Serving customers in times of change

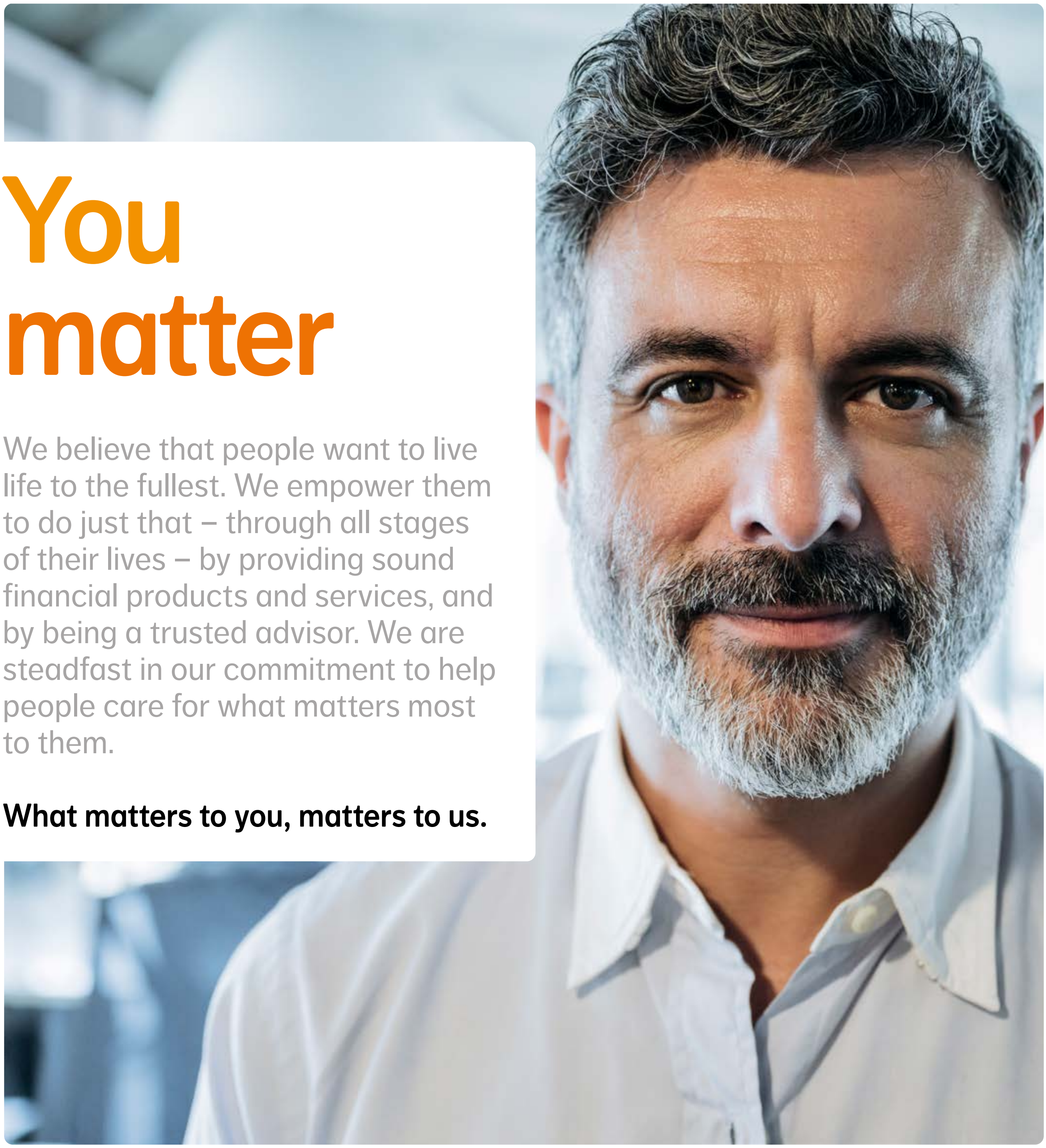
NN Group N.V.
Annual Report 2021

NN

You matter

We believe that people want to live life to the fullest. We empower them to do just that – through all stages of their lives – by providing sound financial products and services, and by being a trusted advisor. We are steadfast in our commitment to help people care for what matters most to them.

What matters to you, matters to us.



The 2021 Annual Report provides an integrated review of the performance of NN Group.

The Annual Report aligns relevant information about our strategy, performance, governance, 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, relevant EU disclosure regulations and reporting standards.

Together with this report, NN Group publishes a Solvency and Financial Condition Report and a Total Tax Contribution 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/Financial Report section. Read more in 'Approach to reporting'.

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

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PDF/printed version

This document is the PDF/printed version of the 2021 Annual Report of NN Group N.V. and has been prepared for ease of use and does not contain ESEF information as specified in the Regulatory Technical Standards on ESEF (Delegated Regulation (EU) 2019/815).

The 2021 Annual Report was made publicly available pursuant to section 5:25c of the Dutch Financial Supervision Act (Wet op het financieel toezicht) and was filed with the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten) in European single electronic reporting format (the ESEF package). The ESEF package is available on the company's website and includes a human readable XHTML version of the 2021 Annual Report. In any case of discrepancies between this PDF/printed version and the ESEF package, the latter prevails.

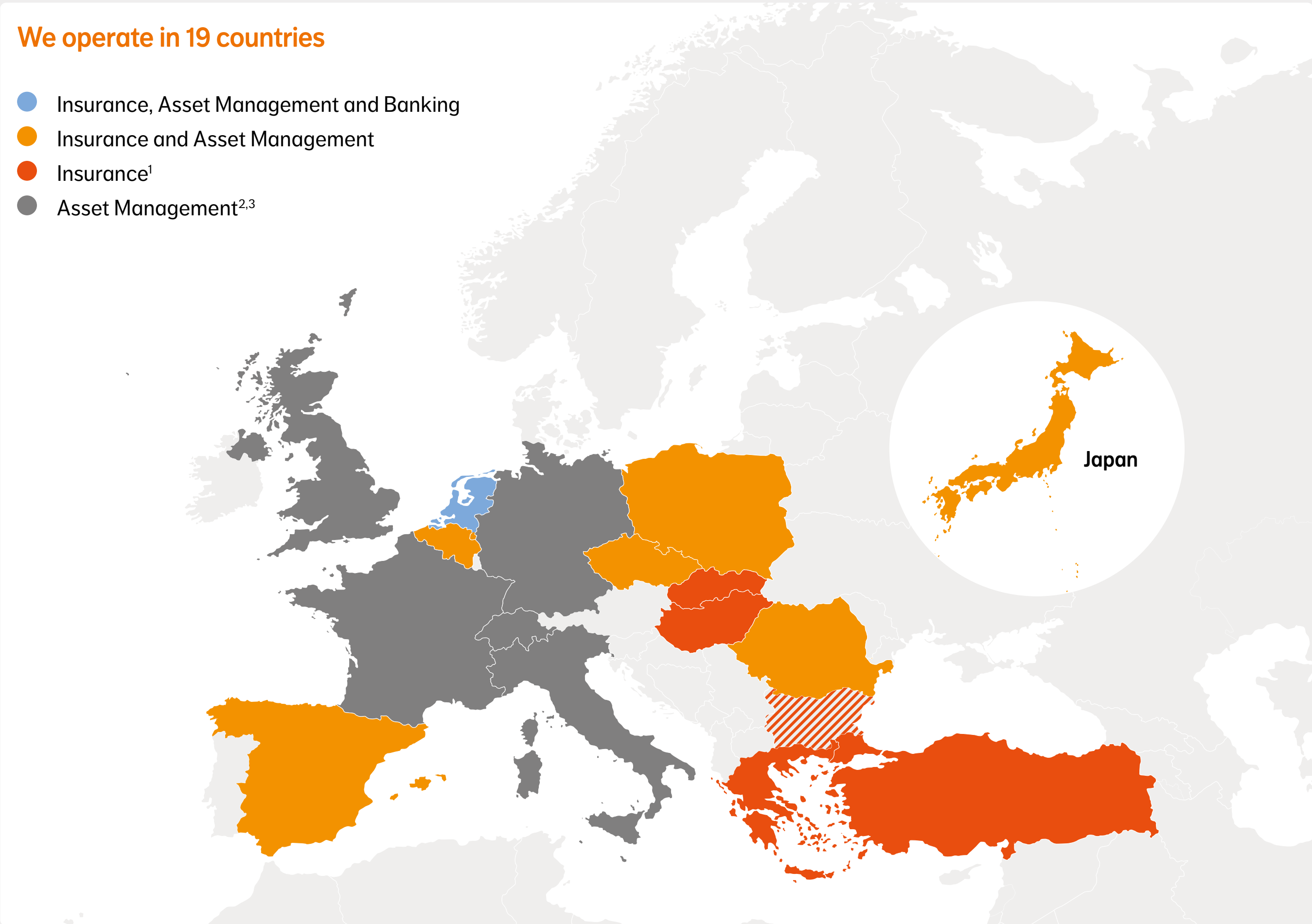
About NN – Who we are

Who we are

Founded in 1845, NN Group is a financial services company, active in several European countries and Japan. For more than 175 years, our company has merged, grown and changed, but the core of who we are has remained the same. At NN we are committed to creating long-term value for all our stakeholders.

We operate in 19 countries

- Insurance, Asset Management and Banking
- Insurance and Asset Management
- Insurance[1]
- Asset Management[2,3]



1 In July 2021, the sale of our Bulgarian Pension and Life businesses to KBC's Bulgarian insurance business DZI was completed.
2 In August 2021, we announced the agreement to sell NN Investment Partners to Goldman Sachs Group, Inc. The transaction is expected to be finalised in 2022.
3 Outside of Europe and Japan, NN Investment Partners has offices in Montevideo, New York and Singapore.

Our year in review

January	February	March	April	May	June
The Dutch Central Bank (DNB) approved the legal merger of VIVAT Non-life into NN Non-life	NN announced an agreement to sell our Bulgarian operations, which were established in 2001	NN supported the development of the Net-Zero Investment Framework, a road-map for investors launched by IIGCC	Inga Beale, Cecilia Reyes and Rob Lelieveld were nominated to NN's Supervisory Board	As part of European Diversity Month, NN signed the Dutch Diversity Charter	The first Your Community Matters: NN Volunteer week took place with colleagues from all our business units

15,417
Employees

18m
Customers

1845
Year NN founded

Our values

Care

Clear

Commit

Our main brands

nationale nederlanden

NN

NN investment partners

ABN AMRO Verzekeringen

movir

azl de toekomst voor elkaar

BE FRANK

OHRA Direct geregeld

Our products and services

Life insurance
- Group income
- Group pensions
- Individual pensions
- Protection
- Japan: Corporate Life (COLI)

Non-life
- Employee benefits
- Fire insurance
- Health insurance
- Individual disability
- Liability insurance
- Motor insurance
- Property and casualty
- Transport insurance

Banking
- Consumer lending, savings and investment products
- Mortgage origination and servicing for NN Group companies and third parties

Asset Management
- Alternative credit
- Automated investing strategies
- Multi-asset and fixed income solutions
- Specialised equity
- Specialised fixed income

Ratings

Included in sustainability indices

Dow Jones Sustainability Indexes

FTSE4Good

Bloomberg Gender-Equality Index 2021

Recognised by ESG ratings

MSCI ESG RATINGS AA

CDP

SUSTAINALYTICS

Credit ratings

	S&P	Fitch
Financial strength	A, Stable	AA-, Stable
Credit rating	BBB+, Stable	A+, Stable

July
NN announced the acquisition of MetLife's businesses in Poland and Greece and a majority stake in Heinenoord

August
NN announced it will sell its asset manager NN Investment Partners (NN IP) to Goldman Sachs Group, Inc

September
NN was proud to again sponsor Rotterdam Pride and handed out inclusion flags

October
NN and the Mauritshuis extended their collaboration, which started in 2016

November
NN defined interim targets to transition our corporate investment portfolio to achieve net-zero emissions

December
NN and the Amsterdam School of Economics (UvA) opened the Research Centre for Longevity Risk

About NN – CEO viewpoint

CEO viewpoint 2021

“

We stay fully focused on serving our customers and creating long-term value for our stakeholders

David Knibbe
Chief Executive Officer

How would you characterise 2021, the second year of the pandemic?

2021 was again an unprecedented year. As a company, we made good progress, despite the pandemic which continued to impact people's health and livelihoods, businesses and the global economy. In the beginning of the year, we all hoped life would quickly go back to normal. Unfortunately, with new variants of the virus spreading, many parts of the world remained in some form of lockdown. On a positive note, due to this shock to the system, many of the old ways of doing things will likely not be the ways of the future. There's increased attention for risk around health and climate change and the acceleration of digitalisation is creating new opportunities.

NN Group performed strongly in 2021. What were the main drivers?

Our commercial and financial performance was strong, with all business segments performing better than last year. But a company's success is not mapped by its financial performance alone. In times like these, it is also defined by the speed and agility with which we align ourselves to our environment. Our company has been around for more than 175 years in which it weathered a number of disruptive events. In the past two years, the resilience and collaborative spirit of our colleagues, the majority of them working from home, have played a crucial role in responding to the current circumstances and achieving these good results. Another performance driver has been the increased customer demand for protection products in 2021. The pandemic has prompted people to reflect on the risks in their lives: what happens if I cannot work, or if somebody in my family falls ill? This increased risk awareness has led to a growth in new business. We were able to welcome new customers, and we also saw higher retention rates among existing customers.

NN Group's new strategy entered its second year. Can you tell us about the progress made in 2021?

Society's expectations are changing and increasing rapidly, so we stay fully focused on serving our customers and creating long-term value for our stakeholders. In 2021, our customer satisfaction scores increased, with five business units scoring an above market average Net Promotor Score, and three in line with the market. This shows we are on the right track, but as we aim to have eleven of our business units score above market average in 2023, there is more work to do.

For our people, we prioritised health and well-being, and provided space for balancing personal life with work during the pandemic. We have seen our employee engagement remaining stable at a high level. And while we experience the benefits of remote working, we look forward to welcoming people back in the office, as there is nothing quite like meeting each other and building relationships in person.

As part of our wider commitment to society, we set targets with regard to lowering our carbon footprint, in line with the Paris Agreement. By 2025, we aim to reduce the emissions of our corporate investments by 25% and of our own operations by 35%, compared with 2019. We focus on investing in companies considered to be frontrunners in the transition to a low-carbon economy, and aim to more than double our investments in climate solutions by 2030. To support our customers, we are increasingly embedding sustainability into our products and services. This ranges from sustainable pension products, to products in the field of burnout prevention. And our bank's sustainable mortgage label, Woonnu, assists our customers in making their houses more energy efficient.

You say you are well on track in implementing the strategy – where do you see room for improvement?

It is our ambition to be an industry leader known for our customer engagement, talented people and contribution to society. So it is key to further accelerate progress in these areas. For example, with regard to gender diversity, we are at 34% women in senior management positions, below our target of 40% by 2023. To close this gap, we are investing in talent management and succession planning, awareness training and extended paternity leave policies across our markets. Furthermore, in this tight labour market, it remains a priority to identify employee needs and invest in the right mix of talent, technologies and employment models in order to be able to achieve our future goals. And, creating and preserving an open, safe and inclusive working environment and culture remains a priority. The competition for talent is heating up, so we are making extra efforts around talent management.

Growth is one of the long-term objectives for NN, how is this going to be achieved?

With our strong market positions, we believe we can achieve mid single-digit annual growth of operating capital generation over time. All business segments can contribute to this growth. We see additional growth potential in protection products. Across our markets, governments and employers are reducing coverage, which is expected to result in increased demand for such products. We also see growth opportunities in the pension market in the Netherlands, with the ongoing shift to Defined Contribution pension plans. And across NN, our investments in digital support for our agents and strong banking partnerships offer further room for growth. Our customer engagement platforms and increased focus on sustainable solutions will also enable us to create value. We have actually grown faster than our mid-single digit target in 2021, so we are on track to deliver on our growth ambition.

In 2021, NN announced several acquisitions and divestments. How does this contribute to the overall strategy?

Our targets and growth plans are based on organic growth of our business segments. We regularly assess our portfolio of businesses, and any mergers or acquisitions we pursue should further support our organic growth profile. The acquisition of MetLife in Poland and Greece, where we already have a strong presence, gives us additional scale and distribution benefits. In addition, we acquired a 70% stake in Heinenoord in the Netherlands, in order to strengthen our distribution capabilities and reinforce our position in the Dutch non-life market. Furthermore, we divested our Bulgarian business and took the decision to sell the closed book life portfolio of NN Belgium. The sale of our asset manager, NN Investment Partners, to Goldman Sachs Group, is in line with this approach. As part of the partnership with Goldman Sachs Asset Management, the combined company will continue to provide selected asset management services to NN. The transaction will provide us the optionality to develop a broader range of asset management propositions for our customers.

Climate change is considered to be one of the most pressing issues of our time. How can NN make a difference?

Natural disasters caused by extreme weather struck many of our markets during the summer of 2021, underscoring the real-life impact of climate change. Across Europe, floods from heavy rainfall impacted our customers in Belgium and the Netherlands, and in Greece and Turkey, a severe heatwave led to multiple wildfires. These developments impact insurers, since we are exposed to climate risk on both sides of our balance sheet: through our investments on the asset side and our underwriting on the liability side. Therefore, climate risk has been a focal point for NN for several years, and it was one of the key risks that we looked at during 2021.

Climate change is a challenge that requires us all to join forces. Therefore, we joined the Net-Zero Insurance Alliance in 2021 to pool our knowledge and goals with other participants, and we have committed to transition to a net-zero insurance underwriting portfolio by 2050. We are doing the same on the investment side, where we have joined several networks to learn from each other on how to deal with the transition to a low-carbon economy. And, even though our own carbon footprint as a company is limited, we aim to reduce emissions caused by our own business operations by 70% by 2030, principally our office buildings and travel.

What are the plans for 2022?

In our view, the financial sector has an important role to play in society, and we remain committed to contributing to a fast, fair and sustainable recovery, aligned with our values and our purpose of helping people care for what matters most to them.

As we move into 2022, we have been deeply concerned by the developing situation in Ukraine, and the threat that it poses to our democracy and safety. Our thoughts are with everyone affected by the war, and we will continue to do our best to help them. We do not have business activities in Ukraine or Russia, and our direct financial exposure to these countries is limited, but we will continue to monitor the developments closely.

Our company is in good shape, and we have laid the groundwork for long-term, sustainable growth. We will continue to execute our strategy, focusing on our customers, our people and our contribution to society. I would like to thank our colleagues around the world for their truly extraordinary efforts this year, and especially express my deep appreciation for our CFO, Delfin Rueda, who will leave NN in July 2022. Delfin has, during his ten years with our company, played an instrumental role in transforming NN into the strong international player that it is today.

At NN, with our talented people, our strong financial foundation and the trust of our customers, we are looking toward the future with continued confidence. We remain committed to creating long-term value for our stakeholders, and we would like to thank all we work with and for, for their continued support.

Our operating environment

The world around us

As an international financial services company, we are part of and impacted by a wide range of longer-term economic, geopolitical, social, regulatory and technological developments. We monitor these developments closely, and take them into account as we shape our business model and strategic priorities.

Covid-19 pandemic

The pandemic entered its second year and continued to dominate daily life. While mass vaccination campaigns offered some much-needed relief, the spread of new variants resulted in further increases in infections and people falling ill. As a result, healthcare systems remain under pressure and by year-end 2021 some countries, including the Netherlands, had reimposed full or partial lockdowns. Experts predict the virus will continue to pose challenges for years to come. For consumers, the pandemic has underscored the relevance of life protection and health insurance, leading to increased demand for these products.

Economic outlook

The global economy rebounded strongly from a severe contraction in 2020, fuelled by the loosening of lockdown restrictions, government support programmes and monetary easing by central banks. Financial markets had another turbulent year, with equity markets reaching record highs and a continued rise in real estate valuations. Nevertheless, the recovery has been uneven, due to a variety of factors including differences in vaccination rates between countries, supply shortages and a sharp rise in energy prices. Economic growth is forecast to continue, albeit at a slower pace and amid ongoing uncertainties caused by the pandemic and the war in Ukraine. Inflation has risen in many parts of the world, ending a prolonged period of low inflation. Central banks are responding by announcing interest-rate increases and unveiling plans to start phasing out stimulus programmes. It is still unclear whether the high inflation is structural and whether or not interest rate rises will be temporary.

The impact of climate change – NN's response

Natural disasters caused by extreme weather struck many of our markets during the summer of 2021, underscoring the real-life impact of climate change. Across Europe, floods from heavy rainfall hit many countries, resulting in significant damage and impacting thousands of our customers across Belgium and the Netherlands, read more on page 20. In Greece and Turkey, a severe heatwave led to multiple wildfires, destroying swathes of forest and causing mass evacuations. Scientists and authorities attribute these events to climate change and expect the number of extreme weather-related disasters to increase in the coming years, posing a major challenge to the planet and our customers. It could also have a significant impact on insurers, since we are exposed to climate risk on both sides of our balance sheet: through our investments on the asset side and our underwriting on the liability side.

For this reason, climate risk has been a focal point for NN for several years, and it was one of the key risks that we looked at during 2021. While it is still difficult to fully assess or quantify these risks, climate change could affect our business model, our balance sheet and even our own business operations in the future. We are therefore working on climate scenario analyses to further understand the short- and long-term impact of both physical and transitional risks. In the meantime, through our strategic commitments we aim to support the transition to a low-carbon economy across our business activities and operations (read more on page 61).

For our investments, we announced that we aim to transition our portfolio to net-zero greenhouse gas (GHG) emissions by 2050, and we have defined intermediate steps for 2025 and 2030 to achieve this goal. Among these steps is our aim to increase investments in climate solutions by at least EUR 6 billion by 2030 (read more on page 44).

In addition, we are developing more sustainable customer products and services, such as environmental, social and governance (ESG) pension products and mortgages aimed at making homes more sustainable. We joined the Net-Zero Insurance Alliance in 2021 to pool our knowledge and goals with other participants. As part of this alliance, we have committed to transition to a net-zero insurance underwriting portfolio by 2050.

Finally, while as a financial services provider our own carbon footprint is limited, we have nevertheless set ourselves targets to significantly reduce emissions in the coming years caused by our own business operations, principally our office buildings and travel. For more on how we manage climate risks see:

- 'Managing our risks' for the risks we see as most material to our business (page 61)
- 'Our response to the Task Force on Climate-related Financial Disclosures' (page 66)
- For our approach to responsible investing, see 'Creating a positive impact on society' (page 44)

Geopolitical developments

Rising instability caused by Russia's invasion of Ukraine in February 2022 is expected to have a significant impact on our operating environment. At the time of writing, Russian troops continued to invade Ukraine and hundreds of thousands of Ukrainians had fled their homes. The war has fuelled international tensions, resulting in market volatily, an increase in energy prices, and impacting capital flows and global supply chains. NN does not have business activities in Ukraine or Russia, and our direct financial exposure to these countries is limited. We will continue to closely monitor the developments, as a growing number of people seek refuge in countries where we operate. Together with our colleagues, we are supporting charitable organisations helping Ukrainian refugees.

Labour markets

Labour markets continue to be strongly affected by the pandemic. Lockdowns have had a major impact on business activity, resulting in job losses and companies in some sectors introducing recruitment freezes. The pandemic has also driven employers to further embrace technology, resulting in a shortage of digital and IT skills at a moment when some European countries have full employment.

For NN, this is an important area of focus when shaping our human resources policies (read more on page 37). With rapidly changing customer behaviour and ongoing technological developments, we continue to invest in relevant training and development for colleagues, for example in the areas of IT and data analytics. We are also recruiting people with new skills, and thinking strategically about the well-being and needs of our workforce over the long term.

Transition to a sustainable economy

A series of extreme weather events in 2021 underscored the increasing threat climate change poses to our planet. The UN Intergovernmental Panel on Climate Change (IPCC) warned in August that climate change is 'widespread, rapid and intensifying' and that some trends are 'now irreversible'.

The risks this brings for the financial industry are growing, as illustrated by the summer's floods in Western Europe (read more on page 20). Our industry is working hard to be part of the solution. Together, we can contribute to the transition to a more sustainable economy through our investments, underwriting activities, and products and services, as well as our own operations (read more on page 44).

The regulations stemming from the EU Sustainable Finance Strategy (continuing the Action Plan on Sustainable Finance) came into force to support the transition to a more sustainable economy. By meeting the Sustainable Finance Disclosure Regulation, which came into effect in March 2021 and has ongoing milestones, NN will strive for greater transparency of the sustainability risks and opportunities of our products and services. In addition, NN has said it will consider the principal adverse impact of our investment decisions. Furthermore, we have adopted the EU Taxonomy to strive for greater transparency in our products, investment portfolio and our underwriting portfolio (read more on page 135). NN has and will continue to support these and other initiatives.

Regulatory developments

In September, the European Commission published its proposal regarding the Solvency II review, as a follow-up to the Opinion of the European Insurance and Occupational Pensions Authority (EIOPA). The proposals were broadly in line with expectations, though there were some noteworthy changes compared to the EIOPA Opinion. This was generally seen as a positive development, as it would better reflect our business model and the related risks. The proposals will be discussed in 2022 by the European Council and European Parliament, with the final regulation expected to be implemented at the earliest in 2024.

In December, EIOPA published the results of its 2021 Insurance Stress Test, where it assessed the industry's resilience to a prolonged Covid-19 pandemic combined with a 'lower-for-longer' interest rate environment. Overall, EIOPA felt the European insurance industry entered the stress test with 'a strong level of capitalisation', which will allow insurers to 'absorb the shock of the adverse scenario'. Moreover, the stress test shows that participating Dutch insurers, including NN Group, are well positioned to navigate a scenario where Covid-19 remains present for a longer period. This is also the result of NN Group's disciplined asset and liability management (ALM) and investment risk management practices.

Meanwhile, in the Netherlands, the new pension agreement is expected to be finalised in 2022 and become effective as of 2023. The planned reforms would change the Dutch pension landscape and potentially create growth opportunities for our pension business in the Netherlands.

Digitalisation

Covid-19 has accelerated the already existing digitalisation trend. The growing amount of data available to companies gives them all sorts of opportunities to improve the customer experience, internal processes and operational efficiency. Whether it is groceries, clothing or financial services, consumers increasingly expect businesses to offer an omnichannel experience. That means our customers and intermediaries also expect us to be able to provide a relevant, anytime, anywhere personalised offering. However, rapid advances in digitalisation also bring risks: the threat of data breaches is growing, as became evident at the end of the year, when a flaw was detected in the widely-used Log4j internet software. These growing cyber risks are creating a greater need for appropriate cybersecurity policies. (read more on page 58 and 65).

Determining our material topics

NN conducts a regular review of its operating environment to identify developments and topics that are considered to be material to our company. That is, those developments or topics that potentially have the most impact – be it a risk or an opportunity – on our business and stakeholders, and where we could create the most value.

We use this process as valuable input for the advancement of our strategy and our risk management. It also helps us identify focus areas for our reporting efforts.

A long list of topics was compiled, based on an analysis of internal and external sources. From this long list, a shortlist of 12 topics was created, using the following criteria: the impact on NN Group (the 'outside-in impact' e.g. impact on business results, employee engagement, or reputation) and the topic's related risks and opportunities.

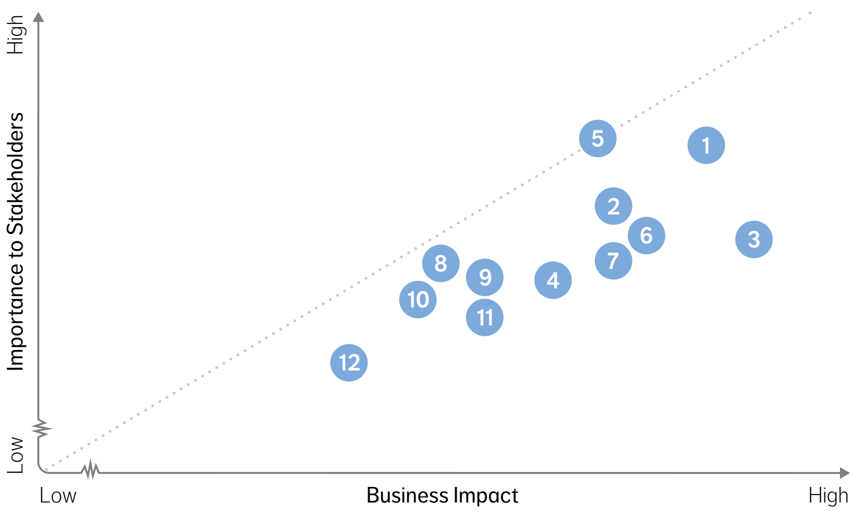
As a next step, the impact of NN on the topic ('inside-out impact'), shown on the x-axis, was assessed through interviews with stakeholders in which they were asked to reflect on the related risks and opportunities of the topics and to consider how NN's operations could have an impact on society (economically, environmentally and/or socially).

During an online stakeholder dialogue, involving internal and external stakeholders (including customers, investors, regulators and societal organisations), we discussed the relevance (low, medium, high) our stakeholders (y-axis) attach to these topics. 'Responsible investing' was mentioned as important, but this is a broad topic containing various ESG aspects, such as biodiversity and human rights. It was also stressed that 'Diversity and inclusion' is an area of importance. Compared to 2020, we saw that topics directly related to the pandemic, such as 'Operating during lockdown', are becoming embedded in regular daily business.

The results presented in the matrix below show that the topics considered most important (upper right) are 'Customer experience', 'Business ethics and transparency', 'Responsible investing', 'Robust financial framework' and 'Climate change'. Compared to 2020, we note that 'Climate change', 'Diversity and inclusion' and 'Community investment' have become more top-of-mind.

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 Report approval process. Read more on our material topics in the 'Material topics index'.

Materiality matrix 2021



1 Customer experience
2 Climate change
3 Responsible investing
4 Products with societal added value
5 Business ethics and transparency
6 Robust financial framework
7 Data privacy and cybersecurity
8 People management
9 Digitalisation
10 Operational effectiveness and efficiency
11 Diversity and inclusion
12 Community investment

Our operating environment – Opportunities and risks

Opportunities and risks

> **We are gradually shifting our investment portfolio to higher-yielding assets, while maintaining a well-balanced risk profile**

Bernhard Kaufmann
Chief Risk Officer

The environment that we operate in provides opportunities, which, together with the material topics identified by our stakeholders, define our strategy and strategic commitments. As the same time, the environment also creates risks that can impact NN meeting its objectives towards stakeholders.

Material topics

1. Customer experience
2. Climate change
3. Responsible investing
4. Products with societal added value
5. Business ethics and transparency
6. Robust financial framework
7. Data privacy and cybersecurity
8. People management
9. Digitalisation
10. Operational effectiveness and efficiency
11. Diversity and inclusion
12. Community Investment

Opportunities

- Leverage increased levels of innovation
- Execute new ways of working
- Invest in training and development of talent
- Support communities in which we live and work
- Contribute to the transition to a more sustainable economy through our investments, underwriting processes, and products and services
- Optimise risk/return profile of the investment portfolio
- Seek additional returns on investments
- Engage in longevity transactions
- Leverage data and digital capabilities to improve the customer experience, internal processes and operational efficiency
- Leverage increased relevance of life protection and health insurance
- Attract new customers
- Collaborate with partners (ecosystems, platforms)
- Shift to defined contribution pension products

Key risks

Strategic risks
- Regulatory and (geo)political environment
- Delivering on strategic commitments
- Sustainable cost levels
- Corporate social responsibility
- Change agility
- Data capabilities

Financial risks
- Longevity risk
- ALM and investment risk

Non-financial risks
- Product suitability
- IT and change risk
- Cyber risk

Strategic commitments

Customers and distribution
We see our customers as the starting point of everything we do

Products and services
We develop and provide attractive products and services

People and organisation
We empower our colleagues to be their best

Financial strength
We are financially strong and seek solid long-term returns for shareholders

Society
We contribute to the well-being of people and the planet

Read more details about our risk management on pages 61-65.

Our strategy and performance

NN Group's strategic priorities

We put our resources, expertise, and networks to use for the well-being of our customers, the advancement of our communities, the preservation of our planet, and for the promotion of a stable, inclusive, and sustainable economy.

Strategic framework

At NN, our purpose is to help people care for what matters most to them. Our purpose reflects the kind of company we aspire to be: a company that delivers long-term value for all stakeholders by taking into account the interests of our customers, our colleagues and society at large. We do so guided by our values care, clear, commit, and our brand promise You matter.

Our ambition is to be an industry leader, known for our customer engagement, talented people and contribution to society. This ambition is the future we envision for our company, what we want to achieve in the coming years. To realise our ambition, we identified five strategic commitments, with all parts of our business contributing. To monitor and measure our progress towards delivering on our commitments, we have set financial and non-financial KPIs and targets.

Progress towards delivering on our strategy

In 2021, the first full year of our new strategy, we made good progress on its implementation and execution.

Our progress on customer engagement was reflected in a growing number of businesses scoring above market average Net Promotor Scores (5 compared to 4 in 2020). Despite challenging circumstances, our employee engagement remained stable at a high level at 7.7 (2020: 7.9).

We reported a strong commercial and financial performance across our business units in 2021, driven by strong business performance and commercial momentum. Operating capital generation (OCG) was EUR 1,584 million versus EUR 993 million in 2020. The value of new business rose 60.7% to EUR 428 million.

Our balance sheet remains strong, as reflected by a Solvency II ratio of 213% by the end of 2021, compared with 210% at the end of 2020.

NN Investment Partners (NN IP) made further advancements in responsible investing: assets under management where environmental, social and governance (ESG) factors are integrated increased to 91% of our Assets under Management.

Through our financial and non-financial KPIs and targets we monitor and measure progress towards delivering on our strategic commitments.

Building on our solid foundation

The world around us is always changing. Macroeconomic conditions remain volatile and climate change is increasingly seen as one of the most pressing challenges of today. Technological developments, digitalisation, the use of data, and the shift to a platform economy continue to have a growing impact on our everyday lives and customer expectations.

As a consequence, the financial industry is also evolving. At NN, we continue to offer products and services that navigate uncertainty and protect customers against risks they cannot bear alone, from pension products and fire insurance to income protection and mortgages. At the same time we are transforming our company by optimising and simplifying our business models and processes, and investing in digital, underwriting and other new capabilities.

We aim to realise more direct contact and a stronger relationship with our customers through innovative and tailored products and services. As a responsible corporate citizen, it also means making well-balanced decisions, as we know that the choices we make today impact our world of tomorrow.

Our robust balance sheet, diverse set of businesses, and our strong market position give us a solid foundation for today and tomorrow, enabling us to invest in growth, technology and our people.

Investing in growth and active portfolio management

We see ample organic growth potential across NN, particularly at our international activities in Europe and Japan, which showed healthy growth in 2021. Supported by favourable underlying economic trends as well as increasing awareness of the need for protection, we expect further growth in these segments (read more on page 24 and 26). In Netherlands Non-life, we are well positioned to benefit from our scale and underwriting performance to grow further (read more on page 20). At NN Bank, we see further opportunities for growth driven by high-quality mortgage origination (read more on page 22). Last, at Netherlands Life we see growth opportunities in the pension business driven by upcoming changes in the Dutch pension market (read more on page 18).

To support our growth ambition, we constantly assess and optimise our portfolio of businesses. If we see opportunities that enable us to further grow and which meet financial criteria, we are open to take them into consideration. In 2021, this led to a number of acquisitions and divestments. We reached an agreement to acquire MetLife's business activities in Greece and Poland, which will further strengthen our leading positions in these growth markets. In addition, we acquired a 70% stake in Heinenoord in the Netherlands, in order to strengthen our distribution capabilities and reinforce our position in the Dutch non-life market.

At the same time, there are situations in which we conclude certain businesses are better positioned for the future under a new owner. This led to the divestment of our Bulgarian business and the decision to sell a closed book life portfolio by NN Belgium. We also reached an agreement on the sale of our asset manager, NN IP, to Goldman Sachs Group, which is expected to be completed in 2022. (Read more on page 28).

The OCG related to the divestment of NN IP is expected to be partly compensated by the acquisition of MetLife's business activities in Poland and Greece and Heinenoord in the Netherlands, as well as a strong business performance across the Group. As a result, the NN Group OCG target of EUR 1.5 billion in 2023 remains unchanged in 2023.

Investing in technological capabilities

Data and technology are crucial to offer the right solutions to our customers, improve our process efficiency and underwriting capabilities, and remain price competitive. That is why we are investing in technology, our digital capabilities, and new propositions. To improve our processes and services, become more efficient, and optimise our customer experience, we are increasingly making use of data and data science. With an increasing number of customers interacting primarily through digital channels, it is more important than ever to leverage data-driven insights and use automated processes. To act upon this, we are implementing innovations and solutions designed to meet consumers' evolving demands.

Investing in people

We have a strong and diverse workforce of around 15,000 colleagues. Together, we are well positioned to address our customers' needs and deal with the rapid changes in our operating environment. At the same time, in light of the tightening labour market, we are stepping up efforts to further develop our people and attract and retain talent. We are investing in skills and capabilities that we will require for the future, for example in the areas of data and artificial intelligence (AI). We are also investing in knowledge needed to increase our online relevance and engagement by attracting and training user experience designers and researchers, data scientists, developers and engineers. In addition, we are changing the way we work by putting greater emphasis on flexible work conditions and offering colleagues opportunities for 'hybrid' ways of working. And we aim to develop a more diverse and inclusive workforce by building an environment in which people feel welcome, valued and respected.

Our purpose

We help people care for what matters most to them

Our ambition

We want to be an industry leader, known for our customer engagement, talented people, and contribution to society

Our values

Care | Clear | Commit

Our brand promise

You matter

Our strategic commitments

Customers and distribution
We see our customers as the starting point of everything we do

Products and services
We develop and provide attractive products and services

People and organisation
We empower our colleagues to be their best

Financial strength
We are financially strong and seek solid long-term returns for shareholders

Society
We contribute to the well-being of people and the planet

Our strategic commitments and targets

Customers and distribution

We see our customers as the starting point of everything we do.

We engage with our customers to meet their real needs and to offer solutions that create long-term value. We use our digital capabilities and leverage our strong distribution footprint to further enhance our customer experience.

Key initiatives

- Build platforms to enhance customer engagement
- Create customer experiences where digital, broker and tied agent channels reinforce each other
- Leverage local presence and partnerships
- Drive customer interaction through NN Bank
- Maintain a strong and relevant brand

Measuring our progress

We aim for all our 11 insurance business units to score an above market average Net Promoter Score (NPS)

Target for 2023	Performance 2021
All above market average	**5/11**
	Performance 2020
	4/11

To increase our brand consideration to 28%

Target for 2023	Performance 2021
28%	**23%**
	Performance 2020
	21%

Read more on pages 32-36

Products and services

We develop and provide attractive products and services.

We excel in developing and providing attractive products and services, and operate with efficiency, agility and speed. To continue to do so, we will make use of digital and data capabilities.

Key initiatives

- Leverage and further build data and digital capabilities to improve our offering to customers
- Become the best product provider to partners
- Develop products where we have excellent capabilities

Measuring our progress

We have set various key performance indicators for the different NN business units:

- Netherlands Life: growth in Defined Contribution AuM
- Netherlands Non-life: expand data and underwriting capabilities, and leverage on additional scale of VIVAT Non-life
- Insurance Europe: continue shift to protection products and invest in main banking partnerships
- Japan Life: continued focus on COLI protection
- NN IP: top quartile investment performance
- Banking: expand retail product offering

Read more on pages 32-36

People and organisation

We empower our colleagues to be their best.

We nurture a culture aligned with our purpose, values and ambitions, which supports continuous learning, collaboration and diversity of thinking. We consider all colleagues to be talents, and invest in an inclusive and inspiring environment, so we are together best equipped to take our business into the future.

Key initiatives

- Together shape the NN culture
- Embrace diversity and inclusion
- Invest in (future) skills and capabilities
- Streamline our operating model to eliminate inefficiencies and remove barriers

Measuring our progress

We strive for our employee engagement to be at least 7.8

Target for 2023	Performance 2021
≥7.8	**7.7**
	Performance 2020
	7.9

To grow staff diversity, for example by having at least 40% women in senior management positions

Target for 2023	Performance 2021
≥40%	**34%**
	Performance 2020
	33%

Read more on pages 37-39

Financial strength

We are financially strong and seek solid long-term returns for shareholders.

We maintain a strong balance sheet and create solid financial returns for shareholders by using our financial strength, scale and international footprint, and by efficiently managing our customers' assets and our own insurance portfolios.

Key initiatives

- Maintain strong balance sheet and create solid financial returns
- Realise further efficiencies
- Leverage scale benefits of Dutch life and pensions business
- Reshape our existing insurance business in Belgium
- Disciplined capital allocation
- Attractive capital returns for shareholders

Measuring our progress

We are committed to ensuring resilient and growing long-term capital generation, with a target for operating capital generation (OCG) of EUR 1.5 billion

Target for 2023	Performance 2021
EUR 1.5bn	EUR 1.6bn
	Performance 2020
	EUR 993m

We are also committed to grow free cash flow (FCF) in a range around OCG over time

Read more on pages 40-42

Society

We contribute to the well-being of people and the planet.

We do business with the future in mind and contribute to a world where people can thrive for many generations to come.

Key initiatives

- Pursue long-term value creation for all our stakeholders in our daily activities
- Support our customers with solutions that help them address societal challenges
- Accelerate the transition to a low-carbon economy through our investments
- Build better and stronger communities
- Reduce our direct CO_2 emissions
- Actively engage with our stakeholders
- Contribute to the Sustainable Development Goals

Measuring our progress

We aim to increase ESG-integration in our Assets under Management to 80%

Target for 2023	Performance 2021
80%	91%
	Performance 2021
	74%

We will accelerate the transition to a low-carbon economy by targeting a net-zero carbon proprietary investment portfolio by 2050

We aim to allocate an additional EUR 6bn to investments in climate solutions by 2030

We have pledged to contribute 1% of our (three-year average) operating result to our communities, including cash donations and hours of volunteering

Target for 2023	Performance 2021[1]
1%	(0.4%)[2] EUR 8m
	Performance 2020
	EUR 4.7m

Read more on pages 32-36 and 44-52

1. Hours of volunteering, in-kind giving (both monetised) and management costs have been included as of 2021, in line with B4SI standards.
2. Based on our 2021 operating result before tax.

Our performance

> **We expect mid single-digit annual growth of operating capital generation over time, based on organic growth opportunities of our businesses and supported by long-term market trends and active portfolio management**
>
> **Delfin Rueda**
> Chief Financial Officer

In 2021, we delivered a strong commercial and financial performance, with improved results in most of our business segments.

This section includes the analysis of results and key figures of NN Group and its reporting segments. Where relevant, the results presented in this section are derived from the 2021 annual accounts.

In explaining the financial results, NN Group uses Operating result, Administrative expenses and Adjusted allocated equity (as used in the calculation of Net operating ROE for the Banking segment only). These are alternative performance measures (APMs), which are non-IFRS-EU measures that have a relevant IFRS-EU equivalent from which these are derived. For definitions of the APMs and an explanation of their use reference is made to Note 33 'Segments' in the section 'Alternative Performance Measures (Non-GAAP measures)' in the annual accounts. This section also includes a reconciliation between the APM and their IFRS equivalent, as well as definitions of other financial metrics used in this Financial developments section, including operating capital generation.

The Solvency II ratios presented in this section are not final until filed with the regulators. The Solvency II ratios for NN Group and NN Life are based on the Partial Internal Model.

NN Group Financial Results

Operating result

The full-year 2021 operating result increased to EUR 2,036 million from EUR 1,889 million in 2020, which included a total of EUR 24 million of non-recurring benefits, versus a total of EUR 76 million of non-recurring benefits in 2021. The increase mainly reflects the improved operating results of Netherlands Non-life, Insurance Europe, Asset Management and Japan Life, partly offset by lower operating results for Banking.

Result before tax

The full-year 2021 result before tax increased to EUR 4,010 million from EUR 2,349 million in 2020, reflecting higher non-operating items, lower special items and the higher operating result.

Net result

The full-year 2021 net result was EUR 3,278 million compared with EUR 1,904 million in 2020. The effective tax rate for the full-year 2021 was 17.8%.

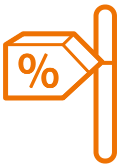
Sales and value of new business

The full-year 2021, total new sales (APE) were EUR 1,311 million, up 20.2% at constant currencies, mainly reflecting the strong market recovery from low sales in 2020 and management actions at Japan Life as well as management actions and market recovery in sales from Covid-19 restrictions in 2020 at Insurance Europe.

Value of new business (VNB) for full-year 2021 amounted to EUR 428 million, up 60.7% on 2020, reflecting strong market recovery resulting in higher sales and an improved margin as a result of management actions including repricing at Japan Life, as well as an increase at Insurance Europe as the result of sales management actions on volume and business mix and recovery in sales from Covid-19 restrictions of 2020.

Operating capital generation

Full-year 2021 operating capital generation increased to EUR 1,584 million from EUR 993 million in 2020. The increase mainly reflects higher Non-life underwriting results, positive contribution from Banking, the positive impact of higher rates and the higher investment return driven by changes in the asset portfolio and higher equity and real estate valuations.



213%
Solvency II ratio

8m
Contribution to our communities

7.7
Employee engagement score

Performance

NN Group

Analysis of result

amounts in millions of euros	2021	2020
Netherlands Life	986	994
Netherlands Non-life	314	215
Insurance Europe	315	285
Japan Life	263	240
Asset Management	181	152
Banking	134	154
Other	-157	-151
Operating result	**2,036**	**1,889**
Non-operating items:	2,051	662
– of which gains/losses and impairments	1,671	640
– of which revaluations	485	337
– of which market and other impacts	-105	-315
Special items	-103	-278
Acquisition intangibles and goodwill	-28	-24
Result on divestments	54	100
Result before tax	**4,010**	**2,349**
Taxation	712	422
Minority interests	19	22
Net result	**3,278**	**1,904**

Key figures

amounts in millions of euros	2021	2020
New sales life insurance (APE)	1,311	1,127
Value of new business	428	266
Total administrative expenses	2,280	2,121
Operating capital generation	1,584	993
Solvency II ratio	213%	210%

Netherlands Life

"

Our strong market position enables us to help our customers navigate the rapidly changing pension landscape in the Netherlands

Leon van Riet
CEO Netherlands Life & Pensions

Introduction

Netherlands Life offers term life insurance as well as the full spectrum of pensions solutions: insured defined benefit (DB) and defined contribution (DC) via the NN-label; Premium Pension Institution (PPI) via our specialised label, BeFrank; an APF (general pension fund) solution via De Nationale; and pension fund administration services via AZL.

Well positioned to benefit from changing Dutch pension landscape

We are well positioned to benefit from the changing pension landscape in the Netherlands, with powerful customer propositions and strong relationships with distribution partners. We offer a wide range of innovative ESG products and services, such as CO_2-neutral pension plans for corporates as well as a range of life cycle funds with impact investing.

We also aim to capture opportunities in the changing Dutch pension market. These changes may lead to further growth of the DC market, and an acceleration in buyout opportunities of small- and medium-sized corporate pension funds.

In addition, Netherlands Life is actively managing our in-force DB and individual life insurance portfolios by reducing costs in line with the run-off of the portfolio. These cost reductions come partly from streamlining products and systems, and migrating old products and legacy systems into new platforms.

2021 highlights

- BeFrank celebrated its tenth anniversary having grown into the largest Premium Pension Institution (PPI) in the Netherlands, with more than 1,000 clients and 270,000 pension participants and with total Assets under Management of around EUR 6.8 billion. BeFrank offers a CO_2 neutral pension scheme to customers.
- At the end of the year, NN Life completed a longevity reinsurance transaction to transfer the full longevity risk associated with in total approximately EUR 4 billion of pension liabilities. This will reduce NN's exposure to longevity risk, and consequently reduce the required capital and further strengthen NN's capital position.
- Nationale-Nederlanden launched the Human Capital Planner (HCP), an online platform that offers employers and pension advisors relevant insights and tools to encourage employees to take conscious decisions about their financial vitality and future income.

Research Centre for Longevity Risk

In recent decades, average life expectancy has risen across the globe. But the pace at which life expectancy will continue to change is uncertain. This uncertainty creates challenges, for example, around the affordability of pension provisions and the required capacity of healthcare systems.

For this reason, in December, we announced that we are joining forces with the Amsterdam School of Economics at the University of Amsterdam to open the Research Centre for Longevity Risk. This new, independent centre will conduct research into the financial and social consequences of changing life expectancies. It will also look at demographic trends and medical developments, as well as the impact of local socioeconomic circumstances and the quality of the living environment.

Furthermore, on the investment side, Netherlands Life is increasing allocations to higher-yielding assets such as mortgages, loans and real estate, while reducing exposure to government bonds.

Financial result

The full-year 2021 operating result decreased to EUR 986 million from EUR 994 million in 2020. This decrease is due to a lower technical margin and higher administrative expenses, partly compensated by a higher investment margin. The investment margin in 2021 includes EUR 78 million of private equity and special dividends, whereas 2020 included EUR 9 million of such dividends. Excluding these items, the investment margin increased as a result of changes in the asset portfolio. Administrative expenses increased to EUR 473 million from EUR 440 million in 2020, reflecting a reclassification of specific expenses from special items to administrative expenses as from 2021. On a comparable basis, administrative expenses decreased compared with 2020, mainly driven by lower staff expenses.

The full-year 2021 result before tax increased to EUR 2,915 million compared with EUR 1,597 million in 2020. The increase mainly reflects higher gains/losses on the sale of public equities and government bonds as well as impairments and higher markets and other impacts. New sales (APE) for full-year 2021 increased to EUR 239 million from EUR 219 million in 2020, mainly driven by a higher volume of group pension contracts. The value of new business for full-year 2021 increased to EUR 21 million from EUR 8 million in 2020. Assets under Management DC increased to EUR 29.9 billion at 31 December 2021, from EUR 24.6 billion at 31 December 2020. The increase in Assets under Management DC was driven by a combination of market growth and net inflows.

Full-year 2021 operating capital generation increased to EUR 846 million from EUR 642 million in 2020. The increase was mainly driven by the lower net negative impact of the UFR drag and risk margin release as a result of higher interest rates, and a higher investment return reflecting changes in the asset portfolio and higher equity and real estate valuations, partly offset by the negative impact of lower credit spreads.

Performance

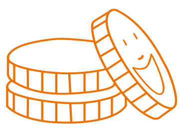
Netherlands Life

Analysis of result

amounts in millions of euros	**2021**	2020
Investment margin	996	890
Fees and premium-based revenues	391	392
Technical margin	103	184
Operating income	**1,490**	**1,467**
Administrative expenses	473	440
DAC amortisation and trail commissions	31	33
Total expenses	**504**	**473**
Operating result	**986**	**994**
Non-operating items:	1,946	680
– of which gains/losses and impairments	1,618	620
– of which revaluations	379	371
– of which market and other impacts	-51	-310
Special items	-17	-77
Result before tax	**2,915**	**1,597**
Taxation	431	330
Minority interests	-4	8
Net result	**2,488**	**1,260**

Key figures

amounts in millions of euros	**2021**	2020
New sales life insurance (APE)	239	219
Value of new business	21	8
Administrative expenses	473	440
Operating capital generation	846	642
NN Life Solvency II ratio	219%	220%
Assets under Management DC business total (billion)	29.9	24.6



#1

Position in group pensions

~40%

Market share in group pensions

Netherlands Non-life

"

Our digital transformation is accelerating, allowing us to work smarter and more efficiently, and create a best-in-class customer experience at competitive prices

Tjeerd Bosklopper
CEO Netherlands Non-life, Banking & Technology

Introduction

Netherlands Non-life offers a broad array of non-life insurance, ranging from motor, fire and liability to transport, travel, disability and accident insurance products. The customer base of Netherlands Non-life includes retail, self-employed, SME and corporate customers. The segment comprises Nationale-Nederlanden Non-life; the non-life results of our joint-venture ABN AMRO Insurance; the labels Movir, OHRA and HCS; and the broker results related to health insurance products. Non-life has a highly-diversified distribution platform consisting of mandated and non-mandated brokers, banks, and direct online channels and engagement platforms.

Investing in a flawless customer journey

Netherlands Non-life aims to offer an intuitive, flawless customer and intermediary journey, and to standardise product offerings while complementing them with relevant services. Digitalisation is a strategic priority: we want to offer our customers personal, relevant products, and increasingly provide our services digitally. In 2021, we launched a claim portal for intermediaries and implemented text-recognition technology for customers, which makes it easier for them to contact us and provides us with more structured information. This has a positive effect on customer satisfaction while at the same time lowering our operational costs for those products.

2021 highlights

- The integration of VIVAT Non-life, which was acquired in 2020, reached a final stage with the completion of the migration of 1.8 million policies to NN systems. We have already achieved our EUR 40 million cost savings target, a year earlier than planned, and are working towards finalising the integration in the first half of 2022.
- We acquired a 70% stake in Heinenoord, one of the largest insurance brokers and service providers in the Netherlands, The acquisition further strengthens our distribution capabilities and reinforces our leading position in the Dutch non-life market. Heinenoord's services include policy administration, underwriting services and claims handling.
- We started a partnership with Laka, an online bike insurer that enables customers to pay a monthly variable contribution up to a predetermined maximum, based on the collective claims. The fewer the claims, the less each cyclist pays.

Impact of floods

In July, extreme rainfall caused heavy floods in Western Europe, impacting customers in our Belgian and Dutch markets. Our colleagues quickly arrived in the affected areas, supporting customers where possible. We set up mobile offices from where claims managers visited customers in their homes. We also arranged market stalls and food trucks for shopkeepers, so they could keep their businesses going. We received more than 3,250 claims from both retail and business customers. In October, we amended our standard flood coverage to provide customers with more clarity on their coverage in the event of flood damage and hopefully help limit the financial consequences of climate change for customers.

Additionally, we aim to increase effectiveness by focusing on streamlining, automating and digitalising processes. Pricing, which is the cornerstone of a profitable insurance business, requires accessible, accurate data. Our aim is to have relevant data available in a structured, automated and controlled way, and wherever possible via an automated development process. In addition, we will significantly improve our pricing models and techniques so we can optimally price risks.

Financial result

The full-year 2021 operating result of Netherlands Non-life increased to EUR 314 million from EUR 215 million in 2020. The increase reflects higher underwriting results in both Property & Casualty (P&C) and Disability & Accident (D&A), and higher investment income following changes in the asset portfolio. The higher underwriting results in P&C reflect a favourable claims development, including a positive impact from Covid-19. Higher underwriting results in D&A include more favourable claims development in the Group Income and Accident & Travel portfolios, partly offset by higher claims experienced in the Individual Disability portfolio including a negative impact from Covid-19.

The full-year 2021 result before tax increased to EUR 336 million from EUR 138 million in 2020, reflecting the higher operating result, higher non-operating items and lower special items. Higher non-operating items include realised gains on the sale of public equity and government bonds, and positive revaluations on real estate. Special items mainly reflect integration expenses.

The combined ratio for 2021 was 93.5% compared with 95.3% in 2020.

Full-year 2021 operating capital generation increased to EUR 325 million from EUR 76 million in 2020. The increase is mainly driven by a favourable claims development in P&C, including a positive impact from Covid-19, while 2020 was negatively impacted by a higher SCR following the termination of an internal reinsurance agreement in the Individual Disability portfolio.

Performance

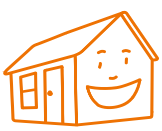
Netherlands Non-life
Analysis of result

amounts in millions of euros	2021	2020
Earned premiums	3,617	3,418
Investment income	128	98
Other income	-6	-1
Operating income	**3,739**	**3,515**
Claims incurred, net of reinsurance	**2,424**	**2,350**
Acquisition costs	660	630
Administrative expenses	357	340
Acquisition costs and administrative expenses	**1,017**	**970**
Expenditure	**3,440**	**3,319**
Operating result insurance businesses	**299**	**196**
Operating result non-insurance businesses	16	19
Total operating result	**314**	**215**
Non-operating items:	57	3
– of which gains/losses and impairments	33	
– of which revaluations	24	-9
– of which market and other impacts		12
Special items	-35	-79
Result before tax	**336**	**138**
Taxation	71	31
Minority interests	16	11
Net result	**250**	**97**

Key figures

amounts in millions of euros	2021	2020
Gross premium income	3,798	3,521
Total administrative expenses[1]	496	451
Combined ratio:[2]	93.5%	95.3%
– of which Claims ratio[2]	65.4%	67.0%
– of which Expense ratio[2]	28.1%	28.4%
Operating capital generation	325	76

1 Including non-insurance businesses (health business and broker business).
2 Excluding non-insurance businesses (health business and broker business).



24%
Market share in property and casualty, #2 position

29%
Market share in disability and accident

#1
Position in disability and accident

Banking

Introduction

NN Bank is the banking business of NN Group. It is the Netherlands' fourth-largest mortgage provider, serving close to 1 million customers. We help customers manage and protect their assets and income through mortgage loans, online savings accounts, bank annuities, consumer lending and retail investment products. In addition, NN Bank provides administration and management services to other NN Group entities and institutional investors.

Broadening the business model

NN Bank has continued to broaden its business model, for example, with the introduction of mortgages from Woonnu. In 2021, NN Bank and Woonnu originated a record volume in new mortgages of EUR 9.9 billion. NN Bank is continuously improving its services in order to become more efficient, innovative and personal and relevant. We have also taken major steps in the field of digitalisation. In December, we introduced a new mid-office system that successfully processed the first mortgage applications. The first results show applications are processed automatically with a very short lead time. We also continued to improve our mobile app, making our services even more accessible to customers.

2021 highlights

- NN Bank's label Woonnu, a mortgage provider that aims to help consumers make their homes more sustainable, originated EUR 1.4 billion of mortgages in 2021, achieving a market share of approximately 1%.
- In June, NN Bank established its Green Bond Framework, enabling the bank and its subsidiaries to issue green bonds to finance and/or refinance mortgages for energy-efficient residential properties in the Netherlands. In September, NN Bank issued its first green bond, raising EUR 500 million.
- In December, NN Bank said it will introduce a compensation scheme for customers who paid variable interest in excess of market rates on their revolving consumer credit loans. Current customers who are eligible for compensation will be notified when the arrangement is ready. Former customers will have an opportunity to register for the scheme.

Transitioning towards green homes

Making our homes more sustainable is not only good for the planet, it can also result in a lower energy bill and it may even increase a home's value. In recent years, NN Bank has launched several initiatives to support homeowners looking to make their home more energy-efficient and sustainable.

Through the bank's Woonnu label, customers will be financially rewarded for steps taken to improve the energy efficiency of their home, thereby reducing the property's carbon footprint.

With Powerly, a web-based platform, the bank also provides customers with tailored advice on how to make their homes more eco-friendly, with practical tips on everything from solar panels and isolation to heat pumps and green roofs. In addition, In 2021, NN Bank launched the platform Gezond Wonen (Healthy Living), which provides customers with more insight into the air quality inside their home, as good ventilation is one of the most important considerations when making homes more sustainable.

By encouraging sustainable housing, NN aims to contribute to the realisation of the objectives of the Dutch Climate Agreement.

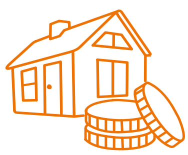
Financial result

The full-year 2021 operating result decreased to EUR 134 million from EUR 154 million in 2020, mainly due to higher operating expenses reflecting an increase in mortgage origination and higher project expenses.

The full-year 2021 result before tax decreased to EUR 106 million from EUR 167 million in 2020, mainly due to lower non-operating items and the lower operating result, partly offset by lower special items.

The full-year 2021 net operating RoE of Banking decreased to 11.0% compared with 13.8% for 2020, reflecting a lower net operating result and higher average equity.

Full-year 2021 operating capital generation was EUR 104 million, mainly reflecting the statutory net result adjusted for non-recurring items, partly offset by the increase of the RWA. Operating capital generation in 2020 was nil under the former methodology based on dividends remitted to the holding. Under the new methodology operating capital generation in 2020 would have been EUR 101 million.



#4
Position in Dutch mortgage market

9.9bn
Mortgage origination

Performance

Banking

Analysis of result

amounts in millions of euros	2021	2020
Interest result	280	280
Commission income	59	48
Total investment and other income	33	45
Operating income	**372**	**373**
Operating expenses	219	195
Regulatory levies	27	20
Addition to loan loss provision	-8	3
Total expenses	**239**	**219**
Operating result	**134**	**154**
Non-operating items:	**-27**	**27**
– of which gains/losses and impairments	2	11
– of which revaluations		
– of which market and other impacts	-28	17
Special items		-14
Result before tax	**106**	**167**
Taxation	25	35
Net result	**82**	**132**

Key figures

amounts in millions of euros	2021	2020
Total administrative expenses[1]	247	216
Cost/income ratio[2]	59.0%	52.4%
Net operating RoE	11.0%	13.8%
Operating capital generation	104	
amounts in billions of euros	**2021**	**2020**
Total assets	24	25
Mortgages	21	20

1 Operating expenses plus regulatory levies.
2 Cost/income ratio is calculated as Operating expenses divided by Operating income.

Insurance Europe

> **The Covid-19 pandemic has underscored the vital role of insurance in society and we are committed to continue supporting our customers in times of change**
>
> **Fabian Rupprecht**
> CEO International Insurance

Introduction

In Europe, we are active in nine countries outside the Netherlands. In all of them apart from Turkey, we have built our businesses from the start and developed them into leading players in their local markets.

Investing in our growth markets

Our European businesses are primarily focused on protection. We are well positioned to benefit from increased customer demand for health and protection products, resulting from positive underlying economic trends, relatively low insurance penetration rates and higher awareness of risk and vulnerability caused by the Covid-19 pandemic.

We have a diversified distribution footprint across Europe through our tied agents, bancassurance partners, brokers and direct channels. We aim to leverage and build our large customer base by making better use of data, and optimising and fully digitalising processes for lead generation. We also develop integrated customer journeys that combine digital processes with personal advice.

We are looking to expand distribution of third-party products in Europe, such as non-life, banking and health products and services. Our goal is to enhance our customer engagement and execution quality. Attracting tech talent is a priority in this respect and closely related to the need to create an inspirational work environment for all employees.

2021 highlights

- In 2021, we strengthened our position in Europe through active portfolio management. We announced the acquisition of MetLife's business activities in Poland and Greece, bolstering our leading positions in these two attractive growth markets by adding strong and profitable businesses and creating synergies. We sold our Bulgarian business to KBC and reached an agreement to sell a closed book portfolio of NN Belgium. The proposed transaction, which is expected to close by mid-2022, will enable NN Belgium to fully focus on the execution of its successful strategy to further grow its protection and pension business.
- Across Europe, we are stepping up our digital transformation efforts to improve the customer experience, optimise our processes and create new customer propositions:
  - Our Net Promoter Score is now above market average in five markets and on par with market average in three markets, thanks to our efforts to improve the customer experience. We also invest in customer digital journeys and combine personal advice where needed.
  - We have increased the number of digitally-sourced leads, and this has become a significant source for Next Best Actions and new customer growth. Next Best Actions are customer-centric engines that consider the different actions that can be taken for a specific customer and decide on the best one.
  - During 2021, we launched over 20 new or upgraded protection covers to fit customer needs.
  - We launched three customer engagement platforms: Self-care platforms in Turkey (nniyihayat.com) and Poland (welbi.pl), and a Carefree Retirement platform in Spain (weli.es).
- We invest in extending our product offering to increase our relevance to our customers. For this reason, we are building reciprocal relationships with our banking partners. In some countries, such as Spain and Romania, our tied agents act as distributors of our partners' mortgages, providing our customers with relevant products as well as making us an essential distributor for banking partners. During the year, we also strengthened and expanded our strategic relationships with key bank partners. For example, in Belgium and Spain we extended our strategic partnership with ING, accelerating our digital propositions in these markets.

Financial result

The full-year 2021 operating capital generation increased to EUR 318 million from EUR 253 million in 2020, mainly driven by higher pension fees in Romania, Slovakia and Poland, as well as a higher new business contribution across the region, partly offset by a non-recurring item in Greece.

The full-year 2021 operating result increased to EUR 315 million from EUR 285 million in 2020, reflecting higher life and pension fees across the region, partly offset by higher administrative expenses.

The result before tax for the full-year 2021 increased to EUR 396 million from EUR 234 million in 2020, mainly driven by the result on the sale of the Bulgarian business, positive real estate revaluations and a higher operating result.

Full-year 2021 new sales (APE) increased to EUR 727 million, up 16.4% on a constant currency basis from 2020, reflecting management actions and market recovery in sales from Covid-19 restrictions in 2020.

Value of new business for full-year 2021 increased to EUR 250 million, up 36.7% from EUR 183 million in 2020, driven by sales management actions on volume and business mix, and recovery in sales from Covid-19 restrictions in 2020.

Performance

Insurance Europe

Analysis of result

amounts in millions of euros	2021	2020
Investment margin	116	110
Fees and premium-based revenues	811	730
Technical margin	235	252
Operating income non-modelled business	1	1
Operating income Life Insurance	**1,163**	**1,093**
Administrative expenses	446	417
DAC amortisation and trail commissions	401	389
Expenses Life Insurance	**847**	**806**
Operating result Life Insurance	**316**	**287**
Operating result Non-life	-1	-3
Operating result	**315**	**285**
Non-operating items:	48	-11
– of which gains/losses and impairments	2	4
– of which revaluations	46	-12
– of which market and other impacts		-4
Special items	-14	-29
Acquisition intangibles and goodwill	-7	
Result on divestments	54	-11
Results before tax	**396**	**234**
Taxation	80	63
Net result	**316**	**171**

Key figures

amounts in millions of euros	2021	2020
New sales life insurance (APE)	727	644
Value of new business	250	183
Total administrative expenses (Life and Non-life)	458	432
Operating capital generation	318	253

Meeting a growing need

Insurance is more relevant to people than ever before. Global challenges such as Covid-19 and climate change have shown us just how vulnerable we are, at a time when the protection previously provided through social security is diminishing.

This creates a role for insurers to step in and help people with what matters most to them. So it is unsurprising that in recent years we have seen a significant increase in the sales of protection products, and we are trying to meet this growing demand through new and ever more relevant offerings.

At the same time, we continue to support our communities. In 2021, NN Insurance Europe business units donated around EUR 1.8 million to support initiatives around self-care, carefree retirement and financial well-being through Future Matters. We also contributed 5,500 volunteer hours that are having a positive impact in our communities through projects such as the buddy programme in Greece, which matches NN volunteers with elderly people.

