based on their carbon impact and NN's size of investments. We develop tailored engagement plans with our asset manager and service providers for these priority companies, setting clear milestones and escalation strategies.

To maintain transparency and track progress, NN Group monitors its engagement activities in three key areas:

1. **Engagement threshold target:** Reviewing whether major emitters that are not yet aligned with the Paris Agreement are actively engaged.
2. **Engagement milestones:** Evaluating progress in steering corporate actions towards alignment goals, with a focus on measurable changes supported by defined escalation processes.
3. **Company climate performance:** Monitoring progress and credibility in transition and emissions reductions using various key performance indicators (KPIs).

Given the scale of financed emissions and NN's resources, initial engagement monitoring focuses on the top 25 corporate holdings, accounting for the majority of the financed emissions of our corporate investment portfolio.

### 1. Engagement threshold

We define climate-related engagements as those dialogues with an explicit objective to steer companies to decarbonise converging to a pathway consistent with global GHG emissions reaching net zero by 2050. These can be carried out in four main ways:

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

To address gaps in meeting engagement thresholds:

- For issuers covered by our external parties' net-zero engagement programmes, quarterly discussions will be held to review engagement updates.
- For issuers that are not engaged on climate topics, opportunities will be explored to add climate-related questions to existing engagements on other topics such as global norms, material risks, or controversies.

Issuers deemed to be underperforming on defined KPIs may be considered for escalation actions as outlined in the next section.

## 2. Engagement milestones

NN Group monitors the effectiveness of its engagements by assessing whether investees are making progress toward defined key engagement objectives. These objectives are mapped across our climate engagement activities and tracked over time. We expect to see evidence of progress for each engagement objective – or escalate the engagement - within 12 - 36 months, as defined in our internal 'Engagement monitoring guidelines'.

Progress is measured against the key engagement objectives, with expectations adjusted according to the stage a company is at in its climate strategy. For example:

- In **risk management**, early signs of progress may include conducting climate scenario analyses aligned with the TCFD. More advanced progress could involve integrating these findings into business planning and ensuring regular board-level reviews.
- For **disclosure**, progress may begin with assessing material GHG emissions across Scope 1, 2, and 3. This can evolve into developing internal capabilities to calculate emissions and ultimately disclosing them in line with industry standards.
- Regarding **targets**, a company may first publicly commit to science-based targets (e.g. via the Science Based Targets initiative (SBTi)), then validate those targets, and later report performance against them.
- In terms of **strategy**, initial steps could include publishing a decarbonisation roadmap. More advanced evidence might involve allocating capital to climate solutions or demonstrating reductions in emissions by key levers, such as energy efficiency improvements, using renewable energy, process/materials changes.
- For **governance**, progress may start with proposals to link executive remuneration to climate goals, followed by actual implementation of such links—first qualitatively, then quantitatively.

Escalation mechanisms may include:

- Sharing red flags<sup>4</sup> in engagements with internal stakeholders such as NNIO portfolio managers and the Controversy & Engagement (C&E) Council periodically.

- Taking action with external partners, such as increased company dialogue, letters, meetings with senior management or the Board, AGM statements, or voting decisions.
- Engaging collaboratively or directly to enhance influence by partnering with other investors or addressing concerns directly to the company.
- As a last resort, if other escalation efforts fail, we may propose restricting new investments or divesting. Changes to NN Group's internal restricted list are shared with external managers. Some names on the list may not be public, but details may be included in Active Ownership reports.

## 3. Company's climate performance

Engagement objectives may focus on operational and accountability measures for Paris alignment, but alignment status is the key metric. NN Group assesses investee alignment by checking for worsening or static performance against predefined KPIs. The RI Team performs this assessment at least annually, or when new data is available. The KPIs can be summarised as follows:

- Qualitative Paris alignment assessment by our external asset manager
- Quantitative emissions performance across various timeframes
- Sector-specific alignment milestones in 1.5°C scenarios for electric utilities, cement, steel, oil and gas and automotives (e.g. coal phase-out timeline, transition from fossil fuels)
- Net-zero-related disclosure.

As climate data continue to evolve, we will regularly review the suitability and effectiveness of KPIs for refining our monitoring process.

NN Group will address any concerns identified in this process through a phased approach:

- Phase 1: discuss with our external partners on the implications on alignment status and what satisfactory next steps could be in upcoming engagement
- Phase 2: request an engagement case study from our external asset manager or updates from our engagement service provider to highlight insights from engagement, evidence of progress, etc.
- Phase 3: adjust status to red flag if there is no improvement in the latest update of the underlying data for our external manager's Paris alignment assessment.

### Voting and monitoring process

For listed equities, our external asset manager carries out voting in accordance with our [Voting Policy for Proprietary Assets](#), which includes climate considerations and outlines our monitoring procedures. To strengthen consistency between voting and engagement, quarterly ESG meetings are held with our external asset manager's portfolio management

<sup>4</sup> By 'red flags', we refer to situations where our assessment of climate performance – based on our internal KPIs – or our engagement milestones show no noticeable improvement in the underlying data.

team. These meetings focus on reviewing opportunities to align voting practices with NN's net-zero ambitions and stewardship efforts.

### Physical climate risks

NN recognises the possible financial implications of physical climate risk on investment portfolios. Alongside sectoral and regional analysis, we leverage issuer-level mapping tools and analyse how different climate scenarios could affect our invested portfolio. These analyses are intended to help us understand vulnerabilities and exposure over various time frames. The insights enhance our risk awareness and help us further explore approaches to quantify our potential future risk. We aim to further develop clear policy guidance and accessible tools and advise portfolio managers to incorporate scenario analysis outcomes into ESG due diligence.

Policy guidelines:

- Investment due diligence should incorporate physical climate risks within the ESG integration approach, assessing material risks and opportunities.

### Selective divestment

If our investments in companies do not align with net-zero goals, we initially use stewardship actions to drive alignment. However, divestment or exclusion may also be considered based on<sup>5</sup>:

- Assessment of climate-related financial risk
- Escalation following engagement
- Inconsistency of companies' primary activity with credible net-zero pathways over time.

Regarding the latter, NN excludes companies whose business models depend on the exploitation of unconventional oil and gas and/or thermal coal mining. Furthermore, we have identified a timeframe for the phase out of thermal coal for both power generation and mining. Refer also to the chapter on our fossil fuel policies.

---

<sup>5</sup> Additionally, while our investment strategy generally follows a buy and hold approach, the sale of holdings may also take place as a result of other asset and liability management (ALM) decisions, portfolio rebalancing, or changes in the investment case.

## 4. Sovereign bonds

The scope of NN Group's Paris alignment strategy for sovereign bonds covers the sovereign bond portfolio, but excludes government-owned entities, which follow the corporate investments' Paris alignment approach.

### Paris alignment for sovereign bonds

The UN Emissions Gap Report 2024 highlights that countries have made insufficient progress in reducing emissions and meeting their net-zero pledges. Both developed and developing countries need to accelerate their climate actions to reach the goals of the Paris Agreement.

It should be noted that not every individual country needs to achieve zero absolute emissions for the global economy to achieve net zero. It may not be economically efficient for all countries to achieve net zero. It may be cheaper for some to capture and store CO<sub>2</sub> than it is for others to cut back emissions. The growth of carbon markets could facilitate transactions between such countries.

### Strategy outline

- The ultimate ambition is for all countries to reduce their emissions in line with a 1.5C pathway reaching global net-zero emissions by 2050.
- Given the limited number of sovereigns on track to meet this goal, we strive to allocate capital based on countries' relative performance, provided this fits within the mandate's risk/return objectives and legal allocation limits.
- From 2025 onwards, we transitioned to a revised Paris alignment framework to monitor the transition of our portfolio and further explore ways to refine our approach
- This framework applies a categorisation methodology in which bonds are classified according to a set of climate-related indicators following the NZIF 2.0 approach
- We recognise the role of eligible green bonds as climate solutions and aim to incentivise investment and growth in this part of the market.
- Finally, we seek to engage with sovereign issuers on the basis of the performance metrics to use our influence to encourage action towards alignment over time.

