

Investment form Index Tracking

a) Summary

Investment objective

The Index Tracking investment form deliberately promotes environmental and/or social characteristics by:

- Applying restrictions on investments in the area of controversial activities and/or behaviour.
- Complying with rules on good governance, respecting human and labour rights, environmental protection and fighting bribery and corruption.
- Making sustainable investments that contribute to an environmental or social objective.

The proportion of investments in this product aligned with the environmental and/or social characteristics promoted is 75%:

15% includes sustainable investments with environmental or social objectives.

- 60% includes investments tailored to environmental or social characteristics that do not qualify as SRI.

The remaining 25% of investments are not aligned with environmental and/or social characteristics and do not qualify as sustainable investments either.

Sustainable investments

-This product does not have sustainable investments as a target, but the minimum share of sustainable investments will be 15%.

-The main adverse effects ('PAI Indicators') are taken into account when determining SRI, as well as qualitatively through the investment approach of this product.

- Institutions that violate globally accepted standards (including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights and Global Compact) are excluded from qualifying as SRI.

Investment strategy

With this product, the emphasis is on simplicity and price, where we aim to make investments as sustainable as possible within the limits of a controlled deviation from the regular index. Using exclusions or just considerations, we aim to make the investment portfolio as sustainable as possible, controlling annual deviations from the index while maintaining its passive investment nature.

To achieve the environmental and/or social characteristics promoted, we apply the following:

1. **Responsible investment standards framework** - Restrictions apply to investments in (controversial) weapons, tobacco, fossil fuels and violations of international standards. Companies where there is a persistent and serious violation and/or which are deemed to lack good governance practices, and show insufficient initiative to remedy this, will be excluded from this product.
2. **ESG Integration** - Taking into account environmental, social -and governance (ESG) criteria is a standard part of the investment process. When assessing investee institutions on the basis of a quantitative and in-depth analysis, ESG criteria are structurally included
3. **Active ownership** - This product is subject to our established voting and engagement policies.
4. **SFDR rating** - We aim to invest in underlying funds that promote environmental and/or social characteristics or have a sustainable investment objective.



The asset manager reports on the application of the normative criteria to NN by indicating the number of excluded issuers based on the various grounds for exclusion. The asset manager also reports the percentage of sustainable investments. The voting and engagement carried out is additionally reported by the asset manager to NN and publicly.

Asset manager method

The asset manager pre-screens eligible investments based on the normative criteria for responsible investment. In addition, the asset manager uses a systematic approach to monitor whether investments continue to meet environmental or social characteristics.

The asset manager uses various methods to incorporate ESG considerations into investment selection, which may use external data sources to complement internal research on environmental and/or social characteristics. Several external suppliers are used for this purpose.

Integrating and managing sustainability risks and opportunities is a standard part of the asset manager's due diligence process.

This product is subject to our adopted engagement policy. With engagement, institutions are encouraged to address ESG issues and make positive changes. The actual exercise of engagement is done by the asset manager.

b) No sustainable investment objective

This financial product promotes environmental or social characteristics but does not have a sustainable investment objective.

Although this product does not have sustainable investments as a target, it will include a minimum share of sustainable investments of 15%.

How have indicators of adverse effects on sustainability factors been taken into account?

This product takes into account key indicators of adverse effects on sustainability factors for all environmental and social pillars. Key adverse effects ('PAI Indicators') are taken into account through the application of the 'no serious impairment' assessment described below in the determination of SRI, as well as qualitatively through the investment approach of this product.

Issuers classified as contributing to a sustainable investment must meet the 'no serious impairment' criteria of our responsible investment standards framework. Issuers that do not meet the 'no serious impairment' criteria do not qualify as SRI.

With regard to the consideration of PAI Indicators within the 'no serious impairment' assessment of an issuer, an internal quantitative or qualitative threshold for serious impairment has been set for the 14 mandatory PAI Indicators, which are assessed for investee companies using information from an external data provider.

These thresholds for serious impairment are set on a relative or absolute basis for each PAI, depending on the assessment of the worst-performing investments in relation to those PAIs. Where data are not available for a specific PAI, an appropriate substitute measure shall be used. If PAI data (if relevant) are not at all available and/or applicable to complete the 'no serious impairment' assessment on an issuer, such an issuer is generally excluded from qualifying as a SRI.

The annual report of the NN Index Mix Fund - I invested in for this product will provide information on how the fund has considered indicators of adverse effects. This annual report can be found [here](#).

How are sustainable investments aligned with the OECD guidelines for multinational enterprises and the UN's guiding principles on business and human rights?

Details: the investments within this product identify institutions that carry out actions that are not considered in line with global standards. Following this assessment, all institutions deemed to violate these global standards (including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights and Global Compact) are excluded from qualification as SRI.

c) Environmental or social characteristics of the financial product

This product deliberately promotes environmental and/or social characteristics by:

- Applying restrictions on investments in areas of controversial activities and/or behaviour

For investment selection, we have established a framework of standards for responsible investment. This includes restrictions on investments in (controversial) weapons, tobacco and fossil fuels. There are also restrictions on investments in countries subject to an arms embargo by the United Nations Security Council, as well as investments in countries on the Financial Action Task Force list, which are subject to a 'Call for Action'.

- Complying with rules on good governance, respect for human and labour rights, environmental protection and combating bribery and corruption

For investment selection, the extent to which issuers act in accordance with relevant legislation and internationally recognised standards, including: The OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and UN Global Compact.

