

Our ESG approach applied to FDC SICAV Actions Monde - Actif 3

- Our sustainable investment process has been tailored to your specific needs
- Materiality and relevance of ESG factors are key in our investment approach
- We invest in companies with Sustainable Business Models that offer Sustainable Solutions, exhibit Sustainable Behaviour and have a Sustainable Competitive Advantage.
- In our search for companies with Sustainable Business Models we apply the following ESG elements to your mandate:
 - ✓ Exclusionary criteria
 - ✓ Avoidance of controversial ESG behavior
 - ✓ Positive selection on ESG momentum and active engagement with holdings on material ESG topics

Our process reflects an approach that goes beyond concerns about environmental and social sustainability and has been an integral to NN Investment Partners since the turn of the millennium. For us, sustainable investing refers to an investment approach that recognizes the importance of environmental, social and corporate governance factors when assessing the risks and returns of investments. Below we will discuss in more detail how we apply this in managing your mandate.



Exclusionary criteria

Starting point for the ESG criteria and methodology we apply is full compliance with your list of excluded companies. These concern benchmark constituents that show behavior and/or are involved in activities that strongly oppose your ethical values and ESG criteria.

NN Investment Partners has a strong heritage and long experience in the determination, application and impact management of such exclusions. This is reflected in the excluded activities that we apply to our sustainable equity strategies as well as exclusions we apply to the proprietary and third-party assets we manage. On top of your exclusions-list we refrain in your mandate from being invested in companies that are directly and clearly involved in arms production and trade, the gambling industry, tobacco production, thermal coal, oil sands, shale energy and arctic oil, nuclear energy production, adult entertainment and leather & fur production for fashionable purposes.

Activity exclusions NNIP Sustainable Equity Strategy

Activity Exclusions

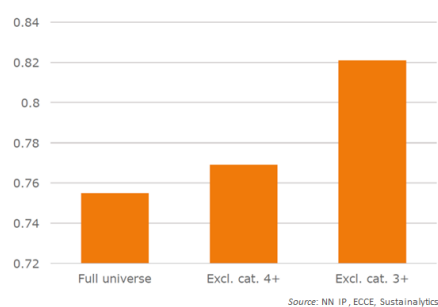


Controversy avoidance

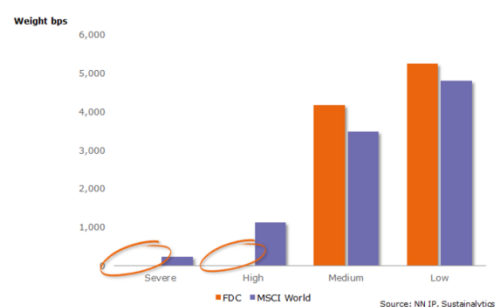
In addition to the before mentioned activity-based exclusions, we also refrain from investing in companies that are clearly and structurally involved in major controversial incidents. These behavior-based exclusions can for example relate to heavy environmental pollution, major breaches of UN human rights conventions and structurally detrimental governance issues.

Our ESG heritage is strongly built upon insights into economic rational and business materiality of ESG and sustainability factors. Over the years we have studied the relations between these metrics intensely. We also performed this research in cooperation with academic entities such as the European Centre for Corporate Engagement (ECCE) to warrant these findings are free from biases and presumptions. With regards to controversies we found that the behavior-based exclusion of companies with significant and structural incidents improves the risk-return (Sharpe) ratio of portfolios in a statistically significant way.

Annualized Sharpe ratios of controversy-free portfolios



Avoidance of material controversies in your mandate



Compliance of your mandate with these exclusionary criteria is run through our front office system that includes an extensive compliance module. Relevant new data are immediately fed through by direct links to our ESG data providers. Quality and interpretation of these data is assured by our Controversy and Engagement Council and ESG board.

Positive selection

Our proprietary research, conducted in collaboration with the European Centre for Corporate Engagement (ECCE), shows that absolute ESG scores are more a reflection of a company’s market cap than a helpful indicator of future returns. Furthermore, policies often show huge gaps with true behavior.

This research also taught us that a company's positive progress on ESG metrics is often a better indicator of future returns than the overall and absolute scores.

The resonates well in our investment structure and organization where our analysts as well as portfolio managers frequently discuss ESG related matters. It is also reflected in our company engagements, for example in financial update meetings or business strategy presentations. All in all our ESG approach is clearly focused on investment relevance and materiality, and it is supported by academic research and built upon progressive insights.

We apply insights and data in a consistent ESG methodology, resulting in analysts and portfolio managers talking the same language and comparing apples to apples. Through this approach ESG and sustainability aspects are fully embedded in our daily investment processes that ultimately determine our preferred portfolio constituents. This has enhanced our risk budgeting process, our return perspectives and therefore also our capabilities to create for you a long term resilient portfolio.

The result is a portfolio with clearly lower ESG risk than the index

ESG Risk Score per cluster

	E Risk	S Risk	G Risk	ESG Risk
Portfolio	2.79	9.99	7.37	20.44
Benchmark	4.19	10.60	8.09	22.89
Relative	-1.40	-0.61	-0.72	-2.45

E – Environment

S – Social

G – Governance

Source: NNIP, Sustainalytics, August 2020

An additional result of this process is a favorable foot-print profile of your and our sustainable equity portfolios. This clearly shows from the charts below with regards to your portfolio.



Source: NNIP, ISS, August 2020

Conclusion

Our sustainable investment process is designed to construct a balanced portfolio of quality stocks which consists of the fittest and most appropriate holdings for your portfolio. This is ultimately reflected in the strong sustainability characteristics of your portfolio:

- Full compliance of your portfolio with your exclusions-list and our activity-based exclusions
- Your portfolio is not invested in any company that shows controversial behavior
- Your portfolio has lower ESG risk, thanks to our focus on companies with positive progress on material ESG metrics.
- Your portfolio has an attractive foot-print profile, substantially lower than the benchmark

On top of its sustainability profile, your portfolio continues to have a very attractive financial profile with superior growth, profitability and valuation characteristics compared to the benchmark. We remain convinced that this overall quality profile will continue to generate resilient investment returns for your participants.

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