### Carbon footprint measurement

The carbon footprint of government bonds is calculated using PCAF's methodology, which considers a sovereign as a national territory, attributing its direct emissions (Scope 1) to those within its borders. We evaluated included net imported electricity (Scope This reflects the production approach. The PCAF recommends to also disclosure the financed emissions using the consumption-based approach which includes both net imported electricity (Scope 2) and

non-energy imports (Scope 3). However, incorporating these additional scopes presented data quality concerns, reporting delays, lower coverage, and a greater reliance on estimated figures. We therefore decided not to include Scope 2 and 3 emissions in our calculations at this stage yet.

Sovereign financed emissions are similar to corporate financed emissions in that they are determined by attributing a portion of a country's emissions to NN Group based on our investments in that sovereign entity. The calculation of financed emissions involves dividing the total investment amount by the PPP-adjusted GDP of the country, which serves as a proxy of the borrower's economic scale.

We report sovereign emission data, including and excluding land use, land use change and forestry (LULUCF) emissions, in line with PCAF requirements. Our figures that include LULUCF emissions consider the role of land use and forestry as a carbon sink.

Lastly, we note that a part of our government bond portfolio is allocated to green bonds. As there is no widely accepted way to account for the unique characteristics of green bonds, we report them as regular bonds to maintain reporting consistency.

### Sovereign green bonds

We recognise the role of eligible green bonds as an instrument for investment in climate solutions and seek to promote growth within this market. External asset managers responsible for NN's green bond investments are required to comply with the **NN Green, Social, and Sustainability Bond Standard**. This standard aligns with the ICMA Green Bond Principles and further specifies criteria for asset managers classifying bonds as green bonds on behalf of NN. Additionally, this standard complements the RI criteria outlined in the **RI Framework Policy** and this document. Refer also to the chapter on our 'Investments in climate solutions'.

Because green bonds must meet stringent standards regarding both project eligibility and issuer intent, NN's Paris alignment categorisation method for sovereign bonds (as described on the next page) recognises green bonds as 'aligned'.

### Climate goals – Paris alignment categorisation

We are redefining our Paris alignment strategy for sovereign bonds to align with the NZIF 2.0. This approach categorises sovereign bonds using climate-related indicators, similar to corporate investments. The categorisation framework evaluates countries' alignment

with net-zero goals based on current and forward-looking criteria, ensuring consistency with assessments for corporate entities under the same framework. By systematically assessing sovereign alignment, we aim to incentivise progress toward net-zero targets and actively engage with sovereign issuers to foster meaningful action.

Countries are evaluated using a selection of external data points, mapped against six defined criteria that determine their categorisation across a spectrum. This spectrum ranges from 'not aligning' to a net-zero pathway to 'achieving net zero', with intermediate stages like 'committed to aligning' and 'aligned'. High-impact countries are held to more rigorous standards to promote greater accountability and progress toward climate goals. This comprehensive process helps to make the assessment both detailed and tailored to the specific climate performance of each nation.

We have not yet set alignment goals for our sovereign bond portfolio due to several challenges. We use PCAF's product-based approach to measure and disclose GHG emissions. However, data delays, uncertainties in terms of completeness, and gaps in consumption-based emissions make it difficult to get a complete picture. Our buy-and-hold strategy further constrains our ability to adjust the portfolio's composition. In addition, local laws and liability matching may require our insurance units to hold domestic issuance. Using the experience we have gained from implementing Paris alignment goals for our corporate investments, we are in the process of testing various options, such as attribution analysis, to assess whether it is possible to establish meaningful targets within these constraints.

### Physical climate risks

NN's sovereign bond portfolio is predominantly exposed to developed market issuers where the physical risks associated with climate change are generally less likely to have severe implications for sovereign debt. In contrast, the impacts of climate change are expected to be more pronounced in developing markets, with countries often more vulnerable due to limited adaptive capacity and economic resilience. We therefore believe it is important to consider physical climate risks in our risk management and monitoring framework.

In the investment due diligence process, it is important to consider physical climate change risks. Tools like Notre Dame University's ND-GAIN Country Index can support portfolio managers and analysts in identifying a country's vulnerabilities to climate change impacts and its readiness to improve resilience. Particularly where vulnerability is high, the portfolio manager/analyst is asked to provide a view on how this could influence the investment case also in the context of the intended investment horizon.

To assess our sovereign holdings exposure to physical climate risks and opportunities, NN Group regularly performs climate risk assessments. In addition to the ND-GAIN Index, we also use the INFORM Risk Index developed by the Joint Research Centre of the European Commission (JRC) and the Euro Mediterranean Centre on Climate Change. We are continuously working to further refine our approach.

### Engaging with sovereigns

Engagement is one of the key levers to steer decarbonisation in our sovereign portfolio. Our sovereign engagement effort is mainly carried out by our external asset manager and previously focused on providing feedback on sustainable, social and green bond frameworks. In 2024, this approach was expanded to include more climate-specific questions on ambition, climate risks and opportunities, and decarbonisation strategies. We will work with our manager to further clarify objectives and how to take the interconnectedness of climate and nature into account in these engagements.

We are exploring engagement opportunities through collaborative initiatives and policy engagement working groups that can supplement the activities of our asset manager. For instance, by supporting advocacy efforts, such as the Global Investor Statement to Governments on the Climate Crisis, which calls for Paris aligned policies that will accelerate private sector action and large-scale investment for a fair and just transition.

# 5. Real estate

NN Group’s Paris alignment strategy for real estate covers both the directly managed portfolio – which includes fully and jointly owned buildings – and the indirect portfolio, consisting of properties held through private investment vehicles. Approaches to implementation may differ between direct and indirect investments. NN Group has appointed external real estate managers to manage these investments, which span a variety of real estate types– including commercial (such as industrial/logistics, offices, retail, hotels, and other sectors) and residential properties – across Europe.

## Real estate in Europe

Buildings account for 36% of GHG emissions in Europe and 17% globally ([Emissions by sector - Our World in Data, 2020](#)). Consequently, reducing emissions from this sector is a key element for meeting the Paris Agreement goals. As the European Union has committed to achieving net-zero GHG emissions, it is anticipated that governments will introduce or reinforce policies focused on decreasing emissions from buildings.

## Strategy outline

- Aligning a real estate portfolio means improving the efficiency of buildings and making more use of renewable energy to reduce the GHG emissions to net zero by 2050.
- By assessing the current and forward-looking alignment of GHG emissions and energy intensity to a relevant net-zero pathway, we can implement a strategy accordingly.
- We take action to increase the alignment of assets through investment or management plans, and engagement with tenants and fund managers. In addition, we will increase allocation towards more aligned assets.
- Moreover, we will focus on delivering resilience, by considering physical risks associated with climate change.

## Carbon footprint measurement

NN Group measures the GHG emissions associated with our non-listed real estate portfolio and publicly discloses portfolio financed emissions (in tCO<sub>2</sub>e) and emissions intensity (in tCO<sub>2</sub>e/EUR million invested). We make use of the GRESB Real Estate Assessment to gather emission data reported by our real estate investments. Reported GHG emissions intensity includes Scope 1, 2 and 3 emissions, the last of which includes tenant-related emissions. GRESB does not yet require reporting from other categories such as emissions from construction of the building and materials used (embodied GHG emissions). We also calculate physical emissions intensity (kgCO<sub>2</sub>e/m<sup>2</sup>) to assess the alignment of assets to net-zero pathways and for setting targets.