In the beginning of 2022, we are also responding to the evolving situation in Ukraine with numerous initiatives. Our support ranges from humanitarian and psychological help to refugees, financial and in-kind donations to local and international organisations.

Japan Life

Introduction

Since 1986, NN has had a strong presence in Japan, offering corporate-owned life insurance (COLI) products to small- and medium-sized enterprises (SMEs). We support Japanese SMEs in two ways: by offering financial solutions as a vehicle to combine protection and savings, and by growing the protection business to protect SME owners and their families in the event of death or illness. We are considered a dominant SME insurer in the COLI market, with a focus on agent education and innovative products, and with the ability to adapt quickly. In 2021, we passed the milestone of 100,000 SME customers for the first time in our 35-year presence in Japan.

Building on our strong position in the SME market

Like Europe, in Japan we are investing in building and leveraging our customer base. We intend to develop further through new protection products and services.

In addition, we are investing in technology and data skills, by growing our engineering base and upskilling all other employees in technical domains. In 2021, we held several initiatives, such as a Campus event, covering a range of topics with which to upskill employees from leadership skills to artificial intelligence.

Since the tax rule change in Japan at the beginning of 2019, sales volumes have recovered substantially as a result of our teams achieving quick time-to-market for our adjusted products and by training agents to deal with the greater complexity of the new tax systems.

2021 highlights

- We made progress on expanding our Kagyo-aid platform, which enables SME owners' children to connect and assist each other in preparing for a successful business takeover from their parents. By the end of 2021, it had around 6,000 users, making it one of the most utilised SME platforms in the market.
- We launched an income protection insurance that safeguards SME CEOs and their employees against the risk of being unable to work due to a sudden illness or accident, and supports business continuity. The group insurance scheme is available for this product, allowing policies covering SME employees to be issued in one go, which makes the product more attractive for customers.
- We partnered with DataRobot, a company involved in machine learning systems. Three years from now, 30% of all our insurance policies will be processed without human involvement, as artificial intelligence will be used to analyse the results of executives' health and medical check-ups. Whereas previously it took two or three business days to interview an insured executive, with the unmanned system the process can be completed in just three minutes.

Understanding SME succession issue

Japan Life has been investing in better understanding the issue of succession in Japanese SMEs by conducting a series of surveys. Within 2021, we conducted a survey of over 400 SME owners (including ex-SME owners) who had to leave their management position due to sudden illness or injury to understand their experience, their concerns and lessons learned to better prepare for such an event.

We ran another survey asking SME owners about their preparation for business succession, whether they have decided on a successor and how well prepared the successors are to take over - for example, their knowledge on the business's amount of debt. We also conducted research to evaluate how much knowledge SME owners' spouses have of the business and how much time they spend talking about business-related matters with SME owners.

Financial result

Full-year 2021 value of new business increased to EUR 156 million from EUR 75 million in 2020. This reflects the strong market recovery from low sales in 2020 and an improved margin as a result of management actions including repricing.

Full-year 2021 operating capital generation was broadly stable at EUR 129 million, reflecting the negative impact of a higher new business strain as a result of higher sales, compensated by a higher in-force contribution.

The full-year 2021 operating result increased to EUR 263 million from EUR 240 million in 2020, mainly reflecting a higher technical margin and lower DAC amortisation and trail commissions. Excluding currency effects, the full-year operating result increased by 16.7%.

The result before tax for full-year 2021 increased to EUR 262 million from EUR 210 million, reflecting the higher operating result and higher non-operating items.

Full-year 2021 new sales (APE) increased to EUR 345 million from EUR 263 million in 2020, reflecting the strong market recovery from low sales in 2020 and the result of management actions. Excluding currency effects, new sales increased by 39.5%.

Performance

Japan Life

Analysis of result

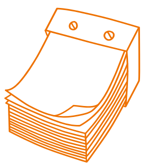
amounts in millions of euros	2021	2020
Investment margin	-12	-14
Fees and premium-based revenues	610	639
Technical margin	30	17
Operating income	**628**	**642**
Administrative expenses	135	144
DAC amortisation and trail commissions	230	258
Total expenses	**365**	**402**
Operating result	**263**	**240**
Non-operating items:	2	-27
– of which gains/losses and impairments	4	-7
– of which revaluations	-2	-20
Special items	-3	-3
Result before tax	**262**	**210**
Taxation	74	57
Net result	**188**	**152**

Key figures

amounts in millions of euros	2021	2020
New sales life insurance (APE)	345	263
Value of new business	156	75
Administrative expenses	135	144
Operating capital generation	129	133

100,000

SME customers



35 year

Presence in Japan

Asset Management

Introduction

NN Investment Partners (NN IP) is the asset manager of NN Group. It manages the assets of the group's insurance businesses and offers retail and institutional customers a wide variety of actively managed investment products. It also provides advisory services in all major asset classes and investment styles. NN IP offers products and services globally through offices across Europe, the United States and Asia, with the Netherlands as its main investment hub.

Planned sale of NN IP

On 19 August, we announced that we had reached an agreement to sell NN IP to Goldman Sachs Group, Inc. As part of the agreement, NN and Goldman Sachs Asset Management will enter into a strategic partnership, under which the combined company will continue to provide asset management services to NN.

The combination of the complementary investment capabilities of NN IP and Goldman Sachs will create a full suite of asset management products that can be offered to clients through the distribution networks of both parties. At the same time, NN IP's leading position in responsible investing will strengthen Goldman Sachs Asset Management's sustainable investment strategy, product offerings and client solutions.

The transaction will allow us to continue our successful cooperation with NN IP and to benefit from the strengths and complementary product propositions of Goldman Sachs. The transaction will also give us greater optionality to develop a broader range of asset management propositions for our customers. our approach and ambitions around environment, social and governance (ESG) will remain unchanged, and Goldman Sachs shares our commitment to responsible investing.

"In 2021 we have continued our journey to be a leader in responsible investing, while bringing a strong investment performance and high quality service to our clients

Satish Bapat
CEO NN Investment Partners

As a leader in responsible investing, we have continued to engage with a broad range of stakeholders to support the transition to a more sustainable world.

To stay closely connected with our clients, we launched the Headlight Series: a series of digital events and content, exploring perspectives on issues that matter most to our clients. Our further investments in a digital client experience were also recognised externally, with an increased ranking to #6 in the Living Ratings report on digital intelligence of global asset managers. Our investment performance continued to be strong across our capabilities.

In August we announced the intended acquisition by Goldman Sachs, which is expected to be closed in 2022. The combination with Goldman Sachs will give NN IP a broader platform to accelerate its growth and further improve our offering and service to our clients. And in our new set-up, we are looking forward to continuing our long-term relationship with NN with a strategic partnership.

2021 highlights

- NN IP continued to make progress as a leader in responsible investing. The percentage of our Assets under Management (AuM) where environmental, social and governance (ESG) factors are integrated into the investment process increased to 91%. NN IP also continued to actively engage with investee companies, leading to 35,985 votes at shareholder meetings. And as a member of the Net Zero Asset Managers Initiative, NN IP announced the initial scope of asset classes that will be managed with a view to reaching net-zero greenhouse gas (GHG) emissions by 2050 or sooner. By the end of 2021, this includes equity, corporate fixed income and sovereign bond portfolios.
- NN IP saw further growth in its alternative credit capability, reflected by its higher ranking in the Top 100 Global Private Debt Fund Raisers compared to 2020, where it remains the only Dutch-based asset manager. A number of new products were launched onto the market, including a Sovereign Green Bond Fund and two new Dutch Residential Mortgage funds.

Financial result

The full-year 2021 operating result increased to EUR 181 million compared with EUR 152 million in 2020 driven by higher fees reflecting higher average Assets under Management (AuM) and a more favourable asset mix, partly offset by higher administrative expenses.

The result before tax in 2021 increased to EUR 178 million compared with EUR 152 million in 2020 mainly driven by the higher operating result.

Full-year 2021 operating capital generation was EUR 135 million compared with EUR 103 million in 2020, mainly reflecting the higher net result.

As of 2021, NN Group's asset management activities executed by NN IP are classified as discontinued operations in the Consolidated profit and loss account in the Annual Accounts. Reference is made to Note 46 'Companies and businesses acquired and divested' in the Annual Accounts.

Performance

Asset Management

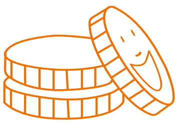
Analysis of result

amounts in millions of euros	2021	2020
Investment income	-1	-3
Fees	482	440
Operating income	**481**	**438**
Administrative expenses	300	286
Operating result	**181**	**152**
Special items	-4	
Result before tax	**178**	**152**
Taxation	43	37
Minority interests	7	4
Net result	**127**	**111**

Key figures

amounts in millions of euros	2021	2020
Administrative expenses	300	286
Operating capital generation	135	103

amounts in billions of euros	2021	2020
Assets under Management	301	300



91%
ESG-integrated AuM

35,985
Votes cast

Our strategy and performance – Other

Other

Introduction

The segment Other comprises the businesses of Japan Closed Block VA, NN Re, the results of NN Group's holding company, and other results.

Japan Closed Block VA comprises NN Group's closed-block single premium variable annuity (SPVA) individual life insurance portfolio in Japan. These products were predominantly sold from 2001 to 2009. The total portfolio is reinsured by NN Re in the Netherlands. The portfolio is actively managed and hedged on a market-consistent basis and is expected to release capital as the block runs off. The exact timing and amount cannot be predicted as it is influenced by the results of the hedge programme.

NN Re is NN Group's internal reinsurer. It provides innovative reinsurance solutions to manage risks, optimise capital, support growth in business units, and safeguard stable and efficient hedging.

The result of the holding includes the interest paid on hybrids and debt, interest received on loans provided to subsidiaries and on cash and liquid assets held at the holding company, and the head office expenses that are not allocated to the business segments.

Financial result

The full-year 2021 operating result of the segment Other was EUR -157 million compared with EUR -151 million in 2020, which included a provision release of EUR 7 million related to a legacy entity. The lower holding result in 2021 was partly offset by the improved operating result of the reinsurance business.

Performance

Other

Analysis of result

amounts in millions of euros	2021	2020
Interest on hybrids and debt[1]	-108	-108
Investment income and fees	103	107
Holding expenses	-161	-142
Amortisation of intangible assets		
Holding result	**-166**	**-143**
Operating result reinsurance business	11	-8
Other results	-3	
Operating result	**-157**	**-151**
Non-operating items:	25	-10
– of which gains/losses and impairments	12	12
– of which revaluations	39	7
– of which market and other impacts	-26	-29
Special items	-30	-75
Acquisition intangibles and goodwill	-21	-24
Result on divestments		111
Result before tax	**-184**	**-149**
Taxation	-11	-131
Net result	**-172**	**-18**

1 Does not include interest costs on subordinated debt treated as equity.

Key figures

amounts in millions of euros	2021	2020
Total administrative expenses:	172	153
– of which reinsurance business	8	8
– of which corporate/holding	163	144
Operating capital generation	-272	-214

The full-year 2021 holding result decreased to EUR -166 million from EUR -143 million in 2020 mainly due to higher holding expenses.

The full-year 2021 operating result of the reinsurance business was EUR 11 million compared with EUR -8 million in 2020. The 2021 operating result includes a EUR 9 million claim from a legacy portfolio and EUR 8 million of claims related to the floods in July 2021, while 2020 included EUR 31 million of claims related to Netherlands Non-life's Disability portfolio.

Other results in 2021 were EUR -3 million compared with nil in 2020, which included a net release of provisions of EUR 7 million related to a legacy entity.

The full-year 2021 result before tax of the segment Other was EUR -184 million compared with EUR -149 million in 2020, which included a result on divestments relating to a provision release from a legacy entity, while the current period reflects lower special items and higher non-operating items.

Full-year 2021 operating capital generation was EUR -272 million compared with EUR 214 million in 2020. The decrease mainly reflects the benefit of a release of SCR following the termination of an internal reinsurance agreement with Netherlands Non-life in 2020.

Creating value for our stakeholders

Committed to creating long-term value

In the way we do business, we see customers as the starting point of everything we do. We develop and appropriately price financial products and services which meet the needs of our customers through each phase of their lives.

We aim to be where our customers want us to be, and distribute our products and services through many channels, including intermediaries, brokers, tied agents, banks and financial advisors, as well as directly online.

We receive fees, premiums and deposits from customers for the products and services provided. We invest this money prudently and responsibly. The returns earned on these investments are used to pay out pensions, claims, other benefits and interest.

The remaining capital is deployed for investments in growth initiatives, managing debt and delivering capital returns to our shareholders.

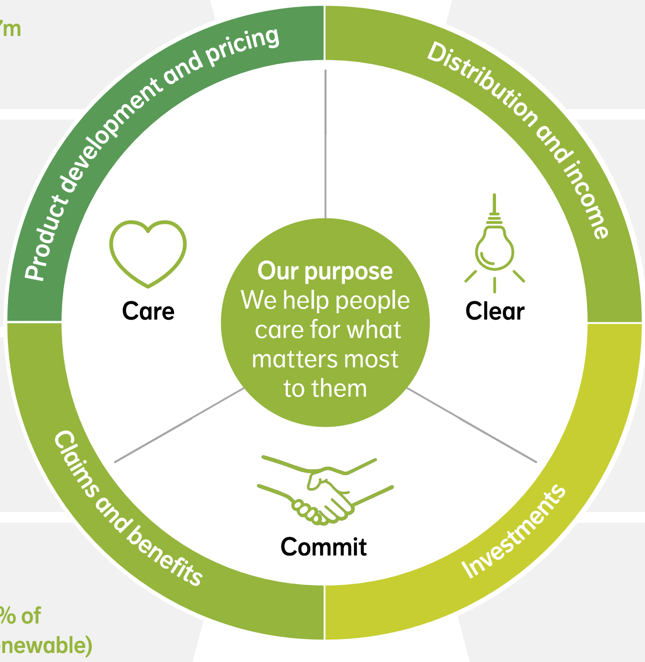
Creating value – Stakeholders

How we create value

We are committed to creating long-term value for our stakeholders. This simplified version of our business model, based on the framework developed by the Value Reporting Foundation, shows how we use the resources (shown as capitals) in our organisation to create value as a result of our activities (shown as outputs and outcome).

Our key inputs

	Inputs
Financial capital	Including debt, equity, revenue and assets invested by clients • Shareholders' equity: **EUR 32.9bn** • Gross premium income: **EUR 14.3bn** • Assets under Management: **EUR 301bn**
Human capital	Employees' skills, time and resources • Total number of employees: **15,417** • Amount spent on training and development: **EUR 14.7m**
Intellectual capital	Internal processes, systems and controls
Manufactured capital	Company's products, offices and other physical assets
Natural capital	Use of natural resources • Total energy used: **29,000 MWh (of which 67% of the electricity used was renewable)**
Social and relationship capital	Relations with customers and other stakeholders • Customers: **around 18m** • Business partners and suppliers • Other key stakeholders (e.g. regulators)



Financial capital

Human capital

Intellectual capital

Manufactured capital

Natural capital

Social and Relationship capital

The value we created in 2021

Outputs

Disciplined capital deployment
- Total dividend and interest payments to investors: EUR 820m
- Share buyback programme: EUR 250m
- Investments in acquisitions: EUR 341m
- Solvency II ratio: 213%

Wages and benefits
- Total wages, benefits and pension contributions: EUR 1.6bn

Inclusive and inspiring working environment
- % women in senior management positions: 34%
- Employee engagement score: 7.7

Availability of services
- % growth of digital retail clients: 12%

Proper functioning of controls
- Incidents of fraud, conflicts of interest and unethical behaviour: 41

Efficient operating model
- IT expenses: EUR 310m

High-performing products & services
- Brand consideration: 23%
- Net Promoter Score: 5 out of 11 business units scoring above market average

Environmental impact from own operations
- Carbon emissions: 8 kilotonnes CO_2 – 100% compensated by carbon credits

Environmental impact from investments
- Carbon footprint relating to proprietary investment portfolio: 55 tCO_2e/EURm invested

Returns to customers
- Pension benefits and claims paid: EUR 13.3bn

Responsible tax
- Total tax contribution: EUR 2,621m

Positive contribution to society
- % ESG-integrated strategies: 91%
- Investments in sustainable and impact strategies: EUR 37.9bn
- Total contributions to our communities: EUR 8m
- People reached through NN Future Matters: 21,525

Outcome for our stakeholders

Customers
To our customers, we offer peace of mind; our products help protect them, their families, their health and their property. We also safeguard their personal data, provide mortgages and a stable source of income in retirement.

Employees
To employees, we provide wages and other benefits. We also contribute to their pensions. In addition, we offer skills training and opportunities for career development. We provide an inspiring and inclusive place to work.

Investors
To our investors, we are committed to deliver resilient and growing long-term capital generation. To do so, we maintain a strong balance sheet and create solid financial returns by using our financial strength, scale and international footprint.

Society
We contribute to the well-being of people and the planet. We take a long-term and responsible approach to investments, working to minimise their impact on the environment. We also support the economy through taxes and payments to intermediaries and other business partners.

Contributing to the Sustainable Development Goals

Creating value – Customers

Adding value for customers

Our customers are the starting point of everything we do. From students and young professionals to business owners and pensioners, we support our customers in the key moments in their lives and help them deal with expected as well as unforeseen changes. With products and services that are convenient and simple to use, anytime and anywhere, we help our customers care for what matters most to them.

Key performance indicators Customers and distribution

- Customer engagement (NPS): All insurance business units scoring above market average NPS by 2023
  2021: 5 out of 11 business units
- Brand consideration[1]: 28% by 2023
  2021: 23%

1 Measured by GBHM (Global Brand Health Monitor).

Improving the customer experience

We are investing in digital capabilities and data so we can identify faster and more precisely what matters most to our customers, and enable them to reach us in the ways most convenient to them. For this, we need to take into account the full customer journey across all channels, including brokers, intermediaries and agents, who remain a highly relevant channel for us.

To achieve this, our entire product and services portfolio must also be supported by robust, futureproof technology and systems. This will require simplifying our processes and systems. And streamlining our portfolio by phasing out old products and legacy systems to focus on products and services that are easy to use and understand.

We also invest in creating more cost-efficient processes through digitalisation and robotisation, and to improve our digital capabilities in areas such as process automation and data analytics, so we can develop innovative new ways with which to interact with our customers.

Optical character reading

We introduced optical character reading (OCR) on claim handling for an OHRA Pet Insurance product. This led to significant improvements in both customer satisfaction metrics and operational costs.
In Japan, we piloted OCR/AI education to automatically find and read key medical data from paper-based health check reports used in medical documents. We aim to introduce the system in the first quarter of 2022.

Being there where our customers are: our platforms

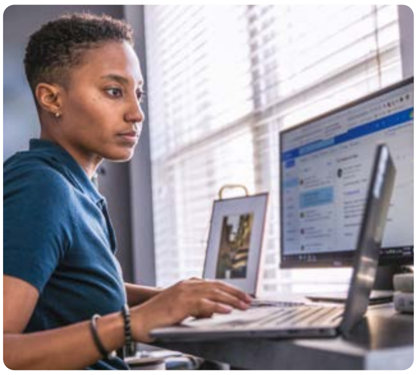
Customer engagement means putting our customers first and being where they want us to be. This includes going beyond our day-to-day interactions to find new ways of engaging with customers, either by building our own platforms or participating in other ones.

Combining digital and physical interactions

Several of our markets are combining digital and physical interactions to establish richer customer experiences. In Hungary, Poland, Romania and Spain, we simplified and streamlined how customers can reach us via a variety of channels, hassle-free and within minutes. They can, for example, renew policies directly, or call, mail or chat with us if their needs have changed.

Using questions and supported by data analytics and AI, the customer service employee can advise the customer on their options, which the customer can if they wish then discuss with their personal advisor.

When the customer receives their new proposal, they can ‘sign’ it via their phone using face or fingerprint ID. They are insured immediately and in many cases everything is arranged within one day.



Being there, in good times and bad times

Being there for customers means providing solutions that create long-term value, and developing products and services that meet their real needs through each phase of their lives.

For young adults

Leaving home for the first time

- Travel insurance

Living on your own

- Home insurance (furniture)
- Personal loan

Young professionals

Starting a career

- Term life insurance
- Property and casualty insurance

First home

- Savings solutions
- Mortgage

Middle age

Daily life

- Car insurance
- Home insurance (building)

Thinking about the future

- Term life insurance
- Retail investment

Retirement

Daily life

- Health care insurance
- Legal insurance

Pension

- Immediate (bank) annuities
- Term deposits

Through digital platforms, we can meet our customers where they are, and tailor their experience. We see platforms as an opportunity to engage directly with our customers, building stronger relationships and offering innovative solutions – ours and partners' – that closely meet customers needs and requirements.

To achieve this, we broadly use platforms in two ways:

Platform orchestration
This is where we own the customer interface, such as our e-health proposition Veerkracht and Carefree Retirement platform WYZ. WYZ is a one-stop shop for customers preparing for retirement or recently retired. Our other Carefree Retirement-related propositions Kw!ek and Zorggenoot are also accessible through WYZ.

Platform participation
Through our presence on existing customer engagement platforms, we can access new customer groups. For example, we sell NN insurance through e-bike dealers, manufacturers and brokers such as Cowboy, and peer-to-peer platform Indie Campers. Such embedded financial products also have a distribution advantage as customers can purchase them where they are, through brands they trust. This enables our products to become part of an existing transaction rather than something bought separately.

Helping customers address societal and environmental challenges

We want our products and services to contribute positively to the well-being of our customers and the communities in which we operate. A few examples from 2021:

Netherlands Life online platform the Human Capital Planner (HCP) provides employers and pension advisors with relevant insights and tools. In 2021, we added insights on the sustainability impact of invested premiums. The HCP also provides customers with a dashboard showing them the impact of their life cycle investments in terms of CO_2 reduction, water savings and waste reduction.

This year we introduced ESG pension funds in Spain and Slovakia. The Respect Fund in Slovakia evaluates your savings in the second pension pillar against environmental, social and corporate governance criteria.

Also in Slovakia, we offer a premium health benefits programme for all our insurance and pension customers, and in Hungary we introduced a similar health assistance programme.

We develop products centred around the theme of Carefree Retirement to help solve challenges faced by people over 55. In the Netherlands, we launched WYZ, a one-stop shop for customers preparing for retirement or recently retired. While the Doorwerkregeling ('Continued work scheme') is a service that allows employers to keep employees on after they retire.

NN Bank label Woonnu, a mortgage provider that aims to help consumers make their homes more sustainable, orginated EUR 1.4 billion of mortgages in 2021 and entered the top 20 mortgage originators in the Dutch market.

Netherlands Non-life initiated a sustainable car repair network for customers. It uses electric service cars and circular repair materials and aims to keep the negative environmental impact of any repairs to a minimum.

Supporting specific groups in society
Life can be challenging and adversity can happen to anyone. However, not everybody has the same access to tools, advice or support. This is why we also develop products designed to support a more inclusive society. A few recent examples:

In the Czech Republic, in 2021 we introduced long-term care that helps support families look after elderly or disabled relatives. Enabling people stay in their home surroundings helps them to enjoy active, higher quality lives, and supports cross-generational bonding.

In Greece, in collaboration with the South Aegean Region, we provide a free health service, called Dr Online, to over 20,000 inhabitants on 15 islands in Dodecanese and 18 islands in Cyclades, including the smallest and most remote ones. The Dr Online teleconference application allows users to receive medical recommendations via video call or chat and to schedule doctors' appointments.

Measuring our progress

Having a strong, well-known brand gives our customers additional reassurance about the quality of our offering and enhances our credibility. As we invest in our brand, we aim to build recognition, loyalty and competitiveness. Moreover, customers are known to engage with companies they like, know and trust.

How customers view our products and services

Through customer feedback we learn about their preferences and views, helping us improve and modify our services. We focus on several key metrics, which are combined in what we refer to as the Global Brand Health Monitor (GBHM). The GBHM is used to track how our brand is perceived externally, and gain insights into brand performance and development over time.

Net Promoter Score

One of the key metrics in the GBHM is the internationally recognised Net Promoter Score (NPS) system, which measures how likely it is that our customers recommend our products and services to colleagues, friends or family. There are different sorts of NPS. The relational NPS (NPS-r) is used to measure the strength of the relationship with customers and gain understanding of customer satisfaction over time. We use NPS-r to compare each NN business unit with market averages at the end of the year (see table). For the Netherlands, the NPS score refers to retail customers of Nationale-Nederlanden in Life and Non-life insurance. Japan was included for the first time in 2021; scores are therefore not available for 2020.

In 2021, NPS-r scores show some improvement compared to 2020, driven by various initiatives along with the sharing of best practices on NPS-r across business units.

In 2021, five of our insurance businesses scored above market average — Greece, Hungary, Poland, Romania and Turkey — compared with only four business units in 2020. In 2021, Japan, Slovakia and Spain scored on par with market average. In Poland and Romania, where we have a large presence in the pensions market, we scored above market average in both Life products and pensions.

NPS

Business unit[1]	2021 Result	2020 Result	2021 Market average	2020 Market average
Belgium	-18	-27	10	5
Czech Republic	1	5	14	13
Greece	17	15	9	17
Hungary	47	37	26	31
Japan	-42	n.a.	-41	n.a.
Netherlands	-22	-30	-12	-16
Poland	28	35	17	13
Romania	55	54	45	29
Slovakia[2]	1	1	1	-2
Spain	9	14	6	20
Turkey	73	70	53	50

1 In July 2021 the sale of our Bulgarian business unit was completed. As a result, the Bulgarian scores are no longer included in this report.
2 For the measurement of the number of business units scoring above market average, a reliability margin of 5 points is used.

Brand consideration

Business unit[1]	2021 Result	2020 Result
Belgium	3%	3%
Czech Republic	17%	13%
Greece	25%	21%
Hungary	23%	23%
Japan	11%	13%
Netherlands	23%	20%
Poland	26%	29%
Romania	51%	67%
Slovakia	18%	19%
Spain	14%	9%
Turkey	14%	11%

1 In July 2021 the sale of our Bulgarian business unit was completed. As a result, the Bulgarian scores are no longer included in this report.

Our aim is for all insurance business units to score above market average by 2023. To that end, we conduct additional research in local markets to get a better understanding of what drives the NPS-r scores. We expect the implementation of shared best practices to have an effect on our service offerings and customer engagement.

Brand consideration

At least twice a year, we measure key brand indicators, such as brand consideration and brand preference. Brand consideration is measured to monitor the preferences of our customers. The overall brand consideration for NN Group is based on the total score of our insurance business units. The weighting of each business unit is based on its strategic relevance.

In 2021, the overall brand consideration improved from 21% to 23%, mainly driven by an increase of brand consideration for the Netherlands. Whilst we saw a significant decrease in Romania, this was offset by an increased brand consideration in several markets for Insurance International.

In 2021, several activities and marketing communication plans had to be adjusted or postponed due to the cancellation of (live) events because of Covid-19. Marketing communication plans and activities will be evaluated for all business units in 2022, with the aim of further increasing our brand consideration.

Creating value – Our people

Empowering our people to be their best

At NN, we empower our colleagues to be their best. Together, we create a culture that supports an open mindset, aligned with our values and purpose. We believe that working together, opportunities for development and diversity of thinking lead to better results and help position NN as we continue to transform our company. Through these times of change, attracting, developing and retaining talented people is pivotal in building engaged and vibrant teams with the right skills and capabilities.

Key performance indicators People and organisation

- Employee engagement ≥7.8 by 2023
  2021: 7.7
- 40% women in senior management positions by 2023
  2021: 34%

NN culture

Our culture is aligned with our purpose, values and ambition. We consider all colleagues to be talents and work to create an environment in which our people can be their best.

Employee value proposition

In 2020, we launched our employee value proposition (EVP) to position NN as an employer of choice in a competitive labour market, and to make the NN brand accessible to new employees. Our EVP is based on three pillars, i) NN's promise to employees, ii) what our people value most, and iii) what sets us apart from competitors. We measure the effectiveness of our employee branding through employee rankings. For 2021, our Brandchart Imago Research ranking increased (35th place; 2020: 42nd), as did our Potential Park ranking (10th place; 2020: 68th).

Covid-19 pandemic

Due to the Covid-19 pandemic, the majority of our employees have been working from home since March 2020. We monitor their experience through regular surveys. In the Netherlands, between February and October 2021, all scores increased, showing that our people value the flexible way of working, believe they have the right tools to work successfully and feel supported by NN. When restrictions in the Netherlands were lessened in September, 70% of the survey respondents indicated they made use of the opportunity to work from the office one day a week. Once it is possible for employees to return to the office more frequently, we will start implementing a hybrid way of working, called the NN way of working.

NN way of working

Flexible working is the cornerstone of the NN way of working. In this hybrid working model, employees choose together with their manager and team when and where to work. The International Insurance business units have formed a working group and are co-creating the joint vision on hybrid working. They align on best practices, key behaviours and principles, with each unit implementing a tailored approach. For example, NN in Slovakia has a fully flexible approach as part of its four-day work week, while colleagues in Greece, Turkey and Spain work in the office two days a week. The working group will evaluate local experiences in the first quarter of 2022.

In the Netherlands, the new health and vitality intranet page provides tips and advice to support the physical and mental health of our employees when working from home. As part of the NN Way of Working policy, we introduced a monthly allowance for setting up a workplace at home and covering the costs of using the internet. To receive the allowance, and additional advice, employees complete the annual Arbo (Health & Safety) workplace checklist. Through the checklist, employees become aware of what is important for the home workplace and the Health & Safety team can give advice and advise on health risks.

Workforce transformation

There is increasing competition for talent and a strong demand for digital capabilities. Across NN Group, we are working to upskill our workforce to deliver on our strategy and support our employees in a changing environment. Within International Insurance, we invest in creating better products and services for customers and agents, supported by technology. To do so, we aim to recruit tech specialists in a collaborative project across our international business units. A taskforce made up of both IT colleagues and HR professionals will define what is needed to better recruit and retain tech talent.

Also as part of our transformation, NN introduced specific 'guilds' around core capabilities such as Data Science, Customer Research and User Experience. These newly created guilds aim to bring together colleagues working in the same field to support their professional growth, share knowledge and develop shared standards. If successful, we aim to grow this concept and expand the guilds to additional areas of expertise.

"As the world of work is changing, we are accelerating our efforts to attract, train and develop our talented people

Dailah Nihot
Chief Organisation and Corporate Relations

Investing in skills and capabilities

We invest in skills as part of our workforce transformation, and we strengthened the focus on behaviour and development in the annual performance management cycle. Skills, attitudes and behaviours that are important for our strategy and captured in our i-LEAD profile are translated into a set of tangible competencies that became part of the cycle in 2021. Employees can, together with their manager, identify their goals, competencies and development areas. The i-LEAD profile and NN competencies are included in our key HR processes, such as recruitment, our EVP, our talent management approach and leadership development programmes.

Offering our people opportunities to (re)train supports them in preparing for changing circumstances in the labour market. In 2021, NN invested EUR 14.7 million in training and development (2020: EUR 12.9 million).

Increasing the data literacy of our employees is an important step in becoming an innovative, data-driven organisation. To date, more than 1,000 employees have completed our data and artificial intelligence (AI) e-learning course. We expanded our data and AI training programme for managers to include International Insurance (Netherlands: 109 registrations, International: 79 registrations).

Diversity and inclusion

Together we strive to build an environment in which people feel welcome, valued and respected. A company where our colleagues can bring their whole selves to work, where an inclusive customer experience is the status quo, and where we contribute to the well-being of our communities. We published our NN Statement on Diversity and Inclusion (D&I) in 2020, and in 2021 took action to further embed and strengthen our D&I efforts within NN.

In 2021, we appointed a dedicated recruiter in the Netherlands to hire new colleagues who are neuro- or physically diverse. In the Netherlands, we signed the Dutch Diversity Charter as part of European Diversity Month in May, and in Slovakia we became an ambassador of the Slovakian Diversity Charter in February. Nationale-Nederlanden Spain has been an ambassador of the local Diversity Charter since 2019.

Our efforts are being recognised, with NN once again being included in the Equileap rankings and Bloomberg Gender Equality Index.

Equal leave for every family

Our approach to diversity and inclusion (D&I) is about embracing everyone. At NN we believe that all caretakers have the right to time to bond and connect with their children, irrespective of their family structure. To support all families, we launched our Equal leave for all families policy in 2021, for NN employees in the Netherlands. With this update, our parental leave structure offers all families the same minimum leave. NN also has a more lenient leave structure for adoption and birth leave than regulated by Dutch labour law.

The increasing diversity in families in society is also represented within NN. We want our company to be a reflection of the societies in which we live and work. By updating our leave structure to align with our D&I vision, we ensure that all families welcoming a child, including same-sex couples, have time to bond and celebrate together, however the child is welcomed into the family.

D&I: a globally consistent, locally relevant approach

We held D&I workshops in all our markets with employees from different levels of seniority, and conducted several assessments with internal and external stakeholders. Within International Insurance, this resulted in a maturity gap analysis report per country, followed by a thorough analysis and action plan for each business unit. We aim to use these plans to further improve our performance on D&I.

For NN as a whole, we launched a D&I ambassadors' network, with country representatives who discuss, challenge and inspire each other on D&I-related topics. The ambassadors are responsible for making and implementing local action plans. For example, in 2021, NN Czech amended its leave policy to provide a day off for civil partnerships. In Belgium, Japan and Spain, we extended paternity leave. During Pride month, Nationale-Nederlanden Spain held an internal campaign to raise awareness of gender pronouns and invited colleagues to include their own pronouns in their email signatures. The business unit was recognised as one of 30 companies with the best D&I practices in Spain.

Gender diversity and equal pay

NN Group's pay is analysed annually with a focus on gender equality. In 2021, we extended the research to all business units and countries for the first time.

The annual equal pay analysis, which is focused on (i) equal representation, (ii) gender pay gap and (iii) equal pay gap, shows (i) women are in lower pay grades and under-represented in higher pay grades, and (ii) the NN Group-wide gender pay gap of 36% is in line with that of the 2020 analysis.

The pay gap relates to where males and females are positioned in the organisation and not about equal pay for equal work. An in-depth statistical analysis was carried out for the Netherlands, Japan, Poland, Belgium and Spain. For the Netherlands, Belgium and Spain, it was concluded that gender is not a triggering event for pay differences. The underlying drivers for the equal pay gap in Japan and Poland are being further investigated.

We are focused on talent management and succession planning activities, among others, to address this gap and to meet our target to have 40% women in senior management positions by 2023.

We raise awareness of the importance of having an inclusive environment and mindset through initiatives in our business units, such as developing unconscious bias training, organising our internal Wo{men}talk series, and supporting female empowerment networks in Slovakia, Spain, Belgium, the Netherlands, Poland and Czech Republic. NN Life Japan is introducing a ratio for 50:50 men and women when hiring recent graduates.

Engagement

We invest in an environment that supports the ongoing personal and professional development of our people. We monitor the sentiment within the company with our biannual global engagement survey. After improved scores in recent years, our overall engagement score in 2021 showed a slight decrease (2021: 7.7; 2020: 7.9) with 83% of employees participating in the survey. Given the challenging working conditions created by the pandemic, we are pleased to see the levels of engagement have remained relatively stable.

Overall, we observed strong results in the areas of Autonomy, Recognition and Room for Personal Growth. While the score for Peer Relationships remained stable at 7.7 (2020: 7.7), it is below the industry (finance) benchmark (8.3) and, like Process Efficiency (6.5; 2020: 6.6), remains a point of attention. There is also room for improvement in the area of Strategy Communication (7.4; industry benchmark 7.6), which monitors individuals' understanding of both how the strategy impacts their role and how they can contribute.

Top employer

The Top Employer Institute named NN a Top Employer in all International Insurance business units for the fourth time. NN Life Japan was 1st out of 10 companies in its market and Nationale-Nederlanden Spain was 11th out of 107 companies. All business units significantly improved their overall score, particularly in the pillars Diversity & Inclusion, Work Environment, and Learning.

The Top Employer certification recognises our efforts to empower colleagues to be their best and to nurture a culture aligned with our purpose and values.

Employee representation

Our works councils facilitate employee consultation in most NN countries in Europe. In 2021, the measures taken to respond to the Covid-19 pandemic was high on the agendas of the European, Central and local Works Councils, as was working from home and the adjusted Whistleblower Policy.

CLA

Discussions with the trade unions on a new collective labour agreement (CLA) for the Netherlands are ongoing. The parties are discussing a three-year CLA, including social plan and pension agreement. The ambition is to reach an agreement in the first quarter of 2022.

Creating value for investors

We offer attractive financial returns for the capital that shareholders and bondholders provide to finance our activities. We actively engage with our investors and aim to be clear and transparent in how we communicate on our strategy, financial results and operating developments, so they can make informed investment decisions.

Our proposition to investors

Resilient balance sheet

- Priority is a strong capital position and balance sheet
- Disciplined capital allocation

Strong and growing capital generation in the Netherlands

- Accelerating management actions
  - Shift to higher-yielding assets
  - Balance sheet optimisation
  - Optimise Non-life business
  - Focus on efficiency

Profitable growth in attractive markets

- Leading market positions in Central and Eastern Europe and in the COLI market in Japan[1]
- Shift to protection and leveraging on strong distribution network

Our commitment	Resilient and growing long-term capital generation for shareholders	
Financial targets	Operating capital generation (OCG)[2]: Free cash flow (FCF):	EUR 1.5bn in 2023 over time, in a range around OCG
Non-financial targets	• Excellent customer experience • Engaged employees • Positive contribution to society	
Dividend policy	Progressive dividend per share, annual share buyback of at least EUR 250m and additional excess capital to be returned to shareholders unless used for value-creating opportunities	

1 COLI: Corporate-owned life insurance market in Japan.
2 Operating capital generation (OCG): see 'Glossary' for a definition.

Resilient balance sheet

Having a strong balance sheet has always been our priority. We combine a strong solvency position with a conservative investment portfolio and low economic interest rate exposure. Our Solvency II ratio was 213% at the end of 2021, compared with 210% at year-end 2020. This mainly reflects the operating capital generation and favourable market impacts, partly offset by the deduction of the proposed 2021 final dividend and the 2021 share buyback programme.

Our balance sheet creates opportunities for further investments in higher-yielding assets. In 2021, we primarily invested in mortgages, loans and real estate, while selling government bonds. The solidity and stability of our balance sheet, even in volatile market conditions, demonstrates NN's robust and resilient profile. The cash capital position at the holding company increased to EUR 1,998 million from EUR 1,170 million at year-end 2020, mainly due to free cash flow to the holding and proceeds from the issuance of senior debt, partly offset by capital flows to shareholders and amounts paid for acquisitions.

Strong and growing capital generation in the Netherlands

In the Netherlands, we have leading market positions and the businesses are delivering strong remittances to the holding, but we are also taking additional steps to grow capital generation and free cash flow.

At Netherlands Life, the profitable in-force book provides stable capital generation, while we see growth opportunities in the pensions business. The upcoming Dutch pension reforms are expected to support the Defined Contribution (DC) pension business and accelerate the pension buyout market. Higher investment returns are also expected from the ongoing shift to higher-yielding assets.

Netherlands Non-life is market leader in the Dutch non-life market. We are in a unique position to benefit from our scale in terms of both efficiency and underwriting. This is supported by the integration of VIVAT Non-life, which was completed in 2021, as well as by investing in digital and data capabilities.

NN Bank originates high volumes of mortgages, of which more than half are sold on to the Group's insurance companies for their investment portfolios. Our focus is on originating high-quality mortgages at good margins. Assuming the Dutch mortgage market remains attractive in a similar way to the past few years, we expect capital generation at NN Bank to continue to support our growth profile.

Profitable growth in attractive markets

Outside the Netherlands, we are a leading player in attractive, growing markets in Europe and Japan.

Our European businesses are focused on innovative protection products, which are distributed through diverse channels, including bank partnerships, brokers and tied agents. Growth is further supported by the low life insurance penetration rates in Central and Eastern Europe, as well as an increasing awareness of the need for protection. We are investing to leverage and build our customer base, while also aiming to be the preferred partner for third-party distributors.

In Japan, NN is a strong player with a market share around 10% in the sizable COLI segment. Active in this market since 1986, we have built unique capabilities and are known as a leading SME insurer with a focus on agent education, innovative products and the ability to adapt quickly.

For NN Group, the international businesses provide an attractive way to invest capital in organic growth. The European and Japanese businesses generate virtually all VNB growth, which is the main driver of capital generation for these businesses.

The strong VNB growth trend in the international markets is expected to continue, driven by macro trends, evolving customer needs and a tailored customer-focused strategy.

Financial targets

During 2021, NN reconfirmed the Group's OCG target, as the capital generation lost on the disposal of the asset manager is expected to be offset by the additional capital generation coming from the acquisition of MetLife Poland, MetLife Greece and Heinenoord in the Netherlands, as well as strong business performance across the Group.

The following targets for NN Group[1] and the different businesses have been set for 2023:

	Target
NN Group	OCG of EUR 1.5 billion Free cash flow in a range around OCG over time
Netherlands Life	OCG of EUR 0.9 billion
Netherlands Non-life	Combined ratio of 94-96% over time
Insurance Europe	OCG of EUR 325 million
Japan Life	VNB of at least EUR 150 million
Banking	Net operating RoE of 12% or higher

Beyond 2023, too, NN Group expects mid single-digit annual growth of OCG over time. This outlook is based on the organic growth opportunities of the businesses, and is supported by both long-term market trends and the steps we have taken to optimise our portfolio.

In line with guidance, this long-term OCG growth will translate into growing free cash flow and growing capital returns to shareholders.

Progress on targets

OCG for NN Group increased to EUR 1,584 million from EUR 993 million in 2020, driven by strong business performance and commercial momentum.

NN IP will be included as part of OCG until the closing date of the transaction, which is expected in 2022. The impact on OCG is expected to be partly compensated by the acquisition of MetLife's business activities in Poland and Greece and Heinenoord in the Netherlands, as well as a strong business performance across the Group.

1 In August 2021, NN Group announced the sale of NN Investment Partners (NN IP) to Goldman Sachs. The OCG target for the Asset Management segment was set at EUR 125 million in 2023.

Capital return policy

NN Group 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.

A progressive dividend means a growing dividend per share. We decide on the amount of the dividend each year depending on the circumstances at the time, but the long-term growth pattern of the annual dividend is ultimately linked to the growth of capital generation. We expect mid single-digit annual growth of OCG over time.

When proposing a dividend, NN Group considers, among other things, the capital and cash position, leverage, liquidity position and credit rating.

Dividends are paid either in cash, after deduction of withholding tax if applicable, or in ordinary shares, as elected by the shareholder. Dividends paid in the form of ordinary shares will be delivered from NN Group treasury shares or issued from the share premium reserve. We intend to neutralise the dilutive effect of the stock dividend through repurchase of ordinary shares.

On 1 September 2021, NN Group paid an interim dividend of EUR 0.93 per ordinary share.

At the AGM on 19 May 2022, a final dividend of EUR 1.56 per ordinary share will be proposed, bringing the total 2021 dividend to EUR 2.49 per ordinary share. This represents an increase of 7% on the 2020 dividend per share.

Share buyback

On 13 February 2020, NN Group announced an open market share buyback programme for an amount of EUR 250 million within 12 months, commencing on 2 March 2020. This share buyback programme was completed on 26 February 2021. On 18 February 2021, NN Group announced an open market share buyback programme for an amount of EUR 250 million within 12 months. This share buyback programme began on 1 March 2021 and was completed on 28 February 2022.

NN Group announced on 17 February 2022 that it will execute an open market share buyback programme for a total amount of EUR 1 billion. This consists of a EUR 250 million programme that will be executed within 12 months commencing on 1 March 2022 as well as an additional programme for an amount of EUR 750 million to commence after completion of the sale of NN IP. This intended additional share buyback programme is expected to be completed before 1 March 2023.

Both share buybacks will be deducted in full from Solvency II Own Funds in the first half of 2022 and are estimated to reduce NN Group's Solvency II ratio by approximately 10% points. NN Group reports on the progress of the share buyback programmes on its corporate website on a weekly basis.

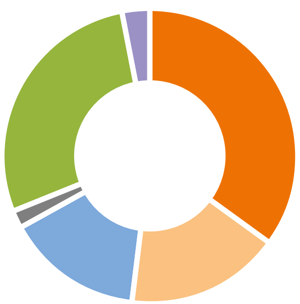
On 5 May 2021, 12,400,000 NN Group treasury shares that had been repurchased under the share buyback programme completed in February 2021 were cancelled.

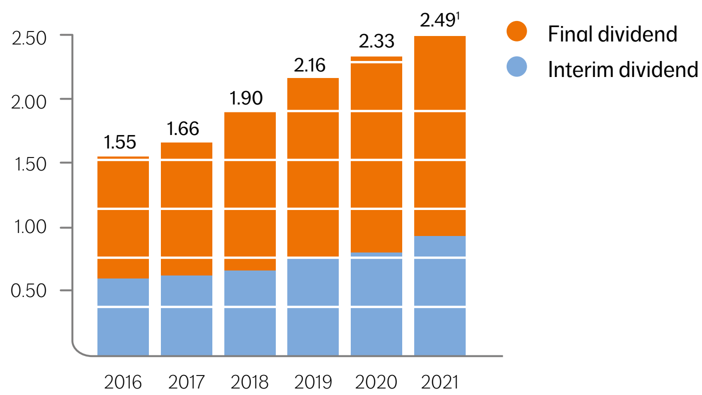
Other developments

2021 has been an important year in our preparation for the introduction of IFRS 9 and 17 in 2023. We held a number of parallel runs to test our systems and process readiness. We also started the preparations for the transitional figures and the audit thereof, which we will complete in 2022. The implementation of IFRS 9 and 17 takes place within our larger roadmap to establish a more digital and data-driven finance and risk operation.

Shareholder by country/region

IHS Markit shareholder analysis at September 2021 (%)





1 Pro forma 2021 full-year dividend per share of EUR 2.49, comprising the 2021 interim dividend of EUR 0.93 plus the proposed 2021 final dividend of EUR 1.56

Share capital

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 105.

Authorised and issued capital (in EUR million)

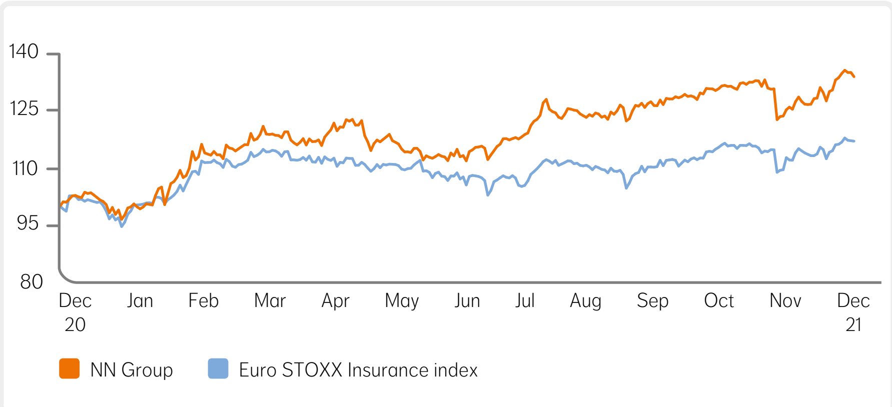
	Year-end 2021	Year-end 2020	Year-end 2019
Ordinary shares			
– authorised	**84**	84	84
– issued	**38**	40	41
Preference shares			
– authorised	**84**	84	84
– issued	**0**	0	0

Number of shares in issue and shares outstanding in the market

	Year-end 2021	Year-end 2020	Year-end 2019
Authorised share capital (in shares)	**700,000,000**	700,000,000	700,000,000
Issued ordinary shares	**317,878,210**	330,278,210	343,556,121
Own ordinary shares held by NN Group	**12,294,129**	19,822,194	21,485,285
Outstanding ordinary shares	**305,584,081**	310,456,016	322,070,836

Listing

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



Major shareholders

According to the AFM register as at 7 March 2022, the following shareholders had an interest of 3% or more in NN Group on the notification date:

- RRJ Capital II Ltd. 9.60% (23 May 2017)
- BlackRock, Inc. 5.16% (2 December 2021)
- Norges Bank 4.91% (30 September 2020)
- UBS Group AG 3.17% (1 February 2022)
- FMR LLC 3.14% (19 August 2021)

Please refer to the AFM register of substantial holdings and gross short positions for more details on the nature and characteristics of these interests.

Credit ratings

On 5 November 2021, Fitch Ratings published a report affirming NN Group's 'AA-' financial strength rating and 'A+' credit rating with a stable outlook. On 9 December 2021, Standard & Poor's published a report affirming NN Group's 'A' financial strength rating and 'BBB+' credit rating with a stable outlook.

Sustainability

We are rated on sustainability by specialist research agencies, such as Sustainalytics, MSCI and CDP. We are also included on indices, such as the Dow Jones Sustainability World Index and FTSE4Good. Read more on page 126.

We proactively inform the market on our 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.

In February 2022, NN Group launched a sustainability bond framework, to enable the future issue of green, social and sustainability bonds.

Creating value – Society and communities

Creating a positive impact on society

We strive to contribute to the well-being of people and the planet. We do business with the future in mind and want to contribute to a world where people can thrive for generations to come. We do this by investing our assets responsibly, integrating ESG factors into our underwriting activities, being a fair taxpayer and managing our direct environmental footprint and through our activities in the communities where we live and work.

Key performance indicators Society

- ESG-integrated Assets under Management (AuM): 80% by 2023. 2021 (year-end): 91%.
- Accelerate the transition to a low-carbon economy by targeting a net-zero carbon proprietary investment portfolio by 2050.
  2021:
  - Defined a first set of interim targets to steer and monitor the transition of our investment portfolio to achieve net-zero GHG emissions.
  - Developed asset-class-specific Paris Alignment strategies for sovereign bonds, corporate investments, and real estate.
- By 2023, contribute 1% of our operating result (three-year average) to our communities, including cash donations and hours of volunteering.
  2021: EUR 8 million / 0.4% based on the operating result of 2021 (including EUR 6.2 million in charitable donations and 13,586 volunteering hours).

Additional performance indicators

- Continue to increase NN IP's AuM in sustainable and impact strategies.
  2021 (year-end): EUR 37.9bn AuM (+29% compared to year-end 2021).
- Reduce direct CO_2 emissions.
  2021:
  - Set new targets to decrease our CO_2 emissions by 35% in 2025 and by 70% in 2030.
  - Decrease of CO_2 emissions of 16% (compared to 2020).
- Reach at least 20,000 young people through NN Future Matters.
  2021: 21,525 people reached through NN Future Matters.

Low-carbon economy

One of our goals is to make a positive contribution to society by supporting the transition to a low-carbon economy. We are doing this in various ways:

- We manage our own carbon footprint, which comes mainly from our office buildings and travel activities. Even though this footprint is limited, we have set ourselves targets to significantly reduce our emissions in the coming years. Read more pages 131-134.
- In terms of our assets, we aim to reach a net-zero carbon proprietary investment portfolio by 2050. As part of the roadmap to achieve this, we recently announced interim targets for our corporate investments for 2025 and 2030.
- We aim to develop more sustainable customer propositions. We have joined the Net-Zero Insurance Alliance to pool our knowledge and goals with other participating insurers. With them, we have committed to transition to a net-zero insurance underwriting portfolio by 2050, starting with developing metrics and targets over the coming months.

Responsible investment

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

Our net-zero ambition and intermediate targets

We have a clear ambition to support the global transition towards net-zero greenhouse gas (GHG) emissions by 2050, in line with efforts to limit global warming to 1.5°C.

NN's strategy for transitioning our proprietary investment portfolio towards the global goal of net-zero emissions has two dimensions: decarbonisation of the investment portfolio and increasing investment in climate solutions. Drawing on the Institutional Investors Group on Climate Change (IIGCC) Net-Zero Investment Framework, we have been developing asset-class-specific strategies. A key principle in this framework is to utilise a comprehensive set of levers available to investors for accelerating decarbonisation in the real world.

In 2021, we set intermediate reference targets for GHG emissions reduction for the corporate investment portfolio (listed equity and corporate fixed income). This helps us determine the direction and ambition, and monitor the effectiveness, of our net-zero investment strategy. By 2025, we aim to reduce the GHG emissions of our corporate investment portfolio by 25%, and by 45% by 2030, compared to 2019 levels.

NN also defined clear intermediate goals for the (non-listed) real estate portfolio, as well as a target to increase our investments in climate solutions by at least EUR 6 billion by 2030, which would more than double our current investments in renewable infrastructure investments, green bonds and energy-efficient real estate (refer to the section 'Facts and figures' for more detail on how we defined investments in climate solutions).

These steps build on earlier decisions to restrict investments in companies that have activities in oil sands extraction and thermal coal mining, and to execute a phase-out strategy for thermal coal-exposed companies in our proprietary investment portfolio by 2030. In 2021, we lowered the exclusion threshold: companies are put directly on our exclusion list when they derive 20% of their total revenues from the extraction of oil sands or thermal coal mining (previously 30%).

Our Paris Alignment Council is overseeing the process of aligning the proprietary investment portfolio to the Paris climate goals, and defines related action plans and targets. For more information on the Paris alignment strategies and targets refer to Our response to the Task Force for Climate-related Financial Disclosures on page 66.

Supporting ESG integration

Our RI Framework policy includes norms-based criteria that reflect our investment beliefs and values, relevant laws, and internationally recognised norms and standards, such as the OECD Guidelines.

NN IP has a stringent definition of ESG integration: for each investment analysis, the integration of ESG factors needs to be consistently demonstrated and documented. At year-end 2021, ESG criteria were consistently integrated for 91% of total assets, amounting to EUR 235.8 billion (compared with 74% in 2020). The increase was driven by the inclusion of mortgage portfolios and the qualification of other Alternative Credit portfolios as ESG-integrated. This includes those assets managed under the sustainable and impact strategies.

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. The ESG Committee of NN IP assesses whether an issuer fails to meet our norms-based criteria, advised by the NN IP Controversy & Engagement Council. In 2021, this council met seven times and discussed more than 120 cases.

Influencing companies to take responsibility

Voting is one of the most powerful tools of active ownership and we vote at shareholder meetings on behalf of our own and our clients' assets. To ensure proper governance, we have separate voting committees in place, and publish our voting record on a dedicated website.

During 2021, NN IP voted at 3,307 AGMs on 35,985 agenda items. Voting activities were focused on three main issues: board elections, the alignment of executive remuneration with company strategy and sustainability shareholder resolutions.

A recently published report 'Voting matters 2021' by ShareAction shows how 65 of the world's largest asset managers voted on 146 social and environmental shareholder resolutions in the period September 2020 to August 2021. NN IP was ranked ninth, having supported 90% of the resolutions (98% environmental; 85% social).

Through engagement, we aim to raise awareness of ESG issues and encourage issuers to improve their policies and practices. In addition to controversy engagements, NN IP performs thematic engagements on corporate governance, natural resources and climate change, and decent work. As a result of NN IP's active investment strategies, our equity and fixed income analysts and our portfolio managers are in frequent dialogue with investee companies. Our RI specialists also enter into dialogue with corporate and sovereign issuers, and whenever ESG issues are a topic of discussion during company meetings we log the updates 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.

During 2021, NN IP also continued its participation in collective investor engagements, such as Climate Action 100+ and the CDP Non-Disclosure and Science Based Target campaigns, encouraging companies to disclose information on climate risks and set long-term targets for reducing their greenhouse gas emissions.

Utility sector engagement

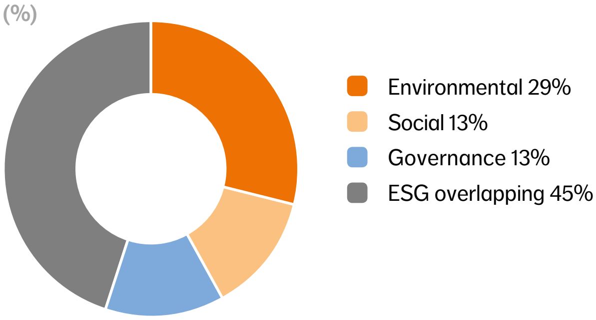
Of all sectors of the global economy, electricity and heat generation account for the largest share of direct greenhouse-gas emissions. The electricity sector is also vital to the collective effort to reach net zero because of the central role it plays in the transition plans of other sectors. NN IP's engagement with electric utilities focuses on power-generating companies and the need to transition to a low-carbon economy.

One of the utility companies NN IP has engaged with is the Czech conglomerate CEZ Group. In 2021 CEZ pledged to achieve net zero emissions by 2050 and to curb emissions in line with the Paris Agreement scenario of 'well below 2 degrees' by 2025. The company has also committed to shut coal-burning power plants, Some by 2030, while for others closure plans depend on energy-security issues and the availability of renewables. NN IP will continue to engage with CEZ in 2022 on the possibility of setting a science-based target based on a 1.5-degree scenario and on the company's progress on realising its 2030 vision.

3,307
Number of shareholder meetings at which we voted

1,312
Dialogues with issuers on ESG factors

Dialogues on ESG factors
(%)



As the chart shows, in total we had 1,312 ESG dialogues with issuers in 2021. In addition to the example mentioned in the 'Utility sector engagement' box on page 45, you can find more on NN IP's engagements in its Responsible Investing Report 2021 on our website.

Encouraging governments

In addition to engagement with 541 companies, NN IP also enters into dialogue with sovereign states.

In October, our CEO signed an open letter of the World Economic Forum's Alliance of CEO Climate Leaders to encourage world leaders to take decisive steps during COP26. It also encouraged all business leaders to set (science-based) targets to halve emissions by 2030 and reach net-zero by 2050, with a clear roadmap on how to get there, along with transparency on emissions and their financial impact. The Alliance is a global community of CEOs who continue to raise the bar and catalyse action across sectors, and encourage policymakers to help deliver the transition to a net-zero economy. NN's CEO became a member in 2021.

Making a positive impact through our investments

During 2021, NN IP expanded its sustainable and impact strategies offering with the launch of a new Sovereign Green Bond fund. Our green bond strategy (funds and mandates) has seen significant growth, reaching EUR 4.5 billion at year-end 2021. Total AuM of our sustainable and impact investing products grew 29% to EUR 37.9 billion at year-end 2021.

For NN Group's own assets, too, we look for investments that have a positive impact on society while meeting our investment criteria. For instance, we invest in green bonds, renewable energy-related infrastructure projects, and energy efficient real estate. As mentioned above, we set a target to increase these investments by EUR 6 billion by 2030. In total, these investments amounted to EUR 5 billion at year-end 2021.

For NN Group's non-listed real estate portfolio, we use the Global ESG Benchmark for Real Assets (GRESB) as the primary tool to assess and monitor the sustainability performance of our real estate portfolios. We require all real estate and fund managers to report in GRESB Real Estate Assessment. In the 2021 assessment, 82% of NN's portfolio of directly-owned buildings, joint ventures and funds was measured in the reporting tool. The NN portfolio had a (value-weighted) score of 87 (on a scale of 1 to 100), well above the European non-listed real estate benchmark average of 78. While for the third consecutive year our directly-managed real estate portfolio received a 5-star rating, GRESB's highest rating and recognition as an industry leader.

Our carbon footprint analysis of proprietary assets measures the carbon footprint of 80% of our total assets. Read more on pages 131-134.

Responsible tax strategy

We believe a responsible approach to tax is an essential aspect 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 up all stakeholder interests. We have a set of tax principles to which we adhere and that we communicate publicly on our website through our Tax Strategy and Principles, and the NN Group Tax Charter.

Besides the taxes 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 insight into our tax contribution, since 2019 we have published a Total Tax Contribution (TTC) Report, which provides information on the taxes we paid in the countries where we operate on a country-by-country basis. The 2021 TTC Report is available on our website and covers the book-year 2021.

We are pleased that our efforts on this front have been recognised by external stakeholders, with NN being the top-scoring company in the annual Tax Transparency Benchmark published by the Dutch Association of Investors for Sustainable Development (VBDO) for the third year in a row. This benchmark provides a comparative study of Dutch listed companies' fiscal transparency.

Financial tax disclosures

The financial disclosures on corporate income taxes paid by NN Group can be found on Note 35 of the 2021 Consolidated annual accounts. The same information is included in the 2021 TTC Report, but with more detailed explanations around the disclosures. In addition, the TTC Report provides information on other taxes collected and paid by NN Group as part of its operations.

NN Group's total tax contribution in 2021 amounted to EUR 2,621 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 part 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 80% to the tax authorities in the Netherlands, and 20% to local tax authorities on behalf of our international businesses.

Sustainable sourcing

NN Group is committed to making sustainable procurement decisions and we encourage our suppliers to do the same. Our decisions not only aim to meet our organisation's need for products and services. Through them, we also aim to make a positive contribution to society and minimise our environmental impact while addressing socioeconomic issues. This is explained more fully in our Sustainable Procurement Statement, written in 2021.

Our approach starts with assessing ESG factors that can present risks or opportunities for NN. If these factors are material, we incorporate appropriate evaluation criteria in our sourcing processes and evaluate all costs associated with the product or service. We also challenge our suppliers to offer sustainable and innovative solutions. Our suppliers are asked to register on an FSQS-NL supplier qualification platform, where they provide detailed information on the policies and processes they have in place to, among other things, minimise environmental impact.

We launched this system in the Netherlands in 2020. In 2021, a total of 297 suppliers (51% of our total tier 1 and tier 2 supply base, covering 60% of total spend) have registered, completed the questionnaire and uploaded supporting documentation. We also have a process and governance in place for screening the integrity of the supplier, both at onboarding and during the contract lifecycle, when we also actively engage with our suppliers to stimulate ongoing improvements.

We strive to continually improve our relationships with suppliers and work together in a mutually beneficial way. We have included our most important standards in our approach to environment and human rights issues in NN's Terms & Conditions and model contract repository, which our suppliers agree to when doing business with us.

In addition, in 2021 we developed the NN Supplier Code of Conduct (SCC), which outlines our expectations of the policies and practices of our suppliers in terms of the environment, human rights, diversity and inclusion, and integrity and ethics. All key suppliers will be asked to commit to this code of conduct. To date, 148 of the suppliers invited in the first wave in Q4 2021 have committed.

Managing our direct environmental footprint

We aim to effectively manage our direct environmental footprint by reducing our use of natural resources, seeking green alternatives and compensating the remainder of our carbon emissions.

In 2021, NN Group committed to reducing its CO_2 emissions by at least 35% by 2025 and 70% by 2030, compared to 2019 levels. Following this path, we expect to reach net zero by 2040. This covers CO_2 emissions from our buildings, lease cars and business air travel.

We aim to reach our targets through various actions. Firstly by working in a hybrid way, stimulating colleagues to also work from home, thus reducing business travel and commuting. Furthermore we aim have a 100% electric car fleet in the Netherlands by 2025. To reach this goal we updated our lease policy in the Netherlands to only allow fully electric lease cars from 2022 onwards.

In 2021, our CO_2 emissions decreased by 16% compared to 2020 and 67% of our electricity use came from renewable sources. The overall proportion of renewable electricity has steadily decreased as a result of less electricity being consumed in the Netherlands (which is 100% renewable) compared to international business units, where a proportion of the electricity consumed is not electric.

We continue to compensate the remainder of our CO_2 emissions by purchasing voluntary carbon credits and have been carbon neutral since 2007. Since 2021 we have been investing in the forest conservation of Alto Huayabamba in Peru.

Our contribution to our communities

At NN, we put our resources, expertise and networks to use for the advancement of our communities. We promote a society in which everyone can participate and thrive for many generations to come.

Within our strategic commitment to society, we pledge to invest 1% of our operating result[1] before tax in society by 2023. To ensure we continue the professional development of our community investment programme, we align with the highest industry standards. In 2021, we joined the Business for Social Impact (B4SI) network. We use their framework and guidelines to guide our implementation of our 1% ambition, including internal and external reporting. In line with their framework, we include cash contributions, in-kind donations, volunteer hours (monetised) and management costs.

Overview of our contributions to society (x EUR 1,000)	2021
Cash contributions	6,244
In-kind donations (monetised)	62
Volunteer hours (monetised)[2]	543
Management costs[3]	1,151
Total contributions	**8,000**
% of operating result before tax in 2021	**0.4**

In 2021, we also aligned and updated our charitable donations policy, in line with our revised strategic direction and the B4SI framework. Guided by this policy, we continued to grow and develop our programme in line with our globally consistent, locally relevant approach. We built on our current strong foundations, growing existing partnerships and starting new ones. In doing so, we increased our donations and volunteer hours.

1 Based on a three-year average.
2 We use the standard hourly rate of 40 euros per hour
3 This includes FTEs allocated and any other costs that are needed to professionally run our programme (e.g. impact measurement, communication costs)

We also decided to broaden our scope in line with relevant themes for the business. So as well as continuing our focus on financial well-being through NN Future Matters, we increased our contributions under the theme: physical and mental well-being.

Financial well-being: NN Future Matters

Within our NN Future Matters programme, we continue to work with our longstanding partner Junior Achievement (JA) Europe in the markets in which we are active. JA Europe and NN Group have been working together since 2015 to empower young people to tackle societal challenges by using innovation and entrepreneurship. The Social Innovation Relay (SIR) is an innovative programme designed to enhance essential 21st century and entrepreneurial skills among secondary school students. The programme helps young people think like social entrepreneurs, gives them access to the latest technology and shows them that starting their own business can be a viable career choice. In 2021, we reached 13,282 students, and 285 colleagues from NN volunteered to support the programme.

We also extended our partnership with JA Europe to see how we can better help enhance the employment opportunities for young people who currently have limited opportunities and resources. Together, we founded the Economic Opportunities for All initiative. This initiative commissioned research on, among other things, how to best support these youngsters. Based on the research results, JA Europe is now taking the first steps towards integrating this knowledge into their programme offering.

EUR 6.2m
Donations to charitable organisations

In addition to continuing our current partnerships, we also initiated new partnerships locally. Alongside our involvement with JINC in the Netherlands, NN Belgium started to support the newly-established chapter in Belgium. Through the JINC programme, young people with limited opportunities or resources are introduced to all kinds of professions, discover which work suits their talents and learn to apply for jobs.

In our Dutch market, we initiated several new partnerships to support young people in finding a stable job. For example Emma at Work, which aims to increase the chances on the job market for young people who are physically challenged. In addition to our financial contribution, 15 NN colleagues volunteered to be mentors to young people, helping them increase their confidence and network in order to find a stable job. Another example is our partnership with Refugee Talent Hub, where we support job opportunities for refugees by expanding their network within the IT sector. 33 NN colleagues volunteered to be mentors on this programme.

