

NN Investment Partners

April 2019



NN Investment Partners: Profile

USD 281 bln
in Assets under Management



Active across Europe, U.S., Latin America, Asia and Middle East

USD 19 bln
in Sustainable and Impact Assets under Management



Active across Europe, U.S., Latin America, Asia and Middle East

Over
1,000
employees



NN IP's investment history
dates back to
1845



NN Group, a publicly traded corporation
listed on Euronext



86

Overall ESG Score

Leader
Outperformer

1
out of
145

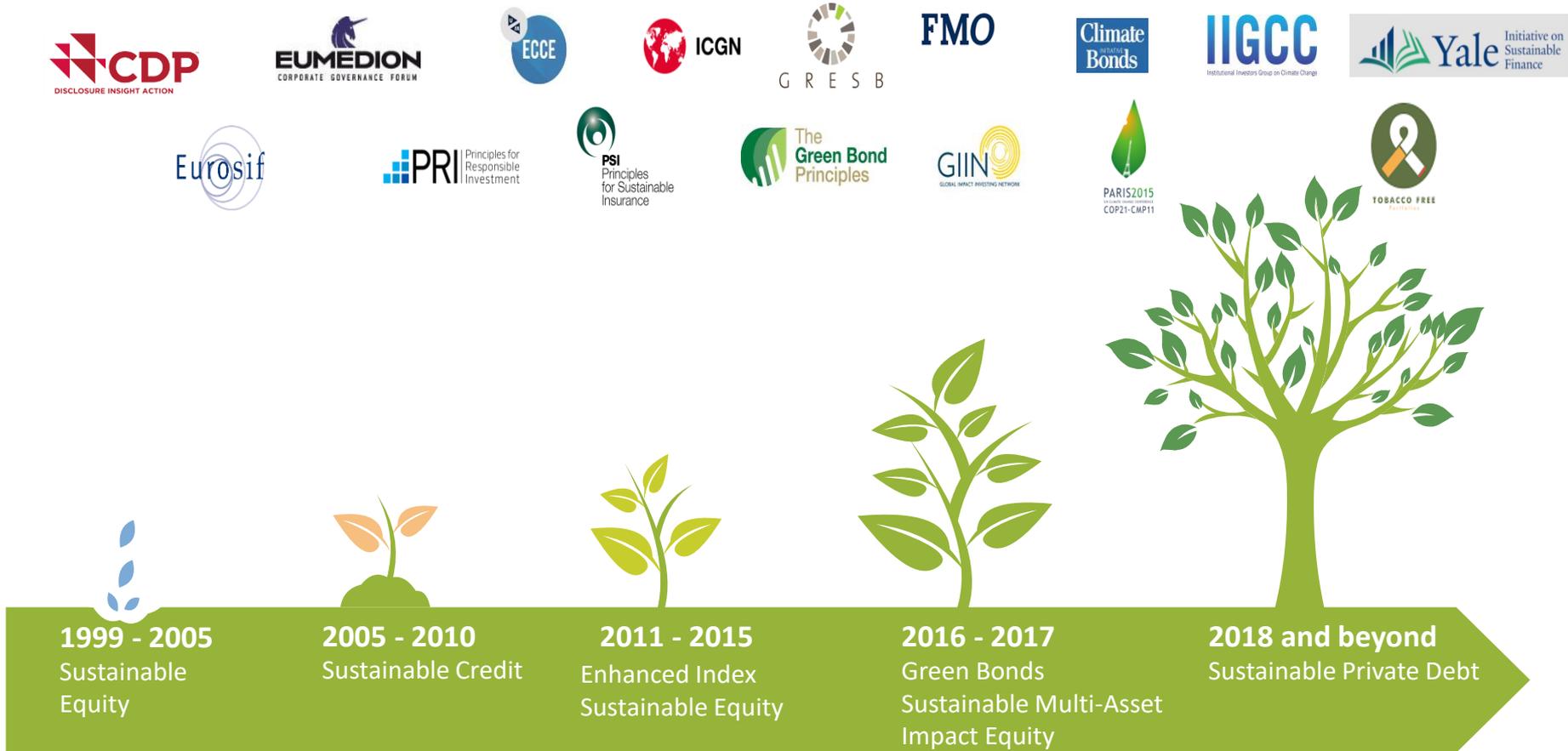
Relative Position

