



Accelerating sustainable transformation

NN Group N.V.
Annual Review 2019



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The 2019 Annual Report consists of the 2019 Annual Review and the 2019 Financial Report. It provides an integrated review of the performance of NN Group.

The Annual Report aligns relevant information about our governance, strategy, performance and future prospects in a way that reflects the economic, environmental and social contexts in which we operate. It is prepared in accordance with Dutch law and relevant reporting standards.

Together with this report, NN Group publishes a Solvency and Financial Condition Report, a Total Tax Contribution Report, and a Carbon Footprint Report. Next to that, NN Investment Partners launches a Responsible Investing Report. All these reports are published on NN Group's corporate website in the Investors/Annual Report section.

Read more on our approach to reporting on page 57 of the Annual Review.



Visit our website for further information
www.nn-group.com



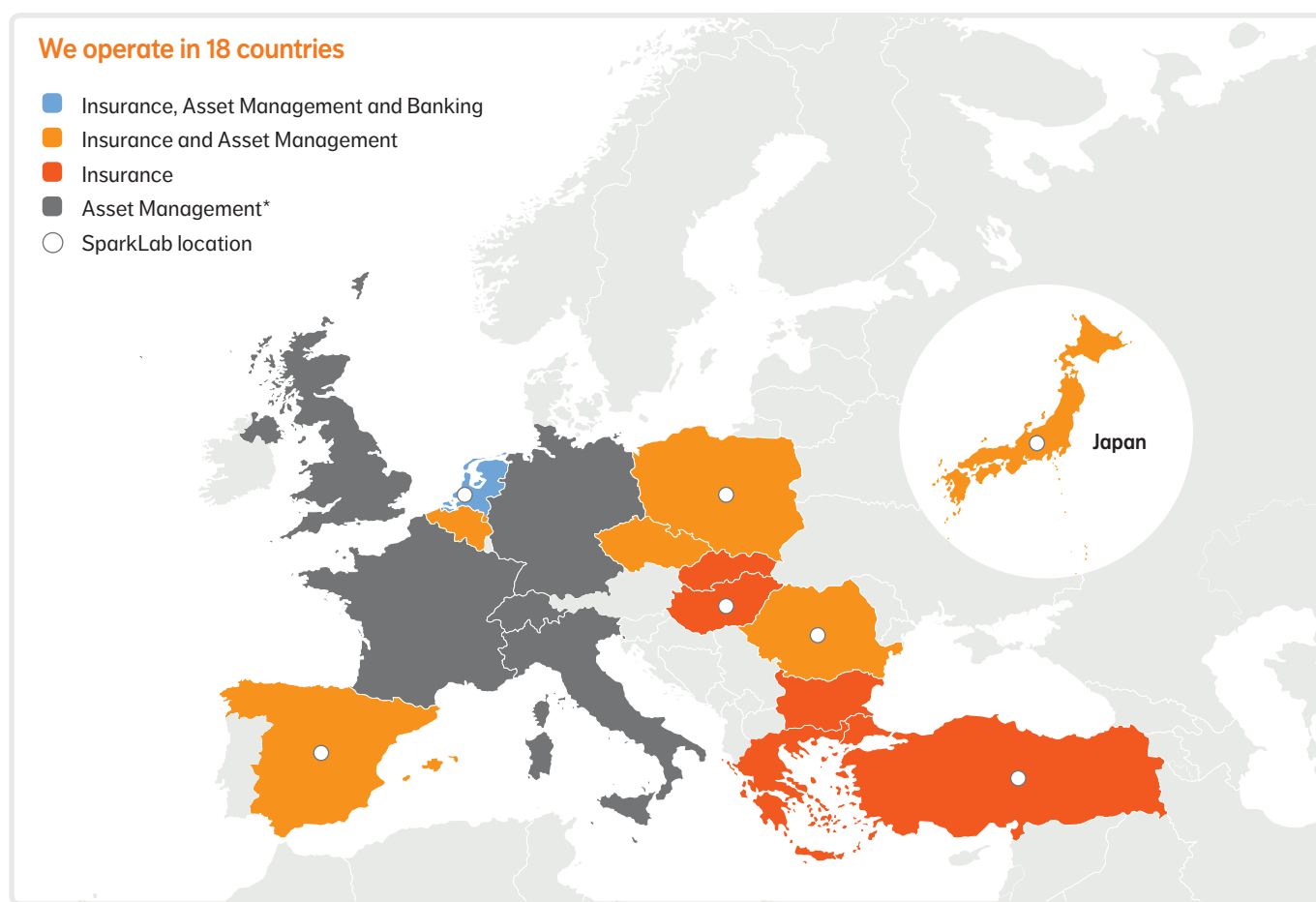
You matter

We believe that people want to live life to the fullest, focusing on what matters most to them. We empower them to do just that – through all stages of their lives – by taking on the risks they cannot bear alone, and by helping them to secure their financial futures.

What matters to you, matters to us.

Who we are

Founded in 1845, NN Group is a financial services company, active in several European countries and Japan. Over the past 175 years, we have been dedicated to meeting and exceeding our customers’ expectations. Our purpose is to help people secure their financial futures. Through our products and services, we want to create value for our customers and other stakeholders.



* Outside Europe and Japan, NN Investment Partners has offices in Montevideo, New York and Singapore.

Our values



15,194
Employees



18m
Customers



1845
Year NN founded



Care



Clear



Commit

How we performed

Financial indicators

Operating result

EUR 1,794m

(2018: EUR 1,626m)

The 10% increase in full-year operating result mainly reflects improved underwriting results at Netherlands Non-life and higher results at Japan Life.

Expense reduction

EUR 360m

(Target: EUR 400m by 2020)

Total expenses at the units in the scope of the integration of EUR 360 million compared with the 2016 administrative expense base, well on track to reaching the EUR 400 million target by end of 2020.

Free cash flow to the holding

EUR 1,187m

(2018: EUR 1,216m)

Free cash flow to the holding was EUR 1.2 billion in 2019, reflecting net remittances from subsidiaries of EUR 1.4 billion partly offset by holding company expenses, interest on loans and debt and other holding company cash flows.

NN IP Assets under Management

EUR 276bn

(2018: EUR 246bn)

Total asset under Management of NN IP increased to EUR 276 billion from EUR 246 billion in 2018 mainly due to positive market performance.

Solvency II ratio

218%

(2018: 230%)

Solvency II ratio of 218% reflects capital flows to shareholders and market impacts, partly offset by operating capital generation.

Value of new business

EUR 358m

(2018: EUR 391m)

Down 8.3% on 2018, reflecting lower sales at Japan Life due to tax changes, partly compensated by improved business mix and higher life and pension sales at Insurance Europe.

Non-financial objectives

Net Promoter Score

+5 points

(2018: +1.5 points)

We aim to increase our NPS every year. In 2019, 9 of our 11 insurance business units maintained or improved their relational NPS compared with 2018. In 2 markets the relational NPS decreased, which has our full attention.

Women in senior management positions

36%

(2018: 33%)

We exceeded our target to have 30% women in senior management positions by 2020. Going forward, we will continue to strengthen our efforts in this area.

Assets under Management in sustainable and impact strategies

EUR 22.7bn

(2018: EUR 16.5bn)

We aim to increase our AuM in sustainable and impact strategies every year. In 2019, these assets represented 8% of total AuM, while at the same time showing an increase of 37% compared to 2018.

Young people reached through NN Future Matters programme

25,421

(2018: 38,536)

Since the start of our programme in 2014, we have reached 138,358 young people, exceeding our 2020 target to positively impact the futures of 100,000 young people. We aim to continue to grow this number.

Employee engagement

7.4

(2018: 7.1)

We aim to increase our employee engagement every year. In 2019, engagement showed an increase of 0.3 points compared with 2018.

Direct environmental footprint (CO₂ emissions per FTE)

-14%

(2018: -6%)

Our target is to reduce the CO₂ emissions of our direct operations by 3% per FTE per year. In 2019, our CO₂ emissions (scope 1 and 2) per FTE showed a decrease of 14%.

How we create and share value

We aim to create long-term value for our stakeholders. This simplified version of our business model shows how we use the resources ('capitals') in our organisation to create value as a result of our activities or outputs.

Our key inputs

Financial capital

- Gross premium income
EUR 14.5bn
- Assets under Management
EUR 276bn
- Eligible Own Funds
EUR 17.8bn

Human and Intellectual capital

- 15,194 employees
- Values-driven culture
- Responsible business standards

Social and Relationship capital

- Customer relationships (around 18 million customers)
- Business partners and suppliers
- Other key stakeholders (i.e. regulators)



NN at a glance – How we create and share value continued

Our value creation model is based on the framework developed by the International Integrated Reporting Council (IIRC). It is built around 'capitals' – stocks of value that may be either increased or decreased through a company's business activities or outputs.

We have chosen the capitals most relevant to our business: Financial capital (pool of funds available to a company, including debt and equity finance); Human and Intellectual capital (employees' skills, competencies and experience; institutional, innovation

and digitalisation knowledge; processes developed within the organisation); Social and Relationship capital (relationships with stakeholders, communities and other networks necessary to continue our business operations and maintain our long-term license to operate).

The value we created in 2019

Outputs divided by capital



Financial capital

- Pension benefits and claims paid to customers
EUR 13.9bn
- Dividend paid
EUR 665m
- Solvency II ratio
218%



Human and Intellectual capital

- Salaries and benefits
EUR 1.5bn
- Training and development
EUR 19m
- Diversity (% women in senior management positions)
36%
- Employee engagement
7.4



Social and Relationship capital

- Customer satisfaction
NPS +5 pts
- Total tax contribution
EUR 2bn
- AuM in sustainable and impact investment strategies
EUR 22.7bn
- Donations to charitable organisations
EUR 3.2m
- Paid to suppliers
EUR 1bn

Outcome for our stakeholders

Customers

To our customers we pay out pensions, interest on savings, insurance claims and/or investment returns. Through our products and services, we provide protection and help them secure their financial futures throughout different stages of life. We aim to have empowered and satisfied customers. Read more on pages 28-31.

Employees

To our employees we pay salaries and benefits. We offer an attractive, stimulating and diverse environment to work, and invest in their skills and personal development to help them reach their full potential. We aim to create an engaged workforce. Read more on pages 32-34.

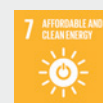
Investors

We maintain a strong balance sheet and take a disciplined approach to capital management, aiming to provide attractive long-term returns for our investors. We aim to have loyal investors. Read more on pages 35-36.

Society at large

We use our resources, expertise and reach to help society achieve long-term prosperity. We invest in a responsible way, ensure fair tax practices, minimise our direct environmental footprint and support local communities. Read more on pages 37-41.

Contributing to the Sustainable Development Goals



Read more on pages 42-43.

Accelerating our transformation journey



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We aim to add value for our stakeholders, contribute actively to societal discussions, and introduce solutions beneficial to the people we serve.

David Knibbe
Chief Executive Officer

NN performed strongly in 2019. CEO David Knibbe talks about the main achievements of the Group, and our progress on transformation.

How do you assess NN Group's performance in 2019?

NN Group is doing well. In 2019, we delivered a solid financial performance, with all businesses reporting decent results. Our customer engagement improved during the year, with the Net Promoter Score increasing 5 points from -1 in 2018 to +4. It demonstrates that we are making progress on our goal to reach out to our customers at the right time in a personal way, with products, content and services that are relevant to them. The profitability of the Dutch Non-life business has improved. The market share of our defined contribution business has increased. We reported 21% growth in the value of new business at Insurance Europe. The origination of new mortgages by NN Bank hit an all-time high. And we successfully completed the integration of Delta Lloyd. However, for the longer term, and given the challenges as well as the opportunities our industry is facing, we need to further refine our strategy and put more focus on the capabilities we want to build. And that is exactly what we are currently doing.

In today's world, we are facing persistently low interest rates, economic and political uncertainty, pressure on margins, and the implications of climate change. Regulatory developments, such as the changes in tax rules in Japan, require us to adapt to find suitable solutions for our customers. On top of this, since the beginning of 2020, the coronavirus (COVID-19) has been unfortunately affecting people around the world, and it also seems to have an impact on financial markets, global trade, manufacturing and travel.

On the other hand, all sorts of revolutionary technologies are being developed, such as artificial intelligence (AI), connected homes and the platform economy. All these developments affect financial services companies. They require us to increase our speed, to adjust our business models, and to deal with new and different kinds of competition. They also offer us the possibility to improve customer experience and optimise processes. Our actuarial expertise, combined with the information now available to us, will help us create opportunities for data-driven decision-making.

Given all these factors, do you feel you are making enough progress in transforming the company?

We need to speed up and take additional steps. Throughout 2019, we continued on our transformation journey, by optimising our business model as well as creating new capabilities. Increasing scale and optimisation are important prerequisites of sustainable and profitable growth. For example through the acquisitions of Delta Lloyd and VIVAT Non-life in our home market. And internationally, by acquiring the Aegon life and pension businesses in the Czech Republic and Slovakia. Next to that, we are creating and expanding innovation capabilities, for example with AI and through new strategic partnerships. The acquisition of Human Capital Services (HCS) in the Netherlands, for instance, has reinforced our position with regard to sustainable employability, and supports our broader aim to progressively shift from insurance products to service solutions. I believe it is vital to maintain focus and consider investment choices.

NN at a glance – CEO viewpoint continued

In April 2020, NN celebrates its 175th anniversary. What is the recipe for a thriving, sustainable business for so many years?

Alongside knowing when to make necessary changes and being prepared to do so, it is essential to maintain strong relationships with all your stakeholders at all times. Ever since we were founded, we have always been focused on serving our customers, as our primary and most important stakeholders, and on continuously adapting to their changing needs. For instance, with our protection and pension products we aim to make a positive contribution to their lives. By doing so, with many talented and engaged colleagues, we have become the strong international financial services company we are today. Other important stakeholders groups are our employees, regulators, our shareholders and society at large. Part of refining our strategy involves making clear what it is they can expect from us going forward.

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Ever since we were founded, we have always been focused on serving our customers, as our primary and most important stakeholders, and on continuously adapting to their changing needs.

In what way did the company contribute to society?

We have an important responsibility to be clear on what people can expect from us, and what our added value is to society. We want to be open to different perspectives, and since my start, I have had the opportunity to meet with many of our stakeholders. The insights our customers, employees, shareholders, regulators and other parties in society share with us are of key importance, and I would like to thank them all for their support for our company.

Our products aim to have a clear added value for the societies in which we work and live, and we contribute actively to societal discussions, and introduce solutions beneficial to the people we serve. In 2019, we continued to invest in being a trusted corporate citizen, one that does business with the future in mind, and supported by our values: care, clear, commit. As part of our efforts to support the Paris Agreement on climate change, we implemented a coal policy. By placing investment restrictions on thermal coal mining companies and intensifying our dialogue with power generation companies, we aim to accelerate the transition to a low-carbon economy. To strengthen our engagement efforts with palm oil companies, NN Investment Partners joined forces with other asset managers in the Netherlands and became a member of the Roundtable on Sustainable Palm Oil. We are delighted these efforts resulted in our inclusion in the Dow Jones Sustainability Indices for the third year in a row, and in receiving the highest score in the Dutch VBDO Tax Transparency Benchmark 2019.

You became CEO of NN Group in October 2019. What are your observations in this new role?

The enormous dedication of our employees to make the company a little better every day impresses me a lot. I want to thank all NN colleagues for their contribution to the strong performance of our company, and for making NN a great place to work. Also, I am grateful for all the heart-warming messages of support that I received after my appointment; people seem to regard it as a confirmation of opportunities that NN provides. I am honoured to have taken over from Lard Friese as from October 2019. On behalf of the Management Board, I would like to express my gratitude to Lard for his strong commitment and dedication to the company for more than ten years. I am looking forward to, together with my colleagues, bringing NN Group to the next level of our transformation.



Our operating environment



The world around us

The world around us influences the financial services sector, our business and our stakeholders in various ways. Whether it is economic and political developments, changing regulations, or the increased use of digital technologies, all have an effect on how we interact and do business. These factors tend to change at a very fast pace, producing challenges for our business model and affecting the way we create long-term value for our stakeholders.

Economic and political factors

After a period of strong growth, the global economy is stabilising at somewhat lower levels. EU projections foresee annual real GDP increasing by a little over 1% up to and including 2022. Private consumption is steady, but trade and manufacturing are lagging. Tense trade relations, for example between the US and China, and Brexit on 31 January 2020, have kept markets unpredictable and volatile. Growth remains reasonably healthy in Central and Eastern Europe.

Interest rates have continued to drop and there are now negative interest rates in many countries. As a result, various new financial risks are emerging. For NN and our customers, this has implications, and we are looking into possible solutions, such as an accelerated shift to defined contribution pension products in the Netherlands, and a shift towards protection products in the market in general.

Changing regulations

An extensive package of regulation for the financial services industry has been put in place in recent years, which brings long-term financial stability and security to the sector and for society as a whole. These new regulations increasingly require greater capacity within financial institutions, for example around compliance.

For the European insurance industry, arguably the most important regulatory framework is Solvency II. It is being reviewed in 2020, including elements such as long-term guarantee measures, macro prudential issues, and reporting and disclosure. For NN, it is important that stability within the framework, including long-term guarantee measures, is maintained.

New rules and regulations have also been introduced in the area of sustainability, which are supported by NN. For example, the EU Action Plan on Sustainable Finance (including an EU Taxonomy), which is aimed at creating a greener and more sustainable economy. Greater transparency is at the heart of both the EU Directive on Non-Financial Disclosures and the recommendations of the Task Force on Climate-related Financial Disclosures.

Customer experience, new technologies and innovation

Technology is evolving rapidly and having a huge impact on society and the way companies do business. Consumers demand access to products and services anywhere, anytime. Transparency about products is key, as anyone can find products, compare different providers and purchase all with just a few clicks of the mouse.

Artificial intelligence, more extensive use of big data and the Internet of Things are just a few examples of technologies that are enabling companies to act faster, and deliver products and services that meet customer needs more precisely. At the same time, we are conscious that these opportunities require us to carefully assess the impact on our customers, for example, around data privacy and cybersecurity.

New consumer protection requirements are being introduced. And with new ethical dilemmas arising around how organisations use personal data, society expects that companies have policies and processes in place that protect people's privacy, something we take very seriously.

These developments also require different types of skills from employees, such as IT and data analytics, and new ways of working. We are doing our utmost to find the right people in these times of tight labour markets.

Transition towards a sustainable economy

Society is expecting more and more of companies, including those active in the financial services industry. Not only are citizens and businesses looking for products and services that suit their specific needs, they also expect companies to act responsibly.

Like the government, business has a role to play in the transition to a sustainable economy. Integrating environmental, social and governance (ESG) considerations into the way companies do business is becoming increasingly mainstream, and the financial industry is playing its part here. By integrating ESG factors into the investment and underwriting processes; by using its influence to support the transition to a sustainable economy by engaging with the companies in which it invests; and by offering clients sustainable finance solutions. In this context, there are a number of initiatives that NN has endorsed, such as the International Corporate Social Responsibility covenant for the Dutch insurance sector and the Commitment of the Financial sector to the Dutch Climate Agreement, both of which aim to encourage collaborative action to achieve more progress together.

Determining material topics

NN conducts a regular review of its operating environment to identify our material issues – that is, those issues that have the most impact on our business and/or stakeholders, and where we can potentially create the most value.

We use the results of this assessment as input for strategy development and risk management activities, and to bring more focus to our annual reporting.

Methodologically, a long list of around 100 topics was compiled, based on an analysis of internal and external sources. From this list, a shortlist of 13 topics was created using the following criteria: the impact of the topic on NN Group and/or on our different stakeholders; and the 'likelihood' and 'location' of the impact. The latter involves the key markets where NN is active. These criteria were applied with a timeframe in mind of the coming 12 months.

Compared with the 2018 assessment, the shortlist shows more emerging topics where we can potentially create the most value for our stakeholders, rather than business-as-usual activities such as risk management and compliance.

This is mainly due to the shift in our approach from 'importance' to 'impact' of the topics on us and/or our stakeholders.

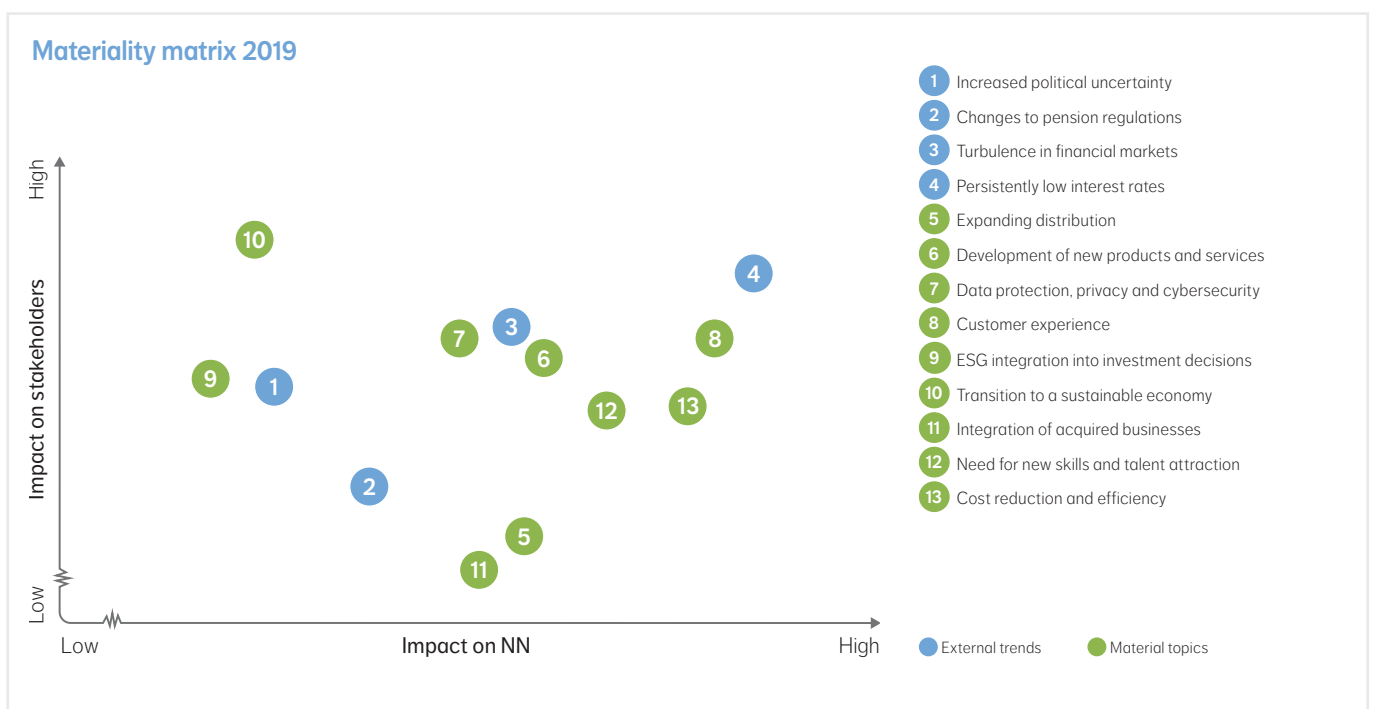
Through an online survey, stakeholders (including customers, employees, investors, regulators, business partners and societal organisations) were asked to rank the topics on the shortlist in order of their impact on them (y-axis). NN Group's senior management (the Management Board and their direct reports) were asked to rank the topics in order of their impact on NN Group (x-axis).

The results presented in the matrix below show that our most material topics (upper right part of the matrix) are persistently low interest rates, customer experience, cost reduction and efficiency, development of new products and services, and the need for new skills and talent attraction.

The relatively lower score of the impact of the transition to a sustainable economy, may largely be explained by the 12-month timeframe of this materiality assessment, as the impact of the transition may have a longer horizon.