In Slovakia, we started a partnership with Cesta Von to support their mission to help people caught in generational poverty to become self-sufficient, find employment and be able to live a decent life. In particular, we invested in Omama, a social and educational project where so-called 'Omamas' empower parents and support them in the development of their child, so they get the strong foundation necessary for later success in life.

21,525
People reached through NN Future Matters

13,586
Employee volunteer hours

Creating value – Society and communities continued

Physical and mental well-being

In 2021, we put greater focus on physical and mental well-being, as this theme is close to our business.

In Romania, we began a major partnership with Asociatia Inima Copiilor (Children's Heart Association). We are supporting the expansion of a medical unit in the Marie Curie Hospital in Bucharest that will mean children with heart diseases can enjoy the right treatment and medical conditions. In addition to a direct donation to this foundation, we supported a national campaign where we invited Romanian citizens to donate 2 euros a month towards the costs of expanding the medical unit. NN Romania will match these public contributions up to the amount needed to fund the expansion.

NN Spain has developed a two-year partnership with Unoentrecienmil. Through our support, this Spanish foundation for childhood cancer research can develop a digital app to guide physical exercise for children with cancer to support their recovery. Not only when they are hospitalised, but also at home. The project aims to implement this app in multiple hospitals all over Spain.

NN Poland partnered with Fundacja Twarze Depresji (Faces of Depression Foundation) to overcome stereotypes about mental illness, and in particular depression. Among other things, NN Poland supported online psychological consultations for 320 people from excluded communities undergoing an emotional crisis.

Your Community Matters: NN Volunteer Week

In 2021, we introduced our first-ever Your Community Matters, NN Volunteer Week to deepen our involvement with our local charitable partners.

During the week, 1,599 colleagues from 10 different NN markets volunteered 2,510 hours for 36 different charities. Colleagues from all levels of the organisation, including management board members, participated in several volunteer activities. For instance, in Poland our colleagues collaborated with the Intergenerational Activity Center in Warsaw working on senior citizens' well-being. NN volunteers kept seniors company and seniors could attend workshops together, and join a special concert where an Elvis Presley impersonator played the music of their youth.

In all ten markets that joined the volunteer week, we also invited colleagues to join our first-ever charity run. Colleagues ran 4,985 km and in doing so raised EUR 39,650 for local charities.

To further strengthen a culture of caring for our communities, we initiated the first-ever internal Your Community Matters Award. This celebrates the most impactful community investment and volunteering projects across NN Group. Colleagues across our company are invited to vote and choose the winner.

From Debt to Opportunities

In 2021, we finalised our foundation's five-year programme From Debt to Opportunities. In November, together with our partners, we organised a closing conference presenting the final results and lessons learned from the programme's longitudinal research. Among other things, the research found that 75% of the 4,835 people who participated in the 85 projects within the programme increased their financial self-reliance.

With the programme officially closed, we have now discontinued the foundation and integrated long-term partners into our NN Future Matters programme.

Our support during Covid-19

During 2021, Covid-19 has continued to cause concern and distress globally. In addition to its immediate impact on health, it makes even clearer just how fragile the well-being of people and our planet is.

It also meant that many of our societal partners continued to adapt their programmes to local measures, and wherever possible we supported them in making this work. For instance, our colleagues continued to volunteer, online if necessary.

Research suggests the pandemic will probably have long-term effects, especially for those in fragile socioeconomic situations. We therefore support a Covid-19 recovery fund with the Oranje Fonds in the Netherlands. This focuses on supporting non-profit organisations and social enterprises that are trying to mitigate the negative effects of the pandemic on the economic opportunities for people with a more fragile socioeconomic status. In other countries, such as the Czech Republic, we provided moral support to healthcare workers by delivering 500 thank-you gifts to them.

Reporting on progress

In 2022, we will continue to scale our contributions to society in pursuit of our ambition to contribute 1% of our operating result by 2023. Because we believe sincerely that making a lasting impact on society is important, we will soon be launching our first Community Investment Impact Report. This will help us learn from and improve our practices. More importantly, it will steer us towards new activities that will enable us, together with our partners, to contribute to the well-being of people and the planet.

Creating value – Sustainable Development Goals

Contributing to the SDGs

In 2015, the UN launched the 2030 agenda for sustainable development. At its heart are the 17 Sustainable Development Goals (SDGs), which address the world's biggest global challenges, including ending poverty, improving health and education, reducing inequality and combating climate change.

In 2017, we identified our impact areas for the first time through dialogue with internal and external stakeholders. Since then, we have continued to sharpen our focus and determine where as a company we can have the biggest impact.

Here, we highlight the SDGs where we can have the biggest impact as an employer, insurer, investor and business partner.

Key impact areas

As a responsible insurer, investor and employer, NN contributes in particular to the achievement of SDG 3 (Good health and well-being), SDG 8 (Decent work and economic growth), SDG 12 (Sustainable consumption and production) and SDG 13 (Climate action). We do this through both our core business activities and our value chain.

We also have an impact on other SDGs. Through our ambition to accelerate the transition to a low-carbon economy, we support SDG 7 (Affordable and clean energy). We have an impact on SDG 1 (No poverty) with our community investments, through which we strive to build better and stronger communities.

We impact SDG 5 (Gender equality) through our continued efforts to enhance diversity and inclusion within NN.

There is a strong link between our performance in meeting our key strategic commitments and our impact on the SDGs. This is because the SDGs are a close fit with the themes of our own strategic agenda: healthy and safe living, a sustainable planet and an inclusive economy.

SDG Calculator Netherlands Non-life

In 2021, the Netherlands Non-life Taskforce Sustainability worked on the development of a strategy to integrate the SDGs more into our business activities. During the year, the taskforce evolved into a Sustainability Programme, led by a dedicated programme manager and consisting of nine workstreams.

One of the workstream is the SDG Calculator for which we entered into a pilot with reinsurer Swiss Re. The aim was to develop a framework of indicators and metrics that enables Netherlands Non-life to facilitate discussions on targets and pathways, and steer the underwriting portfolio during the transition period.

Through the use of the SDG Calculator, we identified the impact of our Non-life property and motor portfolio in the Netherlands on various SDGs. By analysing premiums, coverages, and our own operations, we obtained the first meaningful insights into the correlation between our property and motor portfolio and the selected SDGs which align most with our strategy.

The SDG Calculator includes various climate-related indicators that correlate to different SDGs. For instance, the coverages against specific natural catastrophes like windstorm, hail and river flood have a positive correlation with SDG 1 (No poverty), SDG 11 (Sustainable cities and communities) and SDG 13 (Climate action). Another example is the Pollution Footprint which correlates not only with SDG 11 and SDG 13 but also SDG 7 (Affordable and clean energy). In 2022, we will conduct additional research to select indicators and metrics, and define appropriate targets that reflect the ambition of Netherlands Non-life regarding the SDGs.

Creating value – Sustainable Development Goals continued

Please refer to the table below for an overview of how we are striving to contribute to the SDGs and continuously improve as an organisation.

Healthy and safe living

	Ambitions and targets	Performance 2021	Material topic
SDG 3 Good health and well-being Ensure healthy lives and promote well-being for all at all ages	Contribute to the physical and mental health of our colleagues, our customers and the broader society	Contributed to keeping our colleagues safe by enabling them to work from home, and stay fit and healthy (reflected in the employee engagement score of 7.7)	People management
	Contribute 1% of our operating result (three-year average) to our communities, including cash donations and hours of volunteering by 2023	Contributed EUR 1.2 million in cash donations and 3,034 volunteer hours to charitable partners focused on physical and mental well-being	Community investment
	Continue to support our customers with solutions that help them address societal challenges related to healthy and safe living	Scaling of products and services with societal added value that address issues, such as loneliness, diabetes, access to healthcare and burn-outs	Products with societal added value

Sustainable planet

	Ambitions and targets	Performance 2021	Material topic
SDG 7 Affordable and clean energy Ensure access to affordable, reliable, sustainable and modern energy for all	Invest in clean energy infrastructure such as wind parks and solar farms as part of our overall objective to increase investments in climate solutions	Amount of renewable infrastructure investments: EUR 566 million at year end 2021	Climate change Responsible investing

SDG 12 Sustainable consumption and production Ensure sustainable consumption and production patterns	Integrate ESG factors into investment process for 80% of our total AuM by 2023	Integrated ESG factors into investment process for 91% of our total AuM at year-end 2021	Responsible investing
	Continue to increase our AuM in sustainable and impact strategies	Total AuM of our sustainable and impact strategies grew 29% to EUR 37.9 billion at year-end 2021	Responsible investing
	Support our customers with solutions that help them address societal challenges related to climate change	Introduction and scaling of products and services with environmental impact such as a greener housing market, sustainable living and promotion of climate-neutral transport	Products with societal added value

Creating value – Sustainable Development Goals continued

Sustainable planet continued

	Ambitions and targets	Performance 2021	Material topic
SDG 13 Climate action Take urgent action to combat climate change and its impacts	Help accelerate the transition to a low-carbon economy in order to limit the rise in average global temperature to 1.5°C.	Signed the PAII Asset Owner Commitment, affirming our commitment to transition our investment portfolio to net-zero GHG emissions. Developed strategies for sovereign bonds, corporate investments, and real estate Joined the Net-Zero Insurance Alliance (NZIA) to develop a framework for strategy and target-setting for the insurance industry	Climate change
	Reduce GHG emissions of our own business operations by 35% by 2025, and 70% by 2030 (compared with 2019)	CO_2 emissions per FTE decreased by 20% to 0.5 CO_2 emissions per FTE	Climate change
	Contribute 1% of our operating result (three-year average) to our communities, including cash donations and hours of volunteering by 2023	Contributed EUR 329,000 and 1,720 volunteer hours to charitable partners focused on a sustainable planet	Community investment

Inclusive economy

	Ambitions and targets	Performance 2021	Material topic
SDG 1 No poverty Improving access to sustainable livelihoods, entrepreneurial opportunities and productive resources	Contribute 1% of our operating result (three-year average) to our communities, including cash donations and hours of volunteering by 2023	Contributed EUR 4.3 million and 8,356 volunteer hours to charitable partners focused on promoting financial empowerment, creating economic opportunities, and alleviating financial distress 21,525 people reached through NN Future Matters 39 scholarships provided to students from eight countries	Community investment
SDG 5 Gender equality Achieve gender equality and empower all women and girls	40% women in senior management positions by 2023	34% women in senior management positions	Diversity and inclusion
	Together increase diversity, inclusion and equality in our teams; engage everyone, and encourage them to be who they are, share their voices and drive change		Diversity and inclusion
SDG 8 Decent work and economic growth Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Employee engagement ≥7.8 by 2023	Employer to 15,417 employees worldwide Employee engagement 7.7	People management

Safeguarding value creation

Our values

Our values are the foundation of our culture. They serve as a compass for decision-making, guide us in all our interactions and are an integral part of our strategic framework, with the aim of creating long-term value for our stakeholders. Our values help us live up to our company's purpose. And last, but not least, they unite and inspire us.

Care

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

Clear

Communicate proactively and honestly, while being accessible and open

Commit

Act with integrity and do business with the future in mind

Safeguarding value creation – Our values

Living our Values programme

The 'Living our Values' programme was launched in 2014 to raise awareness, involve our colleagues and oversee how our values are implemented. The programme employs various measuring tools to monitor how effective we are in living our values, providing management with insights into our values-related behaviour and identifying areas for improvement. This annual assessment of the programme's progress, the Living our Values report, is discussed and approved by the Management Board and Supervisory Board. It was also discussed with the Central Works Council, where a key item for discussion was the participation of the various business units in awareness initiatives around values.

A values-driven culture

To ensure all employees know and live the values throughout their NN careers, they are incorporated into our HR policies and processes: they form the starting point for hiring new employees, are embedded in our i-LEAD profile and form part of our Key Talent Management process. Our new onboarding programme, launched in 2021 to accommodate employees working from home, also explicitly covers the NN culture and values.

Values week

In October 2021, we held our seventh annual NN Values week across 11 countries. Values week provides an opportunity to engage colleagues in how we live our values. The 2021 edition was entitled 'Our values at work' and looked at practical ways we can employ the values.

In the Netherlands, Values week was held as a fully digital event for the second time. Over 1,000 colleagues joined workshops, dialogues and presentations on business- and values-related topics. As the sessions were offered online, International Insurance colleagues were also able to attend, with around 110 colleagues participating.

A survey found that 78% of participants in the Netherlands felt Values week provided a good opportunity to reflect on our values (2020: 81%), 65% felt it stimulated discussion (2020: 68%) and 97% would encourage colleagues to join the next edition (2020: 99%). A digitalised Values week enables colleagues from all buiness untits to participate in sessions organised in the Netherlands. Values week will therefore continue at least partly in a digital format.

Segment	**2021**	2020	2019
Care 'In our team we genuinely care about our customers and treat them with respect'	**8.2**	8.4	8.2
Clear 'In our team we are easy to approach and communicate proactively and honestly'	**8.1**	8.3	8.0
Commit 'In our team we take responsibility for our actions and deliver on our promises'	**8.1**	8.3	8.1

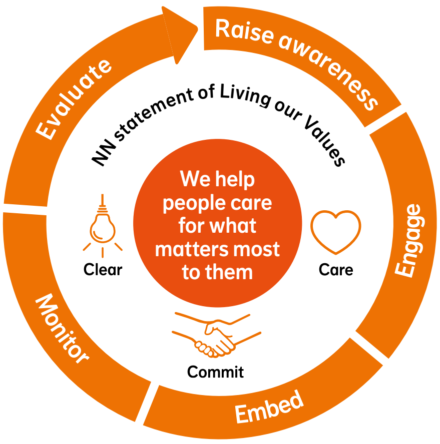
Leading by example

Our Management Board and senior leaders are important role models in living our values. Values week opened with six members of the Management Board participating in a live discussion viewed by over 300 colleagues. They discussed the values, open dialogue, clear communication and taking responsibility for mistakes. Management Board members also hosted small, informal sessions with colleagues in order to share personal reflections and their experiences of including values in their day-to-day work.

Our employee engagement survey asks colleagues how their direct managers perform on living our values. Even with people largely working from home, the response to the statement 'My manager consistently acts as a role model when it comes to living our NN values' scored 8.2 (2020: 8.1). Scores are consistent with the generally high appreciation employees show for management in the survey, and in line with the benchmark.

Engaging with senior leaders

We launched our strategy, which is aimed at creating value for all stakeholders, in June 2020. This was during the Covid-19 pandemic, when we were largely working from home. So to engage senior leaders in the strategy and create an open dialogue on its implementation, we developed virtual 'Let's connect' initiatives. In 2021, these included a virtual International Leadership Meeting for some 250 leaders, and a 'Let's connect tour' where over the course of 19 virtual sessions our CEO connected with over 500 senior leaders from across all units to explain and personally discuss the strategy.



Monitoring progress

We monitor the effectiveness of the Living our Values programme in our annual employee engagement survey. The Management Board and the Living our Values Project Group use the outcomes to evaluate where we need to focus attention. The 2021 results saw a slight (-0.2) though not significant decrease on 2020 engagement levels at overall group level. We do not, however, see this as cause for concern, as it fits with a worldwide engagement trend (-0.2), whereby an increase in engagement following the early days of Covid-19 was followed by a gradual normalisation to pre-Covid scores by the end of 2021.

Consumer perceptions

We measure the perception of our values, care, clear, commit, among our customers and the general public through the Global Brand Health Monitor (GBHM).

For customers, the 2021 year-end results show that the values remain strongly embedded in the NN brand, with at least 50% of customers recognising each of the values in most markets. In most markets, 50% or more of the NN customers (totally) agree with the fit of care, clear, commit with the NN brand. However, in 2021, Belgium, Japan, and the Netherlands scored below 50%. Belgium showed a significant increase for care and clear. Despite scoring below 50%, the Netherlands shows a significant increase on all values. The scores have not significantly changed for Japan.

For the general public, most markets show stable scores in comparison with 2020. The Netherlands, Turkey, and Czech Republic show a significant increase on all values. Belgium, Japan, and Spain show significant decreases for care. We also see a significant decrease for commit in Belgium, Japan and Poland.

In 2022 we will continue to work together with the local business units by providing them more guidance on how to translate the brand values in their communication.

Purpose Council

Our purpose: We help people care for what matters most to them', expresses the 'why' behind our actions and reflects the kind of company we want to be: one that delivers long-term value for our stakeholders.

The Purpose Council oversees how we are upholding our purpose and progressing on our non-financial targets. It was set up in 2019 to advise and support the Management Board in developing a new purpose statement. Chaired by the Chief Organisation & Corporate Relations, and sponsored by the Group CEO, the Council consists of several Management Board members, heads of relevant staff departments and business representatives.

The mandate of the Purpose Council is to support the Management Board in steering, measuring and reporting on non-financial issues. It performs an advisory, consultative and preparatory role with regard to purpose-related areas such as company culture, including the values, brand and reputation management, employee engagement, diversity and inclusion, sustainability, environmental, social and governance matters, and community investment. Final decisions related to NN's purpose, values, and non-financial KPIs and targets are made by the Management Board.

The Purpose Council met four times in 2021 to discuss progress on non-financial KPIs linked to our strategic commitments. These KPIs are reported in a strategy dashboard that is updated every quarter.

Two Permanent Education sessions were organised, focusing on NN's climate change initiatives and community investment activities. Other topics discussed included NN's commitment to the Sustainable Development Goals (SDGs) and NN's Sustainable Finance Regulations programme, as well as external developments and changing stakeholder expectations and dilemmas. The Purpose Council also reviewed and commented on the 2021 Living our Values report.

Safeguarding value creation – NN Code of Conduct and other policies

Our Code of Conduct and other policies

As we accelerate our digital transformation, it is more important than ever that we safeguard the privacy of our customers and treat personal data with care

Janet Stuijt
General Counsel

NN Code of Conduct

Based on the NN statement of Living our Values, the NN Code of Conduct offers clear guidance in a single, easy-to-understand document on how NN employees should behave: how we interact with colleagues and customers; how we deal with information and (personal) 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. Every year we review and update the content of the Code of Conduct and Manager Annex, and the underlying policies and standards.

Employees must formally acknowledge annually that they understand the content of the NN Code of Conduct, and can and will apply the underlying policies and standards. Formal acknowledgement of the NN Code of Conduct has been mandatory for all business units for several years. The Code of Conduct has a supplement for management, that contain topics only relevant for managers: the Manager Annex.

In 2021, we achieved an acknowledgement score of 100% for internal NN staff and managers (excluding staff on long-term or sick leave). External employees and/or contingent workers receive the Code of Conduct as part of their contract.

Awareness and e-learnings

In 2019, we launched the online learning platform 'Conduct Matters' to raise awareness on the NN Code of Conduct. It is accessible for all NN employees in local languages. We updated the online learning platform with relevant data in 2020 and 2021, and are reshaping the format to match our hybrid way of working.

Since 2020, we have rolled out several new interactive e-learning courses for employees groupwide. Next to all the local training initiatives these groupwide e-learning courses aim to raise risk awareness around Confidential/Price-sensitive Information (Confidential Matters), Market Abuse/Insider trading (Trading Matters – all NN insiders), Bribery & Corruption/Conflicts of Interest (Conflicting Matters), Silent Voice Activation/Whistleblowing Procedure (Your Voice Matters). In 2021, the offering was expanded with a e-learning on handling Data and Confidential information with care in a hybrid-working context (Data Matters).

Digital compliance dashboard

In 2021, we continued to improve the digital compliance dashboard, used by the local compliance departments in all NN business units, as part of progress towards a more data-driven compliance function within NN. The dashboard uses various data sources to create a detailed overview of information available in order to facilitate effective and efficient compliance monitoring on various risks in the compliance domain. Future focus will be in expanding the topics on the dashboard. Data from the compliance dashboard will be included in the strategy dashboard developed for the Management Board. This dashboard contains both strategic and risk-related data metrics.

Risk Culture Check-in, ECF Maturity Reflection

In January 2019, Group Risk and Group Compliance launched the Risk Culture Check-in, whereby all business units perform a self-assessment of the risk culture within their unit (including the independent view of local control functions) and the cooperation of head office control functions with the business units.

The second Risk Culture Check-in was performed in 2020. We used 2021 to integrate, for efficiency and optimisation purposes, the Risk Culture Check-in model with the model for the Maturity Assessment of local control functions. The new integrated model is called the ECF Maturity Reflection.

The ECF Maturity Reflection forms the basis for constructive dialogue with NN senior management on how we manage the risk culture within the company, and where we can improve. The resulting 360-degree loop delivers content to underpin the 'Employee Conduct & Business Culture' statement within our risk management framework. The process is led by Group Risk in close cooperation with Group Legal and Group Compliance.

Safeguarding value creation – Our Code of Conduct and other policies continued

Product insights
In December 2020, we launched 'Product Talks', an online digital learning platform designed to enhance knowledge and skills needed to develop and review NN products and services in line with our Product Policy. Since then, we expanded the number of micro-learnings on the platform, and intensified the cooperation between colleagues from Group Legal, Group Compliance and Group Risk involved in product development or review.

In 2021, NN executed an assessment of the open book unit-linked (UL) products in our international businesses. Most business units implemented active monitoring of the UL funds. Some business units actively changed the set-up of the UL funds and increased the level of transparency to improve the return for the customer. Based on the PRIIPS (Packaged Retail and Insurance-based Investment Products) KID calculations, we actively monitored the balance between the gross product return and the cost levels.

We also shared best practices, and the business units are encouraged to evaluate the adoption and implementation of these best practices in the current or next product planning cycle.

In addition to product and service assessments and improvements, in close cooperation with the business units we executed a behavioural insight scan on the Product Approval and Review Process (PARP) designed to enhance speed and efficiency. Several improvements were discussed, including a new workflow management tool to strengthen the efficiency of the PARP. We expect to implement improvements in the PARP in the first half of 2022.

Reporting misconduct
By living up to our values, we create a safe working environment for our colleagues and protect our and protect the reputation and integrity of our company. Not living up to our values may also expose NN Group and its employees to possible regulatory and/or criminal liability. Internal reporting of criminal or unethical conduct or breaches of (local and EU) law by or within NN is of great importance for a safe working environment, where everyone feels welcome, valued and respected. Whenever breaches of the Code of Conduct or Union (EU) legislation/law occur, NN carefully reviews and assesses whether a further investigation or other action is needed.

The NN Group Whistleblower Policy was updated in December 2021 to comply with the new EU Whistleblower Directive and related local legislation. It enables every employee and certain external parties to report, if they wish anonymously, a concern and/or breach outside regular reporting channels. NN Group guarantees various rights, including protection from retaliation, for any employee or external party who reports a concern/breach in good faith in a work-related context, provides information, or otherwise assists in an investigation. An outline of the Whistleblower Policy can be found in the NN Code of Conduct.

All NN managers are made aware of the updated Whistleblower Policy and processes. In the first quarter of 2022, all NN employees will be informed of the changes via a mandatory e-learning. In addition, the Whistleblower Reporting Officers, who are appointed in all NNs business units, participated in a two-day masterclass in 2021 on the new rules and processes.

Cases involving disciplinary measures	**2021**	2020	2019
Fraud-related	**0**	0	1
Unethical behaviour	**2**	6	5
Conflict of interest	**0**	0	0
Total	**2**	6	6

Whistleblower cases	**2021**	2020	2019
Total	**1**	2	4

In the one whistleblower case listed above, Corporate Security & investigations carried out an investigation in 2021. Concerns are recorded and the number of cases is reported by the Chief Compliance Officer periodically to the Management Board and Supervisory Board.

Other incidents and concerns
Up to December 2021, Corporate Security & Investigations was involved in 41 cases in total. (2020: 66). In two cases, disciplinary measures (warning, reprimand, termination of employment or instant dismissal) were taken. Employees are informed in writing of any disciplinary measures.

Other policies
NN has policies, processes, systems and practices in place to ensure we always do business in line with our values and regulatory requirements. That means, for example, developing products and services designed with the best interests of our customers at heart, and managing our processes and the personal data of customers in line with best practice in terms of transparency, safety and security. In doing so, we demand standards from all our business units and employees that meet and often exceed regulatory requirements.

PARP and golden rules

The demand for transparent, simple products from the financial services industry continues to grow. Customers expect value for money, transparency, and products and services that evolve with developments. Any new or modified product or service must first undergo a careful PARP to ensure it is transparent and meets customers' needs. An integral part of 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

Data privacy

As digitalisation continues rapidly, we are conscious that to safeguard the privacy of our customers it is more important than ever to secure their personal data and handle it responsibly. We do this by complying with all legislative data protection requirements, of which the EU General Data Protection Regulation (GDPR) is most important.

Data is vital to serve today's customer effectively. Using big data to analyse customer propositions helps us strengthen our interactions with customers, forge more intuitive partnerships and create superior tailor-made solutions.

Our data and artificial intelligence (AI) analyses are focused on product/market optimalisation, process efficiency, and fraud and claim analytics. For all AI use cases, it is vital that the application is trustworthy by design. To help us ensure this, we developed our own AI ethics framework (the 'NN AI Guidelines) in 2020, in line with our values. These guidelines facilitate the development and use of trustworthy AI, and set even stricter requirements than legislation prescribes. The guidelines adhere to the seven principles of trustworthy AI, as set out in the Ethics Guidelines for Trustworthy AI developed by the High-Level Expert Group on Artificial Intelligence (set up by the European Commission).

Our AI Guidelines also enable us to deploy AI in line with the Ethical Framework of the Dutch Association of Insurers (Verbond van Verzekeraars).

In addition, we have been closely monitoring and anticipating the development of a European AI Regulation, which was published in draft form by the European Commission in April 2021.

We are very aware that we need to strike an appropriate balance between individual choices, privacy and social responsibility. So, in addition to our focus on the (personal) data we manage and protect, we also provide cybersecurity services, like Cyberwacht, to consumers who have been hacked. Next to that we help companies to get their basic cybersecurity in order with services like Perfect Day, as the consequences of inadequate cybersecurity can be far-reaching for both individuals and companies.

Financial economic crime

NN guards against money laundering, funding of terrorism, tax evasion and other forms of financial economic crime (FEC), and does not tolerate any deviation from relevant FEC laws or regulations. Primarily because FEC is illegal and unethical, but also because it can harm confidence in NN as a financial services provider.

Digitalisation and increasing dependency on digital contacts with customers and business partners is posing posing challenges to Know-Your-Customer (KYC) requirements and similar business partner related processes. NN is taking pro-active measures to ensure adherence to these requirements.In the Netherlands, our Best in Data programme, introduced in 2020, has delivered updated FEC processes, leading to improvements in monitoring, transparency and FEC controls. In addition, employee awareness sessions have increased FEC knowledge and the data quality of the business portfolio has improved.

In 2022, for reasons referred above and to keep pace with increasing regulatory requirements, NN will continue to improve operations with regards to the management of financial economic crime related risks.

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'), and continue periodically to 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 them the option to switch to another product or make changes to their policy free of charge. Customers are also entitled to free advice.

As of 31 December 2021, the portfolios of Dutch insurance subsidiaries of NN Group comprised less than 340,000 active unit-linked 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 tailormade 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 Note 45.

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 increase leverage.

Stakeholder engagement

Stakeholder engagement is 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 affected 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.

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; roadshows for analysts and investors; regular contact with regulatory bodies, government agencies and other organisations (including non-governmental organisations (NGOs), trade unions and industry associations); and roundtables with policymakers, academics and peers.

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 all 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, NN signed the commitment of the financial sector to the Dutch Climate Agreement and thereby commits to contribute to the financing of energy transition, to disclose the carbon footprint of our relevant investments and publish an action plan in 2022.

Since 2017, NN has disclosed the carbon footprint of our proprietary assets. Our 2021 measurement covers 80% of our total asset portfolio, which comprises the general account assets of the insurance activities, and the assets of NN Bank and NN Group. More detail can be found in 'Carbon footprint proprietary assets' on pages 131-134. We continuously enhance our approach to address climate change into our strategy, policies and activities. We encourage the energy transition, for example through our active ownership activities, and make sustainable and impact investments.

In addition to our ambition to transition our proprietary investment portfolio to net-zero greenhouse gas emissions by 2050, we announced intermediate targets for our corporate investment portfolio.

Furthermore, as a mortgage provider we want to contribute to the reduction of greenhouse gas emission in the houses we finance. NN Bank offers financing options to make homes more sustainable.

Through prevention and advice tools such as Powerly, we encourage and support customers to improve the energy efficiency of homes. Read more in the sections on Responsible investing on pages 44-47, Our response to the Task Force on Climate-related Financial Disclosures on pages 66-76, and NN IP's Responsible Investing Report 2021 on our website.

International Corporate Social Responsibility (ICSR) sector covenant

The ICSR covenant for the Dutch insurance sector aims to ensure that insurers identify and mitigate any potential negative environmental, social and governance (ESG) impacts through their investments.

The covenant's signatories (all Dutch insurers, the government 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.

During the year under review, we participated in many of the activities organised by the parties of the covenant. Among others, we co-signed an engagement letter to three companies that process meat and dairy. The goal is to contribute to stopping deforestation in Brazil as a result of soy cultivation. NN Investment Partners (NN IP) acts as one of the three lead investors performing the dialogues with the investees on behalf of all Dutch insurers that signed the letter. Read more in NN IP's Responsible Investing Report 2021.

For an overview of fixed-income bonds held on the NN Group balance sheet by type of issuer, refer to Note 52.

Net-Zero Insurance Alliance

In 2021, NN joined the Net-Zero Insurance Alliance (NZIA). The NZIA brings together insurers and reinsurers to play their part in accelerating the transition to net-zero emissions economies. Together with all NZIA members, NN is committing to transition its underwriting portfolio to net-zero greenhouse gas (GHG) emissions by 2050. The first steps will focus on developing metrics and setting targets.

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 policy, Responsible Investing Framework policy, and a Guidance paper on Human Rights for Investors.

Following a review of our human rights policies and processes across our organisation in 2020, we further strengthened our approach on human rights due diligence in our procurement activities. In 2021, we developed a Sustainable Procurement Statement and engaged with suppliers to register in a qualification platform providing information on related policies and processes. In addition, key suppliers are asked to commit to our new Supplier Code of Conduct outlining our expectations of policies and practices on human rights. For more information, refer to page 47.

Stakeholders, engagement, topics and outcomes

Stakeholder group	Engagement	Topics discussed	Outcome
Customers (retail)	Customer interviews, panels and surveys, both online and offline	Customer experience related to any change in products, services and processes	Increase customer engagement and loyalty
Clients (institutional)	Client surveys, (digital) events, roundtables	Client satisfaction, sustainable finance regulation, responsible investing	Informed and engaged clients
Financial advisors, brokers, agents	Advisor survey, roundtables, webinars, (digital) visits	Products and services, performance, strategy, partnering, integration and conversion acquired business	Stimulate good cooperation, increase financial advisor and broker satisfaction, 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	Leadership and other (digital) conferences, surveys, works councils, unions	Values, Code of Conduct, Covid-19 measures, integration process, engagement	Inform and engage employees, values-driven culture
Investee companies	Voting at shareholder meetings, dialogue with company management, engagement	Financial and operational developments, corporate governance, natural resources and climate change, decent work, (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, (pension) regulation, ICSR sector covenant, sustainable finance	Ensure compliance with, and discussion of impact of regulation
Non-governmental organisations	Correspondence, meetings, reports, benchmarks	Climate change, natural resources and human rights, deforestation, biodiversity, benchmarking methods	Exchange vision and insights, engagement with investee companies, participation in working group on biodiversity

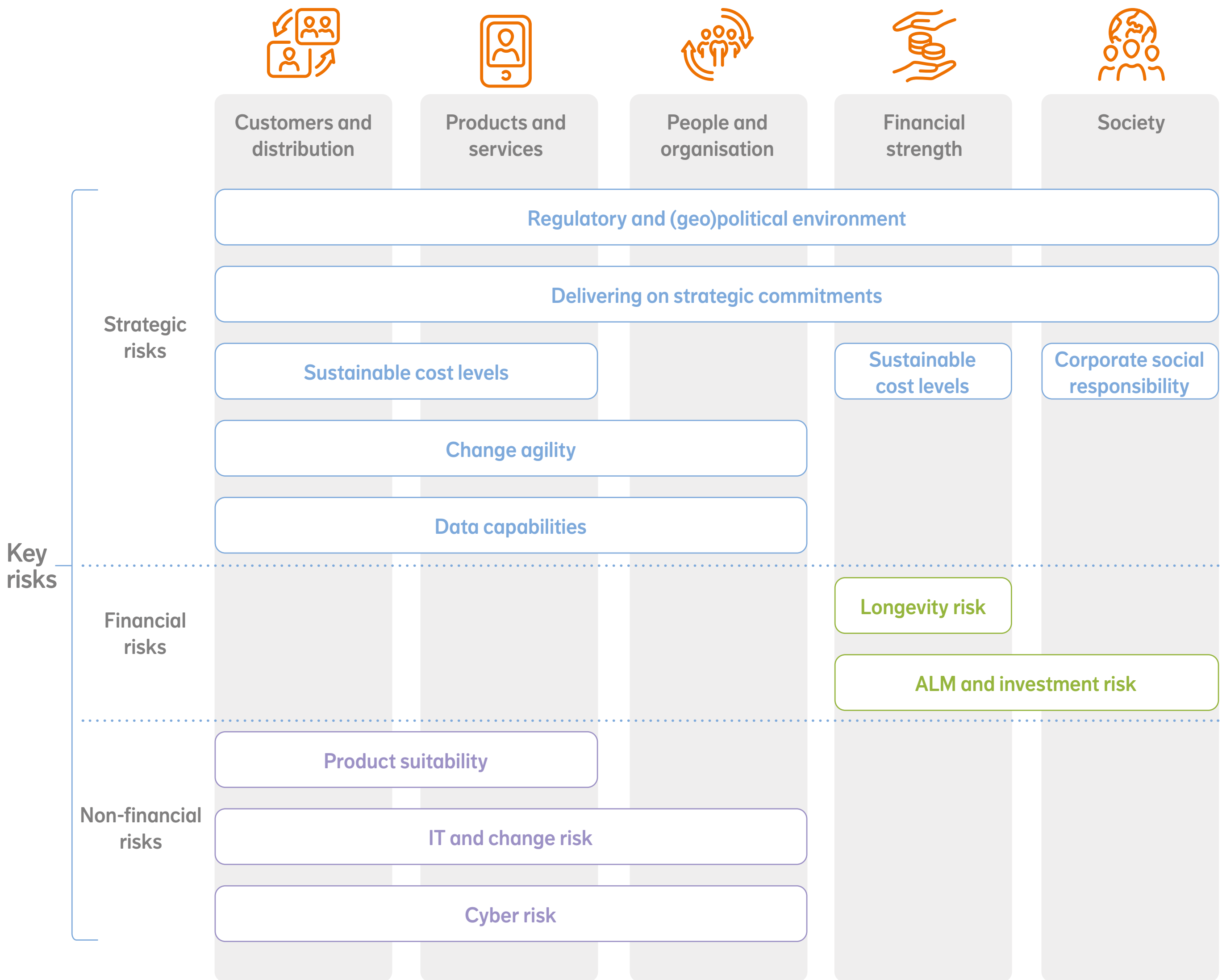
Managing our risks

Risks represent uncertainties that could impact NN Group's ability to achieve its strategic objectives and commitments. Strong risk management helps us monitor developments in our operating environment and act where necessary.

We regularly review the key risks to our strategy using a variety of inputs, including:

- external trends and material topics, as identified by our stakeholders;
- macroeconomic reports and publications from analysts, the CRO Forum (a group of professional risk managers from the insurance industry) and the World Economic Forum;
- scenario analyses and stress-testing by our investment and risk teams;
- risk self-assessments by the management of NN Group and its businesses.

Key risks are categorised into strategic, financial and non-financial risks, based on their similarities. For each category, we express how much risk we are willing to take (= risk appetite) and identify how to manage them (= mitigating measures). The following table shows which key risks can impact each of our strategic commitments:



The next table provides more information on our key risks (listed in no particular order) and how we manage them. For a more detailed explanation of NN's approach to risk management, please see Note 52 Risk management in our annual accounts.

Strategic risks

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

Key risk	How we manage this risk
(Geo)political and regulatory environment: Risk of disintegration of existing economic and political structures, adverse regulatory change or increased supervisory scrutiny which may have a profound impact on our business model or performance (e.g. Solvency II regulations, internal model, crisis measures, sustainable finance and reporting, anti-money laundering, etc).	Geopolitical tensions may have an impact on macroeconomic developments, regulatory and legislative uncertainty, volatility in financial markets, the free flow of capital or supply chains. For example tensions between the US and China, Russia-Ukraine conflict, or solidarity between EU and Eurozone members coming under pressure. Rising instability caused by Russia's invasion of Ukraine in February 2022 is expected to have a significant impact on our operating environment. At the time of writing, Russian troops continued to invade Ukraine and hundreds of thousands of Ukrainians had fled their homes. The war has fuelled international tensions, resulting in market volatility, increase in energy prices and impacting capital flows and global supply chains. NN does not have business activities in Ukraine or Russia, and our direct financial exposure to these countries is limited. We will continue to closely monitor the developments. A growing number of people seek refuge in countries where we operate, and together with our colleagues we will support charitable organisations helping Ukrainian refugees. In the short term, NN Group should be able to deal with any possible impact of these potential adverse developments, thanks to our strong solvency and liquidity position and current asset exposures. Our asset exposures can be characterised as having low exposure to other financial companies, relatively high asset duration, a low duration gap and a high allocation to highly rated European countries with relatively strong economies and sovereign currencies that are considered a safe haven in times of crisis. NN manages its asset exposures using a system of concentration limits on sovereign and country exposures, which are subject to regular review and monitoring. Regulatory developments that could significantly impact our businesses include implementation of IFRS 9 and 17, new pension regulations in the Netherlands and new regulations around sustainability. Furthermore, our capital position might be impacted by further changes to the Solvency II framework (e.g. Solvency II 2020 review) or supervisory scrutiny in areas like substantiation of deferred taxes or diversification within our internal capital model. We follow the development of regulations closely and regularly assess their potential impact on our business. NN has a proactive relationship with regulators and supervisors, so that our view will be heard during the process of developing legislation and our concerns can be raised in the relevant forums.
Delivering on strategic commitments: Risk of not delivering on commitments towards our stakeholders, due to undisciplined strategic execution, overambitious targets or a high number of strategic initiatives going on at the same time	In June 2020, as part of its strategic framework, NN made a public commitment to achieving an ambitious set of financial and non-financial objectives that aim to create long-term value for all stakeholders and that go beyond just financial targets. We have also said that, when it comes to portfolio management, we will regularly evaluate and optimise all our businesses against a set of objective criteria. Meeting our strategic commitments requires us to run an ambitious set of activities: (1) disciplined strategic execution, 2) programmes that will help us manage, simplify and transform our existing businesses, and (3) carrying out targeted acquisitions, mergers and divestments. With so many changes underway or in the pipeline, NN runs the risk of not being able to deliver on all these commitments. We have therefore set up a Strategy Dashboard where we can monitor progress against our strategic commitments, and see where we are on-track and where additional attention may be needed. The Management Board regularly reviews our progress on implementing the strategy together with our largest business units. We apply strict programme and change management principles for all strategic-change programmes and integration-separation programmes (e.g. NN IP divestment, the acquisition of MetLife Greece and Poland and Heinenoord). We apply thorough due diligence procedures before entering into transactions, with risk, legal and compliance teams providing independent opinions on potential risks both before, during and after the transaction.

Key development	How we manage risks
Change agility: Risk of NN Group not being able to timely identify threats and opportunities in the business environment and to successfully and sufficiently implement necessary change	Economic, technological, ecological and demographic developments are impacting the strategic context in which we operate at a faster pace than ever before. Change agility refers to the ability to effectively address new threats and opportunities as they present themselves, rapidly learn and implement new insights or practices and, where necessary, completely change direction quickly and efficiently. The Strategic Transformation Office (STO) is working to enhance NN's change agility by creating, developing, validating and encouraging participation on platforms in the areas of Carefree Retirement, Self-care, B2B Well-being and Business Continuity. Capability-building teams are in place to help maximise business impact through partnerships, resources and education around innovation. The NN Innovation Method, launched in 2019, is helping us become a more flexible and agile organisation, in both our mindset and how we work. We also composed a new leadership profile, i-LEAD, based on which managers are trained to coach and manage their people. For more information, see Data capabilities.
Sustainable cost levels: Risk of expense levels remaining at a too high level compared to competitors	To remain competitive it is important to ensure our revenues and cost base are well aligned. For Netherlands Life, improving IT systems and efficiency is important to keep cost levels in line with the run-off of the closed books, and to grow profitable defined contribution (DC) business. Cost challenges also exist for our Dutch Non-life business, where we have set a combined ratio target range of 94-96%. We target future cost reductions through projects related to digitalisation, product rationalisation, creating a simpler organisation and IT simplification. We also employ an Agile Way of Working in those parts of the organisation where it is beneficial.
Data capabilities: Risk of not being able to attract, develop and/or apply best-in-class big data capabilities for pricing, underwriting and distribution	Artificial intelligence (AI), greater access to 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. These developments require different types of skills from employees, such as using data mining and new ways of working. We are striving to find the right people in tight labour markets, while also encouraging current employees to develop new skills. We invest in personal and professional development throughout our employees' careers, offer people unique learning opportunities and advocate job rotation. HR is introducing a global Strategic Workforce Planning framework to identify future capability requirements and take the necessary steps to meet them. In addition to finding people, we also need to further build infrastructure that supports new techniques, such as a data lake, strict data governance and online engagement platforms. The main challenge is to simplify our IT system landscape, while at the same time testing and implementing new technology for developing new ecosystems and customer engagement platforms. A large training programme on Data & AI has been rolled out in both the Netherlands and our international businesses.
Corporate social responsibility: Risk of NN Group not adequately balancing differing stakeholder interests, deviating from societal norms or failing to be transparent in such areas as responsible investments, climate change, equality, diversity, taxes and renumeration	Sustainable value creation is at the core of our strategy. Companies in general, and financial institutions in particular, are under increasing scrutiny from consumers, non-governmental organisations, regulators, professional investors and other stakeholders on how they do business. Norms and values in society are evolving fast and not always codified in formal legislation. By responding adequately to increased stakeholder expectations, we will be able to improve our business, create long-term value, and strengthen our brand and reputation among customers, employees, investors and society as a whole. For this reason, we integrate ESG targets and criteria into our decision-making. We do this by formulating clear policies then monitoring our adherence. For example, we have an ambition to move to a net-zero greenhouse gas emissions investment portfolio by 2050 and have joined the newly established Net-Zero Insurance Alliance. Other examples include our Responsible Investment Framework Policy, Remuneration Framework, and Tax Risk Management Policy. We use our Strategy dashboard to monitor and report on our progress on non-financial KPIs.

Financial risks

Risk appetite: We want to avoid having to raise equity capital after a 1-in-20-year event or being a forced seller of assets when markets are distressed.

Key risk	How we manage risks
ALM and investment risk: Risk of reduced available capital or lower investment returns, due to financial market volatility, a low interest rate environment or ESG factors (such as climate change)	Market risk is taken in pursuit of returns for the benefit of customers and shareholders. We accept financial risks on our balance sheet that we understand and can effectively manage; but we limit concentration, interest rate, currency and inflation risk. As part of our overall strategy, NN continues to gradually shift to higher-yielding assets within our risk appetite, in order to generate attractive investment returns. Market risks are managed through a well-diversified portfolio under a number of relevant policies and standards, within acceptable risk limits and tolerances, and with the possibility to reduce downside risk through hedging programmes. We reduce interest rate risk by matching asset and liability cash flows where markets are deep and liquid. We have set risk limits and tolerances for our remaining exposure to interest rate risk. Regarding our strategic asset allocation, we aim to optimise capital generation within acceptable risk levels and other restrictions. The Covid-19 pandemic, as well as monetary policy to mitigate its effects, has impact on both supply and demand in the general economy. Worldwide, supply chain disruptions and labour and energy shortages partially restrict economic growth. Euro area annual inflation has risen to approximately 5% by end of 2021. Potentially, additional inflation might be driven by further rising of energy prices and impact of the Russian/Ukraine crisis. The impact of inflationary developments on our balance sheet and solvency position depend on inflation itself, but also on how other market factors move, a.o. driven by the response by central banks to rising inflation, or market expectations by investors. The risk of structural inflation for NN's business plans and financial position is both direct (operating expenses and claims) or indirect (effect on interest rates, equities, real estate, sales). Netherlands Life fully hedges its inflation linked liabilities on an economic basis. Managing indirect impact of inflation (interest rate movements and financial market volatility) is managed as described earlier in this paragraph. Sustained low interest rate levels impact our balance sheet, new sales (products offering options/guarantees based on market returns), closed/defined benefit (DB) books, as well as our ability to offer attractive renewal rates. We are improving our investment return by partly replacing low-yielding sovereign bonds by illiquid assets including Dutch residential mortgages, loans and real estate. At Netherlands Life, we are gradually converting the separate account DB pensions business into capital-efficient DC solutions or DB solutions, with transparent embedded profit-sharing. ESG factors, including climate change, cannot yet be fully assessed or quantified but could in the future affect the viability of NN Group's strategy. Climate change can affect the asset side of our balance sheet (through our investment processes), the liability side (through financial risks related to NN Group's products) and/or our operations (business continuity). Impact may depend on such factors as the type of business, asset portfolio or geography involved. NN is currently working on climate scenario analyses to better understand the impact of both physical and transitional risks, over both the medium and long term. We are also offering and developing a range of products that help customers adapt to and mitigate climate change, as well as further integrating ESG aspects into our proprietary investment strategy.
Longevity risk: Risk of higher technical provisions or required capital if life expectancy increases faster than expected	NN Group's pension and guarantee product portfolios are exposed to longevity risk, especially in the Netherlands. We expect this exposure to continue to increase for a relatively short period and then steadily decrease over time. We expect the impact of the Covid-19 pandemic will be small. In the short term, the risk may even be lower, due to an increased number of fatalities; but we don't yet fully know what the longer-term impact might be, and it will be only partly offset by mortality risk. NN continues to explore opportunities to manage longevity risk efficiently from a risk-return perspective and completed an additional longevity reinsurance transaction in December 2021. We also manage our exposure by continuing to move from DB to DC products, taking advantage of appropriate reinsurance opportunities when entering the pension funds buy-out market, and stimulating customers to move to 'longevity-light' products. NN is joining forces with the Amsterdam School of Economics and other organisations to jointly study the financial and social consequences of changing life expectancy.

Non-financial risks

Risk appetite: We conduct our business with the NN Group values at heart and treat our customers fairly. We aim to avoid human or process errors in our operations and to limit the impact of any errors.

Key risk	How we manage risks
Product suitability: Risk that products do not appropriately cover customers' interests over the full product lifetime	Product suitability is essential to our relationship with customers and creating longer-term value for our stakeholders. NN's Product Policy covers product risk-related requirements, including specific requirements on product suitability. In the Netherlands, there are ongoing legal and complaints proceedings pending where customers are making claims for compensation related to unit-linked products that were sold in the past. There is no assurance that further proceedings claiming compensation for damages will not be brought before courts and/or Kifid. When these legal claims and proceedings will conclude is uncertain. We aim to resolve individual customer complaints where possible and appropriate, which might include tailored individual settlements with policyholders. However, where necessary we defend our position in proceedings. For more information refer to Note 45, 'Legal proceedings'. Throughout the company, a Product Approval and Review Process and product risk committees are in place to oversee product design, product suitability, sound underwriting and claims management, and adequate pricing of all existing and new products.
IT and change risk: Risk of material failures or inadequately managed change in IT systems, networks or platforms, leading to higher expenses, operational losses and/or disruption of operations (due to a high level of change, legacy data quality issues, etc.)	Simplifying and standardising the IT landscape is one of NN Group's strategic priorities. This should lower our cost base in line with the run-off of the portfolios, but also achieve a higher standard of operational excellence by lowering the number of incidents, losses and errors. For new business, NN is introducing and embedding new technologies that help achieve our business objectives, such as cloud technology, AI and sophisticated modelling. Managing and optimising the current landscape, while also introducing new technologies, may create risks. For example, inadequate management of the high level of change or end-to-end testing of changes, or prioritising migration and decommissioning of systems at the expense of processing regular change requests in time or adequately addressing legacy data quality issues. The IT Change Board and Steering Committee of the IT Simplification Programme direct and monitor progress of the simplification roadmap and dependencies. As part of any specific migration project, assessments are made regarding the IT and/or operational risks associated with data migration and adequately addressing such risks. A change management process is followed for relevant systems and infrastructure, including steps to ensure security, such as impact analyses, testing, fall-back scenarios and post-implementation review.
Cyber risk: Risk of cyber-attacks, leading to misuse or loss of information, privacy breaches, discontinuity of operations, or financial or reputation loss	Technical developments are reshaping our business model, as well as impacting on our operations. Increasing data volumes, mobilisation of data access, and making IT more agile and flexible (pay per use) have been important drivers for the adoption of services offered by Cloud Service Providers. Moving to the cloud enables NN not only to be more flexible, but also to make use of scale, knowhow and other benefits that help lower the overall IT risk profile; though it will also change the type of IT-related risks to which NN is exposed. The Covid-19 pandemic has accelerated remote working, increasing the external cyber risks related to end-users and end-points (e.g. laptops, mobile phones and tablets). Although it also mitigates IT risk, the use of standard IT components is itself a risk, as a vulnerability within such a component may create significant exposure, for example the risk of a supply chain compromise such as the Log4j code red exploit. Group IT has adopted the Standard of Good Practice of the Information Security Forum (ISF) as the basis for managing IT, cyber and cloud risks within NN Group. ISF forms the basis of our NN Group IT Policy and IT Standard, and ensures a consistent view and treatment of our risks in this area. Within central Group IT, the Information & Infrastructure Security (IIS) function leads all efforts within NN Group to enhance our information security, and provides 24/7 protection against cyber threats. Education and awareness-raising at all levels of the organisation are another important part of our security strategy. NN has an outsourcing policy and framework in place for managing dependencies with third parties, with NN IT security principles included in outsourced contracts. We perform regular monitoring of the performance of third parties versus contract requirements. Cyber insurance has also been taken out, with coverage for first-loss risk and third-party damage.

Safeguarding value creation – TCFD

Our response to the Task Force on Climate-related Financial Disclosures (TCFD)

We describe in this section the specific activities we undertake to manage climate and other related Environmental, Social and Governance (ESG) risks.

At NN Group, we have reported on climate change since the financial year 2017 in accordance with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). This section is broadly structured along the four TCFD pillars: governance, strategy, risk management, and metrics and targets. Where necessary, we also cover other risks beyond climate risks, as we have an holistic approach to ESG. We also refer to other sections in the Annual Report:
- For more on our net-zero commitments, see pages 44-47
- For more on our general risk management processes, see Note 52, Risk Management paragraph.

Governance

Strategy setting

The NN Group Executive Board ensures that the company has adequate internal risk management and control systems in place so it can be aware of any material risks taken by the company, and know that these risks can be managed properly. Each year, the Executive Board evaluates the company's risk appetite, related limits and tolerances. This evaluation is ratified by the Supervisory Board.

The Executive Board's responsibilities include the formulation and execution of the company's strategy, consistent with its position on long-term value creation. In 2020 and 2021, as part of its overall strategy, NN disclosed additional strategic commitments that concerned, amongst other things, ESG matters (see Our strategy and performance).

The Supervisory Board supervises the strategy pursued by the Executive Board, while the Management Board is responsible for the company's day-to-day management and overall strategic direction. This includes the setting and achievement of the company's objectives including any ESG objectives it deems relevant. More details can be found on our corporate website: NN Group/Corporate governance (nn-group.com).

Within the Management Board, the Chief Organisation & Corporate Relations (COCR), who reports to the CEO, has Corporate Citizenship, including sustainability, in her portfolio. The COCR is the sponsor of any sustainability, climate or responsible investment-related topics discussed by the Management Board. The Chief Risk Officer (CRO), also a member of the Management Board who reports to the CEO, has day-to-day responsibility for NN Group's risk management function. The CRO is tasked with ensuring both the Management Board and Supervisory Board at all times are informed of and understand the material risks to which NN is exposed. This includes risks related to sustainability matters, including climate change. The CRO is also the sponsor of the NN Group annual Own Risk & Solvency Assessment (ORSA), where we evaluate outcomes of scenario analyses, including climate change.
To ensure NN Group adheres to ESG-related regulations, the Risk and Compliance functions are tasked with overseeing proper implementation and monitoring ongoing compliance.

In addition, each of our other Management Board members is responsible for promoting and integrating sustainability into their respective businesses or functions as relevant.

Strategy execution

Reporting to the Management Board, the following teams execute its strategy:
- The Corporate Citizenship team advises the Management Board on implementation of the overall approach to sustainability. They work closely with the various businesses and functions to steer and advise on embedding ESG aspects into their implementation of the overall strategy. This includes our net-zero commitments, with a focus on accelerating the transition to a low-carbon economy, a responsible investment (RI) strategy, and ESG-related non-financial KPIs.
- The Investment Office sets the investment direction and decides upon the allocation of NN's investments, in line with the Strategic Asset Allocation, the RI framework, and risk limits and tolerances.
- The Product Management and Innovation teams work on research and development in line with the Management Board's strategy including, for example, ESG aspects of our product design & underwriting activities.
- The Risk, Actuarial and Compliance teams support and challenge management on the material risks to which our customers or NN as a company are exposed. This also includes running scenario analysis to identify the impact of climate and ESG risks.

Since 2020, we have a Purpose Council to advise the Management Board on steering and reporting. We use the strategy dashboard to monitor and report progress on non-financial KPIs.

Given the increasing requirements and focus on ESG and in particular climate change, several teams have set up Centres of Expertise to further develop knowledge and capabilities.

To support TCFD implementation at a group level, NN has a Climate Change Dialogue: a multi-disciplinary working group, which holds regular meetings throughout the year to discuss climate scenario analysis work, explore new developments, and identify further actions to improve our insights and disclosures.

A major development having an impact on NN, and of relevance to our customers, are new regulations on ESG/ sustainability. In particular, implementing the EU Sustainable Action plan will require significant work, and working groups have been established throughout the business, including a Sustainable Finance Regulation Core Team at Group level to implement the requirements of the Sustainable Finance Disclosure Regulation (SFDR).

Training and education

In 2021, as part of the Supervisory Board's Permanent Education programme, a session was organised to discuss how NN is addressing climate change and responding to evolving stakeholder dynamics. A series of Sustainability and Responsible Investment educational modules were organised for the Management Board. The Management Board also discussed and confirmed NN's approach to climate change risks and opportunities. It also sponsored selected activities carried out by NN's teams to engage in industry initiatives, leading to publications such as 'Insuring the climate transition' from the UN-convened TCFD Insurer Pilot and 'Mind the Sustainability Gap' from the CRO Forum.

Remuneration

NN's remuneration principles are laid down in the Remuneration Policy, under which performance management is based on a number of financial and non-financial performance objectives, whereby financial performance objectives cannot exceed 50% (25% for control functions). The objectives focus on robust and effective risk management, as well as balanced risk taking. In line with NN Group's ambition, the focus of non-financial performance objectives includes customer engagement, our people, contribution to society and climate change. Performance is reviewed via regular check-ins and an annual year-end review. For the Executive Board, this is carried out by the NN Group Supervisory Board. Read more on Remuneration Report, page 109.

ESG-related governance related to investments

NN's Responsible Investment (RI) Framework policy describes our approach to integrate ESG factors, including climate change, in our investment process. NN Group has set up an RI governance structure to facilitate multidisciplinary discussions and exchange of information between the right people at the right time. The various bodies within the RI governance have specific mandates to enable them to effectively advise the Management Board of NN Group on (adjustments to) the RI Framework policy and restrictions. The key governance bodies are:

- The NN ESG Policy Committee, which evaluates and monitors progress on the RI ambition. The committee is chaired by the CEO of NN Investment Partners (NN IP) and comprises the Chief Investment Officers (CIOs) of NN Group and NN IP, the Chief Sustainability Officer of NN IP, and representation of NN Group Corporate Citizenship. The committee advises the Management Board on our positioning on RI, including Group RI-related policies and the restricted list.
- The NN Paris Alignment Council develops and oversees our approach to aligning the proprietary investment portfolio to the Paris Agreement goals. This includes defining related action plans and targets, and monitoring progress. The council is chaired by the NN Group CIO, and includes representatives of NN Group staff and NN IP.

In addition, NN IP has its own governance bodies to support implementation of RI policies and activities. The NN IP Executive Team provides strategic direction and oversees implementation of the RI Framework policy in investment processes, as well as the execution of NN IP's climate change policy, which determines climate change governance within NN IP and describes how it addresses climate-related risks and opportunities. To ensure proper support and implementation of these policies, the Executive Team receives input from NN IP's ESG Committee.

To support the investment teams in integrating ESG into the investment process, and drive the development of and engagement with RI, NN IP also has a dedicated RI team.

As a result of the sale of NN IP, the group's governance bodies for RI will be revised in 2022.

ESG-related governance within our insurance activities

To align with NN Group's strategy and further integrate sustainability within NN Non-life, a Sustainability Taskforce was launched early 2021. The objectives of the taskforce include setting up a governance structure to enable NN Non-life to define a sustainability strategy, setting up a risk management framework to assess the impact of sustainability in general, and climate change in particular, on underwriting risks and opportunities; and defining an approach to develop sustainability related targets and metrics.

At year-end 2021, a Sustainability Programme was set up to accelerate sustainability progress within NN Non-life over the coming two years. Specific tracks (e.g. on risk management and product development) have been defined and a reporting structure put in place to inform the NN Non-life Sustainability Steering Group. The steering group is chaired by a member of the NN Non-life Management Board with representation from each business line of NN Non-life, which will set-up their own 'local' sustainability governance. Climate change will be a major focus of the Sustainability Programme. For example in the development of new propositions, our Product Approval Review Process, our Physical Risk Climate Change Tool, and carbon footprint calculations for our underwriting portfolio.

Strategy

One key commitment in NN Group's strategy concerns our contribution to society: we want to contribute to the well-being of people and the planet, we do business with the future in mind and contribute to a world where people can thrive for many generations to come. For more information, refer to Our strategy and performance.

Having integrated addressing climate change into our strategic commitments, we aim to:

- Help accelerate the transition to a low-carbon economy in order to limit the rise in average global temperature to 1.5°C.
  - Through our investments, advocate investing in companies that are well positioned to transition to a low-carbon economy, and deal appropriately with ESG matters as part of their business activities. We have a specific net-zero strategy with commitments and targets for both investments and our direct operations. For our insurance and banking activities, we are in the process of developing metrics and targets to help steer the transition within our portfolios.
- Develop and offer products and services that address the environmental challenges our customers face (e.g. by developing new products and services contributing to a low-carbon economy, or insuring them against climate-related impact).

We also focus on the following activities to further realise our strategic commitments:

Defining net-zero commitments

For our proprietary investment portfolio, NN has committed to transition to net-zero greenhouse gas (GHG) emissions by 2050. Guided by the Institutional Investors Group on Climate Change (IIGCC) Net-Zero Investment Framework, our approach has two dimensions: (i) decarbonisation of the investment portfolio and (ii) increasing investment in climate solutions. Playing our part in helping the real economy decarbonise serves as a guiding principle. To ensure appropriate action, in 2020 we started to develop asset-class specific approaches.

In 2021, we introduced a Paris Alignment Strategy for sovereign bonds, corporate investments and real estate, as well as a strategy for investments in climate solutions. We also formulated intermediate objectives for 2025 and 2030 (read more on page 75, Metrics and targets).

In October 2021, we extended our net-zero ambition to our insurance activities, committing to develop an approach that enables the underwriting business to set targets and help facilitate the transition to global net-zero emissions. In the same month, NN Group also joined forces with other large insurers in the UN-convened Net-Zero Insurance Alliance (NZIA) to start developing a framework for strategy development and target-setting for the insurance industry.

For our direct operations, NN has adopted targets for 2025 and 2030 that put us on a path to achieve net-zero GHG emissions by 2040 (read more on page 75, Metrics and targets). These targets cover the emissions from our buildings, lease cars, and business air travel. To help us reach these targets, we signed two ambitions with the 'Anders Reizen' ('Travel Differently') coalition designed to reduce the footprint of our lease cars and business air travel.

Phasing out coal in our portfolio

In 2019, we adopted a policy to phase out our investments in companies involved in thermal coal mining and coal-fired power generation, reducing our exposure to 'close-to-zero' by 2030. At the end of 2021, the approximate amount of assets covered by the coal phase-out strategy for the proprietary portfolio was EUR 1.1 billion, down from EUR 1.6 billion in 2020. This portfolio's gradual reduction reflects bond maturities and changes in corporate involvement in coal activities. We monitor the portfolio closely, and may selectively divest some of our holdings to ensure that by 2030 we no longer hold companies in our portfolio that have more than 5% involvement in coal-related activities.

To create consistency across our business, we have aligned our policy for insurance underwriting with the investment side. We believe the policy sends a strong signal for an urgent phase-out of coal in order to achieve the Paris targets, and also helps mitigate the climate-related transition risks in our portfolio.

Capitalising on opportunities

Our strategy seeks to leverage opportunities for financing a low-carbon, climate-resilient future. For example by offering our asset management customers sustainable and impact strategies, and by providing insurance products that protect against physical climate impacts and support low-carbon business models.

In 2021, NN IP further expanded its green bond offering by launching a sovereign green bond fund. Market developments in the green bond space have led to strong investor interest in green bonds. Since the launch of its first fund in 2016, Assets under Management (AuM) in NN IP's green bond strategies have grown to EUR 4 billion.

Our banking business' Woonnu aims to stimulate sustainable housing in the Netherlands. Woonnu's consumer mortgage loans reward steps taken by the consumer to reduce their carbon footprint by improving the energy efficiency of their property. Since the start in September 2020, Woonnu has originated EUR 1.4 billion in sustainable mortgages and entered the top 20 of mortgage originators in the Dutch market.

We also adapt existing features in our insurance offerings. For example we now provide cover for solar panels on residential insurance policies without charging an additional premium. We also support customers through risk prevention and advisory tools like Powerly, which provides tailored advice to Dutch homeowners on improving their home's energy-efficiency and connects them with partners who can carry out improvements.

NN Non-life, has started to assess the 'climate sustainability factors' in current and new products according to the latest (regulatory) insights. These factors relate to the six environmental related objectives of the EU Taxonomy regulation. To define these factors, NN will implement external screening criteria and potentially develop its own criteria.

Active dialogue with investees

Our asset manager engages with investee companies on climate-related matters. 'Natural Resources and Climate Change' is one of NN IP's engagement themes and focuses on deforestation, plastics and the transition to low-carbon business models for the utilities and oil & gas sectors. These engagements are often conducted in collaboration with other investors, for example via the PRI and Climate Action 100+. NN also takes part annually in the CDP Non-Disclosure Campaign, encouraging companies to disclose information on climate change, water and deforestation risks. Additionally, we support the CDP Science-Based Target Campaign to encourage companies to set long-term targets on reducing their GHG emissions.

Voting is another instrument through which we can influence companies towards more sustainable behaviours and practices. In 2021, NN IP voted 'for': 84% (out of 64) climate-related shareholder proposals, and 100% (out of 14) Climate action 100+ shareholder proposals.

Joining forces to develop best practices

We also collaborate with peers to develop industry best practices. As a member of the Platform for Carbon Accounting Financials (PCAF), we contributed to the report published in October 2021: 'Updates from implementing GHG accounting for the financial sector in the Netherlands'. This report gives insights into how PCAF members use the global standard for carbon-accounting financials, what they consider the key benefits of measuring and disclosing financed emissions, and the main challenges. In the last quarter of 2021, we also joined the PCAF for insurance so we can join forces with international (re)insurers to develop a standard for measuring insured emissions.

In March 2021, NN Group endorsed the IIGCC Net-Zero Investment Framework and signed the Paris Aligned Investment Initiative (PAII) Asset Owner Commitment. At the same time, NN IP signed the Net-Zero Asset Managers Commitment. NN IP also co-led a working group focused on infrastructure investments as part of the second phase of the Paris Aligned Investment Initiative of the IIGCC. This will further develop the Net-Zero Investment Framework, which is designed to help investors develop strategies to align their portfolios with the Paris goals.

NN's banking business contributed to the establishment of the Energy-Efficient Mortgages (EEM) Netherlands Hub, to support and promote the acceleration and adaptation of energy-efficient housing in the Netherlands. Within this initiative, we aim to develop and maintain a Dutch framework for energy-efficient mortgages that facilitates the translation and application of European regulation to the Dutch mortgage and property market.

In respect of specific insurance underwriting initiatives, we collaborated with UNEP FI and 21 other insurance companies in the PSI TCFD pilot group for insurance to develop risk management approaches, forward-looking scenario-based tools, and methodologies based on the TCFD recommendations. The pilot group published a paper entitled 'Insuring the climate transition' in January 2021.

Joining NZIA in October 2021 (see 'Defining net-zero commitments' above) is an example of how we believe that by collaborating with other international (re)insurers we can all increase our knowledge and impact.

Public policy advocacy

Government policies are key to achieving the goals of the Paris Agreement. As a financial institution, we can play a part in this process by expressing our support for ambitious policy action. We publicly join with other investors and businesses in supporting the need for stronger climate policies. For instance, NN IP supported the '2021 global investor statement to governments on climate change', which calls on governments, among other things, to significantly strengthen their transition plans for 2030 to put us on a pathway to achieve net-zero emissions by 2050 or sooner.

NN Group became a member of the World Economic Forum 'Alliance of CEO Climate Leaders' and supported an open letter to world leaders in the run-up to COP26 in October 2021, in which the group of more than 60 CEOs of large organisations express their willingness to work with governments in a joint effort to accelerate the race to net zero.

Risk management

Climate change presents risks and opportunities, and these are expected to increase over the mid- to long term, which could affect the viability of NN Group's strategy. It is difficult to quantify climate change-related risks because, as both physical and transition risks are characterised by deep uncertainty and non-linearity, their chances of occurrence are not reflected in past data and the possibility of extreme values cannot be ruled out. As such, it is subject of ongoing analysis and monitoring to assess the impact on our business model and balance sheet.

The materiality and time horizons over which climate change-related risks may impact our business activities depend on the specific types of business (life insurance, non-life insurance and banking) and asset portfolios, as well as geography and a range of other factors, as illustrated in the three examples 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 and underwriting strategies for life and income insurance liabilities need to consider the impact of climate change over a period well beyond the next five years.

