



DEEP DIVE: SETTING TARGETS FOR A NET ZERO STRATEGY

NN GROUP

NN Group is an international financial services company which holds approximately \$199 billion general account assets.

12 months after signing the Paris Aligned Asset Owner commitment in March 2021, NN disclosed its initial targets with the aim to deliver real world impact by focusing on a range of alignment actions. NN Group has developed strategies and targets covering its corporate investment portfolio (listed equity and corporate fixed income), real estate and sovereigns.

NN Group has set a portfolio coverage target that will increase the proportion of assets in the corporate investment portfolio that can be considered to be at least 'aligning' towards net zero, as outlined in the Net Zero investment Framework. NN Group has gathered data and mapped its holdings against a range of criteria to determine the current alignment status of all corporate holdings. The analysis includes whether a company has set an ambition to achieve net zero GHG emissions by 2050 or sooner and nearer term targets, discloses scope 1, 2, and material scope 3 emissions, as well as emission intensity performance. In addition, for high impact companies (defined by companies included in Climate Action 100+ engagement or the TPI assessment from Transition Pathway initiative), the analysis also includes the presence of a quantified decarbonisation strategy and capital allocation plan. Multiple data sources were triangulated and combined with internal analyst research to perform the baselining assessment, including:

- Climate Action 100+ Net Zero Company Benchmark
- ISS ESG Climate Solutions data (carbon footprint and carbon budget assessment)
- Science Based Target initiative (SBTi)
- TPI assessment from Transition Pathway Initiative
- CDP

As part of this target setting process, NN Group has developed strategies for listed equity, corporate fixed income, sovereign bonds and real estate. Strategies include scoring investments against a set of current and forward-looking alignment criteria and setting targets.

For the corporate investment portfolio, NN Group developed a data hierarchy to identify the data sources that best fit each alignment criteria, as defined by data type 3 (raw dataset as listed in the IIGCC Net Zero Investment Framework recommended public data sources, with additional private vendor data to increase the coverage). It is clear 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, NN's 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 more recent and granular picture of a company's alignment. NN Group expects that the data hierarchy would evolve over time as improved data quality and coverage becomes available. Further details will be provided in NN Group's climate action report to be published later in 2022.

For more details of targets set by NN Group and information about NN Group's strategies for real estate and sovereign bonds, see its target disclosure [here](#).

NN Group's targets for the corporate investment portfolio

Portfolio decarbonisation reference interim targets

Reduce the financed emissions (tCO₂e per Euro million)

- 2021 baseline*: 125 tCO₂e per Euro million invested
- 2025 target: -25%
- 2030 target: -45%

*Based on underlying emissions data from 2019

Portfolio coverage target

Using a range of criteria to assess holdings, increase the share of AUM that is considered at least 'aligning' to net zero

- 2021 baseline: 29%
- 2025 target: 45%

Engagement target

Increase the proportion of financed emissions that are either 'aligned' or under engagement and stewardship actions

- 2021 baseline: 66%
- 2025 target: 75%

Allocation to climate solutions

Across asset classes, increase the proportion of AUM invested in the range of technologies and solutions to support climate change mitigation

- 2030 target: an additional €6 billion, taking the total AUM invested in climate solutions to around €11 billion, or approximately 6% of AUM