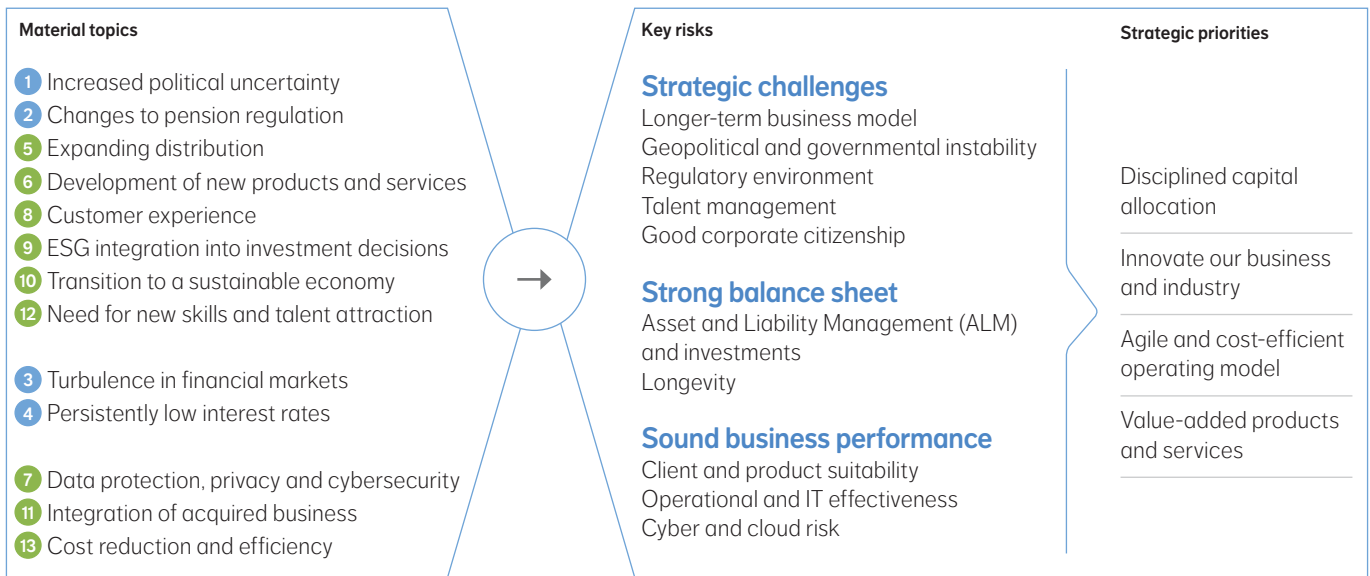
Nevertheless, we believe that all 13 shortlisted topics are material to us, because they have an impact either on NN Group and/or our stakeholders. This impact can relate to risks and/or creating opportunities. Therefore, we continuously assess our operating environment and strive to address our material topics in our strategy and business activities.

The results of the assessment were presented to the Management Board for discussion and approval. The Supervisory Board approved the materiality matrix as part of the Annual Review approval process.



Managing our risks

Strong risk management is an essential link between our strategy, our capital plan and the successful execution of our business plan, while taking external developments into account. This helps us define and achieve our financial and non-financial objectives.



On an annual basis, we use a variety of inputs (including external trends and material topics) to identify the risks to our strategy. For each set of risks, we define how much risk we are willing to take, as described in Risk Appetite Statements covering three main areas: Strategic challenges, Strong balance sheet and Sound business performance.

Strategic challenges:

We manage our businesses on a risk-return basis, so that we can meet strategic objectives while taking into account the interests of our stakeholders. Key risks identified:

Risk description	Risk mitigation
<p>Longer-term business model: risk of not timely adapting our business model to the changing world around us</p>	<p>We anticipate the economic, technological, ecological and demographic developments that affect the strategic context in which we operate by managing in-force business while growing profitable new business. This also means anticipating on emerging risks, such as the impact of climate change.</p> <p>For our in-force business, we focus on managing our businesses efficiently, exploiting new technologies or economies of scale (for example, through the expected acquisition of VIVAT Non-life in the Netherlands).</p> <p>For new business, we focus on creating a much closer relationship with customers, by making use of new technologies and partnerships led by our Chief Transformation Officer. The product portfolio has also been significantly expanded through fee-based and protection products in the Insurance Europe units, and further development of NN Bank.</p> <p>Read more in section Our performance, pages 15-26, and in chapters Adding value for customers, pages 28-31, and Our response to the Task Force on Climate-related Financial Disclosures, pages 52-55.</p>

Our operating environment – Managing our risks continued

Risk description	Risk mitigation
<p>Geopolitical and governmental instability: risk of disintegration of existing economic and political systems and structures, driven by shifting power balances or nationalism, leading to protectionist behaviour, reduced economic prospects or geopolitical instability.</p>	<p>We manage these risks by closely following developments in international markets, and by managing our asset exposures using a system of concentration limits on sovereign and country exposures, which are subject to regular review and monitoring.</p>
<p>Regulatory environment: risk of regulatory changes that negatively impact our business, products, regulatory solvency position and/or performance.</p>	<p>One of the major upcoming regulatory changes is the Solvency II 2020 review. This covers important items in the Solvency II framework, mainly focusing on long-term guarantee measures. At NN, we closely follow the development of future regulation, regularly assessing its potential impact on our solvency position. We actively manage our relationships with regulators and supervisors to ensure NN can make an effective contribution to legislative processes and that our concerns are consistently raised in relevant forums.</p>
<p>Talent management: risk of being unable to attract, retain or pay world-class talent due to competition within and outside our industry, thus increasing the risk of being unable to manage our business effectively.</p>	<p>To attract and retain talent, NN proactively invests in personal and professional development throughout our people's careers. To offer them learning opportunities, help them build valuable networks and allow them to explore career paths, we offer long- and short-term internal assignments, and job rotation schemes. We have also introduced agile working methods to give individuals and teams more responsibility. We monitor employee engagement through an annual survey and we perform benchmarks to ensure we offer suitable compensation packages.</p> <p>Read more in chapter Supporting our people in times of change, pages 32-34.</p>
<p>Good corporate citizenship: risk that NN Group does not adequately balance stakeholder interests, or deviates from society's evolving norms and values, in areas such as responsible investments, environmental protection, equality, inclusion, taxes and remuneration.</p>	<p>Society's norms and values are evolving, and are not always codified in formal legislation. Responding inadequately to increased stakeholder expectations around doing business responsibly can lead to reputational damage, consumers buying fewer products and/or investors being unwilling to invest in our company.</p> <p>We integrate environmental, social and governance (ESG) criteria into our decision-making by formulating clear policies and monitoring adherence. Examples include our Responsible Investment Framework policy, Remuneration Framework and Tax Risk Management policy.</p> <p>Read more in chapters Creating a positive impact on society, pages 37-41, and Our response to the Task Force on Climate-related Financial Disclosures, pages 52-55.</p>
<p>Strong balance sheet: This facilitates sound financial business performance – we want to avoid having to raise equity capital after a moderate stress event or being a forced-seller of assets when markets are distressed. Key risks identified:</p>	
Risk description	Risk mitigation
<p>ALM and investments: risk of reduced available capital due to financial market turmoil or missed investment opportunities.</p>	<p>Market risks are managed through a well-diversified portfolio, under a number of relevant policies within clearly defined and monitored limits and tolerances, and with the option to reduce downside risk through hedging programmes. In addition, our strategic asset allocation aims to optimise capital generation within the boundaries of adequate diversification, acceptable risk levels and cash flow matching mismatch limits (as justified, based on regular ALM studies).</p> <p>In recent years, given the illiquid nature of NN's insurance liabilities, we have been rebalancing our asset portfolio. Partly replacing low-yielding liquid sovereign bonds with less-liquid assets, such as residential mortgages.</p>

Our operating environment – Managing our risks continued

Risk description	Risk mitigation
<p>Longevity risk: risk of higher technical provisions or required capital if life expectancy increases quicker than anticipated.</p>	<p>NN Group's pension and guarantee products are exposed to longevity risk, especially in the Netherlands. We expect that exposure to continue increasing for a relatively short period, then steadily decrease over time. We can achieve longer-term relief by a further move from defined benefit (DB) to defined contribution (DC) products, and repricing and renewing old DB products into new DC products. In the short term reduction can be achieved through risk transfer. To accelerate the reduction of longevity exposure, and create more flexibility in accepting new longevity risk, NN continues to work on putting reinsurance in place. Read more in the Financial Report, pages 128-159 (Note 49).</p>

Sound business performance:
 To achieve sound operational performance, we conduct business applying the NN values and treating customers fairly; we aim to avoid human or process errors in our operations, and limit the impact of any such errors when they do occur. Key risks identified:

Risk description	Risk mitigation
<p>Client and product suitability: risk of products failing to appropriately cover clients' interests over the full product lifetime.</p>	<p>Product suitability is essential to our relationship with customers and creating longer-term value for stakeholders. NN's Product Policy covers product risk-related requirements, including specific requirements on customer suitability. Our NN Code of Conduct makes clear to each employee what we expect of them in terms of behaviour, and we expect our external business partners to meet the same requirements. Throughout the company, a product approval and review process (PARP) and product risk committees are in place to oversee product design, client suitability, sound underwriting and claims management, and adequate pricing of all existing and new products.</p> <p>Read more in chapter Adding value for customers, pages 28-31.</p>

<p>Operational and IT effectiveness: risk of material failures in processes or IT systems leading to higher expenses, operational losses, disruption of operations and/or reputational damage.</p>	<p>NN wants to become a more agile organisation, able to move faster and encourage entrepreneurship. At the same time, risks must be managed well, and shown to be. We therefore use a risk control framework, which ensures that risks are understood and managed through effective controls, and that robust processes are in place that show effectiveness of controls, and compliance with policies, standards and governance.</p>
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<p>Cyber and cloud risk: risk of cybersecurity attacks, leading to misuse of information, discontinuity of operations, and/or financial or reputation loss.</p>	<p>Technical developments are reshaping our business model and impacting our operations. Increasing data volumes, mobilising data access, and making IT more agile and flexible have helped drive the adoption of cloud services. In addition, providing a customer experience that is digital, personalised and relevant, means our IT operations are increasingly connected to the outside world, and end users and endpoints (e.g. laptops, mobiles and tablets) are therefore more vulnerable to external threats.</p> <p>The Chief Information Officer function ensures business continuity management, cyber-risk management and business information security via standardised, internationally accepted frameworks, norms and technical guidelines as the basis for managing IT, cyber and cloud risk within NN Group.</p> <p>Our Information & Infrastructure Security function leads all efforts within the Group to enhance our information security, collaborating with business unit security officers to provide 24/7 protection against cyberthreats. Education and awareness raising are part of our security strategy at every organisational level.</p>
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Our performance

NN Group’s strategic priorities

NN wants to contribute to a stable, inclusive and sustainable economy and society. We do business with the future in mind, supported by our values: care, clear, commit.

Our ambition is to be a company that truly matters in the lives of our stakeholders. Therefore, we aim to:

- Offer value-added products and services to our customers
- As an employer, attract and retain talent by offering an interesting work environment
- Offer attractive long-term returns for our investors
- Invest our own assets and those entrusted to us in a responsible way
- Use our resources, expertise and reach to help society achieve long-term prosperity

Several of these stakeholder commitments, and the strategic priorities below, are reflected in the financial and non-financial performance objectives set for our Executive Board. Read more in the Remuneration report included in the Financial Report, pages 32-37.

Medium-term strategic priorities

Four medium-term strategic priorities underpin our strategy and drive our business plans. The first concerns disciplined capital allocation. Through disciplined capital management and a focus on generating capital, we ensure our cash capital position and Solvency II ratio remain strong. NN Group aims to further reduce capital volatility to increase predictability

of cash flows and dividends, by investing the assets in order to match liability cash flows, and using hedging and reinsurance to the extent that it can be managed at a reasonable cost. NN has a track record of returning excess capital to shareholders. As announced on 13 February 2020, NN intends to pay a progressive ordinary dividend per share and execute a recurring annual share buyback of at least EUR 250 million. Additional excess capital is to be returned to shareholders unless it can be used for value-creating opportunities.

Second, we focus on innovating our business. We seek innovative ways to meet our customers’ needs and keep up with changing market dynamics. We identify new customer segments and develop a customer experience that is as personalised and relevant as possible. Within NN, our Strategic Transformation Office aims to explore new value propositions and build internal innovation capabilities. In 2019, we launched our NN Innovation Method, a framework that provides simple tools and methods inspired by Design Thinking and the Lean Start-up Methodology. Innovation starts with the right mindset, and through this framework we can help colleagues work in a more innovative way.

Third, we strive for an agile and cost-efficient operating model, which is important to ensure long-term growth. This involves simplifying our processes to deliver better value for money; stimulating a cost-conscious culture; exploring different ways of working, like agile, in order to deepen our understanding of the customer journey; sharpening our customer intelligence skills; and developing an omnichannel approach. Business units are at different stages of our agile journey. Across our businesses, operational manual activities are increasingly being automated with robotic process automation.

Fourth, we aim to offer value-added products and services. We also develop solutions for very specific segments. For example, by tailoring a product to particular customer life stages or circumstances. Our asset manager offers a range of sustainable and impact investing strategies to its clients. Furthermore, we incorporate environmental, social and governance (ESG) factors in the investment process. We believe that this optimises the risk/return profile of the investment portfolios, helps to reflect NN’s values and aligns our business with the broader objectives and expectations of society.

Our performance – NN Group’s strategic priorities continued

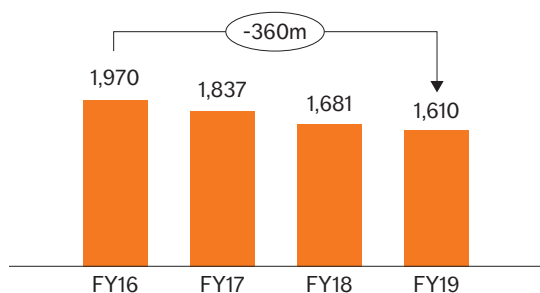
Financial medium-term targets

The strategic priorities of NN Group translate into the following medium-term financial targets:

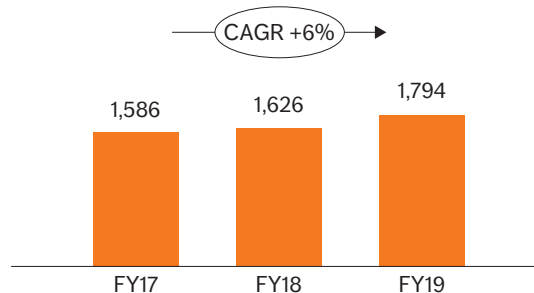
1. Achieving EUR 400 million in cost reductions by 2020. This applies to those business units that fall within the scope of the integration following the acquisition of Delta Lloyd in 2017.
2. Achieving an annual growth rate of operating result before tax of 5-7% on average in the medium term (based on the 2017 operating result).
3. Over time, generating free cash available to shareholders in a range around the net operating result (based on the net operating result, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity; and assuming normal markets, no material regulatory changes and no material special items other than restructuring charges).

Progress on Group medium-term financial targets

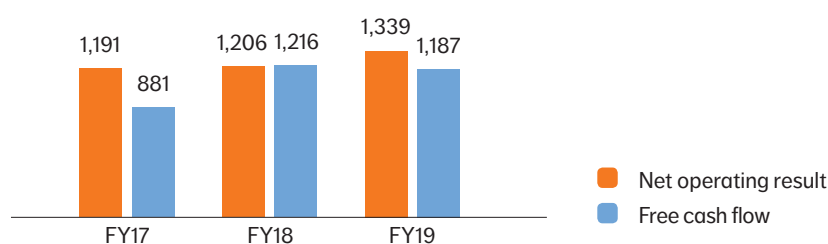
EUR ~400m cost reduction¹ by 2020 compared with 2016 full-year expense base
(in EUR million)



Annual earnings growth of 5-7% on average in the medium term²
(in EUR million)



Over time, generate free cash available to shareholders in a range around the net operating result³
(in EUR million)



1 In total for the following units: Netherlands Life, Netherlands Non-life, Belgium, Asset Management, Banking and Corporate/Holding entities, excluding acquisitions as from 2019. Representing part of total administrative expenses as disclosed on page 2 of the Financial Report.
 2 Annual growth rate of operating result before tax on average in the medium term; based on 2017 operating result.
 3 Net operating result, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity; assuming normal markets, no material regulatory changes and no material special items other than restructuring charges.

Our performance – NN Group’s strategic priorities continued

NN Group’s financial performance

NN Group’s financial performance was strong in 2019, with a full-year operating result of EUR 1,794 million, up 10.3% from 2018, with most segments contributing. The measures we are taking to improve the profitability of the Dutch Non-life business are bearing fruit, demonstrated by the full-year combined ratio of 95.4% compared with 99.4% in 2018. We have made additional efficiency gains by further reducing the cost base of the units in the scope of the integration of Delta Lloyd into NN. Total cost savings achieved up and including 2019 amount to EUR 360 million, compared with the full-year 2016 administrative expense base of EUR 1,970 million.

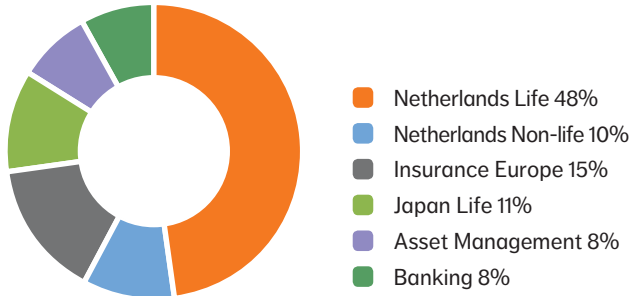
NN Group has a diversified portfolio of businesses. The mature insurance businesses in the home markets have strong cash and capital generating capacity which allows for the possibility to invest in growth areas in other business lines. Details on the performance of the different business units are given in the chapters that follow, where Netherlands comprises Netherlands Life, Netherlands Non-life and Banking, and International Insurance consists of Insurance Europe and Japan Life.

Focus going forward

Looking ahead, and in the context of our overall strategic approach, we will be focusing on a number of priorities.

Diversified portfolio of our businesses

NN Group operating result before tax¹



¹ Percentages based on total operating result (EUR 1,794m) excluding the segment Other (EUR -144m) for 2019.

First, we want to deliver on completing the integration of Delta Lloyd and prepare for the integration of the VIVAT Non-life business in the Netherlands. We will do this by following the clear roadmap that aims at delivering financial and non-financial benefits within the expected timelines. We also expect that strengthened competitive positions will bring us a sustainable cash flow.

Second, we want to further improve our performance by striving for enhanced profitability of our business units and by capturing growth opportunities in a disciplined manner.

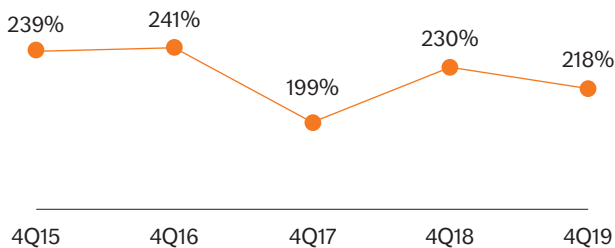
The third priority is to accelerate the transformation of our business model. This should result in optimising customer experiences and using technology to make the company more agile and efficient.

Our final priority is to continue allocating capital rationally. By generating cash flow in all business segments and upstreaming cash to the holding, we will be able to return excess capital to our shareholders, unless it can be used for value-creating opportunities. We announced an update of our dividend policy on 13 February 2020. Going forward, NN Group intends to pay a progressive ordinary dividend per share and intends to execute a recurring annual share buyback of at least EUR 250 million.

We have always prioritised a strong balance sheet

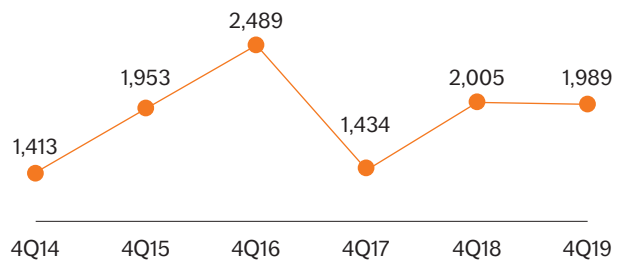
NN Group aims to have a strong balance sheet. This is essential in order to be able to meet our responsibilities towards customers and policyholders. A strong solvency ratio reflects, together with sound risk management, the ability to fulfil financial obligations vis-à-vis our stakeholders.

Solvency II ratio



- Solid Solvency II ratio
- Operating units well capitalised at or above commercial levels

Cash capital position (in EUR million)



- Healthy cash capital, with target range of EUR 0.5-1.5bn
- Consistent and diversified capital flows from all segments

Our performance – Netherlands

Consolidation, integration, transformation

In our Dutch business, we delivered on our financial targets while also preparing for the future. Having achieved the necessary scale, we need to leverage its value.



“

We took decisive actions to consolidate our Dutch market position and we are working hard to further integrate and transform the business.

Tjeerd Bosklopper
CEO Netherlands ad interim and Chief Transformation Officer

Tjeerd, what made you most proud in 2019?

If you consider the amount of change currently underway in technology, society and the political landscape, I doubt there's ever been a time when so much has been coming at the industry as today. Speed of execution and pace of change have increased massively. Companies with new business models, like Alibaba and Ping An, have built completely new conglomerates within five years. As a traditional insurer, we need to be continuously transforming and preparing for the future.

Aside from innovation, building capabilities and entering into strategic partnerships, NN is responding to the new paradigm by optimising and expanding current platforms. In 2019, we carried out acquisitions and subsequent integrations without any negative impact on overall customer or broker satisfaction, or employee engagement scores. I think that's something we can be very proud of. And in June 2019, we also announced that we intend to acquire VIVAT Non-life.

Financially, 2019 was a good year with solid results. We structurally improved our performance, achieving a combined ratio for the Non-life business of below our target of 97%. We've also delivered on our cost-savings targets: both the Life and Non-life companies achieved 20% cost reductions compared with the 2016 baseline.

Where do you see room for improvement?

We made a good start with the company's transformation: NN Group has developed its innovation hypothesis; we built new capabilities; and we are exploring the potential of ecosystems and interconnected platforms around themes such as Vitality & Health, Carefree Retirement, Mobility, Cybersecurity and Home. However, transformation is a complex process and, given our considerable ambitions for the future, this is an area where we will need to step up the pace even more.

Our performance – Netherlands continued

On the customer side, too, I would like to have seen a bit more progress. On average, customer Net Promoter Scores (NPS) and Global Brand Health Monitor (GBHM) scores were maintained, which is positive given the large integration programmes that have taken place. In some areas, the scores could rise if we can further improve the customer experience. Our customers want to be able to interact with us instantly in the ways that they prefer. Speed is a distinct competitive advantage here, with customers expecting social rewards and instant gratification. Things that technology can facilitate and reinforce.

How would you describe the operational environment and challenges in 2019?

The circumstances for all Dutch segments remained challenging. For the Life business, this has mainly been due to the continuing low interest rates, which can lead to reinvestments of maturing assets at lower rates. The non-life market is characterised by fierce competition. While in the banking segment, margins are under pressure due to competition in the mortgage market.

What were the highlights of Life?

On the pension side, we saw good commercial progress and rising customer satisfaction this year. The shift to capital-light defined contribution propositions continues to accelerate in the current low-interest environment. We see intensified competition and unbundled Premium Pension Institution (PPI) vehicles increasing cost transparency, and we therefore monitor market developments closely so we can continue to offer competitive pricing. A value proposition's investment performance (in terms of design, performance and cost) will be increasingly important.

In June, employer, employee and government representatives reached a Pension Agreement that will impact the entire pension industry. Within NN, we formed a task force to analyse and determine the agreement's implications for the coming years. We expect most impact from the industry-wide changes to be on the premium system and from the possibility of a pension date lump sum. The government envisages the new legal framework will be in place by 2022, but initial measures could already have an impact in 2020.

Within the small individual life market that remains, we have migrated nearly two million policies to our target platforms; few companies in the world have ever migrated so many policies.