We do not consider climate change or ESG a separate risk, but as a driver creating risks in different parts of our operations. As part of our strategic risk assessment, the Group Management Board identified the following key risks, partially driven by climate change developments: 'ALM and investment risk' (physical and transitional), 'Corporate social responsibility' and 'Regulatory and (geo)political environment'.

Assessing physical climate risks in real estate

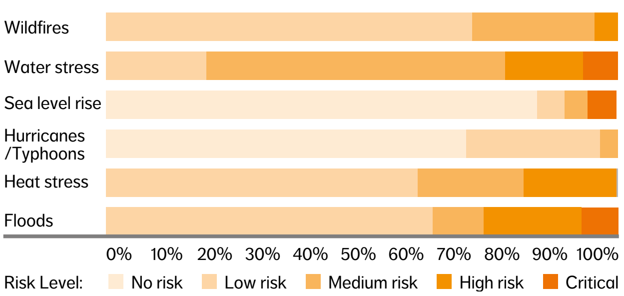
NN Group invests in European real estate both directly and indirectly via non-listed real estate funds. The portfolio is spread over sectors and regions and is therefore exposed to property damage caused by natural events which can lead to a decrease in value of the assets or even stranded assets. To conduct an analysis of the portfolio's potential exposure to the physical risks of climate change, our real estate manager CBRE, used the 'Moody's 427' tool.

The Moody's 427 tool assesses six climate hazards: floods, sea level rise, water stress, heat stress, wildfire, and hurricanes and typhoons. The tool considers the potential severity and frequency of each climate hazard based on a 2030-2040 outlook as each of the predicted climate scenarios (1.5˚, 2˚ or 4˚C above pre-industrial levels) produce similar climate impacts for this period. Each asset's potential exposure is assessed against each of the six climate hazards in that specific location considering the building's use e.g. office, retail or industrial. This serves as an initial screening where the results are addressed as qualitative indicators from low to high or critical potential risk exposure.

Portfolio results

The assessment found that the maximum potential exposure of our portfolio to 'critical' risks is 19% and to 'high or critical' risks is 53% (based on Q1 2021 net asset value). As can be seen in the figure, the largest potential impact is primarily from water stress, floods or heat stress. To get a sense of how our portfolio compares to a benchmark, we used a 'neutral portfolio', which is based on the institutionally investible real estate world-wide and applied 427's country rating for each hazard. This analysis showed that NN's portfolio is not located in areas that have significantly greater potential risk of exposure to climate change hazards than the neutral benchmark.

NN Portfolio% of NAV with potential exposure to climate change hazards by type



Prioritising engagement

This tool only looks at the severity of 'potential exposure' to hazards. To get a complete picture of physical risk exposure, one also has to look at the resilience of the underlying asset. We are using this assessment therefore as a starting point to ask our real estate manager for a more detailed risk analysis of the relevant assets. Such analysis could show that measures to mitigate the risks have already been taken, or that they are not required due to how the property is used. In cases where the potential climate hazard risks need to be addressed, we encourage the underlying manager to develop an asset mitigation plan to increase each asset's resilience to climate hazards and reduce its vulnerability.

To make the buildings more resilient, a variety of measures can be considered. For instance, to reduce water stress due to drought, measures could include using drought-tolerant plants in the landscaping, encouraging tenants to use water more efficiently, or installing water metering. For buildings that are susceptible to flooding, measures could include, for instance, monitoring drainage systems' ability to cope, or relocating any water sensitive plant and equipment above ground level. Examples of measure to tackle the problem of heat stress could include carrying out regular inspections of façade materials to confirm that premature degrat degradation does not occur, or installing back-up generators in case of power failures.

Clear objectives

This analysis was the first step toward assessing our potential exposure to physical climate risks. Together with our real estate manager, we have set clear objectives for our portfolio:

- For those assets identified as potential high or critical risk within our directly-managed portfolio, engagement with an underlying manager should verify whetherfurther action is needed at a property and investment level, to ensure resilience of the underlying holding(s). In that event, a mitigation plan should be developed and included in the annual asset business plan(s) to make the asset more resilient to physical risks. We aim to have climate change mitigation plans for all relevant assets by 2023. From our real estate funds we expect this to be in place by 2025.
- In order to promote reporting in line with the TCFD framework, we aim for all funds to have TCFD-aligned reporting and consider climate risks in all investments by 2023.

In the following sections we discuss each risk and how we mitigate its impact. The section ends with more on how we apply scenario analysis and stress testing, and the qualitative and quantitative techniques we deploy to better understand the impact of climate change-related risks, for mid-term planning and beyond. We use two case studies to illustrate this (refer to page 70 and pages 76-77).

ALM and investment risk

Definition: Risk of reduced available capital or lower investment returns, due to financial market volatility, a low interest rate environment or ESG factors (such as climate change).Climate change can affect both the asset side (through our investment processes) and liability side (financial risks related to the products that NN Group markets) of the balance sheet. We distinguish:

Physical risk for assets

Definition: Risk of (in)direct financial losses to investments, or lower investment returns, resulting from changes in weather patterns, temperature, hydrological conditions, or natural ecosystems (both acute and longer-term shifts). For instance, a severe windstorm or flooding might damage buildings within our European real estate portfolio, which could result in asset impairments or indirectly affect our customers' ability to pay their mortgages.

Transition risk for assets

Definition: Risk of (in)direct financial losses to investments, or lower investment returns, resulting from the transition to a lower carbon/green economy, which may adversely affect individual businesses, sectors or the broader economy (examples include public policy, technological developments and changing consumer preferences).

Overall, NN anticipates that the global pricing of financial assets will increasingly be influenced by factors such as public policy, technological developments, changing consumer preferences and evolving interpretations of legal frameworks. Such trends and changes are likely to materialise over the medium term and insurers may be exposed to these risks through their investment portfolio. However, our investments are also exposed to specific short-term risks, such as possible sudden adjustments to market sentiment around climate risks, impacting segments and investments in our portfolio.

Physical risk for liabilities

Definition: Risk of actual claims and benefits paid to customers deviating adversely from expectations, resulting from changes in weather patterns, temperature, hydrological conditions or natural ecosystems. This could lead to higher mortality rates (for life and pensions products), higher morbidity benefits (for disability, accident and health products) or property and casualty claims (P&C products).

Physical risks related to long-term changes in climate, and increases in natural catastrophes, as seen with the 2021 floods in Belgium and the Netherlands. These risks are particularly relevant to our non-life insurance business. Although this applies predominantly to the Netherlands, we also offer a range of relevant non-life products in Belgium, Spain and Poland.

Prolonged, multiple periods of heatwaves or other consequences of rising temperatures, resulting in increased mortality and morbidity, thereby impacting our life and income insurance liabilities. Such long-term threats are difficult to quantify, but we currently expect this to have less impact on our life and income insurance liabilities than other risks, such as changes in demographics. Furthermore, we note that from an overall risk perspective, NN has a larger exposure to longevity risk, which is partly offset by mortality risk.

Transition risk for liabilities

Definition: Risk of actual claims and benefits paid to customers deviating adversely from expectations, resulting from transition to a lower carbon/green economy which may adversely affect individual businesses, sectors, and the broader economy. Examples include public policy developments, businesses and shifts in consumers' preferences.

Transition risks could also arise from a change in the composition of the underwriting portfolio, affected by our efforts to diminish the carbon footprint, explore initiatives to keep the climate-related underwriting risks insurable, and develop sustainable products and services. Furthermore, asset and liability management of insurers might be impacted by revised macroeconomic and financial assumptions (e.g. risk-free interest rates or claims inflation).

The transition towards a low-carbon economy also creates legal challenges for both customers (liability insurance) and the insurer. We monitor climate-related litigation risks. Most cases are against governments, but complaints against business are on the rise. This can have consequences for NN where we insure such companies. However, given the relatively limited size of NN's general liability insurance portfolio for corporate customers, we consider risks in this area low at this time.

Mitigating climate risks impacting our investments

NN has a policy framework in place to ensure our assets are invested responsibly. The framework includes a requirement to systematically incorporate ESG factors into the investment process. Consideration of ESG factors, alongside traditional financial data, helps to make better informed decisions and optimise the risk-return profile of investment portfolios. At NN IP and our external asset managers, assessing the materiality of ESG factors, including climate change, is an integral part of the investment process, where the analysts identify material risks and opportunities within the investment case. The processes are continuously being improved.

As well as analysing individual investment-level risks, we carry out analyses at a portfolio level to assess potential climate risks and opportunities, and to support the implementation of a broader climate strategy. For example, we measure the carbon intensity of our proprietary investments, which provides us with information on where our highest carbon risk exposure lies and is useful, for example, for engagement purposes. We consider engagement a valuable tool. In the context of managing climate risks, engagement means entering into dialogue with investee companies on the risks of climate change, and the need to transition to a low-carbon economy.

Although we prefer to use engagement as a means to affect change, we may decide to exclude a company that isn't willing to engage in dialogue or when we believe insufficient progress is being made. We have environmentally focused exclusion criteria on oil sands and thermal coal mining, which were updated in 2021: companies are now placed directly onto our exclusion list when they derive more than 20% of their total revenues from the extraction of oil sands or thermal coal mining (previously 30%). For NN's proprietary investment portfolio, in addition we implement a policy to phase out thermal coal by 2030 (read more on Strategy, page 67).

We have a clear ambition to transition our proprietary investment portfolio to net-zero GHG emissions by 2050. We believe a strong focus on low-carbon transformation and investing in opportunities will help us manage risks associated with climate change. In aligning our proprietary investment portfolio with our climate goals, we believe that a single approach or target is inappropriate, and have set out to develop asset class-specific strategies and to use the guidance of the Net-Zero Investment Framework:

- For the sovereign bonds portfolio, investments are scored against a set of current and forward-looking alignment criteria, with the preference for allocation to higher climate performing issuers and/or eligible green bonds. In addition, we will seek to increase dialogue with governments.
- For the corporate investments portfolio, NN has developed a methodology to categorise the companies in the portfolio according to their alignment or potential to align to a net zero pathway. For new investments, we use a best-in-class policy to allocate towards companies who are better positioned in their journey to transition to a low-carbon economy. For existing assets, we focus on stewardship and engagement to drive alignment, as we believe this has the best chance of realising real-world impacts.
- In setting a net-zero strategy for NN's non-listed real estate portfolio, we have defined specific net-zero commitments for both our directly-managed and indirect portfolios. Furthermore, we have defined the key measures to achieve our net-zero targets, one of the most important being improving energy efficiency and expanding the use of renewable energy. For our directly managed portfolio, we are currently performing asset-level analysis, utilising the Carbon Risk Real Estate Monitor (CRREM) to model each building's pathways and define the necessary improvement plans. For our indirect portfolio, our main lever is engagement with the management of the funds in which we invest to increase their ambition to reach net-zero emissions.
- To grow our investments in climate solutions that support the transition, we have developed an internal framework for defining 'climate solutions investments', setting an ambition to increase these investments by an additional EUR 6 billion by 2030. As an initial step in classifying climate solutions investments, and in line with guidance from the IIGCC PAII, we focused on the SDG 7-related areas of energy efficiency and renewable energy. We have underpinned our definitions with external certifications, asset labels and environmental standards where possible and relevant. In setting our definitions, we have tried to align as much as possible with the EU taxonomy criteria. Though it is proving a challenge to assess the extent of alignment, as the taxonomy requires very detailed information that is often not (yet) available, and it is still uncertain what is accepted as evidence for alignment.

Risks in our asset portfolio, like any other market risk, are managed through a well-diversified portfolio, employing a range of relevant policies and standards, within acceptable risk limits and other boundaries, and with the option to reduce downside risk through hedging programmes. For concentration risk, we use concentration limits on corporate and sovereign issuers, asset type and country of risk. For liquidity risk, we assess the ratio between liquid assets and liquidity requirements. More information on how we manage market risks, see Note 52, Risk Management paragraph.

Mitigating climate risks impacting our liabilities (underwriting processes)

Physical risks relate to long-term changes in climate and increases in natural catastrophes, such as the 2021 floods in Belgium and the Netherlands, and are particularly relevant to our P&C business. An increased frequency or severity in weather events, such as windstorms or hail, can lead to higher expenditure (claims and operational costs), so affecting the margins of our P&C insurance products.

During the summer of 2021, southern parts of the Netherlands and Belgium were confronted with flooding events that were partly attributed to climate change related effects. Immediate possible payment advances have been made by NN and additional coverage to customers in Belgium and the Netherlands has been provided, although occasionally claims still had to be rejected. In line with EIOPA's objective to close existing protection gaps as much as possible, NN has expanded the coverage under its policies with protection against a breach of secondary dikes. Furthermore, NN believes that a joint approach with P&C insurers in the Netherlands, reinsurers, and environmental authorities is needed to provide additional protection against losses resulting from breaches of primary dikes. Through our membership of the Dutch Association of Insurers and our intensive involvement in climate change related topics, NN Non-life encourages the investigation of risk mitigating market solutions.

Within our insurance business, we manage physical climate risks in various ways. We offer and develop a range of products that help customers adapt to and mitigate climate change, such as green mortgages, coverage against severe weather events and Defined Contribution lifecycle pension products, which promote sustainable characteristics. For 2022, non-financial Management Board performance targets have been set that integrate ESG criteria into underwriting with a focus on (acceptance) policies, the product approval process and risk management of ESG-related risks.

Within our P&C business, 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 policy conditions where necessary. NN's P&C portfolio is predominantly renewable on an annual basis, allowing repricing over the short term. We apply such measures cautiously, as longer-term affordability for our customers remains an important consideration for us when making strategic choices.

We let insights from catastrophe models guide our pricing/underwriting risk management process. For this, we use external vendor models (based on meteorological modelling, reflecting observed storms and patterns) 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 solvency and capital management risk management process. Portfolio diversification and tracking concentration risks are other key risk mitigating steps. NN's 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 includes income protection products, such as disability and accident insurance, which 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 diverse range 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, and the reinsurance structure and cover, are reviewed annually for renewal.

Regulatory and (geo)political environment

Definition: Risk of disintegration of existing economic and political structures, adverse regulatory change or increased supervisory scrutiny that may have a profound impact on our business model or performance (e.g. for example sustainable finance & reporting).

From an overall perspective, the most important political risks related to climate change are (1) political inability or passivity in taking appropriate policy action to make the transition to a greener economy; (2) creating inconsistent regulatory standards or standards that do not align with NN's perspective on ESG matters; (3) regulatory standards that have a high level of complexity and short period for implementation; and (4) an overly one-sided approach (e.g. only via the financial industry).

NN or our customers might be affected by regulatory developments on ESG topics, such as responsible investments, environmental protection, climate change or human rights. Implementing the EU Sustainable Action Plan will require significant work, and though efforts are being made in this respect, for example through the Sustainable Finance Regulation Core Team that NN Group has set up to implement the requirements of the SFDR, nevertheless the plan's inherent complexity presents challenges. In addition, some legislation has been delayed, creating uncertainty.

In 2022, an amendment to the Solvency II directive was made that aims to integrate sustainability risks into the prudential framework, requiring insurers to, among other things, consider sustainability risks in actuarial and risk management, and (as part of the ORSA) to perform a mandatory sustainability risk assessment of the material risks to which the insurer is exposed. NN has installed a project team to implement these requirements.

Corporate social responsibility

Definition: Risk of NN Group not adequately balancing stakeholder interests, deviating from societal norms, or failing to be transparent in such areas as responsible investments, climate change, equality, diversity, taxes and renumeration.

Companies, and financial institutions specifically, are under increasing scrutiny from consumers, non-governmental organisations, regulators, professional investors and other stakeholders regarding how they do business. Norms and values in society are evolving fast and are not always codified in formal legislation. Failure to deal adequately with our stakeholders' increased expectations with respect to doing business in a responsible way or legal action involving our business could lead to reputational damage, consumers being less likely to buy our products or investors being unwilling to invest in our company. There is also an expectation from both supervisors and customers that insurers offer products and services that help customers deal with climate change impact for an affordable price.

Measures to mitigate this risk are generally classified as environmental, social or governance:

- Environmental: how NN deals with climate change, environmental protection, energy transition and sustainability in investing and its own operations;
- Social: how NN does business in a socially responsible way, taking into account equality and inclusion, human and labour rights, and consumer protection; and
- Governance: how NN is structured to ensure its corporate governance system balances the interests of its stakeholders and the company's long-term focus in its decision-making. This includes such topics as balanced objective-setting and countervailing powers, executive and employee renumeration, and managing our tax position.

Balanced decision-making, taking into account all stakeholders' interests, is ensured by applying the principles of the Dutch Corporate Governance Code. NN Group's Governance Manual sets out the roles and responsibilities of the different Management Board committees, as well as a governance model based on three lines of defence (Business Management, Risk/ Compliance, Audit).

NN's values, care, clear, commit, are a cornerstone of decision-making. Our Risk Appetite Statement on Sound Business Performance expresses our aim to act as a company with a responsibility to society at large. The NN statement of Living Our Values defines our values, which are reflected in many of our company-wide policies, standards and processes.

We integrate ESG considerations into our investment decision process. We believe there is a strong link between the longer-term positive impact of ESG integration and improved risk-adjusted returns. Focusing on ESG also ensures we live up to our values and demonstrate good corporate citizenship. It helps us better align our core business with the broader expectations of society.

To help close the protection gap, we are developing new products and services that aim to also cover damage that current policies are either not covering or for which claims are expected to rise, driven by increased physical risks. We assess external data to properly price these risks and offer these products to customers.

Scenario analysis and stress testing

The Solvency II supervisory framework requires insurers to 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 period, as part of their ORSA, and hold a level of capital 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 the identified key risks.

As part of regular risk management activities, risk assessments are performed to identify key risks that pose a threat to NN Group's strategic and capital objectives. In June 2021, NN Group performed a Strategic Risk Assessment (SRA) to assess the key risks as well as emerging risks in the light of current global and sectoral trends. The basis for this risk assessment was NN Group's Risk taxonomy. For ORSA purposes, this gives insight into a) risks that are not modelled and b) risk types that are modelled explicitly, but for which we try to assess whether the required capital is an adequate reflection of the actual risks and whether existing buffers would also suffice for adverse developments during the business plan period. Compared with 2020, the ALM and investment risk was expanded, for example to include the impact of ESG factors (such as climate change).

Deploying qualitative and quantitative scenario-based analyses helps us better understand the impact of physical and transitional risks, both during the business plan period and beyond. Where possible, these analyses consider a relevant short-, medium- and long-term scenario, aligned with the TCFD recommendations. We use the insights gained as further input for formulating our investment strategy and integrating climate change aspects into our risk management practices.

In 2020-2021, NN Group and our entities performed the following scenario analyses and stress testing:

- A qualitative assessment of transition risks associated with policies for government bonds. This is built on our assumption that countries that have a well-developed long-term strategy towards achieving GHG emissions reductions consistent with the Paris Agreement are more likely to face lower transition risk. Based on this assessment, we looked for a data provider who could provide us with relevant climate assessments that contains forward-looking elements for a much broader range of countries. We began using the Climate Change Performance Index (CCPI) published by Germanwatch, CAN International and the NewClimate Institute, which evaluates and compares the climate protection performance of 57 countries and the EU. The CCPI forms a key part of the proprietary scoring methodology which we developed as part of our Paris Alignment strategy for sovereign bonds.
- A quantitative assessment using geographical data to assess physical (concentration) risks for NN's mortgage book as well as underwriting portfolios in the Netherlands, looking at flooding events (including surface water flood caused by heavy rainfall, river flood and coastal flood) and pole rot (read more on pages 76-77).
- A quantitative assessment of the preparedness of corporates to deal with climate change. Investments in certain industries might lose value when companies cannot adapt to a low-carbon business model.
- A quantitative assessment of physical risks related to our real estate investment portfolio (read more on page 70).
- A quantitative assessment of a series of windstorms, and the potential impact on the solvency position of Netherlands Non-life.
- A quantitative assessment of a disorderly transitional scenario ensuing from prompt and radical global action and policies to limit global warming, which has an impact on our assets (equity, mortgages, real estate) that materialises over the medium-term business planning period, in line with a (2019) PRA scenario.
- A quantitative assessment of the effects on homeowners confronted with the unintended adverse effects of government energy transition policies, including a severe but plausible economic downturn with uncertainty about future property values and reduced sales of existing homes.

The general conclusions from these assessments are:

- The impact of climate change contains high levels of uncertainty and, as such, caution is warranted in drawing conclusions based on scenario outcomes. Furthermore, climate-related scenarios potentially fail to represent the full impact of climate change, as it is virtually impossible to create an all-inclusive scenario.
- Scenario analyses performed so far show any impact from climate change is more imminent for our non-life insurance businesses than our life and pensions businesses.
- Qualitative scenarios and other data-supported analyses can help us gain greater understanding of potential exposures in our portfolios, for example for the mortgage portfolio, where geographical data visualises the concentration of physical risks. Based on current insights, and assuming the Dutch government will continue to execute its infrastructure improvement programme, our exposures until 2050 are limited. But we will of course continue to incorporate new data and assumptions into our regular monitoring.

- For our corporate bond portfolio, we consider the potential impact to be moderate and manageable. In recent years, we have been refining our RI strategy and will continue to do so. While maintaining a diversified portfolio, this will help steer our portfolio composition towards companies we believe best positioned to follow a path to decarbonising and/or offering climate solutions.

We will continue to explore potential scenarios, to develop more accurate parameters for quantifying the impact of climate risks and to build our capabilities to make more detailed assessments per type of investment. This will include a specific focus on deepening our understanding of climate-related risks, and focusing on our non-life insurance portfolio by, among other things, using the insights gained from the UN-convened TCFD Insurer Pilot mentioned above.

Metrics and targets

Own operations

At NN Group, we are committed to reducing the environmental impact of our own operations, which have been carbon-neutral since 2015, by reducing our emissions year-on-year and offsetting any remaining emissions. We have committed to reducing our GHG emissions by at least 35% by 2025, and 70% by 2030, compared with 2019. Following this path, we expect to reach net-zero by 2040. This covers GHG emissions from our buildings, lease cars and business air travel. We intend to realise this through energy-efficient technologies, increased use of renewable energy and less travel. For our lease cars, our ambition is electrification of our lease car fleet by 2025 in the Netherlands.

Our investments

Since 2017, we have been tracking the carbon footprint of the main asset categories of the asset portfolio on our balance sheet (defined as the general account assets of the insurance entities, and the assets of NN Bank and NN Group). This helps us identify where risks and opportunities are concentrated, and enables us to track how the carbon footprint evolves over time. The 2021 carbon footprint analysis covers EUR 161 billion of assets, representing 80% of our total asset portfolio. For more detail refer to section 'Facts and figures'.

In 2021, we set the following specific intermediate objectives for the general account assets portfolio to help deliver on our commitment to achieve net-zero emissions by 2050:

- Reduce GHG emissions from corporate investments (listed equity and corporate fixed income) by 25% by 2025, and by 45% by 2030. Our baseline is 125 tCO_2e per EUR million invested as reported at year-end 2021 (relating to underlying emissions data from 2019) and covers scope 1 and 2 emissions. This reference reduction target is supported by portfolio alignment goals that include: (i) an engagement threshold of 75% by 2025, meaning that by that time a minimum of 75% of financed emissions are in sectors that already meet net zero 'aligned' criteria or will be subject to direct or collective engagement actions (at year-end 2021: 66%); (ii) a portfolio coverage target of 45% by 2025, meaning that by that time at least 45% of the AuM is invested in assets in material sectors classified as 'achieving net zero', 'net zero aligned', or 'aligning' (at year-end 2021: 29%),
- Achieve EUR 6 billion of new investments in climate solutions by 2030. At year-end 2021, we had invested EUR 5 billion in green bonds, renewable infrastructure, and energy efficient real estate. Refer to the section 'Facts and figures'.
- Phase out our investments in companies involved in thermal coal mining and coal-fired power generation, reducing our exposure to 'close to zero' by 2030. At the end of 2021, the approximate amount of assets covered by the coal phase-out strategy for the proprietary portfolio was EUR 1.1 billion, down from EUR 1.6 billion in the year prior.

We also defined our net-zero ambitions for our (non-listed) real estate portfolio. Using the CRREM 1.5°C tool to guide the process, we have set the following interim objectives:

- For our directly managed assets, our aim is for all our buildings to be on a 1.5-degree pathway by 2030. This is for scope 1, 2 and part of scope 3 (tenant operational emissions). For operational GHG emissions (i.e. scope 1 and 2) we aim to achieve net-zero by 2040.
- For 100% of standing assets in the direct portfolio to have a Sustainability Certificate as approved by GRESB (beginning of 2021: 83%).
- For our investments in real estate funds, that by 2030 the majority of our funds (>75% based on GAV) are committed to achieving net-zero GHG emissions by 2040 or sooner (scope 1 and 2), and the remainder by 2050 or sooner.

We have also set objectives to take into account physical risks in our real estate portfolio. Refer to 'Assessing physical climate risks in real estate' on page 70.

Our products and services

For our insurance and banking activities, NN is working on roadmaps for the transition to a low-carbon economy so we can set metrics and targets.

We have joined commitments like the commitment of the financial sector to the Dutch Climate Agreement and the NZIA to strengthen our strategy. With this commitment, NN sets its ambition to also bring its insurance underwriting portfolio to net zero by 2050.

Together with the alliance, NN is working on the development of metrics and targets to set a clear pathway towards this goal. In addition, Netherlands Non-life is developing a Climate Change Physical Risk Tool, which will be designed to qualify and quantify the impact of climate change-related perils on the underwriting portfolio. Quantification of the preselected perils will be based on the Representative Concentration Pathways (RCPs) of the Intergovernmental Panel on Climate Change (IPCC) and various time horizons. Based on the outcomes of the initial quantifications, specific geographic and peril-related indicators can be developed and targets defined.

For our banking activities, we are working together with industry peers in the Energy-Efficient Mortgages (EEM) Netherlands Hub, and the PCAF for investments to develop standards and frameworks for energy efficient mortgages and carbon footprint measurement. This work will feed into the development of strategy and targets to contribute to commitment of the financial sector to the Dutch Climate Agreement.

Assessing physical climate risks of Dutch mortgages and underwriting book

In 2019, we analysed the impact of (river) flooding and heavy precipitation on our Dutch residential mortgage portfolio, originated and/or serviced by NN Bank). In 2021, we updated the analysis and extended it to cover our non-life underwriting book as well as drought (causing pole rot damage to the wooden foundations of buildings through low groundwater levels).

These risks could impact us in the following ways:

- Customers may file a claim with NN Non-life to compensate for the damage, as per agreed policy terms and conditions, driven by political or societal pressure, or as a goodwill gesture. In general flooding and pole rot are not covered under Dutch insurance policies, while damage caused by heavy rainfall is.
- If damage to a customer's property is not fully insured, nor compensated, customers might receive compensation from the Dutch government. Regarding flood risk, this comes from an emergency fund, as made available under the Dutch Disaster Compensation Act, to be activated by ministerial decree.
- Any remaining damage is the customer's responsibility. Depending on their financial situation, they might not be able to restore the property, or might (partially) default on their mortgage if they cannot pay regular costs, or if the collateral (partially) loses value. This impacts the value of the investments on the insurers' balance or increased loss provisions for NN Bank.

The analysis of flood risk includes coastal and fluvial (river) flooding, including a consideration of current and future (projected) flood defences. We used national datasets from Klimaateffectatlas and global datasets (IPCC) to indicate the aggregated value at risk for a baseline (current) scenario and a 2050 scenario, based on the KNMI'14 (Royal Dutch Meteorological Institute). The results of the analysis are based on the current composition of the mortgage portfolio, aggregated at national, province and postal code level.

For the analysis on pole rot we used the Klimaateffectatlas which presents pole rot risk at a neighbourhood level, and are derived from the estimated percentage of wooden foundations in a neighbourhood, as well as the neighbourhood's vulnerability level (based on groundwater levels, foundation depth, and the type of soil).

The results of the analysis give further insight in parts of NN's portfolios that have a higher risk of flooding or pole rot in 2050. Two figures below give an example view for the mortgage book, showing the aggregated value potentially at risk of flooding or pole rot in the High Probability (<1 in 30 years) category for the projected 2050 scenario.

Similar to the analysis in 2019, the parts of NN Group's mortgage portfolio most exposed to potential flood risk, are located in the greater metropolitan Rotterdam area and regions near the Lek and Meuse rivers, especially in the provinces of Limburg and Gelderland. Areas where high values are exposed to a risk of flooding, but at lower probability levels, are located in the larger cities of the Randstad area (Amsterdam, The Hague) and the northern provinces (Groningen, Friesland).

The impact of pole rot is of a much smaller scale, and limited to certain parts of the Netherlands. The main results from the pole rot analysis for the mortgage portfolio indicate that the most impacted areas are the Randstad area, the regions close to large rivers, and the provinces of Groningen, Friesland and Zeeland. The concentration of NN Group's portfolio is situated in the Randstad area and as a result, postal codes in city centres such as Amsterdam, Haarlem, Utrecht and Schiedam show the largest potential value at risk.

We have performed a similar analysis for our full non-life underwriting book, for all lines of business. Exposures are partially overlapping, but different in some areas, depending on the type of coverage defined in the policy and locations of the insured properties. We use these insights among others to consider products that could provide additional coverage for our customers.

Analysis and limitations

The outcomes of this analysis are considered a first step to further analyse the impact of climate change on our business. Initial results imply that in the short term, climate change will not materially affect our business. In the longer term (2030-2050) it is an area for further consideration, given the considerable investments that will be required by both governments as well as our customers to deal with the impact of these risks.

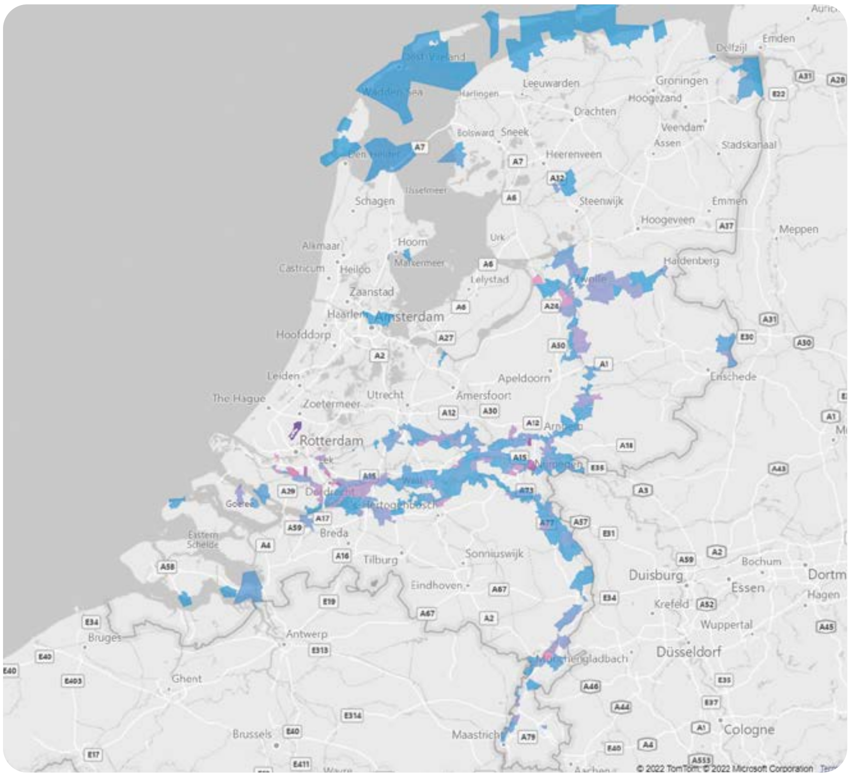
Exact impact for individual properties cannot be derived from the results of the analysis, as this requires more detailed data and further modelling, which also applies to other types of physical risks. We will continue to monitor the national climate data sources that we have used to incorporate further changes when new studies into the effect of climate change become available. Furthermore, we monitor the Dutch government's policies and protection schemes as it is a key assumption in this assessment that for primary flood defences, all necessary improvements will be made in accordance with the protection levels defined in the Dutch Water Act.

Safeguarding value creation – TCFD continued

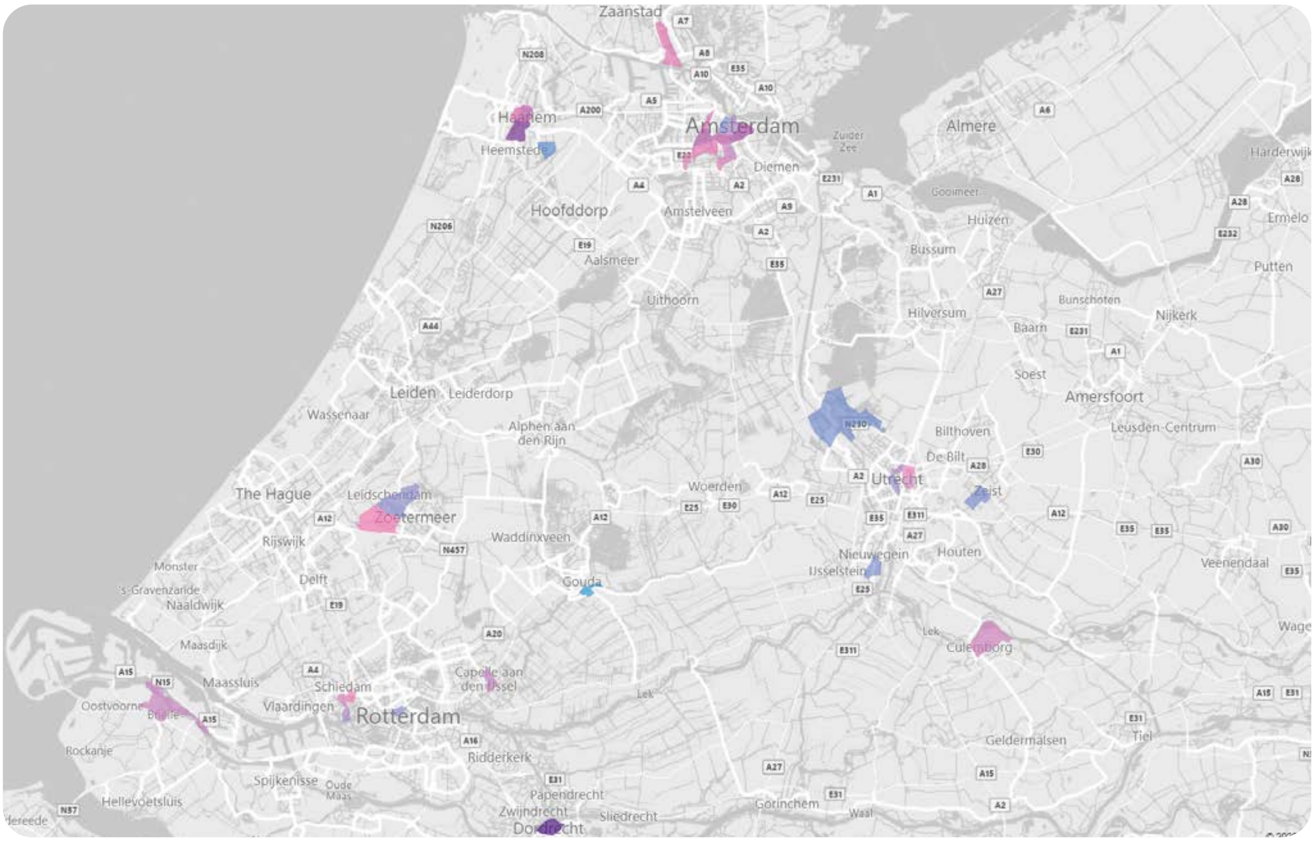
Flood risk projected by 2050 at postal code level

Value at Risk (€)

Low High



Pole rot risk projected by 2050 at city level (Randstad)



Corporate governance

How we are organised

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

Supervisory Board

The Supervisory Board is responsible for supervising the management of the Executive Board and the general course of affairs of NN Group and its businesses. The Supervisory Board also assists the Executive Board with advice.

Read more in the Report of the Supervisory Board on page 83-96 and in the Corporate governance chapter on page 97-108.

Executive Board

The Executive Board is entrusted with the management, the strategy and the operations of NN Group under supervision of the Supervisory Board.

Read more in the Corporate governance chapter on page 97-108.

Management Board

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

Read more in the Corporate governance chapter on page 97-108.

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 2021 is described in the publication Application of the Dutch Corporate Governance Code by NN Group, dated 9 March 2022, which is available on the website of NN Group. This publication is to be read in conjunction with the Corporate governance chapter on page 97.

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 Management Board

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

David Knibbe
Chief Executive Officer and chair of the Executive Board and Management Board
Nationality: Dutch
Date of birth: 1971

Delfin Rueda
Chief Financial Officer and vice-chair of the Executive Board and Management Board
Nationality: Spanish
Date of birth: 1964

Tjeerd Bosklopper
Chief Executive Officer Netherlands Non-life, Banking & Technology
Nationality: Dutch
Date of birth: 1975

Bernhard Kaufmann
Chief Risk Officer
Nationality: German
Date of birth: 1969

Dailah Nihot
Chief Organisation & Corporate Relations
Nationality: Dutch
Date of birth: 1973

Leon van Riet
Chief Executive Officer Netherlands Life & Pensions
Nationality: Dutch
Date of birth: 1964

Fabian Rupprecht
Chief Executive Officer International Insurance
Nationality: German, Swiss
Date of birth: 1969

Janet Stuijt
General Counsel
Nationality: Dutch
Date of birth: 1969

On 19 August Satish Bapat stepped down from his role as a member of the Management Board of NN Group, following the announcement that NN Group had reached an agreement to sell NN Investment Partners to Goldman Sachs Group, Inc.

Our Supervisory Board

The Supervisory Board is responsible for supervising the management of the Executive Board and the general course of affairs of NN Group and the businesses affiliated with it. The Supervisory Board assists the Executive Board with advice.

David Cole
Chair
Nationality: Dutch, American
Date of birth: 1961

Hélène Vletter-van Dort
Vice-chair
Nationality: Dutch
Date of birth: 1964

Inga Beale
Member
Nationality: British
Date of birth: 1963

Heijo Hauser
Member
Nationality: German
Date of birth: 1955

Robert Jenkins
Member
Nationality: American
Date of birth: 1951

Rob Lelieveld
Member
Nationality: Dutch
Date of birth: 1962

Cecilia Reyes
Member
Nationality: Filipino, Swiss
Date of birth: 1959

Hans Schoen
Member
Nationality: Dutch
Date of birth: 1954

Clara Streit
Member
Nationality: German, American
Date of birth: 1968

Introduction by the Supervisory Board Chair

Introduction by the Supervisory Board Chair

The year 2021 was another extraordinary year dominated by the Covid-19 pandemic. While the pandemic had a significant impact on society at large, it has also demonstrated the resilience of NN Group and our employees. Throughout the year, NN delivered a strong performance, both from a financial and a non-financial perspective. At the same time, we continued to support the health and well-being of our customers, our partners and our employees.

Just as in 2020, most meetings of the Supervisory Board of NN Group in 2021 were virtual. Despite the practical challenges arising from this, we were able to fulfil our duties while maintaining an open and constructive dialogue with the Executive Board and Management Board. While doing so, our guiding principles remained the same: focus on the long-term nature of NN's business model and our overall aim to create sustainable, long-term value for our stakeholders.

Throughout the year, the Supervisory Board was closely involved in the following key developments: 1) the implementation of the Group strategy, with a special focus on customer engagement; 2) active portfolio management; 3) the increased focus on ESG; and 4) ongoing succession planning.

Regarding the implementation of our strategy, the Supervisory Board paid particular attention to initiatives taken to improve the satisfaction scores of our clients and business partners. Given the nature of many of our products and services, in some lines of business we do not have many contact points with customers during any given year. The Supervisory Board therefore advised and challenged the Management Board to increase its focus on ensuring customers see NN as a trusted and accessible partner to do business with - whether it is physically, by phone or digitally. While clear progress was made in 2021, there is more work to do in this area.

In addition to the strategy, the Supervisory Board spent a significant amount of time advising on acquisitions and divestments, as well as the regular assessment of all of our individual businesses. During our discussions, the Supervisory Board consistently took into account the interests of our stakeholders, including customers, business partners, employees and shareholders. In the case of NN Investment Partners, we looked in particular at how the intended sale would impact our clients and employees, as well as our focus on responsible investing. This multi-stakeholder approach underpinned our decision-making on all transactions and we used it as a framework for our evaluations of each individual business.

Let me turn now to climate change, one of the most pressing developments of our time and a matter that is having an increasing impact on our customers and the societies in which we operate. The Supervisory Board devotes a growing focus on this topic and throughout the year we had several discussions on this theme with experts across NN. To ensure we maintain our focus as a company, we have embedded clear sustainability targets in our Remuneration Framework so that the performance objectives of our Executive and Management Board properly reflect the ambitions of the Group.

The Supervisory Board was also engaged in succession planning for the various Boards. On 12 October 2021, it was announced that we intend to appoint Annemiek van Melick as CFO and vice-chair of the Executive Board, succeeding Delfin Rueda. Her appointment will be effective as of 1 July 2022, after notification to the General Meeting. Annemiek will bring extensive executive experience in the financial industry and she is well-placed to help drive our strategy in the years to come.

At the same time, we would like to thank Delfin for his valuable contribution and continuous dedication to NN. During his ten years at NN and its predecessor ING Insurance Eurasia, Delfin has played an instrumental role in shaping NN's strategy and in transforming the company into the strong international player that it is today. With his focus on NN's robust financial and risk profile, Delfin played a key role in the IPO of the company in 2014, the implementation of Solvency II, the acquisition of Delta Lloyd in 2017, and several other acquisitions and divestments which further strengthened the company's footprint and competitive position.

Regarding the Supervisory Board itself, we were pleased to welcome Cecilia Reyes, Rob Lelieveld and Inga Beale as new members during the year. All three new members bring highly relevant experience and expertise, which ensures the Supervisory Board remains well positioned to fulfil its role in the future.

The Supervisory Board would like to thank NN Group's employees for their ongoing commitment and hard work during another challenging year. With their dedication and flexibility, they continued to support our customers under often difficult circumstances.

We hope that in 2022 we will have more opportunities to meet in person again, as we believe every team benefits from physical meetings. At the same time, we are deeply concerned by the war in Ukraine and we will closely monitor the developments to assess the potential impact on NN. Together with the Executive and Management Boards, the Supervisory Board looks forward to contributing to the further strengthening of NN's foundation and the creation of long-term value for our stakeholders in a manner fully aligned with the company's values and purpose.

Yours faithfully,

David A. Cole

David Cole
Chair Supervisory Board NN Group

Report of the Supervisory Board

Supervisory Board

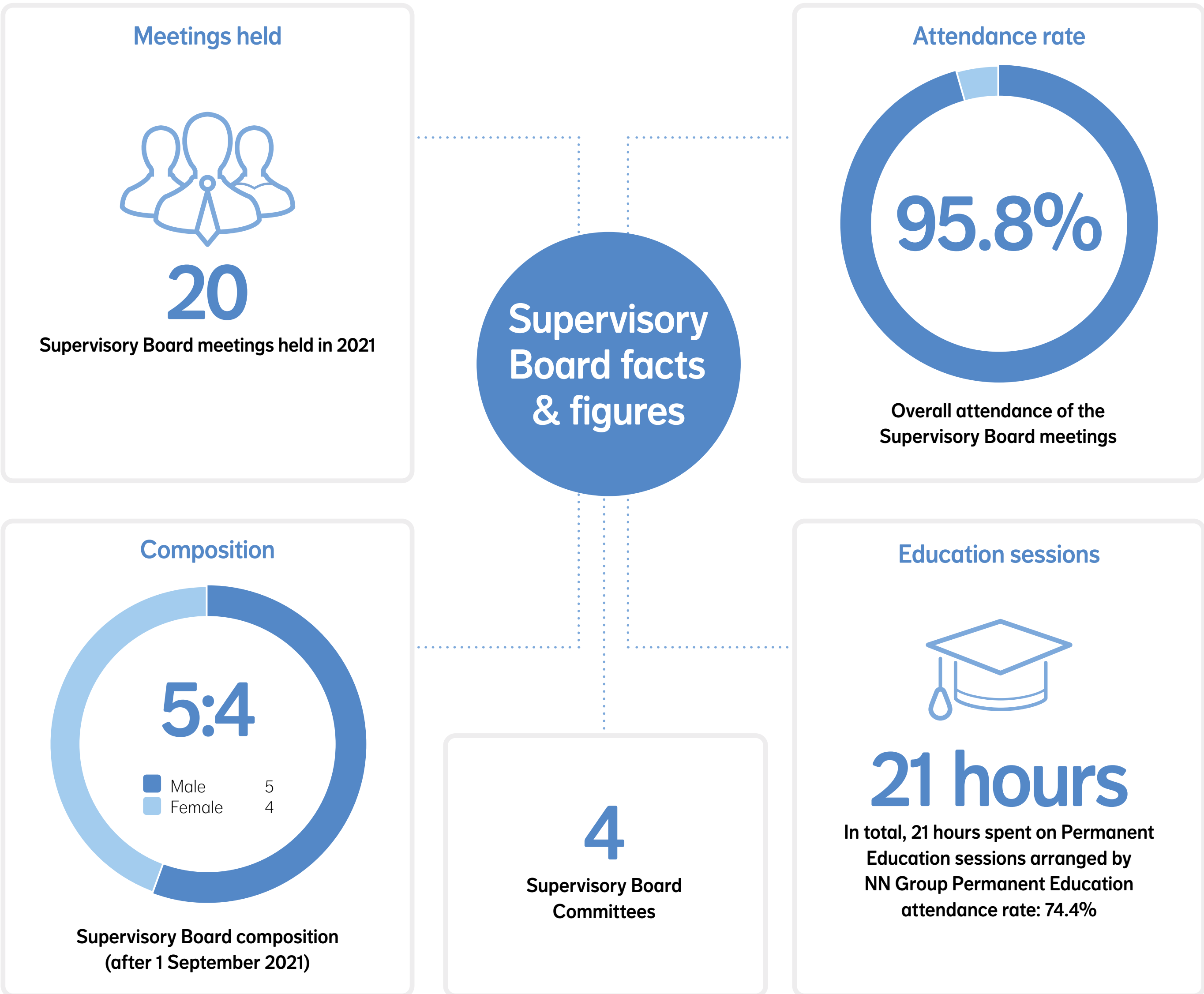
The Supervisory Board is responsible for supervising the management of the Executive Board and the general course of affairs of NN Group and the businesses affiliated with it. The Supervisory Board also advises the Executive Board. In performing its duties, the Supervisory Board carefully considers and acts in accordance with the interests of NN Group and its affiliated businesses, taking into account the interests of all stakeholders.

More specifically the Supervisory Board supervises, advises and monitors the Executive Board with respect to among others (i) setting and achieving the objectives of NN Group, (ii) long-term value creation by NN Group, and (iii) the environmental, social and governance aspects which are relevant to NN Group.

This Supervisory Board Report should be read in conjunction with the Corporate Governance section (pages 97-108) and the Remuneration Report (pages 109-123) of this Annual Report.

Profile of the Supervisory Board

The composition of the Supervisory Board is such that the members are able to act critically and independently of one another, the Executive Board and any particular interests. The Supervisory Board operates as a collegial body and the knowledge, experience and background of its individual members is considered in the context of the Supervisory Board as a whole.



Report of the Supervisory Board continued

The overall composition of the Supervisory Board is balanced taking into account the members' (a) nationalities, gender, age, experience, education and work background, (b) affinity with the nature of the businesses and culture of NN Group, and (c) executive experience, experience in complex multinationals, and experience in the political and social environment in which such multinationals operate. This ensures a wide range of relevant perspectives and opinions on NN Group, and the opportunities and challenges it faces today and will face tomorrow.

The Supervisory Board strives to ensure that all its members are independent, as defined in the 2016 Corporate Governance Code.

The matrix on page 85 provides an overview of the range of knowledge, experience and backgrounds of the individual Supervisory Board members.

Supervisory Board meetings

The Supervisory Board held 20 Supervisory Board meetings in 2021. All meetings up to May 2021 were virtual meetings due to the Covid-19 pandemic. As from August 2021, meetings were held in hybrid form. As a further result of the pandemic, the Supervisory Board did not visit one of the NN Group business units as is customary every year. The average attendance rate for Supervisory Board meetings was 95.8%. None of the Supervisory Board members were frequently absent from meetings, and at all meetings attendance was sufficient to constitute a valid quorum.

In addition to the formal meetings, the chair and other members of the Supervisory Board maintained regular contact with NN Group's Chief Executive Officer, other members of the Executive Board and Management Board, senior management, heads of staff, business unit CEOs. Due to the pandemic, the Supervisory Board was unable to meet with the supervisory authorities in 2021 as is customary every year. However, the Supervisory Board did meet with the supervisory authorities in January 2022. Finally, the chair and the Central Works Council-nominated members of the Supervisory Board were in contact with (representatives of) the Central Works Council.

The attendance rate of the individual Supervisory Board members was as follows:

Name	Supervisory Board	Audit Committee	Risk Committee	Remuneration Committee	NomGov Committee	Combined RemCo/ NomGovCo
Inga Beale[1]	9/9	–	2/2	–	3/3	-
David Cole	20/20	6/6	–	–	11/11	1/1
Heijo Hauser	15/20	5/6	3/4	–	10/11	1/1
Robert Jenkins	20/20	6/6	4/4	–	-	–
Rob Lelieveld[2]	3/3	1/1	–	1/1	2/2	–
Cecilia Reyes[3]	8/9	–	2/2	1/1	–	–
Hans Schoen	20/20	6/6	4/4	4/4	–	1/1
Clara Streit	20/20	–	4/4	4/4	–	1/1
Hélène Vletter-van Dort	20/20	–	–	4/4	11/11	1/1
Total weighted average	95.8%	96%	95%	100%	97%	100%

1 Ms Beale was appointed member of the Supervisory Board per 20 May 2021.
2 Mr Lelieveld was appointed member of the Supervisory Board per 1 September 2021.
3 Ms Reyes was appointed member of the Supervisory Board per 20 May 2021.

Report of the Supervisory Board continued

	I. Beale	D. Cole	H. Hauser	R. Jenkins	R. Lelieveld	C. Reyes	H. Schoen	C. Streit	H. Vletter – van Dort
Nationality	GB	NL/US	DE	US	NL	PH/CH	NL	US/DE	NL
Gender	Female	Male	Male	Male	Male	Female	Male	Female	Female
Year of birth	1963	1961	1955	1951	1962	1959	1954	1968	1964

Education	Mathematics, Economics, Accountancy and Communication	Business Administration	Mathematics	International Studies	Accountancy	Management/ Industrial Engineering Finance	Economics Auditing	Business Administration	Law
Insurance	√	√	√	√	√	√	√	√	√
Asset Management	√	√	√	√	√	√	√	√	
Banking		√						√	√
Risk	√	√	√	√	√	√	√	√	√
Finance and Control	√	√	√	√	√	√	√	√	
Law and Governance	√	√	√	√	√	√	√	√	√
Technology	√	√	√		√	√	√		
Organisation and Conduct	√	√	√	√	√	√	√	√	√
Executive Maturity	√	√	√	√	√	√	√	√	√
Multinationals	√	√	√	√	√	√	√	√	√
Social Antenna	√	√	√	√	√	√	√	√	√
International Business	√	√	√	√	√	√	√	√	√
Financial Expert[1]		√	√	√	√	√	√		
ESG Experience	√	√	√	√	√	√	√	√	√

1 As defined in article 39 (1) of Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts.

All members of the Supervisory Board are independent, as defined in the 2016 Dutch Corporate Governance Code.

Supervisory Board Committees

Four committees support the Supervisory Board: the Risk Committee, Audit Committee, Remuneration Committee and Nomination and Corporate Governance Committee. The committees are responsible for preparing matters delegated to them. The chair of each committee verbally reports the main points of discussion and resulting recommendations to the Supervisory Board, which enables the Supervisory Board as a whole to make a decision on these matters. For each committee, the key inputs and underlying considerations leading to a recommendation are recorded.

Please refer to pages 90 to 96 of this report for the reports of each of the committees.

Key developments

In 2021, the Supervisory Board was involved in a number of key developments aimed at long-term value creation for NN Group and its stakeholders.

Implementation and progress of the strategy

In 2020, the Supervisory Board was taken along the journey in redefining NN Group's strategy and purpose statement. This resulted in a strategy that is focused on sustainable long-term value creation for all stakeholders and aims for resilient and growing long-term capital generation for shareholders. The SB is pleased to see that NN continues to build on the solid foundations of the company, while becoming an even more customer-centric and data-driven organisation, accelerating management actions to increase cash flow generation and driving profitable growth in attractive markets.

Throughout 2021, the Executive Board and the Management Board ensured that the Supervisory Board was kept up to date on the implementation of the strategy, as well as the challenges faced in the implementation process on a regular basis. These updates provided the Supervisory Board with a holistic overview on the progress towards both the non-financial and financial targets related to the five strategic commitments (i) customers and distribution, (ii) products and services, (iii) people and organisation, (iv) financial strength, and (v) society.

NN had a strong year and performed well across markets and segments, with increased focus and attention on sustainability. Netherlands Life saw an increase in its defined contribution Assets under Management, and NN Bank and Woonnu originated a record volume of new mortgages. Netherlands Non-life's results were strong, despite the claims resulting from the floods in July 2021. NN's business in Japan and strong tied agent force throughout Europe continued to make a solid contribution to our overall results as they were increasingly able to meet our customers' needs via remote sales and service processes and saw an increased demand for protection products. Partnerships were further strengthened and expanded, for example, by building reciprocity with our bank partners to offer banking products such as mortgages to our customers. Furthermore, NN strengthened its contribution to the transition to a sustainable economy, playing its part in limiting the rise in global temperature to a maximum of 1.5°C in line with the Paris Agreement through setting targets for our investments and our own operations. As part of NN's commitment to building stronger and better communities, volunteer initiatives were increased and existing and new non-profit initiatives, aimed at improving people's financial well-being, were scaled up and started.

Transformation remains a priority for all business units and the first tangible signs of progress became evident in 2021. Customer engagement platforms around Carefree Retirement and Self-care were launched in Spain, and in Turkey and Poland, respectively. In the Netherlands, NN further expanded its customer engagement platforms through various new launches, such as Veerkracht, which promotes mental, physical and social well-being. Throughout NN, the focus was on digitalisation and improving data and artificial intelligence (AI) capabilities, enhancing customer engagement and efficiencies. These developments also require different skills from employees, such as IT and data analytics, as well as new ways of collaborating and managing teams.

Workforce transformation therefore remains one of NN's top priorities in implementing our strategy, especially given the scarce labour market. NN is an attractive employer; however, this will continue to require significant efforts in recruitment, re-skilling, leadership development and ways of working.

The SB concludes that in general, good progress has been made in executing the strategy, with further room to improve the speed of implementation, which continues to be addressed throughout the company.

That said, in light of the rapid technological developments in the industry, the war on talent, and the high importance of sustainability, the Supervisory Board encouraged and supported the Executive Board and Management Board on the need to accelerate by building an engaged workforce and nurturing a culture aligned with our purpose, values and ambition.

M&A

The Supervisory Board was taken along in and supported the outcomes of the 2021 portfolio review, taking into account the different markets and strategy reviews that were conducted, leading up to among others the sale of the Bulgarian Pension and Life business, the sale of the Belgium closed book portfolio, the acquisition of MetLife Poland and Greece and Heinenoord in the Netherlands, and the divestment of NN Investment Partners (NN IP).

Throughout 2021, the Supervisory Board was regularly updated on all stages of the various projects. This allowed the Supervisory Board to advise, supervise and robustly challenge the Executive Board and Management Board on these transactions ensuring that throughout these processes the interests of all stakeholders and long-term value creation remained an integral part of the considerations on the respective transactions. The Supervisory Board wishes to express its appreciation for the commitment shown by everyone involved and the diligent approach in which these transactions were executed successfully, ensuring continued long term value creation for NN Group and all its stakeholders.

On 11 February 2021, NN Group announced the sale of its Bulgarian Pension and Life business.

On 5 July 2021, NN Group announced that it had agreed to acquire MetLife's business activities in Poland and Greece, for a total consideration of EUR 584 million. The acquisition will further bolster NN's leading market position, strengthening its position in life and pensions in Poland, while creating the market leading insurance company in Greece.

On 8 July 2021, NN Group announced the acquisition of a majority stake in Dutch insurance broker Heinenoord. Heinenoord is one of the largest insurance brokers and service providers in the Dutch insurance market, offering policy administration, underwriting services and claims handling, among others. The company is growing rapidly in both revenues and margin and is active as a broker and mandated agent for a wide variety of non-life insurance products and insurers, servicing both the SME and retail market. The acquisition is in line with NN's customer-centric proposition.

On 19 August 2021, NN Group announced the agreement to sell its asset manager NN IP to Goldman Sachs Group, Inc. for total cash proceeds of EUR 1.7 billion. As part of the agreement, NN Group and Goldman Sachs Asset Management will enter into a ten-year strategic partnership under which the combined company will continue to provide asset management services to NN Group. Throughout this process the Supervisory Board paid particular attention to the proposed terms of the strategic partnership, the future investment capabilities of the combined entity and the shared vision and alignment of interests such as environmental social and governance (ESG) factors and ensuring that the overall goal is to continue creating long-term value for NN Group and its stakeholders.

The combination of the complementary investment capabilities of NN IP and Goldman Sachs will create a full suite of asset management products that can be offered to clients through the distribution networks of both parties. Through Goldman Sachs, NN IP has a broader platform to accelerate its growth and further improve the offering and service to its clients. It will also allow NN Group to continue its successful cooperation with NN IP and to benefit from the strengths and complementary product propositions of Goldman Sachs.

On 8 October 2021, NN Group announced the intention of NN Belgium to sell the closed book life portfolio, a transaction that will simplify NN Belgium's IT structure and allow NN Belgium to focus on executing its strategy to further grow its protection and pension business.

Changes in the Supervisory Board and the Executive Board

On 10 February 2021, NN Group announced that the Supervisory Board nominated Ms Cecilia Reyes and Mr Rob Lelieveld for appointment as members of NN Group's Supervisory Board for a term of four years. These nominations were made with the intention to further strengthen the composition of the Supervisory Board from a risk management and financial expertise perspective. On 2 April 2021, NN Group further announced that the Supervisory Board nominated Ms Inga Beale for appointment as member of NN Group's Supervisory Board for a term of four years. This nomination was made with the intention to further strengthen the composition of the Supervisory Board with a specific focus on transformation processes. These appointments were approved by the Dutch Central Bank (DNB) and adopted by the General Meeting at the annual general meeting.

On 12 October 2021, NN Group announced that the Supervisory Board intends to appoint Ms Annemiek van Melick as Chief Financial Officer (CFO) and vice-chair of the Executive Board of NN Group for a term of four years. The appointment of Ms Van Melick was approved by the DNB and will be notified to the General Meeting at the annual general meeting.

Ms Van Melick will succeed Mr Delfin Rueda who will leave NN Group as of 1 July 2022, after being CFO and vice-chair of the Executive Board of NN Group since 2014.

The Supervisory Board followed an extensive selection process using a specialised agency with the close involvement of the Nomination and Corporate Governance Committee and other members of the Supervisory Board in relation to the appointment of Ms Van Melick.

The Supervisory Board is confident that, with this appointment, the Executive Board will continue to be well-positioned to lead the company in this fast-paced and dynamic environment, delivering on the strategic priorities and ensuring sustainable long-term value creation for all stakeholders.

Other discussion topics

Other important topics of discussion during the Supervisory Board meetings in 2021 included (i) the ongoing Covid-19 pandemic, (ii) culture, (iii) business plan and capital plan, (iv) responsible investment, (v) unit-linked products in the Netherlands, (vi) Executive Board and Management Board assessment, and (vii) annual accounts, dividend and share buyback programme. These topics are addressed below in turn.

In addition, the Supervisory Board:

- Actively followed developments, opportunities and challenges in the various insurance markets, the impact of continued low interest rates and increasing inflation rates in the second half of 2021, impact of the European Insurance and Occupational Pensions Authority's (EIOPA) Opinion on the Solvency II review to the European Commission, and preparations for the Dutch pension legislation revision, of which implementation has been delayed by one year.
- Was periodically updated by the Executive Board and Management Board on the overall commercial performance of NN Group and its affiliated businesses, the ongoing integration of VIVAT Non-life, the IT budget and benchmark, IT simplification project, and engagement with stakeholders, and provided input on the deep-dive investor presentations of 26 May 2021 and 25 November 2021.
- Discussed and/or approved the financial quarterly and semi-annual results of NN Group, which included the Quarterly reports of Corporate Audit Services (CAS) and Quarterly reports of KPMG, 2021 Key risks and risk appetite statement, NN Bank Funding plan 2021, and NN Group debt issuance.
- Was regularly updated on the (ongoing) review of the internal governance and operating arrangements applicable within the group in order to contribute to the ambition of remaining competitive and delivering on the strategy by identifying and eliminating inefficiencies that can be facilitated by a change in our Governance and Operating Model and the benefits realised in 2021.
- Was updated on and addressed matters concerning the NN Group values and its purpose, the results of the annual employee engagement survey, and the performance goals for the Executive Board and Management Board.
- Gained insight into the Key Talent Management and Succession Planning within NN and discussed the succession plans of the Executive Board, Management Board and several senior leaders.
- Paid continued heightened attention in different sessions to the non-financial key performance indicators and the monitoring thereof by the Purpose Council in preparation of the Management Board's decision-making on the related issues. The objectives of the Purpose Council are to promote the successful adoption of the NN purpose, embed it in the company's culture and to centrally oversee the implementation and advise the Executive Board and the Management Board on determining company-specific metrics for fulfilling the purpose and on setting performance indicators that drive behaviour throughout the organisation.
- Addressed the main points of discussion as verbally reported on by the chair of each of the committees. These topics included amongst others the Year Plans 2021 Control Functions, which included the NN Group Systematic Integrity Risk Assessment, the Risk Control Framework, Information technology and security, NN Group's partial internal model, the NN Group Own Risk and Solvency Assessment (ORSA) Report 2020, the Preparatory Crisis Plan 2021, Financial Economic Crime (FEC) related topics, implementation of the IFRS 9 and 17 Programme, Board objectives and NN Group System of Governance Review. These topics are further addressed in detail below under the respective committee reports.

Ongoing Covid-19 pandemic

Following the outbreak of the Covid-19 pandemic, the Supervisory Board was regularly updated on the impact of the pandemic on various aspects of NN Group's business, employees, customers and the resulting operational crisis management.

A Corona Coordination Team (CCT), a multi-disciplinary team of specialists, was formed in 2020 and continued throughout 2021 to ensure the daily monitoring and proactive management of business continuity and employee safety.

The vast majority of employees were able to continue working from home in 2021. The morale of employees was monitored throughout this period through surveys, and the results were shared with the Supervisory Board. All relevant risks, financial and non-financial, related to Covid-19 developments were monitored regularly via a dashboard that was shared with the Executive Board, Management Board and Supervisory Board.

The Supervisory Board was also updated on and addressed several initiatives launched to support the different stakeholder groups, including provision of additional customer support, during the Covid-19 pandemic.

The Supervisory Board wants to express its appreciation for the commitment shown by the Executive Board, the Management Board and each employee during these challenging times, which commitment is also reflected in the measurement of the NN Group values further described below under the heading Culture.

Culture

NN Group's values, described in the NN statement of Living our Values, set the standard for conduct and provide a compass for decision-making within the group and all our interactions with stakeholders. The values, care, clear and commit, are an integral part of our strategic framework and are a crucial element in achieving our ambition to become an industry leader, known for customer engagement, talented people, and contribution to society. In addition, the NN Code of Conduct clearly outlines minimum rules of conduct that NN Group employees must adhere to at all times, and which they are requested to formally acknowledge on an annual basis.

The Executive Board and Management Board are responsible for creating a culture aimed at long-term value creation, for which the NN statement of Living our Values and NN Code of Conduct form the foundation. The Executive Board and Management Board therefore periodically report to the Supervisory Board on how the NN statement of Living our Values is being put into practice within the group, and the effectiveness of and compliance with the Code of Conduct. The Supervisory Board supervises the Executive Board and Management Board on this matter.

The Supervisory Board was presented with the annual Living our Values Report on programme implementation 2021, which provided insight into how NN is living the values according to our employees, customers and the general public, addressed areas of concern, and provided recommendations for improvements. Measurements on the three values continued to score high among employees and employees feel highly connected with the NN values. The NN values remain recognisable for customers and the general public and are well-embedded in the NN brand in most markets where NN is active. From a compliance perspective a new mandatory e-learning was launched in 2021, focused on handling confidential information with care. In addition, the Risk Culture check, which monitors cultural elements within the organisation that form the bases for solid risk management, was integrated with the Maturity Assessment on risk management, jointly now referred to as the Risk Framework Maturity Reflection.

Business plan and capital plan

In January 2021, the Executive Board and Management Board presented the Supervisory Board with NN Group's business plan for 2021-2023 and capital plan for 2021-2025. This outlined, among other things, the projected growth of the operating result and value of new business, operating capital generation, capital flows, solvency development, administrative expense savings and investments and the challenges in this regard, investments related to innovation and strategic initiatives, projected improvements to the combined ratio (non-life), return on equity (bank) and cost/income ratio (asset management), the capital and cash position over the plan period, projected performance against various other financial parameters, as well as Covid-19 impact. After thorough analysis and discussion, the business plan for 2021-2023 and the capital plan for 2021-2025 were approved by the Supervisory Board in January 2021.

Throughout the year, the Supervisory Board was regularly updated on how NN Group was performing on its business and capital plan and is satisfied with the performance reported. Topics of particular focus included:

- The shift towards operating capital generation during the year as key performance indicator and the challenges in this regard.
- Digital transformation of the business and driving innovation across markets.
- Investments versus capital return.
- The impact of the low interest rates, increasing inflation rates and market volatility.
- Performance improvement at Netherlands Non-life (taking into account the negative impact of floods and Covid-19) and NN Bank.
- The strong results at NN Life Japan and the continuing dynamic market in Japan.
- Challenges faced by business units including Movir, NN Spain Non-life, NN Belgium, Netherlands Life and the ongoing optimisation of the investment portfolio, and NN Turkey.
- Steps taken by NN Group and NN IP to further embrace sustainability and the inclusion of ESG factors.