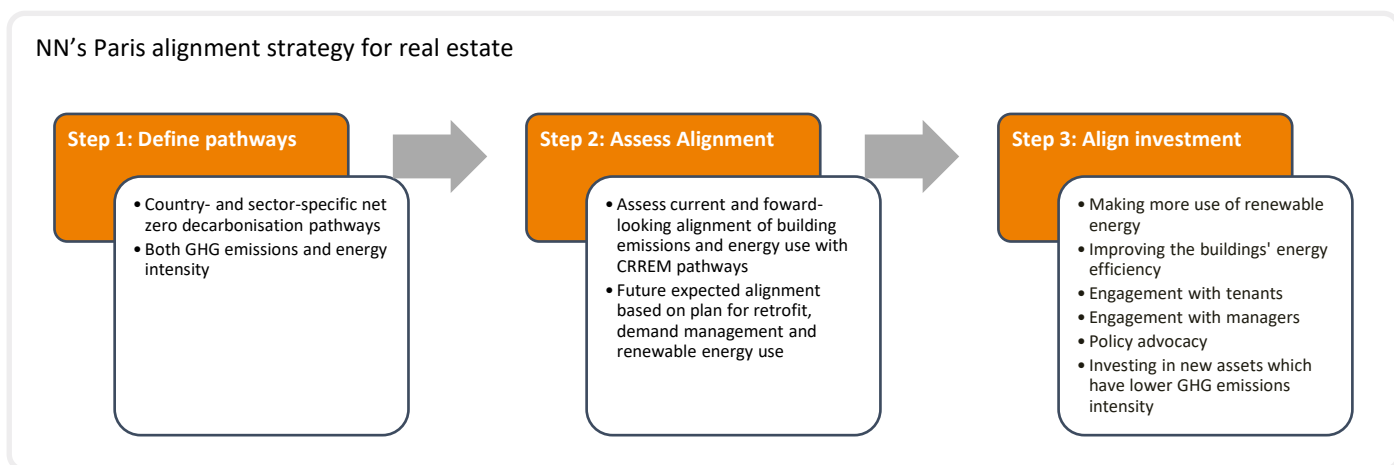
## Steps in Paris alignment strategy

The overall aim of the Paris alignment strategy for real estate is to increase the % of AuM that is invested in assets that are net zero or expected to align to a net-zero pathway by 2050. In developing the strategy, we used the NZIF guidance for real estate and have undertaken the following steps (see also the figure below):

### Step 1: Define pathways

The Carbon Risk Real Estate Monitor (CRREM) tool helps investors evaluate asset GHG emissions and intensity over time, based on current building status. For future alignment, the tool also considers expected retrofit<sup>6</sup> and efficiency investments. This forms the basis for monitoring the pathway of a portfolio and informs decisions such as new acquisitions.

We use CRREM to assess how our direct real estate assets align with a 1.5° decarbonisation pathway considering location and building type. We then set reference objectives to guide and monitor progress. We will also encourage the managers of our indirect investments to use CRREM.



<sup>6</sup> Retrofitting means making alterations to an existing property to improve its energy efficiency and reduce energy use.

## Step 2: Assessment of alignment

When evaluating current and future asset alignment with net-zero pathways, it is important to consider both emissions and energy intensity, and to factor in:

- Assumptions regarding energy mix and demand in various buildings and locations.
- The potential for retrofitting or other investments to reduce emissions and energy consumption.

GHG intensity pathways should cover Scope 1, 2, and relevant Scope 3 emissions where data is reliable.

## Step 3: Actions to align

To align the real estate portfolio, different methods will be applied for direct and indirect investments. For direct investments, the primary strategies include reducing GHG emissions by improving building efficiency and utilising renewable energy to support real estate decarbonisation. For indirect investments, the focus will be on engagement with fund managers. The main approaches are:

### A. Improving a buildings energy performance

Within our Paris alignment strategy, we strongly focus on improving the energy efficiency of the buildings in the portfolio by reducing the energy use. The improvements include better insulation (roof, walls, floors, windows), installing a more energy efficient heat and ventilation system, implementing energy monitoring systems, phasing out gas consumption and installing led lighting and light sensors.

### B. Making more use of renewable energy

Decarbonising a real estate portfolio also means making more use of renewable energy. NN seeks to maximise renewable energy use in its owned buildings by installing solar panels to power operations and, where cost-effective and feasible, returning surplus energy to the grid. If these measures are insufficient, green energy may be purchased as a last resort.

### C. Engagement with tenants (directly managed portfolio)

For assets that we directly own, engagement with tenants is a key component. Through engagement we aim to:

- Improve the process of data collection for energy use.
- Encourage tenants to share energy use data with building owners.
- Increase the use of clauses incentivising sustainable operational and procurement practices upon lease break/expiry for the commercial real estate assets.
- Facilitate actions and investments that reduce energy costs for tenants and owners and reduce emissions in line with science-based net-zero goals. Such measures can also improve people's health and well-being (such as air quality), so they work/shop/live in a safe and healthy environment, improve tenants' facilities, reduce worker sick days and create jobs for technology and installation companies.
- Encourage corporate tenants to adopt science-based emissions reduction targets consistent with reaching net-zero GHG emissions by 2050, including relevant targets for energy use in occupied buildings.

- Strengthen cooperative policy engagement to improve the policy framework for investments in building retrofits.

The GRESB Real Estate Assessment evaluates the coverage of portfolios that have tenant ESG engagement programmes, tenant satisfaction surveys, ESG requirements in standard lease contracts, and portfolios that provide tenant fit-out guides, minimum standards, and procurement assistance. We aim for positive GRESB indicators for tenant engagement related to climate action, energy use, and demand-side management.

### D. Engagement with managers

Engagement with underlying managers is a key action to align with net zero for our indirect portfolio. We work with our real estate manager to engage with fund managers before investing and during our holding period.

Before making a new investment, engagement focuses on:

- Identifying physical climate risks that the investment vehicle is exposed to and understanding manager's mitigation strategies
- Requiring managers to set a net-zero emissions target and establish a net-zero transition plan

During the holding period the focus of engagement is on performance and opportunities for improvement. This involves discussions on:

- Exposure to physical and transitional climate risks
- Green building certifications and energy efficiency ratings
- Energy savings and reduction in GHG emissions
- Net-zero emissions target and transition plan

### E. Policy advocacy

We engage with policymakers on integrating CRREM 1.5°C pathways, or equivalent standards, into meaningful and binding targets, policy frameworks, and corresponding timelines for the real estate industry. Decarbonising real estate to achieve net-zero emissions is highly challenging. Furthermore, it may not be feasible for all buildings to align with CRREM pathways, although there are several retrofitting cycles to come and more solutions could be developed in the interim. As part of our Paris alignment strategy, we:

- Seek opportunities to engage with policymakers, industry bodies, and other investors to address challenges like data availability in aligning assets with CRREM pathways
- Promote environmental valuations, whereby GHG emissions (as a negative) and removed emissions (as a positive) are attributed to valuations to reflect true value.
- Advocate for climate adaptation laws and policies through ongoing dialogue with policymakers.

### F. Investing in new buildings or real estate funds which have lower emissions-intensity

For the acquisition of new buildings, it is important that the investment is in line with the decarbonisation pathway relevant to the asset.

It should be noted that as part of our investment strategy, we may from time-to-time for various reasons divest buildings that have low ESG performance and/or high GHG emissions. However, we recognise that divestment of higher emission intensity buildings should not be a primary lever to reach decarbonisation reference objectives, as this will, at best, only have an indirect impact on real world emission reductions.

Finally, we note that we only consider purchased removal offsets for residual GHG emissions where there are no technologically and economically viable alternatives expected in the end-stage. However, we will keep an eye on new insights and expectations regarding the role of offsets for investors aiming for net-zero emissions portfolios.

For an overview of our broader ESG integration practices, please refer to the [RI Guidelines for Real Estate](#) published on our website.