Financial performance (in EUR million)

	2019	2018
Netherlands Life		
Operating result	922	972
Solvency II ratio	213%	255%
New sales (APE)	480	262
Value of new business (VNB)	9	9
Netherlands Non-life		
Operating result	203	94
Combined ratio	95.4%	99.4%
– of which claims	67.4%	70.6%
– of which expenses	27.9%	28.8%
Banking		
Operating result	152	130
Core Tier 1 ratio	15.8%	16.3%
Net operating RoE	15.0%	12.9%

How is Non-life showing progress?

In Non-life, we have taken structural measures to make the company healthier, both on the expense and claims side, with favourable results. In terms of completing the Delta Lloyd integration programme, we delivered a large part of the expense savings and completed the legal mergers by 1 January 2019. The next phase is the migration of policies to the target platforms, followed by decommissioning of the legacy IT platforms.

We kept our focus on moving from product solutions to service solutions. With the acquisition of Human Capital Services (HCS) we strengthened our position regarding the socially relevant topic of sustainable employability. HCS will continue to provide its services on case management and burn-out prevention. This acquisition is invigorated by the strategic partnership with the data analytics expertise of Otherside at Work.

The shift from monthly premiums to pay-per-use is an important trend. This year we continued testing and scaling Bundelz, developed in our innovation lab, SparkLab. It is the first Dutch pre-paid car insurance, and allows customers to buy a 1,000 km car insurance bundle rather than pay monthly premiums.

And what were the main developments at Bank?

Bank had a strong year, originating a record EUR 7.9 billion in mortgages. To improve our competitive position and meet our customers' needs, we have enhanced our digital and product features and strengthened our cooperation with intermediaries. In July, we introduced a new risk-based pricing system for mortgages that automatically lowers the rates charged to customers during the fixed-rate period if the loan is eligible for a lower-risk premium as a result of repayments. If real estate increases in value, customers can request a lower interest rate, if applicable to their situation. In addition, NN Bank's savings and bank annuity portfolios increased despite strong margin focus.

And we can look back on a successful Savings and Investments migration following the acquisition of Delta Lloyd Bank. As part of which, our Banking app and portal became fully available to former Delta Lloyd customers in 4Q 2019.



6.7m

Customers in the Netherlands

Market positions

Life:

Top 1 position in group pensions, 40% market share, and 23% market share in individual life

Non-life:

Top 1 position in Disability & Accidents, 29% market share and Top 2 position in Property & Casualty, 20% market share

Bank:

Originated a record amount of EUR 7.9 billion in mortgages in 2019

Optimising the business

- We optimised our digital customer service in various ways, including adding new features to our app and improving security through multi-factor authentication. Using data and analytics, we can now offer personalised content on nn.nl, and did so for 1 million of the 14 million visits in 2019. In July, we launched our renewed NN app, which provides a better user experience as it is faster and more stable.
- We made progress towards our goal to achieve further synergies and organisational efficiencies by decommissioning over 500 redundant legacy IT systems. Several migrations were successfully finalised, including the Voogd & Voogd Open Book Migration at Non-life; migrations within Savings & Investments, Mortgages and Consumer Lending at Bank; and the BeFrank migration to the cloud at Life.
- We continued with our agile transition programme launched in 2018. Teams are organised by product and, wherever possible, autonomously, making it easier for them to create the optimum customer journey.



Innovating the business

- Smart Move brings together an ecosystem of partners to make moving hassle-free. A personalised digital checklist detailing all the actions needed before, during and after the move. The customer has the option to outsource multiple tasks and book them directly.
- Perfect Day: a cybersecurity service for SMEs that provides insights into cyber-risks and vulnerabilities. The services include specific solutions to prevent cyber incidents and manage cyber-risks. If they want, the SME can also take out cybersecurity insurance (also offered by NN).
- Friend: this social platform connects people aged 50+ through social activities, helping them lead an active social life during (pre-)retirement
- Crunch: a B2B service that gives HR professionals insights into HR data to help them make data-driven decisions and better manage workforce processes
- Hello Mobility: a service that helps car fleet owners develop a safer, cleaner and more efficient fleet through data-driven personalised advice and coaching



Products and services

- Life: group and individual life/pension products, pension administration & support for pension funds
- Non-life: motor, fire, liability, transport, individual disability, group income, accident, health insurance
- Bank: mortgages, consumer lending, savings, investments, mortgage origination & servicing for NN Group companies

Our main brands

- Nationale-Nederlanden, OHRA, Movir, AZL, BeFrank, ABN AMRO Verzekeringen

Our performance – International Insurance

Meeting customers' protection needs

In our international insurance businesses, we focus on bridging the protection gap to help our customers.



“

Our dedicated and passionate teams in the countries played a crucial role in our performance and in meeting customers' needs.

Fabian Rupprecht
CEO International Insurance

Fabian, what were the highlights of 2019 for International Insurance?

International Insurance made a strong contribution to NN Group's performance in terms of financial results, as we reached an operating result of EUR 0.5 billion – an important milestone. And we made progress across our business segments. To highlight a few areas: we contributed to the public pension debate in Romania and Poland; we strengthened our partnerships; we increased our protection business through new products; and we sharpened our customer focus.

How did you contribute to the pension reforms debate?

In Romania, we engaged with the insurance association and government on the capital requirements for the Pillar 2 pension system, which led to a viable solution.

In Poland, the pension legislation changed, requiring companies with over 250 employees to choose their pension provider. We engaged in constructive dialogue with all relevant parties to better understand companies' needs. Following the first wave

of this reform, Nationale-Nederlanden Poland and NN Investment Partners Poland have a combined market share of 24% in Assets under Management and serve 726 firms making NN the biggest private manager of this reform.

How have you managed to improve distribution partnerships?

Through our partnerships, we aim to optimise our business and accelerate our capital generation. We have a strong distribution network with 28 partner banks in ten European countries, and 60 bancassurance relations in Japan.

We have an ongoing cooperation with ING Bank in five European countries, through which we support them in their fee income growth by leveraging our portfolio of leading products, such as our award-winning lifelong income product in Belgium. We are also looking to develop new digital products with ING Bank, for example micro-insurance, products that cover specific customer needs by offering features such as on demand insurance covers.

Our performance – International Insurance continued

In each market, we try to leverage our own channels to develop mutually beneficial partnerships. For example, our reciprocal distribution partnership with ING Bank in Spain allows our 2,000 tied agents to distribute mortgages for the bank.

We have also taken steps to partner up with new banks, for instance EFG Postbank in Bulgaria to distribute our pension products.

Can you give some examples of new protection products?

In Romania, we launched a series of products with add-on coverages (modular riders) which customers can choose from, depending on their needs. The products complete our protection portfolio by offering financial protection for critical illness, and work incapacity due to permanent disability or accident recovery.

In Turkey, we started offering complementary health insurance that covers the surcharges for medical services from private medical institutions that are contracted by the state social security system. This product is available to Turkish citizens who do not have private health insurance.

Our protection share (measured by value of new business) grew by 8% in Europe and by 12% in Japan compared with 2018.

What initiatives have you launched to increase customer focus?

We initiated 'scaled agile' in several markets; we launched our 'Oxygen' cloud-based insurance product platform and set our NN Data Science Hub in motion, all aimed at helping us to respond faster to customer needs and tailor our value propositions.

In all our markets we are using agile ways of working. In Hungary and Spain, in particular, we introduced 'scaled agile' as a disruptive operating model with some results already visible. In Hungary, we automated the risk assessment process, shortening it, in some cases, from 13 days to a few minutes. In Spain, the employee benefits team, which processes group life insurance contracts, saw a 30% reduction in pending tasks compared to before the introduction of agile.

We launched our first product on the Oxygen platform, a home insurance for Spanish citizens. Through Oxygen, we will be able to provide digital insurance solutions to various distributors.

Our NN Data Science Hub delivered various commercial use cases. For example, we are working on 'next best offer' models to identify which product best suits a customer. The engine orchestrates multiple propensities for cross-sell and retention propositions for each customer. It has been developed in Romania and Turkey, with Hungary and Spain to follow. In addition, we are piloting the use of chatbot for tied agents – aimed at answering their frequent questions and freeing up their time so they can focus on customers.

Can you describe the operating environment and challenges in 2019?

Even though our international businesses are highly varied, this year they have all faced low interest rates, political and economic uncertainty and, in some markets, regulatory changes.

The low interest rates pose a challenge for us in guaranteed savings products. To adapt to this challenge, we are looking to adjust our portfolio through innovative offerings. In Greece, for example, we introduced a growing guarantee product, 'Smart Move', that lets customers build up a long-term investment through regular payments.

The changing regulations in some markets present both challenges and opportunities. In Poland, a move is anticipated from Open Pension Funds in the Pillar 2 pensions to Individual Pensions Accounts in Pillar 3. This will give Polish people freedom to leverage their assets, and change how these funds are taxed. We are studying these developments and engaging with all relevant parties.

In Japan, the tax rules have changed, impacting our business. We believe all stakeholders – independent advisors, agents, banks and customers – need time to adjust to the new, more complex tax rules. According to SME owners' feedback the new rules continue to be attractive, but require more advice. We therefore focus on educating independent advisors on how to advise SME customers and find the most suitable solution for them. We are confident that this will help our customers and our business in Japan in the long term.

From an operational perspective, we need to further intensify our transformation efforts by extending our digital service models and developing relevant capabilities. We are investing in Customer Relationship Management and lead management capabilities while developing a customer engagement framework to maximise output from our business initiatives. At the end of the year, we announced the appointment of a Chief Digital Officer to drive transformation and coordinate our efforts in becoming a more data-driven, customer-centric company.

Despite our challenges, we had a solid year. Our dedicated and passionate teams in the countries played a crucial role in our performance and in meeting customers' needs.

What strategic direction have you set for the future?

We believe the need for protection products across Europe and Japan will further increase, and that customers will continue to need personal advice, and more personalised products and services.

For our part, we will increase the pace of our digital transformation in order to stay close to our customers. And continue to leverage our distribution by improving the way we work with existing partners and potentially collaborate with new partners.

Financial performance (in EUR million, in historic exchange rates)

	2019	2018
Insurance Europe		
Operating result	283	271
New sales (APE)	674	627
Value of new business (VNB)	204	168
Japan Life		
Operating result	218	167
New sales (APE)	587	751
Value of new business (VNB)	146	214

Highlights

Top 3

Player in Central and Eastern Europe, focused on life and voluntary pensions

13m

Customers in ten countries in Europe

NPS +4

Increase of combined NPS for International Insurance (excluding Japan) to +34 points

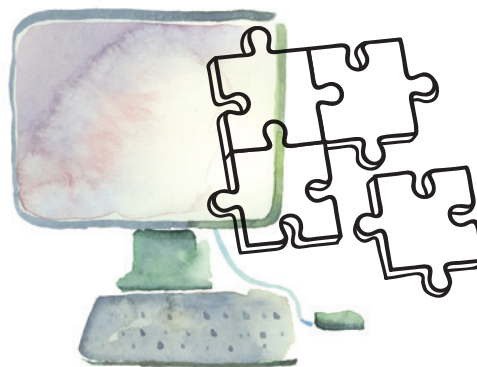
Optimising the business

- Following the acquisition of Aegon’s life insurance and pension businesses in Slovakia, we launched a new risk life insurance product combining the best from the NN and Aegon offering
- Our Slovak and Czech business units were disentangled. We now have a local organisation in Bratislava, allowing for better focus on the customer.
- In Belgium, we made further progress in our integration with Delta Lloyd Life – most retail life protection contracts were migrated into our Solife back-office platform



Innovating the business

- In Greece, Czech Republic, Romania, Hungary, Spain and Japan we train our agents to better serve our customers through gamification: agents answer questions, issue applications and compete with each other, resulting in increased value of new business (VNB) and productivity
- In the Czech Republic, our brokers, tied agents and banking partners use the Stela digital sales platform, enabling a paperless business origination process, faster processing times and fewer interventions
- NN Life Japan launched a responsive design-based, mobile-friendly portal for new customers who buy NN products through insurance agencies and use digital application processes. Following the pilot, NN plans to launch the portal to existing COLI customers.

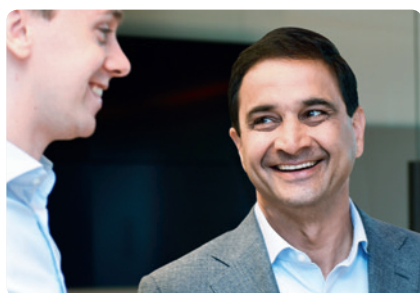


Products and services

- | | | |
|--|--|---|
| <ul style="list-style-type: none"> • Life insurance (all countries) • Property & casualty (Belgium, Spain, Poland) | <ul style="list-style-type: none"> • Corporate-owned life insurance (Japan) • Pensions (Bulgaria, Czech Republic, Slovakia, Poland, Romania, Turkey) | <ul style="list-style-type: none"> • Health insurance (Greece, Romania, Turkey) • Employee benefits (Spain) |
|--|--|---|

Distinctive, responsible and client-focused

Our Asset Manager has further sharpened its product offering and customer experience. Through sustainable solutions, we create value for our clients and wider society.



Satish, looking back on 2019, what are your highlights?

I am proud of the progress we made in 2019. We sharpened our product offering so we can continue to bring clients the products and solutions with the most value, we improved customer experience, and we became more efficient.

Can you elaborate on the progress around NN IP's core business (investments)?

NN IP focuses on distinctive investment capabilities, being specialised fixed income, alternative credit, multi-asset and specialised equity strategies. Alongside fundamental research, the backbone of an active asset manager's process, we have investigated other sources of investment return (or as we say, alpha) for clients.

Responsible investing is a key investment belief of NN IP. We are convinced we can have a positive impact on society while achieving sustainable and strong risk-adjusted returns for our clients.

We integrate environmental, social and governmental (ESG) factors into the investment process of roughly two-thirds of our assets under management. We believe responsible investing is about actively engaging with companies to stimulate their sustainable transition, and that ESG integration leads to better risk-adjusted performance.

We are also exploring the use of artificial intelligence techniques and big data to enhance fundamental research. For example, by testing the use of Natural Language Processing techniques in our European equity strategies. To maximise the value of our data usage, we have recruited people with the right skills from within and outside our industry, and added data scientists to our investment teams.

Finally, we believe investors are not completely rational, but subject to cognitive biases. Through behavioural analysis, we aim to identify the biases affecting both the market and our own decision-making, using the insights to sharpen our investment processes and make better decisions.

“

We continue to invest in our distinctive capabilities, while bringing value to clients and growing our business in new ways.

Satish Bapat
CEO NN Investment Partners (NN IP)

Our performance – Asset Management continued

Financial performance (in EUR million)

	2019	2018
Operating result	161	155
Assets under Management (AuM in EUR billion)	276	246
• Of which third-party	89	81
Net inflows (in EUR billion)	2	-6
Cost/income ratio (administrative expenses/operating income)	63.8%	65.9%
Fees/average AuM (bps)	17	19

To support these capabilities and our investment professionals, we have established a central innovation and responsible investing platform. This simple yet powerful tool allows us to share and store information in one place, facilitating continuous learning.

What progress has been made on client experience?

We continuously talk to our clients about their current and future needs. We have used their feedback to improve our digital channels. For example, our website and client portal are now more intuitive and, within our client portal, institutional clients can now create customised views with real-time portfolio information.

We also tap into the strengths of partners to create value for clients. For example, NN IP designs client propositions and solutions that package various components or building blocks. Some we create ourselves, others we source from expert partners. An example is the sustainable enhanced equity range we recently launched with Irish Life Investment Management (ILIM).

Can you say more about your partnerships?

Partnerships are key to us and span geographies. From Voya in the US, ING and ILIM in Europe and Nomura, Rakuten and China AMC in Asia. Our partnership with ING in Poland for example enables us to reach more clients; with China AMC we collaborate in multiple ways: from shaping our joint product offering to identifying how best to leverage each other's presence and know-how.

Our recently acquired majority stake in Venn Hypotheken in the Netherlands gives us increased access to Dutch mortgage origination, meeting clients' need for increased yield potential in a low interest rate environment.

What have you done to increase efficiency?

We allocate resources to core activities: investing clients' money, delivering risk-adjusted returns and ensuring good client experience. Non-core activities can, if needed, be sourced from partners. For example, we further leverage on our strong investment platform and outsource and decommission other tools and systems that can be migrated or are not essential.

We have further simplified our organisation and made our expense base more variable (i.e. expenses move with volume or AuM). We integrated our Luxembourg management company into our Dutch licensed entity, as European 'passporting' of the Luxembourg fund range allows us to run its operations from the Netherlands.

What is the biggest challenge experienced by asset managers?

People are living longer and therefore need to put more aside for retirement, healthcare, et cetera. At the same time, responsibilities are shifting to individuals. We believe this challenging environment gives rise to an increasing need for asset management and advice.

However, the biggest challenge is the persistent low interest rate environment. This creates pressure on active managers' performance to continuously deliver value (net of fees), thus increasing fee pressure, and demand for passives, absolute-return strategies and higher-yielding alternatives.

What is NN IP's strategic focus for the mid to long term?

We will continue to invest in our core investment capabilities. In addition, we are committed to integrating ESG criteria where relevant throughout the investment process. To us, ESG and responsible investing are not just buzzwords. They are at the heart of our investment strategy and beliefs.

Besides strengthening our investment capabilities, we will also explore new ways to bring our products to both existing and new clients.

Finally, asset management is a scalable business, as we saw with the integration of Delta Lloyd Asset Management (DLAM) at almost no additional cost. Scale remains important, and while continuing to make the right choices organically, we will also look to supplement organic growth with partnerships and bolt-on acquisitions. Though, as with any business decision we make, these will need to meet strict financial and non-financial criteria, and support our strategic direction.

Highlights

EUR 276bn

Assets under Management

A+

Score by Principles for Responsible Investment

68%

Percentage of assets ESG-integrated

Products and services

- Specialised fixed income, alternative credit, specialised equity, automated investing strategies, multi-asset and fixed income solutions
- ESG factors form an integral part of the investment process
- Creating alpha by combining human creativity with machine rigour

Optimising the business

- Simplifying the organisation, aligning roles and responsibilities across locations, and harmonising processes and procedures. For example, by consolidating the Luxembourg management company with the Dutch licensed entity.
- Optimally leveraging our scalable operating systems, including our global investment platform Aladdin, while decommissioning other systems. For example, decommissioning MSCI RiskMetrics by migrating it to Aladdin.
- Outsourcing non-differentiated commoditised activities, including Dutch fund accounting and formal accounting for institutional clients



Innovating the business

- Strengthening our investment capabilities. Examples include implementing recommendations from the 2018 outside-in assessment and broadening our loan investment offering by taking a majority stake in Venn Hypotheken.
- Building Papyrus, an in-house central innovation, responsible investing and research platform that connects strategies and users across all departments
- Improving the services we offer clients. For example, through the integrated, secure and personal client experience offered by our client portal and by launching new funds such as our short-duration green bond fund. This fund contributes to the UN's SDGs and, with a duration of two years, is uniquely positioned in the market.
- Strengthening our distribution capabilities through local presence and by both leveraging existing partnerships and building new ones. Supporting our third-party asset growth strategy, in 2019 we opened an office in Montevideo, Uruguay, announced our partnership with ILIM and formalised our partnership with ING Bank Slaski S.A. in Poland.





Creating and sharing value

Adding value for customers

We keep a close eye on what is happening around us, and utilise the challenges and opportunities any developments offer to continually improve the customer experience.

Creating value for our customers

Our customers want products that help them in realising their financial goals. From buying a home, saving or investing for their retirement, or buying a new car, to protecting their valued assets or the loss of income as the result of an illness.

This is why the demand for transparent, simple products from the financial services industry continues to grow. Customers want value for money beyond that offered by traditional products and services. This means a single-channel customer experience is no longer sufficient to foster loyalty or long-term customer relationships. To ensure new or modified products and services are transparent and serve customers' interests, they must therefore first undergo a careful product approval and review process (PARP).

Integral to PARP are our Customer Golden Rules:

- Offer fair value to customers
- Explain the risks, returns and costs of our products and services
- Regularly assess products, services and distribution practices
- Only work with professional and licensed distributors

Further improving the customer experience

A widespread challenge facing insurers is how to reach out to customers and prospects at the right time in a personal way, and understand their needs so that we provide relevant products, content and services. For example, by providing fast and flawless claim support.

It is currently difficult for financial services companies to differentiate themselves through their product offering, so reputation and customer experience are crucial to achieving a competitive edge. To further improve the NN customer experience, we aim to be a customer-focused, data-driven company that contributes to a sustainable society while creating value for money in a personalised, relevant way.

Objectives & 2020 targets and our performance

- Be seen as a 'You matter' company: a people-oriented service provider in the long-term financial planning industry
 - Customer recognition of NN as a 'You matter' company rose in two of our ten International Insurance markets¹
- Improve relational Net Promoter Scores (NPS-r)
 - NPS-r maintained or improved in nine of 11 insurance markets¹
- Increase number of products and services that help our customers address societal challenges
 - Increased awareness of customer need for value-added products and services

¹ Reliability interval of 4% on brand awareness and 5 points on NPS.

CO₂-neutral pension plan

BeFrank launched a sustainable pension scheme option in the Netherlands where companies can make their invested pension capital completely CO₂ neutral via a tree-planting scheme. BeFrank's clients can compensate the CO₂ footprint of their invested pension funds via reforestation projects.

BeFrank works together with Land Life Company, a Dutch company specialised in reforestation of degraded land. Reforestation not only combats climate change, it also ensures the retention of groundwater and rainwater, restores biodiversity, and improves air quality and soil conditions.

The CO₂ footprint of a client is calculated based on data provided by investment funds. Using this information, Land Life Company generates a model to estimate how many trees should be planted to compensate for the footprint.



Creating and sharing value – Customers continued

Educating and empowering customers

We empower customers to improve financial decision-making, and educate them on the importance of starting early with financial planning. For example, by raising their awareness of the changing pension landscape, and that living longer will probably require changes to their working lives and savings behaviour. Such as through the introduction by NN Life of the Human Capital Planner (HCP), an online data-driven service that has been widely adopted by employers and advisors to help them develop sustainable pension policies for employees based on our pension data insights.

An activation campaign by BeFrank won the 2019 Pensioenwegwijzer (Pension Signpost) award for helping people make smart retirement choices.

We also promote the importance of a healthy lifestyle for both physical and mental well-being. In Hungary, for example, we targeted runners. Through an effective combination of running events like NN Ultrabalaton, our Runaddict app and online campaigns, we were able to advise new customers never previously in contact with NN. In Belgium, we introduced a happiness platform that provides smart tools and tips & tricks to help people increase their sense of happiness.

Our focus is not only on pensions and healthcare. For example, in Spain we aim to be the financial coach of families, and we launched a modular savings value proposition: Contigo Futuro (The future with you).

It enables customers to be disciplined about saving and makes it easier to achieve key life goals, such as a good education for their children, starting their own business and carefree retirement. Contigo Futuro also promotes socially and environmentally sustainable investments.

Omnichannel and ecosystems

We want to establish an omnichannel approach so we can better engage with our customers, business partners and the wider insurance ecosystem to deliver personalised, relevant, value-adding products. For example, in the Netherlands, call centre agents can switch seamlessly between different contact channels while helping callers, and are therefore able to more quickly help our customers.

As the boundaries of the insurance ecosystem continue to expand to include non-traditional partners such as retailers, car manufacturers and smart home devices, insurers will more than ever need to define their role in the value chain.

Nevertheless, despite the increasing commoditisation of insurance (in part due to the proliferation of price comparison websites), for many customers price is not the sole criterion when choosing products. Driven by the preferences of millennials, today's insurance is increasingly focused on premium service, reward and even, where appropriate, a fun experience.

Leveraging new technologies

Wherever possible, we use new technologies to improve our products and services, and thereby the customer experience.

In the Netherlands, we will employ artificial intelligence and advanced data analytics to classify, process and automatically route some 60% of all emails.

NN Life and NN Bank are participating in several blockchain initiatives to make the pension and mortgage processes more customer-friendly and efficient. For NN Life and other pension providers it means 60% more efficient processes regarding pensions. The pilots are joint initiatives of several banks, insurers and NGOs in the Netherlands.