Responsible investment

For NN Group, as a large international financial services company, responsible investment is an important factor in what we do. In our role as investor, we integrate ESG factors into our investment process. Our asset manager, NN IP, has been integrating ESG factors into the investment process for over a decade. Significant progress was made in 2021 in the areas of responsible investing, client experience and operations and technology, of which progress the Supervisory Board was regularly updated. NN Group's Responsible Investment (RI) Framework policy describes the measures the group takes to responsibly invest its own assets and those entrusted to them by customers. Measures include integration of ESG factors in research/valuation, voting, engagement and, as a measure of last resort, restriction.

NN's responsible investment approach is guided by norms-based responsible investing criteria, which reflect our investment beliefs and values, relevant laws and internationally recognised standards from the United Nations Global Compact and OECD Guidelines for Multinational Enterprises. If we identify that a company severely and structurally breaches our norms-based criteria, we first assess the engagement potential to address the violation. Only when engagement is not considered feasible, we will decide to remove the issuer from the eligible investment universe and place it on the Restricted List, which applies across the organisation. The Restricted List is updated four times a year and the Supervisory Board is informed on changes where relevant, for example, when it concerns the exclusion of specific sectors.

Furthermore, as part of NN's long-term ambition, the proprietary investment portfolio is being transitioned to net-zero greenhouse gas emissions by 2050, which is in line with the 1.5°C target of the Paris Agreement. Playing our part in helping the real economy to decarbonise serves as a guiding principle in our approach. To oversee the process of aligning our portfolio to the Paris goals and defining action plans and targets, a NN Paris Alignment Council has been established, chaired by the NN Group Chief Investment Officer. Paris Alignment strategies were developed and rolled out for different asset classes and interim targets were set for 2025 and 2030.

In the regular updates provided to the Supervisory Board on the progress towards both the non-financial and financial targets related to the five strategic commitments, a robust discussion took place on the progress and challenges in relation to ESG-integrated Assets under Management, integration of ESG in underwriting, acceleration of the transition to a low-carbon economy and the reduction of the NN direct environment footprint, among others. During these discussions the Supervisory Board encouraged the progress made, but also challenged whether enough is being done in this regard.

Unit-linked products in the Netherlands

See Note 45 in this Annual Report for a description of legal proceedings with respect to unit-linked products in the Netherlands. The Supervisory Board was periodically updated on relevant developments in the collective actions and individual legal proceedings pending against Nationale-Nederlanden.

Executive Board and Management Board assessment

The Executive Board and Management Board performance goals reflect both financial and non-financial objectives to safeguard the long-term success of the business. To demonstrate commitment to our NN values, care, clear, commit the Boards' performances are also assessed based on the NN Leadership Profile. In the fourth quarter of 2021, the Supervisory Board conducted this assessment of the Executive Board and Management Board and its members. To this end, the Supervisory Board members met with the Executive Board and Management Board members individually in a series of two-on-one meetings. The outcomes of the assessments were discussed during a Supervisory Board meeting which resulted in follow-up actions. For a detailed overview of the outcome of the Executive Board's performance assessment against the financial and non-financial objectives, please refer to page 114 of the Remuneration Report.

Annual accounts, dividend and share buyback programme

During 2021 the Supervisory Board discussed and approved the 2020 annual accounts, the 2020 proposed final dividend payment and the share buyback programme which commenced on 1 March 2021 and NN Group's 2021 interim dividend.

The Executive Board prepared the 2021 annual accounts and discussed these with the Supervisory Board. The 2021 annual accounts will be submitted for adoption by the General Meeting at the 2022 annual general meeting, as part of the 2021 Annual Report. NN Group will propose paying a final dividend of EUR 1.56 per ordinary share, or approximately EUR 476 million in total, based on the number of outstanding shares on the date of this Annual Report, excluding the shares held by NN Group in its own capital in treasury.

Continuous learning

It is essential that the Supervisory Board members are knowledgeable about how NN Group and its affiliated businesses are run, trends in the market and regulations impacting NN's business, and have the specific expertise required for the fulfilment of their duties. Supervisory Board members should proactively maintain their expertise at the required standard and, where necessary, endeavour to improve their expertise. The Supervisory Board Induction Programme and Permanent Education Programme for Supervisory Board members therefore cover topics necessary to ensure the continuous learning of Supervisory Board members, both at the outset and after their appointment.

The Supervisory Board members followed the 2021 NN Group Permanent Education Programme, which was developed based on the input received from the 2020 annual Supervisory Board self-assessment and requests from the Supervisory Board members, the Executive Board and Management Board, and staff.

In total, 21 hours of general knowledge and deep-dive sessions were arranged by NN Group. These programmes covered the relevant developments within NN Group and in the financial sector, as well as the duty of care towards the client.

The general knowledge sessions included (in alphabetical order) Analysis of ESG ratings (including the DJSI), Diversity & Inclusion Training, IFRS 9 and 17, IFRS 9 and 17 Programme update, i-LEAD & Meaningful Conversations, Longevity Risk, Recovery and Resolution of Insurance Companies, Risks for Supervisory Board, Executive Board and Management Board: criminal liability of companies and management, 2021 SAA Study and DNB SAA Action Plan, Solvency II 2020 Review, Terrorist financing, money laundering and sanctions risk (in May and July), The changing environment around environment (including changing stakeholder expectations, climate-related risks and opportunities), and Unit-linked: overview proceedings.

The business deep-dive session covered Netherlands Life, Customer Experience and Scaling excellence: Building the organisation and capabilities for digital transformation. As part of these deep-dive sessions, the Supervisory Board also focused on gaining a better understanding of the business in three themes (i) customer experience, (ii) operational excellence, and (iii) performance versus peers.

Aside from the Permanent Education Programme, the Supervisory Board members also met with NN Group colleagues and teams, as well as with some of the function heads of NN Group's Support Functions, in order to learn more about NN Group's businesses and activities. The Supervisory Board members also participated individually in several education and knowledge sessions organised by external organisations and took advantage of the different learning possibilities online to ensure that they kept themselves informed.

Self-assessment

As is customary on an annual basis, the Supervisory Board and committees evaluated their own performance over the year 2021. The Nomination and Corporate Governance Committee discussed the importance of having a benchmark on the functioning of the Supervisory Board and its individual members. In light of the changed composition of the Supervisory Board, it was agreed to engage an external advisor to facilitate the 2021 self-assessment in reviewing the functioning of the Supervisory Board as a whole, its committees and their respective chairs, and the individual Supervisory Board members, and to support the Supervisory Board in strengthening its effectiveness.

The scope of the 2021 self-assessment included individual interviews with each of the Supervisory Board, Executive Board and Management Board members, as well as a number of group staff members and the external auditor by the external advisor.

The outcome of the 2021 self-assessment was discussed during a workshop session with the full Supervisory Board in February 2022, facilitated by the external party.

The main conclusion from the self-assessment was that the Supervisory Board is a well-functioning team of involved and reflective professionals with relevant knowledge and expertise. The Supervisory Board and Committee meetings are perceived as effective. Areas identified where more value can be added and effectiveness improved are (i) striking a more balanced approach between conformance and performance, (ii) supervising digital transformation with supporting mechanisms, (iii) gaining a better insight into the culture of Insurance International (which is partly attributed to the recent Covid-19 restrictions), and (iv) investing more in relations within the Group by organising informal meetings with management, business unit CEOs, employees and trainees within the organisation, as soon as Covid-19 allows.

Risk Committee

The Risk Committee assists the Supervisory Board in performing its duties. To this end, it prepares items for discussion and decision-making by the Supervisory Board, and recommends actions in various areas, including:

- NN Group's key risks and risk appetite statements, risk strategy and policies.
- Risk exposures resulting from the business strategies and plans of NN Group and its affiliated businesses.
- The design, operation and effectiveness of the risk management and internal control systems of NN Group (the Risk Control Framework).
- NN Group's public disclosures on risk and risk management.
- Any Material Transactions.

The Risk Committee works closely with the Audit Committee in order to avoid omissions and duplication in its activities. For this reason, the chair of the Risk Committee is also a member of the Audit Committee, and vice versa.

Composition and attendance

The members of the Risk Committee are Mr Hauser (chair), Ms Beale, Mr Jenkins, Ms Reyes, Mr Schoen and Ms Streit. The Risk Committee met four times in 2021 with a 95% attendance rate. All meetings up to May 2021 were virtual meetings due to the Covid-19 pandemic. As from August 2021, meetings were held in hybrid form.

Ms Beale and Ms Reyes were appointed as members of the Risk Committee per 20 May 2021. Mr Lelieveld and Ms Vletter-van Dort attended the meeting in November 2021 as observers.

Other attendees were the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, General Counsel, General Manager Corporate Audit Services (CAS), Head of Group Enterprise Risk Management and the external auditor (KPMG).

During 2021, the chair of the Risk Committee regularly liaised with the Chief Risk Officer and Chief Compliance Officer, and met with the external auditor and relevant subject-matter experts.

Discussion topics

During its meetings, the Risk Committee discussed, among other things: (i) the Risk Plan 2021, the Group Legal Operational Plan, and the Compliance Operational Plan 2021 and the NN Group Systematic Integrity Risk Assessment (Group SIRA), (ii) the Risk Control Framework, (iii) the risk management report, (iv) information technology (IT) and security, and (v) the performance and appropriateness of NN Group's Partial Internal Model (PIM). These topics are addressed below in turn. Following the Covid-19 pandemic, its impact on various aspects of NN Group's business was addressed in several Risk Committee topics and underlying documents.

The Risk Committee discussed the NN Group Own Risk and Solvency Assessment (ORSA) Report 2020, which took into account the new strategy and the impact of the Covid-19 pandemic. The Risk Committee reviewed the key risks and risk appetite statements 2021, which were prepared taking into account both the impact of the Covid-19 pandemic and the NN Group strategy. The Risk Committee also regularly addressed the potential impact of the 2020 Solvency II review request of the European Commission to EIOPA to provide technical advice for the European Commission's legislative proposal (Solvency II Review). Furthermore, the Risk Committee discussed the Preparatory Crisis Plan 2021, Derivatives Counterparty Risk report, the Strategic Asset Allocation, the 2020 Actuarial Function Report. The Risk Committee was regularly updated on the work performed with respect to the risks related to FEC, related operational shortcomings and the progress in addressing these. The improvements to NN Group's Risk Management function with respect to its organisation and processes as well as the outcome of the former Risk culture check ins of the business units, now called the Risk Framework Maturity Reflections, were also discussed in the Risk Committee meetings.

Year Plans 2021 Control Functions

The NN Group Risk Plan 2021 outlines the ex-ante risk priorities for 2021, taking into account NN Group's strategic direction and risk profile, the Risk Control Framework, and external developments and regulations, and is consistent with the NN Group Business Plan 2021-2023. The Risk Management function has the ambition to keep the company safe, ensure balanced risk taking and support NN's strategy through constructive challenge and expertise. The key focus areas for 2021 to support the strategy include among others NN Group's Solvency position, strengthening capabilities and procedures of risk management in line with the strategy to increase investment risk, customers and distribution, product strategy, simplification and effectiveness of support functions, ESG strategy, and IT and digital transformation.

The Compliance Operational Plan 2021 includes the planned activities supporting NN Group in reaching its overall objectives. These activities are also derived from the NN Group SIRA 2021, which forms the basis for the Compliance Operational Plan.

The Compliance Operational Plan safeguards an integrated oversight approach through close collaboration with Risk and Legal functions to promote multidisciplinary thinking and interaction, to enable better alignment at Group level with clear communication to business units, to ensure efficient use of resources and capacity, and to enable further cooperation under the Risk Control Framework. The main risks and attention areas addressed in the Compliance Operational Plan are based on the SIRAs of NN Bank, Netherlands Life and Netherlands Non-life, as well as on the Non-Financial Risk Assessments of NN Group's international business units, and include FEC risks, product customer value risk, product and client information risk, risk of conflict of interest and risk of dealing with confidential information, among others.

The Group Legal Operational Plan 2021 takes into account industry developments, is aligned with the NN Group strategy and priorities and reflects the Integrated Oversight approach as agreed upon by Risk, Group Compliance and Group Legal. Group Legal is focused on supporting management in managing legal risks, supporting the execution of the strategic agenda and preserving the legal integrity of the NN Group holding operations. The priorities identified for 2021 are to support transformation and business development, transaction and regulatory support in NN Group's strategy execution, digitalisation and the use of data and oversight.

Risk Control Framework

The objectives of the Risk Control Framework include ensuring that the management boards of the NN Group business units and function heads at head office:

- Ensure relevant risks are understood at all levels of their organisation/department and mitigated through effective controls.
- Have robust processes in place that demonstrate effectiveness of controls and compliance with governance, policies and standards.
- Are appropriately informed about the levels of risks and effectiveness of controls.
- Can confirm they operate within the risk appetite and, if not, are aware of the issues and necessary mitigating actions.

In 2021, NN Group and its business units continued to make progress in further embedding and improving the Risk Control Framework and in performing their control tracking and testing activities as an inextricable part of the business as usual.

The risk management report

The quarterly risk management report of NN Group to the Supervisory Board reports risks against the risk appetite of NN Group and its affiliated businesses. It covers strategic, financial and non-financial risks.

The report included updates on the current and forward-looking risks emanating from the Covid-19 pandemic, including measures taken and planned. The impact of the Covid-19 pandemic on NN Group and its customers remained limited, which shows strong business resilience in the businesses. The report further included updates on the status of the ongoing monitoring and trend-developments, developments related to the partial internal model (PIM), developments around product suitability, and FEC-related risks throughout the Group. In addition, the report provides insight into the status of legal claims and incident reporting.

The Risk Committee periodically discussed the key strategic challenges facing the insurance, asset management and banking businesses of NN Group, NN Group strategy execution, progress in the operating capital generation (OCG) reporting, as well as the implementation of sustainability legislation by the European Union. It also addressed development of the balance sheet, the 2020 Solvency II Review, operational and IT security risks, VIVAT Non-life integration, risk assessments carried out, for example, Systematic Integrity Risk Assessments and Fraud Risk Assessments and specific measures adopted to mitigate risks, and customer suitability risk.

Information technology and security

NN Group deems the reliability and security of IT and IT infrastructure paramount. Each quarter, the Risk Committee is therefore updated on developments, achievements and risks in the field of IT and security, which include a status update on current IT change projects, IT chain availability and the cybersecurity and risk status of NN Group. In 2021, the IT team demonstrated continued efforts and commitment. The main challenges from an IT perspective in 2021 related to execution of the IT simplification programme, improving the availability of core systems, decreasing the number of incidents and overdue issues, improving IT control maturity, improving cybersecurity capabilities such as ransomware awareness and protection, cloud security and multi factor authentication, as well as identity and access management.

During 2021, progress was made in relation to the decommissioning plans to simplify NN Group's application landscape and the IT Security Programme. The scaling excellence programme was launched, which is focused on ensuring unique customer experience by investing in skills, knowledge and expertise in the front-end applications of NN Group. Work is ongoing with respect to execution of the IT simplification programme to ensure a resilient IT with future-proof IT capabilities and lower costs, with the first results starting to materialise. The Information Security Risk Mitigation Plan is close to reaching the aspired maturity levels as a result of good progress in strengthening IT controls. The IT control environment has also been further integrated into the risk management reporting.

NN Group's partial internal model (PIM)

The PIM is used to measure, manage and report the risks within the Group. It consists of many components, and is therefore widely employed for risk management, capital management and other business decisions such as product pricing and asset allocation.

Each year an assessment of the PIM takes place in the first quarter, which covers all relevant information of the preceding calendar year. The assessment covers all risk models which are part of NN Group's PIM used for the calculation of the Basic Solvency Capital Requirement. The outcome of this assessment is presented to the Supervisory Board in May each year during which meeting the key priorities for the year going forward are also addressed.

The major model change relating to the inclusion of the risk margin in the interest rate Solvency Capital Requirement was approved by the DNB and implemented. The application for Netherlands Life's major model change related to the redesign of the longevity risk models has been submitted to the DNB for approval. The application for the major model change of Netherlands Non-life related to the inclusion of VIVAT in the PIM was also submitted to the DNB for approval. The Risk Committee was regularly apprised on the progress of these model changes as well as the outcomes of the reviews and testing performed on these controls.

The main conclusion of the 2021 report on the PIM performance is that the internal model is appropriate for its intended use and performed well even during the market turbulences caused by the Covid-19 pandemic.

Audit Committee

The Audit Committee assists the Supervisory Board in the performance of its duties. To this end, it prepares items for discussion and decision-making by the Supervisory Board, and recommends actions in various areas, including:

- The design, operation and effectiveness of the internal risk management and control systems related to financial reporting.
- The integrity and quality of the financial reporting process.
- Periodic financial reports and any ad hoc financial information.
- The findings and outcomes of any audit work, by both the external auditor and CAS, the internal audit department of NN Group (e.g. as contained in the quarterly audit reports and yearly management letter/report).
- Establishing a procedure for the selection and recommendation of the (re)appointment by the Supervisory Board of the external auditor.

The Audit Committee works closely with the Risk Committee to avoid omissions and duplication in its activities. For this reason, the chair of the Audit Committee is also a member of the Risk Committee, and vice versa.

Composition and attendance

The members of the Audit Committee are Mr Schoen (chair), Mr Cole, Mr Hauser, Mr Jenkins and Mr Lelieveld. The Audit Committee held six meetings during 2021 with a 96% attendance rate. All meetings up to May 2021 were virtual meetings due to the Covid-19 pandemic. As from August 2021 meetings were held in hybrid form. Mr Lelieveld was appointed as a member of the Audit Committee per 1 September 2021. Ms Reyes attended the meeting in August 2021 as an observer.

Other attendees were the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, General Counsel, General Manager CAS, Head of Group Finance & Reporting, Head of Performance & Analytics and the external auditor (KPMG). Subject-matter specialists also regularly attended the meetings.

During 2021, the chair of the Audit Committee separately met with the Chief Financial Officer, General Manager CAS, subject-matter experts and the external auditor to discuss topical issues.

In addition to the regular Audit Committee meetings, the Audit Committee also held closed sessions, which were only attended by the Audit Committee members, the General Manager CAS and the external auditor. In all its meetings, the Audit Committee encouraged open and interactive discussion, and the sharing of critical insights and observations.

Discussion topics

In 2021 the Audit Committee covered a variety of topics in its meetings with continued due consideration of the impact of the ongoing Covid-19 pandemic. These included recurring items that the Audit Committee deals with as a matter of course, typically in relation to the financial reports, press releases, accounting and regulatory developments, pending legal proceedings, interim dividend payment to shareholders and share buyback programme, the independence of KPMG, remuneration and evaluation of both KPMG and the General Manager CAS, specific financial transactions, Solvency II developments, IFRS and Solvency II reporting, including a second line review opinion on the Reserve Adequacy Test and on the Own Funds and the Solvency Capital Requirement (SCR) as part of the NN Group Own Funds/SCR Report, internal controls on financial reporting, and changes in financial reporting processes and systems. Moreover, NN Group's financial reporting included an analysis on OCG and work ongoing to further improve OCG reporting. The Audit Committee reflected on the decision to change NN Group's external reporting frequency to semi-annually in 2020 and agreed that this change positively impacted long-term value thinking, which supports our strategy. The quarterly internal reporting process has been maintained.

With the chair of the Audit Committee in the lead, the Audit Committee initiated the process, in close cooperation with the Executive Board, to reappoint the external auditor as of 2023.

During 2021, the Audit Committee was regularly updated on the status and implementation of the IFRS 9 and 17 Programme and the key platforms and other initiatives in the 2021-2023 Finance Roadmap. The impact of Covid-19 on the Finance Roadmap has been limited and the teams and business units adapted well to the new circumstances.

Annually, the Audit Committee performs a deep dive into the present position and future developments in respect of corporate income tax and any other relevant tax regulations, NN Group's tax strategy and tax transparency developments. Group Tax updates the Audit Committee on the material tax risks and mitigating actions taken. In 2021, topics such as the Dutch Governmental Budget plan 2021, Public country-by-country reporting, and OECD Pillar Two (minimum taxation rule) were presented and discussed with the Audit Committee.

In its meetings, the Audit Committee also assessed and discussed topics including: (i) the 2021 Audit Plans of CAS and of KPMG, (ii) the quarterly reports of CAS, (iii) the quarterly reports of KPMG, (iv) information technology and cybersecurity, (v) the annual KPMG Management Letter and annual standard of internal control report of CAS, and (vi) whether there was reasonable assurance that the financial reporting did not contain any errors of material importance. These topics are addressed below in turn.

2021 Audit plans of CAS and of KPMG

The Audit Committee discussed the 2021 audit plans of CAS and KPMG. The main drivers behind the CAS audit priorities for 2021 were (i) coverage requirements, (ii) strategic importance and change targets, and (iii) remediation. The key focus areas based on these three drivers are centred around the key value drivers of operations and IT excellence, data and underwriting capabilities, asset re-risking and further optimising client and distribution interaction and structures. Emphasis on IFRS 9 and 17 was also increased in 2021.

The 2021 KPMG audit plan also showed continued emphasis on IFRS 9 and 17, OCG and non-financial information disclosures. Areas of focus in 2021 included (i) the Covid-19 pandemic, (ii) cybersecurity, (iii) ongoing M&A activity, (iv) IT integration and migrations, (v) assumption and model updates, and (vi) developments regarding the Partial Internal Model.

Quarterly reports of CAS

The quarterly reports of CAS included findings and observations regarding governance, risk management and internal control, focusing on significant internal control weaknesses noted in ongoing audit activities, and follow-up by the Executive Board and Management Board on agreed actions and weaknesses.

The reports categorised the findings and observations into five areas: (i) primary processes, (ii) information technology, cyber – and physical security, (iii) financial risk management and reporting, (iv) the development of outstanding risks and their mitigation, and (v) the key internal developments of CAS. The findings of CAS are summarised annually in a Report on the NN Group Standard of Internal Control and include forward-looking considerations.

During 2021, CAS observed continued management actions in response to the Covid-19 pandemic to ensure workforce safety, business continuity, as well as continuous customer support. Throughout 2021, continued progress in control strengthening activities was observed. Several key integration milestones have been achieved throughout 2021 which enabled the realisation of efficiency targets and positively contributed to operational and IT control levels. The progress of the integration and transformation agenda remains challenging due to the large number of change initiatives.

Quarterly reports of KPMG

As from 2020 onwards, NN Group changed to a semi-annual external financial reporting frequency but continued to prepare quarterly financial information for internal reporting purposes. KPMG continued to perform quarterly review procedures as part of the audit of the 2021 annual accounts, but did not issue a formal review opinion in 1Q21 and 3Q21.

In its quarterly reports, KPMG presented the outcome of its review of activities and findings in the areas of attention identified in its 2021 audit plan.

KPMG's assessment of the significant risks of material misstatements compared to 2020 resulted in a few changes, in particular the risks in valuation of hard-to-value assets were considered stable, and the risks in relation to the application of hedge accounting and the Delta Lloyd integration were no longer considered significant audit risks but remained on KPMG's radar. The other areas of significant audit risk which remained stable include the valuation of insurance contract liabilities and the reserve adequacy test (RAT), Solvency II capital and risk management disclosures, as well as the unit-linked exposure.

The KPMG reports addressed financial, business and operational impacts of the Covid-19 pandemic on NN Group. Observations on internal control and external developments relevant to NN Group, including the follow-up on recommendations in the KPMG Management Letter and earlier quarterly reports were provided. Once a year, the findings on internal control are summarised in the annual management letter (described below).

Information technology and cybersecurity

Information technology and cybersecurity were extensively discussed each quarter in the Risk Committee. These meetings were attended by the General Manager CAS and the external auditor (KPMG), as well as by the chair and several other members of the Audit Committee. Subsequently, the chair of the Risk Committee reported any topics relevant for financial reporting, also on a quarterly basis, to the Audit Committee.

To avoid duplication, the Audit Committee therefore focused on those elements of information technology and cybersecurity that (may) impact financial reporting and the security, reliability, integrity and availability of data and assets across NN Group and its affiliated business. This included discussing the IT and security sections of the quarterly reports of CAS and KPMG, and the link between IT developments, in particular, the IT simplification programme and the IT Control Framework, and the ongoing programmes in respect of the Finance Roadmap and the status and implementation of the IFRS 9 and 17 Programme.

KPMG Management Letter 2021

Each year, KPMG issues a management letter which contains observations on NN Group's internal control over financial reporting. The letter is based on the audit and the quarterly review procedures. The KPMG Management Letter 2021 contains (i) improvement observations with regard to the internal control environment of NN Group and (ii) a follow-up on the KPMG Management Letter 2020. An appendix to the letter includes attention points for the year-end closing. Section (i) of the management letter contains areas where structural improvements of internal controls will help drive performance of NN Group. These relate to eight areas: Netherlands Life modelling and Solvency II analysis, IT risk and control, cybersecurity, (IT) projects/system replacements, outsourcing, quality controls at Non-life, ESG reporting and OCG. Section (ii) includes four observations from the prior year where good progress was made but further attention is needed to be fully closed. The management letter contains a number of concrete recommendations from KPMG and specific actions defined by management to address these recommendations. In its January 2022 meeting, the Audit Committee discussed the KPMG Management Letter 2021 and the Executive Board and Management Board's response and reflected extensively on the matters it covered.

Remuneration Committee

The Remuneration Committee assists the Supervisory Board in the performance of its duties. To this end, it prepares items for discussion and decision-making by the Supervisory Board, and recommends actions in various areas, including:

- The remuneration policy for the Executive Board, as well as its implementation and evaluation
- The remuneration and concrete terms and conditions of engagement of individual Executive Board and Management Board members.
- The remuneration policy of the Supervisory Board, as well as the remuneration of the Supervisory Board members.
- The remuneration and remuneration policies with respect to Identified Staff (as defined).
- The design and implementation of any stock-based compensation programmes.
- The application of the remuneration policies within the company.
- Compliance with statutory and legal requirements and regulations.
- Performance targets for the Executive Board and Management Board.

Composition and attendance

The members of the Remuneration Committee are Ms Vletter-van Dort (chair), Mr Lelieveld, Ms Reyes, Mr Schoen and Ms Streit. Ms Reyes was appointed as a member of the Remuneration Committee per 20 May 2021. Mr Lelieveld who was nominated for appointment as Supervisory Board member pursuant to the enhanced recommendation right of the Central Works Council, joined the Remuneration Committee as of 1 September 2021.

The Remuneration Committee met four times in 2021 and had a 100% attendance rate. All meetings up to May 2021 were virtual meetings due to the ongoing Covid-19 pandemic and as from August 2021 meetings were held in hybrid form. The Chief Executive Officer and Chief Organisation & Corporate Relations also joined the meetings of the Remuneration Committee, unless the committee determined otherwise. The Head of Reward, or a representative, also attended. The chair and members of the Remuneration Committee were in regular contact with the Chief Organisation & Corporate Relations and the Head of Reward.

In addition to the regular Remuneration Committee meetings, one combined meeting with the Nomination and Corporate Governance Committee (Combined Meeting) was held in February 2021 with a 100% attendance rate. Mr Jenkins attended this Combined Meeting as an observer.

Discussion topics

Remuneration policies

The Remuneration Committee reviewed and evaluated the remuneration policies of NN Group as laid down in the NN Group Remuneration Framework, and the remuneration policy for the Executive Board. The NN Group Remuneration Framework was updated to ensure compliance with the Sustainable Finance package, as adopted by the European Commission on 21 April 2021, and the new Regulatory and Technical Standards included in the Commission Delegated Regulation 2021/923 on 25 March 2021. Further amendments related to improving clarity and consistency and reflecting changes in governance and processes where applicable to NN Group.

The Remuneration Committee discussed the Remuneration Benchmark for the Supervisory Board, Executive Board and Management Board, which was validated on the basis of an analysis performed by an external agency and concluded to be fit for purpose and in line with the principles as included in NN's remuneration policies.

Please refer to page 109 of this Annual Report for more information on the remuneration of the Executive Board and Supervisory Board members.

Equal Pay

The Remuneration Committee discussed and addressed the outcomes of the analysis carried out on equal pay within NN Group, which was based on equal representation, gender pay gap and equal pay gap. This analysis was a follow-up of the equal pay analysis as executed in 2020. In 2021 the involvement of the international business units were improved by (i) including all countries in scope, (ii) involving larger countries in advanced statistical analysis, and (iii) having constructive sessions with country HR Directors to explore the outcome. Please refer to page 111 for further insights of the equal pay analysis.

Report of the Supervisory Board continued

Board objectives

The objectives for the Executive Board and Management Board for performance year 2021 were discussed and endorsed by the Remuneration Committee in January 2021. These objectives, structured around the five strategic commitments ((i) customers and distribution, (ii) products and services, (iii) people and organisation, (iv) financial strength, and (v) society) were focused on meeting the strategic ambition and the related 2021-2023 targets as disclosed at the Capital Markets Day held on 24 June 2020.

Other topics

The Remuneration Committee was kept informed on the collective labour agreement negotiations with the unions and the related challenges, as well as the working from home arrangements as a result of the ongoing Covid-19 pandemic and the measures implemented. As is required on an annual basis, a risk assessment was carried out on the NN Group Remuneration Framework and related processes, which focused on the processes designed to avoid excessive risk-taking by NN Group staff. No risks with a critical or high managed risk level were identified. Identified Staff-related remuneration matters were reviewed and approved in line with the NN Group Remuneration Framework and governance, including the variable remuneration proposals for Identified Staff for performance year 2020, compensation adjustment proposals for the year 2021, and the 2021 Identified Staff selection.

Topics addressed during the Combined Meetings

The Remuneration Committee and the Nomination and Corporate Governance Committee, in a combined meeting, assessed the functioning and performance of the Executive Board members and provided input for the Management Board's performance assessment. Individual meetings with Executive Board and Management Board members formed part of the assessments. The combined committees also reviewed and endorsed the remuneration proposals for the Executive Board and Management Board.

Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee assists the Supervisory Board in the performance of its duties. To this end, it prepares items for discussion and decision-making by the Supervisory Board, and recommends actions concerning various areas:

- The policy of the Executive Board on the selection criteria and appointment procedures for Identified Staff.
- Drafting the selection criteria and appointment procedures for Supervisory Board members and Executive Board members.
- The composition of the Supervisory Board and Executive Board.
- The succession plan for Supervisory Board and Executive Board members.

Composition and attendance

The members of the Nomination and Corporate Governance Committee are Mr Cole (chair), Ms Beale, Mr Hauser, Mr Lelieveld and Ms Vletter-van Dort. Ms Beale was appointed as a member of the Nomination and Corporate Governance Committee per 20 May 2021 and Mr Lelieveld per 1 September 2021.

The Nomination and Corporate Governance Committee met 11 times in 2021 and had an attendance rate of 97%. All meetings up to May 2021 were virtual meetings due to the ongoing Covid-19 pandemic and as from August 2021 meetings were held in hybrid form. The Chief Executive Officer and the Chief Organisation & Corporate Relations also joined the meetings of the Nomination and Corporate Governance Committee, unless the committee determined otherwise. The General Counsel attended the Nomination and Corporate Governance Committee meeting held on 15 February 2021.

Discussion topics

Succession planning

The Nomination and Corporate Governance Committee discussed and evaluated the succession plan for the Executive Board and Management Board members, and other key staff (including Identified Staff), and NN Group's talent management programme.

Appointment of the Chief Financial Officer

The Nomination and Corporate Governance Committee followed an extensive process and played an active role in supporting the Supervisory Board in the process of drafting selection criteria and identifying a successor for Mr Delfin Rueda when he steps down as a member of the Executive Board and Chief Financial Officer of NN Group as of 1 July 2022, and in the subsequent appointment of Ms Annemiek van Melick. The decision to appoint Ms Van Melick was a result of having a sound succession planning process in place. Throughout the appointment process, the profile of the Executive Board and the Diversity Policy were duly observed.

Composition of the Supervisory Board

The rotation and succession plan for the Supervisory Board was discussed, to ensure that among others sufficient business experience, transformation experience and requirements around gender diversity, and the Supervisory Board self-assessment process for 2020 was evaluated. Based on the outcome of the self-assessment evaluation, the objective for the Nomination and Corporate Governance Committee for 2021 was to continue with the Executive Board and the Supervisory Board succession planning and prioritising enhancing transformational competencies within the Supervisory Board in the succession planning.

With regards to the annual self-assessment of the Supervisory Board for the year 2021, the Nomination and Corporate Governance Committee discussed the importance to have a benchmark on the functioning of the Supervisory Board and its individual members. In light of the changed composition of the Supervisory Board it was agreed to engage an external advisor to facilitate the 2021 self-assessment and to support the Supervisory Board in strengthening its effectiveness.

The Nomination and Corporate Governance Committee followed an extensive process throughout 2020 and 2021, supported by an external advisor. Based on this process, the composition of the Supervisory Board and its committees and individual Supervisory Board competencies and skills were evaluated, discussed and recommendations were made to the Supervisory Board on the composition of the Supervisory Board and its committees.

In this context, the Nomination and Corporate Governance Committee prepared the discussion for (i) the proposal to further strengthen the composition of the Supervisory Board and increase the number of members of the Supervisory Board by two, (ii) the proposal to nominate Ms Reyes as member of the Supervisory Board and designate her as a member of the Risk Committee and of the Remuneration Committee, and (iii) the proposal to meet the request of the Central Works Council to nominate Mr Lelieveld as the person recommended by the Central Works Council on its enhanced recommendation right (resulting in Mr Lelieveld becoming a member of the Remuneration Committee) and to nominate Mr Lelieveld as member of the Supervisory Board and designate him as a member of the Audit Committee and of the Nomination and Corporate Governance Committee. Based on a later and further evaluation done in the process the Nomination and Corporate Governance Committee prepared the discussion for (i) the proposal to further increase the number of members of the Supervisory Board by one, and (ii) the proposal to nominate Ms Beale as member of the Supervisory Board and designate her as member of the Risk Committee and of the Nomination and Corporate Governance Committee.

NN Group System of Governance Review

Solvency II requires NN Group to have in place an effective System of Governance which provides for sound and prudent management of the business and which supports its strategic objectives and operations. NN Group's System of Governance incorporates the relevant requirements stemming from the Solvency II Directive, Solvency II Regulation (Delegated Acts) and the EIOPA System of Governance guidelines. The Nomination and Corporate Governance Committee was thoroughly informed on the outcome of this year's NN Group System of Governance review and provided its feedback to the Executive Board and Management Board.

Other topics

As is required on an annual basis, the Nomination and Corporate Governance Committee reviewed and discussed compliance with the Dutch Corporate Governance Code for the financial year 2021 in February 2022. The Nomination and Corporate Governance Committee was further consulted in relation to the annual review and proposed changes in the Charters of the Executive Board, Management Board, Supervisory Board and Committees, and the NN Group N.V. Decision Structure. The Nomination and Corporate Governance Committee discussed the extensive review done by NN Group Compliance on the various outside positions (other than NN Group related positions) held by all Supervisory Board, Executive Board and Management Board members. It was concluded that all board members are compliant with the relevant rules and obligations and in light of the large number of ad hoc board meetings scheduled in the course of 2021, board members have shown flexibility beyond normal expectation in order to fulfil their obligations.

Closing

2021 continued to be an extraordinary and challenging year, dominated by the effects of Covid-19 impacting society at large, customer behaviour and NN's own way of working. Nevertheless, NN Group showed resilience with strong commercial and financial performance during the year and a number of successful M&A transactions.

The Supervisory Board is pleased with the good progress that has been made in the strategy execution that is focused on sustainable long-term value creation for all stakeholders and aims for resilient and growing long-term capital generation for shareholders. Transformation in all aspects remains a priority for all business units and the first tangible signs of progress became evident in 2021.

During 2021 the Supervisory Board welcomed Ms Inga Beale, Mr Rob Lelieveld and Ms Cecilia Reyes to the Supervisory Board.

Together with the Executive and Management Boards, the Supervisory Board looks forward to continue building on the solid foundations of the company and achieve our ambition to be an industry leader, known for our customer engagement, talented people, and contribution to society. At NN, we help people care for what matters most to them and we are committed to continue doing business in a way that is consistent with our values: care, clear, commit.

Corporate governance

General

NN Group N.V. (NN Group) is a public limited company (naamloze vennootschap) incorporated under the laws of the Netherlands and has a two-tier board structure consisting of an executive board (Executive Board) and a supervisory board (Supervisory Board). NN Group also has a management board (Management Board). NN Group mandatorily applies the full large company regime.

Executive Board

Duties

The Executive Board is entrusted with the management, the strategy and the operations of NN Group under supervision of the Supervisory Board. In performing its duties, the Executive 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 working methods of the Executive Board are detailed in the charter of the Executive Board. This charter is available on the NN Group website.

Certain resolutions of the Executive Board require the approval of the Supervisory Board and/or general meeting of shareholders of NN Group (General Meeting). These resolutions are outlined in the articles of association of NN Group (Articles of Association), which are available on the NN Group website, and in the charter of the Executive Board.

Appointment, removal and suspension

Under the full large company regime that is mandatorily applied by NN Group, the members of the Executive Board are appointed by the Supervisory Board. Prior to appointing a member of the Executive Board, the Supervisory Board must notify the General Meeting of such an intended appointment. Only the Supervisory Board may suspend or remove a member of the Executive Board. However, the Supervisory Board is only entitled to remove a member of the Executive Board after the General Meeting has been consulted on the intended removal.

Composition

The Executive Board must consist of two or more members, with the total number of members of the Executive Board determined by the Supervisory Board after consultation with the Executive Board. Guiding principles for the appointment of members and the composition of the Executive Board are provided in the profile of the Executive Board and Management Board, which includes the diversity policy for the composition of these boards. The profile including the diversity policy is available on the NN Group website.

As at 31 December 2021, the Executive Board consisted of the following persons:

Name	Position	Date of birth	Gender	Nationality	Appointment	Termination/ reappointment	Tenure
David Knibbe	Chair, Chief Executive Officer (CEO)	15 March 1971	Male	Dutch	1 October 2019	2023	2 years
Delfin Rueda	Vice-chair, Chief Financial Officer (CFO)	8 April 1964	Male	Spanish	1 March 2014, reappointment 31 May 2018	2022*	8 years

* Term of appointment will end at the close of the AGM of NN Group on 19 May 2022. The Supervisory Board intends to reappoint Delfin Rueda as member of the Executive Board as from the close of the AGM up to 1 July 2022, after notification to the General Meeting of NN Group at the AGM on 19 May 2022. The Supervisory Board also has the intention to designate Delfin Rueda again as CFO and as a result as vice-chair of the Executive Board for the same term. With the reappointment of Delfin Rueda, his membership and vice-chairmanship of the Management Board of the Company also continues for the same term.

On 12 October 2021, it was announced that the Supervisory Board intends to appoint Annemiek van Melick as Delfin Rueda's successor for a term of four years. Her appointment will be effective as of 1 July 2022, after notification to the General Meeting of NN Group at the AGM on 19 May 2022. Annemiek van Melick will join NN Group as of 1 June 2022 as member of the Management Board.

David Knibbe was appointed to the Executive Board and designated as Chief Executive Officer of NN Group and chair of the Executive Board effective 1 October 2019. He is responsible for the business strategy, performance and day-to-day operations of NN Group. Mr Knibbe has been a member of the Management Board since 7 July 2014. On 1 September 2014, Mr Knibbe was appointed Chief Executive Officer Netherlands. In this role Mr Knibbe was responsible for NN Group's insurance and banking business in the Netherlands and leading the integration of NN and Delta Lloyd. From 2013 until 2014, he served as Chief Executive Officer of ING Insurance International. In 2013, he became member of the NN Group Operating Committee. From 2011 to 2013, he served as Chief Executive Officer of ING Insurance Central and Rest of Europe. During 2010, Mr Knibbe was Chief Executive Officer Insurance Corporate Clients in the Netherlands. From 2007 to 2008, Mr Knibbe was General Manager of Nationale-Nederlanden Individual Life (retail life and individual pensions), which then became Intermediary Pensions and Retail Life with the addition of the SME pensions business in 2008. In 2009, Mr Knibbe became General Manager Pensions with the addition of corporate pensions and removal of retail life from his area of responsibility. Prior to that, from 2004 to 2007, Mr Knibbe was Director Disability and Accident Insurance of Nationale-Nederlanden. From 2002 to 2004, he was Managing Director of ING's life insurance and employee benefits joint venture with Piraeus Bank in Greece. Mr Knibbe was Head of Investments of Central-Holland of ING Bank from 2000 to 2002. Mr Knibbe started his professional career in 1997 when he joined ING, serving in various positions in investment management and banking. Mr Knibbe was chair of the board of the Dutch Association of Insurers (Verbond van Verzekeraars) from 9 December 2015 until 20 June 2018.

From 20 July 2018 until 18 December 2019, he was vice-chair of the Dutch Association of Insurers. Mr Knibbe holds a Master's degree in monetary economics from the Erasmus University in Rotterdam (the Netherlands).

Furthermore, Mr Knibbe is member of the board and treasurer of the Confederation of Netherlands Industry and Employers (VNO-NCW), as well as member of the Federative Board VNO-NCW and MKB NL. He is also member of the board of the Johan Cruyff Foundation and member of the advisory board of JINC. On 26 April 2021, Mr Knibbe became member of the Pan European Insurance Forum. As from 1 July 2021, he is also member of the World Economic Forum's Alliance of CEO Climate Leaders and Governors meeting Financial Sector, and on 7 December 2021, he joined the supervisory board of Stichting Erasmus Trustfonds.

Delfin Rueda was appointed to the Executive Board as Chief Financial Officer on 1 March 2014. As from 7 July 2014, he serves as vice-chair of the Executive Board. On 31 May 2018, he was reappointed as member of the Executive Board and again designated Chief Financial Officer of NN Group and vice-chair of the Executive Board. Mr Rueda is responsible for NN Group's finance departments and investor relations. From 1 October 2013 until the legal merger between NN Group and ING Verzekeringen, which became effective on 1 March 2014, he was member of the management board and Chief Financial Officer of ING Verzekeringen. Mr Rueda served as Chief Financial Officer and as member of the management board of ING Insurance Eurasia from 1 November 2012 until 7 July 2014. Prior to joining ING in November 2012, Mr Rueda served as Chief Financial and Risk Officer and as member of the management board at Atradius from 2005 to 2012. From 2000 to 2005, Mr Rueda served as Senior Vice-president of the Financial Institutions Group, Corporate Finance, at J.P. Morgan. Prior to that, from 1993 to 2000, he was Executive Director of the Financial Institutions Group, Corporate Finance, at UBS. Mr Rueda began his career with Andersen Consulting, which later became Accenture, where he undertook different advisory assignments in information systems and strategic management services from 1987 to 1991.

Mr Rueda holds a Master's degree in economic analysis and quantitative economics from the Complutense University of Madrid (Spain) and an MBA with a finance major from the Wharton School, University of Pennsylvania (USA). Besides being member of the Executive Board, Mr Rueda is supervisory board member and chair of the audit committee of the supervisory board of Adyen N.V. and member of the Supervisory Committee of Alma Mundi Insurtech Fund. Mr Rueda also serves as chair of the CFO Forum and is non-executive director of Allfunds Group Plc and Allfunds Bank S.A.U.

Remuneration

Information on the remuneration policy for members of the Executive Board and on their individual remuneration can be found in the Remuneration Report, on page 112.

Management Board

Role and duties

The Management Board is entrusted with the day-to-day management and the overall strategic direction of NN Group. In performing its duties, the Management 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 authority to manage NN Group is vested in the Executive Board as a whole, notwithstanding that each of the members of the Management Board is responsible and accountable to the Executive Board and within the Management Board for the specific tasks as assigned. Being comprised of the Executive Board members as well as key leaders with a divisional or functional responsibility, the Management Board allows for integral and holistic decision-making at the highest level of NN Group with functions, the businesses and Executive Board members represented. Besides providing balanced, effective and timely decision-making, NN Group having a Management Board also provides for flexibility in terms of composition, allocation of tasks and responsibilities and required knowledge. In supervising the functioning of NN Group's corporate governance structure, including its checks and balances, the Supervisory Board pays specific attention to the dynamics and relationship between the Executive Board and the Management Board as well as the manner in which the Management Board operates. The Supervisory Board will be provided with all the information necessary for the proper performance of this duty. In principle, members of the Management Board are present at meetings with the Supervisory Board where topics are discussed that relate to their area of responsibility. Next to that, the Supervisory Board regularly meets with the full Management Board. The organisation, role, duties and working methods of the Management Board are detailed in the charter of the Management Board, which is available on the NN Group website.

Composition, appointment and removal

The Management Board consists of the members of the Executive Board and other such members as appointed by the Executive Board after consultation with the Supervisory Board. The number of members of the Management Board is determined by the Executive Board. Guiding principles for the appointment of members and the composition of the Management Board are provided in the profile of the Executive Board and Management Board which includes the diversity policy for the composition of these boards. The profile including the diversity policy is available on the NN Group website.

The members of the Management Board may be suspended and removed by the Executive Board after consultation with the Supervisory Board.

Information about the members of the Management Board who are also members of the Executive Board, David Knibbe and Delfin Rueda, can be found under 'Executive Board – Composition', on page 97.

Corporate governance continued

As at 31 December 2021, the Management Board consisted of the following persons:

Name	Position	Date of birth	Gender	Nationality	Appointment	Tenure
David Knibbe	Chair, Chief Executive Officer (CEO) (as of 1 October 2019)	15 March 1971	Male	Dutch	7 July 2014	7 years
Delfin Rueda	Vice-chair, Chief Financial Officer (CFO)	8 April 1964	Male	Spanish	7 July 2014	7 years
Tjeerd Bosklopper	CEO Netherlands Non-life, Banking & Technology (as of 1 June 2020)	3 March 1975	Male	Dutch	1 September 2018	3 years
Bernhard Kaufmann	Chief Risk Officer (CRO)	19 April 1969	Male	German	1 June 2020	1 year
Dailah Nihot	Chief Organisation & Corporate Relations	12 June 1973	Female	Dutch	1 September 2018	3 years
Leon van Riet	CEO Netherlands Life & Pensions	2 September 1964	Male	Dutch	1 June 2020	1 year
Fabian Rupprecht	CEO International Insurance	22 December 1969	Male	German and Swiss	1 September 2018	3 years
Janet Stuijt	General Counsel	26 September 1969	Female	Dutch	1 September 2018	3 years

Satish Bapat was appointed to the Management Board as CEO NN Investment Partners on 1 April 2017 and stepped down on 19 August 2021.

Tjeerd Bosklopper was appointed CEO Netherlands Non-life, Banking & Technology as of 1 June 2020. In this role he is responsible for the Dutch Non-life and Banking business segments, Customer & Commerce, the Strategic Transformation Office and IT. Mr Bosklopper was CEO Netherlands ad interim from 17 December 2019 until 1 June 2020. Mr Bosklopper was appointed to the Management Board as Chief Transformation Officer on 1 September 2018. In 2018, Mr Bosklopper was Head of Integration of Nationale-Nederlanden Netherlands and Belgium. From 2015 to 2018, Mr Bosklopper was Head of Individual Life at NN Group in the Netherlands. From 2012 to 2015, Mr Bosklopper was Chief Executive Officer at Nationale-Nederlanden Life & Pensions in Poland. From 2010 to 2012, he was Chief Information & Transformation Officer at Nationale-Nederlanden Netherlands. From 2006 to 2010, he was Director Product Management at Nationale-Nederlanden Non-life Netherlands. From 2004 to 2006, Mr Bosklopper was Executive Vice-president and Chief Marketing Officer at ING Life South Korea. From 2003 to 2004, he was Project Manager at ING Aetna Life Indonesia. From 2001 to 2003, he was Regional e-business Manager at ING Group's regional office in Hong Kong. From 1999 to 2001, he participated in the Global Management Programme (GMP) at ING Group. Mr Bosklopper holds a Master of Science in Business Information Technology from the University of Twente (the Netherlands). Besides being member of the Management Board, Mr Bosklopper is chair of the board of the Dutch Association of Insurers (Verbond van Verzekeraars) and member of the Steering Committee of SchuldenlabNL.

Bernhard Kaufmann was appointed Chief Risk Officer and member of the Management Board of NN Group as of 1 June 2020. In this role he is responsible for the overall risk framework with direct responsibility for the risk management departments. He is also responsible for the Actuarial function, reinsurance and procurement globally. From 2014 to 2020, Mr Kaufmann was Group Chief Risk Officer and Chief Risk Officer Reinsurance at Munich Re Group. From 2008 to 2013, he was Chief Risk Officer at ERGO Insurance Group. From 2000 to 2008, Mr Kaufmann worked at Munich Re Group holding various roles. From 2007 to 2008, he was Head of Treasury, from 2004 to 2007, he was Head of Asset Liability Management and from 2000 to 2004, he was Senior Consultant Financial Projects and Credit Risk Manager. From 1999 to 2000, Mr Kaufmann was Credit Risk Manager at HypoVereinsbank (UniCredit). From 1995 to 1999, he worked as a researcher in the Physics Department at the Technical University of Munich (Germany). Mr Kaufmann holds a PhD (Dr. rer. nat.) in theoretical physics, from the Technical University of Munich (Germany), an intermediate diploma in economics from the University of Hagen (Germany), and a diploma in theoretical physics from the Technical University of Munich (Germany). Besides being member of the Management Board, Mr Kaufmann is member of the CRO Forum and member of the Supervisory Committee of Alma Mundi Insurtech Fund. As from 26 January 2022, he participates in the CRO Roundtable of the European Central Bank.

Dailah Nihot was appointed Chief Organisation & Corporate Relations and member of the Management Board as of 1 September 2018. Ms Nihot is responsible for human resources, corporate communications, sustainability and corporate citizenship, branding and sponsorship, public and government affairs, and facility management. From 2013 to 2018, she was Managing Director of Corporate Relations for NN Group. Prior to this, from 2006 to 2013, she was Global Head of Sustainability, and Director of the former ING for Something Better Foundation at ING Group, which focused on ING Group's global ethical, social and environmental strategy and performance. Ms Nihot started her professional career in the external communications department of ING Group, and was a corporate spokesperson and strategic communications advisor from 2001 to 2006. Ms Nihot serves as management representative in the Central Works Council of NN Group (Central Works Council). She holds a Master's degree in European Studies from the University of Amsterdam (the Netherlands) and an Executive Master in Corporate Communication from the RSM Erasmus University in Rotterdam (the Netherlands).

Leon van Riet was appointed CEO Netherlands Life & Pensions and member of the Management Board of NN Group as of 1 June 2020. In this role, he is responsible for the Life and Pension businesses in the Netherlands. Mr Van Riet was CEO of Nationale-Nederlanden Non-life in the Netherlands from 2017 to May 2020. From 2016 to 2017, he was a member of the Board of Directors of Delta Lloyd, responsible for Delta Lloyd Life Insurance, BeFrank N.V., Information Technology & Services, Concern Relations, Delta Lloyd Asset Management, KMD (Digital) and Delta Lloyd Life Belgium. From 2010 to 2016, he was Chief Executive Officer Delta Lloyd Life in the Netherlands. From 2007 to 2010, he was Chief Information Officer and Chief Information Technology at Delta Lloyd Group. From 1999 to 2007, Mr Van Riet was Chief Information Officer, Chief of Information Communications Technology and E-Business at Delta Lloyd Insurance. From 1997 to 1999, he was Director of Information Technology and Chain Logistics for Brocacef. From 1994 to 1997, he was a senior manager at KPMG Management Consulting. From 1993 to 1994, he was a project manager and consultant at Encompass Europe NV. From 1986 to 1993, he was a Senior Organisation Advisor at KPMG Management Consulting. Mr Van Riet holds a degree in electrical engineering from Delft University of Technology (TU Delft, the Netherlands).

Fabian Rupprecht was appointed as CEO International Insurance and member of the Management Board as of 1 September 2018. Mr Rupprecht is responsible for NN Group's insurance businesses outside the Netherlands: Insurance Europe, Japan Life and Japan Closed Block VA businesses. From 1996 to 2018, Mr Rupprecht worked for AXA. From 2016 to 2018, he was Chief Executive Officer Middle East & Africa, and Regional Chief Financial Officer and member of the regional executive committee at AXA Emerging Markets (CEE, MEA, LATAM). From 2013 to 2016, he was Regional Chief Financial Officer at AXA Mediterranean Holding, and member of the regional executive committee. From 2010 to 2013, he was Head of AXA Global Life, and member of the Global Life & Health board. From 2008 to 2010, he was Head of Individual Life, and member of the executive board of AXA-Winterthur. From 2001 to 2007, he was Head of Life & Annuity Offer at AXA Germany. From 1998 to 2000, Mr Rupprecht was Head of EquiVest Product Management at The Equitable Life Assurance (AXA) USA. From 1996 to 1998, he served as Head of Accounting for Health & Life Insurance at Colonia Konzern AG (AXA/UAP). From 1994 to 1996, he was assistant to the executive board at Colonia Konzern AG (UAP). Mr Rupprecht holds a Diploma in Business Administration, with majors in finance and controlling, from the WHU Otto Beisheim School of Management (Koblenz, Germany).

Janet Stuijt was appointed to the Management Board as General Counsel as of 1 September 2018. Ms Stuijt is responsible for NN Group's legal function and compliance function and holds the position of Company Secretary. Ms Stuijt joined ING Verzekeringen in 2011 in that same capacity. From 2008 to 2010, she was General Counsel Commercial Banking at ING Group. From 1998 to 2008, Ms Stuijt held various senior (global) management positions within ABN AMRO's legal department, primarily relating to ABN AMRO's corporate strategic and investment banking activities. In 1998, she was Regional Legal Counsel at ABN AMRO's regional office in Singapore. From 1993 to 1997, Ms Stuijt practised law as an associate at Loeff Claeys Verbeke/Allen Overy, Singapore office (1997) and De Brauw Blackstone Westbroek (1993–1997). Ms Stuijt holds a Master's in Civil law, from the University of Leiden (the Netherlands). Since 2016, she has been member of the supervisory board of N.V. Nederlandse Spoorwegen and member of its risk & audit committee and chair of its nomination & remuneration committee.

Supervisory Board

Duties

The Supervisory Board is responsible for supervising the management of the Executive Board and the general course of affairs of NN Group and its businesses. The Supervisory Board may, on its own initiative, provide the Executive Board with advice and may request any information from the Executive Board that it deems appropriate. In performing its duties, the 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 relevant interests of all stakeholders of NN Group. The organisation, duties and working methods of the Supervisory Board are detailed in the charter of the Supervisory Board. The charter is available on the NN Group website.

Appointment, removal and suspension

The members of the Supervisory Board are appointed by the General Meeting upon nomination of the Supervisory Board. The General Meeting and the Central Works Council may recommend candidates for nomination to the Supervisory Board. The Supervisory Board must simultaneously inform the General Meeting and the Central Works Council of the nomination. The nomination must state the reasons on which it is based. The Supervisory Board is required to nominate one-third of the Supervisory Board members on the enhanced recommendation (versterkt aanbevelingsrecht) of the Central Works Council, unless the Supervisory Board objects to the recommendation on the grounds that the recommended candidate is not suitable to fulfil the duties of a member of the Supervisory Board or that the Supervisory Board will not be properly composed if the nominated candidate is appointed.

The General Meeting may reject the nomination of a Supervisory Board member by an absolute majority of the votes cast by shareholders representing at least one-third of NN Group's issued share capital. If the General Meeting resolves to reject the nomination by an absolute majority of the votes cast, but this majority does not represent at least one-third of NN Group's issued share capital, a new meeting can be convened in which the nomination can be rejected by an absolute majority of the votes cast, irrespective of the part of NN Group's issued share capital represented. If the General Meeting resolves to reject the recommendation, the Supervisory Board will then prepare a new nomination. If the General Meeting does not appoint the person nominated by the Supervisory Board and does not resolve to reject the nomination, the Supervisory Board will appoint the person nominated.

A member of the Supervisory Board is appointed for a maximum period of four years. A Supervisory Board member can be reappointed once for a term of four years. A Supervisory Board member can subsequently be reappointed again for a period of two years, which appointment can be extended by at most two years. In the event of a reappointment after an eight-year period, such reappointment shall be adequately motivated in the Supervisory Board Report. The members of the Supervisory Board retire periodically in accordance with a rotation schedule drawn up by the Supervisory Board. The rotation schedule is available on the NN Group website.

The Supervisory Board may suspend a member of the Supervisory Board. The suspension will lapse by law if NN Group has not submitted a petition to remove the suspended member of the Supervisory Board to the Enterprise Chamber of the Amsterdam Court of Appeal (Ondernemingskamer van het Gerechtshof te Amsterdam) within one month after commencement of the suspension. The General Meeting can, by an absolute majority of votes cast, representing at least one-third of the issued share capital, resolve to abandon its trust (het vertrouwen opzeggen) in the entire Supervisory Board. A resolution to remove the Supervisory Board for lack of confidence cannot be adopted until the Executive Board has notified the Central Works Council of the proposal for the resolution and the reasons therefore.

If the General Meeting removes the Supervisory Board members for lack of confidence, the Executive Board must request the Commercial Division of the Amsterdam Court of Appeal to temporarily appoint one or more Supervisory Board members.

Composition

The Supervisory Board must consist of three or more members, with the total number of members of the Supervisory Board determined by the Supervisory Board. As at 31 December 2021, the Supervisory Board consisted of nine members, who are all independent within the meaning of best practice provision 2.1.8. of the Dutch Corporate Governance Code.

The profile of the Supervisory Board is available on the NN Group website.

As at 31 December 2021, the Supervisory Board consisted of the following persons:

Name	Position	Date of birth	Gender	Nationality	Appointment	Termination/ reappointment	Tenure
Inga Beale	Member	15 May 1963	Female	British	20 May 2021	2025	less than 1 year
David Cole	Chair (as of the close of the AGM on 29 May 2019)	2 October 1961	Male	Dutch and American	1 January 2019	2022	3 years
Heijo Hauser	Member	23 June 1955	Male	German	7 July 2014, reappointment 31 May 2018	2022	7 years
Robert Jenkins	Member	17 January 1951	Male	American	2 February 2016, reappointment 28 May 2020	2024	6 years
Rob Lelieveld	Member (recommended by Central Works Council)	29 September 1962	Male	Dutch	1 September 2021	2025	less than 1 year
Cecilia Reyes	Member	3 February 1959	Female	Filipino and Swiss	20 May 2021	2025	less than 1 year
Hans Schoen	Member (recommended by Central Works Council)	2 August 1954	Male	Dutch	7 July 2014, reappointment 31 May 2018	2022	7 years
Clara Streit	Member	18 December 1968	Female	German and American	1 June 2017, reappointment 28 May 2020	2024	4 years
Hélène Vletter–van Dort	Vice-chair (as of the close of the AGM on 28 May 2020) (recommended by Central Works Council)	15 October 1964	Female	Dutch	6 October 2015, reappointment 29 May 2019	2023	6 years

Inga Beale was appointed to the Supervisory Board on 20 May 2021. From 2014 until 2018, Ms Beale served as chief executive officer of Lloyd's of London. From 2012 until 2013, she worked for Canopius Group Ltd as group chief executive officer. Other previous positions include member of group management of Zurich Insurance Group Ltd, chief executive officer of (former) Converium Holding AG and chief executive officer of continental Europe at GE Insurance Solutions. Ms Beale also served as chair of the UK HIV commission, as an advisor for NTT data UK ltd and as non-executive deputy chair of London First. In addition to being member of the Supervisory Board, Ms Beale is non-executive chair of the board at Mediclinic International plc and non-executive director of Crawford & Company. As from January 2022, she is also member of the Board of Willis Towers Watson.

David Cole was appointed tto the Supervisory Board on 31 May 2018, which became effective on 1 January 2019. As of the close of the AGM on 29 May 2019, he serves as chair of the Supervisory Board. Mr Cole was chief financial officer and chief risk officer of Swiss Re Ltd., chief financial officer and chief risk officer of (former) ABN AMRO Holding (Bank) N.V., member of the board of directors of FWD Group Management Holdings Ltd and member of the board of directors of Swiss Re Corporate Solutions Brazil. Besides being member of the Supervisory Board, Mr Cole's positions include member of the board of directors of Vontobel Holding AG (Zürich), member of the board of directors of Swiss Re Asia Pte. Ltd (Singapore) and chair of the supervisory board of IMC B.V.

Heijo Hauser was appointed to the Supervisory Board as of 7 July 2014. He was reappointed on 31 May 2018. From January 1991 until June 2011, Mr Hauser was managing director of Towers Watson in Germany. He specialised in providing consulting services to insurance companies in areas such as strategy, distribution, product and risk management. He also managed Towers Watson's businesses in the German-speaking, Nordic and Central European countries. From September 1987 until December 1990, Mr Hauser was managing director of the travel and financial services subsidiaries of Metro in Germany. Other previous positions include sales director of Deutsche Krankenversicherung and marketing actuary of Victoria Lebensversicherung. Mr Hauser holds a Master's degree in mathematics from the Ruhr University of Bochum (Germany). Besides being member of the Supervisory Board, Mr Hauser is chair of the board of Freundeskreis Elisabeth-Hospiz e.V.

Robert Jenkins was appointed to the Supervisory Board on 6 October 2015, which became effective on 2 February 2016. He was reappointed on 28 May 2020. Since 2009, he is adjunct professor of finance at London Business School where he teaches investment management. He is also member of the CFA Institute's the Future of Finance Advisory Council. From 2014 to 2016, he was founding chair of the AQR Asset Management Institute at LBS. From September 2013 through September 2019, Mr Jenkins was member of the board of governors of CFA Institute. During his tenure he served as chairman of the board, chair of the audit and risk committee, chair of the remuneration committee and chair of the nominations committee. From 2009 until 2014, Mr Jenkins was a senior advisor to CVC Capital Partners and from 2011 until 2013, he was an external independent member of the interim Financial Policy Committee of the Bank of England. Mr Jenkins has served as chair of the Investment Management Association, UK, chair of the board of F&C Asset Management, plc (non-executive) and chief executive officer of the F&C Group. Other former positions include chief operating officer of Credit Suisse Asset Management Holding, UK, chief investment officer and head of asset management at Credit Suisse, Japan, and senior vice-president at Citigroup with executive assignments in the Middle East, Switzerland, United States and Japan. He was senior fellow at Better Markets, Washington, D.C. and strategic advisor to Carbon Cap Mgt LLP.

Rob Lelieveld was appointed to the Supervisory Board on 20 May 2021, effective 1 September 2021. He was appointed pursuant to the enhanced recommendation right of the Central Works Council. From September 1980, Mr Lelieveld worked at EY, becoming partner in 1996. He served as external auditor for many corporates across different sectors, with a primary focus on the insurance industry. Until 30 June 2021, Mr Lelieveld chaired the managing board of EY Accountants in the Netherlands and was member of the board of directors of EY in the Netherlands. Mr Lelieveld holds a degree in accountancy but deregistered as a chartered accountant from the register of accountants held by the Koninklijke Nederlandse Beroepsorganisatie van Accountants (NBA) when he left EY in June 2021. From 1996 to 2004, Mr Lelieveld was member of supervisory board of the Richard Krajicek Foundation. In addition to being member of the Supervisory Board, Mr Lelieveld is supervisory board member and chair of the audit committee of the supervisory board of the Mauritshuis (The Hague).

Cecilia Reyes was appointed to the Supervisory Board as of 20 May 2021. From January 2001 until February 2018, Ms Reyes worked at Zurich Insurance Group Ltd. where she served as group chief investment officer and more recently as group chief risk officer. In both roles, Ms Reyes was member of the group executive committee from April 2010 until her retirement from the company in February 2018. From 1997 to 2000, Ms Reyes held several risk positions at ING Groep N.V. From August 1995 to 1996, she worked as a consultant in financial engineering and risk. From April 1990 to July 1995, Ms Reyes worked for Credit Suisse in a variety of roles in asset management, global treasury and securities trading. Ms Reyes holds a bachelor of science in Industrial Engineering from the University of Manila, an MBA in Finance from the University of Hawaii, and a PhD in finance from London Business School. In addition to being member of the Supervisory Board, Ms Reyes is non-executive director and member of the risk and capital committee and the remuneration committee at Standard Life Aberdeen plc. She also serves as managing director of PIONEER Management Services GmbH.

Hans Schoen was appointed to the Supervisory Board as of 7 July 2014. He was reappointed on 31 May 2018. He is considered as appointed pursuant to the enhanced recommendation right of the Central Works Council as of 12 April 2020. From September 1977 until October 2008, Mr Schoen worked at KPMG Accountants and was a partner as of January 1989. He specialised in providing audit and advisory services to domestic and foreign insurance companies. Other former significant positions of Mr Schoen include member and chair of several insurance industry committees of the NIVRA and the Dutch Accounting Standards Board, member of the governmental advice committee Traas in respect of the financial and prudential reporting obligations of Dutch insurance companies, member of several advisory committees of the IASC/IASB on insurance company financial reporting requirements and member and part-time acting director of research of the Technical Expert Group of EFRAG in Brussels (Belgium). Until 27 April 2016, Mr Schoen served as chair of the EFRAG Insurance Accounting Working Group. Mr Schoen holds a degree in economics and a postdoctoral degree in accountancy from the University of Amsterdam (the Netherlands). In September 2015, he received a PhD from the Vrije Universiteit (VU) Amsterdam (the Netherlands).

Clara Streit was appointed to the Supervisory Board on 1 June 2017. She was reappointed on 28 May 2020. Mr Streit is former member of the supervisory board of Delta Lloyd N.V. She was senior partner at McKinsey & Company Inc. in Munich and Frankfurt. Until 12 April 2018, she was member of the board of directors of Unicredit S.p.A (Milan). Positions currently held by Ms Streit include membership of the board of directors of Vontobel Holding AG (Zürich) and membership of the supervisory board of Vonovia SE (Düsseldorf). Ms Streit is also a member of the board of directors of Jerónimo Martins SGPS S.A. (Lisbon), member of the supervisory board of Deutsche Börse AG (Frankfurt).