Leader



Responsibility is at the core of what we do

Long track record and strong network



NN Sustainable Equity strategies

Sustainability and returns combined

NN Sustainable Enhanced Index Equity

Efficient low-cost
Index returns
with sustainability
since 2011
USD 3.9 bn*

Lower
ESG risks



NN Active Sustainable Equity

Sustainable businesses
Active returns
since 2000
USD 7.5 bn*

81% less CO² *



NN Global Equity Impact Opportunities

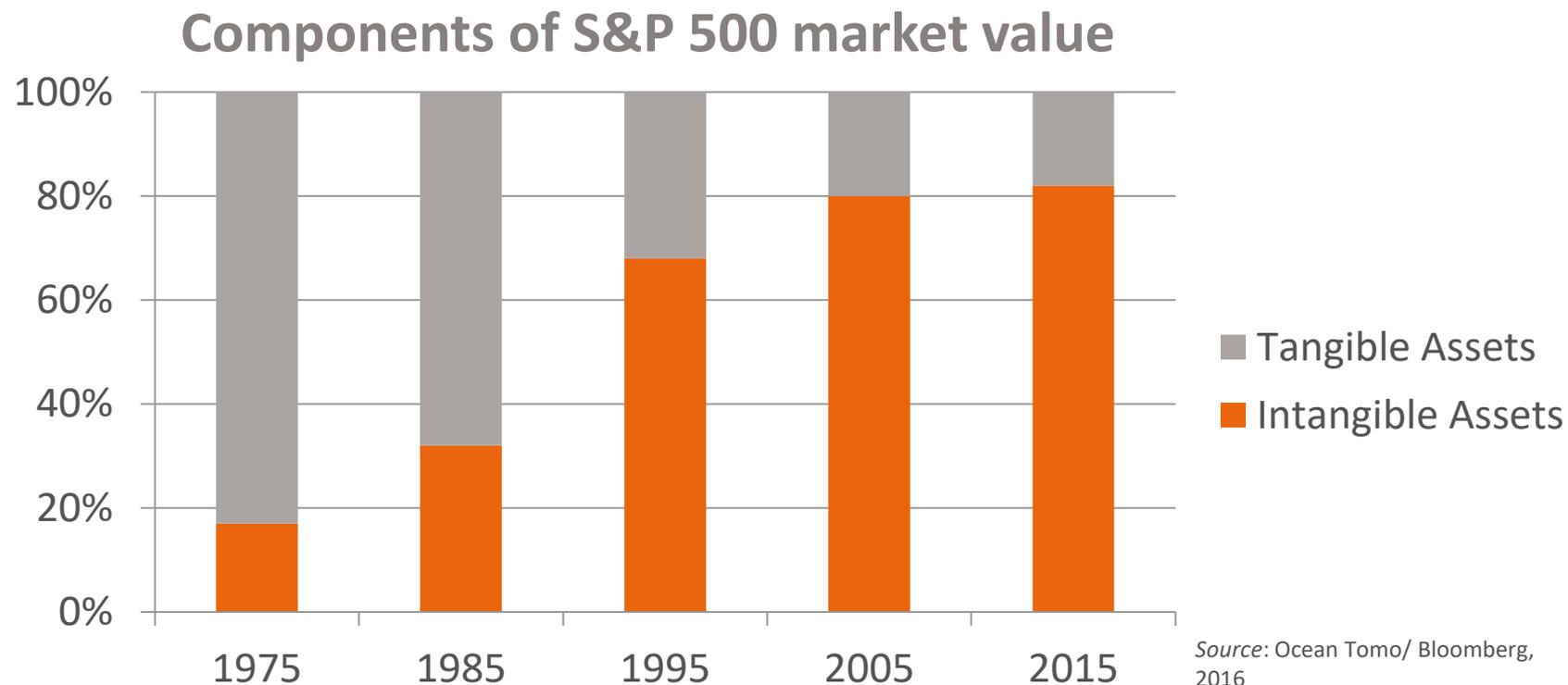
Quality Growth Themes
Positive Impact only
since 2016
USD 600m*