NN Bank has begun a transition to a modernised IT architecture based on open source development frameworks, continuous integration and delivery, cloud, and automated testing. This will improve the performance, availability and flexibility of our IT, positively impacting the customer experience.

NN Investment Partners (NN IP) uses technology, such as cloud and robotic process automation, to further improve efficiency and personalised service to customers.

Unit-linked products in the Netherlands

In the Netherlands, unit-linked products have received negative public attention since the end of 2006. We have taken this criticism to heart, as our aim is to support our customers as best we can. The Dutch insurance subsidiaries of NN Group reached out to all individual customers who purchased unit-linked products in the past ('activeren').

The formal process for reaching out to customers initiated by the AFM for the sector was completed by the Dutch insurance subsidiaries of NN Group

on 31 December 2017. In 2019 the AFM confirmed that the Dutch insurance subsidiaries of NN Group have fulfilled their obligations towards customers pertaining to customer reach out. The Dutch insurance subsidiaries of NN Group continue to periodically reach out to groups of selected customers to encourage them to carefully assess their unit-linked products in order to enable them to address their personal situation and offer customers the option to switch to another product or make changes to their policy free of charge. Customers are also entitled to free advice.

As at 31 December 2019, the portfolios of Dutch insurance subsidiaries of NN Group comprised approximately 410,000 active policies. In a limited number of cases (less than 1,250), Dutch insurance subsidiaries of NN Group have settled disputes with individual customers. These are tailor-made solutions. A limited number of individual customers and several consumer protection organisations have initiated legal proceedings against Dutch insurance subsidiaries of NN Group. Read more on pages 118-120 of the Financial Report (Note 42).

Creating and sharing value – Customers continued

Dealing conscientiously with data

As digitalisation moves forward rapidly, the importance of securing the (personal) data of our customers also increases. We are conscious that we need to be responsible and handle their (personal) data with care and thereby safeguard their privacy. We do so by complying with data protection legislative requirements of which the most important is the EU General Data Protection Regulation (GDPR).

Furthermore, our NN statement of Living our Values, which is completely consistent with the GDPR, states that we use our knowledge responsibly, keep confidential what is entrusted to us, and communicate proactively and honestly.

The use of (big) data for analysing client propositions offers opportunities to strengthen interactions with customers and create more intuitive partnerships, as well as to create better, tailor-made product solutions. For example, we use data to assess whether customers with a mortgage product are likely to fail to comply with future payment obligations; this enables us to offer support in avoiding (serious or deteriorating) debt situations for such customers. Support that we can offer includes, for example, providing a budget coach, a job coach or offering a period without interest payments.

In everything that we do with data, we always comply with relevant legislation and handling data with care is a top priority for us. We are developing our own ethics framework for the application of data science and artificial intelligence, setting even stricter requirements in line with our NN values. We are very aware that we need to strike a proper balance between individual choices, privacy and solidarity.

Besides the focus on the data that we manage and protect, we also provide our customers with services regarding data and cyber security. The consequences of cyber insecurity can be wide-ranging for individuals and companies.

Financial economic crime

NN cautiously guards against money laundering, funding of terrorism, tax evasion and other forms of financial economic crime (FEC), as these can harm confidence in NN as a financial service provider. Digitalisation and dependency on digital systems has significantly increased the potential impact of FEC. NN actively takes preventative measures and we do not tolerate any deviation from relevant FEC laws and regulations.

Supporting specific groups in society

We are very aware that people can face financial and social challenges in life, which is why we try to anticipate needs and circumstances.

In Poland, we launched a campaign about fatherhood, focusing on security and insurance tailored to these changing family circumstances.

In Spain, we introduced Contigo Familia as an insurance protection solution for families. Customers can choose the protection mix that suits their lifestyle and life stage, and access health services via an app that lets them chat real-time 24/7 with specialists.

Financial inclusion

Through our membership of the Dutch Association of Insurers, NN is involved with the Foundation for Sustainable Micro-pensions in Developing Countries (SDMO). SDMO has helped to develop a defined contribution scheme in India, with administration and investment management arranged by a local life insurance provider. Since its foundation in 2011, SDMO has contributed to the pension arrangements of over 40,000 people in India.

Supporting all runners

NN Group aims to connect with people on topics that matter to them, such as family, work, art, music and sports. Sponsorships are an important part of our marketing activities, and an opportunity to increase the number of contact moments with our audience.

NN has been active in the sport of running since 2015; a natural fit with our role as insurer as running contributes to the health and well-being of many. In Europe, there are approximately 50 million active runners. Through our sponsorship activities we can support all types of runners, from beginners to professional athletes.

We organise activations to contribute to the experience of running, such as the Running Supporter. Through a recorded video message from a loved one, runners are encouraged through the final kilometres of a marathon.

With Smart Medal, we have innovated the traditional medal received after completing a race. Runners scan their medal with the Smart Medal app to gain access to their personal Running Story: a flashback to the event with pictures and statistics that is shareable on social media.

We believe running is a team sport and since 2017 we have been the title sponsor of the NN Running team, the first professional running team in the world. The team brings together young talents and world-class marathoners like Eliud Kipchoge to train alongside each other.



Creating and sharing value – Customers continued

How customers view our products and services

Customer feedback tells us about their preferences and views, helping us modify our services to meet their needs. We believe the best insights are achieved not through the quantity but quality of our research, and we therefore focus on what we see as key metrics.

Methods

We conduct four types of research:

- Traditional online interviews: short, structured questionnaires sent out to the general public
- In-depth interviews: one-on-one open-question interviews with a select number of customers
- Anonymised customer data: analysed by specialist data analysts to identify behavioural customer trends
- Neuroscience marketing research: testing, for example, marketing campaigns by observing the facial expressions of a small target group of customers

Net Promoter Score

To measure how customers value our products and services, we use the internationally recognised Net Promoter Score (NPS) system. In 2019, the weighted aggregated NPS for NN was +4 compared to -1 in 2018, this implies a small improvement of five points¹ across the entire Group.

Four of our insurance businesses had a better relationship NPS (NPS-r) than the market average. Within International Insurance, there were some significant changes, with a huge NPS-r increase in Hungary and Romania achieving an all-time record score.

We measure NPS-r to estimate the strength of our relationship with customers and to get a high-level understanding of customer satisfaction levels for our products and services over the long term. Though we monitor scores closely, we are also cautious not to infer too much from an NPS-r score increase or decrease over just one year.

We also measure the transactional NPS at a local level for specific events to measure how a recent interaction affects customer satisfaction. Such insights help us improve the customer journey.

Net Promoter Score²

	NN 4Q19	NN 4Q18	Change 4Q19-4Q18	Market average 4Q19	Difference NN-MA
Belgium	-1	-4	+3	0	-1
Bulgaria	20	29	-9	16	4
Czech	9	17	-8	18	-9
Greece	30	30	+0	22	8
Hungary	51	24	+27	44	7
Netherlands	-13	-22	+9	-9	-4
Poland	36	37	-1	27	9
Romania	66	58	+8	64	2
Slovakia	4	7	-3	11	-7
Spain	34	25	+9	31	3
Turkey	64	59	+5	56	8

NN Group measures NPS-r scores in all its markets for banking, life insurance and pensions business lines. NPS-r and customer satisfaction measurements for asset management are carried out amongst institutional clients once a year.

- 1 Weight of the three pillars that make up the NN Group Net Promoter Score are:
 - a International Insurance (11 markets): 26%
 - b NN Investment Partners: 13%
 - c NN Netherlands (Nationale-Nederlanden): 61%
- 2 Japan changed research methodology from online interviewing into pen and paper approach and is not included in this table.

Global Brand Health Monitor

Brand awareness can influence consumers' perceived risk assessment and their confidence in the purchase decision, due to familiarity with the brand and its characteristics. To track how our brand is perceived externally, and get insights into brand performance and development,

we use the NN Global Brand Health Monitor (GBHM). At least twice a year, we measure key brand indicators, such as brand awareness and brand preference. Our brand awareness increased significantly (>4%) in the Netherlands, Poland, Slovakia and Spain, and either increased or remained stable in all other countries.

Brand awareness (in %)

BU	Result Q42019	Result Q42018	Change
Belgium	14	13	1
Bulgaria	32	32	0
Czech Republic	47	46	1
Greece*	68	66	2
Hungary*	61	58	3
Japan*	32	35	-3
Netherlands	79	72	7
Poland*	78	71	7
Romania	75	73	2
Slovakia	58	47	11
Spain	46	41	5
Turkey	31	31	0

* Life business only.

Supporting our people in times of change

We aim to be an employer of choice by creating a ‘You matter’ culture. We want to provide our colleagues a stimulating, diverse work environment, and give them the opportunities they need to develop their skills and fulfil their potential. Our human resources strategy focuses on the moments that matter in the careers of our employees, before, during and after employment at NN.

Attracting and retaining talent

Our employees are vital for us in ensuring the success of our business. The current economic environment creates challenges for NN Group to attract and retain talent, as we compete with players both within and outside our industry. To maintain our performance now and in the future, we must continue to attract professionals with the right mindset and relevant (digital) skills.

Our commitment to playing a positive role in society is key to attracting young talents. They value companies that place an emphasis on sustainability and have a social mission, as they care about the societal impact of their work and of their employer’s products and services.

To retain talent, NN Group proactively invests in the personal and professional development of our people throughout their careers, including through providing competitive compensation.

Our digital transformation

The digitalisation of society impacts how we do business and interact with customers, and our digital transformation provides opportunities for employees in the fields of artificial intelligence and big data. Although the financial sector is behind the technology sector in using data, our long history and extensive data holdings make us an interesting employer in the field of data analytics.

Throughout NN we are implementing working in a more agile way, giving more responsibility to teams and individual employees. Within the field of innovation, we work with small groups that encourage innovation, offer more freedom, and work on impactful projects. In 2019, we introduced the NN Innovation Method, through which we can empower employees across our businesses to work in a more innovative way.

Objectives & 2020 targets and our performance

- Stimulate our talents and strengthen our talent pipeline
 - EUR 19 million spent on training and development
- At least 30% women in senior management positions
 - 36% women in senior management positions – up three percentage points
- Continue to strengthen employee engagement
 - Employee engagement up from 7.1 to 7.4

Attracting freelance workers



In 2019, NN hosted four NN Experience Events. These are designed to allow freelancers working in IT, marketing and risk to experience NN as an employer, build good relationships and accelerate the hiring of these key professionals. The fourth session, held in June for risk professionals, was the first broadcast online to attract an international audience.

In December, Nationale-Nederlanden, signed a new work code designed to prevent unacceptable differences in the Dutch labour market between fixed and flex contracts. The code should contribute to a more fair and balanced labour market in the future. The code covers equal treatment of permanent staff and freelance employees, providing access to disability and pension provisions, and personal development instruments.

Creating and sharing value – Employees continued

Investing in development

In a continuously transforming world, everyone needs to learn and adapt constantly. We want to support our employees to enable lifelong learning. To help them build valuable networks, we offer long- and short-term internal assignments, within other departments or business units. Job rotation schemes provide additional opportunities to explore new career paths.

We also support our leaders, as our strategic priorities require that management embraces new ways of working, becomes more aware of their impact as leaders, and drives results without resorting to traditional top-down leadership. In 2019, we amended our leadership profile to determine the desired profile for our leaders. The changes reflect that our leaders should drive change, engage in constructive conversations, give and seek feedback, and lead with a close eye on what customers and society expect from us.

Reskilling opportunities

In 2019, NN Group invested EUR 19 million in training and development (2018: EUR 21.5 million), through which we aim to support the sustainable employability and mobility of our employees. This figure decreased due to a number of factors, such as a higher spend in 2018 due to redundancies following the Delta Lloyd integration and a adjusted policy for (executive) education in 2019.

Where possible, NN participates in initiatives to broaden the opportunities available to employees. For example, we held information sessions for employees on two projects:

- The Dutch government’s initiative to offer Dutch-speaking employees the opportunity to retrain as teachers
- The Make IT Work programme, run in collaboration with the Hogeschool of Amsterdam, which helps employees retrain as software engineers

In light of strong competition in financial markets and the ongoing Delta Lloyd integration, redundancies are sometimes unavoidable. We aim to take our responsibility when it comes to being a good employer. For example, the new social plan in the Netherlands, introduced as part of the collective labour agreement, focuses on helping people from work to work, with guidance on finding a new job and supporting internal mobility.

Competitive compensation

To ensure suitable and competitive compensation packages, we conduct an annual pay review on senior leadership positions, comparing remuneration with internal and external benchmarks. For a number of (senior) functions that could have a material impact on the risk profile of NN Group, we ensure their objectives are aligned with NN’s risk profile. Specifically, the objectives must not incentivise or stimulate unacceptable (risk-taking) behaviour. For other staff, specific labour arrangements are in place, dependent on country practices.

In 2019, we reached a new collective labour agreement (CLA) for our employees in the Netherlands. The new CLA was an important milestone in the integration of Delta Lloyd, as it harmonised employment conditions. At the same time, it provided the opportunity to introduce important new elements, such as more parental leave and a diversity day. The new CLA also established a consistent remuneration framework that was applied to the group-wide job family framework.

As part of the CLA, we introduced frequent performance dialogues to encourage open and frank conversations between employees and managers. These performance dialogues focus less on the past and more on future priorities and development. Annual performance reviews are measured against employee objectives, and also take into account behavioural components. We plan to implement the new performance review approach in all business units over the next two years.

Diversity and inclusion

All employees should feel respected and valued for who they are, regardless of gender, age or background. NN measures its diversity in areas such as age and gender, and we are developing an NN group-wide diversity policy that will also include diversity of thinking. In the beginning of 2020, employees in the Netherlands launched the first NN LGBT+ network, in order to help further promote diversity at NN.



7.4

Employee engagement score, up from 7.1



650

NN colleagues participated in the Fit by Nationale-Nederlanden pilot



36%

Percentage of senior management that are women

Creating and sharing value – Employees continued

Although we have a higher number of women in senior positions than ever before, we are not yet where we want to be. Our targets of at least 50% female candidates when recruiting for management roles and 30% women in senior leadership positions will help us achieve leadership teams that reflect the gender diversity of the group being managed. In 2019, 36% of senior management were women, up three percentage points on 2018 and exceeding our overall target.

Equal pay continues to be a recurring topic on the agenda of the Management Board and Supervisory Board, with developments in this area regularly monitored. The global pay review process for senior leaders also includes checks to monitor if equal pay principles are adhered to.

Employee representation

Our works councils facilitate employee consultation in many NN countries in Europe. In the Netherlands, all works councils held elections in October, with those elected taking up their roles in January 2020.

An overview of the Central Works Council members and European Works Council members of NN Group can be found on page 38 of the Financial Report.

Transformation HR function

We want our HR processes to be more centralised around the employee perspective. We have therefore begun an HR transformation programme. Multidisciplinary teams are working to shape a new employee journey that is focused on the moments that matter in an employee's career at NN, supporting them in their personal and professional growth.

Employee engagement

Engagement of employees is monitored and evaluated through the annual global employee engagement survey. Insights from the survey help us to better understand our priorities and strengths, to improve our service to our customers, and to create an engaging work environment. Given our efforts in this area, we are satisfied with the results of the 2019 survey. 85% of employees participated in the survey and our overall engagement score increased to 7.4 (2018: 7.1). Particularly in the areas of performance alignment and meaningful work the scores were high. Further improvement is needed around efficient processes, better explaining our strategy to our employees, and better connecting how our employees relate to our mission.

Top Employer

Being considered an attractive employer strengthens our position in a competitive labour market. To do this, we need to have the culture, practices and processes in place to provide the best opportunities for our employees. We are encouraged by being named as a Top Employer in all our markets outside the Netherlands in 2019 by the Top Employer Institute. NN Life Japan was recognised for the first time for its working conditions and corporate culture, while some countries were named as Top Employer for the third consecutive year. The Top Employers Institute recognises leading employers around the world as those that provide excellent employee conditions, nurture and develop talent at all levels of the organisation, and strive to continuously optimise employment practices.

Vitality



We support healthy lifestyles, as they lead to improved well-being and reduced absenteeism. That vitality is an important topic for our colleagues is shown in our annual global engagement survey. We will continue to implement initiatives in this area in all our countries.

In the Netherlands, for example, we offer workshops on vitality and provide fitness facilities in The Hague and Arnhem; NN Bank and NN Life piloted a programme on team energy and team collaboration. The Fit by Nationale-Nederlanden pilot ended in 2019. Close to 650 employees participated in over 30 types of challenges, and the concept received a high score.

In 2020, the programme will be replaced with a new vitality platform at our main office locations in the Netherlands.

In Spain, the wellness programme includes a Running and Nordic Walking club, an in-office physiotherapist and a yearly health check. In 2019, additional actions included nutrition sessions, in-office dental checks, a campaign for flu vaccinations and corporate travel safety. Nationale-Nederlanden Spain also created a so-called psychosocial risk committee that monitors actions that were initiated after a survey and interviews with employees in 2018.

Creating value for investors

We aim to be transparent by providing investors with high-quality, clear, accurate and timely information to enable them to make informed investment decisions.

The authorised share capital of NN Group N.V. consists of ordinary shares and preference shares. Currently, only ordinary shares are issued, while a call option to acquire preference shares has been granted to the NN Group Continuity Foundation (Stichting Continuïteit NN Group). Read more on page 28 of the Financial Report.

Major shareholders

According to the AFM register as at 9 March 2020, the following shareholders have an interest of 3% or more in NN Group on the notification date: Blackrock, Inc. 4.80% (21 February 2020), P.E. Singer 3.04% (17 February 2020), Norges Bank 3.03% (12 April 2019), APG Asset Management N.V. 3.00% (2 August 2017), RRJ Capital II Ltd. 9.60% (23 May 2017).

Our guidance

- For 2019, we aimed to pay an ordinary dividend in line with our medium-term financial performance and envisage a sustainable ordinary dividend per share and a pay-out ratio of 40-50% of the net operating result
 - NN Group has proposed a total dividend for 2019 of EUR 2.16 per ordinary share, which is equivalent to a dividend pay-out ratio of 50% of NN Group's 2019 full-year net operating result
- We intend to maintain financial leverage and fixed-cost cover ratio consistent with a Single 'A' financial strength rating
 - Latest financial strength ratings awarded by Fitch ('A+') and Standard & Poor's ('A') in line with guidance

Listing

NN Group ordinary shares are listed and traded on Euronext Amsterdam under the symbol NN.



Authorised and issued capital

in EUR million	Year-end 2019	Year-end 2018	Year-end 2017
Ordinary shares			
– authorised	84	84	84
– issued	41	41	41
Preference shares			
– authorised	84	84	84
– issued	0	0	0

Number of shares in issue and shares outstanding in the market

	Year-end 2019	Year-end 2018	Year-end 2017
Authorised share capital	700,000,000	700,000,000	700,000,000
Issued share capital	343,556,121	341,059,071	340,750,342
Own ordinary shares held by NN Group	21,485,285	6,554,128	6,609,781
Outstanding ordinary shares	322,070,836	334,504,943	334,140,561

Creating and sharing value – Investors continued

Dividend policy

For the financial year 2019, NN Group aimed to pay an ordinary dividend in line with its medium-term financial performance and envisages an ordinary dividend pay-out ratio of 40-50% of the net operating result. NN Group intends to pay interim dividends calculated at approximately 40% of the prior year's full-year dividend. Barring unforeseen circumstances, NN Group intends to declare an interim dividend with the disclosure of the first half-year results and to propose a final dividend at the annual general meeting (AGM) of shareholders. When proposing a dividend, NN Group takes into account, amongst other things, the capital position, the leverage and liquidity position, regulatory requirements and strategic considerations, as well as any expected developments in these areas.

Dividends are paid either in cash after deduction of withholding tax if applicable, or in ordinary shares from the share premium reserve, as elected by the shareholder. We intend to neutralise the dilutive effect of the stock dividend through repurchase of ordinary shares. NN Group is committed to distributing excess capital in the form that is most appropriate and efficient for shareholders at that specific time, such as special dividends or share buybacks.

At the AGM on 28 May 2020, a final dividend for 2019 will be proposed of EUR 1.40 per ordinary share. Together with the 2019 interim dividend of EUR 0.76 per ordinary share paid in September 2019, NN Group's total dividend for 2019 will be EUR 2.16 per ordinary share, which is equivalent to a dividend pay-out ratio of 50% of NN Group's full-year 2019 net operating result.

NN Group announced an update of its dividend policy on 13 February 2020. Going forward, NN Group intends to pay

a progressive ordinary dividend per share and intends to execute a recurring annual share buyback of at least EUR 250 million. Additional excess capital is to be returned to shareholders unless it can be used for value creating opportunities.

Disciplined capital allocation

Through disciplined capital management and a focus on generating capital, we ensure our cash capital position and Solvency II ratio remain strong. Excess capital will be returned to shareholders unless it can be used for value-creating opportunities, for example the expected acquisition of VIVAT Non-life, which further strengthens our Non-life platform in the Netherlands.

 **Read more:** <https://www.nn-group.com/Investors/Share-information-1/Dividend-policy-and-dividend-history.htm>

Share buyback and share capital

On 14 February 2019, NN Group announced an open market share buyback programme for an amount of up to EUR 500 million over 12 months, commencing 1 March 2019. This share buyback programme was completed on 28 February 2020.

On 29 March 2019, 5,850,000 NN Group treasury shares that had been repurchased under the share buy-back programme completed in December 2018 were cancelled.

On 25 June 2019, NN Group issued 4,807,859 ordinary shares as stock dividend for payment of the 2018 final dividend, representing an aggregate value of EUR 169 million. For payment of the 2019 interim dividend, 3,539,191 ordinary shares were issued as stock dividend on 11 September 2019, reflecting an aggregate value of EUR 106 million.

To neutralise the dilutive effect of the stock dividend, NN Group repurchased ordinary shares for EUR 275 million in 2019, related to the 2018 final and 2019 interim dividends.

On 13 February 2020, NN Group announced a new share buyback programme of EUR 250 million, commencing on 2 March 2020 and to be completed within 12 months.

NN Group reports on the progress of the share buyback programmes on its corporate website (<https://www.nn-group.com/Investors.htm>) on a weekly basis.

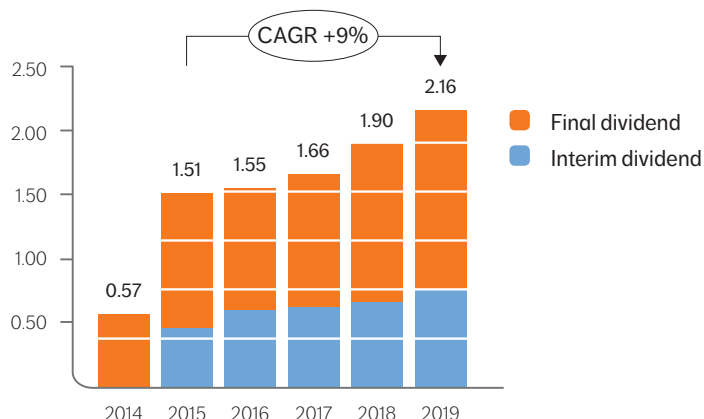
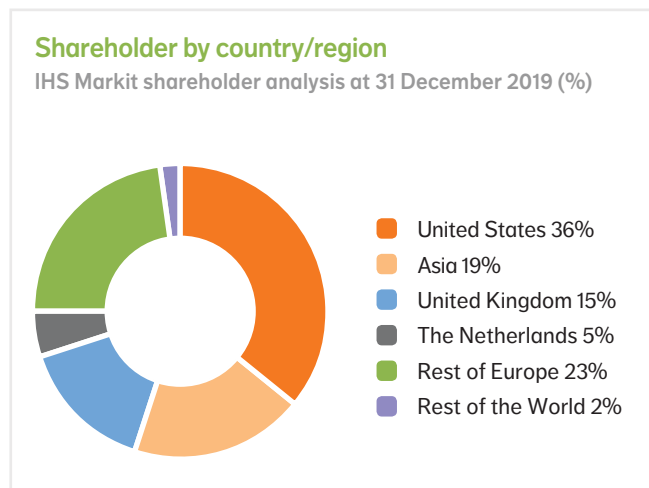
NN Group has decided to cancel 23,289,558 treasury shares representing shares repurchased as part of the share buyback programmes. This cancellation is subject to a two-month creditor opposition period which will end on 11 May 2020. Assuming no opposition is made the cancellation of shares will take effect on 12 May 2020.