Policy guidelines:

#### Direct portfolio

- Real estate managers collect necessary data to assess the portfolio using the CRREM tool.
- Decarbonisation reference objectives are set together with managers, following the CRREM 1.5°C pathways:
  - Aiming for 10.9 kgCO<sub>2</sub>e/m<sup>2</sup> by 2030, covering Scope 1, 2 and 3 (tenant emissions).
  - Net zero of Scope 1, 2, and 3 (tenant emissions) by 2050.<sup>7</sup>
- These objectives are established during strategic reviews and are translated into agreements with relevant parties involved in the management of the assets.
- All standing assets currently hold sustainability certificates<sup>8</sup>, and we strive to maintain full coverage.
- Our real estate managers conduct climate assessments addressing both physical and transition risks. For assets where there is a high degree of physical risk, a mitigation plan to enhance resilience should be formulated and included in annual business plans.

New acquisitions:

- New acquisitions must have, or plan to obtain, a sustainability certificate within a reasonable timeframe. Physical risk analysis and mitigation are part of the due diligence.
- Real estate managers are required to develop clear management and investment strategies supported by strong ESG policies aimed at reducing emissions intensity. These should help ensure that, over time, the portfolio aligns with CRREM pathways or equivalent standards. These strategies may include retrofits for building efficiency, increased renewable energy use, and demand-side energy management and must be adopted by relevant stakeholders and integrated into agreements with those parties managing the assets.

<sup>7</sup> Note that any remaining emissions can be offset through removals.

<sup>8</sup> Such as Leadership in Energy and Environmental Design Certifications (LEED) or Building Research Establishment Environmental Assessment Method (BREEAM).

#### Indirect portfolio

- All fund investments include requirements related to net zero targets, transition plan and climate risk reporting in legal documentation
- Our real estate manager performs an annual maturity mapping for the portfolio based on GRESB and independently sources ESG data to assess progress and inform engagement priorities.
- Fund engagement focuses on net-zero strategy, GRESB reporting and climate risk management. The objective is for all investment vehicles to have targets to be net zero by 2040 or earlier for Scopes 1 and 2, and by 2050 or earlier for Scopes 1, 2 and 3.
- Together with the real estate manager, we have set goals for increasing the share of funds with a net-zero strategy
  - By 2030, our target is for the majority of funds (>75% based on gross asset value (GAV)) to achieve net zero by 2040, with the remainder aiming for 2050 or sooner. We also aim to meet SBTi data coverage requirements across all scopes by 2030.
  - Progress is monitored by using CRREM intensity metrics across the net-zero pathways
- By the end of 2024, almost all of our indirect portfolio (98%) was aligned with IFRS S2 recommendations, a level we aim to maintain. Fund manager engagement includes addressing physical risk when critical and high-risk exposures are identified within portfolios. We expect all underlying investments to have climate risk mitigation plans for all relevant assets.

#### Certified green buildings (as climate solutions)

Certified green buildings count as climate solutions investments, supporting NN Group's 2030 target. To align with the EU taxonomy, we classify real estate as a climate solution if it ranks among the top 15% of buildings in a country based on energy performance. However, as Energy Performance Certificates (EPCs) and building certifications do not currently align exactly with the top 15%, this percentage is difficult to determine for commercial real estate in a specific country. Therefore, we apply a more cautious definition for climate solution investments by taking assets with a Class A EPC, or if unavailable a high level of sustainability certification.

#### Physical climate risks

NN actively considers physical risks associated with climate change in its real estate portfolio. With the help of our real estate manager, we perform a bottom-up physical risk assessment of our portfolio, utilising geospatial analysis to assess location-specific vulnerabilities. Our manager uses a third-party data tool offering detailed European coverage, to evaluate nine categories of climate hazards (including river flooding, coastal flooding, surface flooding, subsidence, landslides, storms, drought, extreme heat, and wildfires) projected between 2020 and 2050 under a 'hot house scenario'. This evaluation informs further engagement with managers to put in place a mitigation plan where relevant.

# 6. Residential mortgages

NN Group's Paris alignment strategy for residential mortgages includes mortgages originated by NN Bank and external providers. Residential mortgages constitute a significant asset class within NN Group's investment portfolio, primarily comprising mortgages in the Netherlands. NNIO oversees the management of the mortgages within the general account portfolio.

## Residential mortgages in the Netherlands

The built environment is a major source of greenhouse gas (GHG) emissions in the Netherlands, accounting for 12% of total emissions. These are primarily attributed to heating powered by natural gas. In 2023, households were responsible for approximately 72% of emissions within the built environment sector.<sup>9</sup> NN Group recognises the need to set portfolio decarbonisation reference objectives to contribute to net-zero emissions by 2050. Beyond the need to decarbonise, there are also financial/risk considerations. Energy-efficient houses generally command higher prices and are subject to lower regulatory risks.

## Steps in Paris alignment strategy

NN Group is incorporating net-zero considerations into its investment process for the mortgage portfolio in multiple ways, as shown in the figure below.

### 1. ESG integration

ESG integration in portfolio management involves monitoring and evaluating ESG aspects periodically and engaging with originators. Our guidelines require both originators and external managers to integrate ESG factors into their processes and report on progress.

ESG integration in portfolio management addresses not only the characteristics of the mortgage loans and underlying properties but also the policies, procedures, and strategies of all involved parties. Environmental considerations focus on enhancing energy efficiency, while social aspects emphasise accessibility and support for borrowers suffering financial hardship. Governance efforts include risk management, compliance, and transparency.

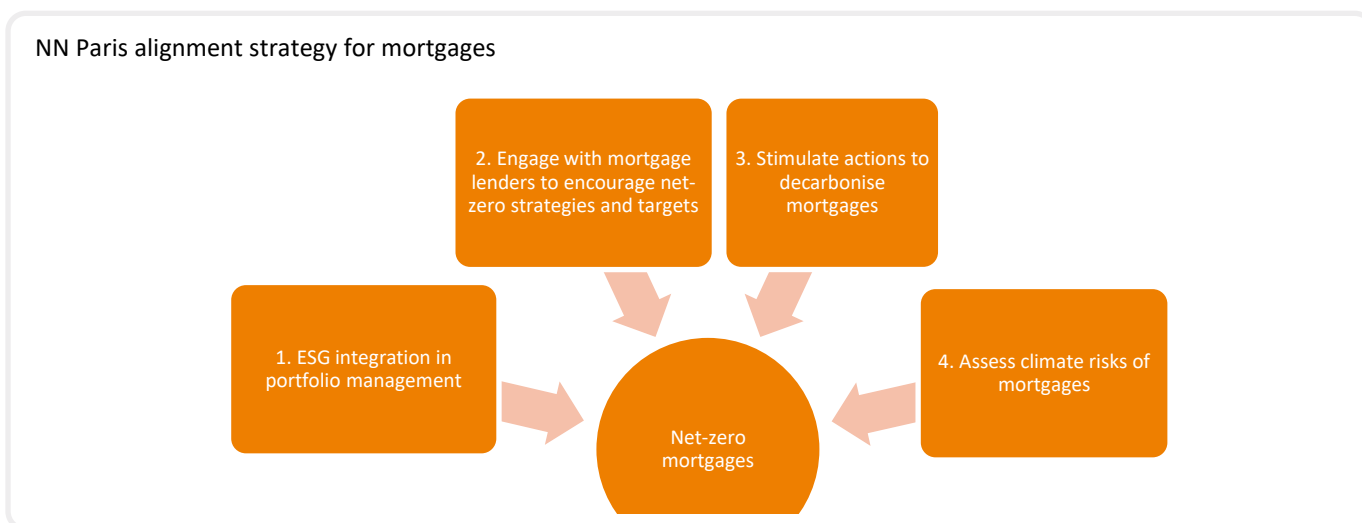
NN Group has measured the carbon footprint of its Dutch mortgage portfolios since 2019, accounting for Scope 1 and 2 emissions (energy consumed by occupants from natural gas and electricity). Assumptions align with the PCAF methodology where actual energy consumption data is unavailable. Efforts are ongoing to improve data quality by obtaining actual energy consumption data.