Hélène Vletter-van Dort was appointed to the Supervisory Board on 6 October 2015 pursuant to the enhanced recommendation right of the Central Works Council. She was reappointed on 29 May 2019. As of the close of the AGM on 28 May 2020, Ms Vletter-van Dort serves as vice-chair of the Supervisory Board. In addition to being member of the Supervisory Board, Ms Vletter-van Dort's positions include professor of financial law & governance at the Erasmus School of Law, chair of the supervisory board of Intertrust N.V., chair of the board of Stichting Luchtmans and member of the supervisory board of the Netherlands Public Broadcasting (NPO). As from 21 April 2021, Vletter-van Dort also serves as supervisory board member of Anthos Fund & Asset Management B.V. Ms Vletter-van Dort is a former non-executive board member of Barclays Bank plc. Ms Vletter-van Dort also served as member of the supervisory board of the Dutch Central Bank (DNB) and chair of its committee on supervisory policy. Other previous positions include visiting research professor at New York University, professor of securities law at the University of Groningen, judge at the Enterprise Chamber of the Amsterdam Court of Appeal, lawyer at Clifford Chance in Amsterdam, member of the supervisory board of Fortis Bank Nederland (Holding) N.V. and Fortis Bank (Nederland) N.V., chair of the Appeal Panel of the Single Resolution Board and member of the Monitoring Committee Corporate Governance Code.

More information on the composition of the Supervisory Board can be found in the Report of the Supervisory Board, on page 85.

Remuneration

Information on the remuneration of the members of the Supervisory Board can be found in the Remuneration Report, on page 122.

Committees of the Supervisory Board

The Supervisory Board has established four committees: the Audit Committee, the Risk Committee, the Remuneration Committee, and the Nomination and Corporate Governance Committee.

The organisation, duties and working methods of the Supervisory Board committees are detailed in a separate charter for each committee. These charters are available on the NN Group website. Information on the duties and responsibilities of the respective committees and their composition can also be found in the Report of the Supervisory Board on pages 90-96.

Sustainability governance

The Executive Board's responsibilities include the formulation and execution of the company's strategy in line with its view on long-term value creation. In 2020/2021 NN has further disclosed more detailed strategic commitments and financial and non-financial targets as part of the overall strategy (see Our strategy and performance) that also include environmental, social and governance (ESG) matters.

The strategy pursued by the Executive Board is supervised by the Supervisory Board. Each Supervisory Board Committee covers the sustainability matters that fall within its responsibilities and area of expertise, which is included in the reporting of the main points of discussion and resulting recommendations to the Supervisory Board. In this way an integrated approach with regards to sustainability matters at Supervisory Board level is safeguarded.

The Management Board's responsibility for NN Group's day-to-day management and overall strategic direction includes the setting and achievement of NN Group's objectives, and the ESG aspects that are relevant to NN Group. Within the Management Board, the Chief Organisation & Corporate Relations (COCR), who reports to the CEO, has Corporate Citizenship, including sustainability, in her portfolio. The COCR is the sponsor for any sustainability, climate or responsible investment related topics that are discussed in the Management Board. The Chief Risk Officer (CRO), also a member of the Management Board and reporting to the CEO, is entrusted with the day-to-day responsibility for NN Group's risk management function. The CRO is tasked to ensure both the Management Board and the Supervisory Board are at all times informed of and understand the material risks to which NN is exposed. This includes risks related to sustainability matters, including climate change.

He is the sponsor of the NN Group annual Own Risk & Solvency Assessment (ORSA), in which outcomes of scenario analyses including climate change are evaluated. In addition to this, each of the other Management Board members are responsible for promoting and integrating sustainability into their respective businesses or functions where relevant. In order to ensure that NN Group adheres to regulation in the field of ESG, the Risk and Compliance functions are tasked to oversee proper implementation and monitor ongoing compliance.

To advise the Management Board on the implementation of the overall sustainability approach, NN Group employs a dedicated Corporate Citizenship team. This team works closely together with the different businesses and functions to steer and advise on the embedding of ESG aspects as part of the implementation of the overall strategy.

NN Group also has a Purpose Council, consisting of several Management Board members, heads of relevant staff departments and business representatives, which is chaired by the COCR, and sponsored by the CEO. The Purpose Council supports the Management Board in steering, measuring and reporting on non-financial issues. The performance on the non-financial KPIs, including those related to our strategic commitments on Customers and distribution, People and organisation and Society, is reported via a Strategy dashboard which is discussed in the Purpose Council and subsequently in the Strategy and Transformation meetings of the Management Board on a quarterly basis. The Purpose Council performs an advisory, consultative and preparatory role with regard to purpose-related areas such as sustainability and ESG matters.

As a large international financial services company, NN Group believes that it can make a real contribution to the transition to a sustainable economy through investing its assets responsibly. The company's approach to integrate ESG factors in its investment process is described in NN Group's Responsible Investment Framework policy. For a description of the Responsible Investment governance structure, reference is made to the TCFD report on page 66.

Diversity and inclusion

NN Group aims to have an adequate and balanced composition of its Executive Board, Management Board and Supervisory Board. In order to ensure such composition at all times, several relevant selection criteria are balanced and (re)appointments to these boards are made on the basis of harmonised policies and visions of the various corporate bodies of NN Group and in accordance with legal and regulatory requirements. Both the profile of the Executive Board and Management Board and the profile of the Supervisory Board include a diversity policy. The guiding principles included in the profiles are taken into account when (re)appointing board members.

NN Group aims to have a gender balance of at least 40% women and 40% men for its Executive Board. Given the fact that this board consists of only two members, this target requires an Executive Board consisting of one female and one male. In 2021, the Executive Board consisted of two male members. However, with the intended succession of Delfin Rueda as Executive Board member and CFO of NN Group by Annemiek van Melick, the composition of the Executive Board will be 50% female and 50% male, effective as from 1 July 2022.

For the Management Board, NN Group aims to have a gender balance of at least 40% of both women and men. Since 19 August 2021, the composition of the Management Board is 25% female and 75% male. As from 1 July 2022, this composition will be 37.5% female and 62.5% male.

In 2021, the composition of the Supervisory Board already met the statutory diversity quota of at least one-third for both women and men on supervisory boards of listed companies, which is effective as from 1 January 2022. As from 1 September 2021, the composition of the Supervisory Board is 44% female and 56% male.

In future appointments of board members, NN Group will continue to take into account all applicable laws and regulations and relevant selection criteria including but not limited to executive experience, experience in corporate governance of large stock-exchange listed companies, and experience in the political and social environment in which such companies operate. In the selection of the members of the Executive Board and the Management Board, whether or not considered as a whole, and in the selection of the members of the Supervisory Board, there will be a balance in terms of nationality, gender, age, experience, education and work background. In addition, there will be a balance in the affinity with the nature and culture of the business of the company and its subsidiaries.

NN Group has also set a target to have at least 40% women in senior management positions by 2023. In 2021, these positions included the Management Board and managerial positions reporting directly to a Management Board member. In 2022 we will extend the scope of the target group by including more positions in the Dutch and Insurance International business units to further improve and strengthen the impact of our gender diversity ambition. The target group will therefore be extended to include all managerial positions reporting directly to the business unit CEOs.

Talent management, succession planning and the NN Group Statement on Diversity and Inclusion are key instruments in our approach and are part of the Human Capital Development processes of NN Group.

We believe our company is strongest when we embrace the full spectrum of humanity. Regardless of what we look like, where wecome from, or who we love. That is why NN Group takes a stand for diversity, inclusion and equal opportunities for all. When people inside of our company represent the people outside our company, we can be more responsive to what they expect, want and need, also in changing circumstances. After all, change is a constant factor in our lives, also in the financial sector, Apart from a diverse composition of our Executive, Management and Supervisory boards, the members of these boards attended a Diversity & Inclusion training as part of the 2021 NN Group Permanent Education Programme, in order to be able to knowledgeably contribute to the company's diversity and inclusion efforts.

More information can be found in the Diversity and inclusion section on page 38 of the 2021 Annual Report.

Conflicts of interest

No transactions were entered into in 2021 in which there were conflicts of interest with Executive Board members and/or Supervisory Board members that are of material significance to NN Group and/or to the relevant board members.

General meeting

Frequency, notice and agenda

Each year, no later than the month of June, NN Group holds its annual general meeting. Its general purpose is to discuss the Report of the management board, advise on the Remuneration Report, adopt the annual accounts, release the members of the Executive Board and the members of the Supervisory Board from liability for their respective duties, appoint and reappoint members of the Supervisory Board, decide on the dividend to be declared, if applicable, and decide on other items that require shareholder approval under Dutch law. Extraordinary general meetings are held whenever the Supervisory Board or the Executive Board deems such to be necessary. In addition, one or more shareholders who jointly represent at least 10% of the issued share capital of NN Group may, on application, be authorised by the court in interlocutory proceedings of the district court to convene a general meeting.

General meetings are convened by a public notice via the NN Group website no later than on the 42nd day before the day of the general meeting. The notice includes the place and time of the meeting and the agenda items. Shareholders who, alone or jointly, represent at least 3% of the issued share capital of NN Group may request to place items on the agenda, provided that the reasons for the request are stated therein and the request is received by the chair of the Executive Board or the chair of the Supervisory Board in writing at least 60 days before the date of the general meeting.

Admission to the general meeting

Each holder of shares in the share capital of NN Group entitled to vote, and each other person entitled to attend and address the general meeting, is authorised to attend the general meeting, to address the general meeting and to exercise voting rights. For each general meeting, a statutory record date will, in accordance with Dutch law, be set on the 28th day prior to the date of the general meeting, in order to determine whose voting rights and rights to attend and address the general meeting are vested. Those entitled to attend and address a general meeting may be represented at a general meeting by a proxy holder authorised in writing.

In view of the Covid-19 pandemic and pursuant to the Temporary Act COVID-19 Justice and Security (Tijdelijke Wet COVID-19 Justitie en Veiligheid), the 2021 AGM of NN Group was held virtually. Shareholders were able to follow the meeting via a live webcast. Questions could be submitted in advance as well as during the meeting via a video connection. Voting rights could be exercised during the meeting by electronic means or by providing an electronic proxy with voting instructions in advance.

Voting and resolutions

Each share in the share capital of NN Group confers the right on the holder to cast one vote. At a general meeting all resolutions must be adopted by an absolute majority of the votes cast, except in those cases in which the law or the Articles of Association require a greater majority. If there is a tie in voting, the proposal concerned will be rejected.

Powers of the General Meeting

The most important powers of the General Meeting are to:

- Appoint members of the Supervisory Board upon nomination of the Supervisory Board
- Recommend persons to the Supervisory Board for nomination as a member of that board
- Abandon its trust in the Supervisory Board
- Release the members of the Executive Board and the members of the Supervisory Board from liability for their respective duties
- Advise on the Remuneration Report
- Adopt the remuneration policy for the members of the Executive Board and the remuneration policy for the members of the Supervisory Board, including the remuneration for the Supervisory Board members, upon a proposal of the Supervisory Board
- Adopt the annual accounts
- Appoint the external auditor
- Approve resolutions of the Executive Board regarding important changes in the identity or character of NN Group or its business
- Issue shares, restrict or exclude pre-emptive rights of shareholders and delegate these powers to the Executive Board, upon a proposal of the Executive Board which has been approved by the Supervisory Board
- Authorise the Executive Board to repurchase shares
- Reduce the issued share capital, upon a proposal of the Executive Board which has been approved by the Supervisory Board
- Dispose the profit remaining after the payment of dividend on any outstanding preference shares and after a decision has been taken on the addition of all or part of the profits to the reserves, upon a proposal of the Executive Board which has been approved by the Supervisory Board
- Amend the Articles of Association, upon a proposal of the Executive Board which has been approved by the Supervisory Board.

Shares and share capital

Classes of shares and NN Group Continuity Foundation

The authorised share capital of NN Group consists of ordinary shares and preference shares. Depositary receipts for shares are not issued with the cooperation of NN Group.

Currently, only ordinary shares are issued, while a call option to acquire preference shares is granted to the foundation Stichting Continuïteit NN Group (NN Group Continuity Foundation). The objectives of NN Group Continuity Foundation are to protect the interests of NN Group, the business maintained by NN Group and the entities with which NN Group forms a group and all persons involved therein, in such a way that the interests of NN Group and those businesses and all persons involved therein are protected to the best of its abilities, and by making every effort to prevent anything which may affect the independence and/or the continuity and/or the identity of NN Group and of those businesses in violation of the interests referred above. NN Group Continuity Foundation shall pursue its objectives, inter alia, by acquiring and holding preference shares in the share capital of NN Group and by enforcing the rights, in particular the voting rights, attached to those preference shares. To this end, NN Group Continuity Foundation has been granted a call option by NN Group. According to the call option agreement concluded between NN Group and NN Group Continuity Foundation, NN Group Continuity Foundation has the right to subscribe for preference shares in the share capital of NN Group, consisting of the right to subscribe for such preference shares repeatedly. This may happen each time up to a maximum corresponding with 100% of the issued share capital of NN Group in the form of ordinary shares, as outstanding immediately prior to the exercise of the subscribed rights, less one share (which equals a maximum of 50% less one share after dilution), from which maximum shall be deducted any preference shares already placed with NN Group Continuity Foundation at the time of the exercise of the subscribed rights. NN Group Continuity Foundation qualifies as a legal entity independent from NN Group, within the meaning of section 5:71, paragraph 1, subparagraph c of the Dutch Financial Supervision Act.

As at 31 December 2021, the board of NN Continuity Foundation consisted of three members who are independent from NN Group: Marc van Gelder (chair), Hessel Lindenbergh (treasurer) and Steven Perrick (secretary).

Issuance of shares and pre-emptive rights

The General Meeting may resolve to issue shares in the share capital of NN Group, or grant rights to subscribe for such shares, upon a proposal of the Executive Board which has been approved by the Supervisory Board. The Articles of Association provide that the General Meeting may delegate the authority to issue shares, or grant rights to subscribe for shares, to the Executive Board, upon a proposal of the Executive Board which has been approved by the Supervisory Board. If the Executive Board has been designated as the body authorised to resolve upon an issue of shares in the share capital of NN Group, the number of shares of each class concerned must be specified in such designation. Upon such designation, the duration of the designation shall be set, which shall not exceed five years. A resolution of the Executive Board to issue shares requires the approval of the Supervisory Board.

Upon the issue of new ordinary shares (or the granting of rights to subscribe for ordinary shares), each holder of ordinary shares in the share capital of NN Group has a pre-emptive right in proportion to the aggregate nominal value of his or her shareholding of ordinary shares. Holders of ordinary shares have no pre-emptive right upon (a) the issue of new ordinary shares (or the granting of rights to subscribe for ordinary shares): (i) against a payment in kind, (ii) to employees of NN Group or of a group company, or (iii) to persons exercising a previously granted right to subscribe for ordinary shares, and (b) the issue of preference shares.

Upon a proposal of the Executive Board which has been approved by the Supervisory Board, the General Meeting may resolve to limit or exclude the pre-emptive rights. According to the Articles of Association, the General Meeting may designate the Executive Board as the competent body to do so upon a proposal of the Executive Board which has been approved by the Supervisory Board. Both resolutions require a majority of at least two-thirds of the votes cast, if less than one-half of the issued share capital is represented at the general meeting. The designation to the Executive Board to resolve to limit or exclude the pre-emptive rights may be granted for a specified period of time of not more than five years and only if the Executive Board has also been designated or is simultaneously designated the authority to resolve to issue shares. A resolution of the Executive Board to limit or exclude the pre-emptive rights requires the approval of the Supervisory Board.

Designation of the Executive Board at the 2019 and 2021 AGMs

Share issuance in the context of issuing Contingent Convertible Securities

On 29 May 2019, the General Meeting designated the Executive Board for a term of five years, from 29 May 2019 up to and including 28 May 2024, as the competent body to resolve, subject to the approval of the Supervisory Board, on the issuance of ordinary shares in the share capital of NN Group (including the granting of rights to subscribe for ordinary shares) upon conversion of any Contingent Convertible Securities (CCS) instruments in accordance with its terms and conditions during the term of the CCS instruments.

This authority of the Executive Board is limited to a maximum of 30% of the issued share capital of NN Group as at 29 May 2019. This designation enables the Executive Board to issue CCS instruments and to set the terms and conditions for any CCS instrument, including the limitation or exclusion of pre-emptive rights, the mechanism for the conversion and the conversion price.

Share issuance and limitation of pre-emptive rights

On 20 May 2021, the General Meeting designated the Executive Board for a term of 18 months, from 20 May 2021 up to and including 19 November 2022, as the competent body to resolve, subject to the approval of the Supervisory Board, on the issuance of ordinary shares in the share capital of NN Group and on the granting of rights to subscribe for such shares; and to limit or exclude the pre-emptive rights of existing shareholders with respect to such issue of ordinary shares in the share capital of NN Group and such granting of rights to subscribe for ordinary shares.

The authority of the Executive Board is limited to a maximum of 10% of the issued share capital of NN Group as at 20 May 2021.

Rights issue

On 20 May 2021, the General Meeting designated the Executive Board for a term of 18 months, from 20 May 2021 up to and including 19 November 2022, as the competent body to resolve, subject to the approval of the Supervisory Board, on the issuance of ordinary shares in the share capital of NN Group and on the granting of rights to subscribe for ordinary shares by way of a rights issue. This authority of the Executive Board is limited to a maximum of 20% of the issued share capital of NN Group as at 20 May 2021. This authority to issue shares may be used for any purpose, including but not limited to safeguarding or conserving the capital position of NN Group and mergers or acquisitions.

Acquisition of own shares

NN Group may acquire fully paid-up shares in its own share capital for no consideration (om niet) or if: (a) NN Group's shareholder's equity less the payment required to make the acquisition does not fall below the sum of called-up and paid-in share capital and any statutory reserves, and (b) the nominal value of the shares which NN Group acquires, holds or holds as pledge, or which are held by a subsidiary, does not exceed half of the issued share capital. The acquisition of its own shares by NN Group for consideration requires authorisation by the General Meeting. The authorisation is not required for the acquisition of shares for employees of NN Group or of a group company under a scheme applicable to such employees. The Executive Board may resolve, subject to the approval of the Supervisory Board, to alienate the shares acquired by NN Group in its own share capital. The resolution of the Executive Board to acquire shares in its own share capital for consideration requires the prior approval of the Supervisory Board. No voting rights may be exercised in the general meeting with respect to any share or depositary receipt for such share held by NN Group or by a subsidiary, and no payments will be made on shares which NN Group holds in its own share capital. On 20 May 2021, the General Meeting authorised the Executive Board for a term of 18 months, from 20 May 2021 up to and including 19 November 2022, to acquire in the name of NN Group, subject to the approval of the Supervisory Board, fully paid-up ordinary shares in the share capital of NN Group.

This authorisation is subject to the condition that following such acquisition the par value of the ordinary shares in the share capital of NN Group which are held by NN Group or for which NN Group holds a right of pledge, or which are held by its subsidiaries for their own account, shall not exceed 10% of the issued share capital of NN Group as at 20 May 2021. Shares may be acquired on the stock exchange or otherwise, at a price not less than the par value of the ordinary shares in the share capital of NN Group and not higher than 110% of the highest market price of the shares on Euronext Amsterdam on the date of the acquisition or on the preceding day of stock market trading.

Cancellation of own shares

On 20 May 2021, the General Meeting adopted the proposal to reduce the issued share capital of NN Group by cancellation of ordinary shares held by NN Group in its own share capital up to a maximum of 20% of the issued share capital of NN Group as at 20 May 2021. The cancellation may be executed in one or more tranches. The number of ordinary shares to be cancelled shall be determined by the Executive Board. Capital reduction shall take place with due observance of the applicable statutory provisions and the articles of association of NN Group.

Transfer of shares and transfer restrictions

The transfer of ordinary shares in the share capital of NN Group included in the Statutory Giro System must take place in accordance with the provisions of the Dutch Securities Giro Act (Wet giraal effectenverkeer). The transfer of shares in the share capital of NN Group not included in the Statutory Giro System requires an instrument intended for that purpose. To become effective, NN Group has to acknowledge the transfer, unless NN Group itself is a party to the transfer. The Articles of Association do not restrict the transfer of ordinary shares in the share capital of NN Group, while the transfer of preference shares in the share capital of NN Group requires the prior approval of the Executive Board. NN Group is not aware of the existence of any agreement pursuant to which the transfer of ordinary shares in the share capital of NN Group is restricted.

Significant shareholdings

Substantial shareholdings, gross and net short positions

Under the Dutch Financial Supervision Act each legal and natural person having a substantial holding or gross short position in relation to the issued share capital and/or voting rights of NN Group that reaches, exceeds or falls below any one of the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%, must immediately give written notice to the Dutch Authority for Financial Markets. These notifications will be made public via the Register substantial holdings and gross short positions (Register substantiële deelnemingen en bruto short posities) of the Dutch Authority for Financial Markets.

Pursuant to EU regulation No 236/2012, each legal and natural person holding a net short position representing 0.2% of the issued share capital of NN Group must report this position and any subsequent increase by 0.1% to the Dutch Authority for Financial Markets. Each net short position equal to 0.5% of the issued share capital of NN Group and any subsequent increase of that position by 0.1% will be made public via the short selling register of the Dutch Authority for Financial Markets.

In 2021, no legal or natural person held at least 10% of the shares in NN Group, therefore NN Group did not enter into any transaction with any such person.

Information on shareholders with an (indirect) holding and/or gross short position of 3% or more can be found in the Annual Report on page 43 and is deemed to be incorporated by reference herein.

Dutch Corporate Governance Code

NN Group is subject to the Dutch Corporate Governance Code (Code). The application of the Code by NN Group during the financial year 2021 is described in the publication Application of the Dutch Corporate Governance Code by NN Group, dated 9 March 2022, which is available on the website of NN Group. This publication is to be read in conjunction with this chapter and is deemed to be incorporated by reference herein. The Code is available on the website of the Dutch Corporate Governance Code Monitoring Committee (www.commissiecorporategovernance.nl).

Articles of Association

The General Meeting may pass a resolution to amend the Articles of Association with an absolute majority of the votes cast, but only on a proposal of the Executive Board, which has been approved by the Supervisory Board. NN Group's Articles of Association were last amended on 28 May 2020.

Change of Control

NN Group is not party to any material agreement that takes effect, alters or terminates upon a change of control of NN Group following a takeover bid as referred to in article 5:70 of the Dutch Financial Supervision Act, other than a revolving credit facility agreement entered into with a syndicate of lenders. The revolving credit facility agreement includes a change of control provision which entitles the lenders to cancel the commitment under the facility and declare any outstanding amounts under the facility immediately due and payable.

The assignment contracts with the members of the Executive Board provide for severance payments, which are to become due in case of termination of the contract in connection with a public bid as defined in article 5:70 of the Dutch Financial Supervision Act. Severance payments to the members of the Executive Board are limited to a maximum of one year's fixed salary, in line with the Code and the Dutch Financial Supervision Act.

External auditor

The external auditor is appointed by the General Meeting upon nomination of the Supervisory Board, after recommendation by the Audit Committee. On 28 May 2015, the General Meeting appointed KPMG Accountants N.V. (KPMG) as the external auditor of NN Group for the financial years 2016 through 2019. On 29 May 2019, KPMG was reappointed as the external auditor of NN Group for the financial years 2020 through 2022. It is intended to propose to the general meeting to reappoint KPMG as external auditor of NN Group with the instruction to audit the annual accounts for the financial years 2023 through 2025 at the 2022 AGM.

The external auditor may be questioned at the annual general meeting in relation to its audit opinion on the annual accounts. The external auditor will therefore attend and be entitled to address this meeting. In 2021, the external auditor attended the annual general meeting and during this meeting, he answered questions from shareholders. The external auditor also attended the meetings of the Audit Committee and the Risk Committee of the Supervisory Board in 2021, as well as the part of the meeting of the Supervisory Board in which the 2020 Annual Accounts were approved.

More information on NN Group's policy on external auditor independence is available on the website of NN Group (NN Group – Auditor information (nn-group.com)).

Risk management and control systems

A description of the main characteristics of the risk management and control systems of NN Group and its group companies can be found in Note 52 'Risk management' to the Consolidated annual accounts, which is deemed to be incorporated by reference herein.

The Executive Board is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the annual accounts in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets.
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the annual accounts in accordance with generally accepted accounting principles (International Financial Reporting Standards as endorsed by the European Union and Part 9 of Book 2 of the Dutch Civil Code).
- Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of assets that could have a material effect on the annual accounts.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Corporate Governance Statement

This chapter, including parts of this Annual Report incorporated by reference, together with the separate publication 'Application of the Dutch Corporate Governance Code by NN Group', dated 9 March 2022, which is available on the NN Group website, also serves as the corporate governance statement referred to in section 2a of the Decree contents of the management report (Besluit inhoud bestuursverslag).

Remuneration report

Introduction by the chair of the Remuneration Committee

As chair of the Remuneration Committee, I am pleased to present NN Group's 2021 Remuneration report. The year 2021 was another eventful year, in which the Remuneration Committee addressed a wide range of relevant topics. In this opening statement, you will be provided with information on topics that highlighted the year and that are relevant to underline, given the importance for NN Group and its stakeholders.

Societal and business context

During 2021 good progress has been made in executing the strategy. The year was also marked by various acquisitions and divestments. The Supervisory Board has been closely involved in these strategic initiatives. Remuneration and social aspects have been addressed appropriately, with a clear intention to always carefully consider the interests of employees, and to ensure smooth and orderly transition processes. Remuneration decisions have been taken in the context of the Covid-19 pandemic, taking into account societal aspects and relevant regulatory guidance as applicable to NN Group and its subsidiaries.

Leadership changes

During the course of 2021, several leadership changes took place. Inga Beale, Rob Lelieveld and Cecilia Reyes were appointed as Supervisory Board members of NN Group. By appointing Rob Lelieveld and Cecilia Reyes as members of the Remuneration Committee, its composition was further strengthened.

On 12 October 2021, the Supervisory Board announced its intention to appoint Annemiek van Melick as Chief Financial Officer (CFO) and vice-chair of the Executive Board of NN Group for a term of four years after notification to the General Meeting of NN Group at the annual general meeting, to be held on 19 May 2022. Annemiek van Melick will succeed Delfin Rueda, who will leave NN Group as of 1 July 2022 after being CFO and vice-chair of the Executive Board of NN Group since 2014. We are pleased to have found a strong successor for Delfin Rueda. Annemiek van Melick joins NN Group with extensive executive experience in the financial industry, and is well-placed to help drive our strategy in the years to come. At the same time, we are extremely grateful for Delfin's commitment to NN Group over many years. The Remuneration Committee has been closely involved in the process leading up to this Executive Board leadership change.

Important observations resulting from stakeholder consultation sessions

We were pleased with the General Meeting's positive advice on the 2020 Remuneration report at the 2021 annual general meeting. The proposal was adopted with 96.53% of the votes granted in favour. The Remuneration Committee engages in regular dialogue with our shareholders and other stakeholders with the aim to continuously improve NN Group's Remuneration Report.

On behalf of the Remuneration Committee, I have engaged in an extensive stakeholder consultation to understand their perspectives and views. Input was obtained from investors, a proxy advisor, a shareholder representative body, our Central Works Council and representatives of Dutch trade unions. During the consultation sessions, a wide range of topics were addressed. The Remuneration Committee is committed to continuing these stakeholder consultation sessions on a recurring basis.

Linking the NN Group strategy to performance objectives and remuneration

High on the agenda for many stakeholders is a clear link between the financial and non-financial ambitions underpinning the company's strategy, the performance objectives of the Executive Board members and their remuneration awards. The Remuneration Committee has a strong belief that the objectives and remuneration of Executive Board members should be linked to the overall long-term strategy of NN Group, and our strategic commitments in the area of our customers and distribution, products and services, our people, society, and the aim to remain financially strong and seek solid long-term value creation for shareholders. As outlined in the remainder of this Remuneration Report, we have developed a clear framework which demonstrates the way we translated the strategy into objectives that underpin our annual variable remuneration awards.

Increased focus on Environmental, Societal and Governance aspects, including climate ambitions

Embedding Environmental, Societal and Governance (ESG) aspects throughout the organisation and governance is key to achieving our ambition. During the stakeholder consultation sessions, we also observed increased focus on ESG objectives, and the belief that these should be incorporated in the objective setting and linked to variable remuneration. Related to this, stakeholders indicated that they would like to see more explicit climate-related objectives, given that the urgency for such objectives has increased in line with the public debate. ESG targets have formed part of the objectives of our Executive Board members, and were linked to their variable remuneration for many years. In 2021, environmental targets were more prominently represented and explicitly linked to the Executive Board's variable remuneration. These targets related to the contribution to the transition to a low-carbon economy and the reduction of our direct environmental footprint. Careful consideration has been given by the Remuneration Committee to ensure that we continue to deliver on our responsible investing ambitions, also in light of the announced sale of NN Investment Partners to Goldman Sachs.

In line with our commitment towards sustainable long-term value creation, NN Group aims to further raise the bar by introducing clear and measurable targets for the Executive Board members related to ESG, with an emphasis on climate. To support the Paris Climate Agreement, we have set a clear ambition to support the global transition towards net-zero greenhouse gas (GHG) emissions by 2050, in line with efforts to limit global warming to 1.5°C. In 2022, we will further develop the strategy to transition the proprietary portfolio to achieve net-zero GHG emissions by 2050. This will be underpinned by targets set in 2021 to decarbonise our corporate investment portfolio where we aim to reduce emissions by 25% by 2025 and 45% by 2030, compared with 2019 levels, and to increase investments in Climate Solutions by at least EUR 6 billion by 2030. We aim to further integrate ESG criteria in underwriting with focus on (acceptance) policies, product approval processes, and risk management for ESG-related risks. In addition, we are developing action plans to align insurance activities, policies and target setting with commitment and timelines of the Net-Zero Insurance Alliance, which NN Group joined in 2021. Furthermore, objectives will be in place in relation to reducing the carbon emissions of our facilities/offices and business travel by at least 35% in 2025 and at least 70% in 2030 (versus 2019), and to further embed sustainability aspects in our operations (e.g. procurement, facility management) and products and services with a focus to address societal and environmental challenges.

Quality of disclosures on performance objectives

Stakeholders indicate that they find it increasingly important to understand the logic and measurements in relation to determined performance objectives, and encourage transparency thereof in the Remuneration Report. We have made further steps this year to provide clear and useful information in relation to the performance of the members of our Executive Board against 2021 financial and non-financial objectives and this will remain a focus area in the coming years.

Importance of the internal pay ratio

Another important topic addressed during the stakeholder consultation sessions is the consideration of the internal pay ratio developments when deciding on executive remuneration. Further reference has been made to acknowledging the wage progression for other groups of employees, including those covered under the Dutch Labour Agreement that is subject to negotiations with the Dutch Trade Unions. The Supervisory Board is committed to closely monitoring the development of the pay ratio, and it is one of the factors taken into account while deciding on the remuneration of the members of the Executive Board, along with a wider range of other relevant factors such as the external market perspective and interests of various stakeholders. Furthermore, the pay ratio, and its historic development is provided for in this Remuneration Report.

On behalf of the Remuneration Committee, I would like to thank all stakeholders who were willing to openly share their views, provide valuable recommendations, fuel our thinking, and help shape the steps to take.

Hélène M. Vletter-van Dort

H.M. (Hélène) Vletter-van Dort
Chair of the Remuneration Committee

Introduction

This remuneration report describes NN Group's remuneration policy and methodology. Furthermore, details are provided on the remuneration of the Supervisory Board and the Executive Board. This Report is divided into the following subsections:

I Remuneration in general
II Remuneration of the Executive Board
III Remuneration of the Supervisory Board

Reference is made to Note 49 'Key management personnel compensation' in the Consolidated annual accounts for more information on the remuneration of the Executive Board, Management Board and Supervisory Board, including loans and advances provided to the members of these Boards. This remuneration report serves as the report referred to in article 2:135b of the Dutch Civil Code and Best Practice Provision 3.4.1 of the Dutch Corporate Governance Code. The information provided in this remuneration report is based on the current applicable remuneration policies of NN Group, applicable in 2021.

I Remuneration in general

NN Group has an overall remuneration policy, as described in the NN Group Remuneration Framework, which sets out guidelines and principles for all country and business unit remuneration policies within NN Group. NN Group aims to apply a clear and transparent remuneration policy that is adequate to attract and retain expert leaders, senior staff and other highly qualified employees. The NN Group strategy sets out our goals and how we will achieve them through our shared purpose, our ambition and our five strategic commitments. These strategic commitments are embedded in the remuneration policies within NN Group. The remuneration policy is also designed to support NN Group's employees to act with integrity and to carefully balance the interests of our stakeholders. It supports doing business with the future in mind, and aims to focus on creating long-term value for all stakeholders. At the same time, NN Group is conscious about its role in society, which is considered and embedded in the remuneration policies and practices as applicable to NN Group employees. These policies promote robust and effective risk management, including risk management of sustainability risks (such as environment, society, governance and employee related matters) in the integration thereof in the risk management system and procedures. This will, amongst others be supported by performance objective setting processes.

NN Group's remuneration policy for executives and senior staff is based on a total compensation approach, and is benchmarked on a regular basis with relevant national and international peers, both within the financial sector and outside the financial sector. Clear financial and non-financial performance objectives are set which are aligned with the overall strategy of NN Group, both in the short term and the long term, to ensure that remuneration is properly linked to individual, team and NN Group performance. The remuneration policy supports a focus on the company's long-term interests and the interests of its customers and various stakeholders by ensuring that there is careful management of risk and that staff are not encouraged, via remuneration, to take excessive risk. In addition, the remuneration policy ensures that NN Group complies with all the relevant (inter)national regulations on remuneration, such as the Act on the Remuneration Policies of Financial Undertakings (Wet beloningsbeleid financiële ondernemingen), as relevant to our business.

Gender equality contributes to an inclusive working environment by ensuring equal opportunities, working conditions and equal pay for equal work. NN Group constantly strives to promote and achieve equal pay for equal work, or work of equal value, for all employees, as this is a key component of supporting equal opportunities for all genders. To this end, NN Group has implemented remuneration policies that do not differentiate for gender. This means that, in principle, all aspects of NN Group's remuneration policies and processes are aimed to be gender neutral, such as the determination of salary levels for our employees and the process in relation to setting the award and pay-out levels for variable remuneration. In this respect, we are proud to be included in the Bloomberg Gender Equality Index for the fourth time in a row, given that equal pay and gender pay parity are topics that are taken into account in the Bloomberg assessment.

NN Group's pay is analysed annually with a focus on gender equality. When comparing similar compensation grades and job profiles, it can be concluded that we offer equal pay for equal work. Our equal pay analyses are conducted on an annual basis, each year across more countries. More information on our actions and efforts in relation to gender diversity, and the key findings resulting from our latest equal pay analysis can be found on page 39 (header: Gender diversity and equal pay). Equal pay will remain under continuous attention, as we believe equal pay is a key component of supporting equal opportunities for everyone. Together, we will continue on our path of building and fostering a diverse, inclusive, healthy, and safe workplace for all colleagues.

With respect to performance in 2021, the total number of staff of NN Group eligible for variable remuneration is 5,984. The total approved variable remuneration budget is EUR 93.8 million, which will be paid in March or April 2022. In 2021, six persons employed within NN Group and NN Investment Partners received a total remuneration of more than EUR 1 million. For this calculation, the individual base salary, awarded variable remuneration and, where applicable, life course savings schemes, individual saving allowances and pension contributions were included.

II Remuneration of the Executive Board

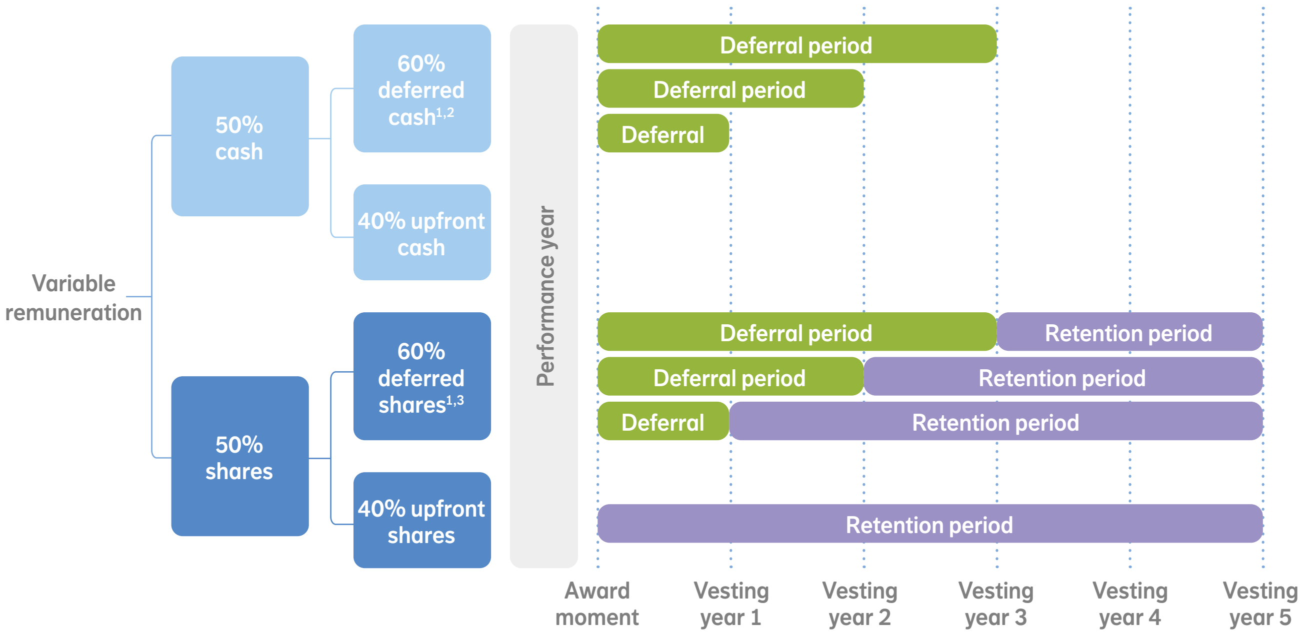
The Executive Board members have an assignment contract (in Dutch: *overeenkomst van opdracht*) with NN Group N.V. David Knibbe was appointed as member and chair of the Executive Board and CEO of NN Group by the Supervisory Board on 1 October 2019, after notification to the General Meeting of NN Group at an extraordinary general meeting (EGM) on 26 September 2019. The term of appointment of David Knibbe will end at the close of the annual general meeting to be held in 2023. Delfin Rueda was appointed to the Executive Board as Chief Financial Officer (CFO) and vice-chair on 1 March 2014 and as vice-chair of the Management Board on 7 July 2014. He was reappointed as member of the Executive Board and again designated as CFO of NN Group and as vice-chair of the Executive Board on 31 May 2018 for a term of four years. His term of appointment will end at the close of the annual general meeting to be held on 19 May 2022. Subject to notification to the General Meeting of NN Group at the annual general meeting to be held on 19 May 2022, NN Group's Supervisory Board intends to reappoint Delfin Rueda until 1 July 2022, and as per that date to appoint Annemiek van Melick as vice-chair of the Executive Board and CFO of NN Group for a term of four years. Executive Board members can be reappointed by the Supervisory Board for consecutive periods of up to four years after notification to the General Meeting of NN Group. The remuneration policy for the Executive Board members was adopted by the General Meeting on 28 May 2020, effective as from 1 January 2020. The data presented in this report relates to remuneration awarded to the Executive Board members in respect of the whole of 2021. The 2021 total remuneration as provided to the members of the Executive Board is in line with the applicable remuneration policy. The Supervisory Board has not applied any deviation or derogation from the remuneration policy of the Executive Board.

The remuneration of the Executive Board members consists of a combination of fixed remuneration ('base salary'; of which 80% is paid in cash and 20% in shares) and base salary allowances, variable remuneration (of which 50% is paid in cash and 50% in shares), pension arrangements and other emoluments as described below. To support the long-term value creation, a retention period of five years starting from the date of award is applicable to all share awards. The detailed composition of the Executive Board remuneration is illustrated below.

Composition EB remuneration

Remuneration elements	Portion	Split	Awarded	Retention period
Base salary in cash	80%			
Base salary in shares	20%			5 years
Total base salary	**100%**			
Variable remuneration	Min 0% Target 16% Max 20%	50% in cash	60% deferred	
			40% upfront	
		50% in shares	60% deferred	5 years
			40% upfront	5 years
Total direct remuneration	**Min 100%** **Target 116%** **Max 120%**			

Remuneration report continued



1 One-third of the deferred cash and deferred shares awards vest each year.
2 Subject to 'Hold-Back and Claw-Back' clauses and leaver provisions during the deferral period up to the third anniversary award moment.
3 Subject to 'Hold-Back and Claw-Back' clauses and leaver provisions during the deferral period. Subsequently, the retention period applies until the 5th anniversary award moment.

The total compensation of the Executive Board members is benchmarked on a regular basis against market data that includes peers both inside and outside the financial sector in the Netherlands and abroad. The peers are selected with reference to asset base, market capitalisation, revenue and number of employees. For 2021, the peer group consists of ABN AMRO Bank, Achmea, Aegon, Ageas, Akzo Nobel, Aviva, CNP Assurances, Koninklijke DSM, Legal & General Group, Munich Re, Rabobank, Randstad, Swiss Life Holding, Talanx and Wolters Kluwer. The Supervisory Board has determined to continue with this peer group in 2022.

In line with the remuneration policy as adopted by the General Meeting on 28 May 2020, the Supervisory Board aims to set the remuneration levels below market median. If, based on the annual benchmark, the remuneration level is not in line with the approved policy, appropriate measures will be considered. The Supervisory Board also takes into account all stakeholders' interests, including social context, before finalising executive pay levels.

Only in the event of an involuntary exit (e.g. a mutual agreement at NN Group's initiative where the Executive Board member has been requested to leave), Executive Board members are eligible to an exit arrangement limited to a maximum of one year base salary. Exit arrangements will in no way qualify as reward for failure (within the meaning of the applicable regulatory requirements).

Executive Board base salary

The Executive Board base salary is based on the remuneration policy of the Executive Board, and aims to reflect the balanced interests of stakeholders. No changes in the base salary of the Executive Board members of NN Group have been adopted throughout 2021.

Executive Board variable remuneration

The remuneration policy for the Executive Board members combines the short- and long-term variable components into one structure. This structure supports both long-term value creation and short-term company objectives. Performance objectives reflect NN Group's medium-term strategic priorities and targets as communicated to the market and as such contribute to the long-term strategy of NN Group. Variable remuneration is based on both the financial and non-financial performance of the individual and the company. The Supervisory Board annually determines the performance objectives at the start of the performance year and defines the relevant 'at target' level. Following the performance year, the Supervisory Board determines the extent to which the financial performance objectives are met based on the full-year financial results. The extent to which non-financial performance objectives are met is also assessed by the Supervisory Board.

The emphasis on long-term performance indicators within the variable component of the compensation package is realised by means of deferral of 60% of the total variable remuneration. Furthermore, an annual re-evaluation by the Supervisory Board takes place with the option to hold back (i.e. prevent from ever vesting) and/or claw back vested and paid variable remuneration. The Supervisory Board has the authority to reclaim any variable remuneration allocated to an

Executive Board member based on the clauses as included in the Executive Board Remuneration Policy as adopted by the General Meeting of NN Group on 28 May 2020, which may for example be the case in the event of specific conduct which has led to the material re-statement of NN Group's annual accounts and/or significant (reputational) harm to NN Group or any of its subsidiaries or affiliates, and/or conduct or performance of acts which are considered malfeasance or fraud.

The maximum variable remuneration of the Executive Board members for performance year 2015 onwards has been capped at 20% of the base salary and the on target level of the annual variable remuneration has been set at 16% of the base salary. This is in line with the requirements of the Dutch regulatory regime as applicable to NN Group.

Additionally, the short-term component of variable remuneration (the so called 'Upfront Portion') is 40% of the total variable remuneration and is equally divided between an award in cash and an award in stock. The Deferred Portion is also equally divided between an award in deferred cash and an award in deferred stock. Both the deferred cash and the deferred stock awards are subject to a tiered vesting on the first, second and third anniversary of the grant date (one-third per annum). Similar to the shares awarded as fixed remuneration, a retention period of five years starting from the date of award is applicable to all stock awards (both upfront and deferred), with the exception that part of the stock will be withheld at the relevant date of vesting to cover any income tax liability arising from the vested share award (withhold-to-cover). In addition to the general principles described above, more specific details on the 2021 variable remuneration of the Executive Board members are provided below.

Performance for the year 2021 was assessed based on a number of objectives, as outlined in the paragraph below. Estimated risks and capital adequacy were also taken into account when determining the award of variable remuneration.

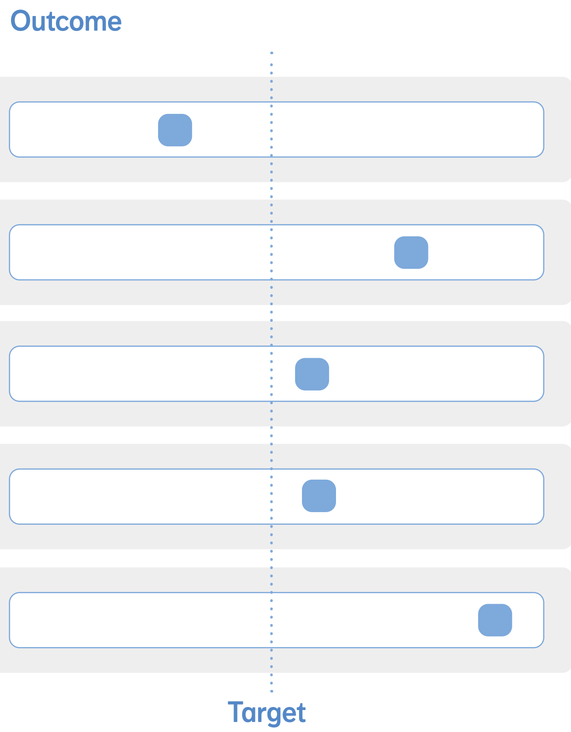
Performance objectives of the Executive Board members

The performance of the Executive Board members is assessed annually against their financial and non-financial objectives as set by the company's Supervisory Board. When determining the objectives for a specific performance year, the Supervisory Board takes into account the medium-term financial, as well as the non-financial company targets. When determining relative weighting between the financial and non-financial performance objectives, the Supervisory Board takes into account the requirements of the Dutch regulatory regime as applicable to NN Group and the Executive Board remuneration policy as in place per 2020. At the end of the year, the Supervisory Board executes a performance assessment to determine to what extent the objectives have been met. The Supervisory Board is supported by various departments, such as Finance, Corporate Development, Compliance, Corporate Relations, Risk and HR, to provide relevant input.

The ambition of our company describes what we aim to achieve in the years to come. We want to be an industry leader, known for our customer engagement, talented people, and contribution to society. All our different business entities are expected to contribute to the delivery of our ambition.

To realise this ambition, we identified the following five strategic commitments, and structured the performance objectives of the Executive Board members around these commitments:

	Weighting CEO	Weighting CFO
Customers and distribution We see our customers as the starting point of everything we do	20%	20%
Products and services We develop and provide attractive products and services	10%	25%
People and organisation We empower our colleagues to be their best	15%	15%
Financial strength We are financially strong and seek long-term returns for shareholders	40%	25%
Society We contribute to the well-being of people and the planet	15%	15%
	100%	100%



More elaborate information on the outcome of the performance objectives of the Executive Board members is provided in the overview below.

Customers and distribution	Weighting CEO	Weighting CFO
We see our customers as the starting point of everything we do	20%	20%

We engage with our customers to meet their real needs and to offer solutions that create long-term value. We use our digital capabilities and leverage our strong distribution footprint to further enhance our customer experience.

i. At least 6 of 11 insurance business units scoring above market average on NPS
NPS score of NN Investment Partners in a range between +10 and +25

One of the key metrics of our NN Global Brand Health Monitor (GBHM) is the internationally recognised NPS system to measure how likely it is that the customers recommend products and services to colleagues, friends, or family. There are different sorts of NPS. The relational NPS (NPS-r) is used to measure the strength of our relationship with customers, and to gain understanding of long-term customer satisfaction over time. In 2021, 5 (out of 11) insurance business units scored above market average on NPS-r, and 3 business units scored on par with market average (page 36). The number of insurance business units that scored above market average on NPS-r increased in comparison with 2020 (4 units), and ended slightly below target (6 units). The NPS score of NN Investment Partners was +44 in 2021. Overall the objective with regard to NPS-r scores was not met.

ii. Brand consideration of ≥ 22% for the Netherlands, ≥ 25% for Insurance International and ≥ 24% for NN Group
Brand preference for NN Investment Partners in top 50 and social responsibility/sustainability ranking in top 10

At least twice a year, key brand indicators are measured, such as brand consideration and brand preference. Brand consideration is measured to monitor the preferences of our customers. In 2021, the overall brand consideration of NN Group improved to 23% from 21% at the end of 2020, mainly driven by an increase of brand consideration for the Netherlands (23%). While brand consideration for the Netherlands was slightly higher than the target, the brand consideration for Insurance International and for NN Group were slightly below target (page 36).

NN Investment Partners had a brand preference of 52 and continues to be recognised as a sustainable asset manager with a #15 rank of its brand on sustainable investing at the end of 2021.

Overall the objective with regard to brand consideration was not met.

Products and services

We develop and provide attractive products and services

Weighting CEO	Weighting CFO
10%	25%

We excel in developing and providing attractive products and services, and operate with efficiency, agility and speed. To continue to do so, we will make use of digital and data capabilities.

i. Netherlands Life: expand DC capabilities, both in accumulation and decumulation

The total Defined Contributions AuM of Netherlands Life increased from EUR 24.6 billion at year-end 2020 to EUR 29.9 billion at year-end 2021, driven by positive market performance and net inflows. There was a positive result on decumulation in 2021 with more retention and new business than expected. Overall the objective with regard to expanding the DC capabilities of Netherlands Life was met.

ii. Netherlands Non-life: complete VIVAT Non-life integration and successfully implement strategic initiatives around pricing, underwriting, claims analytics, data and digital

The integration of VIVAT Non-life has reached a final stage with the completion of the migration of 1.8 million policies to NN systems. The cost savings target of EUR 40 million has been achieved one year earlier than planned. We are working towards finalising the integration in the first half of 2022. Overall the objective with regard to the VIVAT integration and strategy implementation of Netherlands Non-life was met.

iii NN Bank: originate high-quality mortgages and broaden retail offering

NN Bank and Woonnu originated a total of EUR 9.9 billion of new mortgages in 2021, breaking last year's record by EUR 1.7 billion. The launch of Woonnu was successful, with EUR 1.4 billion of mortgages originated in 2021. Furthermore, NN Bank's new mid-office system went live in December and successfully processed the first mortgage applications. The first results show applications are processed automatically with a very short lead time. Overall the objective with regard to the origination of mortgages and broadening of NN Bank's retail offering was met.

iv. Insurance Europe: continue to shift to protection products for higher customer relevancy and margins, and continue to invest in our main banking partnerships

The Gross Written Premiums in-force protection for Insurance Europe increased which was driven by most business units and supported by the roll out of new strategic initiatives such as digitalising processes for lead generation. New products were launched, based on customer needs.

Several successful partnerships were achieved in 2021, and we continued to build reciprocal relationships with our banking partners. In Belgium and Spain we extended our strategic partnership with ING, accelerating our digital propositions in these markets. Overall the objective with regard to the continued shift to protection products and investing in our main banking partnerships of Insurance Europe was met.

v. Japan: continued focus on COLI protection and adapt COLI Financial Solutions product offering to new tax regime

The VNB of COLI protection products in Japan increased significantly. Income Protection Insurance was launched in June to meet our customer needs. Furthermore, we are progressing well in improving our technical capabilities in protection and advancing with strategic initiatives on data and customer engagement. Overall the objective with regard to the focus on COLI protection and adapting to the new tax regime in Japan was met.

vi. NN Investment Partners: Top quartile investment performance for third party alpha strategies based on Assets under Management (AuM) weighted average (3Y) peer rank. Generate net inflows for third party customers

At the end of 2021, the AuM weighted peer scores ended at the 35%-tile for the three year period, which means that on an AuM weighted basis NN Investment Partners performed better than 65% of its peers. The outperformance versus the benchmark for third party alpha strategies was 190 bps for the three year period, which is higher than the AuM weighted target outperformance. Notwithstanding the divestment process, NN Investment Partners attracted new mandates, with net third party inflows of EUR 5.2 billion in 2021. Overall the objective with regard to investment performance and net inflows for NN Investment Partners was met.

vii. Product performance reviews executed on a quarterly basis to ensure they continue to add value to our customers; frameworks to be developed for business lines (CEO only)

The framework for product performance reviews was finalised in the first half of 2021, providing the required data on products reviewed and adapted in favour of customers, and a qualitative update was provided by product management and reviewed by the CRO of each business unit. Overall the objective with regard to product performance reviews was met.

People and organisation

We empower our colleagues to be their best

Weighting CEO	Weighting CFO
15%	15%

We are committed to empower our employees to bring our values, purpose and ambition to life for our customers. We encourage diversity of thinking and invest in new capabilities and personal development. We nurture a culture aligned with our purpose, values and ambitions, which supports continuous learning, collaboration, and diversity of thinking. We consider all colleagues to be talents and invest in an inclusive and inspiring environment so we are together best equipped to take our business into the future.

i. Employee engagement of ≥ 7.6 for NN Group for each of the MB members. Each MB member to define and execute 3 personal actions following up the 2020 year end survey results

The most recent employee engagement survey in November 2021 resulted in an engagement score of 7.7 for NN Group. While this is 0.2 lower than year-end 2020 (7.9), it is 0.1 better than the target (7.6). The outcome of the survey shows that we can cope well with the continuous change and uncertainty of the pandemic. Colleagues feel empowered to fulfil their role, and have room for professional growth, but a point of attention is process efficiency. 83% of our colleagues gave their opinions through the survey, providing meaningful insights to make NN an even better place to work. Overall the objective with regard to employee engagement was met.

ii. Women in senior management positions ≥ 36%

In December 2020, NN's Statement on Diversity and Inclusion (D&I) was launched to explain what NN Group stands for, including the move towards a more inclusive work environment. The D&I approach focuses on different dimensions, of which gender diversity is one. A D&I target was set for gender diversity, aiming to reach 40% women in senior management positions by 2023. The male/female ratio across the company is well-balanced, but less so within senior management positions. The percentage of women in senior management positions increased to 34% at the end of 2021 from 33% at the end of 2020.

There is still work to be done to reach the target of 40% by 2023, and is not an overnight target to meet. It is important to take a close look at the succession base for these positions and to set a balanced pool of successors per position if movement occurs, also from a development and/or executive search point of view. Awareness, discussion and focus regarding (gender) diversity improved, e.g. in Bi-Annual Talent Reviews, Talent Forums and Succession Sessions.

NN Group believes remaining focused on equal pay is key to driving D&I. It is therefore a recurring topic on the agenda of the Management Board and Supervisory Board. Overall the objective with regard to women in senior management positions was not met.

iii. Succession plans in place for every MB-1 position

NN Group started working according to the key talent management process. At the end of 2021, 100% of the MB-1 managerial positions had an updated succession plan in place. The completion of succession plans also improved the quality of the succession plans. In addition, it encourages a culture of meaningful conversations and transparency (e.g. open on potential, ambition and development) and to deliver on strategic commitments (e.g. diversity) by leveraging on potential and internal mobility of talent, and decrease key man risk. Overall the objective with regard to succession plans for MB-1 positions was met.

Financial strength

We are financially strong and seek long-term returns for shareholders

Weighting CEO	Weighting CFO
40%	25%

We are committed to achieve a strong financial and commercial performance in our operating units, maintain a strong capital position, and deliver attractive and growing capital returns to shareholders. We are focused on maintaining a strong balance sheet and creating solid financial returns for our shareholders by using our financial strength, scale and international footprint, and by efficiently managing our customers' assets, and our own insurance portfolios.

i. Operating capital generation

The operation capital generation of NN Group for the full year 2021 increased to EUR 1,584 million from EUR 993 million in 2020. The increase mainly reflects higher Non-life underwriting results, positive contribution from Banking, the positive impact of higher rates and the higher investment return driven by changes in the asset portfolio and higher equity and real estate valuations. Overall the objective with regard to Operating Capital Generation was met.

ii. Free cash flow

The free cash flow of NN Group for the full year 2021 increased to EUR 1,472 million from EUR 1,070 million in 2020. This mainly reflects remittances from subsidiaries, including relatively modest remittances from the Non-life business which considered the expected consequence of the Dutch Central Bank (DNB) guidance related to the treatment of contract boundaries for individual disability contracts. Overall the objective with regard to free cash flow was not met.

iii. Demonstrate through NN's risk control framework that the business operates within NN's risk appetite and where not, initiate necessary remediation measures

The 2021 annual risk control framework cycle was materially completed, the position relative to risk appetite was made transparent, and relevant remediation actions were initiated. It was concluded that NN operates within its cash capital risk appetite. Overall the objective with regard to NN's risk appetite was met.

iv. Department budgets for Control Functions (CFO only)

For the CFO, additional consideration has been given to the budget discipline of the Finance department. This objective was met.

Society

We contribute to the well-being of people and the planet

Weighting CEO	Weighting CFO
15%	15%

We do business with the future in mind, as it is our aim to contribute to the well-being of people and the planet, and to a world where people can thrive for many generations to come.

i. Contribute to the transition to a low-carbon economy

We have a clear ambition to support the global transition towards net-zero greenhouse gas (GHG) emissions by 2050. NN endorsed the Institutional Investors Group on Climate Change (IIGCC) net-zero investment framework in March 2021 and is participating in phase II of the development. NN Group and NN Investment Partners each joined new IIGCC net-zero carbon commitment platforms. With respect to our proprietary asset portfolio we made further progress with the development and implementation of Paris Alignment strategies per asset class. We now have a strategy in place for Sovereign Bonds, Corporate Investment (listed equities and corporate fixed income) and Real Estate, as well as for investments in Climate Solutions.

In 2021, we set reference targets for the reduction of Greenhouse Gas (GHG) emissions for our Corporate Investment portfolio: we aim to decrease GHG emissions by 25% by 2025 and 45% by 2030, compared with 2019 levels, and increase investments in Climate Solutions by at least EUR 6 billion by 2030. The Sustainable Finance Regulation programme was implemented to ensure adherence to current and upcoming regulations, such as the EU Taxonomy, Sustainable Finance Disclosure Regulation and Corporate Sustainability Reporting Directive.

To transparently report on our progress, we describe our performance in the Annual Report sections Our response to the TCFD (pages 66-77) and Carbon footprint proprietary assets (pages 131-134). It is critical to note that carbon footprint measurement and reporting remains an area for ongoing development. The carbon footprint, which covers 80% of the total asset portfolio, is based on the best available data and methodologies; new insights may lead to changes in the future. Additionally, a portfolio carbon footprint provides a snapshot of historical performance and does not consider future plans or goals of the underlying portfolio holdings. Institutional investors including NN are therefore looking to capture forward-looking data to assess the degree of 'Paris alignment' of their investment portfolio, but this also presents challenges around data quality and availability. Furthermore, it is still challenging to assess the credibility of net-zero plans, whereas this is critical for real-world decarbonisation impact.

Overall the objective with regard to the progress in developing strategies and targets to contribute to the transition to a low-carbon economy was met.

ii. Continue efforts to reduce direct environmental footprint and set science based target

In 2021, NN Group committed to reducing the CO_2 emissions of its own operations by at least 35% by 2025 and at least 70% by 2030, compared to 2019 levels, with the aim to become net-zero by 2040. This covers CO_2 emissions from our buildings, lease cars and business air travel. In 2021, our CO_2 emissions decreased by 15% compared to 2020, and 67% of our electricity use came from renewable sources. The fraction of renewable electricity decreased steadily due to less electricity consumed in the Netherlands (which is 100% renewable) compared to international business units with a lower fraction of renewable electricity.

Steps have been made to better measure emissions. Most reductions are likely to be achieved in the Netherlands. The biggest challenge lies with the international business units, also because most of our offices are not owned by NN. In the Netherlands, NN Group signed an agreement with the ambition to move towards a fossil free lease car fleet by 2025, and has implemented a fossil free lease car policy. Overall the objective with regard to the reduction of our direct environmental footprint was met.

iii. Contribute 0.4% of the operating result to our communities, including cash donations and hours of volunteering

The total contributions to our communities were EUR 8.0 million in 2021, reaching our target of 0.4% of the operating result of 2021. NN Group scaled up and started new non-profit partnerships (e.g. Research Centre for Longevity Risk with University of Amsterdam, Opportunities for all with Junior Achievement Europe, Networking with JINC and many partnerships in the area of debt relief). The volunteer initiatives (e.g. Cleanup, charity run) during the first ever 'Your community matters week' in June was successful, with 1,599 colleagues participating. The Charitable Donations policy was updated to better reflect the community investment strategic focus and bring it in line with B4SI guidelines. Overall the objective with regard to the contribution to our communities was met.

iv. Increased % of ESG-integrated NN Investment Partners AuM, in line with the 80% target by 2023 (CEO only)

The ESG-integrated AuM of NN Investment Partners increased significantly to 91% at the end of 2021 from 74% at the end of 2020. The increase was mainly driven by the inclusion of the mortgage portfolios and the qualification of other portfolios of Alternative Credit as ESG-integrated. Net inflows and positive market performance also contributed to the growth of ESG integrated funds and sustainable and impact strategies. Overall the objective with regard to the increase of ESG-integrated NN Investment Partners AuM in line with the 80% target by 2023 was met.

v. Further steps taken to integrate ESG risks and opportunities in insurance underwriting (CFO only)

In October 2021, we extended our net-zero ambition to our insurance activities, committing to also develop an approach for the underwriting business to set targets and help facilitate the transition to global net-zero emissions. NN Group joined forces with other large insurers in the UN-convened Net-Zero Insurance Alliance (NZIA) to start developing a framework for strategies and target-setting for the insurance industry. A Sustainability task force was started at NN Non-life and adopted a roadmap to integrate risk and opportunities in underwriting. Overall the objective on further steps taken to integrate ESG risks and opportunities in insurance underwriting was met.

2021 Variable Remuneration award

The Supervisory Board concluded that the Executive Board delivered a strong performance throughout the year 2021. The overall outcome on the objectives related to the Financial strength commitment was above target. The overall outcome on the objectives related to the Financial strength commitment was above target. The overall outcome in relation to the non-financial objectives is also positive, with the overall score of the objectives related to the Customers and distribution commitment being slightly below target, while the other nonfinancial objectives related to the Products and services, People and organisation and Society commitments being above target. This is all achieved in the context of an eventful year, in which the Executive Board members showed strong leadership. They navigated the organisation through a year that was marked by, among others, acquisitions, divestments and the ongoing Covid-19 pandemic.

On the basis of the overall assessment, the Supervisory Board concluded to award the CEO a variable remuneration of 115% of target, which is EUR 326,600 and the CFO a variable remuneration of 115% of target, which is EUR 261,426. In 2021, there was no hold back applied to unvested deferred variable remuneration nor was claw back applied to paid or vested variable remuneration for any of the Executive Board members.

Executive Board pension arrangements

The pension arrangement for the Executive Board members is the same as the pension arrangement that is applicable to all staff of NN Group in the Netherlands and comprises a collective defined contribution (CDC) plan up to the annual tax limit (EUR 112,189 as from 1 January 2021) and a taxable individual savings allowance on pensionable fixed remuneration exceeding the tax limit.

The table to follow provides details on the amount of contribution that was paid by NN Group to the pension arrangement of the Executive Board members.

Executive Board other emoluments

The Executive Board members were eligible for a range of other emoluments, such as health care insurance, life cycle saving scheme, transportation, external tax advice and expat allowances (CFO only). The Executive Board members were also able to obtain banking and insurance services from NN Group in the ordinary course of business and on terms that apply to all employees of NN Group in the Netherlands. As at 31 December 2021, the Executive Board members did not have loans outstanding with NN Group regulated entities. No guarantees or advanced payments were granted to the Executive Board members. The table below provides details on the amount of emoluments that was paid by NN Group to the benefit of the Executive Board members.

Remuneration of the Executive Board members (in EUR 1,000 and gross)

	David Knibbe		Delfin Rueda	
	2021	2020	**2021**	2020
Base salary in cash	1,420	1,420	1,137	1,137
Base salary in shares	355	355	284	284
Total base salary	**1,775**	**1,775**	**1,421**	**1,421**
Variable remuneration	327	284	261	248
Total direct remuneration	**2,102**	**2,059**	**1,682**	**1,669**
Employer contribution to pension fund	24	24	24	24
Individual savings allowance[1]	387	388	305	305
Other emoluments	122	146	228	221
Employer cost social security[2]	72	72	59	59
Relative proportion base salary versus variable remuneration	84.5% / 15.5%	86.2% / 13.8%	84.5% / 15.5%	85.1% / 14.9%

1 The individual saving allowance scheme is applicable for both the Executive Board and staff of NN Group in the Netherlands.
2 The employer social security contributions do not impact the overall remuneration received by Executive Board members.

The total remuneration as disclosed in the table above (for 2021: EUR 5.0 million) includes all variable remuneration related to the performance year 2021. Under IFRS-EU, certain components of variable remuneration are not recognised in the profit and loss account directly, but are allocated over the vesting period of the award. The comparable amount recognised in staff expenses in 2021 and therefore included in 'Total expenses' in 2021, relating to the fixed expenses of 2021 and the vesting of variable remuneration of 2021 and earlier performance years, is EUR 5.1 million.

2021 Variable remuneration of the Executive Board members (in EUR 1,000 and gross)

	Upfront cash paid	Deferred cash granted	Upfront shares granted	Deferred shares granted	Total
David Knibbe	65	98	65	98	**327**
Delfin Rueda	52	78	52	78	**261**

Long-term incentives awarded in previous years and in 2021 to the Executive Board members

The Executive Board members receive deferred cash and upfront and deferred share awards under NN Group's Aligned Remuneration Plan (ARP). The table below provides a summary of the number of NN Group shares awarded and vested for the Executive Board members during 2021 under the ARP.

Overview of number of NN Group shares awarded and vested for the Executive Board members during 2021

	Plan	Award Date	Outstanding and unvested per 1 January 2021	Awarded during 2021	Vested during 2021	Outstanding and unvested per 31 December 2021	Vesting Price in euros
David Knibbe	Deferred Shares Plan	15 March 2018	1,058		1,058	-	40.55
	Deferred Shares Plan	18 March 2019	2,473		1,236	1,237	40.12
	Deferred shares plan	16 March 2020	3,439		1,146	2,293	40.32
	Deferred Shares Plan	15 March 2021		2,352		2,352	
	Upfront Shares Plan	15 March 2021		1,568	1,568	-	40.55
Delfin Rueda	Deferred Shares Plan	15 March 2018	608		608	-	40.55
	Deferred Shares Plan	18 March 2019	1,416		707	709	40.12
	Deferred Shares Plan	16 March 2020	2,379		793	1,586	40.32
	Deferred Shares Plan	15 March 2021		2,052		2,052	
	Upfront Shares Plan	15 March 2021		1,368	1,368	-	40.55

The table below shows a summary of the (vested) NN Group shares held by the Executive Board members on 31 December 2021 (including the shares vested during 2021) and 31 December 2020.