Credit ratings

On 18 September 2019, Standard & Poor's published a report confirming NN Group's 'A' financial strength rating and a 'BBB+' credit rating with a stable outlook. On 10 March 2020, Fitch confirmed NN Group's 'A+' financial strength rating and 'A' credit rating, and upgraded the outlook from stable to positive.

ESG ratings

In the area of sustainability, we are rated by specialised research agencies and included in indices such as the Dow Jones Sustainability Indices. Read more on page 60. We proactively inform the market about our sustainability approach and performance by publishing and regularly updating an environmental, social and governance (ESG) presentation on our website and during one-on-one investor meetings.



Creating a positive impact on society

We want to create a positive impact on society, by investing our assets responsibly, being a fair taxpayer, managing our direct environmental footprint, and through our activities in the communities where we operate.

Objectives & 2020 targets and our performance

- Further develop our Responsible Investment Framework policy
 - Development and publication of a Statement on Coal
- Continue to increase our Assets under Management (AuM) in sustainable and impact strategies
 - Increase (+37%) in our AuM in sustainable and impact strategies to EUR 22.7 billion
- Reduce direct CO₂ emissions (tonnes) by 3% per FTE per year
 - CO₂ emissions per FTE decreased by 14%
- Reach out to at least 100,000 young people through NN Future Matters programme; help 11,625 households out of poverty and debt
 - 25,421 young people reached through NN Future Matters in 2019 and 138,358 to date. We have exceeded our 2020 target and strive for a growing number of impacted youth going forward

Responsible investment

NN Group's Responsible Investment (RI) Framework policy sets out our vision and approach in this area: we integrate environmental, social and governance (ESG) factors into our investment process and active ownership practices. We prefer inclusion backed by engagement to exclusion, but we also uphold restrictions; and our asset manager offers clients a range of ESG-integrated, sustainable and impact investment strategies.

Supporting ESG integration

Our RI Framework policy includes norms-based criteria reflecting our investment beliefs and values, relevant laws, and internationally recognised norms and standards. These criteria guide the investment process across NN Group and NN Investment Partners (NN IP).

In 2019, NN Group further developed its RI Framework policy by adopting a Statement on Coal, including a phase-out strategy for our proprietary assets. This means that NN will reduce its investments in thermal coal mining and coal power to close to zero (defined as between 0 and 5%) by 2030. For the assets that we manage on behalf of our clients, NN IP developed an engagement programme focused on utilities that derive an important part of their installed power generation capacity from coal, as well as globally diversified mining companies that have a large absolute thermal coal production volume. Through dialogue, we seek to encourage companies to develop transition plans consistent with the goals of the Paris Agreement, including timelines and commitments to the reduction of thermal coal mining and/or coal use for power. Furthermore, investment restrictions are applied to companies that derive more than 30% of their revenues from thermal coal mining (extraction).

These companies are placed on NN's restricted list, which applies to all investments. We believe this restriction will contribute to de-risking our portfolios in terms of our carbon footprint, which is in line with our responsible investment ambition, and contribute to the overall energy transition. To create consistency throughout our business, we will implement an insurance underwriting policy that is aligned with the approach for investments. We feel the various elements of this policy statement reinforce each other.

NN IP has strengthened its approach by including a stringent definition of ESG integration that sharpens our focus. For each individual investment analysis, the integration of ESG factors needs to be demonstrated and documented in a consistent way. At year-end 2019, ESG criteria were consistently integrated for roughly two-thirds (68%) of NN IP's AuM, amounting to EUR 189 billion. This includes those assets managed under the sustainable and impact strategies. NN IP is committed to further increasing the number of assets where we integrate ESG factors into the investment process where relevant.

We apply an engagement-led divestment approach. This means restriction is proposed only when we feel engagement cannot change a company's conduct or involvement in specific activities. Responsibility for assessing whether an issuer fails to meet our norms-based criteria lies with the ESG Committee of NN IP, who are advised by the NN IP Controversy & Engagement Council. In 2019, this council met seven times and discussed 120 individual cases.

Creating and sharing value – Society and communities continued



2,752

Number of shareholder meetings at which we voted



662

Dialogues with issuers on ESG factors

Dialogues on ESG issues

(%)



- Environmental 34%
- Social 19%
- Governance 17%
- ESG overlapping 30%

Additional policies that NN IP revised or published in 2019 were an Engagement policy, a Client Voting policy and a Viewpoint policy on (potentially) less sustainable areas. The latter is important to demonstrate our adherence to the Belgian quality standard for sustainable and impact funds.

To support our business in implementing our RI Framework policy, the NN IP Responsible Investment team was doubled from 4 to 9 FTE.

Influencing companies to take responsibility

Voting is one of the most powerful tools of active ownership, and we therefore vote at shareholder meetings (AGMs) on behalf of

our own and our clients' assets. To ensure proper governance, we have separate voting committees in place for the different asset types, and publish our voting record on a dedicated website. Some of the voting is outsourced to a proxy service provider, which votes by following our customised proxy voting guidelines.

We monitor these outsourced activities and always make voting decisions internally on a case-by-case basis for our own assets, companies on our engagement list and NN IP sustainable funds.

During 2019, NN IP voted at 2,752 AGMs on 31,775 agenda items. Voting activities were focused on three main issues: board elections, sustainability shareholder resolutions and the alignment of executive remuneration with company strategy.

For example, in the case of board elections, we generally support resolutions regarding the (re)appointment of candidates put forward by the company. However, we rejected several board-related items due to a lack of independent board members, poor diversity or when there was no proactive and comprehensive board oversight of environmental and social risks.

Engagement on coal policy & practices

In developing our Statement on Coal, we engaged amongst others with Greenpeace. The outcome was well received by our stakeholders. In particular the scope, the timelines and the fact that we made a public statement was appreciated. At the same time, NN is

still being criticised for the fact that we cannot enforce the policy on the assets that are managed via client mandates or by NN OFE (our open pension fund in Poland) which is a separate legal entity and has to abide by Polish regulations. In the meantime, we continue our efforts to

support the transition towards a low-carbon economy and monitor societal developments to ensure our statement reflects expectations. NN IP engages with both local investee companies and local NGOs, and collaborated with the Warsaw Stock Exchange amongst others in promoting the incorporation of responsible investment parameters in a newly launched Polish index fund.



Creating and sharing value – Society and communities continued

In addition, NN IP supported a large number of shareholder resolutions linked to environmental (96%) and social (80%) topics. In general, we support resolutions if they address material social and environmental issues that can have a material impact on the company and/or its stakeholders. We voted on issues such as climate change, supply chain management and human rights. An example being our support for all resolutions at the AGM of ExxonMobile to send a clear signal to the company that climate change is important to investors.

We believe in the importance of an ongoing dialogue with companies and issuers in whom we invest. Through engagement, we aim to raise their awareness of ESG issues and encourage them to improve their ESG policies and practices. Because of the active investment strategies of NN IP, our equity and fixed income analysts and portfolio managers are in frequent dialogue with investee companies. Our ESG specialists also enter into dialogue with corporate and sovereign issuers, and whenever ESG issues are a topic of discussion during company meetings, we log them in a dedicated database.

In addition to our own engagement efforts, we use the services of Sustainalytics Stewardship Services. They carry out engagements with companies on our behalf, primarily focused on compliance with internationally recognised conventions and guidelines on ESG issues.



EUR 22.7bn

AuM in sustainable and impact strategies

The chart on the previous page shows that in total we had 662 ESG dialogues with issuers in 2019. For more examples of how we engage with companies and sectors, please refer to NN IP's Responsible Investing Report 2019 on our website.

Making a positive impact through our investments

NN IP offers a wide range of sustainable and impact investing strategies to meet customers' growing demand for products that both have a positive impact on society and the environment, and generate solid financial returns. Total AuM in our sustainable and impact investing products grew by 37% to EUR 22.7 billion at year-end 2019.

During 2019, NN IP expanded its sustainable and impact offering with an enhanced index sustainable equity fund focused on emerging markets. We also launched an ESG index fund investing in Polish blue-chip stocks that is listed on the Warsaw Stock Exchange WIG-ESG index.

NN IP expanded its green bond funds range with the launch of a new short-duration green bond fund, which contributes to the UN Sustainable Development Goals. The total green bond strategy (funds and mandates) has seen rapid growth and reached EUR 1.8 billion at year-end 2019. NN IP measures and reports on the contributions to society, such as avoided CO₂ emissions.

For NN Group's own assets, too, we look for investments that have a positive impact on society while still meeting our investment criteria. For instance, we invest in green bonds, and finance infrastructure debt projects in the area of renewable energy and resource efficiency (specifically: solar and windfarms, district heating projects, and water and wastewater treatment facilities). In total, these investments amounted to EUR 821 million at year-end 2019.

We also continue to make our own private real estate portfolio more sustainable. We use the Global Real Estate Sustainability Benchmark (GRESB) as the primary measure of our progress. In 2019, the GRESB score for NN's portfolio of funds, joint ventures and directly-owned buildings rose for the fifth year running to 85 out of 100, well above the 77 of the European private real estate benchmark.

Please also note our Analysis of the carbon footprint of proprietary assets, published on the same date as this review. It contains information on the measurement of the carbon footprint of 80% of our total asset portfolio including residential mortgages. It also provides an overview of NN Group's efforts to address climate change risks in our investment process and how we aim to contribute to a low-carbon economy through our investment activities.

Engaging with the textile sector on living wage



NN IP is an active member of the Platform Living Wage Financials (PLWF), an alliance of 13 financial institutions that encourages and monitors investee companies to address the non-payment of a living wage in global supply chains. As an investor coalition with over EUR 2.6 trillion of AuM and advice, we use our influence and leverage to engage with our investee companies in the garment and footwear, agricultural and food, and the food retail sector. In October 2019, the initiative won the PRI Active Ownership Project of the Year Award. The scale and ambition of the objectives of the project, and what the project delivers for investors and for the environment and society as a whole, were taken into consideration. Among other considerations were the degree of innovation and the success of the collaboration. For more information, refer to the NN IP Responsible Investing Report 2019.

Creating and sharing value – Society and communities continued

Responsible tax strategy

We believe that a responsible approach to tax is an essential part of good citizenship. We manage our tax position in line with our business operations, and our position reflects our corporate strategy and takes into account relevant international guidelines, such as the OECD Guidelines for Multinational Enterprises. Being a responsible taxpayer also means that our tax planning takes long-term considerations into account and carefully weighs all stakeholder interests. We have a set of tax principles to which we adhere and communicate publicly on our website through our Tax Strategy and Principles and the NN Group Tax Charter.

Besides taxes that NN Group pays as a taxpayer, which represent a cost for our company, we are also responsible for collecting taxes on behalf of our clients, employees, and service providers, and passing them on to tax authorities. To give more insight into our tax contribution, we published our first Total Tax Contribution (TTC) Report over the year 2018 in May 2019.

We are pleased that this effort was recognised by external stakeholders, with NN the top-scoring company in the annual Tax Transparency Benchmark published by the Dutch Association of Investors for Sustainable Development (VBDO). This benchmark provides a comparative study of Dutch, stock listed companies' fiscal transparency.

Also for book-year 2019, we published a TTC Report. This report is separately published on our corporate website. Where our previous report only recognised the Netherlands as a separate country, this year's report provides insight on the taxes being borne and collected on a country-by-country basis. In addition, we explain new developments such as the signing of an Advance Pricing Agreement with the Dutch tax authorities regarding the arm's length pricing of the intragroup services towards its International business units.



EUR 2bn

Total tax contribution

Financial tax disclosures

The financial disclosures on corporate income taxes paid by NN Group can be found in the 2019 Financial Report. The same information is included in the 2019 TTC Report, but this report provides more detailed explanations to help understand the disclosures. In addition, the TTC Report provides information on the other taxes collected and paid by NN Group as outcome of its operations.

NN Group's Total Tax Contribution in 2019 amounted to EUR 2,040 million, and consisted of the corporate income taxes paid by NN Group and the total of the other taxes collected and paid by NN Group as outcome of its operations (including Value Added Tax, Insurance Premium Tax, payroll taxes, and withholding tax on dividends paid by NN Group). Of this total tax contribution, we paid 85.4% to the tax authorities in the Netherlands, and 14.6% to local tax authorities on behalf of our international businesses.

Sustainable sourcing

With an annual spend of around EUR 1 billion, our procurement activities support our business strategy. A substantial part of this investment goes towards professional services, IT, real estate and facility management, where we implement sustainable and circular solutions. Our relationship with suppliers is based on our NN values, and we aim to work together in a mutually beneficial way. We have a supplier qualification process and governance in place for managing social, environmental and financial aspects of the procurement process.

Managing our direct environmental footprint

We manage our environmental performance through efficient use of natural resources, and identifying and implementing green alternatives. We have been carbon neutral since 2007 by purchasing voluntary carbon credits to compensate our CO₂ emissions. Our target is to reduce our CO₂ emissions from direct operations by 3% per FTE per year. In 2019, our CO₂ emissions decreased by 14% per FTE per year.

As a financial service provider, our direct environmental footprint consists mainly of emissions from office activities and business travel. In 2019, we formulated our #YourSustainableWorkspace ambition to contribute to a sustainable and healthy environment within our office activities. The ambition focuses on six workstreams: emissions, waste, plastic, food, circularity and being an inclusive employer. As part of the workstream 'plastic', we created the NN Plastic Pledge, an NN-wide commitment to a more sustainable and circular working environment. NN Group also became a partner of the social enterprise Plastic Whale, working with them on decreasing our plastic footprint and creating awareness around plastic soup.

In the area of mobility, too, we aim to decrease our environmental footprint. We introduced a lower threshold for emissions for our lease fleet in the Netherlands, and organised a mobility workshop to give further shape to our ambitions around mobility and sustainability.



-14%

CO₂ emissions per FTE

Creating and sharing value – Society and communities continued

Community investment

NN Group's overarching community investment programme is NN Future Matters. This programme aims to help improve people's financial circumstances, with a particular focus on 10- to 25-year-olds and underserved groups. In 2019, we supported 25,421 young people, while 87% of our total EUR 3.2 million charitable donations went to NN Future Matters-related target areas.

NN Future Matters targets three interrelated areas: financial empowerment, economic opportunities and financial distress. All three areas align with both our purpose as a company and the knowledge and expertise we have in-house. More importantly, this focus has had a demonstrable, positive impact on communities. We involve both international and local partners so that the programme is globally consistent while remaining relevant to local needs and issues.

Promoting financial empowerment

Sound financial knowledge helps people achieve a more secure financial future. Our initiatives focus on the young, as responsible financial behaviour is often best developed at an early age. During the 2019 Money Week in the Netherlands, NN colleagues gave 274 lectures in primary schools to more than 6,696 children on money and financial risk.

In Bulgaria, with local partners we developed a personal finance textbook, reaching over 600 students and lecturers across five universities. Together with the Financial Literacy Foundation, we launched a financial education website to share useful financial information with the wider public. A national tour of the play 'Money Carousel' to four regional cities was also organised, using theatre to educate children about financial well-being.

Creating economic opportunities

Helping young people develop useful skills increases their labour market opportunities. In collaboration with Dutch not-for-profit organisation JINC, NN colleagues provide job training to young people who may lack specific role models or supportive networks.

In Greece, the digital career orientation programme My Career was launched to help young people make an informed career study choice that suits their personality and links opportunities in the employers' market with their personal interests. Making the tool available online ensures that young people in both urban and rural areas are reached.

In Poland, we supported the first edition of University of Success, a programme supporting 18-year-old girls leaving orphanages and wanting to have a career in the IT and digital media sectors.

In Spain, we are an Aldeas Infantiles Future Builder, helping teenagers aged between 16 and 19 in risk of social exclusion with their social skills, personal development, academic qualifications and employability. The programme aims to promote social and labour inclusion in the hospitality business.

The NN Future Matters scholarship programme, a collaboration between NN and EP-Nuffic, gives first-generation higher education students the opportunity to complete a master's degree in the Netherlands. Students are matched with an NN mentor, who supports them during the year. In 2019, we welcomed 40 students from 10 countries.

We also strive to create economic opportunities by encouraging entrepreneurship. In 2019, 13,253 students in 11 countries took part in the Social Innovation Relay. This flagship of the partnership between NN Group and Junior Achievement Europe is a global competition for secondary school students to develop an innovative business concept that addresses a real societal need.

Alleviating financial distress

Even in the world's more prosperous societies, formal social services do not reach all the community's disadvantaged and underserved. NN therefore tries to support families with children in financially challenging circumstances through fundraising and partnerships with local charities.

From Debt to Opportunities

The From Debt to Opportunities Foundation has been part of NN Group's Future Matters programme since 2018. Alongside 30 local not-for-profit partners, the foundation supports the 20% of Dutch households who face structural debt problems, helping them acquire the financial skills to escape poverty and debt, and achieve sustainable financial security.

The Amsterdam University of Applied Sciences researches the programme's impact. It found that 26% of respondents remain debt-free over the long term and after the programme, this group also had more money available for unexpected one-off expenses, such as replacing costly but essential household whitegoods. In 2019, 2,983 households were supported.

In addition to financial support, 171 NN employees volunteered 3,518 hours of their time and expertise to projects that further the foundation's goals.

 **Read more in Dutch: <https://www.vanschuldennaarkansen.nl>**

In 2019, for example, we organised several fundraising initiatives with colleagues in partnership with the LINDA.foundation, which helps Dutch families in financial distress. To celebrate NN Future Matters' fifth anniversary, and to help NN countries strengthen their partnerships with relevant local charities, we made additional donations of EUR 80,000 to local charities in eight NN markets.

 **Read more: <https://www.nn-group.com/In-society/Positive-change-in-communities.htm>**



EUR 3.2m

Donations to charitable organisations



12,481

Employee volunteer hours in NN Future Matters focus areas



25,421

Young people reached through NN Future Matters

Contributing to the SDGs

The Sustainable Development Goals (SDGs) address the world’s largest societal challenges, such as poverty, climate change, health care and education. At NN, we believe the public and private sector should work together to help achieve these goals. In 2019, we took steps to further link the SDGs to the themes in our strategic agenda: healthy and safe living, a sustainable planet and an inclusive economy.

NN Group’s SDG journey

Three years ago, we identified our impact areas through dialogue with both internal and external stakeholders. Our primary focus is on SDG 8 (Decent work and economic growth) and SDG 12 (Responsible consumption and production). Our business can contribute to these goals through both our direct operations and our value chain. In addition, our impact investment activities and various investment instruments address, for example, SDG 3 (Good health and well-being) and SDG 7 (Affordable and clean energy). While through our community investment activities, we strive to contribute to SDG 1 (No poverty).

During 2018, we provided the Dutch Central Bank (DNB) with input via a survey and expert session, thus contributing to a DNB report on sustainability risks and goals in the Dutch financial sector. During NN’s

International Leadership Conference, our senior leaders reconfirmed our impact areas and discussed how NN can further contribute to the SDGs and further align our target-setting. Through our membership of the UN Global Compact Network Netherlands, we contributed to the development of an SDG Game that was launched at the UN Global Compact Leaders Summit in New York in September 2019, and which helps companies raise awareness about the SDGs and engage their employees in creating a sustainable company.

In 2019, we took steps to further link the SDGs to the areas of our strategic agenda: healthy and safe living, a sustainable planet and an inclusive economy. We made a positive contribution to SDG 8, as employer to 15,194 employees worldwide, and to SDG 12 through our investment activities.

However, some of our activities have a negative impact on the SDGs. For example, we are still involved in activities that generate carbon emissions. In future, we want to better define our impact, by measuring not just our positive but also our negative impact on the SDGs we have identified.

Impact investing and the SDGs

Immediately following the introduction of the SDGs, NN Investment Partners (NN IP) introduced several impact strategies primarily designed for investors who want to make a clear, positive impact on one or more of the SDGs, while still achieving an attractive financial return. Our strategies invest in industries, companies and projects that offer a societal solution, and have a clear and measurable positive impact on people, planet and/or prosperity.



Decent Work and Economic Growth



NN Network Neurodiversity

In 2019, the NN Network Neurodiversity was founded, with the aim to contribute to a working environment in which neurodiversity, for example autism, can be discussed and accepted. This is done by offering a listening ear and by sharing knowledge. The network also makes a connection to the Participation Act, by offering people that are currently unemployed a job within NN.



Responsible Consumption and Production



#Yoursustainableworkspace

To contribute to a sustainable and circular office environment, we formulated the #Yoursustainableworkspace ambition for 2020. It relates to different parts of the office experience, including refurbishments, energy use, catering, waste, plastic and being an inclusive employer. We work together with social entrepreneurs to raise awareness among employees and suppliers.

Creating and sharing value – Sustainable Development Goals continued






These high-quality investments have attractive growth potential, as their products and services offer solutions benefiting from the tailwind of rising capital spend on the SDGs. Environmental, social and governance (ESG) factors are integrated throughout the investment process, and we engage with all portfolio holdings to ensure the investment


case is attractive and the solutions make a positive contribution to a cleaner environment and better world.

Our range of impact strategies, which includes listed equity, fixed income and direct loan funds, currently holds EUR 3.5 billion AuM. This includes our


Global Equity Impact Opportunities Fund, Green Bond Fund and FMO Emerging Markets Loan Fund. In December 2019, NN IP also introduced three thematic listed equity impact funds: Health and Well-Being, Climate and Environment, and Smart Connectivity.

Measuring business impact

SDG	Impact and opportunity	Performance in 2019	Theme
	Impact through job creation, procurement activities and community investment	<ul style="list-style-type: none"> Employee engagement 7.4 (up 0.3 from 7.1 in 2018) 25,421 young people reached through NN Future Matters 40 scholarships provided to students from 10 countries 	Inclusive economy
	Impact and opportunities through reduction of our direct carbon footprint and integration of ESG factors into investments	<ul style="list-style-type: none"> Reducing our CO₂ emissions per FTE by 14% and purchasing 72% electricity from renewable resources Integrating ESG factors in investment process for 68% of our total AuM EUR 22.7bn Assets under Management in sustainable and impact investment strategies 	Sustainable planet
	Impact through our community investment activities	<ul style="list-style-type: none"> EUR 3.2m donations to charitable organisations 2,983 households reached by Foundation From Debt to Opportunities 	Inclusive economy
	Impact through our insurance products	<ul style="list-style-type: none"> Seven countries providing products and services with social added value that promote good health and well-being for customers 	Healthy and safe living
	Impact through our investments in renewable energy	<ul style="list-style-type: none"> EUR 628m investments of own assets in direct renewable infrastructure projects and green bonds used for renewable energy 	Sustainable planet



Affordable and Clean Energy



Green bond fund

NN Investment Partners (NN IP) has launched a short-duration green bond fund. The fund adds to the existing green bonds range but has a shorter duration of two years. Green bonds are instruments where the proceeds are applied to financing new or existing projects that have a measurable positive impact on the environment. NN IP is the largest market participant in terms of open-ended green bond funds. The total green bond strategy has reached EUR 1.8 billion at year-end.



Good Health and Well-being



Health insurance in Romania

In Romania, NN offers protection and health products that address the population protection gap. We launched a series of products that have add-on coverages that can be selected by customers depending on their needs. They offer protection for critical illness, and work incapacity due to permanent disability or accident recovery. These were specifically designed for the healthcare needs of Romanians, enabling them to secure their financial futures in case of unexpected medical situations.



Our culture and governance



Our values guide, inspire and unite us

Our values are the foundation of our culture and provide the basis for our company-wide policy framework.



We empower people to be their best, and respect each other and the world we live in



We communicate proactively and honestly, while being accessible and open



We act with integrity and do business with the future in mind

Living our Values programme

The Living our Values programme was launched in 2014 to encourage and support employees in applying the values in their daily work.