positive
impact on
UN SDG's



ESG matters in equity investing

Importance of intangibles

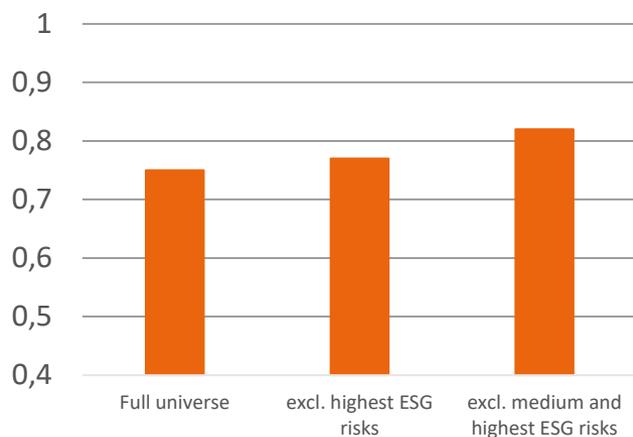


Intangibles determine market value

ESG matters in equity investing

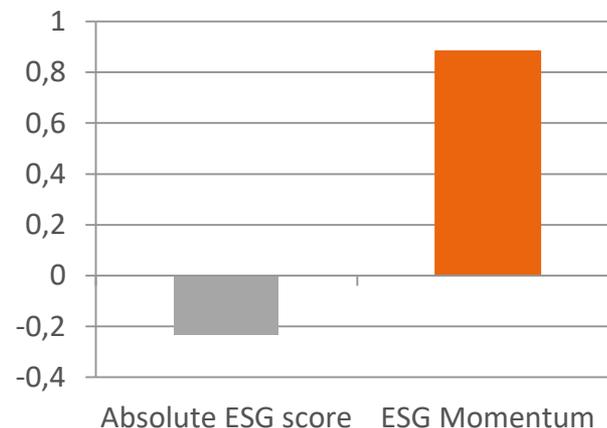
- Applying ESG factors in equity markets can lead to stronger risk-adjusted performance
- Excluding companies with high ESG risks increases overall Sharpe ratio*
- ESG momentum (positive change) performs better than high absolute ESG scores*

Avoid high ESG risks



Annualized sharpe ratios of controversy free portfolios

Reward positive ESG change



* source: NNIP, ECCE, Sustainalytics, academic evidence, 2016,

ESG a differentiator in EM as well

Emerging markets – notable biases in ESG ratings

Significant deviations in average ESG ratings across sectors...