Policy guidelines:

ESG integration is a key principle for NN Group's responsible investment processes. NN Group actively communicates priorities and guidelines to originators and external managers.

We request originators and servicers to:

- Establish policies, guidelines, and governance to consistently integrate ESG factors into their procedures.
- Complete an annual ESG questionnaire distributed by NNIO as part of the review process.
- Commit to decarbonisation pathways in line with NN Group's strategy and report on progress.
- Provide loan and property-level data for NN's carbon accounting, following PCAF methodology.
- Incorporate strategies or incentives for energy-efficient upgrades in new residential mortgage loans for



<sup>9</sup> Source: CBS (Statistics Netherlands), "Which sectors emit greenhouse gases?"

inefficient properties (e.g., rate discounts or client engagement initiatives).

- Engage existing clients to encourage improvements in energy consumption in their properties.

Requirements for external managers include:

- Maintain policies, guidelines, and governance frameworks for consistent ESG integration in residential mortgage investments involving NN's proprietary assets.
- Integrate ESG factors in due diligence and reviews, and engage mortgage providers regularly, such as via an annual ESG questionnaire.
- Monitor the mortgage portfolio and originators on ESG criteria and report on them. The carbon footprint is determined to the extent possible, but other components are also considered in the quarterly and annual analysis and ESG report. These reports include actions related to the evaluated areas.

Additionally, we encourage our originators, servicers, and external managers to actively participate in industry initiatives, such as PCAF and the Energy Efficient Mortgages Initiative (EEMI) to advance standards and transparency. Through these initiatives, or individually, NN Group also discusses data availability and quality challenges with regulators, the European Commission, and other standard-setting bodies on regulations such as the EU Taxonomy and Sustainable Finance Disclosure Regulation (SFDR).

## 2. Engagement with mortgage lenders

NN Group engages with mortgage lenders to encourage net-zero strategies and targets. NN Bank uses the CRREM tool to analyse its mortgage portfolio against science-based decarbonisation pathways, and in July 2023 we set an intermediate reference objective to reduce emissions by 34% to 18.0 kg CO<sub>2</sub>e/m<sup>2</sup> in 2030 (base year 2021), aligning with the CRREM pathway for the Netherlands (2021 version).

The 2023 update of the CRREM model indicates that achieving an emissions intensity of 11.2 kg CO<sub>2</sub>e/m<sup>2</sup> by 2030 (a 59% reduction) is required. However, reaching this level would require overcoming significant systemic challenges. Due to our substantial reliance on external factors and our limited ability to influence the decarbonisation trajectory, we do not consider this feasible under current conditions. As a result, NN remains committed to its original 2030 reference objective and will review and update these if new insights emerge.

Setting decarbonisation targets for mortgages from external originators in NN Group's portfolio is more challenging due to the lack of direct customer relationship. Our short-term approach involves collaborating with external managers to align carbon footprint measurements with PCAF and encouraging the use of CRREM to explore net-zero pathways. We are evaluating, with our external manager, how to integrate Paris alignment criteria into the evaluation of mortgage assets and originators. If an originator lacks a net-zero roadmap, we advise engaging with the provider before increasing portfolio allocations.

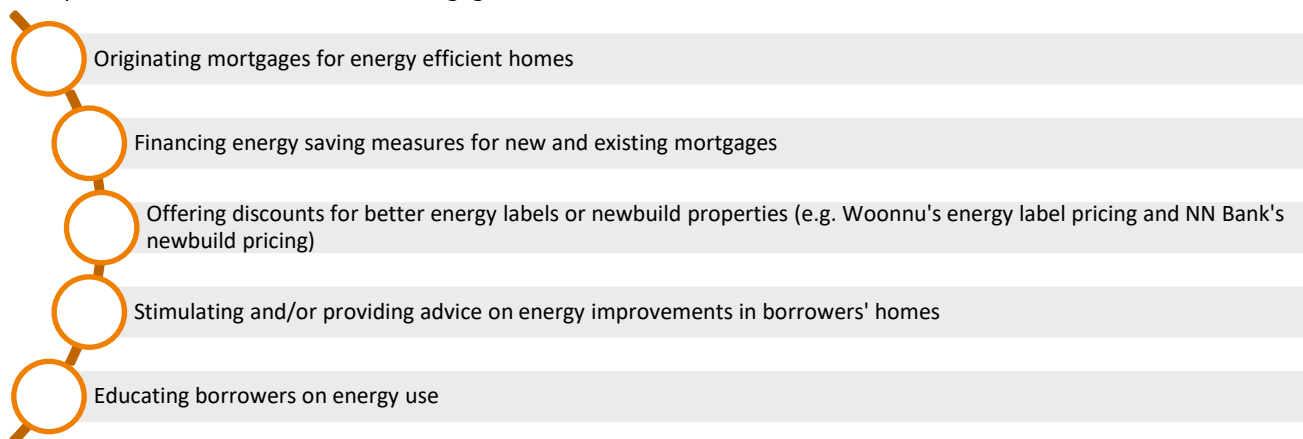
## 3. Stimulating actions to decarbonise mortgages

NN Group encourages mortgage originators to help clients improve the energy efficiency of their homes. Efforts are focused on both new origination and existing mortgage books.

## 4. Assessing mortgage-related climate risks

NN Group evaluates physical and transition risks associated with climate change in its mortgage portfolio. We use external data sources and proprietary models to conduct a bottom-up assessment including tools such as the *Klimaateffectatlas*, developed by Dutch Climate Adaptation Services and the Dutch government. This enables us to evaluate a range of climate hazards – including river and surface flooding, wildfire, pole rot, and soil subsidence – at the property level. Our approach combines geospatial analysis and expert research to estimate exposure and inform ongoing risk management within the portfolio.

### Examples of actions to decarbonise mortgages



# 7. Private equity

NN Group's Paris alignment strategy for the private equity (PE) portfolio applies to private equity fund investments.

## Strategy outline

- The strategy focuses on two key objectives: aligning private equity investments with net-zero pathways through active engagement with general partners (GPs) and investing in climate solutions.
- NN collaborates with GPs to increase alignment with the Paris Agreement's net-zero goals, integrating these criteria into due diligence and investment decision-making processes.
- Since 2023, NN has included Paris alignment considerations in side letters, ensuring these details are part of agreements with GPs. Existing agreements will be updated during renewal periods to reflect this alignment where possible. We aim to incorporate our Paris alignment criteria in agreements with most managers by 2028.
- In 2025, NN prioritised gathering alignment and carbon footprint data for PE investments to enable a clearer evaluation of progress. This will lay the groundwork for exploring the introduction of an asset alignment target in future years.

## Application of NZIF guidance

In developing the Paris alignment strategy, we used the **NZIF PE Component**, which aims to provide a cohesive framework for target-setting, engagement, and reporting between limited partners (LPs), GPs, and portfolio companies to support progress towards net zero.

Implementing the NZIF PE Component recommendations can be challenging in practice due to constraints on the ability of LPs to make requests to GPs after an LPA has been signed. Since 2023, we have aligned new PE fund terms with the NZIF PE Component as much as possible. For earlier funds, we engaged and encouraged adoption of these proposals.

### Asset alignment target

The NZIF PE Component proposes that portfolio companies are 'managed in alignment with net zero'. GPs should aim to increase investments managed in alignment with net zero, requiring portfolio companies to reach a specific Paris alignment categorisation within a specific timeframe.

While this offers a structured approach, many GPs have yet to adopt these classifications actively. NN Group continues to engage with GPs, encouraging alignment with NZIF guidelines and transitioning portfolio allocations towards companies better positioned for net zero.

Our priority is for GPs to adopt the Paris alignment classification and commit to allocate new investments in companies that are better positioned in their journey to transition under the NZIF PE Component. While the topics that we include in a side letter follow the logic of the 'managed in alignment with net zero' category, additional data points would be needed to establish which investments fit that classification. For now, we will focus on gathering Paris alignment data across the portfolio. Setting 'asset alignment targets' will be explored once we have fully implemented the strategy.