NN Group shares held by the Executive Board members

	2021	2020
David Knibbe	39,340	31,920
Delfin Rueda	56,641	50,988

NN Group is dedicated to align the interests of the members of the Executive Board with those of the company and its shareholders. This is realised through various ways, including awarding 50% of the variable remuneration in NN Group shares and applying a five-year retention period as from the award date, during which period the shares cannot be sold. Furthermore, 20% of the base salary of the Executive Board members is delivered in the form of NN Group shares, again with a mandatory retention period of five years as from the award date. This way, the Executive Board members build up a substantial interest in NN Group shares, without introducing formalised share ownership guidelines. As at 31 December 2021, the total value of the shares, based on the year-end share price, held by the Chief Executive Officer, equals 13 months of his gross base salary.

Remuneration of the Executive Board members, company performance and average employee remuneration (amounts in EUR 1,000 and gross)

	2021	2020	2019	2018	2017
Executive Board remuneration					
Total direct remuneration David Knibbe	2,102	2,059	515		
Total direct remuneration Lard Friese[1]			1,061	1,970	1,713
Total direct remuneration Delfin Rueda	1,682	1,669	1,705	1,586	1,292
Company performance					
Operating capital generation	1,584	993	1,349		
Operating result	2,036	1,889	1,794	1,626	1,586
Solvency II ratio	213%	210%	224%	230%	199%
Average remuneration					
Average employee remuneration	95.5	96.6	94.6	91.4	91.4
Pay ratio	31:1	30:1	25:1	29:1	29:1

1 Lard Friese stepped down as member and chair of the Executive Board and CEO of NN Group as of 12 August 2019. His remuneration in the capacity of CEO of NN Group is shown in the table above.

Pay ratio

The pay ratio compares the total CEO compensation and the remuneration of all staff ('Pay ratio') as stated in the Dutch Corporate Governance Code. For the CEO, the total remuneration used in the pay ratio is the total remuneration as disclosed in the Remuneration report. For the staff members, the total remuneration used in the pay ratio is the total remuneration as disclosed in the Consolidated annual accounts Note 28 'Staff expenses', combined with the staff expenses paid to employees of NN Investment Partners BV. In order to provide a meaningful comparison, the total remuneration of the staff population excludes the remuneration of the CEO of NN Group. NN Group aims to align with the pay ratio calculation method as prescribed by the Dutch Monitoring Commission Corporate Governance. This has led to an adjusted pay ratio calculation method. Compared with previous years, the new pay ratio calculation includes external staff costs for Dutch hourly workers. This method has been applied for all previous years to create a comparable basis. The Supervisory Board considers trends in the pay ratio in its assessment of the compensation of the members of the Executive Board, while Human Resources closely monitors the pay ratio.

III Remuneration of the Supervisory Board

The Supervisory Board was comprised of the following members in 2021: Mr Cole, Ms Beale, Mr Hauser, Mr Jenkins, Mr Lelieveld, Ms Reyes, Mr Schoen, Ms Streit and Ms Vletter-van Dort. More information on the composition of the Supervisory Board and its Committees can be found in the Report of the Supervisory Board, on pages 83-96. The 2021 total remuneration as paid to each of the members of the Supervisory Board is in line with the Supervisory Board Remuneration Policy.

NN Group does not grant variable remuneration, shares or options to the Supervisory Board members. This ensures the independence of the Supervisory Board, contributes to NN Group's long-term performance and is in line with the Dutch Corporate Governance Code. Supervisory Board members may obtain banking and insurance services from NN Group in the ordinary course of business and on terms that are customary in the sector. As at 31 December 2021, the Supervisory Board members did not have loans outstanding with NN Group regulated entities. No guarantees or advanced payments were granted to Supervisory Board members.

In line with market practice, a distinction is made between chair, vice-chair and other Supervisory Board members. A fixed annual expense allowance is payable to cover all out-of-pocket expenses. Travel and lodging expenses in relation to meetings are paid by NN Group.

The remuneration for the members of the Supervisory Board (in EUR)

	Chair	Vice-chair	Member
Fixed Annual fee Supervisory Board	110,000	72,500	65,000
Fixed annual fee for position in Committee	17,000	n/a[1]	13,500
Fixed annual expense allowance to cover out of pocket expenses (travel and lodging will be paid)	9,000	9,000	9,000

1 There are no Vice-chair positions in Supervisory Board Committees.

Fees and allowances of Supervisory Board members[1]

	Fixed annual fees		Total fixed gross expense allowance		VAT		Total (including VAT)	
In EUR and gross	**2021**	2020	**2021**	2020	**2021[2]**	2020	**2021**	2020
D.A. (David) Cole (Chair)[3]	140,500	147,794	9,000	9,000	7,849	32,927	149,500	189,721
H.M. (Hélène) Vletter-van Dort (Vice-chair)	103,000	107,133	9,000	9,000	5,880	24,388	112,000	140,521
I.K. (Inga) Beale[4]	56,615	n/a	5,538	n/a	n/a	n/a	62,153	n/a
D.H. (Dick) Harryvan[5]		47,083		3,750		10,675		61,508
H.J.G. (Heijo) Hauser	109,000	101,778	9,000	9,000	6,195	23,263	118,000	134,041
R.W. (Robert) Jenkins	92,000	92,036	9,000	9,000	5,303	21,218	101,000	122,254
R.J.W. (Rob) Lelieveld[6]	38,542	n/a	3,000	n/a	n/a	n/a	41,542	n/a
C.G. (Cecilia) Reyes[3, 7]	56,615	n/a	5,538	n/a	n/a	n/a	62,153	n/a
R.A. (Robert) Ruijter[8]		26,067		2,550		6,010		34,627
J.W. (Hans) Schoen	109,000	105,175	9,000	9,000	6,195	23,977	118,000	138,152
C.C.F.T. (Clara) Streit	92,000	92,036	9,000	9,000	5,303	21,218	101,000	122,254

1 This table shows the fixed fees and expense allowances for the members of the Supervisory Board of NN Group for 2021 and 2020. In addition, Mr Hauser was appointed as Supervisory Board member of Nationale-Nederlanden Schadeverzekering Maatschappij N.V., NN Non-life Insurance N.V., as from 21 January 2020 and NN Re Netherlands N.V. as from 1 March 2020 and Mr Schoen was appointed as Supervisory Board member of Nationale-Nederlanden Levensverzekering Maatschappij N.V. as from 21 January 2020 and Nationale-Nederlanden ABN AMRO Verzekeringen Holding B.V., ABN AMRO Levensverzekering N.V. and ABN AMRO Schadeverzekering N.V. as from 15 September 2021. The total fees (including VAT) for these roles were EUR 92,614.

2 The Dutch State secretary has issued a new VAT policy stating that a Supervisory Board member does not qualify as a VAT-taxable person. This confirms the decision by the European Court of Justice of 13 June 2019. During 2021, VAT is no longer invoiced from the Supervisory Board members to NN regulated entities.

3 Mandatory Swiss social security and occupational disability contributions in relation to the NN Group Supervisory Board fees are due for Mr Cole and for Ms Reyes on the basis of specific local requirements as applicable to the Supervisory Board members. The compulsory employer contributions in relation to 2021 that are made to relevant Swiss local institutions amount to EUR 18,986 for Mr Cole and EUR 4.776 for Ms Reyes. The relevant employee contributions are fully borne by Mr Cole and Ms Reyes themselves, and the Supervisory Board members are not compensated for that in any way. Comparable contributions have been applicable for Mr Cole for the years 2020 and 2019, where the mandatory employer contributions have ranged between 12% and 12,5% of the Annual NN Group SB fees as disclosed in the respective Remuneration Reports. Given the appointment of Ms Reyes during the course of 2021, this was the first year where the mandatory contributions were applicable. In the process of calculating the local mandatory contributions, and to ensure that all appropriate administrative procedures are fulfilled in accordance with all applicable Swiss requirements and standards, NN Group is supported by our trusted external tax advisor (PwC).

4 Ms Beale was appointed as member of the Supervisory Board as per 20 May 2021.

5 The term of appointment of Mr Harryvan ended at the close of the annual general meeting on 28 May 2020.

6 Mr Lelieveld was appointed as member of the Supervisory Board on 20 May 2021, effective 1 September 2021.

7 Ms Reyes was appointed as member of the Supervisory Board as per 20 May 2021.

8 The term of appointment of Mr Ruijter ended on 12 April 2020.

Statements Dutch Financial Supervision Act and Dutch Corporate Governance Code

The Executive Board is required to prepare the annual accounts and the Report of the management board (bestuursverslag) of NN Group N.V. for each financial year in accordance with applicable Dutch law and the International Financial Reporting Standards (IFRS) as endorsed by the European Union.

As required by section 5:25c paragraph 2(c) of the Dutch Financial Supervision Act, each of the signatories hereby confirms that to the best of his knowledge:

- The NN Group N.V. 2021 annual accounts, as referred to in section 2:361 of the Dutch Civil Code including the relevant additional information as referred to in section 2:392 paragraph 1 of the Dutch Civil Code, give a true and fair view of the assets, liabilities, financial position and profit or loss of NN Group N.V. and the enterprises included in the consolidation taken as a whole.
- The NN Group N.V. 2021 Report of the management board (bestuursverslag), as referred to in section 2:391 of the Dutch Civil Code, gives a true and fair view of the position at the balance sheet date, and the development and performance of the business during the 2021 financial year of NN Group N.V. and the enterprises included in the consolidation taken as a whole, together with a description of the principal risks NN Group N.V. is confronted with.

With reference to best practice provision 1.4.3(i), (iii) and (iv) of the Dutch Corporate Governance Code, the Executive Board hereby confirms that, to the best of its knowledge:

- The NN Group N.V.'s description of its risk management organisation and framework as described in the Report of the management board (bestuursverslag) including Note 52 'Risk management' to the Consolidated annual accounts provides sufficient insights into any material failings in the effectiveness of the internal risk management and control systems,
- Based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis, and
- The NN Group N.V. 2021 Report of the management board (bestuursverslag) includes those material risks and uncertainties that are relevant to the expectation of NN Group N.V.'s continuity for the period of 12 months after the preparation of the report.

The Executive Board of NN Group N.V. assessed the effectiveness of the internal control over financial reporting during 2021. Based on the Executive Board's assessment, with reference to best practice provision 1.4.3(ii) of the Dutch Corporate Governance Code, the Executive Board of NN Group N.V. concluded that the risk management and control systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies.

The Hague, 9 March 2022

David Knibbe
CEO, Chair of the Executive Board

Delfin Rueda
CFO, Vice-chair of the Executive Board

Facts and figures

Facts and figures – Key financial and non-financial indicators

Key financial indicators (in EUR million)

	2021	2020	2019
Operating result	2,036	1,889	1,794
Net result (after minority interests)	3,278	1,904	1,962
Operating capital generation	1,584	993	1,349
Solvency II ratio[1]	213%	210%	224%
Value of new business	428	266	358
Assets under Management (end of period, in EUR billion)	301	300	276
Dividend (per ordinary share, in EUR)	2.49[2]	2.33[3]	2.16[4]
NN Group share price (last trading day of the year, in EUR)	47.61	35.53	33.82

1 As from 2020 NN Bank is included.
2 Pro-forma 2021 full-year dividend proposal per share of EUR 2.49, comprising the 2021 interim dividend of EUR 0.93 plus the proposed 2021 final dividend of EUR 1.56.
3 Pro-forma 2020 full-year dividend per share of EUR 2.33, comprising the 2020 interim dividend of EUR 0.86 plus the proposed 2020 final dividend of EUR 1.47.
4 Pro-forma 2019 full-year dividend per share of EUR 2.16, comprising the 2019 interim dividend of EUR 0.76 plus the suspended final dividend of EUR 1.40.

Key non-financial indicators

	2021	2020	2019
Customer engagement and brand consideration			
– insurance business units scoring above market average NPS	5/11	4/11	4/11
– brand consideration[5]	23%	21%	25%
Employee engagement score	7.7	7.9	7.4
– participation in the engagement survey[6]	83%	82%	82%
Women in senior management positions[7]	34%	33%	36%
ESG-integrated Assets under Management (% of total AuM)	91%	74%	68%
Contributions to our communities (x EUR 1,000)[8]	8,000	4,704	3,200

5 Percentage for 2019 is based on the average brand consideration score from 2017 to 2019.
6 Employee engagement score and the percentage of participation consists of internal and external employees (2019 and 2018 data are adjusted to this scope).
7 In 2020, the target group for this indicator was adjusted to Management Board and Management Board minus one managerial position (instead of the composition of our Senior Leaders Group).
8 Hours of volunteering, in-kind giving (both monitised) and management costs have been included as of 2021, in line with B4SI standards.

Sustainability indices and ratings

	2021	2020	2019
Indices			
Dow Jones Sustainability Index (out of 100)	80 (Included)	84 (Included)	78 (Included)
FTSE4Good	Included	Included	Included
VigeoEiris Euronext: 120	Not included	Not included	Included
Bloomberg Gender-Equality Index	Included	Included	Included
Ratings and benchmarks			
Sustainalytics[9]	15.2/100 (low risk)	18.6/100 (low risk)	16.0/100 (low risk)
MSCI	AA	AA	A
ISS ESG research	C+	C+	C (Prime)
CDP (Carbon Disclosure Project)	B	A-	C
Transparency Benchmark Netherlands[10]	60%		50%

9 Since 2019 Sustainalytics 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).
10 The Transparency Benchmark takes place every two years. The 2021 score of 60% represents a 68th position out of 236 companies. The 2019 score of 50% represents a 78th position out of 240 companies.

Facts and figures – Key financial and non-financial indicators continued

Responsible investment indicators (in EUR billion)

	2021	2020	2019
Total investment strategies integrating ESG factors (end of period)	273.7	223.4	188.8
– as part of total Assets under Management NN Investment Partners	91%	74%	68%
ESG-integrated strategies	235.8	194.3	166.1
Sustainable strategies	30.2	22.8	19.3
Impact strategies	7.7	6.3	3.5
Voting			
Shareholders meetings where we voted	3,307	3,053	2,752
– as % of total votable meetings	97%	98%	99%
Agenda items on which we voted	35,985	35,015	31,775
How we voted on agenda items (%)			
– for	83%	82%	83.2%
– against	15%	16%	14.5%
– abstain/other	2%	2%	2.3%
Countries where we voted	61	60	61
Shareholder resolutions on which we voted by topic	568	683	706
– environmental	68	57	74
– social	112	151	147
– governance	388	475	485
GRESB Real Estate Assessment scores[1]			
Private real estate – portfolio average (vs. benchmark average)	87 (78)	83 (70)	85 (77)

1 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. Due to fundamental changes to the 2020 GRESB Assessment structure, the 2020 scores cannot be compared with previous years.

Investments in climate solutions (in EUR million)

	2021
Renewable energy investments	566
- of which: Infrastructure equity	44
- of which: Infrastructure debt	523
Certified green buildings[1]	3,817
- of which: Equity investments	3,236
- of which: Debt investments	581
Green bonds	637
Other	41
Total	**5,062**

1. Buildings within NN's non-listed real estate portfolio; the residential mortgage portfolio of NN Group not covered in this category.

To support our Paris Alignment strategy, NN Group has developed an internal framework to define 'climate solutions investments' as part of its proprietary investments portfolio. We have defined climate solutions as investments in economic activities that contribute substantially to climate change mitigation or adaptation.

As an initial step in classifying climate solutions investments, and in line with guidance from the IIGCC Paris Aligned Investment Initiative, we focused on SDG 7-related areas of energy efficiency and renewable energy. Furthermore, we supported our definitions with external certifications, asset labels, and environmental standards where possible and relevant. Our definitions are as follows:

- Green bonds: the green bonds we invest in meet the minimum standards specified in the ICMA's Green Bonds Principles and the Climate Bonds Initiative Taxonomy and Standards. Furthermore, to qualify as a green investment, it also has to meet additional criteria according to NN Investment Partner's proprietary Green Bond Assessment Methodology to confirm the actual 'greenness' of the projects and the issuer.
- Renewable energy infrastructure: Investments in projects (equity/debt) for renewable energy infrastructure in solar PV, offshore and onshore wind.
- Certified green buildings: within our real estate portfolio (equity/debt), our definition is limited to assets with an Energy Performance Certificate ('EPC') of class A, or if EPC is not available a high level of building certification (BREAAM or HQE certification of at least 'Excellent', or LEED or DGNB of at least 'Gold').
- Other: Investments that do not fall into any of the categories above, including investments in unlisted entities. For example, impact private equity funds that target and report on clearly defined climate impact KPIs, or funds that have a broader ESG focus, but where clean and renewable energy projects account for a substantial part of the fund's total assets.

Facts and figures – Key financial and non-financial indicators continued

In setting our definitions, we have tried to align as much as possible with the EU Taxonomy criteria. Currently, it still proves to be challenging to assess the extent of alignment because the taxonomy requires very detailed information. Furthermore, it is still uncertain what is accepted as evidence for alignment. For instance, for the acquisition and ownership of buildings, the EU has defined that existing buildings should have at least an EPC class A to qualify for EU Taxonomy alignment. As an alternative, it has to qualify in the top 15% of national stock's most sustainable properties. In our climate solutions definition, buildings are considered when holding an EPC label A, or if an EPC label is not available a building certification above defined thresholds. However, official guidance is needed on whether building certifications can be used to demonstrate EU Taxonomy alignment.

Human capital indicators

	2021	2020	2019
Workforce (end of year)[1]			
Total full-time equivalents (FTEs)[2]	15,168	14,942	14,913
Total number of employees (headcount)	15,417	15,118	15,194
– Netherlands Life	2,152	2,261	2,485
– Netherlands Non-life	3,668	3,182	3,109
– Netherlands Bank	971	947	894
– Insurance Europe	4,698	4,740	4,975
– Japan Life	888	883	868
– Asset Management	952	975	978
– Other	2,088	2,130	1,885
Part-time employees[3]	17.0%	16.0%	17.0%
Temporary employees	6.0%	6.0%	5.9%
Average years of service	12.1	12.3	12.2
Male/female ratio	52/48	52/48	52/48
Male/female ratio managers	63/37	63/37	63/37
Male/female ratio in senior management group[3]	66/34	67/33	64/36
Well-being and engagement			
Sick leave	3.3%	3.1%	3.5%
Engagement score	7.7	7.9	7.4
Participation in engagement survey[4]	83%	82%	82%
Grievances on labour practices	6	12	14
Employee participation			
Employees covered by Collective Labour Agreement (CLA)	71.%	75%	75.5%
Employees represented by an employee representative body	84.8%	84%	80%
Formal meetings held with employee representative bodies	200	188	173
Talent development			
Total spending on training and development (in EUR million)	14.7	12.9	18.9
Spending/average FTE	959	874	1,291
Human capital return on investment[5]	2.5	2.4	2.4
Employees with completed standard performance process	96.7%	92.8%	96.8%

1 Figures do not include NN's share in Heinenoord.
2 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.
3 In 2020, the target group for this indicator was adjusted to Management Board and Management Board minus one managerial position (instead of the composition of our Senior Leaders Group).
4 Employee engagement score and the percentage of participation consists of internal and external employees.
5 Human capital ROI is calculated as: (operating result + employee expenses)/employee expenses.

Facts and figures – Key financial and non-financial indicators continued

Human capital indicators continued

	2021	2020	2019
Employee turnover			
New hires	1,963	1,768	2,314
Employee turnover	12.4%	10.2%	13.4%
– voluntary employee turnover	6.9%	5.3%	7.7%
– involuntary employee turnover	5.5%	4.9%	5.6%
Open positions filled by internal candidates	27.6%	36.2%	34.9%
Whistleblower cases	1	2	4
– of which investigated by Corporate Security & Investigations	1	1	3
Other incidents and concerns	41	66	95
Measures taken, related to:	2	6	6
– fraud (and alleged fraud)	0	0	1
– unethical behaviour	2	6	5
– conflict of interest	0	0	0
Employee compensation			
Total employee wages and benefits (in EUR million)	1,607	1,608	1,545
Ratio of CEO compensation to the average employee compensation[1]	31:1	30:1	25:1

1 NN Group aims to align with the pay ratio calculation method as prescribed by the Dutch Monitoring Commission Corporate Governance. This has led to an adjusted pay ratio calculation method. Compared with previous years, the new pay ratio calculation includes external staff costs for Dutch hourly workers. This method has been applied for all previous years to create a comparable basis. For more information, refer to the Remuneration Report on page 122.

Community investment indicators

	2021	2020	2019
Total number of people reached (through NN Future Matters)	21,525	15,834	25,421
Total contribution to our communities (x EUR 1,000)[2]	8,000	-	-
% of operating result[3]	0.4	-	-
Total hours of volunteering[4]	13,586	7,991	12,481
Total cash contributions (x EUR 1,000)[5]	6,200	4,700	3,200

2 New indicator as of 2021.
3 New indicator as of 2021.
4 As of 2021 includes other areas than only NN Future Matters.
5 In 2021, the definition of the indicator is aligned with the B4SI definition.

Facts and figures – Key financial and non-financial indicators continued

Environmental indicators

	2021	**2020**	2019
CO_2 emissions of our direct operations[1]			
% of CO_2 emissions offset annually	100%	100%	100%
CO_2 emissions (kilotonnes)	8	9	18
CO_2 emissions from energy consumed on NN sites	4	4	6
– of which electricity	3	3	4
– of which natural gas	1	1	1
– of which district heating	1	1	1
CO_2 emissions from air travel	1	1	6
CO_2 emissions from car travel	3	4	6
CO_2 emissions (tonnes)/FTE	0.5	0.6	1.3
Business travel			
Air travel (km x 1 million)	2	4	26
Car travel (km x 1 million)	32	36	44
Energy consumption			
Total energy consumption (MWh x 1,000)	29	32	46
Non-renewable electricity	6	5	8
Renewable electricity	12	16	23
– renewable electricity as % of total electricity	67%	74%	75%
Natural gas	3	4	6
District heating	8	7	9
Paper			
Total paper use (kg)	122,905	107,472	281,138
– sustainable paper (i.e. FSC) (kg)	76,504	65,279	182,257
– sustainable paper as % of total paper	62%	61%	65%
Waste			
Total waste (kg)	276,057	427,777	630,303
– recycled waste (kg)	209,693	157,488	363,758
– recycled waste as % of total waste	76%	37%	58%

1 Certain figures for 2020 and 2019 have been restated due to revised emission factors and the sale of the Bulgarian business. In 2021, NN Group completed the sale of our Bulgarian Pension and Life businesses. This has also been reflected in the years 2019-2021 for consistent reporting and comparison purposes in line with the GHG protocol.

Carbon footprint proprietary assets

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 and intensity of greenhouse gas (GHG) emissions associated with the underlying portfolio holdings. Emissions are expressed in tonnes of carbon dioxide equivalents (CO_2e).

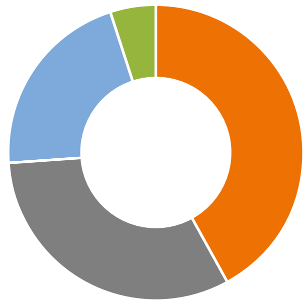
We started measuring and reporting the carbon footprint of our proprietary investments in 2017. The December 2021 analysis includes all of our main asset categories; government bonds, corporate investments, residential mortgages, and real estate investments. Taken together the assessed AuM is EUR 161 billion. This represents 80% of the asset portfolio on our balance sheet, which comprises general account assets of the insurance entities, and the assets of NN Bank and NN Group. The main asset types that were not included in this carbon footprint analysis are cash, derivatives, asset-backed securities, non-corporate loans and private equity.

In our methodology, we aim to be consistent with internationally recognised standards, such as the GHG Protocol and the 'Global GHG Accounting and Reporting Standard for the Financial Industry' from the Platform Carbon Accounting Financials (PCAF). The PCAF is a sector-led initiative that aims to develop a standard that enables financial institutions to measure carbon emissions consistently.

Methodology changes

We have made several changes in our 2021 carbon footprint measurement. Firstly, we changed the asset categorisation to improve alignment with our asset-class specific Paris Alignment strategies. Going forward we will present the carbon footprint for 'corporate investments' (i.e. listed equity, corporate bonds/loans) and 'government bonds'. Previously, government bonds and corporate bonds/loans were shown together as 'fixed income' next to 'listed equities'. We also no longer include asset-backed securities and non-corporate loans in the assessed assets; this change had very limited impact on our carbon footprint due to limited data availability. We made a further methodology change by introducing a new attribution factor for the mortgages, changing to a LTV approach. This step increases alignment with the global PCAF standard. Finally, for real estate, there was a correction in reported data of one of the real estate funds in GRESB.

Breakdown of assessed assets



The prior-year figures for several asset classes have been restated for all of these changes to ensure comparability.

Carbon footprint measurement and reporting remains an area for ongoing development. As such data improvements and refinements of our methodology may affect our carbon footprint analysis in future years. As an active member of the PCAF, we help to advance industry standards and harmonisation of both measuring and reporting financed emissions.

Carbon footprint of NN Group's proprietary assets[1]

	2021	**2020**	2019
Assessed Assets under Management (in EUR billion)	**161**	167	156
Government bonds	68	74	76
Corporate investments	34	37	34
Residential mortgages	52	49	47
Real estate investments	7	7	n/a
Carbon footprint (tCO_2e/EURm invested)	**55**	67	72
Government bonds	60	64	62
Corporate investments	125	159	175
Residential mortgages	10	13	13
Real estate	3	4	n/a
Weighted average carbon intensity (tCO_2e/EURm of revenue) – excl. mortgages and real estate	**103**	106	106
Government bonds	40	42	39
Corporate investments	229	249	276

1 The figures for previous years have been restated for a variety of reasons. Refer to the text above for more detail.

Carbon footprint of corporate investments

We account for the scope 1 and 2 emissions of corporates, retrieved from external data provider ISS Ethix-Climate Solutions. In line with PCAF methodology, NN's financed emissions for corporates is based on our investment value relative to the issuer's enterprise value. The coverage or the percentage of (assessed) portfolio assets for which emissions and financial data were available is 89%. However, the data availability differs between security types. At present, the data availability is the lowest for corporate loans, but represents a relatively small portion of the corporate investments portfolio. For the assessed portfolio assets where no data is available, we assumed carbon footprint and intensity to be in line with the portfolio average.

The carbon footprint was 125 tonnes of CO_2 per million EUR invested at the end of December 2021. We have seen a clear downwards trend for corporates over the past three years. To gain a better sense of the emissions performance of the underlying companies, we examined our top 25 contributors in terms of financed emissions. These companies decreased their absolute scope 1 and 2 emissions by 13% since 2019. These top emitters account for 60% of our portfolio financed emissions. When looking at the top 5, the absolute emissions reductions ranged from 15 to 39%.

The highest emitting sectors in our portfolio are Utilities and Basic Materials. Combined, these sectors account for 64% of the corporate portfolio's carbon footprint, whereas in terms of portfolio weight, they only account for 15% of the corporate portfolio. In the utilities sector, we are implementing a phase-out strategy for thermal-coal exposed corporate bond investments which will reduce the carbon intensity of our sector exposure over time.

We also calculate the portfolio's Weighted Average Carbon Intensity metric. This normalises each company's emissions by its sales. The weighted average is then calculated by portfolio weight.

It should be noted that the temporary drop in global emissions caused by the Covid-19 pandemic is not yet reflected in the analysis. This is because the carbon emissions data we obtain from our data provider reflect the year 2019. We are engaging with our data provider to see if the reporting time lag can be reduced.

Limitations and next steps

The analysis helps to understand carbon and climate change-related risks, identifying the high-carbon securities in our investment portfolio. It also helps to inform our engagement with investee companies. However, there are limitations with respect to the quality and availability of emissions data, especially for private companies and for scope 3. Furthermore, carbon footprint provides a snapshot of today's emissions, but is limited in what it can say about how companies are making the transition to a low-carbon economy. In our investment process, we therefore aim to capture broader ESG assessment and analyses of companies including forward-looking climate strategies.

Carbon footprint of government bonds

We account for the emissions directly caused by governments' own activity (scope 1 and 2) as well as emissions from government financing in other sectors within a country (scope 3). NN calculates the amount of carbon emissions (using data provided by ISS-Ethix) that we financed as an investor based on how much of the country's debt we own, relative to the total debt outstanding of the country. For intensity, the same approach is applied as for corporate issuers, but instead of revenues we use gross domestic product (GDP) as the denominator.

The results show that carbon footprint and intensity for government bonds remained stable over the past three years. Within the portfolio, Germany has the highest amount of financed emissions, followed by the Netherlands, and Austria. This is in line with our relatively large portfolio allocations to Eurozone countries.

Limitations and next steps

There is still much debate on the methodology of carbon calculations for government bonds. Our approach to consider the emissions that governments generate by the public sector is in line with guidance from the 2019 report by the Dutch PCAF members. The approach limits double counting and is consistent with the 'follow-the-money' principle.

An alternative approach is to quantify a country's emissions more broadly by considering all emissions generated within its territorial boundary, also called the 'territorial approach'. This broader assessment of government emissions acknowledges the broader impact of a government on the other sectors of the economy through regulation and taxation. The main downside of the 'broad' approach is that it increases double counting of these emissions generated by the private sector, since these are also attributed to investments in other asset classes.

A public consultation was launched in December 2021 by the global PCAF on various methodology options to come to a globally consistent carbon measurement framework for government bonds. It intends to publish its final recommendations over the course of 2022. We will evaluate these final PCAF recommendations when available. Given the large weight of government bonds in our portfolio, a potential change in methodology could significantly impact the reported carbon footprint figures.

Carbon footprint of mortgages

The total amount that we included in our 2021 carbon measurement was EUR 51.5 billion, or 228,817 houses. This represents the total portfolio on the NN Group balance sheet of Dutch mortgages originated and/or serviced by our own banking business. Within this portfolio, the large majority of mortgages were originated under the Nationale-Nederlanden or former Delta Lloyd brands. NN also has approximately EUR 6.7 billion of residential mortgages on the balance sheet from external mortgage originators which are not included in this analysis.

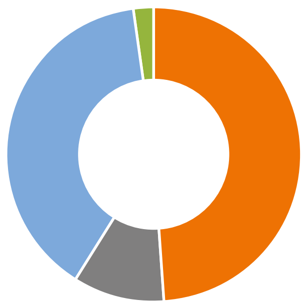
Facts and figures – Carbon footprint proprietary assets continued

We account for the scope 1 and 2 emissions of each house (i.e. the natural gas used to heat the house and the purchased electricity by the occupant of the house = the energy consumed by the building occupant). In 2021, we have updated the carbon footprint methodology to align with the global PCAF Standard by including a new attribution approach in calculating financed emissions. This means that from reporting year 2021 onwards we attribute the emissions associated with a residential mortgage to NN using a loan-to-value (LTV) ratio. Previously, we attributed the associated emissions in full. We have adjusted the reported financed emissions of prior years to ensure comparability.

The LTV used is the portfolio's weighted average current loan-to-value ratio, which is the net outstanding mortgage amount divided by the indexed property market value. The global PCAF Standard recommends to use the original property value. This method brings several challenges as the valuation at origination may not always be available, for instance, where a mortgage was originated a long time ago, or may no longer be appropriate, for example where improvements have been made to the property. We are evaluating this further with other Dutch financial institutions in the PCAF.

The chart below shows the energy label distribution of NN's mortgage portfolio. Compared to two years ago (2019), the share of label A in our portfolio increased to 29% from 25%, labels B remained unchanged, labels C declined to 25% from 26%, labels D, E, F and G taken together declined to 33% from 36%, and 0.1% remained unknown.

NN Portfolio: Basis of label choice



Since the start of 2021, the energy performance of a building is determined using the new NTA8800 determination method. The method is based on the European CEN standards and an energy label can only be obtained if an energy consultant visits the house to inspect the specifications for an energy label. Because of these changes, the Netherlands Enterprise Agency (RVO) has stopped reporting the so-called provisional labels and is currently investigating options to report new provisional labels that are more aligned with NTA8800 methodology. Approximately half of the houses in the Netherlands currently have a definitive energy label, so removing the provisional energy labels from our analysis would result in a major loss of data and insights.

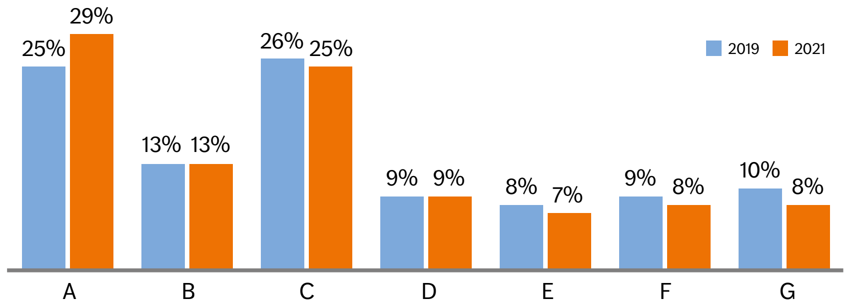
Therefore, we have kept the provisional labels in our analysis as best estimate to ensure a complete overview of our mortgage portfolio.

As shown in the pie chart, about 49% of matched addresses have a definitive energy label. If no definitive energy label is present, we looked at the building year of the property. For houses with a building year of 2002 or later, we assume the energy label is A. For the rest of the mortgage portfolio, we matched the addresses with a provisional label as this currently is the best estimate available. If no label exists, we assumed that the energy label is the same as the average of the zip code. For a very small part (0.1%) we could not make a match at all due to missing information. These mortgages were not assessed in this analysis.

As a next step, we obtained the average gas and electricity consumption per energy label in the Dutch market from the WoonOnderzoek Netherlands, an initiative from the Dutch government. These figures can be converted into CO_2 emissions using emission factors as published by www. co2emissionfatoren.nl. For 2021, the following emission factors are used: 0.369kg CO_2/kWh for electricity of unknown origin, and 1.788kgCO_2/m^3 for natural gas.

We calculate the emissions associated with the NN mortgage portfolio by multiplying the number of houses with each energy label by the average CO_2 emissions per energy label. In 2021, the absolute portfolio emissions amounted to 917,982 tonnes CO_2 which is 1% lower than in 2020 mainly due to a decline in the electricity grid factor. If the grid factor had remained the same, the total emissions would have increased by 2% mainly reflecting the larger number of houses due to portfolio growth.

NN Portfolio: Energy label distribution
(based on number of houses)



The portfolio 'financed emissions' are calculated by multiplying the calculated emissions with the LTV attribution factor to align with the global PCAF Standard. In 2021, the attribution factor was 59%, resulting in financed emissions of 539,292 tonnes of CO_2. This was 14% lower than the financed emissions in 2020, which we calculated based on an attribution factor of 67%. Evidently, introducing an LTV ratio in the attribution approach brings volatility to the financed emission figures which may reflect changes in outstanding loans or house prices that are not related to the underlying emissions of the houses in our portfolio.

We also calculated relative portfolio emissions. This metric declined to 10 tonnes of CO_2 per EUR million invested (2020: 13), reflecting the aforementioned methodology change.

Limitations and next steps

The method we used is based on theoretical average consumption data and not on actual consumption data. As such, the PCAF prefers institutions to work with actual consumption data. The Dutch financial institutions that are part of the PCAF, including NN, are presently exploring ways to either obtain this actual consumption data or improve the estimation method.

Looking towards the future, we will further engage with our customers to facilitate them in dealing with climate change-related impacts and to support them as they make their lives more sustainable. As we continue to explore this important topic, we will further optimise our strategy, risk management and measurement.

Carbon footprint of real estate investments

This is the second year that we reported the emissions of NN's investments in non-listed real estate. This portfolio consists of directly managed properties (approx. 26% of our total real estate portfolio) and non-listed real estate funds. The portfolio is spread over sectors and regions in Europe.

Our reporting covers scope 1 and 2 emissions. NN requires all its real estate asset managers to participate in the GRESB Real Estate assessment, and as such we gather the emissions data from GRESB. The total amount for which we were able to assess emissions was EUR 7.5 billion, or approximately 82% of the total non-listed real estate investment portfolio. The remaining 18% non-assessed assets represent indirect or fund investments that either did not report to GRESB or reported data dit not include scope 1 and 2 emissions. Non-disclosure in GRESB disclosure may occur due to a grace period for first-year reporting or no reporting due to wind-down.

For the calculation of the carbon footprint of our real estate investments portfolio, we attribute a real estate fund's annual emissions based on NN's share in the fund. To determine this attribution factor, we used the outstanding investment amounts (Net Asset Value or NAV) for the numerator and Gross Asset Value (GAV) of the funds as reported to us by our real estate managers for the denominator. All investment amounts, fund values and emissions are trailing by one year and are per year-end 2020.

The resulting portfolio emissions amounted to 22,238 tonnes of CO_2, or 3 tonnes of CO_2 per EUR million invested which is a decrease of 1.2 tonnes compared to the previous year. The decline was mainly in our directly managed portfolio, whereas the financed emissions from the indirect real estate portfolio remained relatively stable. The main contributors to this reduction are the measures implemented to improve energy efficiency in the direct portfolio.

Limitations and next steps

In the carbon footprint analysis of our real estate investment portfolio, three scopes are relevant. Scope 1 and 2 emissions are under the control of the owner of the buildings (i.e., the landlord). The owners have the ability to introduce and implement operating and/or environmental policies and measures. However, in some cases the energy contracts are held directly by the tenants. In that case, the energy consumption of the tenants falls under scope 3 where the owner or landlord has no 'operational control'. Considering that the energy consumption of tenants is dominant in the overall energy consumption of a building, scope 3 is especially important for real estate but not all fund managers have access to this information yet. As a consequence, in our emission scope, we have initially included scope 1 and 2 and aim to include scope 3 in the future when reporting develops further.

EU Taxonomy disclosures

In order to meet the EU's climate and energy targets for 2030 and reach the objectives of the European Green Deal, it is important to direct investments towards sustainable projects and activities. To achieve this, the EU has created 'the EU Taxonomy' a common language and a clear definition of what is 'sustainable' and a classification system for sustainable economic activities.

The EU Taxonomy Regulation requires NN Group to disclose, starting from its Annual Report 2021, information such as the proportion of our total assets exposed to Taxonomy-eligible and non-eligible economic activities, as well as the proportion of Taxonomy-eligible and Taxonomy non-eligible non-life insurance economic activities. Eligible economic activities are those economic activities that are considered in scope of the EU Taxonomy. For economic activities to be aligned with the EU Taxonomy, it needs to be substantiated that those activities substantially contribute to any of the Taxonomy's environmental objectives (currently these focus on climate change mitigation and climate change adaptation). In addition, these activities should do no significant harm to any of the other EU Taxonomy environmental objectives, while respecting minimum social safeguards.

NN Group's strategy includes our commitment to accelerate the transition to a low-carbon economy across our business activities. Our ambition to transition our investment portfolio to net zero in 2050 includes an interim target to increase the allocation to investments in climate solutions by EUR 6 billion by 2030. In setting our climate solution definitions, we consider, and where possible include the EU Taxonomy alignment criteria (read more on page 72). Furthermore, in October 2021, NN joined the Net-Zero Insurance Alliance through which we will be working on developing metrics and targets for insurance underwriting in 2022 (read more on page 44).

The quantitative and qualitative information presented in this chapter is disclosed on a best effort basis. We consider this to be a baseline and the first step towards reporting on taxonomy alignment in 2024 (over 2023). At this point in time, externally reported data from (investee) companies for EU Taxonomy reporting is not yet available. We are working on solutions to collect the relevant data to be able to report on taxonomy alignment in 2024.

Insurance assets

This is the first year NN Group has had to report on EU Taxonomy eligibility. Eligibility data that is externally reported by other financial and non-financial undertakings in scope of the EU Taxonomy Regulation is not yet available. We have calculated eligibility using internally available information for mortgages and using estimates for other investments. The estimated eligibility is reported voluntarily and is therefore not part of the mandatory disclosures. Based on the information currently available to us, the table below reflects the proportion of assets that are EU Taxonomy-eligible. We refer to the paragraphs below for a further explanation on data sources and associated limitations.

The mandatory disclosure ('Loans secured by mortgages and loans related to savings mortgages') relates to our exposure to retail mortgages. The activities related to providing retail customers with mortgage loans can be linked with the taxonomy-eligible economic activities as defined in the Taxonomy Regulation, Climate Delegated Act and its Annexes I and II. Residential real estate lending is described in section 7.7 of Annex I to the Climate Delegated Act and explicitly mentioned in section 1.2.1.3.1.1 of Annex V to the Art. 8 Delegated Act.

Insurance assets

	Monetary amount (in EUR million)	Proportion in covered assets	Proportion in total assets
Investments that are directed at funding, or are associated with Taxonomy-eligible activities:			
- Loans secured by mortgages and loans related to savings mortgages	64,947	38%	25%
- Other investments (voluntary disclosure)	14,785	9%	6%
Investments that are directed at funding, or are associated with Taxonomy-non-eligible activities	62,774	36%	25%
Exposure to derivatives	6,374	4%	2%
Exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU	23,583	14%	9%
Total covered assets	**172,462**	**100%**	**67%**
Exposures to central governments, central banks and supranational issuers	65,914		26%
Other assets	17,606		7%
Total assets	**255,982**		**100%**

To supplement our mandatory EU Taxonomy disclosure, NN Group voluntarily discloses eligibility for assets, based on estimates (Other investments). The non-eligible proportion of the voluntary disclosure is included in 'Investments that are directed at funding, or are associated with Taxonomy-non-eligible activities'. Assets in scope of the voluntary disclosures include, among others, debt securities, equity securities and real estate investments. These investments include allocation to various industries and sectors. NN Group marked its investments in real estate exposure as eligible.

Exposures to derivatives and undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/ EU ('NFRD') are excluded from the numerator of the eligibility KPI and can therefore not be eligible. Exposure to central governments, central banks and supranational issuers (sovereign entities) are excluded from both the numerator and the denominator of the eligibility KPI.

NN Group has obtained data from its data vendor for all assets where the vendor has taxonomy eligibility data available. The data vendor has estimated eligibility based on research conducted at the level of a company's business activities.

For investment funds where look-through-information is available from the data vendor, NN Group calculated the eligibility of the fund based on the weighted average exposure to taxonomy-eligible economic activities of the investments in the fund. Furthermore, we calculated the weighted average exposure to derivatives and sovereign entities in the fund.

For the remaining exposures (including both investment funds and direct investments), we assessed eligibility based on the NACE codes of the issuer. The Climate Delegated Act includes NACE codes in the description of economic activities. If the NACE code of the issuers for the remaining exposures matches those included in the Climate Delegated Act, these are considered eligible. Consequently, the exposures for which the NACE code does not match are considered non-eligible.

NN Group uses the EU Taxonomy Compass for this assessment. This tool aims to make the content of the EU Taxonomy easier to access for a variety of users by enabling us to check which NACE codes are included in the EU Taxonomy (taxonomy-eligible activities).

Limitations to these approaches are, among others, that the NACE code of the issuer is binary and does not consider an issuer's multiple economic activities. The data obtained from our data vendor does consider multiple economic activities but is still an estimate and is not based on externally reported information.

Furthermore, limited information is available on whether undertakings are subject to Art 19a/29a of the NFRD. NN Group has estimated its exposure to non-NFRD issuers based on country of incorporation and several other indicators, such as foundations, municipalities etc. For investment funds there was no look-through-information available regarding the exposure to non-NFRD issuers, therefore the investment funds are not included in the non-NFRD bucket. Consequently, non-NFRD exposure is included in the exposures analysed for taxonomy-eligible economic activities. We expect that data availability will improve in the coming years when NFRD entities start reporting eligibility data.

The amounts presented in the table on the previous page differ from the amounts in the 2021 Annual Account as the amounts in the table represent market value, whereas certain amounts in the balance sheet in the Annual Accounts represent amortised cost values.

Applicable Solvency II Lines of Business

	Climate-related policy terms	Use of climate-related margin	Type of climate-related peril
Medical expense	No	No	Not applicable
Income protection	No	No	Not applicable
Workers' compensation	No	No	Not applicable
Motor vehicle liability	No	No	Not applicable
Other motor	Yes	No	Not applicable
Marine, aviation and transport	Yes	No	Not applicable
Fire and other damage to property	Yes	Yes	Windstorm
Assistance	Yes	No	Not applicable

Insurance underwriting

The scope of the current EU Taxonomy related activities covered by the underwriting disclosures are determined by the Climate Delegated Act and relate to non-life insurance and reinsurance activities consisting of the underwriting of climate-related perils. Based on the Solvency II Lines of Business in scope, NN Group first identified the Lines of Business containing policies with terms related to the treatment of 'climate perils' in view of Appendix A to Annex II to the Climate Delegated Act in order to be taxonomy-eligible. Secondly, NN Group selected the Solvency II Lines of Business for which one or more climate-related perils are priced separately.
The table below shows the results for the financial year 2021.

The table below shows that climate-related policy terms are used in the underlying products of the Solvency II Lines of Business, which have a direct correlation with weather-related events, such as windstorms and mainly refer to properties like buildings, vehicles and personal belongings. Currently, climate-related perils are only priced separately by using a climate-related margin when historical losses have affected the reinsurance programme. This is only the case for windstorms covered by the underlying products of Solvency II Line of Business Fire and other damage to property. In this respect, separate windstorm margins are used for pricing damage to buildings, content and business interruption if applicable. The quantification of the EU Taxonomy on climate-related peril level (i.e., only windstorms) and on product level is shown in the table below.

The table shows that the total share of the margin priced for windstorms, being the only climate-related peril priced separately, in absolute amounts is EUR 49 million for the financial year 2021, representing 2% of the total Non-life insurance and reinsurance underwriting activities. The total absolute premium amount of products containing specific climate-related terms results in EUR 1,693 million for financial year 2021, being 45% of the total Non-life insurance and reinsurance underwriting activities.

As different interpretations of the regulation for the EU Taxonomy disclosures are observed in the market, NN Group discloses the indicators on Line of Business level - in addition to the indicators on climate-related peril level.

NN Group monitors whether (more) climate-related perils of the possible products involved should be priced separately on an annual basis taking into account the (expected) loss developments due to the impact of climate change.

Economic activities

	On climate-related peril level		On line of business level (products with climate-related peril included in policy)	
	Absolute premiums	**Proportion of premiums**	**Absolute premiums**	**Proportion of premiums**
	Currency (in million)	%	Currency (in million)	%
Non-life insurance and reinsurance underwriting Taxonomy-eligible activities	59	2	1,693	45
Non-life insurance and reinsurance underwriting Taxonomy-non-eligible activities	3,739	98	2,106	55
Total Non-life insurance and reinsurance underwriting activities	3,799	100	3,799	100

Assurance report of the independent auditor

To: the General Meeting of Shareholders and the Supervisory Board of NN Group N.V.

Our conclusion

We have reviewed the non-financial information in the annual report for the year ended 31 December 2021 (hereafter: the non-financial information in the annual report) of NN Group N.V. (hereafter: 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 non-financial information in the annual report is not prepared, in all material respects, in accordance with the reporting criteria as described in the section 'Reporting criteria' of our report.

The non-financial information in the annual report comprises a representation of the performance of NN Group on its non-financial KPIs, and the thereto related business operations, events and achievements during the year. NN Group is the parent company of a group of entities. The annual report incorporates the consolidated information of this group of entities to the extent as specified in 'Approach to reporting' in the annual report.

The non-financial information on the annual report in scope of our review consists of the sections 'About NN', 'Our operating environment', 'Our strategy and performance', 'Creating value for our stakeholders', 'Safeguarding value creation', 'Facts and figures' with the exclusion of the section 'EU Taxonomy Disclosures' and 'Approach to reporting'.

Basis for our opinion

We have performed our review in accordance with Dutch law, including Dutch Standard 3810N: 'Assurance-opdrachten inzake maatschappelijke verslagen' (Assurance engagements relating to sustainability reports), which is a specific Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000 'Assurance engagements other than audits or reviews of historical financial information'.

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 in the annual report 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.

The reporting criteria used for the preparation of the non-financial information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) core option and the applied internal reporting criteria as disclosed in the section 'Approach to reporting' of the annual report.

Materiality

Based on our professional judgement we determined materiality levels for each relevant part of the non-financial information and for the non-financial information in the annual report as a whole. When evaluating our materiality levels, we have taken into account quantitative and qualitative considerations as well as the relevance of information for both stakeholders and the company.

Limitations to the scope of our review

The non-financial information in the annual report 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 assurance on the assumptions and achievability of prospective information in the non-financial information.

References to external sources or websites in the non-financial information in the annual report are not reviewed by us. We therefore do not provide assurance on this information.

Responsibilities of the Executive Board and the Supervisory Board for the non-financial information in the annual report

The Executive Board of NN Group is responsible for the preparation of the non-financial information in the annual report in accordance with the GRI Standards and the applied supplemental reporting criteria as disclosed in the section 'Approach to reporting'of the annual report, including the identification of stakeholders and the definition of material matters (see the section 'Determining material topics' of the annual report). The choices made by the Executive Board regarding the scope of the non-financial information in the annual report and the reporting policy are summarised in the section 'Approach to reporting' of the annual report. The Executive Board is also responsible for such internal control as it determines is necessary to enable the preparation of the non-financial information in the annual report that is free from material misstatement, whether due to fraud or error.

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

KPMG

Our responsibilities for the review of the non-financial information in the annual report

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.

Our review engagement included, among others, the following procedures:

- We performed an analysis of the external environment relevant to NN Group and obtained an understanding of relevant societal themes and issues and the characteristics of the company.
- We evaluated the appropriateness of the reporting criteria used, their consistent application and related disclosures in the non-financial information in the annual report. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by management.
- We obtained an understanding of the reporting processes for the non-financial information in the annual report, including obtaining a general understanding of internal control relevant to our review.
- We identified areas of non-financial information in the annual report 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 in the annual report responsive to this risk analysis. These procedures included among others:
    - Interviews of management and relevant staff at corporate level responsible for the non-financial strategy, policy and results.

- Interviews of relevant staff responsible for providing the information for carrying out internal control procedures on and consolidating the data of the non-financial information in the annual report.
- We obtained assurance information that the non-financial information in the annual report reconciles with underlying records of the company.
- We reviewed on a limited test basis relevant internal and external documentation.
- We performing an analytical review of the data and trends in the information submitted for consolidation at corporate level.

- We assessed the presentation, structure and content of the non-financial information in the annual report.
- We considered whether the non-financial information in the annual report as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We have communicated with the Executive Board and the Supervisory Board regarding the planned scope and timing of the review and significant findings we identified during our review.

Amstelveen, 9 March 2022

KPMG Accountants N.V.

D. Korf RA

Annual accounts

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Consolidated balance sheet

Amounts in millions of euros, unless stated otherwise

Consolidated balance sheet

As at 31 December	notes	2021	2020
Assets			
Cash and cash equivalents	3	6,929	12,382
Financial assets at fair value through profit or loss:	4		
– investments for risk of policyholders		39,261	34,797
– non-trading derivatives		6,419	14,833
– designated as at fair value through profit or loss		991	1,336
Available-for-sale investments	5	107,883	118,175
Loans	6	68,200	65,428
Reinsurance contracts	18	954	1,063
Associates and joint ventures	7	6,919	5,673
Real estate investments	8	2,719	2,444
Property and equipment	9	414	448
Intangible assets	10	1,129	1,063
Deferred acquisition costs	11	1,893	1,871
Assets held for sale	12	4,121	113
Deferred tax assets	35	47	73
Other assets	13	3,706	4,039
Total assets		**251,585**	**263,738**
Equity			
Shareholders' equity (parent)		32,888	36,731
Minority interests		266	277
Undated subordinated notes		1,764	1,764
Total equity	14	**34,918**	**38,772**
Liabilities			
Subordinated debt	15	2,356	2,383
Debt securities issued	16	2,292	1,694
Other borrowed funds	17	7,301	7,542
Insurance and investment contracts	18	168,812	170,672
Customer deposits and other funds on deposit	19	15,945	15,803
Financial liabilities at fair value through profit or loss:	20		
– non-trading derivatives		1,904	4,012
Liabilities held for sale	12	3,464	93
Deferred tax liabilities	35	4,817	6,329
Other liabilities	21	9,776	16,438
Total liabilities		**216,667**	**224,966**
Total equity and liabilities		**251,585**	**263,738**

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

Consolidated profit and loss account

Consolidated profit and loss account

For the period ended 31 December	notes		2021		2020
Gross premium income	22		14,312		13,822
Investment income	23		5,805		4,574
Result on disposals of group companies			53		100
– gross fee and commission income		427		343	
– fee and commission expenses		-122		-79	
Net fee and commission income:	24		305		264
Valuation results on non-trading derivatives	25		-702		901
Foreign currency results			672		-434
Share of result from associates and joint ventures	7		899		219
Other income			89		76
Total income			**21,433**		**19,522**
– gross underwriting expenditure		20,022		17,316	
– investment result for risk of policyholders		-4,201		-1,733	
– reinsurance recoveries		-1,045		-1,095	
Underwriting expenditure:	26		14,776		14,488
Amortisation of intangible assets and other impairments	27		33		27
Staff expenses	28		1,429		1,446
Interest expenses	29		521		511
Other operating expenses	30		842		854
Total expenses			**17,601**		**17,326**
Result before tax from continuing operations			**3,832**		**2,196**
Taxation	35		669		385
Net result from continuing operations			**3,163**		**1,811**
Net result from discontinued operations			135		115
Net result from discontinued operations	31		**135**		**115**
Net result from continuing and discontinued operations (before attribution to minority interests)			**3,298**		**1,926**

Net result from continuing and discontinued operations

For the period ended 31 December	2021	2020
Net result from continuing and discontinued operations attributable to:		
Shareholders of the parent	3,278	1,904
Minority interests	20	22
Net result from continuing and discontinued operations	**3,298**	**1,926**

Net result from continuing operations

For the period ended 31 December	2021	2020
Net result from continuing operations attributable to:		
Shareholders of the parent	3,151	1,793
Minority interests	12	18
Net result from continuing operations	**3,163**	**1,811**

Net result from discontinued operations

For the period ended 31 December	2021	2020
Net result from discontinued operations attributable to:		
Shareholders of the parent	127	111
Minority interests	8	4
Net result from discontinued operations	**135**	**115**

Earnings per ordinary share from continuing and discontinued operations

For the period ended 31 December and amounts in euros per ordinary share	2021	2020
Earnings per ordinary share from continuing and discontinued operations		
Basic earnings from continuing and discontinued operations	10.42	5.88
Diluted earnings from continuing and discontinued operations	10.41	5.87

Earnings per ordinary share from continuing operations

For the period ended 31 December and amounts in euros per ordinary share	2021	2020
Earnings per ordinary share from continuing operations		
Basic earnings from continuing operations	10.01	5.52
Diluted earnings from continuing operations	10.00	5.51

Earnings per ordinary share from discontinued operations

For the period ended 31 December and amounts in euros per ordinary share	2021	2020
Earnings per ordinary share from discontinued operations		
Basic earnings from discontinued operations	0.41	0.36
Diluted earnings from discontinued operations	0.41	0.36

Reference is made to Note 32 'Earnings per ordinary share' for the disclosure on the Earnings per ordinary share.

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income

For the period ended 31 December		2021		2020
Net result from continuing and discontinued operations		**3,298**		**1,926**
– unrealised revaluations available-for-sale investments and other	-3,099		3,110	
– realised gains/losses transferred to the profit and loss account	-1,431		-574	
– changes in cash flow hedge reserve	-3,383		3,422	
– deferred interest credited to policyholders	1,861		-750	
– share of other comprehensive income of associates and joint ventures	-2		5	
– exchange rate differences	-66		-110	
Items that may be reclassified subsequently to the profit and loss account:		-6,120		5,103
– remeasurement of the net defined benefit asset/liability	19		6	
– unrealised revaluations property in own use			-3	
Items that will not be reclassified to the profit and loss account:		19		3
Total other comprehensive income		**-6,101**		**5,106**
Total comprehensive income		**-2,803**		**7,032**
Comprehensive income attributable to:				
Shareholders of the parent		-2,825		7,009
Minority interests		22		23
Total comprehensive income		**-2,803**		**7,032**

Reference is made to Note 35 'Taxation' for the disclosure on the income tax effects on each component of comprehensive income.

Consolidated statement of cash flows

Consolidated statement of cash flows

For the period ended 31 December	notes	2021	2020
Result before tax[1]		4,010	2,349
Adjusted for:			
– depreciation and amortisation		150	157
– deferred acquisition costs and value of business acquired		-39	63
– underwriting expenditure (change in insurance liabilities)		-384	39
– realised results and impairments of available-for-sale investments		-1,667	-654
– other		-601	188
Taxation paid (received)		-397	-250
Changes in:			
– non-trading derivatives		2,204	2,276
– other financial assets at fair value through profit or loss		384	-54
– loans		-252	-864
– other assets		614	781
– customer deposits and other funds on deposit		48	522
– financial liabilities at fair value through profit or loss – non-trading derivatives		-589	-886
– other liabilities		-6,075	3,337
Net cash flow from operating activities		**-2,594**	**7,004**
Investments and advances:			
– group companies, net of cash acquired		-314	-539
– available-for-sale investments		-26,753	-24,928
– loans		-9,038	-7,589
– associates and joint ventures		-719	-349
– real estate investments		-156	-66
– property and equipment		-47	-51
– investments for risk of policyholders		-9,006	-10,005
– other investments		-51	-82
Disposals and redemptions:			
– group companies		72	
– available-for-sale investments		29,271	28,717
– loans		5,771	4,903
– associates and joint ventures		156	121
– real estate investments		124	176
– property and equipment		8	2
– investments for risk of policyholders		8,835	10,240
– other investments		21	
Net cash flow from investing activities		**-1,826**	**550**
Proceeds from debt securities issued		597	
Repayments of debt securities issued			-300
Proceeds from other borrowed funds		1,751	5,144
Repayments of other borrowed funds		-2,021	-5,249
Dividend paid		-445	-400
Purchase/sale of treasury shares		-545	-621
Coupon on undated subordinated notes		-78	-78
Net cash flow from financing activities		**-741**	**-1,504**
Net cash flow[2]		**-5,161**	**6,050**

1 Includes result before tax from continuing operations of EUR 3,832 million (2020: EUR 2,196 million) and result before tax from discontinued operations of EUR 178 million (2020: EUR 153 million). Result after tax from discontinued operations is EUR 135 million (2020: EUR 115 million). Reference is made to Note 31 'Discontinued operations'.

2 Reference is made to Note 3 'Cash and cash equivalents'.

Included in Net cash flow from operating activities

For the period ended 31 December	2021	2020
Interest received	4,172	4,272
Interest paid	-634	-574
Dividend received	524	533

Cash and cash equivalents

For the period ended 31 December	2021	2020
Cash and cash equivalents at beginning of the year	12,390	6,436
Net cash flow	-5,161	6,050
Effect of exchange rate changes on cash and cash equivalents	-74	-96
Cash and cash equivalents at the end of the year	**7,155**	**12,390**

Consolidated statement of changes in equity

Consolidated statement of changes in equity (2021)

	Share capital	Share premium	Reserves	Total Shareholders' equity (parent)	Minority interest	Undated subordinated notes	Total equity
Balance at 1 January 2021	**39**	**12,574**	**24,118**	**36,731**	**277**	**1,764**	**38,772**
Unrealised revaluations available-for-sale investments and other			-3,101	-3,101	2		-3,099
Realised gains/losses transferred to the profit and loss account			-1,431	-1,431			-1,431
Changes in cash flow hedge reserve			-3,383	-3,383			-3,383
Deferred interest credited to policyholders			1,861	1,861			1,861
Share of other comprehensive income of associates and joint ventures			-2	-2			-2
Exchange rate differences			-66	-66			-66
Remeasurement of the net defined benefit asset/liability			19	19			19
Total amount recognised directly in equity (Other comprehensive income)	**–**	**–**	**-6,103**	**-6,103**	**2**	**–**	**-6,101**
Net result from continuing and discontinued operations			3,278	3,278	20		3,298
Total comprehensive income	**–**	**–**	**-2,825**	**-2,825**	**22**	**–**	**-2,803**
Changes in share capital	-1	1		–			–
Dividend			-412	-412	-33		-445
Purchase/sale of treasury shares			-545	-545			-545
Employee stock option and share plans			-2	-2			-2
Coupon on undated subordinated notes			-59	-59			-59
Balance at 31 December 2021	**38**	**12,575**	**20,275**	**32,888**	**266**	**1,764**	**34,918**

Consolidated statement of changes in equity (2020)

	Share capital	Share premium	Reserves	Total Shareholders' equity (parent)	Minority interest	Undated subordinated notes	Total equity
Balance at 1 January 2020	**41**	**12,572**	**18,155**	**30,768**	**260**	**1,764**	**32,792**
Unrealised revaluations available-for-sale investments and other			3,109	3,109	1		3,110
Realised gains/losses transferred to the profit and loss account			-574	-574			-574
Changes in cash flow hedge reserve			3,422	3,422			3,422
Deferred interest credited to policyholders			-750	-750			-750
Share of other comprehensive income of associates and joint ventures			5	5			5
Exchange rate differences			-110	-110			-110
Remeasurement of the net defined benefit asset/liability			6	6			6
Unrealised revaluations property in own use			-3	-3			-3
Total amount recognised directly in equity (Other comprehensive income)	**–**	**–**	**5,105**	**5,105**	**1**	**–**	**5,106**
Net result from continuing and discontinued operations			1,904	1,904	22		1,926
Total comprehensive income	**–**	**–**	**7,009**	**7,009**	**23**	**–**	**7,032**
Changes in share capital	-2	2	–	–			–
Dividend			-394	-394	-6		-400
Purchase/sale of treasury shares			-622	-622			-622
Employee stock option and share plans			1	1			1
Coupon on undated subordinated notes			-59	-59			-59
Changes in the composition of the group and other changes			28	28			28
Balance at 31 December 2020	**39**	**12,574**	**24,118**	**36,731**	**277**	**1,764**	**38,772**

Notes to the Consolidated annual accounts

1 Accounting policies

Basis of preparation

NN Group N.V. (NN Group) is a public limited liability company (naamloze vennootschap) incorporated under Dutch law. NN Group has its official seat in Amsterdam, the Netherlands and its office address in The Hague, the Netherlands. NN Group is recorded in the Commercial Register no. 52387534. The principal activities of NN Group are described in the section 'About NN'. Amounts in the annual accounts are in millions of euros, unless stated otherwise.

NN Group prepares its Consolidated annual accounts in accordance with International Financial Reporting Standards as endorsed by the European Union (IFRS-EU) and Part 9 of Book 2 of the Dutch Civil Code. In the Consolidated annual accounts, the term IFRS-EU is used to refer to these standards, including the decisions NN Group made with regard to the options available under IFRS-EU. IFRS-EU provides a number of options in accounting policies. The key areas, in which IFRS-EU allows accounting policy choices and the related NN Group accounting policy, are summarised as follows:

- Under IFRS 4, an insurer may continue to apply its existing pre-IFRS accounting policies for insurance contracts, provided that certain minimum requirements are met. Upon adoption of IFRS in 2005, NN Group decided to continue the then existing accounting principles for insurance contracts. NN Group operates in different countries and the accounting principles for insurance contracts follow local practice in these countries. For NN Group's businesses in the Netherlands, NN Group for example applies accounting standards generally accepted in the Netherlands (Dutch GAAP) for its insurance liabilities. Changes in those local accounting standards (including Dutch GAAP) subsequent to the adoption of IFRS-EU are considered for adoption on a case-by-case basis. If adopted, the impact thereof is accounted for as a change in accounting policy under IFRS-EU.
- NN Group's accounting policy for real estate investments is fair value, with changes in the fair value reflected immediately in the Consolidated profit and loss account.
- NN Group's accounting policy for property in own use is fair value, with changes in the fair value reflected, after tax, in the 'Revaluation reserve' in 'Other comprehensive income' (equity). A net negative revaluation on individual properties is reflected immediately in the Consolidated profit and loss account.

NN Group applies fair value hedge accounting to portfolio hedges of interest rate risk (macro hedging) under the EU 'carve out' of IFRS-EU.

NN Group's accounting policies under IFRS-EU and its decision on the options available are included below. Except for the options included above, the principles are IFRS-EU and do not include other significant accounting policy choices made by NN Group. The accounting policies that are most significant to NN Group are included in the section 'Critical accounting policies and significant judgements'.

The preparation of the Consolidated annual accounts requires the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of the assets and liabilities and the amounts of the contingent liabilities at the balance sheet date, as well as reported income and expenses for the year. The actual outcome may differ from these estimates.

Upcoming changes in IFRS-EU

The most relevant upcoming changes in IFRS-EU that are relevant for NN Group relate to IFRS 9 'Financial instruments' and IFRS 17 'Insurance contracts'.

IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' was issued by the IASB in July 2014. IFRS 9 replaces most of the current IAS 39 'Financial Instruments: Recognition and Measurement' and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

The classification and measurement of financial assets under IFRS 9 will depend on NN Group's business model and the instrument's contractual cash flow characteristics. These may result in financial assets being recognised at amortised cost, at fair value through other comprehensive income (equity) or at fair value through profit or loss. In many instances, the classification and measurement under IFRS 9 will be similar to IAS 39, although changes in classification will occur. The classification and measurement of financial liabilities remains unchanged.

Impairment

The recognition and measurement of impairments under IFRS 9 is intended to be more forward-looking than under IAS 39. The new impairment requirements will apply to all financial assets measured at amortised cost and at fair value through other comprehensive income. Initially, a provision is required for expected credit losses resulting from default events that are expected within the next twelve months. In the event of a significant increase in credit risk, a provision is required for expected credit losses resulting from all possible default events over the expected life of the financial assets.

1 Accounting policies continued

Hedge accounting

The hedge accounting requirements of IFRS 9 aim to simplify hedge accounting. IFRS 9 includes the option to continue applying IAS 39 for hedge accounting.

IFRS 9 is effective as of 2018. However, in September 2016 the IASB issued an amendment to IFRS 4 'Insurance Contracts' (the 'Amendment') and extended the amendment in June 2020. This Amendment addresses the issue arising from the different effective dates of IFRS 9 and the new standard on accounting for insurance contracts (IFRS 17). The Amendment allows applying a temporary exemption from implementing IFRS 9, so that it can be implemented together with IFRS 17. This exemption is only available to entities whose activities are predominantly connected with insurance.