...and it matters in which jurisdiction a company is listed

Figure 1: Mean Sustainalytics ESG rating by sector

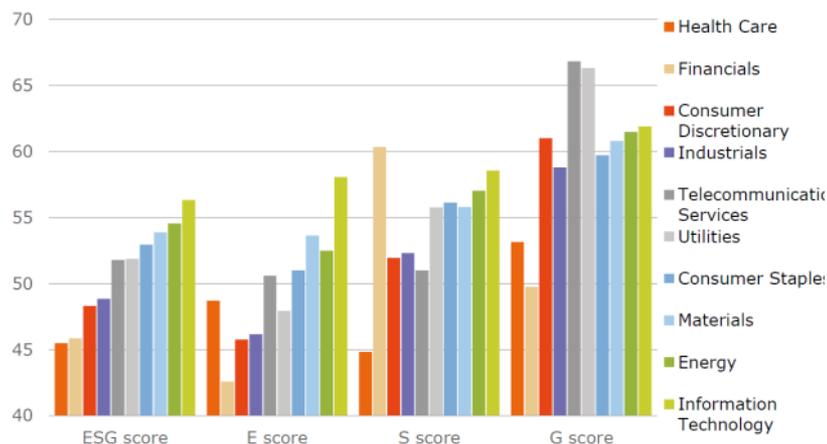
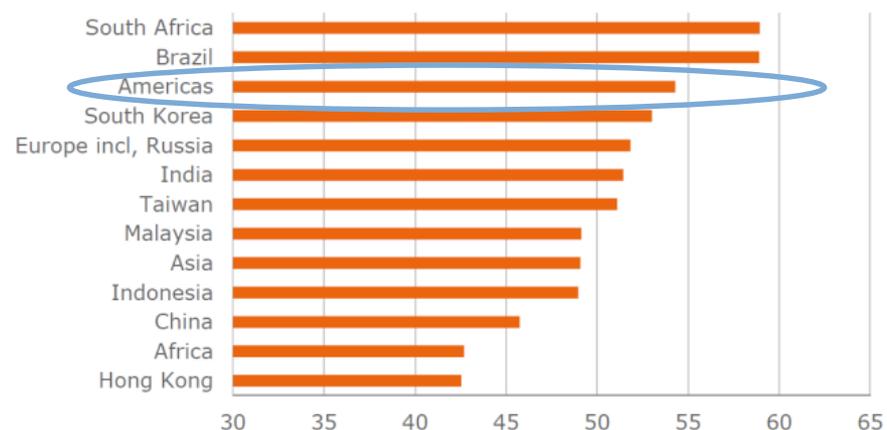


Figure 3: Mean Sustainalytics ESG rating by location



Source (both graphs): NN IP, ECCE, Sustainalytics (2017)

ESG in Emerging Markets

High ESG scores outperform when adjusting for country effect

No alpha potential when incorporating ESG ratings...

...but results improve dramatically after adjusting for country effects

Figure 8: Sharpe Ratios - Sorting stocks on levels of Sustainalytics: for sector-size effects

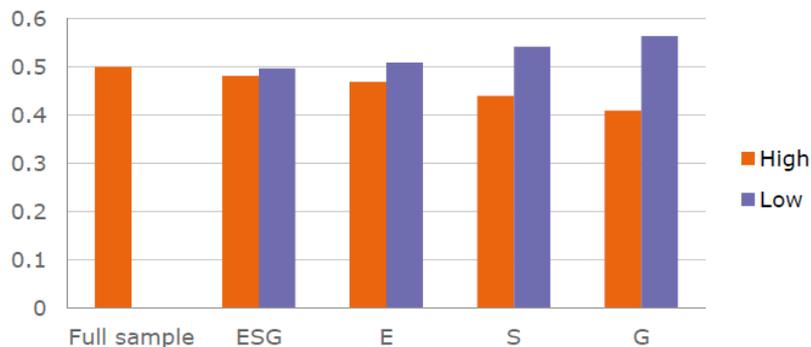
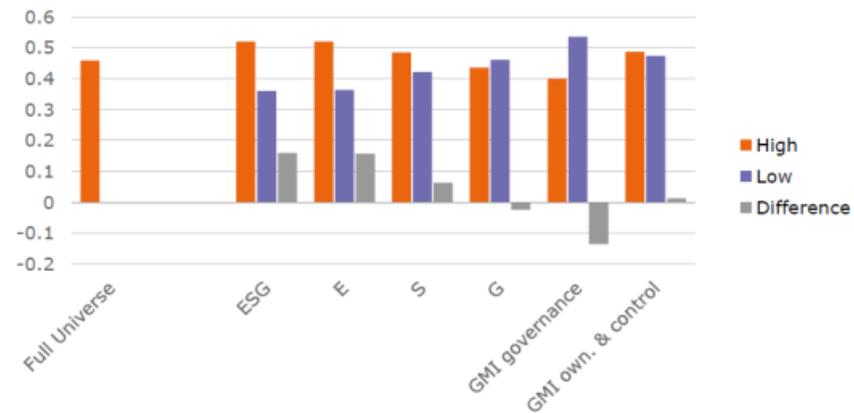


Figure 11: Sharpe Ratios - Sorting stocks on levels of ESG within country-sector
 We require at least 25 firms in an individual country otherwise it gets pooled with other countries from the same continent that also have less than 25 firms. Within the country-sector combination we have at least 6 firms.