### Engagement threshold

The NZIF PE Component recommends LPs to carry out specific engagement activities for 100% of investments at different periods in the investment process:

1. After committing to net zero
2. During fund selection
3. During ownership

We engage with GPs on a regular basis to promote awareness of NN's commitment to net zero. The NZIF PE Component recommends LPs to "request GPs to make their own net-zero commitment and have LPAs stipulate a commitment to net zero", but this action is only possible when negotiating new agreements with GPs.

We request GPs to implement procedures to manage their portfolio to transition to net-zero emissions by 2050 or earlier and to allocate new investments to companies that are better positioned in their journey to transition under the NZIF PE Component. This has been stipulated in the agreements with GPs since 2023. Given that GPs typically launch new funds every three to five years, we aim to have our GPs stipulate net-zero commitments for the relevant funds by 2028. In the meantime, we continue to engage with our GPs on their climate performance.

### Climate solutions target

NN Group's climate solutions target encompasses various asset classes, with PE categorised under "Other." This category includes, for instance, impact PE funds aimed at achieving measurable climate impact KPIs or broader ESG-focused funds where clean and renewable energy projects constitute a substantial portion of the fund.

### ESG due diligence

During fund selection, we assess GPs' ESG performance, focusing on GHG emissions measurement (Scopes 1, 2, and material Scope 3), the share of portfolio and fund value with Paris-aligned targets, progress towards GHG reduction goals, commitment to net zero, and investments in climate solutions. Where improvements are needed, we negotiate specific ESG requirements in the fund agreements.

## Agreements with GPs

NN Group-specific ESG requirements are reflected in the agreements negotiated with the GPs. NN aims to agree with GPs on the following:

- Implement procedures to manage portfolios in line with net-zero emissions by 2050 or sooner, with short- and medium-term targets supporting this goal.
- Provide regular updates to fund investors on climate strategy progress and EU Taxonomy alignment.
- Assess portfolio companies for net-zero alignment and classify revenues as climate solutions, preferably using NZIF criteria.
- Allocate new investments to companies better positioned for transition.
- Use engagement as the main tool to drive existing portfolio companies' alignment and gradually increase the proportion of 'net-zero aligned' companies.

If we initially agree not to include some of these elements in agreements, we will nonetheless continue to engage in efforts to have them included should we decide to commit additional capital to the same GP. Depending on how these discussions develop, we may also opt not to commit further capital.

We monitor GPs on a quarterly basis to assess their adherence to the agreed terms.

## Data collection

Annually, we collect data on:

- Number and share of GPs with net-zero targets
- Proportion of portfolio value classified as climate solutions
- Fund alignment with EU Taxonomy (noting assessment challenges due to limited data)
- Paris alignment categorisation
- GHG emissions of funds and portfolio companies
- Number and share of portfolio companies with Paris-aligned GHG targets

Data is gathered via platforms such as the ESG Data Convergence Initiative (EDCI). Where necessary, we negotiate additional ESG requirements with GPs.

# 8. Infrastructure investments

NN Group's Paris alignment strategy for the infrastructure portfolio comprises investments in private equity and debt markets globally.

## Strategy outline

- The strategy is centred around two main goals: investing in climate solutions and engaging GPs investing in material sectors to align assets with net-zero pathways.
- A substantial share of the portfolio is allocated to climate solutions (including renewable energy, energy efficiency, and other sustainable initiatives), which the strategy assumes to be 'aligned' or 'achieving net zero'.
- NN's oil and gas policy significantly limits infrastructure exposure to carbon-based energy assets.
- For infrastructure investments in material sectors, we engage with GPs to promote the alignment of assets with net-zero pathways.
- Since 2023, for new commitments, we have been asking GPs and funds to include Paris alignment considerations in fund agreements.
- NN prioritised the collection of alignment and carbon footprint data in 2025 and will start to evaluate the feasibility of establishing an asset alignment target.

## Application of NZIF guidance

Since March 2023, NN Group has applied the **Infrastructure Guidance** provided by NZIF for all new investment commitments, primarily targeting climate solution assets. While the guidance may be easier to implement with new commitments, NN also engages with its existing GPs to encourage them to adopt practices aligned with this strategy. However, our level of influence varies according to investment type (equity or debt) and structure (fund versus direct investment).

For equity investments, influence over assets can be exercised during negotiation and throughout the holding period. For debt investments, influence is primarily at the negotiation stage. For fund investments (as opposed to direct investment through discretionary mandates), influence is usually limited to pre-commitment. However, if the commitment is substantial, participation in the Limited Partner Advisory Committees (LPACs) enables greater influence.

As NN predominantly invests through infrastructure funds we strive to invest with GPs with similar views and negotiate relevant requirements (including those relating to ESG) prior to committing.

## Target setting

The NZIF guidance suggests investors categorise their portfolio according to NZIF alignment criteria for infrastructure and set <5-year asset alignment and engagement targets. NZIF advises setting specific deadlines for aligning new assets over which the investor has material influence, with net-zero goals.

For existing investments, where agreements with GPs or funds have already been established, NZIF guidance recommends categorising portfolio constituents according to the NZIF alignment framework and starting to measure financed emissions.

## Climate solutions

NN Group has had a climate solutions target, encompassing various asset classes, including infrastructure, since 2021. As a result, our infrastructure portfolio focuses strongly on climate solutions. While the NZIF lacks specific guidance on assessing climate solutions against alignment criteria, NN classifies infrastructure climate solutions as either 'aligned' or 'achieving net zero.' These include renewable energy projects like solar, wind, hydrogen, storage, and energy efficiency initiatives. Alignment with the EU Taxonomy is pursued where feasible.

Climate solutions comprise a significant proportion of NN's infrastructure portfolio, making a notable contribution to alignment efforts.

## Investments in material sectors

The share of portfolio investments in material sectors (carbon-based energy, transport, and other material sectors as defined by the IIGCC), is expected to decrease. NN's fossil fuel policies will play a key role in reducing exposure to carbon-intensive assets.

## Engagement and data collection

NN will engage GPs to ask for carbon footprint data and alignment information. This is crucial for categorising investments and setting targets. We encourage GPs and funds to use the ESG Data Convergence Initiative (EDCI) for efficient data disclosure and collection. After collecting the data, NN will evaluate asset alignment targets.

## Agreements with GPs

Since 2023, NN has included Paris alignment considerations in all new fund agreements, typically formalised through side letters and tailored to specific strategies. NN aims to agree with GPs on the following:

- Implement procedures to manage portfolios in line with net-zero emissions by 2050 or sooner, with short- and medium-term targets supporting this goal.
- Provide regular updates to fund investors on climate strategy progress and EU Taxonomy alignment.
- Assess portfolio companies for net-zero alignment and classify revenues as climate solutions, preferably using NZIF criteria.
- Allocate new investments to companies better positioned for transition.
- Use engagement as the main tool to drive existing portfolio companies' alignment and gradually increase the proportion of 'net-zero aligned' companies.

Finally, adherence to the [Oil and Gas Policy for Proprietary Assets](#) is part of our broader exclusion policy requirements outlined in agreements with GPs.

We monitor GPs on a quarterly basis to assess their adherence to the agreed terms.

# 9. Private debt

NN Group's Paris alignment strategy for the private debt portfolio applies to corporate lending investments where general partners (GPs) have discretion to make investment decisions within the boundaries of the agreed mandate. Corporate lending investments that are held directly on NN Group's balance sheet and for which NN Group retains veto rights prior to investment, fall under the scope of the corporate investment Paris alignment strategy.<sup>10</sup>

## Strategy outline

- The objective of the Paris alignment strategy for private debt is to align private debt investments with net-zero pathways by actively engaging GPs.
- NN Group collaborates with GPs to strengthen alignment with the Paris Agreement's net-zero goals, embedding these criteria into their due diligence and investment decision-making processes.
- Since 2023, NN has included Paris alignment considerations into all new commitments and updated agreements with GPs.
- Until the end of 2026, NN Group will focus on monitoring Paris alignment and carbon footprint data for private debt investments to enable a clearer evaluation of status and progress. This initiative will serve as the foundation for exploring the introduction of an asset alignment target in the coming years.