Raise awareness

The NN statement of Living our Values explains what NN stands for, for internal and external stakeholders. We take steps to ensure all employees are aware of our values throughout their NN careers. During the new employee onboarding programme we introduce our values, NN Code of Conduct, brand and work environment. In the Netherlands, new employees must also take the Oath for Financial Institutions, which is included in the NN statement of Living our Values.

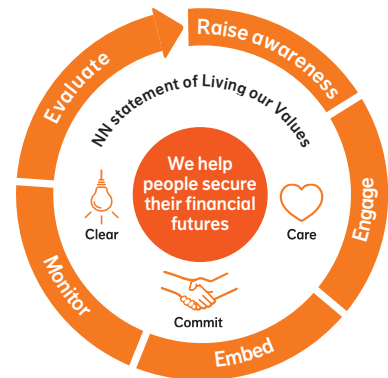


Engage

To raise awareness of the values and engage our employees, we organise Values week across 12 countries, hosted by local business units. This year's internal activities centred around the theme: 'Let's talk'. Employees had the chance to jointly reflect on and discuss our values in sessions, such as a dilemma workshop by Compliance, our approach to innovation, and how we work together.

Values week in the Netherlands

In a survey, 71% of participants felt the Netherlands' Values week provided a good opportunity to reflect on our values (2018: 81%), 60% felt it stimulated discussion (2018: 70%) and 95% would encourage colleagues to join the next edition (2018: 98%). As participation and ratings were down compared with 2018, we will use the survey outcomes, including suggestions for improvements, to evaluate how to ensure Values week remains relevant.



Stimulate open dialogue

In 2019, Management Board members and senior management continued to play an active role in the Living our Values programme and gave their support for candid dialogue, with many countries' CEOs participating directly in Values week. Following his official appointment as CEO of NN Group, David Knibbe joined a Let's talk session with colleagues to openly share his personal story and what matters to him, including his successes and failures, reflecting his own commitment to live by our values.

Our culture and governance – Our values continued



Embed

Our values are reflected in the company-wide policies, standards and processes that guide us in our interaction with each other, customers and other stakeholders. The values support an open, honest dialogue and provide a strong basis for a healthy company culture. They are also used as a starting point for hiring new employees. For example, in our NN traineeship programme we use a special tool to look for characteristics in candidates that correspond with our values.

Setting an example

The leadership profile of all managers requires them to act as role models in terms of living our values. In 2019, the profile was updated to better reflect the leadership skills needed to seek new solutions to the challenges the company faces. These capabilities are still strongly founded on our company's values.

As part of our global engagement survey, we asked colleagues how they felt their manager performs on living our values. Particularly encouraging were the scores of 8 for the statement 'I feel encouraged by my manager to meet our high standard of integrity' (2018: 7.9) and 7.8 for 'My manager consistently acts as a role model when it comes to living our NN values' (2018: 7.7).



Monitor

We monitor the effectiveness of the Living our Values programme to gain insights into areas of attention and make recommendations for improvement. We ask employees questions on our values in our employee engagement survey. The Management Board and the values project team use these outcomes to evaluate the Living our Values programme. Results remained high and stable (up 0.1) compared with 2018.

Segment	NN Group Results Nov 2019	Difference with Nov 2018
Care 'In our team we genuinely care about our customers and treat them with respect'	8.2	+0.1
Clear 'On our team we are ready to approach and communicate proactively and honestly'	8.0	+0.1
Commit 'In our team we take responsibility for our actions and deliver on our promises'	8.1	+0.1

Also, the business units conducted a self-assessment on risk awareness within the business unit. Part of the assessment was a dialogue on how the values are perceived locally. Read more on the Risk Culture Check-in on page 47.

Consumer perception

The perception of customers and the general public on how NN is living its values is measured using the Global Brand Health Monitor (GBHM). The 2019 GBHM showed that the values remained strongly embedded in the NN brand, with at least 55% of customers recognising each of the values in all markets, except for Japan.



Evaluate

As part of our programme cycle, we use the monitoring results to continually improve the programme. This assessment is discussed in the Management Board and Supervisory Board annually.

The Management Board is responsible for ensuring our values continue to foster a culture focused on long-term value creation. In 2019, with the NN values five years old, it seemed a natural moment to review whether the wording of the NN statement of Living our Values was still relevant.

We focused on alignment with:

- Internal developments and feedback
- External regulations and expectations
- Trends and developments in society

Consultation with stakeholders

In general, the feedback from business units was that the three values: care, clear, commit, remain very recognisable for employees, so there is no urgent need to change them. This was reflected in the NN Group-wide response to the engagement survey question on whether employees feel connected with our values: 7.9 (2018: 7.8; external benchmark: 7.6).

Throughout the year several consultations took place with senior management, the Living our Values project group, our Supervisory Board and the Central Works Council. During these sessions, the existing culture, and whether it is desirable to implement any changes, was also discussed. Improved cooperation internally as well as externally was mentioned repeatedly as a topic for improvement. This assumption was also supported by the continued low engagement survey score on the question 'In NN Group, departments cooperate effectively to get the job done' (2019: 6.4; 2018: 6.2).

Way forward

In 2020, to help improve cooperation, we will develop a communications and culture programme around the theme 'Connect' and implement the other improvements proposed by the review process.

As part of the maintenance of our values, we will also seek feedback from various external stakeholders, such as supervisory bodies. We will also take into account that the wording remains in tune with both the environment in which our company operates and regulatory requirements, such as the Oath for Financial Institutions in the Netherlands.

Our culture and governance – Our values continued

NN Code of Conduct

Founded on the NN statement of Living our Values, the NN Code of Conduct offers clear guidance in a single, comprehensible document on how we as NN employees should behave: how we interact with colleagues and customers; how we deal with information and data; how we deal with conflicts of interest, fraud, corruption and financial economic crime; how we use equipment and the internet; and how we report and deal with breaches.

Employees must formally acknowledge annually that they understand the content of the NN Code of Conduct and that they can and will apply the policies and standards. Formal acknowledgement of the NN Code of Conduct has been mandatory for all business units for several years. In October 2019 we achieved an acknowledgement score of 100% for internal NN staff (excluding employees on long-term leave and sick leave).

Conduct and culture within our Risk Control framework

Prior to sending out the NN Code of Conduct acknowledgement email in 2019, we launched the online learning platform Conduct Matters. The aim of this learning platform is to raise awareness of the NN Code of Conduct and is accessible for all employees in all local languages. The platform includes exercises, dilemmas, examples of important conduct-related topics, films, articles and hands-on guidance on how to act according the NN Code of Conduct.

Risk Culture Check-in

In January 2019, Group Risk and Group Compliance launched the Risk Culture Check-in. All business units performed a self-assessment on how they perceived the risk culture within the business unit. The business units also assessed head office control functions on their risk culture.

This two-way assessment is the basis for a constructive dialogue with senior management of NN on how we manage risk culture within the company, the conduct we encounter in doing so, and in which areas we can improve. This assessment model and related dialogue has created a 360-degree loop in order to deliver content and statements to underpin the risk appetite statement 'Employee Conduct & Business Culture' in the Control framework. The process is led by Group Risk, in close cooperation with Group Legal & Compliance within the business units.

Reporting concerns

When misconduct occurs, NN carefully reviews and assesses whether an investigation or other action is needed. Breaches of the NN Code of Conduct are not taken lightly and have consequences.

Whistleblower Policy

The NN Group Whistleblower Policy enables every employee to report, if desired anonymously, a concern outside normal reporting channels. NN Group guarantees various rights, including protection from retaliation, for any employee who reports a concern in good faith, provides information, causes information to be provided, or otherwise assists in an investigation. The main outline of the Whistleblower Policy is explained in our NN Code of Conduct. Relevant training materials are developed and rolled out to the business units.

In 2019, NN recorded four concerns filed through the Whistleblower Policy (2018: seven concerns). In three reported concerns, Corporate Security & Investigations was involved for further investigation. The concerns reported in 2019 were related to, amongst others, power harassment, misconduct by manager, and other unethical employee behaviour. The concerns are recorded and reported periodically (in numbers) through the Chief Compliance Officer up to the level of the Management Board.

Whistleblower concerns	Number of concerns 2019	Number of concerns 2018
Total amount	4	7

Other incidents and concerns

In 2019, Corporate Security & Investigations was involved in 95 cases (2018: 100 cases). In six cases, disciplinary measures were taken (e.g. a warning, reprimand, termination of employment or instant dismissal). Employees concerned were informed in writing by the imposed disciplinary measures.

Cases	Amount of cases with disciplinary measures in 2019	Amount of cases with disciplinary measures in 2018
Fraud-related	1	7
Unethical behaviour-related	5	6
Conflict of interest	0	1
Total	6	14

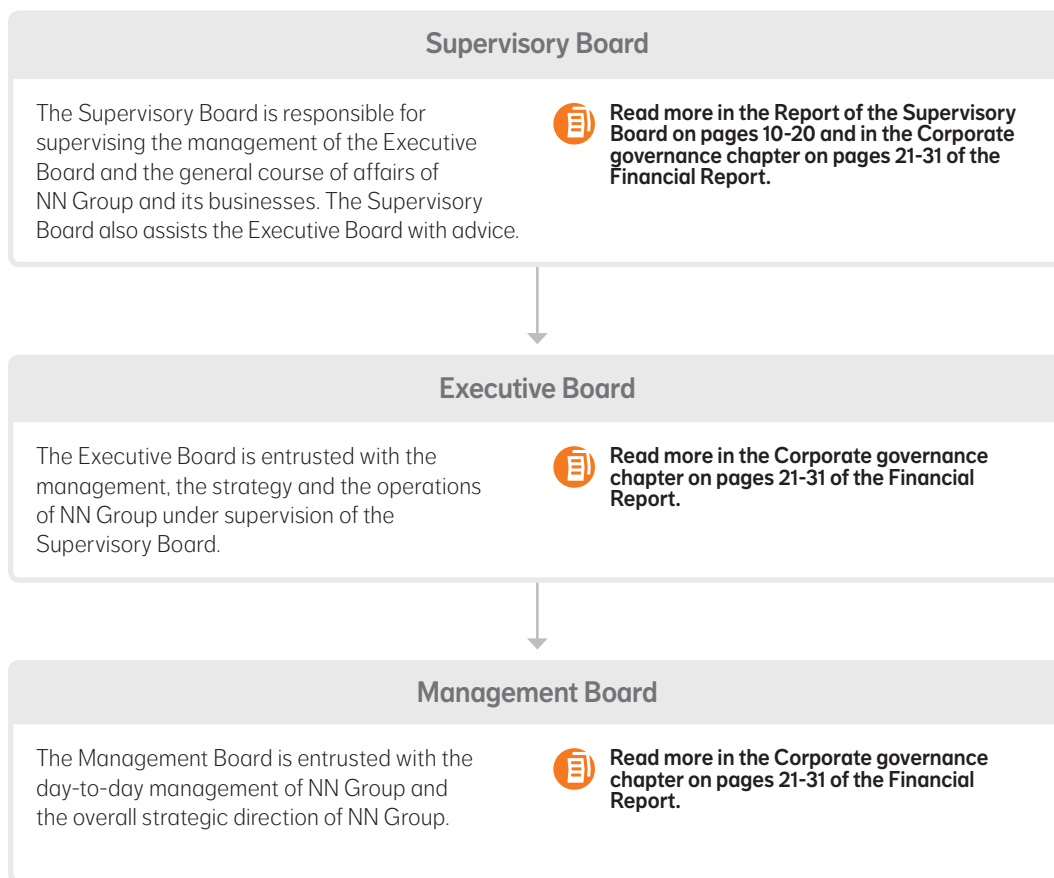
Long-term value creation



NN's commitment to long-term value creation is anchored in the NN statement of Living our Values. Here we emphasise the importance of doing business with the future in mind. It states, amongst other things, that we 'respect each other and the world we live in', 'value long-term objectives over short-term gains' and 'carefully balance the interests of our stakeholders'. Read more in the corporate governance section on our corporate website.

How we are organised

NN Group N.V. (NN Group) is a public limited liability company (naamloze vennootschap) incorporated under the laws of the Netherlands.



The interests of NN Group and our stakeholders

In performing their duties, the Executive Board, Management Board and Supervisory Board must carefully consider and act in accordance with the interests of NN Group and the business connected with it, taking into consideration the interests of all stakeholders of NN Group. The organisation, duties and way of working of the Executive Board, Management Board and Supervisory Board can be found in the charters of the respective Boards. These are available on the NN Group website.

Dutch Corporate Governance Code

NN Group is subject to the Dutch Corporate Governance Code (the Code). The application of the Code by NN Group during the financial year 2019 is described in the publication Application of the Dutch Corporate Governance Code by NN Group, dated 11 March 2020, which is available on the website of NN Group. This publication is to be read in conjunction with the Corporate governance chapter on pages 21-31 of the Financial Report.

NN Group Compliance Function Charter

NN Group is committed to upholding its reputation and integrity through compliance with applicable laws, regulations and ethical standards in each of the markets in which the company operates. All employees are expected to adhere to these laws, regulations and ethical standards, and management is responsible for ensuring such compliance. Compliance is therefore an essential ingredient of good corporate governance. The purpose of the NN Group Compliance Function Charter is to help businesses effectively manage their compliance risks. This document is available for download on the NN Group corporate website.

Our culture and governance – Management Board

Management Board

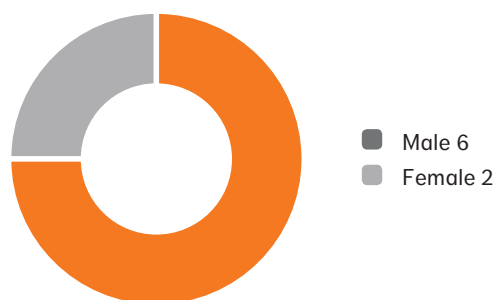
The Management Board is entrusted with the day-to-day management and overall strategic direction of NN Group.



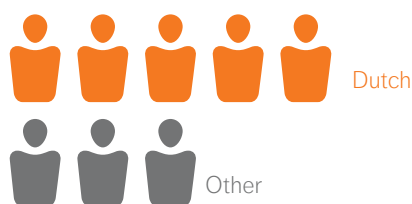
From left to right:
Satish Bapat Chief Executive Officer NN Investment Partners
Dailah Nihot Chief Organisation and Corporate Relations
Tjeerd Bosklopper Chief Executive Officer Netherlands ad interim and Chief Transformation Officer
David Knibbe Chief Executive Officer and chair of the Executive Board and Management Board

Fabian Rupprecht Chief Executive Officer International Insurance
Janet Stuijt General Counsel
Delfin Rueda Chief Financial Officer, Chief Risk Officer ad interim (per 1 January 2020) and vice-chair of the Executive Board and Management Board
 Not photographed: **Jan-Hendrik Erasmus** Chief Risk Officer, who stepped down on 31 December 2019

Board diversity



Management Board nationality mix



 Read more about our Management Board on pages 21-37 of the Financial Report.

Stakeholder engagement and international commitments

NN Group engages in ongoing dialogue with stakeholders on a variety of topics, ranging from products, services and business performance to our role in society. By endorsing national and international initiatives, we underline our ambitions and join forces with other organisations to achieve more.

Stakeholder engagement

We see stakeholder engagement as a vital part of our efforts to earn their trust and support, and of our duty as a responsible and engaged company. NN Group identifies stakeholders based on their potential to influence or be influenced by our business. Important stakeholder groups include customers, employees, investors, business partners and society, including regulators and societal organisations. We seek feedback from these groups on key topics that matter to them. This helps us align our business interests with the needs and expectations of relevant stakeholder groups, and is a source of information for strategy development and decision-making processes.

Our dialogue with stakeholders takes many forms: day-to-day interaction and regular feedback sessions with customers on our products and services; works council meetings and continued dialogue with our employees; briefing sessions and roadshows for analysts and investors; regular bilateral contact with regulatory bodies, government agencies and other organisations (including non-governmental organisations, trade unions and industry associations); and roundtables with policymakers, academics and peers.

During 2019, we considered a number of different developments and topics that were brought to our attention by and/or discussed with different stakeholders. For a non-exhaustive overview, see the next page.

National and international commitments

As a company based in the Netherlands, we adhere to Dutch law and the Dutch Corporate Governance Code. We observe the laws and regulations of the markets in which we operate. We also adhere to relevant international standards and guidelines, including the UN Global Compact and the OECD Guidelines for Multinational Enterprises.

To underline our ambitions, NN Group and/or our respective businesses have endorsed various national and international initiatives, and we are a member of various relevant international organisations. For an overview, please visit our website.

Commitment of the financial sector to the Dutch Climate Agreement

In July 2019, along with some 50 other financial institutions, NN signed a commitment to the Dutch Climate Agreement. In doing so, a financial institution commits to contribute to the reduction of greenhouse gas emissions and the financing of energy transition. Signatories should disclose the carbon footprint of their relevant investments from book year 2020 onwards, and disclose action plans that contribute to achievement of climate goals by 2022 the latest.

Since 2017, NN has disclosed the carbon footprint associated with a large portion of our proprietary assets. You will find an update on pages 63. In addition, we encourage the energy transition, for example through our voting and engagement work, and make sustainable and impact investments.

We continuously enhance our approach to address climate change into our strategy, policies and activities. Read more in the sections on Responsible Investment on pages 37-39, Our response to the Task Force on Climate-related Financial Disclosures on pages 52-55, and our separate analysis of the carbon footprint of proprietary assets. Furthermore, we are working on initiatives to further develop goals and targets.

International Corporate Social Responsibility (ICSR) covenant

The ICSR covenant for the Dutch insurance sector celebrated its first anniversary in July 2019. The covenant aims to ensure that insurers identify and mitigate any potential negative environmental, social and governance (ESG) impacts they face through their investments.

The covenant's signatories (all Dutch insurers, the government, one trade union and six NGOs) pool their knowledge and experience, identify ESG risks, and initiate steps to mitigate those risks. Insurers are expected to have due diligence processes in place to address ESG risks and, where necessary, to develop, adjust and improve their policies. Publication of policies and restricted lists are required, as are disclosures on voting and engagement activities with investee companies. Read more in the annual report of the covenant's independent Monitoring Committee, including its recommendations, on www.imvoconvenanten.nl/nl/verzekeringssector/nieuws/jaar-2018-2019-verzekering

Our culture and governance – Stakeholder engagement continued

In 2019, NN refined its Responsible Investment (RI) Framework policy. Amongst other things, by publishing our Statement on Coal (see page 37). We also engaged with issuers to address ESG risks and support their transition to a more sustainable economy. Read more on pages 38-39 and in NN IP's Responsible Investing Report 2019. For an overview of fixed-income bonds by type of issuer held on the NN Group balance sheet, see page 142 of the Financial Report (Note 49).

Our approach to human rights

Respect for human rights is an integral part of our values, as confirmed in the NN statement of Living Our Values. The principles contained in the UN Guiding Principles for Business and Human Rights guide us in implementing human rights in our business activities and interaction with stakeholders.

Our NN Group Human Rights Statement serves as an umbrella document and relates to various policies, such as our Human Capital and RI Framework policies, and a Guidance paper on Human Rights for Investors.

Early 2020, we conducted a review of our human rights policies and processes. The findings enable us to further strengthen our approach across the organisation in the coming year.

Stakeholders, engagement, topics and outcomes

Stakeholder group	Engagement	Topics discussed	Outcome
Customers (retail)	Client panels, NPS survey, Global Brand Health Monitor	Products and services, customer experience, complaint management	Improve products and customer processes, increase customer satisfaction
Customers (institutional)	Client survey, client events, client roundtables	Legislative changes, client satisfaction, responsible investment	Product and process improvements, ICSR sector covenant requirements
Financial advisors, brokers, agents	Training	Products and services, rebranding from Delta Lloyd to NN	Stimulate good cooperation, increase financial advisor satisfaction, ultimately leading to customer satisfaction
Shareholders, analysts, investors	Annual shareholders meeting, analyst calls, investor meetings	Strategy, financial and operational developments, capital position, approach to ESG	Inform and engage shareholders, analysts and investors
Employees	Townhall meetings, works councils, unions, international leadership and other conferences, surveys	Values, Code of Conduct, reorganisation, integration process, engagement	Informed and engaged employees, values-driven culture
Investee companies	Voting at shareholder meetings, dialogue with company management, engagement	Financial and operational developments, corporate governance, climate change, human rights, (non-) financial disclosures	Create value through consistent and transparent voting behaviour, improved disclosures, improved decision-making, including on ESG issues
Regulators, government bodies	Meetings, reporting, information exchange	Economic and financial market developments, risk assessments, regulation, ICSR sector covenant, sustainable finance	Ensure compliance with, and discussion of impact of regulation
Non-governmental organisations	Correspondence, meetings, reports, benchmarks	Investments in coal-related companies, controversial weapons and weapon trade, benchmarking methods	NN Statement on Coal

Our response to the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD)

At NN Group, we have covered climate change as part of our Annual Report since the financial year 2017. Our climate change related disclosure reflects NN’s response to the recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD), published in June 2017. This response is structured along the four TCFD pillars: governance, strategy, risk management, and metrics and targets.

Governance

The NN Group Executive Board ensures that the company has adequate internal risk management and control systems in place so that it is aware of any material risks run by our company and that these risks can be managed properly. Each year, the Executive Board defines the company’s risk appetite, related limits and tolerances. This is ratified by the Supervisory Board. Risk management processes are covered as part of the NN Group Financial Report (Note 49).

The Executive Board’s responsibilities include the formulation of the company’s strategy in line with its view on long-term value creation. This includes the non-financial aspects relevant to NN, such as environmental, social and governance (ESG) matters. The Supervisory Board supervises the policy pursued by the Executive Board, while the Management Board is responsible for the company’s day-to-day management and overall strategic direction. These responsibilities are laid out in the respective charters of these Boards as published on our corporate website.

The Chief Organisation & Corporate Relations has Corporate Citizenship, which includes sustainability, in her portfolio. In addition to this, each of our Board members integrate sustainability into their respective businesses or functions where relevant. To steer and advise the Management Board on the implementation of the overall sustainability direction, we have a dedicated Corporate Citizenship team. This team works closely together with the different businesses and functions to steer and advise on the implementation of the overall strategy.

In May 2019, as part of our Supervisory Board’s permanent education programme, there was a session on NN’s approach to addressing climate-related risks and opportunities. In March 2020, NN’s Management Board discussed and confirmed NN’s approach to climate change risks and opportunities.

ESG-related governance within our investment activities

The NN Group Responsible Investment (RI) Framework policy describes our approach to taking into account ESG factors in our investment process. The Management Board decides on adjustments to the RI Framework policy and related restricted list, taking into account the recommendation of the ESG Committee of NN Investment Partners (NN IP). In 2019, responsible investing-related items appeared on the agenda of the Management Board four times.

At NN IP, the executive team provides strategic direction and oversees the implementation of the RI Framework policy in the investment processes. The executive team receives input from NN IP’s ESG Committee. The committee is chaired by the Chief Investment Officer (CIO) of NN IP and comprises the Responsible Investment team and senior representatives from NN IP’s various business segments, as well as the CIO of NN Group and representatives of Corporate Citizenship. To support the investment teams in the integration of ESG within the investment process, and to further drive the development of responsible investing and engagement, NN IP has a dedicated Responsible Investment team, which report to the CIO of NN IP.

Climate change dialogue

To support TCFD implementation NN has established a so-called Climate Change Dialogue: a multi-disciplinary working group, advising the Management Board on climate risks and opportunities. In 2019, the Dialogue convened to discuss climate-related initiatives within the organisation such as the climate-related scenario analysis work, and explore the emerging area of climate change-related litigation. Climate change cases against organisations are becoming increasingly prevalent and as such we wanted to increase our efforts to understand risks associated with climate change related legal action. The Dialogue’s insights were presented to the Management Board in March 2020.

Strategy

Climate change already presents current risks and opportunities, and it is expected that these will increase over the mid to long term. NN Group therefore considers climate change to be an emerging development with potential for considerable risk to our long-term business model and strategy.

