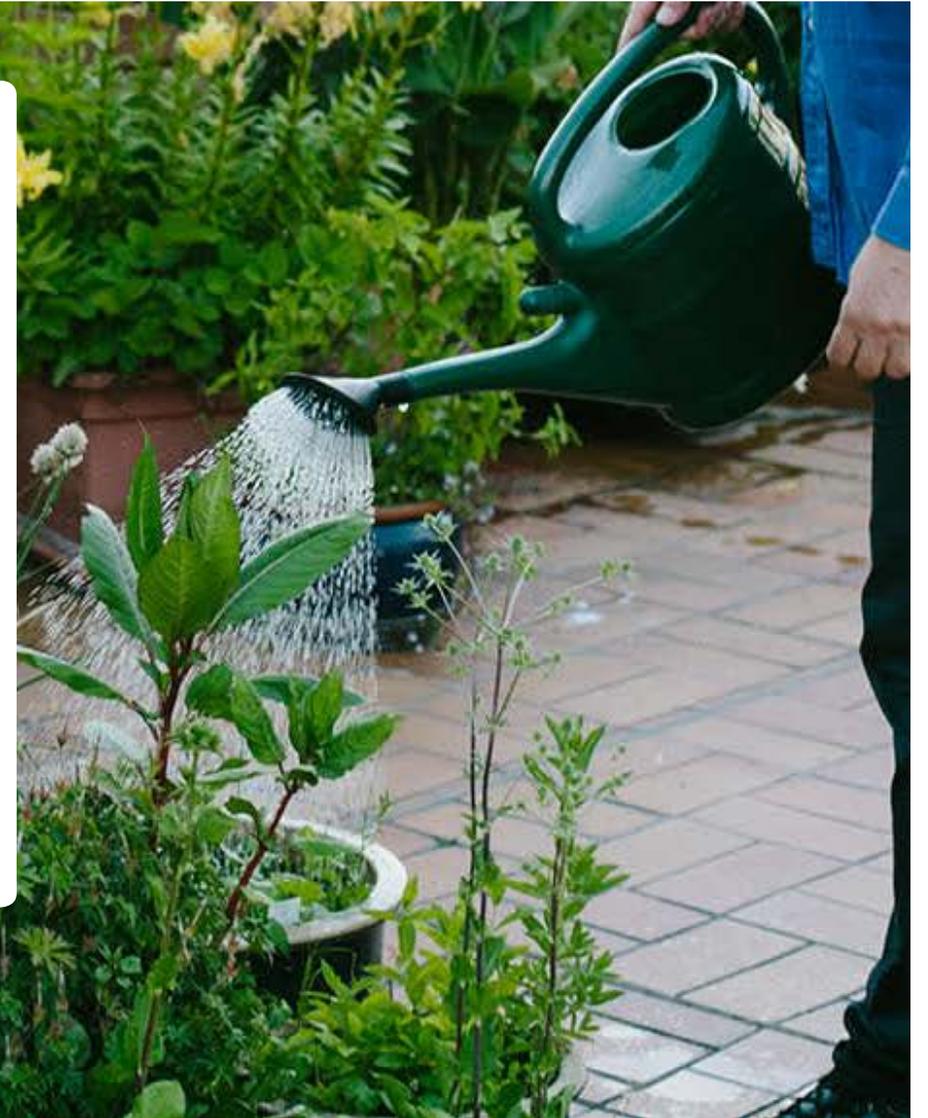


# True sustainability cannot be reflected in one indicator



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# The proprietary and dynamic nature of capturing sustainability alpha

## Key questions around purpose and approach:

- Ethical considerations or materiality focused sustainability?
- External data providers or proprietary data-set application?
- Static or dynamic methodology and selection criteria?
- Activity, behaviour and business model aligned?