## Application of NZIF guidance

In developing this strategy, we used the **NZIF Private Debt Component** as a guideline framework. The implementation of the NZIF Component's recommendations may vary in practice, as Limited Partners (LPs) have limited flexibility to introduce new requirements to GPs once capital has been committed to the fund. Since 2023, NN has aligned new private debt commitments with the NZIF Component to the greatest extent possible. For earlier commitments, we actively engage with GPs and encourage adoption of these recommendations.

## Asset alignment target

The NZIF Component recommends that portfolio companies be 'managed in alignment with net zero' objectives. In practice, this means that GPs should strive to increase the share of investments classified as 'managed in alignment with net zero'. To achieve this, portfolio companies are expected to move up at least one level on the Paris alignment categorisation scale before loan maturity, (e.g. moving from 'committed' to 'aligning' to 'aligned').

While this offers a structured approach, some GPs are yet to adopt these classifications actively. NN continues to

engage with GPs, encouraging alignment with NZIF guidelines.

Our priority is for GPs to adopt the Paris alignment classification and commit to allocating new investments to companies that are further along in their transition journey under the NZIF Component. We focus on (1) collecting Paris alignment data across the portfolio, (2) identifying levers we and GPs can use to help companies improve their Paris alignment status and (3) engaging with GPs to set ambitions for enhancing the Paris alignment of their portfolio. By the end of 2026, NN expects most GPs to report their GHG emissions and Paris alignment classifications and to commit to improving the Paris alignment classification performance of the portfolio companies.

Once NN has fully implemented this strategy, NN will explore setting asset alignment targets.

## Engagement threshold

The NZIF Component recommends LPs to complete relevant engagement activities for 100% of investments.

We regularly engage with GPs to heighten awareness of NN Group's commitment to net zero. The NZIF Component recommends LPs to 'request GPs to make their own net-zero commitment and include such commitments in LPAs. However, in practice, the implementation of this recommendation in fund documentation (including LPAs) is only possible during the negotiation phase for new commitments.

In discussions with GPs, we propose implementing procedures to steer their portfolios to achieve net-zero emissions by 2050 or earlier and to allocate new investments to companies that are better positioned in their transition journey under the NZIF Component. Similarly, when considering new commitments, we aim to encourage GPs to agree to net-zero commitments. In addition, we engage with our GPs on an ongoing basis on their climate performance.

By the end of 2026, we expect to have engaged with most of our GPs and requested that they prioritise and work with portfolio companies on Paris alignment performance.

## Agreements with GPs

NN Group-specific ESG requirements are reflected in the agreements negotiated between NN Group and the GPs. NN aims to agree with GPs on the following topics:

<sup>10</sup> For these mandates, NN retains full discretion over all investment decisions.

- Implement procedures to manage portfolios in line with net zero emissions by 2050 or sooner, with short- and medium-term targets supporting this goal.
- Provide regular updates to fund investors on climate strategy progress and EU Taxonomy alignment.
- Assess portfolio companies for net zero alignment and classify revenues as climate solutions, preferably using NZIF criteria.
- Allocate new investments to companies better positioned for transition.
- Use engagement as the main tool to drive existing portfolio companies' alignment and gradually increase the proportion of companies 'aligned' to a net-zero pathway.

If we initially agree not to include some of these elements in agreements, we will nonetheless continue to engage in efforts to have them included should we decide to commit additional capital to the same GP. Depending on how these discussions develop, we may also opt not to commit further capital.

NN monitors GPs annually or more frequently if necessary to assess their adherence to the agreed terms.

#### **Data collection**

To monitor fund alignment, emissions metrics, and climate progress, NN Group works with an investment advisor that gathers data annually on:

- Fund alignment with EU Taxonomy
- Paris alignment categorisation and its evolution
- GHG emissions of funds

# 10. Investments in climate solutions

NN Group's net-zero strategy has two elements: decarbonisation of the investment portfolio and increasing investments in climate solutions. This chapter outlines NN's framework for classifying climate solutions across different asset classes and describes how we established a target to increase these investments.

## Strategy outline

- NN believes climate solutions can play an important role in achieving the transition to a carbon neutral economy.
- NN has defined climate solutions as investments in economic activities that contribute substantially to climate change mitigation or climate change adaptation, aligned with the EU Taxonomy where possible.
- In 2021, after an inventory was made of the holdings<sup>11</sup>, NN set a target to invest an additional EUR 6 billion in climate solutions by 2030, bringing the total investments to EUR 11 billion. This target was surpassed in 2024 and revised in 2025 (see next page).
- The investments focus on real estate, renewables, and green bonds. In the future, we expect to broaden both the scope of asset classes and criteria for identifying green assets for climate solution investments.
- NN's asset managers are expected to incorporate EU Taxonomy criteria in their investment due diligence to support and evidence classification of investments as EU Taxonomy aligned where possible.

## Principles and methodology

The framework to classify climate solutions and set a target was established based on guidance from the IIGCC and the Net Zero Asset Owner Alliance in 2021. It incorporates five key principles, which we applied as follows:

- **Focus on clean energy:** prioritising Sustainable Development Goal 7 (Affordable and Clean Energy), investments will initially target clean energy sectors:
  - Real estate and buildings
  - Energy production – solar, wind, and other (geothermal, hydropower, ocean energy, bioenergy etc.)
  - Emissions removal technologies e.g. carbon capture and storage (CCS)
  - Energy storage
  - Transmission and distribution
- **Whole asset approach:** Only investments that have fully green activities are classified as climate solutions, using EU Taxonomy KPIs, where possible. For fund investments, we only include the value of the clean energy holdings.
- **Precautionary approach:** Investments must have robust supporting data to verify their climate benefits. If data or evidence is lacking, such assets are excluded from climate solutions calculations.
- **Realistic projections:** In setting a target that is both realistic and achievable, the following steps are considered:

## NN Group's climate solutions definition per asset class

Asset class	Definition
Green bond	The green bonds NN Group invests in are in line with the <a href="#">NN Green, Social and Sustainability Bond Standard</a> . This standard is aligned with the Green Bond Principles of the International Capital Markets Association (ICMA) and needs to be applied in addition to the basic RI criteria as described in the <a href="#">RI Framework Policy</a> , this document, and related standards.
Renewable energy infrastructure	Investments in infrastructure funds with a clear focus on climate change and/or energy transition and investments in projects (equity/debt) for renewable energy infrastructure, such as solar, offshore and onshore wind, hydrogen, storage, energy efficiency and other renewable energy technologies.
Certified green buildings	<p>Within the real estate portfolio (equity/debt), this includes assets with at least an Energy Performance Certificate (EPC) of Class A.</p> <p>If an EPC is not available, assets should have a high-level green building certification (Building Research Establishment Environmental Assessment Method (BREEAM) or a French High Quality Environmental (HQE) certification of at least Excellent, or a Leadership in Energy and Environmental Design (LEED) or German Sustainable Building Council (DGNB) certification of at least Gold).</p> <p>Also included are investments that finance assets in (re)development and refurbishments with a stated objective of meeting the above EPC or building certification levels.</p>
Other	Investments that do not fall into any of the categories above, including investments in unlisted entities. For example, impact private equity funds that target and report on clearly defined climate impact KPIs, or funds that have a broader ESG focus, but where clean and renewable energy projects account for a substantial part of the fund.

<sup>11</sup> Due to missing data and lack of clarity on EU Taxonomy criteria, the current holdings in climate solutions are a preliminary best estimate and might change over time. A precautionary approach has been taken in calculating these numbers.