Source (both graphs): NN IP, ECCE, Sustainalytics (2017)

ESG in Emerging Markets

ESG momentum and controversies have material effect as well

ESG momentum has the ability to increase returns and lower risk...

...same applies to avoiding companies with significant controversies

Figure 9: Sharpe Ratios - Positive ESG momentum and negative-momentum portfolios

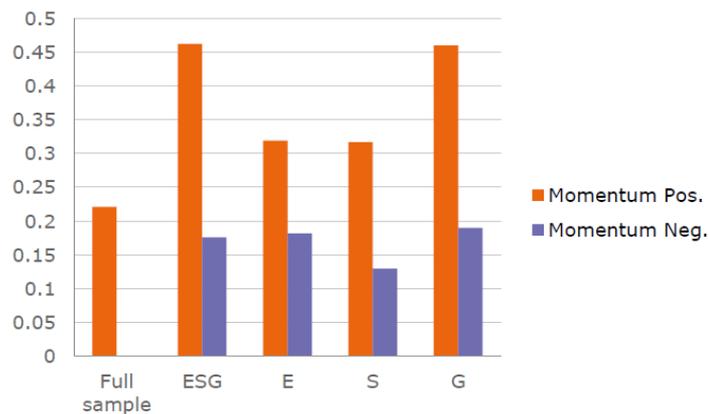
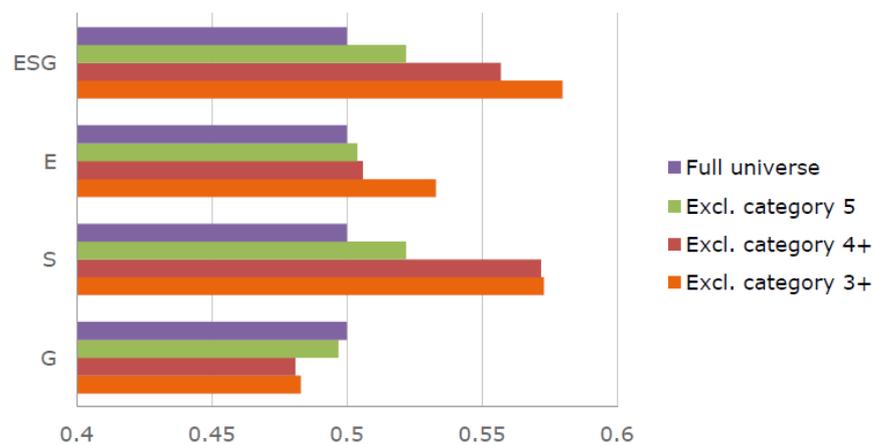


Figure 12: Sharpe Ratios - Controversy free universe



Source (both graphs): NN IP, ECCE, Sustainalytics (2017)

Applying ESG in the investment process

Assessing value creation in all steps of the process



Searching for:

Sustainable Solutions



Sustainable Behaviour



Sustainable Competitive Advantage



Putting ESG in practice

Farmed Atlantic Salmon

Solution:

