

Transparency of sustainability risk policies

Pursuant to Article 3 of the Sustainable Finance Disclosure Regulation (“SFDR”), NN Insurance Belgium (“NN IB”) is required to make disclosures about our policies on the integration of sustainability risks in our investment decision-making process. The SFDR defines sustainability risk as an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. These disclosures are listed below.

Environmental, Social and Governance (ESG) factors and risks

NN IB considers sustainability risks as risks related to environmental, social and governance factors (“ESG Factors”) that can cause material negative impact on NN Group’s long-term performance, reputation, value, balance sheet or operations.

In terms of the SFDR, this includes ESG factors that can cause material negative impact on the value of investments in NN IB’s customers’ financial products. Examples of such Environmental, Social and Governance (ESG) factors include:

- **Environmental factors:** Climate change, other forms of environmental degradation (e.g. air pollution, water pollution, scarcity of fresh water, land contamination, biodiversity loss and deforestation) and animal welfare, in addition to corrective policy actions aimed at addressing such factors. Climate change is further divided into
 - (a) transitional effects resulting from the transition to a lower carbon/green economy and
 - (b) physical effects resulting from changes in weather patterns, temperature, hydrological conditions or natural ecosystems (both acute or longer-term shifts).
- **Social factors:** Rights, well-being and interests of people and communities, including human rights, (in)equality, health, inclusiveness, diversity, employee rights and labor relations, workplace health and safety.
- **Governance factors:** Pursuing or applying proper governance practices, a.o. including executive leadership, executive pay, audits, internal controls, tax avoidance, board independence, shareholder rights, anti-corruption and anti-bribery, and also the way in which companies or entities include environmental and social factors in their policies and procedures.

NN Risk taxonomy

NN IB has defined and categorized its generic inherent risk landscape in a Risk Taxonomy. NN IB considers sustainability risks to be transversal risks. This means that we consider sustainability risks to manifest through risks types recognized in Risk Taxonomy. The risks identified in the Risk Taxonomy relate to various areas of risk, such as emerging risks, strategic risks, financial risks, and non-financial risks. These cover NN IB’s own operations and products, but also the investments that are made. Within the Risk Taxonomy, ESG factors have been mapped to investment related risk categories. These ESG factors are seen as risk drivers, meaning that we believe these ESG factors may drive the risk levels of the various identified investment risk categories. Examples of such risk categories are asset risk.

Application in investment decision-making

There are various ways in which NN IB considers sustainability risks in the investment decision-making process. The exact way this is done is not static, as our approach evolves over time based on insights obtained, emerging market practices, availability of relevant and robust data and tooling, and regulatory developments. In addition, the way sustainability risks can be considered also depends on the specific investment or product proposition – there can therefore be differences between the general approach and the approach applied to specific investment or product

propositions. The key areas in which NN IB considers sustainability risks within the investment decision-making process are the following.

| # | Area | Description |
|---|---|---|
| 1 | Application by NN IB of the <i>Responsible Investment Framework policy</i> of NN Group (“RI Framework policy”) at the manager and fund selection and at the portfolio level | <p>NN Group has an extensive Responsible Investment Framework policy, which covers a range of topics such as active ownership (engagement and voting), restrictions, and the systematic integration of material sustainability risks and opportunities into the research and analyses of investments. We believe that through the application of these requirements and methods, sustainability risks are directly or indirectly lowered for the investments that we make. While restrictions are often based on our values and societal norms, they also contribute to lowering asset risks – for example, restrictions on investments in companies involved in thermal coal are expected to lower the risk of such investments becoming stranded assets. Please refer to https://www.nn-group.com/sustainability/responsible-investment/responsible-investment-policy-framework.htm for more information on the NN Group Responsible Investment Framework policy.</p> <p>As NN IB invests via external managers, we consider ESG criteria in the selection process of external asset managers. These asset managers manage their funds according to their own strategy and NN IB decides whether or not to invest in them.</p> <p>These criteria are included in the manager due diligence and selection, monitoring and evaluation process in which NN IB reviews whether the manager has appropriate structural processes and methodologies in place in relation to the key areas of NN Group’s Responsible Investment Framework policy, including sustainability risks.</p> |
| 2 | Product Approval and Review (“PAR”) process | As part of the Product Approval and Review (PAR) process, NN IB analyses and documents how any sustainability risks may impact the liabilities (so-called <i>claims</i>) of a specific product, in which the duration of the liabilities is also considered. |
| 3 | Risk assessments | NN IB performs risk assessments on a regular basis. A qualitative risk assessment on sustainability risks is performed in order to identify risks and where necessary determine risk mitigating actions. |