# Ethical considerations or materiality focused sustainability?

*Exclusion versus inclusion selection criteria?*

*Societal versus economic motives?*

*Conflicting believes versus aligned incentives?*

*Measuring exposure versus business model integration?*

*Minimum standards versus maximum opportunities?*

# Ethical considerations or materiality focused sustainability?

## Restriction criteria

*To take a stance on activities and behavior that do not match ethics, principals and regulations. It relates to controversial conduct as well as involvement in specific products and services.*

### Typical examples:

Controversial weapons, Tobacco production,  
Adult entertainment,  
Nuclear energy, Gambling, major controversies  
on human rights or environmental pollution

## ESG Integration

*To focus on the preparedness for change of companies and their ability to adapt to identify the future winners and losers in their industries and value chains.*

### Typical integration process:

*Identify – material ESG issues  
Assess – company KPI's  
Integrate - into financial analysis*

# External or proprietary dataset application?

## Familiar issues with external data:

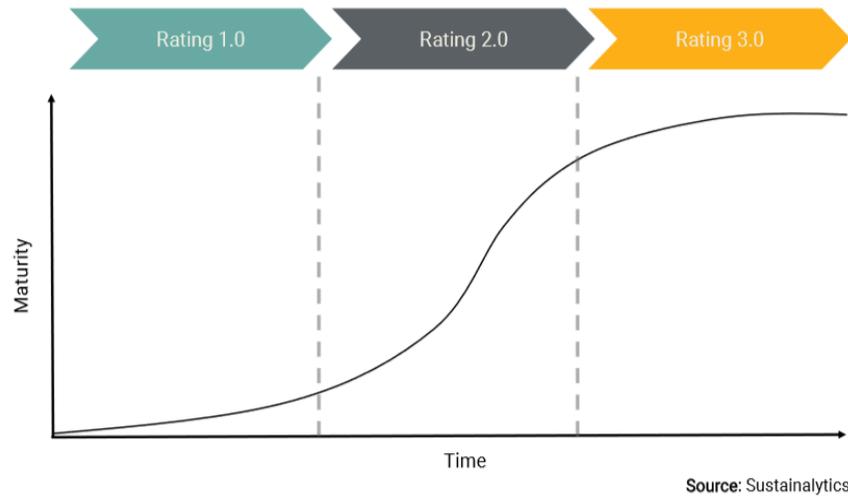
- Many categories of ESG data such as ratings & scores, research, controversies, datapoints, SDG measurement
- Very low correlation of ESG ratings and research in between the various providers
- Significant biases in data towards size and sectors

So better start your ESG analysis in a consistent and proprietary way:



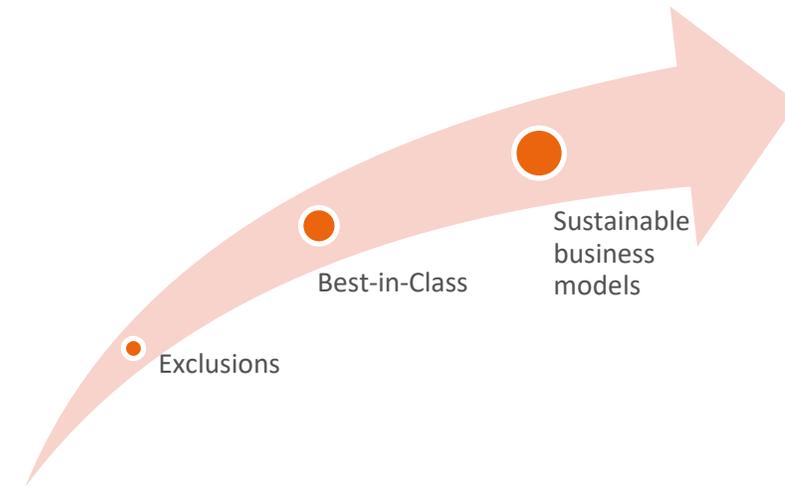
# Static or dynamic methodology and criteria?

- Evolution of data in quantity, quality and ease of access
- Also in ESG analysis methodologies & academic research on alpha strength
- ESG integration remains an adaptive and dynamic process



## Sustainalytics

- 1.0: interpretation company disclosures
- 2.0: stakeholders concerns assessment industry
- 3.0: stock specific risk exposure and management



## NN Investment Partners

- 1.0: activity exclusions, best-in-class
- 2.0: ESG momentum, significant controversies
- 3.0: solutions, behaviour, competitive position

# Activity, behaviour and business model aligned?

- The three strongly reinforce each other with compounding characteristics
- Societal inclusion, i.e. from all stakeholders perspective, can boost economic and investment profit
- Finding these business models requires truly integrated investment analysis and continuous engagement



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