- Inventory of current holdings in climate solutions based on NN's climate solution investments framework (see the table on the next page)
- Projection of investments in the coming years as a result of climate solutions fund commitments made over previous years
- Forecast on market growth of green assets in the different asset classes
- Expectations on redemptions and re-investment opportunities
- **Transparent methodology:** The framework provides clarity and establishes an evidence-based process throughout.

### Target for 2030

NN's target for investments in climate solutions, updated in early 2025, is to achieve EUR 13 billion by the end of 2030, subject to market environment and constraints. This target considers expected maturities of fixed income securities and adjustments in portfolio allocation. The target is reflected in our asset management agreements where relevant.

### Impact measurement framework

We developed a framework to better understand the positive impact of our climate solutions investments on the environment. As an indicator, we measure the estimated avoided GHG emissions across our climate solutions portfolio. However, these calculations are not used as offsets for NN's financed emissions, nor do they account for any potential negative impacts that our climate solutions investments may have on society or the environment.



Additional information can be found in the 'Climate solutions investments and impact measurement framework', available on NN Group's website [here](#).

# 11. Fossil fuel policies

As part of NN Group's aim to transition its proprietary investment portfolio to net zero by 2050, our policies regarding fossil-fuel-related investments reflect our commitment to accelerating the energy transition and prioritising sustainability while engaging with companies to encourage them to develop credible climate action plans.

## Coal phase-out strategy

Thermal coal is the most carbon-intensive fossil fuel and a major source of global CO<sub>2</sub> emissions. To support the transition to a low-carbon economy and manage climate-related risks, NN Group applies strict thermal coal criteria for its proprietary assets. This approach complements our broader Paris-alignment strategy. Refer also to the Appendix IV in the [RI Framework policy](#).

### Restrictions on investments

In addition to NN Group's exclusion of any investments in companies deriving more than 20% of revenues from thermal coal mining, we will not make new investments:

- in companies that derive >5% of their revenues from **thermal coal mining**; companies producing ≥10 million tons per annum of thermal coal; and companies developing new thermal coal mines or extending the lifetime of existing mines.
- in companies with >5% installed **coal-fired power generation capacity**; companies with ≥5 GW of installed coal-fired power generation capacity; and companies building new coal-fired power plants.

### Phasing out existing investments

NN Group aims to reduce exposure to companies with more than 5% thermal coal involvement in the mining and utility sectors to 'close to zero' (0–5%) by 2030. We assess progress over time and engage with companies to support credible phase-out pathways. Where progress remains insufficient, divestment will be considered as a final option. Further operational guidance on implementation is included in the RI Framework policy.

### Exemptions

Limited exemptions may be granted on a case-by-case basis<sup>12</sup>, in line with criteria outlined in the RI Framework policy. These may be considered where:

- **Paris alignment:** the company demonstrates a credible pathway to phase out thermal coal, supported by transparent plans and climate-transition targets.
- **Just transition considerations:** temporary continuation of certain activities is necessary to mitigate significant social or economic impacts on workers or local communities.

## Oil and gas policy

NN Group's Oil and Gas Policy for Proprietary Assets aims to sharpen our approach with respect to the oil and gas sector by applying clear rules on new investments to minimise long-term oil and gas exposure and its associated risks. The approach also helps to improve clarity of our position on the oil and gas sector. The policy includes the following measures:

- Clear restrictions on investments in unconventional oil and gas activities including oil sands, Arctic oil and gas, and shale oil and gas.
- Stringent guidelines for new investments in companies involved in conventional oil and gas, which are prohibited if they fail to meet Paris alignment criteria.

The policy also contains exclusions for infrastructure projects primarily focused on oil and gas. However, transitional projects that facilitate renewable energy adoption and align with climate pathways and the EU Taxonomy may be considered. The policy also includes restrictions on oil and gas-fired power generation infrastructure.

### Implementation

Using NN's Paris alignment categorisation, issuers in the conventional oil and gas supply chain – upstream, midstream, downstream, and supporting products and services (excluding utilities) – are evaluated. The policy includes a decision tree to assess investment eligibility based on oil and gas involvement and Paris alignment status.

For existing investments, assets can be held until maturity while focusing on direct and collaborative engagement with companies. Key areas include Paris alignment, climate ambitions, lobbying, and ensuring a just transition. If progress remains insufficient, divestment will be considered.

For discretionary mandates, we will adjust asset management agreements as needed. For fund investments where commitments cannot be changed, we will engage with fund managers to seek to align policies.

<sup>12</sup> Such exemptions need prior approval from NN Group RI Team.

## Annex: Categorisation framework corporate investments

For the corporate investment portfolio, NN Group has developed a methodology, using the six alignment criteria based on the IIGCC NZIF implementation guide. These alignment criteria are:

- **Ambition:** A long-term goal consistent with achieving global net zero by 2050 or sooner
- **Targets:** Short- and medium-term emissions targets (Scope 1, 2 and material Scope 3)
- **Emissions performance:** Current emissions intensity performance
- **Emissions disclosure:** Disclosure of Scope 1, 2 and material Scope 3 emissions
- **Decarbonisation strategy:** A quantified plan setting out the measures that will be deployed to deliver GHG emissions targets, proportions of revenues that are green and, where relevant, increases in green revenues
- **Capital allocation alignment:** A clear demonstration that the capital expenditures of the company are consistent with achieving net-zero emissions by 2050

Our external asset manager has created a data hierarchy to identify the best current and forward-looking data sources for each alignment criterion, based on type 3 data from the NZIF recommended public sources and additional private vendor data for broader coverage. The resulting data hierarchy is as follows:

Categorisation criteria	Data Hierarchy <sup>13</sup>		
	first order data source	second order data source	third order data source
Ambition	Meet CA100+ indicator 1	SBTi verified or committed	Third-party vendor data
Targets	Meet CA100+ indicator 3	SBTi verified or committed	TPI Management Quality indicator 7
Emissions performance	TPI Climate Performance Alignment 2050	Third-party vendor data Implied Temperature Rise indicator	SBTi verified alignment assessment
Emissions disclosure	SBTi verified emissions disclosure, if not reported emissions	TPI Management Quality indicators 9 and 12	
Decarbonisation strategy	Meet CA100+ indicator 5	TPI indicators: questions 18 and 19	
Capital allocation alignment	Meet CA100+ indicator 6	TPI indicators: questions 21 and 22	

These criteria are applied differently for companies in high-impact sectors. High-impact companies are defined as those included in the Climate Action 100+ focus list or covered through the Transition Pathway Initiative (TPI) company assessment. This differentiation is reflected in the subsequent step, where we classify companies in the portfolio according to their alignment or potential alignment with a net-zero pathway. The classifications are as follows:

### Paris alignment categorisations

<b>Achieving net zero</b>	Companies that have current emissions intensity performance at, or close to, net-zero emissions already with an investment plan or business model expected to continue to achieve that goal over time
<b>Aligned to net-zero pathway</b>	High-impact companies: meeting criteria 1 – 6 Low-impact companies: criteria 1 (implied), and meeting criteria 2 – 4
<b>Aligning</b>	High-impact companies: criteria 1 (implied), and meeting criteria 2, 4 and full or partial 5 Low-impact companies: criteria 1 (implied), and meeting criteria 2 and 4, or 3 and 4
<b>Committed to aligning</b>	Meeting criteria 1 by setting clear goal to achieve net-zero emissions by 2050
<b>Not aligned</b>	No commitment to net zero, or no data available

It should be noted that data gaps exist, particularly concerning the credibility of corporate decarbonisation strategies and capital allocation plans (criteria 5 and 6, respectively). In addition to public data sources, our external asset manager utilises research from their analysts to inform their view of a corporate's alignment status. Analysts can incorporate information and fundamental analysis to provide a more recent and granular picture of a company's alignment. NN Group expects the data hierarchy to evolve over time as improved data quality and coverage becomes available.

<sup>13</sup> Second data source (and third if any) may only be used if data in preceding order is not available.