- Making sustainable investments that contribute to an environmental or social objective

Based on an issuer's product contribution (based on the issuer's activities) or an issuer's operational contribution (the issuer's mode of operation).

d) Investment strategy

With this product, the emphasis is on simplicity and price, where we aim to make investments as sustainable as possible within the limits of a controlled deviation from the regular index. Using exclusions or just considerations, we aim to make the investment portfolio as sustainable as possible, controlling annual deviations from the index while maintaining its passive investment nature.

To achieve the environmental and/or social characteristics promoted, we apply the following:

- 1. Responsible investment standards framework** - Under our responsible investment standards framework, restrictions apply in terms of controversial activities and/or behaviour. These are restrictions on investments in (controversial) weapons, tobacco, fossil fuels and violations of international standards.
- 2. ESG Integration** - Consideration of environmental, social and governance (ESG) criteria is a standard part of the investment process. When assessing investee institutions on the basis of a quantitative and in-depth analysis, ESG criteria are structurally included. Institutions that make a positive social and/or environmental contribution are selected.
- 3. Active ownership** - This product is subject to our established voting and engagement policies. Voting influences a company's policies and holds the board of a company accountable to include social and environmental considerations in decision-making. With engagement, institutions are encouraged to address ESG issues and make positive changes.
- 4. SFDR rating** - We aim to invest in underlying funds that promote environmental and/or social characteristics or have a sustainable investment objective.

What is the assessment policy for good governance practices of investee companies?

The assessment policy aims to identify, study, evaluate and monitor:

- companies identified by external data providers as violating or otherwise failing to comply with the principles of the United Nations Global Compact (UNGC), the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, as well as:
- companies with highly controversial activities and/or behaviour (including in the areas of governance, labour rights and tax compliance).

After reviewing this external data, companies where there is a persistent and serious violation and/or which are deemed not to have good governance practices, and show insufficient initiative to remedy this, are excluded from this product. This list of companies is revised semi-annually.

The manager of the investments of this product may not be able to readily sell securities intended for exclusion from the Portfolio at each semi-annual review (e.g. due to liquidity issues or for other reasons beyond the control of the manager), but the manager will endeavour to divest as soon as possible in an orderly manner and in the best interests of shareholders.

e) Share of investments

The proportion of investments in this product aligned with the environmental and/or social characteristics promoted is 75%:

- 15% includes sustainable investments with environmental or social objectives.

- 60% includes investments tailored to environmental or social characteristics that do not qualify as SRI.

The remaining 25% of investments are not aligned with environmental and/or social characteristics and do not qualify as sustainable investments either.

f) Monitoring of environmental or social characteristics

To achieve the environmental or social characteristics promoted within this product, normative criteria for responsible investment and active ownership are applied. Eligible investments are pre-screened against the normative criteria. The asset manager uses a systematic approach to monitor whether investments continue to meet environmental or social characteristics. The asset manager may use data from external providers for this purpose. Part of this systematic approach is independent supervision carried out within the asset manager and a Compliance function that has the responsibility to advise on how to resolve breaches. The asset manager reports on the application of the normative criteria to NN by indicating the number of excluded issuers based on the various grounds for exclusion. The asset manager also reports the percentage of sustainable investments. The voting and engagement carried out is additionally reported by the asset manager to NN and publicly.

g) Methodologies of environmental or social characteristics

The asset manager uses various methodologies to incorporate ESG considerations into investment selection:

- To apply the responsible investment standards framework, eligible investments are pre-screened against an exclusion list. This list consists of institutions that do not adhere to the normative criteria of the responsible investment policy.

- To apply ESG integration, the asset manager uses a proprietary tool ('ESG Lens') to determine the ESG score for an institution. This tool provides information on an institution's specific ESG profile and performance, which is based on the normative criteria of our responsible investment policy.

- To determine whether there is a sustainable investment, it is assessed whether there is a contribution to an environmental and/or social objective through a product or operational contribution. For a product contribution, the factors considered include the proportion of an issuer's turnover derived from activities that focus on an environmentally and/or socially sustainable impact category and a product's alignment with a Sustainable Development Goal (SDG). For an operational contribution, the issuer's business activities include the promotion of the climate transition (environmental) and inclusive growth (social).

h) Data sources and processing

The asset manager uses external data sources to complement internal research on environmental and/or social characteristics. For this, it uses multiple external suppliers (such as Sustainalytics, TruValue Labs and Refinitiv) and public information available through web pages (such as from the United Nations and the Financial Action Task Force).

i) Methodological and data limitations

The following data limitations are recognised:

- Available data is by nature retrospective and comes with a delay. This means that the data available at any point in time does not reflect the most recent data available.

- Reliance is placed on data sourced from third parties; in doing so, there is a risk that these third parties provide incorrect data.

- There are several ESG indicators that are generally considered to reflect an institution's ESG performance, but not all of them are relevant to every sector and moreover, even if relevant, may not always be material to a particular institution's ESG performance.

Because of these limitations, data providers are carefully selected, partly based on references from reputable parties, widely recognised in the industry for their expertise and credibility. In addition, multiple data sources are used to reduce dependence on a single data supplier. The asset manager also conducts internal analysis on data quality and coverage. Finally, an institution's ESG performance is also assessed for materiality by the asset manager's own analysts.

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j) Due diligence

Integrating and managing sustainability risks and opportunities is a standard part of the asset manager's due diligence process. Responsibility for this lies with the investment teams (front line) of the various funds. Risk management (second line) has the responsibility to manage identified sustainability risks through monitoring and intervene with the first line if sustainability risk levels and/or specific metrics exceed their predefined thresholds.

The asset manager also uses internal monitoring systems to check investments against guidelines established to ensure compliance with sustainability indicators.

k) Engagement policy

This product is subject to our adopted engagement policy. With engagement, institutions are encouraged to address ESG issues and make positive changes. The actual exercise of engagement is done by the asset manager.