NN distinguishes (a) physical and (b) transition risks from climate change, as described below. The materiality and time horizons over which these risks impact our business activities relate to specific types of business, asset portfolios, geography and a range of other differentiating factors as illustrated in the three cases below:

- Our property & casualty (P&C) business is predominantly a one-year renewal business, and consideration of these risks in the underwriting and pricing processes is therefore on a relatively short time horizon (one to three years)
- Many of our product development and strategy updates are based on three-to five-year time frames
- Our investment strategies backing the life and income insurance liabilities need to consider the impacts of climate change over a period well beyond the next five years

Transition risks

Transition risk concerns the transition to low-carbon economies. This may adversely affect individual businesses, sectors and/or the broader economy, impacting our investment portfolios and thus the asset side of our balance sheet. Overall, NN anticipates that the global pricing of financial assets will increasingly be influenced by factors such as public policy, technological developments and changing consumer preferences. Such trends and changes are likely to materialise over the medium term. However, our investments are also exposed to specific short-term risks, such as sudden possible adjustments to market sentiment around climate risks impacting segments and investments in our portfolio.

Our culture and governance – Stakeholder engagement continued

Physical risks

Physical risks relate to the physical consequences of climate change. These risks are particularly relevant to our non-life insurance business, where weather events such as windstorms or hail can lead to higher expenditures (claims and operational costs), thus affecting the margins of our P&C insurance products. Several studies show that the occurrence of these severe weather events will be more likely in the future. Our business unit NN Non-life offers P&C insurance solutions to the Dutch and Belgian markets. In addition, NN offers a range of non-life products in Spain and Poland.

As well as impacting on our liabilities, physical risks could also impact our investment portfolio. For example, a severe windstorm or flooding might damage buildings within our European real estate portfolio which could result in asset impairments or indirectly affect our clients' ability to pay their mortgages.

Finally, prolonged and multiple periods of heatwaves or other consequences of rising temperatures may result in increased mortality and morbidity, thereby impacting our life and income insurance liabilities. Long-term threats are difficult to predict, but at this time, we expect this to have less impact on our life and income insurance liabilities than other risks, such as changes in demographics or pandemics. It should be noted though that whilst pandemic outbreaks can be attributed to a number of interrelated factors, climate change is likely to increase the risks by spreading of disease vectors into areas that formerly did not experience these.

Climate-related opportunities

Despite the various threats it poses to the world, climate change could also create opportunities. Helping our customers adapt to climate change, or supporting them in opportunities related to a lower carbon economy, could generate new sources of revenue. For example:

- Within our asset management business, we continue to see strong interest from investors interested in impact investing and green bond solutions. NN IP is the largest market participant of open-ended green bond funds. During 2019, NN IP expanded its green bonds range of funds by adding a short-duration variant.
- NN's Non-life department has conducted research to capture the carbon footprint linked to our non-life activities. The project also sought possibilities for creating and expanding our role in the circular economy. We will take further steps in this area in 2020.

- Nationale-Nederlanden in the Netherlands launched a web-based platform, Powerly, to help users make their houses more sustainable. It provides customers with tailored advice on energy-efficient measures, then helps them take these measures by connecting them up with partners.

Finally, proactively addressing climate change can improve our reputation, and therewith positively influence customer satisfaction. Of course, the opposite can also occur if we fail to adequately address stakeholder expectations (see also key risk: Good Corporate Citizenship on page 12). For instance, our P&C customers might be displeased if they were charged higher insurance premiums, making affordability an issue, or if they discovered they had been unaware of uninsured risks. We therefore focus on informing our customers clearly and being transparent about coverage, as well as helping initiate adaption and resilience in a changing environment.

Scenario analysis for investments

To get more insight into specific drivers of climate-related risks and opportunities that may impact investment performance, NN has worked on scenario analyses for our proprietary assets. Supported by external sustainability consultant, ERM, we have developed various distinctive analysis and models, focused on the largest asset categories on the NN Group balance sheet: (i) government bonds (approximate 36% of total balance sheet assets), (ii) residential mortgages (23%) and (iii) non-financial corporate exposures (15%). Where possible we considered a relevant short-, medium-, and long-term scenario, aligned with the TCFD recommendations.

We performed an analysis on potential transition risk for government bond holdings issued by six countries that together represent over 70% of the portfolio. Government bonds are typically assessed on the ability and willingness of a government to honour debt obligations. Climate and energy policies are one of several factors that could influence the ability of a government to repay debt. We took the view that countries that have a well-developed long-term strategy for achieving greenhouse gas (GHG) emission reductions consistent with the Paris Agreement are more likely to face lower transition risks. Therefore, we examined the difference between a country's energy-related GHG emissions between a business-as-usual (BAU) and a low-carbon transition scenario (2°C) for the time periods 2022 and 2030. The difference is indicative of the

potential magnitude of the transformation required for a country transition to a low-carbon economy. We complemented this quantitative assessment with evaluation of climate policies, targets, and related economic impact assessments to develop an initial risk rating.

For NN's residential mortgage portfolio, we analysed physical risks. Physical risks for mortgages in the Netherlands are mainly related to damage caused to properties by flooding events (including surface water flooding caused by heavy rainfall, river flooding, and coastal flooding). These events could either lead to a value decrease of collateral and/or impact on the ability of a houseowner to pay their mortgage.

For this assessment, we used data from local institutions ('Risicokaart' for the baseline scenario and 'Klimaat-effectatlas' for the future scenario) that have projected flooding hazards. The future data set considers the projected impact of climate change (associated with a 2°C temperature rise by 2050) and planned improvements to the Dutch water defence systems during the coming decades (as defined in the Water Act). By comparing the data to properties in NN's mortgage portfolio, we assessed which regions and properties have a high or higher flooding risk, both in the baseline and future scenarios (2050). We also compared this regional data with more specific data on houseowners that gives an indication of the financial ability of the houseowner to cope with potential damages as a result of flooding.

We also analysed potential transition risks associated with NN's Dutch mortgage portfolio. The realisation of the Dutch government's ambition to decarbonise the housing market will require strong incentives and policy regulation. Such policies are drivers of transition risk, as they could require borrowers to make upfront investments in new heating systems or energy efficiency improvements. We took the energy label as a simple indication of the likelihood that a homeowner will be required by regulation to make energy efficiency improvements. In some circumstances, this additional cost could compromise the ability of some borrowers to repay their mortgage. We therefore combined the energy label categories of our mortgage book with indicators of credit risk to evaluate transition risk levels in 2030 and 2040. This analysis provides us with a starting point for further refinements, and furthers our discussion on how we can help support our customers in making their house more energy-efficient over the coming decades.

Our culture and governance – Stakeholder engagement continued

For non-financial corporate exposures (mainly bonds and listed equity), NN developed a screening tool to identify, based on high-level scenario-based analysis, segments of the portfolio where there is likely to be greater potential climate-related risks and opportunities that could impact investment performance. The drivers of climate-related risks and opportunities relate to the transition to a lower carbon economy and changes to physical climatic conditions. The results were translated into heat maps. The exercise will inform our prioritisation of further analytical work and other steps.

Solvency and resilience testing

In our insurance business, we explicitly consider large catastrophic losses in economic capital modelling in order to ensure NN Group is resilient to such extreme scenarios. The Solvency II supervisory framework requires that insurers hold sufficient capital to cover the losses of a 1-in-200-year event, over a one-year time period. In addition, insurers also consider risks beyond this one-year time period as part of their Own Risk and Solvency Assessment (ORSA), and hold a level of capital that is in line with their defined risk appetite.

NN Group, and each of its regulated (re)insurance subsidiaries, prepares an ORSA at least once a year. The ORSA includes the outcomes of stress tests and/or scenario analyses that are aligned with identified key risks. NN Group considers climate change to be an emerging risk that may impact our business model over the long term. As such, the ORSA took into account the scenario-based analysis performed on our own general account investment portfolio to better understand the impact on our business. Specific consideration was given to government bonds and mortgage analyses. The initial outcome of these analyses, based on current understanding and the scenarios shown, imply that in the short-term climate change will not materially affect our business. In the longer run (2030-2050), it is an area for further consideration, given the considerable investments that will be required by both governments and individual homeowners to deal with the transition and physical risks, as well as the macro and micro economic consequences. NN will continue to assess and monitor these potential impacts on our business model and balance sheet.

The impact of climate change on our underwriting business is also included as part of NN Group's ORSA. A stress test conducted by our NN Non-life entity was used to evaluate the impact of climate change on the consolidated balance sheet and capital position of NN Group. The modelled scenario included a sudden shock caused by four windstorm events in Europe, and was partly based on the stress test initiated in 2018 by the European Insurance and Occupational Pensions Authority (EIOPA). While noting that this scenario showed negative effects for NN Non-life, it also shows that those effects would be manageable on NN Group's consolidated balance sheet. This was in line with stress tests performed in 2018.

NN Non-life also studied the impact of climate change leading to a gradual but systemic increase in catastrophic events, and the impact of this on the consolidated balance sheet and capital position. The study concluded that climate change will not materially affect Non-life business in the short term (3-5 years), pointing out that this is an area for further consideration in the longer run (2030-2050).

At an industry level, NN Group cooperates with 17 other insurance companies in the TCFD Insurer Pilot, as part of the UN Principles of Sustainable Insurance (PSI). We do this as part of our efforts to further develop risk assessment tools and better understand the impact of climate change on our insurance underwriting business. This initiative aims to jointly establish standards, methods and tools that will support scenario analysis by including the assessment of climate-related physical and transition risks within insurance portfolios.

Risk management

NN Group's risk policy framework ensures that all risks are managed consistently and that NN Group operates within set risk tolerances.

Processes within investments

NN Group has a policy framework in place to ensure that our assets are invested responsibly. Amongst other things, the policy includes a requirement to systematically incorporate ESG factors into the investment process. The consideration of ESG factors, alongside traditional financial data, helps us to make more informed decisions and optimise the risk-return profile of investment portfolios. At NN IP, assessing the materiality of ESG factors, such as climate change, is an integral part of the investment process, where the analysts identify material risks

and opportunities within the investment case. In doing so, they make use of information from various ESG research agencies, including Sustainalytics, MSCI, Bloomberg and ISS-Ethix Climate Solutions.

In addition to analysing individual investment-level risks, we carry out analysis at a portfolio level to assess potential climate risks and opportunities, and to inform the content and implementation of a broader climate change strategy. For example, we measure the carbon intensity of our proprietary investments, which gives us insights into our highest carbon risk exposure and is useful for, amongst other things, engagement purposes.

We consider engagement to be an important tool for managing climate risks. This means we enter into a dialogue with companies and explain which goals we would like them to achieve. Although we prefer to change behaviour through engagement, we may decide to exclude a company when it is not willing to engage in a dialogue, or where we believe not enough progress is being made. In 2019, we expanded our environmentally-focused exclusion criteria to include, in addition to oil sands, thermal coal. This involves group-wide exclusionary criteria for companies that derive more than 30% of their revenues from thermal coal extraction.

For NN Group's proprietary investment portfolio, we additionally announced an objective to reduce our investments in thermal coal mining and/or coal power to close to zero (defined as between 0 and 5%) by 2030. This decision affects a portfolio of bonds in the mining and utility sectors of approximate EUR 2 billion. Whilst most of these bond holdings will mature before 2030, we have some longer-dated exposures. These will be closely monitored, and if by 2030 the companies have not reduced their coal-related business to 5% or lower they will be sold. Through this policy, NN aims to give a strong signal to companies of the need to phase out coal in order to achieve climate targets in line with the Paris Agreement.

To learn about further actions that we could take to support the objectives of the Paris Agreement, NN joined the Paris Aligned Investment Initiative of the Institutional Investor Group on Climate Change (IIGCC). The Initiative aims to help develop a common understanding of concepts relating to alignment with the Paris Agreement, and explore options for approaches and

Our culture and governance – Stakeholder engagement continued

methodologies that investors can use to align their portfolios to the Paris Agreement, and test these approached for different asset classes.

Processes within insurance underwriting

Within our P&C insurance business, we manage physical climate risks in a number of ways. NN helps customers take precautionary measures, with the aim of preventing and minimising claims caused by windstorms, fire or other events. We monitor our claims experience, and reprice or adjust contract conditions where necessary. NN's P&C portfolio is predominantly annually renewable, allowing repricing over the short term. We apply such measures cautiously, as over the longer term insurance product affordability for our clients remains an important consideration for us when making strategic choices.

We let insights from catastrophe models guide our risk management process in terms of pricing/underwriting. For this, we use external vendor models which use meteorological modelling that reflects observed storms and patterns in order to estimate the impact and damage that would be caused by large natural catastrophes, such as windstorms. NN uses a multi-year forward-looking approach. Catastrophe models are also part of the risk management process in terms of solvency/capital management.

Portfolio diversification and tracking concentration risks are other key risk-mitigating steps. NN's wide product range offers a broad variety of non-life insurance protection cover options against damage and loss from a wide range of causes. In addition to our P&C products, our portfolio comprises income products, such as disability and accident insurance, that are less sensitive to windstorm or climate change.

Finally, external reinsurance will, under certain conditions, partially mitigate potential impacts. We have a group-wide catastrophe reinsurance programme in place to protect against the severity and frequency of large natural catastrophes. Reinsurance covers are placed with a broad and diversified panel of strongly-capitalised external reinsurers, and reduce the losses to NN Group from both large events and multiple smaller ones. Both the applicability of the external vendor models, as well as the reinsurance structure and cover, are reviewed annually on renewal.

Regarding climate-related transition risks, our processes to identify, manage and mitigate these risks for insurance underwriting portfolios are less developed compared to physical risks. However, we took a number of steps during the year:

- We raised awareness of the benefits of including ESG issues in the insurance underwriting processes by including a heatmap in the quarterly Financial Risk Dashboard of NN Non-life. This heatmap gives an indication of the levels of potential ESG risks across lines of business. We based it on a published working paper of the UN PSI Initiative, titled 'Underwriting environmental, social and governance risks in non-life insurance business'.
- Several NN Non-life teams participated in awareness raising sessions organised by the group's Corporate Citizenship team. Amongst others, the area of climate change litigation was discussed with legal & compliance staff. In recent years, there has been an increase in climate-related litigation against governments, but also complaints against companies have risen. This can have consequences for NN in the event that we insure them. Given the relative size of NN's general liability insurance portfolio to corporate clients, we currently foresee risks in this area to be low. However, we will monitor developments.
- We decided to align our thermal coal policy for insurance underwriting with the investment side. This means that we will stop providing (non-life) insurance services to companies that derive more than 30% of their revenues from thermal coal mining or use at least 30% thermal coal for power generation. These thresholds will phase down to 5% by 2030. These measures will additionally support in mitigating the climate related transition risks.

Metrics and targets

Carbon footprint – own operations

At NN Group, we are committed to reducing the environmental impact of our own operations. We have set quantitative targets to reduce our GHG emissions and consumption of scarce resources. Read more on page 40.

Carbon footprint – proprietary assets

NN Group measures the carbon footprint of its proprietary assets. In 2019, we measured the carbon footprint of our residential mortgage portfolio for the first time. Combined with the already established analysis of government bonds, corporate fixed income investments and listed equity, the total assessed amount is now EUR 165 billion. This represents 80% of our total asset portfolio which comprises

general account assets of the insurance entities, and the assets of NN Bank and NN Group.

As best practice methodologies are still developing, we continue to assess the best ways to consistently measure the carbon footprint for our portfolio. In 2019, we made a change in the way we calculate the portfolio carbon footprint metric. We now use a company's enterprise value (a measure of a company's total value) as a denominator to attribute emissions to both equity and debt positions within our portfolio. This change contributed to the decrease in the portfolio carbon footprint for these asset categories. The new methodology is in line with recommendations made by the Platform Carbon Accounting Financials (PCAF) as it better represents the share of a total company value that has been financed by investors with both equity and bond positions, and avoids double counting.

We also calculated the weighted average carbon intensity for the listed equity and fixed income portfolio. Compared to 2018, the total carbon intensity figure remained stable, although it somewhat declined for corporate fixed income while increased for equities. Refer also to the table on page 62. Further background on the methodology and analysis of the results is available in a separate publication, called 'Analysis of carbon footprint of proprietary assets', on NN Group's corporate website in the Investors/Annual Report section.

Other metrics and targets (investments):

- NN IP's AuM in sustainable and impact strategies: EUR 22.7 billion by year-end 2019
- Amount of green bonds and infrastructure debt projects in the areas of energy and resource efficiency held in the proprietary fixed income portfolio: EUR 821 million by year-end 2019
- GRESB score, as an indicator of the sustainability performance of the proprietary private real estate portfolio: 85 out of 100. Amount the assessment covers: EUR 7 billion or 93% of total real estate exposure
- Amount of securities covered by the coal phase-out strategy for the proprietary portfolio: EUR 2 billion
- Number of company dialogues and engagements conducted by NN IP analysts and ESG specialists: 662
- Percentage of shareholder resolutions focused on environmental issues and climate change where NN IP voted 'for': 96% (71 out of 74 proposals)



Facts and figures

Our approach to reporting

We take an integrated approach to reporting, and our Annual Report consists of two parts: this Annual Review and the Financial Report. It is prepared in accordance with Dutch law and relevant reporting standards.

Structure

In the Annual Review, we aim to provide a concise, accurate and balanced account of NN Group's financial and non-financial performance over the past year. It is structured around six sections: NN at a glance, The world around us, Our performance, Creating value for our stakeholders, Our culture and governance, and Facts and figures.

In-depth information regarding our financial performance, can be found in the Financial Report. It is prepared in accordance with the International Financial Reporting Standards (IFRS), endorsed by the European Union.

NN Group also publishes a Solvency and Financial Condition Report, a Total Tax Contribution Report, and a Carbon Footprint Report. NN Investment Partners publishes a Responsible Investing Report. These reports provide additional information on specific topics and are published on the same date on NN Group's website in the Investors/Annual Report section.

We believe that this reporting strategy enables us to tailor our reporting for different stakeholders, who require different levels of detail. The online versions of the Annual Review and the Financial Report contain a number of links, including links to sources on the NN Group website.

Reporting profile

This is NN Group's sixth Annual Report since our separation from ING Group and becoming a publicly-listed company on 2 July 2014. It is published on 12 March 2020. We report annually, on a calendar year basis (1 January – 31 December).

Scope of the data in the Annual Review

The scope of the reported data is the range of entities over which NN Group has management control. This applies to all material items as depicted in the materiality matrix, unless otherwise stated.

The scope for community investment and environmental data is all businesses with more than 100 FTE (representing 99% of our total organisation).

Performance data

All financial data in this review is taken directly from NN Group's Financial Report.

For non-financial information and data on community investment and direct environmental footprint, NN Group used an online system, Credit360. Our internal validation process, including the application of Credit360's validation rules ensures to limit any inaccuracies in the reported data. The Human Resources (HR) data is directly sourced from our HR data analytics department.

Review and approval

Information in the Annual Report is based on extensive reporting from our businesses and functions in the countries where we are active. All information is reviewed by NN Group's Disclosure Committee and has been approved by our Executive Board and Supervisory Board before publication.

Relevant topics

Relevant topics were selected for the 2019 Annual Review, through a materiality assessment using internal and external research, and other sources. This assessment included a survey amongst internal and external stakeholders, see page 10.

Reporting guidelines

We aim to strengthen our integrated way of reporting every year. The Annual Review contains various elements from the International Integrated Reporting Council (IIRC) framework, such as our value creation model and a materiality matrix. This review strives to present relevant information about our strategy, governance, performance and future prospects in ways that are relevant to the economic, environmental and social contexts in which we operate.

The information and data in the Annual Review is prepared in accordance with the Standards (Core) from the Global Reporting Initiative (GRI). The GRI Index table shows against which indicators NN Group reports, and where to find the respective information in this Annual Review, the Financial Report and/or the NN Group website. The index Table is published on NN Group's corporate website in the Investors/Annual Report section, where you can also find the Progress reports for the UN Principles for Sustainable Insurance and the UN Global Compact.

External assurance

We aim to be transparent and provide reported content that is reliable. For this reason, our external auditor, KPMG, provided limited assurance on the non-financial information in the Annual Review.

The scope of KPMG's assurance engagement is described on pages 65–69 of the Annual Review, including the key financial and non-financial indicators. We provided evidence to our external auditor in support of the statements we make in this report. Please read more on pages 65–69 in KPMG's Assurance report.

Going forward

Going forward, we will continue to tailor our reporting to serve different stakeholder groups. We will aim for further integration of financial and non-financial information to provide stakeholders with a complete picture of how we create long-term value for our company and our stakeholders. This includes (re)defining key performance indicators and setting targets which are aligned with the refinement of our strategy, to be launched mid-2020.

Facts and figures

Consolidated balance sheet (in EUR million)

As at 31 December	notes	2019	2018
Assets			
Cash and cash equivalents	2	6,436	8,886
Financial assets at fair value through profit or loss:	3		
– investments for risk of policyholders		34,433	30,230
– non-trading derivatives		10,189	5,096
– designated as at fair value through profit or loss		1,184	722
Available-for-sale investments	4	117,644	104,329
Loans	5	61,768	58,903
Reinsurance contracts	16	988	1,010
Associates and joint ventures	6	5,457	5,000
Real estate investments	7	2,571	2,374
Property and equipment	8	465	151
Intangible assets	9	995	863
Deferred acquisition costs	10	1,913	1,843
Deferred tax assets	32	84	131
Other assets	11	4,470	4,708
Total assets		248,597	224,246
Equity			
Shareholders' equity (parent)		30,768	22,850
Minority interests		260	234
Undated subordinated notes		1,764	1,764
Total equity	12	32,792	24,848
Liabilities			
Subordinated debt	13	2,409	2,445
Debt securities issued	14	1,992	1,990
Other borrowed funds	15	7,614	5,717
Insurance and investment contracts	16	168,251	161,118
Customer deposits and other funds on deposit	17	15,161	14,729
Financial liabilities at fair value through profit or loss:	18		
– non-trading derivatives		3,232	2,163
Deferred tax liabilities	32	4,030	1,809
Other liabilities	19	13,116	9,427
Total liabilities		215,805	199,398
Total equity and liabilities		248,597	224,246

References relate to the notes starting with Note 1 'Accounting policies' of the Financial Report. These form an integral part of the Consolidated annual accounts.

Facts and figures continued

Consolidated profit and loss account (in EUR million)

For the year ended 31 December	notes	2019	2018
Gross premium income	20	14,508	13,272
Investment income	21	4,373	5,169
Result on disposals of group companies		8	60
– gross fee and commission income		1,037	1,087
– fee and commission expenses		-328	-332
Net fee and commission income:	22	709	755
Valuation results on non-trading derivatives	23	166	283
Foreign currency results		-9	-56
Share of result from associates and joint ventures	6	619	500
Other income		84	67
Total income		20,458	20,050
– gross underwriting expenditure		20,024	13,249
– investment result for risk of policyholders		-4,794	1,258
– reinsurance recoveries		-237	-192
Underwriting expenditure:	24	14,993	14,315
Intangible amortisation and other impairments	25	32	986
Staff expenses	26	1,564	1,521
Interest expenses	27	519	475
Other operating expenses	28	921	1,096
Total expenses		18,029	18,393
Result before tax		2,429	1,657
Taxation	32	444	524
Net result		1,985	1,133

Net result (in EUR million)

For the year ended 31 December	2019	2018
Net result attributable to:		
Shareholders of the parent	1,962	1,117
Minority interests	23	16
Net result	1,985	1,133

Key financial and non-financial indicators

Key financial indicators (in EUR million)

	2019	2018	2017
Operating result	1,794	1,626	1,586
Net result (after minority interests)	1,962	1,117	2,110
Net operating ROE	9.0%	8.9%	10.3%
Solvency II ratio	218%	230%	199%
Value of new business	358	391	345
Assets under Management (end of period, in EUR billion)	276	246	246
Dividend proposal (per ordinary share, in EUR)	2.16	1.90	1.66
NN Group share price (last trading day of the year, in EUR)	33.82	34.80	36.12

Key non-financial indicators

	2019	2018	2017
Customer satisfaction and loyalty			
– insurance business units using NPS	100%	100%	100%
– insurance business units scoring on/above level previous year ¹	82%	42%	91%
– insurance business units scoring on/above market average	36%	67%	100%
Assets under Management in sustainable and impact funds and mandates (end of period – in EUR million)	22,740	16,549	10,852
– as part of the total Assets under Management	8.2%	6.7%	4.4%
Women in Senior Leaders Group (%)	36%	33%	32%
Employee engagement score ²	7.4	7.1	7.0
– participation in the engagement survey	85%	85%	73%
Young people reached through NN Future Matters programme	25,421	38,536	37,208
Donations to charitable organisations (x EUR 1,000) ³	3,200	2,700	2,400

1 Reliability interval of 5 points on NPS

2 In 2018 we introduced a new metric for measuring engagement. The previous measurement for 2017 was 66%; with the new metric this is 7.0.