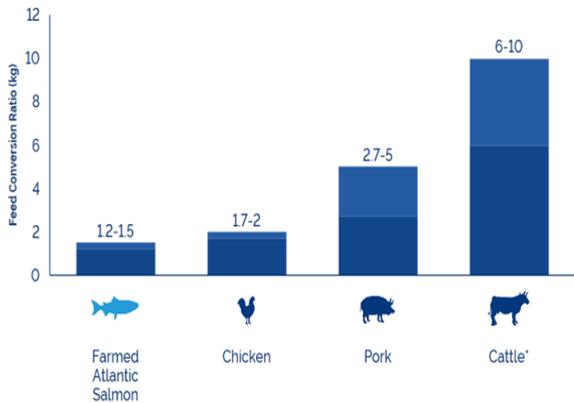
- ✓ Sustainable protein
- ✓ Healthy food source

Behaviour:

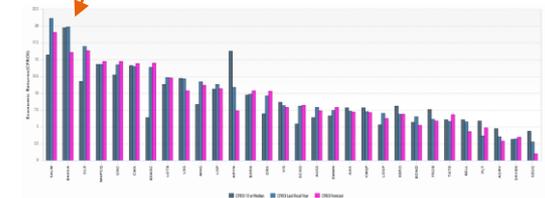
- ✓ Sustainable production method
- ✓ No controversies
- ✓ ESG momentum

Competitive Advantage:

- ✓ Favourable conditions
- ✓ Low biological risk
- ✓ Fully integrated value chain
- ✓ High quality and large size price premium
- **Structural higher profitability**



Source: Global Salmon initiative



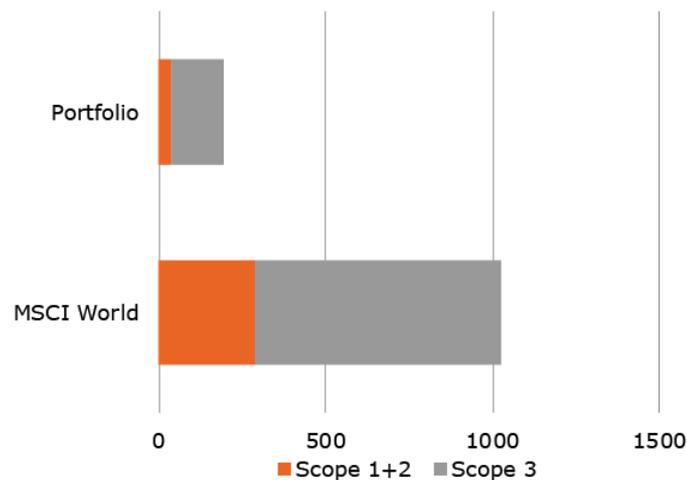
Source: HOLT

Environmental benefits

Carbon and Waste Footprint much lower than the index

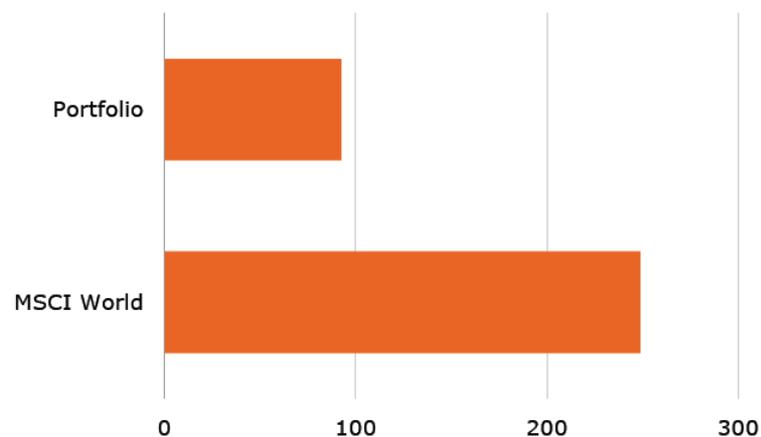
Carbon Intensity

Scope 1+2 & 3 (tCO₂e/€1m revenue)



Waste Intensity

Waste Intensity (Tonnes waste/EUR Revenues)



Source ISS Climate Metrics, NN IP, December 2018

- Scope 1+2 direct carbon emissions
- Scope 3 indirect emissions – crucial to get complete company insight



**NN investment
partners**

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