



The logical song ... asset managers and the indicators on due diligence

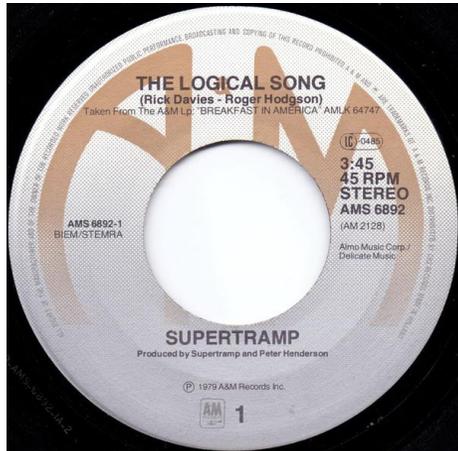
CFA Society / VBA Netherlands - June 2021

Adrie Heinsbroek – CSO NN Investment Partners

Because it matters. And it works.

Understanding some of the logic

SFDR transparency of adverse sustainability impacts is about inside- out view ...
... the impact of investments on the world around us



What is a PAI?

- *Principal adverse impacts should be understood as those impacts of investment decisions and advice that result in negative effects on sustainability factors (SFDR Level I recital 20)*



PAIs are required for article 8 financial products that invest partially in sustainable investment objectives

PAIs are required for article 9 financial products

What is a PAI ?

Some concrete examples

- Carbon footprint
- Exposure to companies active in fossil fuel sector
- Emissions to water
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multination Enterprises
- Board gender diversity
- Investee countries subject to social violations
- Exposure to energy-efficient real estate assets

Indicators applicable to investments in investee companies					
Adverse sustainability indicator	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS					
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions			
		Scope 2 GHG emissions			
		From 1 January 2023, Scope 3 GHG emissions			
		Total GHG emissions			
	2. Carbon footprint	Carbon footprint			
	3. GHG intensity of investee companies	GHG intensity of investee companies			

Disclosure at entity (asset manager) level

What to disclose :

a clear and reasoned explanation if and how a financial product considers PAIs on sustainability factors

Public statement on website:

- information about policies in the identification and prioritization of PAIs and indicators
- brief summaries of engagement policies
- reference to the adherence to responsible business conduct codes and internationally recognized standards for due diligence

- a description of adverse impacts of investment decision by asset manager on sustainability factors that qualify as principal (both mandatory and voluntary and additional indicators)

Creating the logic that suits you

Some thoughts in general and on prioritizing

- Discussing internally with stakeholders and investment teams.. Set ambition and interpretation.
- How is your ESG framework set up? Connecting it to your approach and priorities – difference in products
- Connections with your materiality framework ?
- Engagement themes that are aligned with the PAIs seems pragmatic. Helps explanations and shows logic.
- Discuss with your data provider(s) as you need data to report and disclose
- **DISCUSS and DECIDE → DISCLOSE**
- Ensure it fits with how you put your RI / ESG principles into action
- (be ready to adapt as the regulation might change its logic)



Transparency and Accountability



Disclaimer

This communication has been prepared solely for the purpose of information and does not constitute an offer, in particular a prospectus or any invitation to treat, buy or sell any security or to participate in any trading strategy or the provision of investment services or investment research. While particular attention has been paid to the contents of this communication, no guarantee, warranty or representation, express or implied, is given to the accuracy, correctness or completeness thereof. Any information given in this communication may be subject to change or update without notice. Neither NN Investment Partners B.V., NN Investment Partners Holdings N.V. nor any other company or unit belonging to the NN Group, nor any of its directors or employees can be held directly or indirectly liable or responsible with respect to this communication. Use of the information contained in this communication is at your own risk. This communication and information contained herein must not be copied, reproduced, distributed or passed to any person other than the recipient without NN Investment Partners B.V.'s prior written consent. Investment sustains risk. Please note that the value of any investment may rise or fall and that past performance is not indicative of future results and should in no event be deemed as such. This communication is not directed at and must not be acted upon by US Persons as defined in Rule 902 of Regulation S of the United States Securities Act of 1933, and is not intended and may not be used to solicit sales of investments or subscription of securities in countries where this is prohibited by the relevant authorities or legislation. Any claims arising out of or in connection with the terms and conditions of this disclaimer are governed by Dutch law.



**NN investment
partners**