3 Includes cash donations to charitable causes, corporate foundations and partnerships.

Sustainability indices and ratings

	2019	2018	2017
Indices			
Dow Jones Sustainability Index (out of 100)	78 (Included)	77 (Included)	80 (Included)
FTSE4Good	Included	Included	Included
VigeoEiris Euronext: 120	Included	Included	–
Bloomberg Gender-Equality Index	Included	Included	–
Ratings			
CDP (Carbon Disclosure Project)	C	B	C
MSCI	A	A	AA
Oekom	C (Prime)	C (Prime)	C (Prime)
Sustainalytics (position/# insurance companies) ⁴	4/254 (Leader)	1/146 (Leader)	3/145 (Leader)
Transparency Benchmark Netherlands ⁵	50%	–	183

4 Sustainalytics changed its research method (2017 and 2018 scores: position NN Group out of number of insurance companies) and now provides ESG Risk Ratings scoring companies on their ESG risks from negligible (0-10), low (10-20), medium (20-30), high (30-40) to severe risk (40-100). NN Group's ESG Risk Rating per December 2019 is 16.0/100 (low risk), our Exposure is 39.7/100 (medium) and our Management is rated 62.7/100 (Strong).

5 The Transparency Benchmark takes place on a bi-annual basis. Due to a new methodology, the 2019 result can not be compared to the result in 2017. The relative score of 50% represents a 78th position out of 240 companies.

Key financial and non-financial indicators continued

Customer-related indicators (in EUR million)

	2019	2018	2017
Total claims and benefits paid	13,907	15,171	15,772
New sales life insurance (APE)	1,741	1,640	1,791
Gross premium income	14,508	13,272	12,060

Responsible investment indicators (in EUR million)

	2019	2018	2017
Assets under Management in sustainable and impact investing funds and mandates (end of period)	22,740	16,549	10,852
– as part of total Assets under Management NN Investment Partners	8.2%	6.7%	4.4%
Equity			
– NN Duurzaam Aandelen Fonds	2,153	1,512	734
– NN Europa Duurzaam Aandelen Fonds (new)	720	–	–
– NN (L) European Sustainable Equity Fund	388	267	308
– NN (L) Global Sustainable Equity Fund	1,993	1,496	1,717
– NN Global Sustainable Opportunities Fund	254	205	263
– NN (L) Global Equity Impact Opportunities	314	284	368
– NN Thematic Equity Impact funds (new)	406	–	–
– NN Enhanced Index Sustainable Equity Fund ¹	4,658	2,749	2,942
– NN Equity Investment Fund	714	628	–
– European Sustainable Equity Mandates	465	342	387
– Global Sustainable Equity Mandates	1,008	1,129	1,612
Subtotal	13,073	8,611	8,331
Fixed income			
– NN (L) Euro Sustainable Credit (excluding Financials)	485	491	679
– NN (L) Euro Sustainable Credit	976	852	117
– NN (L) Euro Green Bond Fund	1,335	578	173
– Sustainable Fixed Income Mandates	1,922	1,639	1,319
– NN FMO Emerging Markets Loans Fund	148	94	–
Subtotal	4,865	3,654	2,288
Multi-asset			
– NN (L) Patrimonial Balanced European Sustainable	429	346	234
– Star Fund	4,373	3,938	–
Subtotal	4,802	4,284	234
Voting			
Shareholders meetings where we voted	2,752	2,118	1,507
– as % of total votable meetings	99%	97%	97%
Agenda items on which we voted	31,775	26,839	18,978
How we voted on agenda items (%)			
– for	83.2%	87.5%	89.6%
– against	14.5%	12.2%	10.1%
– abstain/other	2.3%	0.3%	0.3%
Countries where we voted	61	58	54
Shareholder resolutions on which we voted by topic	706	596	348
– environmental	74	40	56
– social	147	119	74
– governance	485	437	218
GRESB Real Estate Assessment scores²			
Private real estate – portfolio average (vs. benchmark average)	85 (77)	80 (66)	74 (61)

1 Previously: Delta Lloyd Equity Sustainable Global Fund.

2 NN calculates the GRESB scores on a value-weighted basis, and compares these to the relevant benchmark average. Scores are on a scale of 1 to 100. The real estate portfolios are part of NN Group's proprietary assets.

Key financial and non-financial indicators continued

Carbon footprint of NN Group's proprietary assets

	2019	2018	2017
Assessed Assets under Management (in EUR billion)	165	108	103
Fixed income	113	104	99
Equity	5	3	4
Residential mortgages	47		
Carbon Footprint (tCO₂e/EURm invested)	73		
Carbon Footprint (tCO₂e/EURm invested) – excl. mortgages	95	146	241
Fixed income	93	146	278
Equity	130	153	120
Residential mortgages	19		
Weighted Average Carbon Intensity (tCO₂e/EURm of revenue) – excl. mortgages	106	107	231
Government bonds	39	42	233
Corporate fixed income	284	318	276
Equity	228	213	171

Carbon footprinting can help us understand carbon and climate change-related risks within our investment portfolio, and can also be useful to inform corporate engagement. In the context of an investment portfolio, a carbon footprint measures the amount of greenhouse gas (GHG) emissions and intensity associated with the underlying portfolio holdings. The footprint is measured in carbon dioxide equivalents (CO₂e).

Scope of our carbon footprint disclosure

In 2019, we measured the carbon footprint of our residential mortgage portfolio for the first time. This brought the assessed AuM up to EUR 165 billion. This represents 80% of our total asset portfolio which comprises general account assets of the insurance entities, and the assets of NN Bank and NN Group. The main asset categories that were not in scope of this carbon footprint analysis included real estate, private equity, and cash. The fixed income holdings that we assessed included government bonds and corporate fixed income securities. The corporate fixed income portfolio comprised mainly corporate bonds, but also asset-backed securities and loans (although the data availability on these two asset categories was limited).

In 2019, we made a change in the way we calculate the carbon footprint metric as we now use enterprise value (a measure of a company's total value) as a denominator to attribute emissions to both equity and debt positions within our portfolio. This change contributed to the decrease in the portfolio carbon footprint for these asset categories. Note that the 2018/2017 comparison was distorted by a methodology improvement for sovereign bonds, which contributed to the large decline in the portfolio carbon footprint and carbon intensity for this asset category. More information on the methodology and results can be found in a separate report, called 'Analysis of carbon footprint of proprietary assets', published on the NN Group website.

Human capital indicators

	2019	2018	2017
Workforce (end of year)			
Total full-time equivalents (FTEs) ¹	14,913	14,492	14,853
Total number of employees (headcount) ²	15,194	14,953	15,406
– Netherlands Life	2,485	2,620	2,924
– Netherlands Non-life	3,109	2,906	2,157
– Netherlands Bank	894	834	n.r.
– Insurance Europe	4,975	4,688	4,847
– Insurance Japan	868	899	868
– Asset Management	978	1,017	1,165
– Other	1,885	1,989	3,445
Part-time employees ¹	17.0%	20.6%	22.0%
Temporary employees	5.9%	6.1%	5.8%
Average years of service	12.2	12.8	11.8
Male/female ratio	52/48	52/48	52/48
Male/female ratio managers	63/37	65/35	65/35
Male/female ratio Senior Leaders Group	64/36	67/33	68/32

1 Different number in FTE reflects changes due to the CLA in the Netherlands; Delta Lloyd used to count for 38 hours per week as FTE (instead of 36 hours per week as FTE). This also has an impact on the (lower) number of part-time employees.

2 By further refining the segmentation of employees per business unit data may differ from the previous year (i.e. NN Bank is now separately presented where in 2017 it was allocated to Other).

Key financial and non-financial indicators continued

Human capital indicators continued

	2019	2018	2017
Well-being and engagement			
Sick leave ³	3.5%	3.6%	3.3%
Engagement score ⁴	7.4	7.1	7.0
Participation in engagement survey	85%	85%	73%
Grievances on labour practices ⁵	14	18	10
Employee participation			
Employees covered by Collective Labour Agreement (CLA)	75.5%	76.9%	75.1%
Employees represented by an employee representative body	80%	85%	87%
Formal meetings held with employee representative bodies	173	134	127
Talent development			
Total spending on training and development (in EUR million)	18.9	21.5	21.4
Spending/average FTE	1.291	1.469	1.441
Human capital return on investment ⁶	2.4	2.3	2.3
Employees with completed standard performance process	96.8%	93.1%	91.8%
Employee turnover			
New hires	2,314	1,674	1,521
Employee turnover	13.4%	15.0%	14.9%
– voluntary employee turnover	7.7%	7.9%	7.8%
– involuntary employee turnover	5.6%	7.1%	7.2%
Open positions filled by internal candidates ⁷	34.9%	46.7%	26.8%
Whistleblower concerns filed			
Of which investigated by Corporate Security & Investigations	4	7	11
	3	4	3
Other incidents and concerns			
Measures taken, related to:	95	100	71
– Fraud (and alleged fraud)	6	14	n.r.
– Unethical behaviour	1	7	n.r.
– Unethical behaviour	5	6	n.r.
– Conflict of interest	0	1	n.r.
Employee compensation			
Total employee wages and benefits (in EUR million)	1,545	1,500	1,496
Ratio of CEO compensation to the average employee compensation ⁸	27:1	33:1	29:1

3 For 2019 the scope is global. For previous years, the scope was Netherlands only, this counts for 60% of the total organisation.

4 In 2018 we introduced a new metric for measuring engagement. The previous measurement for 2017 was 66%; with the new metric this is 7.0.

5 The 2019 and 2018 numbers cover data from our global organisation (where in 2017 it accounted for the Netherlands only). It does not include the complaints received in relation to the integration process of Delta Lloyd and Nationale-Nederlanden, given the specific nature of these complaints.

6 Human capital ROI is calculated as: (operating result ongoing business + employee expenses)/employee expenses.

7 The increase in 2018 is mainly due to a change of definition: number of employees with a change in position/(number of employees with a change in position + hired employees).

8 For more information, refer to the Remuneration report on pages 32-37 of the Financial Report.

n.r. indicates not reported.

Key financial and non-financial indicators continued

Community investment indicators

	2019	2018	2017
Total donations to charitable organisations (x EUR 1,000) ¹	3,200	2,700	2,400
Of which received by charitable organisations through our corporate foundations (country/name)			
– The Netherlands/Together for Society	159	189	218
– The Netherlands/From Debt to Opportunities	882	942	850
– Romania/Foundation for Life ²	–	26	11
Total hours of volunteering work (in Future Matters focus areas)	12,481	13,236	14,099
Total number of young people reached through NN Future Matters programme ³	25,421	38,536	37,208
Total number of households reached through the From Debt to Opportunities programme ⁴	2,983	2,468	2,386

1 Includes cash donations to charitable causes, corporate foundations and partnerships.

2 No donations made in 2019 as Foundation has ended.

3 Numbers reached include partnership with JA and EP-Nuffic, the Future Matters anniversary donations and main Dutch programmes (excluding the From Debt to Opportunities programme).

4 The figures for 2017 and 2018 have been restated according to corrected data relating to households supported.

Environmental indicators

	2019	2018	2017
CO₂ emissions of our direct operations			
% of CO ₂ emissions offset annually	100%	100%	100%
CO ₂ emissions (kilotonnes)	20	23	25
CO ₂ emissions from energy consumed on NN sites	7	10	11
– of which electricity	4	6	6
– of which natural gas	1	2	3
– of which district heating	2	2	2
CO ₂ emissions from air travel	5	5	4
CO ₂ emissions from car travel	8	8	10
CO ₂ emissions (tonnes)/FTE	1.4	1.6	1.7
Business travel			
Air travel (km x 1 million)	30	28	22
Car travel (km x 1 million)	45	44	56
Energy consumption			
Total energy consumption (MWh x 1,000)	47	53	59
Electricity	9	12	11
Renewable electricity	23	23	24
– Renewable electricity as % of total electricity	72%	66%	69%
Natural gas	6	8	13
District heating	9	10	11
Paper			
Total paper use (kg)	285,028	457,139	776,380
– Sustainable paper (i.e. FSC) (kg)	182,260	357,450	678,418
– Sustainable paper as % of total paper	64%	78%	87%
Waste¹			
Total waste (kg)	632,679	387,139	389,517
– Recycled waste (kg)	366,146	243,891	320,897
– Recycled waste as % of total waste	58%	63%	82%

1 Increase in total waste due to refurbishment of the NN Group headquarters in The Hague.



Assurance report of the independent auditor

To: the Stakeholders and the Supervisory Board of NN Group N.V.

Our conclusion

We have reviewed the Non-Financial Information in the Annual Review 2019 ('the Non-Financial Information') of NN Group N.V. ('NN Group') based in Amsterdam and headquartered in The Hague. A review is aimed at obtaining a limited level of assurance.

Based on our procedures performed, nothing has come to our attention that causes us to believe that the information relating to material non-financial topics (for selection of topics, see page 10) is not prepared, in all material respects, in accordance with the reporting criteria as described in 'Our approach to reporting' (page 57).

The Non-Financial Information comprises a representation of the policy of NN Group with regard to corporate responsibility, and the thereto related business operations, events and achievements during the year.

Basis for our conclusion

We have performed our review on the Non-Financial Information in accordance with Dutch law, including Dutch Standard 3810N: 'Assurance-opdrachten inzake maatschappelijke verslagen' (Assurance engagements relating to sustainability reports).

We are independent of NN Group N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Reporting criteria

The Non-Financial Information needs to be read and understood together with the reporting criteria. NN Group is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

KPMG Accountants N.V., registered with the trade register in the Netherlands under number 33263683, is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity.

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Assurance report of the independent auditor continued



The reporting criteria used for the preparation of the Non-Financial Information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied internal reporting criteria as disclosed on page 57 of the report.

Limitations to the scope of our review

The Non-Financial Information includes prospective information such as ambitions, strategy, plans, expectations and estimates, and risk assessments. Inherently the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the Non-Financial Information.

Responsibilities of the Executive Board and the Supervisory Board for the Non-Financial Information

The Executive Board of NN Group is responsible for the preparation of the Non-Financial Information in accordance with the GRI Standards and the applied supplemental reporting criteria as disclosed in 'Our approach to reporting' on page 57, including the identification of stakeholders and the definition of material matters. The choices made by the Executive Board regarding the scope of the Non-Financial Information and the reporting policy are summarised in 'Our approach to reporting' of the Annual Review. The Executive Board is also responsible for such internal control as it determines is necessary to enable the preparation of the Non-Financial Information that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing NN Group's reporting process.

Our responsibilities for the review of the Non-Financial Information

Our objective is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determining the plausibility of information and vary in nature and timing from, and are less in extent, than for an audit engagement. The level of assurance obtained in review engagements with a limited level of assurance is therefore substantially less than the assurance obtained in audit engagements.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the Non-Financial Information. The materiality affects the nature, timing and extent of our review procedures and the evaluation of the effect of identified misstatements on our conclusion.

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, Regulations on quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

2

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Assurance report of the independent auditor continued



Our review engagement included, among other things, the following procedures:

- performing an analysis of the external environment and obtaining an understanding of relevant societal themes and issues, and the characteristics of NN Group;
- evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the Non-Financial Information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by management;
- obtaining an understanding of the reporting processes for the Non-Financial Information, including obtaining a general understanding of internal control relevant to our review;
- identifying areas of the Non-Financial Information with a higher risk of misleading or unbalanced information or material misstatements, whether due to fraud or error.
- designing and performing further assurance procedures aimed at determining the plausibility of the Non-Financial Information responsive to this risk analysis.
These procedures included among other things:
 - interviewing management and relevant staff at corporate level responsible for the non-financial strategy, policy and results;
 - interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the Non-Financial Information;
 - obtaining assurance information that the Non-Financial Information reconciles with underlying records of NN Group;
 - reviewing, on a limited test basis, relevant internal and external documentation;
 - performing an analytical review of the data and trends in the information submitted for consolidation at corporate level;
- evaluating the consistency of the Non-Financial Information with the information in the report which is not included in the scope of our review;
- evaluating the presentation, structure and content of the Non-Financial Information;
- considering whether the Non-Financial Information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the review and significant findings that we identify during our review.

Amstelveen, 11 March 2020

KPMG Accountants N.V.

P.A.M. de Wit RA

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Glossary

Assets under Management (AuM) in sustainable and impact strategies	Assets managed with a specific focus on sustainability, for example strategies that focus on today's and tomorrow's sustainability leaders and companies that make a clear positive contribution to the UN SDGs.
Carbon Disclosure Project (CDP)	A global disclosure system for companies, cities, states and regions to manage their environmental impacts, and for investors and purchasers to access environmental information for use in financial decisions.
Central Works Council (CWC)	Required by the Dutch Works Council Act 2013, a standing works council formed by representatives from, in NN Group's case, eight Dutch work councils. The NN CWC is informed and/or consulted about important NN Group developments in the Netherlands, and about developments internationally to the extent that they influence Dutch interests.
COLI	Corporate-owned life insurance.
Environmental, social and governance (ESG) factors	A subset of non-financial performance indicators concerning sustainable, ethical and corporate governance issues, such as managing the company's carbon footprint and having systems in place to ensure accountability.
Financial economic crime (FEC)	Involvement in money laundering, the funding of terrorism or other criminal activities that could harm stakeholder confidence in a financial services provider such as NN.
Financial sector oath or promise	An ethical statement introduced in early 2013 for employees in the Dutch financial sector, along with the introduction of a social charter and update of the Banking Code. It applies to employees of banks and other financial enterprises, including insurance companies, investment firms and financial service providers. By taking the oath, employees declare that they are bound by a code of conduct to the ethical and careful practice of their profession.
General Data Protection Regulation (GDPR)	Regulation by which the European Parliament, Council of the European Union and European Commission aim to unify data protection for all individuals within the European Union. The GDPR came into effect on 25 May 2018.
Global Real Estate Sustainability Benchmark (GRESB)	An industry-driven organisation committed to assessing the sustainability performance of real assets globally, including real estate portfolios. On behalf of close to 60 institutional investors, GRESB Real Estate has assessed almost 1,000 property companies and funds globally.
Global Reporting Initiative (GRI)	An international independent standards organisation that helps businesses, governments and other organisations understand and communicate their impact on issues such as climate change, human rights and corruption.
International Integrated Reporting Council (IIRC)	A global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs that promotes communication about value creation as the next step in the evolution of corporate reporting.
Materiality matrix	Presents the trends and topics that are considered to have a potential impact on a company, and/or on its stakeholders. Likelihood, location and a specific timeframe are taken into account.
Net Promoter Score (NPS)	A management tool to gauge the loyalty of a firm's customer relationships. It serves as an alternative to traditional customer satisfaction research.
Non-Governmental Organisation (NGO)	An organisation that is neither part of a government nor a conventional for-profit business. Usually set up by citizens, NGOs may be funded by governments, foundations, businesses or private individuals.
NN Future Matters	The global community investment programme for NN Group. It aims to empower people in the markets where we operate to improve their financial well-being, and support them in growing their economic opportunities.
NN Group Compliance Charter	A policy set in place by NN Group to help businesses manage their compliance risks effectively and to set out the responsibilities on compliance risk management for the business and the compliance function.
Partial Internal Model (PIM)	A method of calculating the Solvency Capital Requirement (SCR) that combines a standard formula and an approved, internally developed internal model. The Dutch Central Bank (DNB) approved NN Group's PIM in 2015, and in 2018 approved NN expanding the PIM to include the Delta Lloyd entities.

Glossary continued

Peakon survey	A questionnaire measuring how a company's brand and values are experienced by its employees, how its leaders live up to the standards the company sets, and how the company fulfils its employee value proposition as an organisation.
Product approval and review process (PARP)	The assessment of a product in relation to its customer suitability, financial and non-financial risks, and profitability. NN Group conducts a PARP when it introduces a new product, changes the characteristics of an existing product, or reviews a product. This is to ensure the product is acceptable to our company, our customers and society in general.
Report of the management board	The NN Group N.V. 2019 Report of the management board (Bestuursverslag), as referred to in section 2:391 of the Dutch Civil Code. It includes the Annual Review and the following chapters in the Financial Report: Financial Developments, the Report of the Supervisory Board, Corporate Governance, the Remuneration Report, and the Dutch Financial Supervision Act and Dutch Corporate Governance Code statements.
Responsible Investment (RI) Framework policy	Sets out a company's vision, approach and key principles on responsible investment. NN Group defines RI as the systematic integration of relevant ESG factors into investment decision-making and active ownership practices.
SME	Small- and medium-sized enterprise.
SparkLab	NN innovation labs that work to foster innovative ideas by identifying and exploring growth opportunities. The concept was pioneered in the Netherlands in 2016 and has since been replicated in Hungary, Japan, Poland, Romania, Spain and Turkey.
Sustainable Development Goals (SDGs)	Also known as the Global Goals, these are 17 global goals set in 2015 by the UN General Assembly to be achieved by 2030. They form a universal call-to-action to end poverty, protect the planet, and ensure all people can enjoy peace and prosperity.
Task Force on Climate-related Financial Disclosures (TCFD)	An industry-led initiative of the Financial Stability Board to develop recommendations on climate-related financial disclosures. The Task Force published its final recommendations in June 2017.
UN Global Compact	A UN initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and report on their implementation. It is a principle-based framework for business containing ten principles in the areas of human rights, labour, environment and anti-corruption.

Contact and legal information

**We welcome input from our stakeholders.
If you would like to provide us with feedback,
please feel free to contact us.**

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For further information on NN Group's sustainability strategy, policies and performance, please visit www.nn-group.com/in-society.htm or contact us via sustainability@nn-group.com

Disclaimer

NN Group's 2019 Annual Report consists of two documents: the 2019 Annual Review and the 2019 Financial Report. More information – for example the Solvency and Financial Condition Report (SFCR) and the GRI Index Table – is available on the corporate website in the Investors/Annual Report section.

Small differences are possible in the tables due to rounding.

Certain of the statements in this 2019 Annual Report are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in NN Group's core markets, (2) changes in performance of financial markets, including developing markets, (3) consequences of a potential (partial) breakup of the euro or European Union countries leaving the European Union, (4) changes in the availability of, and costs associated with, sources of liquidity as well as conditions in the credit markets generally, (5) the frequency and severity of insured loss events, (6) changes affecting mortality and morbidity levels and trends, (7) changes affecting persistency levels, (8) changes affecting interest rate levels, (9) changes affecting currency exchange rates, (10) changes in investor, customer and policyholder behaviour, (11) changes in general competitive factors, (12) changes in laws and regulations and the interpretation and application thereof, (13) changes in the policies and actions of governments and/or regulatory authorities, (14) conclusions with regard to accounting assumptions and methodologies, (15) changes in ownership that could affect the future availability to NN Group of net operating loss, net capital and built-in loss carry forwards, (16) changes in credit and financial strength ratings, (17) NN Group's ability to achieve projected operational synergies, (18) catastrophes and terrorist-related events, (19) adverse developments in legal and other proceedings and (20) the other risks and uncertainties detailed in the Risk management section and/or contained in recent public disclosures made by NN Group and/or related to NN Group.

Any forward-looking statements made by or on behalf of NN Group in this Annual Report speak only as of the date they are made, and, NN Group assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities.

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