NN Group's activities are predominantly connected with insurance as defined in this Amendment as more than 90% of liabilities are connected with insurance activities. Liabilities connected with insurance activities of NN Group include insurance liabilities within the scope of IFRS 4, certain investment contract liabilities and other liabilities relating to insurance entities and activities. Liabilities of NN Group that are not related to insurance activities represent mainly the liabilities of the Banking operations.

NN Group applies the temporary exemption and, therefore, NN Group expects to implement IFRS 9 together with IFRS 17.

The Amendment requires certain additional disclosures on whether financial assets that remain accounted for under IAS 39 meet the definition of 'solely payments of principal and interest on the principal amount outstanding' in IFRS 9 as well as additional information on the credit rating of such assets and whether such assets are 'low credit risk'. In this context, 'low credit risk' is equivalent to 'investment grade' as defined by ratings agencies (generally a rating of BBB- or better). These additional disclosures are included in Note 36 'Fair value of financial assets and liabilities' and in Note 52 'Risk management'. These disclosures reflect the current business models and the current accounting choices and interpretations. These may therefore change when IFRS 9 and IFRS 17 are implemented.

Certain subsidiaries within NN Group (mainly NN Bank) do not qualify under the Amendment. Therefore, the financial information of these entities is based on IFRS 9 in the statutory IFRS reporting of these entities, but not in the consolidated financial reporting of NN Group. The impact of applying IFRS 9 for these entities would not have been significant to NN Group. NN Group does not have associates or joint ventures for which IFRS 9 has a significant impact.

IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' was issued in May 2017 and a revised version was issued in June 2020. IFRS 17 covers the recognition and measurement, presentation and disclosure of insurance contracts and replaces the current IFRS 4. IFRS 17 will fundamentally change the accounting for insurance liabilities and deferred acquisition costs (DAC) for all insurance companies, including NN Group and its subsidiaries. IFRS 17 is endorsed in the EU and will be effective as of 1 January 2023.

The main features of IFRS 17 are:

- Measurement of the insurance liabilities in the balance sheet at current fulfilment value, being the sum of the present value of future cash flows and a risk adjustment
- Remeasurement of the current fulfilment value every reporting period using current assumptions and discount rates
- A Contractual Service Margin (CSM) recognised in the balance sheet that is equal to the unearned profit in the insurance contract at issue and is subsequently recognised as result in the profit and loss account over the remaining life of the portfolio
- Certain changes in the insurance liability are adjusted against the CSM and thereby recognised in the profit and loss account over the remaining life of the portfolio
- The effect of changes in discount rates is recognised either in the profit and loss account or in equity (OCI)
- The presentation of the profit and loss account and the disclosures in the notes will change fundamentally

IFRS 17 must be implemented retrospectively with amendment of comparative figures. However, several simplifications may be used on transition.

NN Group will implement IFRS 17 together with IFRS 9. NN Group initiated an implementation project and is performing impact assessments and parallel reporting runs. NN Group expects that the implementation of IFRS 9 and IFRS 17 will result in significant changes to its accounting policies and will have a significant impact on shareholders' equity, net result, presentation and disclosure. Shareholders' equity under IFRS 9 and 17 will be significantly lower as a result of the measurement of insurance liabilities at current assumptions. This will be consistent with the measurement of the associated invested assets that are already mostly measured at fair value. At this moment it is too early to disclose quantitative impact of the implementation as of 2023 as the preparation of the transitional balance sheet, the decisions on key policy choices and assumptions and the parallel reporting runs are ongoing.

1 Accounting policies continued

Changes in presentation

The presentation of and certain terms used in the Consolidated balance sheet, Consolidated profit and loss account, Consolidated statement of cash flows, Consolidated statement of changes in equity and the notes was changed to provide additional and more relevant information or (for changes in comparative information) to better align with the current period presentation. The impact of these changes is explained in the respective notes when significant.

As of 2021, NN Group's asset management activities executed by NN Investment Partners (NN IP) are classified as discontinued operations. Net result from discontinued operations consists of the net result (after tax) of the businesses classified as discontinued operations and is presented separately in the profit and loss account for both 2021 and 2020. Reference is made to Note 46 'Companies and businesses acquired and divested'.

Critical accounting policies and significant judgements

NN Group has identified the accounting policies that are most critical to its business operations and to the understanding of its results. These critical accounting policies are those which involve the most complex or subjective judgements and assumptions and relate to insurance contracts, acquisition accounting, deferred acquisition costs, the determination of the fair value of real estate and financial assets and liabilities and impairments. In each case, the determination of these items is fundamental to the financial condition and results of operations and requires management to make complex judgements based on information and financial data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgements as to future events and are subject to change, as the use of different assumptions or data could produce significantly different results. All valuation techniques used are subject to internal review and approval. For further details on the application of these accounting policies, reference is made to the applicable notes to the Consolidated annual accounts and the information below.

Reference is made to Note 52 'Risk management' for a sensitivity analysis of certain assumptions as mentioned below.

Acquisition accounting, goodwill and other intangible assets

NN Group's acquisitions are accounted for using the acquisition method of accounting. The consideration for each acquisition is measured at the aggregate of the fair value (at the date of acquisition) of assets acquired, liabilities incurred or assumed and equity instruments issued in exchange for control of the acquiree. Assets acquired include intangible assets such as brand names, client relationships and distribution channels. Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Goodwill, being the positive difference between the cost of the acquisition (including assumed debt) and NN Group's interest in the fair value of the acquired assets, liabilities and contingent liabilities as at the date of acquisition, is capitalised as an intangible asset. In case there is a negative difference between the cost of the acquisition (including assumed debt) and NN Group's interest in the fair value of the acquired assets, liabilities and contingent liabilities as at the date of acquisition, this is referred to as negative goodwill and is recognised in profit and loss in the reporting period the acquisition is finalised. Acquisition-related costs are recognised in the profit and loss account as incurred and presented in the profit and loss account as 'Other operating expenses'.

The initial accounting for the fair value of the net assets of the companies acquired during the year may be determined only provisionally as the determination of the fair value can be complex and the time between the acquisition and the preparation of the annual accounts can be limited. The initial accounting shall be completed within a year after acquisition.

Valuation techniques are subjective in nature and significant judgement is involved in establishing the fair value for certain financial assets and liabilities. Valuation techniques involve various assumptions. The use of different valuation techniques and assumptions could produce significantly different estimates of the fair value.

Goodwill is allocated to cash generating units (reporting units) for the purpose of impairment testing of goodwill and other intangible assets. These cash generating units (reporting units) represent the lowest level at which goodwill is monitored for internal management purposes, which is either at the segment level or at a level below. This test is performed annually or more frequently if there are indicators of impairment. Under the impairment tests, the carrying value of the cash generating units (reporting units including goodwill) is compared to its recoverable amount which is the higher of its fair value less costs to sell and its value in use.

The identification of cash generating units and impairments is an inherently uncertain process involving various assumptions and factors, including expected future cash flows, discount rates, etc. Estimates and assumptions are based on management's judgement and other information available. Significantly different results can occur as circumstances change and additional information becomes known.

1 Accounting policies continued

Insurance liabilities and deferred acquisition costs (DAC)

The determination of insurance liabilities and DAC is an inherently uncertain process, involving assumptions about factors such as social, economic and demographic trends, inflation, investment returns, policyholder behaviour, court decisions, changes in laws and other factors and, in the life insurance business, assumptions concerning mortality and morbidity trends. Specifically, assumptions that could have a significant impact on financial results include interest rates, mortality, morbidity, property and casualty claims, investment yields on equity and real estate and foreign currency exchange rates.

Insurance liabilities also include the impact of minimum guarantees which are contained within certain products. This impact is dependent upon the difference between the potential minimum benefits payable and the total account balance, expected mortality and surrender rates. The determination of the potential minimum benefits payable also involves the use of assumptions about factors such as inflation, investment returns, policyholder behaviour, mortality and morbidity trends and other factors.

The use of different assumptions could have a significant effect on insurance liabilities, DAC and underwriting expenditure. Changes in assumptions may lead to changes in insurance liabilities over time.

The adequacy of the insurance liabilities, net of DAC, is evaluated each reporting period by each business unit for the business originated in that business unit. The test involves comparing the established insurance liability with current best estimate actuarial assumptions. The use of different assumptions in this test could lead to a different outcome.

Fair value of real estate

Real estate investments are reported at fair value. The fair value of real estate investments is based on regular appraisals by external, qualified valuers. The fair value is established using valuation methods such as comparable market transactions, capitalisation of income methods or discounted cash flow calculations. The underlying assumption used in the valuation is that the properties are let or sold to third parties based on the actual letting status. The discounted cash flow analysis and capitalisation of income method are based on calculations of the future rental income in accordance with the terms in existing leases and estimations of the rental values for new leases when leases expire and incentives like rent-free periods. The cash flows are discounted using market-based interest rates that appropriately reflect the risk characteristics of real estate investments.

Reference is made to Note 37 'Fair value of non-financial assets' for more disclosure on fair value of real estate investments at the balance sheet date.

The use of different assumptions and techniques could produce significantly different valuations.

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is based on unadjusted quoted market prices at the balance sheet date where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available, market prices may be obtained from external market vendors, brokers or market makers. In general, positions are valued taking the bid price for a long position and the offer price for a short position. In some cases, positions are marked at mid-market prices.

When markets are less liquid there may be a range of prices for the same security from different price sources; selecting the most appropriate price requires judgement and could result in different estimates of the fair value.

For certain financial assets and liabilities quoted market prices are not available. For these financial assets and liabilities, fair value is determined using valuation techniques, based on market conditions existing at each balance sheet date. These valuation techniques range from discounting of cash flows to valuation models, where relevant pricing factors including the market price of underlying reference instruments, market parameters (volatilities, correlations and credit ratings) and customer behaviour are taken into account.

Valuation techniques are subjective in nature and significant judgement is involved in establishing the fair value for certain financial assets and liabilities. Valuation techniques involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of the fair value.

Reference is made to Note 36 'Fair value of financial assets and liabilities' for more disclosure on fair value of financial assets and liabilities at the balance sheet date.

1 Accounting policies continued

Impairments

All debt and equity securities and loans (other than those carried at fair value through profit or loss) are subject to impairment testing every reporting period. The carrying value is reviewed in order to determine whether an impairment loss has been incurred. Evaluation for impairment includes both quantitative and qualitative considerations. For debt securities, such considerations include actual and estimated incurred credit losses indicated by payment default, market data on (estimated) incurred losses and other current evidence that the issuer may be unlikely to pay amounts when due. Equity securities are impaired when management believes that, based on a significant or prolonged decline of the fair value below the acquisition price, there is sufficient reason to believe that the acquisition cost may not be recovered. 'Significant' and 'prolonged' are interpreted on a case-by-case basis for specific equity securities. Generally, 25% and six months are used as triggers. Upon impairment of available-for-sale debt and equity securities, the full difference between the (acquisition) cost and fair value is removed from equity and recognised in net result. Impairments on debt securities may be reversed if there is a decrease in the amount of the impairment which can be objectively related to an observable event after the impairment. Impairments on equity securities cannot be reversed.

The identification of impairments is an inherently uncertain process involving various assumptions and factors, including financial condition of the counterparty, expected future cash flows, statistical loss data, discount rates, observable market prices, etc. Estimates and assumptions are based on management's judgement and other information available. Significantly different results can occur as circumstances change and additional information becomes known.

General accounting policies

Consolidation

NN Group comprises NN Group N.V. and all its subsidiaries. The Consolidated annual accounts of NN Group comprise the accounts of NN Group N.V. and all entities over which NN Group has control. NN Group has control over an entity when NN Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The assessment of control is based on the substance of the relationship between NN Group and the entity and considers existing and potential voting rights that are substantive. For a right to be substantive, the holder must have the practical ability to exercise that right.

For interests in investment entities, the existence of control is determined taking into account both NN Group's financial interests for own risk and its role as asset manager. Financial interests for risk of policyholders are not taken into account when the policyholders decide on the investment allocations of their insurance policies (i.e. the policyholder has the 'power') and assume all risks and benefits of these investments (i.e. the policyholder assumes the variable returns).

The results of the operations and the net assets of subsidiaries are included in the profit and loss account and the balance sheet from the date control is obtained until the date control is lost. Minority interests are initially measured at their proportionate share of the subsidiaries' identifiable net assets at the date of acquisition. On disposal, the difference between the sales proceeds, net of directly attributable transaction costs, and the net assets is included in net result.

A subsidiary which NN Group has agreed to sell but is still legally owned by NN Group may still be controlled by NN Group at the balance sheet date and, therefore, still be included in the consolidation. Such a subsidiary may be presented as held for sale if certain conditions are met.

All intercompany transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Where necessary, the accounting policies used by subsidiaries are changed to ensure consistency with NN Group policies. In general, the reporting dates of subsidiaries are the same as the reporting date of NN Group N.V.

A list of principal subsidiaries is included in Note 34 'Principal subsidiaries and geographical information'.

Foreign currency translation

Functional and presentation currency

Items included in the annual accounts of each NN Group entity are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Consolidated annual accounts are presented in euros, which is NN Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Exchange rate differences resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as part of qualifying cash flow hedges or qualifying net investment hedges.

1 Accounting policies continued

Exchange rate differences on non-monetary items, measured at fair value through profit or loss, are reported as part of the 'Fair value gain or loss'. Exchange rate differences on non-monetary items measured at fair value through other comprehensive income (equity) are included in the 'Revaluation reserve' in equity.

Exchange rate differences in the profit and loss account are generally included in 'Foreign currency results and net trading income'. Exchange rate differences relating to the disposal of available-for-sale debt and equity securities are considered to be an inherent part of the capital gains and losses recognised in 'Investment income'. As mentioned below in Group companies, on disposal of group companies, any exchange rate difference deferred in equity is recognised in the profit and loss account in 'Result on disposals of group companies'.

Group companies

The results and financial positions of all group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities included in each balance sheet are translated at the closing rate at the date of that balance sheet
- Income and expenses included in each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions)
- All resulting exchange rate differences are recognised in a separate component of equity in 'Currency translation reserve'

On consolidation, exchange rate differences arising from the translation of a monetary item that forms part of the net investment in a foreign operation and of borrowings and other instruments designated as hedges of such investments are taken to shareholders' equity. When a foreign operation is sold the corresponding exchange rate differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the balance sheet date.

Recognition and derecognition of financial instruments

Financial assets and liabilities are generally (de)recognised at trade date, which is the date on which NN Group commits to purchase or sell the asset. Loans and receivables are recognised at settlement date, which is the date on which NN Group receives or delivers the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where NN Group has transferred substantially all risks and rewards of ownership. If NN Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset.

Realised gains and losses on investments are determined as the difference between the sales proceeds and (amortised) cost. For equity securities, the cost is determined using a weighted average per portfolio. For debt securities, the cost is determined by specific identification (generally FIFO).

Fair value of financial assets and liabilities

The fair values of financial instruments are based on unadjusted quoted market prices at the balance sheet date where available. The quoted market price used for financial assets held by NN Group is the current bid price; the quoted market price used for financial liabilities is the current offer price.

The fair values of financial instruments that are not traded in an active market are determined using valuation techniques, based on market conditions existing at each balance sheet date. An active market for the financial instrument is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Assessing whether a market is active requires judgement, considering factors specific to the financial instrument.

Reference is made to Note 36 'Fair value of financial assets and liabilities' for the basis of determination of the fair value of financial instruments.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when NN Group has a current legally enforceable right to set off the recognised amounts and intends to either settle on a net basis or to realise the asset and settle the liability at the same time.

1 Accounting policies continued

Impairments of financial assets

NN Group assesses periodically and at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, but before the balance sheet date, (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the specific case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. 'Significant' and 'prolonged' are interpreted on a case-by-case basis for specific equity securities; generally, 25% and six months are used as triggers.

In certain circumstances NN Group may grant borrowers postponement and/or reduction of loan principal and/or interest payments for a temporary period of time to maximise collection opportunities and, if possible, avoid default, foreclosure or repossession. When such postponement and/or reduction of loan principal and/or interest payments is executed based on credit concerns it is also referred to as 'forbearance'. In general, forbearance represents an impairment trigger under IFRS-EU. In such cases, the net present value of the postponement and/or reduction of loan principal and/or interest payments is taken into account in the determination of the appropriate level of loan loss provisioning as described below. If the forbearance results in a substantial modification of the terms of the loan, the original loan is derecognised and a new loan is recognised at its fair value at the modification date.

In determining the impairment loss, expected future cash flows are estimated on the basis of the contractual cash flows of the assets in the portfolio. NN Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and then individually or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss on an asset carried at amortised cost has occurred, the amount of the loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying value of the asset is reduced through the use of an allowance account (loan loss provisions) and the amount of the loss is recognised in the profit and loss account in 'Investment income'. If the asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. When a loan is uncollectable, it is written off against the related loan loss provision. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the provision. The amount of the reversal is recognised in the profit and loss account.

If there is objective evidence that an impairment loss on available-for-sale debt and equity investments has occurred, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in net result – is removed from equity and recognised in the profit and loss account.

Impairment losses recognised on equity instruments can never be reversed. If, in a subsequent period, the impairment loss on a loan or a debt instrument classified as available-for-sale reverses, which can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the profit and loss account.

Maximum credit risk exposure

The maximum credit risk exposure for items on the balance sheet is generally the carrying value for the relevant financial assets. For the off-balance sheet items, the maximum credit exposure is the maximum amount that could be required to be paid. Reference is made to Note 44 'Contingent liabilities and commitments' for these off-balance sheet items. Collateral received is not taken into account when determining the maximum credit risk exposure. The manner in which NN Group manages credit risk and determines credit risk exposures is explained in Note 52 'Risk management'.

Leases

The leases entered into by NN Group as a lessee are primarily operating leases. At inception of a contract, NN Group assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The net present value of operating lease commitments is recognised on the balance sheet as a 'right of use asset' under Property and equipment or Real estate investments and a lease liability is recognised under Other liabilities. NN Group does not recognise a right of use asset and a lease liability for short-term leases that have a lease term of 12 months or less and for leases of low value assets. The lease payments associated with these leases are recognised as an expense.

1 Accounting policies continued

Taxation

Income tax on the result for the year comprises current and deferred tax. Income tax is generally recognised in the profit and loss account, but is recognised directly in equity if the tax relates to items that are recognised directly in equity.

Current tax consists of the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the balance sheet. Deferred tax is determined using tax rates (and laws) applicable in the jurisdictions in which NN Group is liable to taxation, that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses carried forward where it is probable that future taxable profits will be available against which the temporary differences can be used. Unrecognised deferred tax assets are reassessed periodically and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by NN Group and it is probable that the difference will not reverse in the foreseeable future. The tax effects of income tax losses available for carry forward are recognised as an asset where it is probable that future taxable profits will be available against which these losses can be used.

Offsetting deferred tax assets with deferred tax liabilities is allowed as long as there is a legally enforceable right to offset current tax assets against current tax liabilities together with the intention to do so and the deferred taxes relate to income taxes levied by the same taxation authority on the same entity or on the same fiscal unity.

Employee benefits

Defined benefit pension plans

The net defined benefit asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the fair value of the plan assets less the present value of the defined benefit obligation at the balance sheet date. Plan assets are measured at fair value at the balance sheet date. For determining the pension expense, the expected return on plan assets is determined using a high quality corporate bond rate identical to the discount rate used in determining the defined benefit obligation.

Defined contribution pension plans

For defined contribution plans, NN Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. NN Group has no further payment obligations once the contributions have been paid. The contributions are recognised as staff expenses in the profit and loss account when they are due.

Other post-employment obligations

Some NN Group companies provide post-employment benefits to certain employees and former employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

Share-based payments

Share-based payment expenses are recognised as staff expenses over the vesting period. A corresponding increase in equity is recognised for equity-settled share-based payment transactions. The fair value of equity-settled share-based payment transactions is measured at the grant date. For cash-settled share-based payment transactions, a liability is recognised at fair value; this fair value is remeasured at every balance sheet date.

1 Accounting policies continued

Interest income and expenses

Interest income and expenses are recognised in the profit and loss account using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts throughout the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying value of the financial asset or financial liability. When calculating the effective interest rate, NN Group estimates cash flows considering all contractual terms of the financial instrument (for example prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income and expenses from non-trading derivatives are classified as interest income and interest expenses in the profit and loss account, except for interest income/expense on derivatives for which no hedge accounting is applied. The latter is classified in 'Valuation results on non-trading derivatives', together with the changes in the (clean) fair value of these derivatives.

Fiduciary activities

NN Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions when conducting asset management activities. The assets and income arising thereon are excluded from these annual accounts, as they are not assets or income of NN Group. Fees received acting as trustee and in other fiduciary capacities are recognised as income.

Statement of cash flows

The Consolidated statement of cash flows is prepared in accordance with the indirect method, classifying cash flows as cash flows from operating, investing and financing activities. In the net cash flow from operating activities, the result before tax is adjusted for those items in the profit and loss account and changes in balance sheet items, which do not result in actual cash flows during the year.

Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition. Investments qualify as a cash equivalent if they are readily convertible into a known amount of cash and are not subject to significant risk of changes in value.

Cash flows arising from foreign currency transactions are translated into the functional currency using the exchange rates at the date of the cash flows.

The difference between the net cash flow in accordance with the statement of cash flows and the change in 'Cash and cash equivalents' in the balance sheet is due to exchange rate differences and is accounted for separately as part of the reconciliation of the net cash flow and the balance sheet change in 'Cash and cash equivalents'.

Cash flows arising from the issue of mortgage loans held in the banking operations are recognised under Net cash flows from operating activities, whereas cash flows related to mortgage loans held as investment in the insurance operations are recognised under Net cash flow from investing activities.

Cash flows on collateral related to derivatives (presented in the balance sheet in Other assets and Other liabilities) is presented in the Consolidated statement of cash flows as part of Net cash flow from operating activities, consistent with the cash flows of the related derivatives.

Accounting policies for specific items

Financial assets and liabilities at fair value through profit or loss (Notes 4 and 20)

A financial asset or liability is classified as at fair value through profit or loss if it is acquired principally for the purpose of selling in the short-term or if designated by management as such. Management will make this designation only if this eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis.

Transaction costs on initial recognition are expensed as incurred. Interest income from debt securities and loans and receivables classified as at fair value through profit or loss is recognised in the profit and loss account using the effective interest method. Dividend income from equity instruments classified as at fair value through profit or loss is recognised in the profit and loss account when the dividend has been declared.

1 Accounting policies continued

Investments for risk of policyholders

Investments for risk of policyholders are investments against insurance liabilities for which all changes in the fair value of invested assets are offset by similar changes in insurance liabilities. Investments for risk of policyholders are recognised at fair value; changes in fair value are recognised in the profit and loss account.

Derivatives and hedge accounting

Derivatives are recognised at fair value. Derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. NN Group designates certain derivatives as hedges of highly probable future cash flows attributable to a recognised asset or liability or a forecast transaction (cash flow hedge), hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge), or hedges of a net investment in a foreign operation. Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the hedge transaction NN Group documents the relationship between hedging instruments and hedged items, its risk management objectives, together with the methods selected to assess hedge effectiveness. In addition, NN Group documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of the hedged items. NN Group applies fair value hedge accounting to portfolio hedges of interest rate risk (macro hedging) under the EU 'carve out' of IFRS-EU. The EU 'carve-out' macro hedging enables a group of derivatives (or proportions) to be viewed in combination and jointly designated as the hedging instrument and removes some of the limitations in fair value hedge accounting relating to hedging deposits and under-hedging strategies. Under the IFRS-EU 'carve-out', hedge accounting may be applied to deposits and ineffectiveness only arises when the revised estimate of the amount of cash flows in scheduled time buckets falls below the designated amount of that bucket.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income (equity) in 'Cash flow hedge reserve'. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. Amounts accumulated in equity are recycled to the profit and loss account in the periods in which the hedged item affects Net result. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss previously reported in equity is transferred immediately to the profit and loss account.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the profit and loss account, together with fair value adjustments to the hedged item attributable to the hedged risk. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative adjustment of the hedged item is, in the case of interest bearing instruments, amortised through the profit and loss account over the remaining term of the original hedge or recognised directly when the hedged item is derecognised. For non-interest bearing instruments, the cumulative adjustment of the hedged item is recognised in the profit and loss account only when the hedged item is derecognised.

Net investment hedges

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income (equity) and the gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. Gains and losses in equity are included in the profit and loss account when the foreign operation is disposed.

1 Accounting policies continued

Non-trading derivatives that do not qualify for hedge accounting

Derivatives that are used by NN Group as part of its risk management strategies, that do not qualify for hedge accounting under NN Group's accounting policies, are presented as non-trading derivatives. Non-trading derivatives are measured at fair value with changes in the fair value taken to 'Valuation results on non-trading derivatives' in the profit and loss account.

Certain derivatives embedded in other contracts are measured as separate derivatives if:
- Their economic characteristics and risks are not closely related to those of the host contract
- The host contract is not carried at fair value through profit or loss
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative (unless the embedded derivative meets the definition of an insurance contract)

These embedded derivatives are measured at fair value with changes in fair value recognised in the profit and loss account. An assessment is carried out when NN Group first becomes party to the contract. A reassessment is carried out only when there is a change in the terms of the contract that significantly modifies the expected cash flows.

Available-for-sale investments (Note 5)

Available-for-sale financial assets include available-for-sale debt securities and available-for-sale equity securities. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. For available-for-sale debt securities, the difference between cost and redemption value is amortised. Interest income is recognised using the effective interest method. Available-for-sale financial assets are subsequently measured at fair value. Interest income from debt securities classified as available-for-sale is recognised in the profit and loss account in 'Investment income'. Dividend income from equity instruments classified as available-for-sale is recognised in the profit and loss account in 'Investment income' when the dividend has been declared.

Unrealised gains and losses arising from changes in the fair value are recognised in other comprehensive income (equity). On disposal, the related accumulated fair value adjustments are included in the profit and loss account as 'Investment income'. For impairments of available-for-sale financial assets reference is made to the section 'Impairments of financial assets'.

Loans (Note 6)

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest income from loans is recognised in the profit and loss account in 'Investment income' using the effective interest method.

Associates and joint ventures (Note 7)

Associates are all entities over which NN Group has significant influence but not control. Significant influence generally results from a shareholding of 20% or more of the voting rights, but also the ability to participate in the financial and operating policies through situations including, but not limited to, one or more of the following:
- Representation on the board of directors
- Participation in the policy making process
- Interchange of managerial personnel

Joint ventures are all entities in which NN Group has joint control.

Associates and joint ventures are initially recognised at cost (including goodwill) and subsequently accounted for using the equity method of accounting. Subsequently, NN Group's share of profits or losses is recognised in the profit and loss account and its share of changes in reserves is recognised in other comprehensive income (equity).

The cumulative changes are adjusted against the carrying value of the investment. When NN Group's share of losses in an associate or joint venture equals or exceeds the book value of the associate or joint venture, NN Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains and losses on transactions between NN Group and its associates and joint ventures are eliminated to the extent of NN Group's interest. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies of NN Group. The reporting dates of all significant associates and joint ventures are consistent with the reporting date of NN Group.

1 Accounting policies continued

For interests in investment entities the existence of significant influence is determined taking into account both NN Group's financial interests for own risk and its role as asset manager.

Associates include interests in real estate funds and private equity funds. The underlying assets of both the real estate and the private equity funds are measured at fair value through profit or loss (i.e. no revaluations in other comprehensive income). The fair value of underlying real estate in real estate funds is determined as set out below for Real estate investments. The fair value of underlying private equity investments in private equity funds is generally based on a forward-looking market approach. This approach uses a combination of company financials and quoted market multiples. In the absence of quoted prices in an active market, fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects, price, earnings comparisons and by reference to market valuations for similar entities quoted in an active market. Valuations of private equity investments are mainly based on an 'adjusted multiple of earnings' methodology on the following basis:

- Earnings: reported earnings are adjusted for non-recurring items, such as restructuring expenses, for significant corporate actions and, in exceptional cases, for run-rate adjustments to arrive at maintainable earnings. The most common measure is earnings before interest, tax, depreciation and amortisation (EBITDA). Earnings used are usually management forecasts for the current year, unless data from management accounts for the 12 months preceding the reporting period or the latest audited annual accounts provide a more reliable estimate of maintainable earnings.
- Earnings multiples: earnings multiples are derived from comparable listed companies or relevant market transaction multiples for companies in the same industry and, where possible, with a similar business model and profile in terms of size, products, services and customers, growth rates and geographic focus. Adjustments are made for differences in the relative performance in the group of comparable companies.
- Adjustments: a marketability or liquidity discount is applied based on factors such as alignment with management and other investors and NN Group's investment rights in the deal structure.

Real estate investments (Note 8)

Real estate investments under construction are included in 'Real estate investments'. Real estate investments are held for long-term rental yields and are not occupied by NN Group. Real estate investments are initially measured at cost, including transaction cost and are subsequently measured at fair value. Changes in the carrying value resulting from revaluations are recognised in the profit and loss account. On disposal the difference between the sales proceeds and carrying value is recognised in the profit and loss account. The fair value of real estate investments is based on regular appraisals by independent qualified valuers. For each reporting period every property is valued by an external valuer. Market transactions and disposals made by NN Group are monitored as part of the validation procedures to test the valuations. Valuations performed earlier in the year are updated if necessary to reflect the situation at the year-end. All real estate investments are appraised externally at least annually.

The fair value represents the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and willing seller in an at-arm's-length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion. The fair value is based on appraisals using valuation methods such as comparable market transactions, capitalisation of income methods or discounted cash flow calculations. The underlying assumption used in the valuation is that the properties are let or sold to third parties based on the actual letting status. The discounted cash flow analysis and capitalisation of income method are based on calculations of the future rental income in accordance with the terms in existing leases and estimations of the rental values for new leases when leases expire and incentives like rent-free periods. The cash flows are discounted using market-based interest rates that reflect appropriately the risk characteristics of real estate. The valuation of real estate investments takes (expected) vacancies into account. Occupancy rates differ significantly from investment to investment. For real estate investments held through (minority shares in) real estate investment funds, the valuations are performed under the responsibility of the funds' asset manager.

Subsequent expenditures are recognised as part of the asset's carrying value only when it is probable that future economic benefits associated with the item will flow to NN Group and the cost of an item can be measured reliably. All other repairs and maintenance costs are recognised immediately in the profit and loss account. Borrowing costs on real estate investments under construction are capitalised until completion.

Property and equipment (Note 9)

Land and buildings held for own use are stated at fair value at the balance sheet date. Increases in the carrying value are recognised in other comprehensive income (equity). Decreases in the carrying value that offset previous increases of the same asset are charged against other comprehensive income (equity); all other decreases are recognised in the profit and loss account. Increases that reverse a revaluation decrease on the same asset previously recognised in net result are recognised in the profit and loss account. Depreciation is recognised based on the fair value and the estimated useful life (in general 20-50 years). On disposal, the related revaluation reserve in equity is transferred within equity to 'Retained earnings'.

1 Accounting policies continued

The fair value of land and buildings is based on regular appraisals by independent, qualified valuers or internally, similar to appraisals of real estate investments. All significant holdings of land and buildings are appraised at least annually. Subsequent expenditure is included in the asset's carrying value when it is probable that future economic benefits associated with the item will flow to NN Group and the cost of the item can be measured reliably.

Equipment is stated at cost less accumulated depreciation and any impairment losses. The estimated useful lives are generally as follows: two to five years for data processing equipment and four to ten years for fixtures and fittings. Expenditure incurred on maintenance and repairs is recognised in the profit and loss account as incurred. Expenditure incurred on major improvements is capitalised and depreciated. The difference between the proceeds on disposal and net carrying value is recognised in the profit and loss account in 'Other income'.

Methods of depreciation and amortisation

Items of property and equipment are depreciated, intangible assets with finite useful lives are amortised. The carrying values of the assets are depreciated/amortised on a straight-line basis over the estimated useful lives. Methods of depreciation and amortisation, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets (Note 10)

Goodwill

NN Group's acquisitions are accounted for using the acquisition method of accounting. The consideration for each acquisition is measured at the aggregate of the fair value (at the date of acquisition) of assets given, liabilities incurred or assumed and equity instruments issued in exchange for control of the acquiree. Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Goodwill, being the positive difference between the cost of the acquisition (including assumed debt) and NN Group's interest in the fair value of the acquired assets, liabilities and contingent liabilities as at the date of acquisition, is capitalised as an intangible asset. Negative goodwill is recognised immediately in the profit and loss account as income. The results of the operations of the acquired companies are included in the profit and loss account from the date control is obtained.

Where a business combination is achieved in stages, NN Group's previously held interests in the assets and liabilities of the acquired entity are remeasured to fair value at the acquisition date (i.e. the date NN Group obtains control) and the resulting gain or loss, if any, is recognised in the profit and loss account. Amounts arising from interests in the acquiree before the acquisition date that have previously been recognised in other comprehensive income (equity) are reclassified to the profit and loss account, where such treatment would be appropriate if that interest were disposed of.

Acquisition-related costs are recognised in the profit and loss account as incurred and presented in the profit and loss account as 'Other operating expenses'.

Until 2009, before IFRS 3 'Business Combinations' was revised, the accounting of previously held interests in the assets and liabilities of the acquired entity were not remeasured at the acquisition date and the acquisition-related costs were considered to be part of the total consideration. Goodwill is only capitalised on acquisitions after the implementation date of IFRS-EU (1 January 2004). Accounting for acquisitions before that date has not been restated; goodwill and internally generated intangibles on these acquisitions were recognised directly in shareholders' equity.

The initial accounting for the fair value of the net assets of the companies acquired during the year may be determined only provisionally as the determination of the fair value can be complex and the time between the acquisition and the preparation of the annual accounts can be limited. The initial accounting shall be completed within a year after acquisition.

Goodwill is allocated to cash generating units (reporting units) for the purpose of impairment testing. These cash generating units (reporting units) represent the lowest level at which goodwill is monitored for internal management purposes, which is either at the segment level or at a level below. This test is performed annually or more frequently if there are indicators of impairment. Under the impairment tests, the carrying value of the cash generating units (reporting units including goodwill) is compared to its recoverable amount which is the higher of its fair value less costs to sell and its value in use.

Computer software

Computer software that has been purchased or generated internally for own use is stated at cost less amortisation and any impairment losses. The expected useful life of computer software will generally not exceed three years. Amortisation is included in 'Other operating expenses'.

1 Accounting policies continued

Value of business acquired (VOBA)

VOBA is an asset that represents the present value of estimated net cash flows embedded in the insurance contracts of an acquired company, which exists at the time the company was acquired. It represents the difference between the fair value of insurance liabilities and their carrying value. VOBA is amortised in a similar manner to the amortisation of the deferred acquisition costs as described in the section 'Deferred acquisition costs'.

Other intangible assets

Other intangible assets include brand names, client relationships and distribution channels. These assets are stated at cost less amortisation and any impairment losses. The expected useful life is between 2 and 17 years.

Impairment

Impairment reviews with respect to goodwill and intangible assets are performed at least annually and more frequently if events indicate that impairments may have occurred. Goodwill is tested for impairment by comparing the carrying value of the cash generating unit (reporting unit) to which the goodwill was allocated to the best estimate of the recoverable amount of that cash generating unit (reporting unit). The carrying value is determined as the IFRS-EU net asset value including goodwill and acquisition intangibles. The recoverable amount is estimated as the higher of fair value less cost to sell and value in use. Several methodologies are applied to arrive at the best estimate of the recoverable amount. A cash generating unit (reporting unit) is the lowest level at which goodwill is monitored. Other intangible assets are tested for impairment by comparing the carrying value with the best estimate of the recoverable amount of the individual intangible asset.

Deferred acquisition costs (Note 11)

Deferred acquisition costs (DAC) represent costs of acquiring insurance and investment contracts that are deferred and amortised. The deferred costs, all of which vary with (and are primarily related to) the production of new and renewal business, consist principally of commissions, certain underwriting and contract issuance expenses and certain agency expenses.

For traditional life insurance contracts, certain types of flexible life insurance contracts and non-life contracts, DAC is amortised over the premium payment period in proportion to the premium revenue recognised.

For other types of flexible life insurance contracts DAC is amortised over the lives of the policies in relation to the emergence of estimated profits. Amortisation is adjusted when estimates of current or future profits, to be realised from a group of products, are revised.

DAC amortisation is included in the Underwriting expenditure in the profit and loss account.

DAC is evaluated for recoverability at issue. Subsequently it is tested on a regular basis together with the life insurance liabilities. The test for recoverability is described in the section 'Insurance and investment contracts, reinsurance contracts'.

For certain products DAC is adjusted for the impact of unrealised results on allocated investments through equity.

Assets and liabilities held for sale (Note 12)

Assets and liabilities of a business are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This is only the case when the sale is highly probable, the business is available for immediate sale in its present condition and management is committed to the sale, which is expected to occur within one year from the date of classification as held for sale. Classification into or out of held for sale does not result in restating comparative amounts in the balance sheet.

Subordinated debt, debt securities issued and other borrowed funds (Notes 15, 16 and 17)

Subordinated debt, debt securities issued and other borrowed funds are recognised initially at their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between proceeds, net of transaction costs and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

If NN Group purchases its own debt, it is derecognised from the balance sheet and the difference between the carrying value of the liability and the consideration paid is recognised in the profit and loss account.

Financial liabilities include only instruments of which the terms and conditions represent a contractual obligation to pay interest and/or principal. Instruments that are similar in substance, but of which the terms and conditions do not include a contractual obligation to pay interest and principal are classified as equity.

1 Accounting policies continued

Insurance and investment contracts, reinsurance contracts (Note 18)

Insurance liabilities are established in accordance with IFRS 4 'Insurance Contracts'. Under IFRS 4, an insurer may continue its existing pre-IFRS accounting policies for insurance contracts, provided that certain minimum requirements are met. Upon adoption of IFRS-EU in 2005, NN Group decided to continue the then existing accounting principles for insurance contracts under IFRS-EU. NN Group operates in many different countries and the accounting principles for insurance contracts follow local practice in these countries. For NN Group's businesses in the Netherlands, NN Group applies accounting standards generally accepted in the Netherlands (Dutch GAAP) for its insurance contracts. Changes in those local accounting standards (including Dutch GAAP) subsequent to the adoption of IFRS-EU are considered for adoption on a case-by-case basis. If adopted, the impact thereof is accounted for as a change in accounting policies under IFRS-EU.

In addition, for certain specific products or components thereof, NN Group applies the option in IFRS 4 to measure (components of) insurance liabilities using market-consistent interest rates and other current estimates and assumptions. This relates mainly to certain guarantees embedded in insurance contracts in Japan.

Insurance contracts

Insurance policies which bear significant insurance risk and/or contain discretionary participation features (including investment contracts with discretionary participation features) are presented as insurance contracts. Insurance liabilities represent estimates of future pay-outs that will be required for life and non-life insurance claims, including expenses relating to such claims. For some insurance contracts the measurement reflects current market assumptions. Unless indicated otherwise below, changes in the insurance liabilities are recognised in the profit and loss account.

Life insurance liabilities

The life insurance liabilities are generally calculated on the basis of a prudent prospective actuarial method. Specific methodologies may differ between business units as they may reflect local regulatory requirements and local practices for specific product features in the local markets.

Insurance liabilities on traditional life policies are calculated using various assumptions, including assumptions on mortality, morbidity, expenses, investment returns and surrenders. Assumptions for insurance liabilities for traditional life insurance contracts, including traditional whole-life and term-life insurance contracts, are based on best estimate assumptions including margins for adverse deviations. Generally, these assumptions are set initially at the policy issue date and remain constant throughout the life of the policy. For the insurance liabilities that were taken over in the Delta Lloyd acquisition, these assumptions are set as at the date of acquisition, 1 April 2017.

Insurance liabilities for universal life, variable life and annuity contracts, unit-linked contracts, etc. are generally set equal to the balance that accrues to the benefit of the policyholders.

Certain contracts contain minimum (interest) guarantees on the amounts payable upon death and/or maturity. The insurance liabilities include the impact of these minimum (interest) guarantees, taking into account the difference between the potential minimum benefit payable and the total account balance, expected mortality and surrender rates.

Unamortised interest rate rebates on periodic and single premium contracts are deducted from the life insurance contract liabilities. Interest rate rebates granted during the year are amortised in conformity with the anticipated recovery pattern and are recognised in the profit and loss account.

Liabilities for unearned premiums and unexpired insurance risks

The liabilities are calculated in proportion to the unexpired periods of risk. For insurance policies covering a risk increasing during the term of the policy at premium rates independent of age, this risk is taken into account when determining the liability. Further liabilities are formed to cover claims under unexpired insurance contracts, which may exceed the unearned premiums and the premiums due in respect of these contracts.

Claims liabilities

Claims liabilities are calculated either on a case-by-case basis or by approximation on the basis of experience. Liabilities have also been recognised for claims incurred but not reported (IBNR) and for future claims handling expenses. IBNR liabilities are set to recognise the estimated cost of losses that have occurred but which have not yet been notified to NN Group. The adequacy of the claims liabilities is evaluated each year using standard actuarial techniques.

1 Accounting policies continued

Deferred interest credited to policyholders

For insurance contracts and investment contracts with discretionary participation features, 'Deferred interest credited to policyholders' is recognised for the full amount of the unrealised revaluations on allocated investments. Upon realisation, the 'Deferred interest credited to policyholders' regarding unrealised revaluations is reversed and a deferred profit sharing amount is recognised for the share of realised results on allocated investments that is expected to be shared with policyholders. The amount of deferred profit sharing is reduced by the actual allocation to individual policyholders. The change in the amount of 'Deferred interest credited to policyholders' on unrealised revaluations (net of tax) is recognised in the 'Revaluation reserve' in other comprehensive income (equity).

Liabilities for life insurance for risk of policyholders

Liabilities for life insurance for risk of policyholders are generally shown at the balance sheet value of the related investments.

Reinsurance contracts

Reinsurance premiums, commissions and claim settlements, as well as the reinsurance element of insurance contracts are accounted for in the same way as the original contracts for which the reinsurance was concluded. If the reinsurers are unable to meet their obligations, NN Group remains liable to its policyholders for the portion reinsured. Consequently, provisions are recognised for receivables on reinsurance contracts which are deemed uncollectable. Both reinsurance premiums and reinsurance recoveries are included in 'Underwriting expenditure' in the profit and loss account.

Adequacy test

The adequacy of the insurance liabilities is evaluated at each reporting period by each business unit for the business originated in that business unit. The test involves comparing the established insurance liability (gross of reinsurance and net of DAC and VOBA) to a liability based on current best estimate actuarial assumptions. The assumed investment returns are a combination of the run-off of current portfolio yields on existing assets and reinvestment rates in relation to maturing assets and anticipated new premiums, as a result (part of) the revaluation reserve in shareholders equity is taken into account in assessing the adequacy of insurance liabilities.

If, for any business unit, the established insurance liability is lower than the liability based on current best estimate actuarial assumptions the shortfall is recognised immediately in the profit and loss account.

If the insurance liabilities are determined to be more than adequate no reduction in the insurance liabilities is recognised.

Investment contracts

Insurance policies without discretionary participation features which do not bear significant insurance risk are presented as Investment contracts. Investment contract liabilities are determined at amortised cost, using the effective interest method (including certain initial acquisition expenses), or at fair value.

Other liabilities (Note 21)

Provisions

Other liabilities include reorganisation provisions, litigation provisions and other provisions. Reorganisation provisions include employee termination benefits when NN Group is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Provisions are discounted when the effect of the time value of money is significant, using a before tax discount rate. The determination of provisions is an inherently uncertain process involving estimates regarding amounts and timing of cash flows.

Gross premium income (Note 22)

Premiums from insurance policies are recognised as income when due from the policyholder. Receipts under investment contracts are not recognised as gross premium income; instead, deposit accounting is applied. When applying deposit accounting, the amounts contributed by policyholders are recognised as direct increases in the provision for investment contracts, not as premium income and payments are deducted directly from the provision.

Net fee and commission income (Note 24)

Fees and commissions are generally recognised as the service is provided. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts as the service is provided. Asset management fees related to investment funds and investment contract fees are recognised on a pro-rata basis over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

1 Accounting policies continued

Earnings per ordinary share (Note 32)

Earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares outstanding. In calculating the weighted average number of ordinary shares outstanding, own shares held by group companies are deducted from the total number of ordinary shares in issue.

Changes in the number of ordinary shares outstanding without a corresponding change in resources are taken into account, including if these changes occurred after the reporting date but before the annual accounts are authorised for issue.

Diluted earnings per share data are computed as if all convertible instruments outstanding at the year-end were exercised at the beginning of the period. It is also assumed that NN Group uses the assumed proceeds received to buy its own shares against the average market price in the financial year. The net increase in the number of shares resulting from the exercise is added to the average number of shares used to calculate diluted earnings per share.

Segments and Principal subsidiaries and geographical information (Notes 33 and 34)

A segment is a distinguishable component of NN Group, engaged in providing products or services, subject to risks and returns that are different from those of other segments. A geographical area is a distinguishable component of NN Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. The geographical analysis is based on the location of the business unit from which the transactions are originated.

2 Covid-19 pandemic

Since early 2020, the spread of the Covid-19 pandemic is causing significant disruption to society and the world-wide economy, impacting NN Group, its employees, its customers and its suppliers. Financial markets have been severely impacted by significant volatility in interest rates, equity prices and spreads and the world-wide economy has been significantly impacted as well. Governments and central banks worldwide are responding to this crisis with aid packages and further supporting measures. NN Group is constantly monitoring the developments and the (potential) impact on NN Group. The most significant risks that NN Group is facing in this context are related to the financial markets (including interest rates, inflation, equity prices and spreads), insurance risk (including mortality and policyholder behaviour) and operational risk (continuity of business processes). Note 52 'Risk management' includes extensive disclosure on the exposure to such risks and the risk management thereof.

The Covid-19 pandemic, and the related impact on the financial markets, impacted the financial reporting of NN Group mainly through additional uncertainties in the determination of the fair value of illiquid assets, including real estate investments and private equity investments. NN Group uses quarterly appraisals by external valuers as main input for the determination of fair value of its real estate investments. During 2020 uncertainties in the environment have led to the inclusion of 'material valuation uncertainty' clauses in certain external valuation reports. Such clauses do not imply that the valuation cannot be relied upon, but are used to indicate that – in the extraordinary circumstances – less certainty can be attached to valuations than would otherwise be the case.

In 2021, the Covid-19 pandemic continued, but the impact on NN Group's financial reporting in 2021 was limited. While real estate valuations remain complex and uncertain, the specific valuation uncertainty clauses were no longer included in real estate appraisals by external appraisers in the valuations and there were no significant impairments (including debt and equity securities, loans and intangible assets). Furthermore, there was no significant impact from the Covid-19 pandemic on the technical provisions for Life insurance contracts. For Non-life disability insurance contracts there are both direct effects from insureds being affected by Covid-19 as well as indirect effects from longer disability as treatment is postponed. For specific portfolios this may lead to increased claims; however, the observed and expected financial impact for NN Group is not significant. Covid 19 contributed positively to the favourable claims development in P&C. NN Bank offered postponements of interest and/or principal payments on an individual basis to retail borrowers who face temporary payment difficulties on their mortgage loans or consumer loans. The number of cases is limited and the financial impact for NN Group was not significant.

NN Group has established a business continuity plan to help ensure the continuity of its businesses, the well-being of its staff and its capability to support its customers, while maintaining financial and operational resilience.

3 Cash and cash equivalents

Cash and cash equivalents

	2021	2020
Cash and bank balances	4,203	6,157
Money market funds	1,965	4,568
Short-term deposits	761	1,657
Cash and cash equivalents	**6,929**	**12,382**
Cash and cash equivalents classified as assets held for sale	226	8
Cash and cash equivalents at the end of the year	**7,155**	**12,390**

As at 31 December 2021, NN Group held EUR 1,325 million (2020: EUR 2,586 million) at central banks.

NN Group invests in several types of money market funds, some qualifying as cash equivalents and some as investments. Short-term investments in money market funds are presented as cash equivalents only if these are highly liquid and quoted in an active market and have low investment risk.

Changes in Cash and cash equivalents

	2021	2020
Cash and cash equivalents at beginning of the year	12,390	6,436
Net cash flow	-5,161	6,050
Effect of exchange rate changes on cash and cash equivalents	-74	-96
Cash and cash equivalents at the end of the year	**7,155**	**12,390**

The change in market interest rates in 2021 significantly impacted cash collateral amounts paid and received as well as other assets and liabilities which are components of the net cash flow. Consequently, the net cash flow for 2021 decreased by EUR 11,211 million to EUR -5,161 million (2020: EUR 6,050 million).

4 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss

	2021	2020
Investments for risk of policyholders	39,261	34,797
Non-trading derivatives	6,419	14,833
Designated as at fair value through profit or loss	991	1,336
Financial assets at fair value through profit or loss	**46,671**	**50,966**

Investments for risk of policyholders

	2021	2020
Equity securities	37,010	31,992
Debt securities	1,368	1,786
Loans and receivables	883	1,019
Investments for risk of policyholders	**39,261**	**34,797**

Investments in investment funds (with underlying investments in debt and equity securities, real estate and derivatives) are included in equity securities.

Non-trading derivatives

	2021	2020
Derivatives used in:		
– fair value hedges	29	1
– cash flow hedges	4,622	10,530
Other non-trading derivatives	1,768	4,302
Non-trading derivatives	**6,419**	**14,833**

The fair value of derivatives was impacted significantly in 2021 by the change (increase) in market interest rates. This change in market interest rates also significantly impacted other balance sheet items, including Available for sale investments and Other liabilities – Cash collateral amounts received as well as other liabilities in the consolidated statement of cash flows.

Other non-trading derivatives includes derivatives for which no hedge accounting is applied.

4 Financial assets at fair value through profit or loss continued

Designated as at fair value through profit or loss

	2021	2020
Equity securities	415	425
Debt securities	28	28
Money market funds	548	883
Designated as at fair value through profit or loss	**991**	**1,336**

5 Available-for-sale investments

Available-for-sale investments

	2021	2020
Equity securities:		
– shares in NN Group managed investment funds	2,459	2,539
– shares in third-party managed investment funds	3,970	2,774
– other	5,537	5,986
Equity securities	**11,966**	**11,299**
Debt securities	95,917	106,876
Available-for-sale investments	**107,883**	**118,175**

Changes in Available-for-sale investments

	Equity securities		Debt securities		Total	
	2021	2020	2021	2020	2021	2020
Available-for-sale investments – opening balance	11,299	8,078	106,876	109,566	118,175	117,644
Additions	2,375	4,545	24,378	20,383	26,753	24,928
Amortisation			-379	-453	-379	-453
Transfers and reclassifications		-100	-2	-1	-2	-101
Changes in unrealised revaluations	1,093	1,341	-5,462	3,660	-4,369	5,001
Impairments	-44	-338		-6	-44	-344
Disposals and redemptions	-2,797	-2,245	-26,474	-26,472	-29,271	-28,717
Changes in the composition of the group and other changes	-6	40	-3,111	1,419	-3,117	1,459
Exchange rate differences	46	-22	91	-1,220	137	-1,242
Available-for-sale investments – closing balance	**11,966**	**11,299**	**95,917**	**106,876**	**107,883**	**118,175**

Transfers and reclassifications in 2020 mainly relate to the transfer of certain investments in real estate funds to associates and joint ventures due to an increase in level of influence. Reference is also made to Note 23 'Investment income' for details on impairments by segment. Changes in composition of the group and other changes includes the impact of the classification of a closed book life insurance portfolio in NN Belgium as held for sale.

NN Group's total exposure to debt securities is included in the following balance sheet lines:

Total exposure to debt securities

	2021	2020
Available-for-sale investments	95,917	106,876
Loans	281	667
Available-for-sale investments and loans	**96,198**	**107,543**
Investments for risk of policyholders	1,368	1,786
Designated as at fair value through profit or loss	28	28
Financial assets at fair value through profit or loss	**1,396**	**1,814**
Total exposure to debt securities	**97,594**	**109,357**

5 Available-for-sale investments continued

NN Group's total exposure to debt securities (excluding debt securities presented as held for sale) is included in 'Available-for-sale investments' and 'Loans' is specified as follows by type of exposure:

Debt securities by type

	Available-for-sale investments		Loans		Total	
	2021	2020	2021	2020	2021	2020
Government bonds	61,587	70,716			61,587	70,716
Corporate bonds	20,427	20,544			20,427	20,544
Financial institution and Covered bonds	10,454	12,247			10,454	12,247
Bond portfolio (excluding ABS)	**92,468**	**103,507**	**–**	**–**	**92,468**	**103,507**
US RMBS	464	517			464	517
Non-US RMBS	2,107	2,318	198	575	2,305	2,893
CDO/CLO	444				444	–
Other ABS	434	534	83	92	517	626
ABS portfolio	**3,449**	**3,369**	**281**	**667**	**3,730**	**4,036**
Debt securities – Available-for-sale investments and Loans	**95,917**	**106,876**	**281**	**667**	**96,198**	**107,543**

For more details, reference is made to Note 52 'Risk management'.

Available-for-sale equity securities

	2021	2020
Listed	5,579	6,431
Unlisted	6,387	4,868
Available-for-sale equity securities	**11,966**	**11,299**

6 Loans

Loans

	2021	2020
Loans secured by mortgages	59,283	55,310
Loans related to savings mortgages	1,426	1,532
Loans to or guaranteed by public authorities	1,478	1,830
Asset-backed securities	281	667
Policy loans	937	947
Other loans	4,954	5,324
Loans – before loan loss provisions	**68,359**	**65,610**
Loan loss provisions	-159	-182
Loans	**68,200**	**65,428**

Changes in Loans secured by mortgages

	2021	2020
Loans secured by mortgages – opening balance	55,310	51,382
Additions/origination	10,509	9,188
Amortisation	-160	-170
Redemption	-5,231	-4,909
Disposals	-686	-520
Fair value changes recognised on hedged items	-453	341
Changes in the composition of the group and other changes	-6	-2
Loans secured by mortgages – closing balance	**59,283**	**55,310**

NN Group has sold mortgage loans to securitisation entities that, in turn, issued notes to investors that are collateralised by the purchased assets. These mortgage loans continue to be recognised on NN Group's balance sheet as NN Group retained all or substantially all of the risks and rewards of the mortgage loans. Reference is made to Note 47 'Structured entities'.

Changes in Loan loss provisions

	2021	2020
Loan loss provisions – opening balance	182	166
Write-offs	-7	-6
Increase/decrease in loan loss provisions	-13	19
Changes in the composition of the group and other changes	-3	3
Loan loss provisions – closing balance	**159**	**182**

7 Associates and joint ventures

Associates and joint ventures (2021)

2021	Interest held	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
Vesteda Residential Fund FGR	24%	1,840	9,463	1,909	1,588	132
CBRE Dutch Office Fund FGR	19%	402	2,883	721	279	68
CBRE European Industrial Fund FGR	27%	322	1,729	544	343	39
CBRE Dutch Residential Fund FGR	8%	235	3,075	134	413	34
Rivage Euro Debt Infrastructure 3	34%	226	665	2		
CBRE Retail Industrial Fund Iberica FGR	50%	223	520	73	43	26
NRP Nordic Logistic Fund SA	42%	222	532	3	100	5
Lazora S.I.I. S.A.	22%	212	1,542	583	72	43
CBRE UK Property Fund PAIF	10%	201	1,992	16	306	2
CBRE Dutch Retail Fund FGR	20%	185	1,298	384	-9	37
Ardstone Residential Income Fund	45%	178	540	147	28	1
Dutch Urban Living Venture FGR	45%	152	447	112	53	5
Macquarie European Infrastructure Debt Fund	77%	152	198	1		
DPE Deutschland III (Parallel) GmbH & Co	17%	149	970	88	289	3
Achmea Dutch Health Care Property Fund	23%	128	580	15	47	8
Dutch Student and Young Professional Housing fund FGR	49%	127	339	80	30	5
Allee center Kft	50%	124	275	27	14	11
Robeco Bedrijfsleningen FGR	26%	112	432	1	51	5
Fiumaranuova s.r.l.	50%	110	229	9	13	10
Parcom Buy-Out Fund V CV	21%	107	584	81	127	6
Siresa House S.L.	49%	98	484	282	61	54
Delta Mainlog Holding GmbH & Co. KG	50%	96	192	1	70	2
The Fizz Student Housing Fund SCS	50%	91	259	74	20	6
Boccaccio - Closed-end Real Estate Mutual Investment Fund	50%	79	189	31	11	4
Parquest Capital II B FPCI	26%	78	308	14		8
Parcom Buy Out Fund IV B.V.	100%	68	80	12	54	23
CBRE Dutch Retail Fund II FGR	10%	65	667	15	-10	13
NL Boompjes Property 5 C.V.	50%	65	133	4	14	3
Rivage Hopitaux Publics Euro	34%	61	178			
CBRE Property Fund Central and Eastern Europe FGR	50%	59	163	44	14	8
Prime Ventures V C.V.	19%	57	306		3	4
Siresa House 2 S.L.	49%	55	199	86	11	8
DPE Deutschland II B GmbH & Co KG	37%	52	182	40	3	
Other		588				
Associates and joint ventures		**6,919**				

The above associates and joint ventures mainly consist of non-listed investment entities investing in real estate and private equity.

Significant influence exists for certain associates in which the interest held is below 20%, based on the combination of NN Group's financial interest for own risk and other arrangements, such as participation in the relevant boards.

NN Group holds associates over which it cannot exercise control despite holding more than 50% of the share capital. For this reason, these are classified as associates and are not consolidated.

7 Associates and joint ventures continued

Other includes EUR 379 million of associates and joint ventures with an individual balance sheet value of less than EUR 50 million and EUR 209 million of receivables from associates and joint ventures.

The amounts presented in the table above could differ from the individual annual accounts of the associates due to the fact that the individual amounts have been brought in line with NN Group's accounting principles.

The reporting dates of all significant associates and joint ventures are consistent with the reporting date of NN Group.

The associates and joint ventures of NN Group are subject to legal and regulatory restrictions regarding the amount of dividends that can be paid to NN Group. These restrictions are, for example, dependent on the laws in the country of incorporation for declaring dividends or as a result of minimum capital requirements imposed by industry regulators in the countries in which the associates and joint ventures operate. In addition, the associates and joint ventures also consider other factors in determining the appropriate levels of equity needed. These factors and limitations include, but are not limited to, rating agency and regulatory views, which can change over time.

Associates and joint ventures (2020)

2020	Interest held	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
Vesteda Residential Fund FGR	24%	1,531	7,333	1,050	558	103
CBRE Dutch Office Fund FGR	19%	370	2,709	718	154	67
CBRE European Industrial Fund FGR	26%	240	1,344	416	148	37
CBRE Retail Industrial Fund Iberica FGR	50%	218	518	82	-34	30
Lazora S.I.I. S.A.	22%	209	1,531	588	86	41
CBRE Dutch Residential Fund FGR	9%	209	2,562	108	175	31
NRP Nordic Logistic Fund SA	42%	203	501	18	36	11
CBRE Dutch Retail Fund FGR	20%	201	1,382	392	-32	36
CBRE UK Property Fund PAIF	10%	163	1,605		-46	5
Dutch Urban Living Venture FGR	45%	127	384	105	61	7
Allee center Kft	50%	126	276	24	5	10
Achmea Dutch Health Care Property Fund	23%	121	543	14	23	3
Dutch Student and Young Professional Housing fund FGR	49%	120	323	79	34	8
Parcom Buy-Out Fund V CV	21%	119	579	15	-38	5
Robeco Bedrijfsleningen FGR	26%	117	451	1	15	2
Rivage Euro Debt Infrastructure 3	34%	104	306	1	5	3
Fiumaranuova s.r.l.	50%	100	234	34	8	10
Siresa House S.L.	49%	96	490	293	39	47
DPE Deutschland III (Parallel) GmbH & Co	17%	93	575	21	83	4
Boccaccio - Closed-end Real Estate Mutual Investment Fund	50%	88	238	61		3
The Fizz Student Housing Fund SCS	50%	87	250	75	11	1
Parcom Buy Out Fund IV B.V.	100%	82	96	14		5
CBRE Dutch Retail Fund II FGR	10%	69	703	12	-36	11
Delta Mainlog Holding GmbH & Co. KG	50%	64	129	1	16	
CBRE Property Fund Central and Eastern Europe FGR	50%	60		-119	9	9
DPE Deutschland II B GmbH & Co KG	37%	56	196	45	-19	1
Parquest Capital II B FPCI	28%	54	197	4		8
NL Boompjes Property 5 C.V.	50%	54	108		6	
Other		592				
Associates and joint ventures		**5,673**				

7 Associates and joint ventures continued

Changes in Associates and joint ventures

	2021	2020
Associates and joint ventures – opening balance	5,673	5,457
Additions	719	349
Transfers to/from available-for-sale investments		19
Share in changes in equity (Revaluations)		8
Share of result	899	219
Dividends received	-223	-277
Disposals	-156	-121
Changes in the composition of the group and other changes		21
Exchange rate differences	7	-2
Associates and joint ventures – closing balance	**6,919**	**5,673**

In 2020, Transfers to/from available-for-sale investments mainly relate to the transfer of certain investments in real estate funds to associates and joint ventures due to an increase in level of influence.

8 Real estate investments

Changes in Real estate investments

	2021	2020
Real estate investments – opening balance	2,444	2,571
Additions	156	66
Transfers to/from other assets	2	3
Fair value gains/losses	241	-21
Disposals	-124	-176
Exchange rate differences		1
Real estate investments – closing balance	**2,719**	**2,444**

The total amount of rental income recognised in the profit and loss account for the year ended 31 December 2021 is EUR 161 million (2020: EUR 163 million). The Real estate investments include properties that are leased (ground lease). At 31 December 2021, the corresponding right of use assets amount to EUR 45 million (2020: EUR 38 million).

The total amount of direct operating expenses (including repairs and maintenance) in relation to real estate investments recognised in rental income for the year ended 31 December 2021 is EUR 57 million (2020: EUR 54 million).

Real estate investments by year of most recent appraisal

	2021	2020
Most recent appraisal in current year	100%	100%
	100%	**100%**

NN Group's total exposure to real estate is included in the following balance sheet lines:

Real estate exposure

	2021	2020
Real estate investments	2,719	2,444
Available-for-sale investments	2,415	1,950
Associates and joint ventures	5,612	4,834
Property and equipment - property in own use	71	74
Real estate exposure	**10,817**	**9,302**

Furthermore, the exposure is impacted by third-party interests, leverage in funds and off-balance commitments. Reference is made to Note 52 'Risk management'.

9 Property and equipment

Property and equipment

	2021	2020
Property in own use	71	74
Equipment	101	93
Property and equipment owned	**172**	**167**
Right of use assets	242	281
Property and equipment total	**414**	**448**

Changes in Property in own use

	2021	2020
Property in own use – opening balance	74	82
Additions		1
Revaluations	-1	-4
Disposals	-2	
Depreciation	-2	-2
Changes in the composition of the group and other changes	2	-2
Exchange rate differences		-1
Property in own use – closing balance	**71**	**74**
Gross carrying value	118	118
Accumulated depreciation, revaluations and (reversal of) impairments	-47	-44
Net carrying value	**71**	**74**
Revaluation surplus – opening balance	12	16
Revaluation in year	-1	-4
Revaluation surplus – closing balance	**11**	**12**

Changes in Equipment

	Data processing equipment		Fixtures and fittings and other equipment		Total	
	2021	2020	2021	2020	2021	2020
Equipment – opening balance	26	28	67	51	93	79
Additions	26	13	20	37	46	50
Disposals	-6	-1	-1	-1	-7	-2
Depreciation	-13	-13	-16	-19	-29	-32
Exchange rate differences		-1	-2	-1	-2	-2
Equipment – closing balance	**33**	**26**	**68**	**67**	**101**	**93**
Gross carrying value	167	147	246	229	413	376
Accumulated depreciation	-134	-121	-178	-162	-312	-283
Net carrying value	**33**	**26**	**68**	**67**	**101**	**93**

9 Property and equipment continued

Changes in Right of use assets

	Property		Equipment		Total	
	2021	2020	2021	2020	2021	2020
Right of use assets – opening balance	257	281	24	23	281	304
Additions	21	33	10	14	31	47
Disposals	-5	-8	-1	-1	-6	-9
Depreciation	-42	-45	-11	-12	-53	-57
Changes in the composition of the group and other changes	-8				-8	-
Exchange rate differences	-3	-4			-3	-4
Right of use assets – closing balance	**220**	**257**	**22**	**24**	**242**	**281**
Gross carrying value	346	341	58	49	404	390
Accumulated depreciation	-126	-84	-36	-25	-162	-109
Net carrying value	**220**	**257**	**22**	**24**	**242**	**281**

10 Intangible assets

Intangible assets (2021)

2021	Goodwill	Value of business acquired	Software	Other	Total
Intangible assets – opening balance	533	210	87	233	1,063
Additions	334		30	13	377
Capitalised expenses			7		7
Amortisation		-17	-33	-33	-83
Disposals			-1	-8	-9
Changes in the composition of the group and other changes	-311		-13	104	-220
Exchange rate differences	-7	3	-2		-6
Intangible assets – closing balance	**549**	**196**	**75**	**309**	**1,129**
Gross carrying value	1,522	309	921	784	3,536
Accumulated amortisation		-113	-780	-427	-1,320
Accumulated impairments	-973		-66	-48	-1,087
Net carrying value	**549**	**196**	**75**	**309**	**1,129**

Intangible assets (2020)

2020	Goodwill	Value of business acquired	Software	Other	Total
Intangible assets – opening balance	539	149	79	228	995
Additions			47	12	59
Capitalised expenses			4		4
Amortisation		-66	-39	-27	-132
Disposals			-1		-1
Changes in the composition of the group and other changes		129		21	150
Exchange rate differences	-6	-2	-3	-1	-12
Intangible assets – closing balance	**533**	**210**	**87**	**233**	**1,063**
Gross carrying value	1,506	306	900	675	3,387
Accumulated amortisation		-96	-747	-394	-1,237
Accumulated impairments	-973		-66	-48	-1,087
Net carrying value	**533**	**210**	**87**	**233**	**1,063**

Additions to goodwill in 2021 mainly relate to the acquisition of Heinenoord. Reference is made to Note 46 'Companies and businesses acquired and divested'. Changes in composition of the group and other changes includes the impact of the classification of the asset management activities as held for sale.

10 Intangible assets continued

Other intangible assets include the intangibles recognised upon the acquisition of Heinenoord, VIVAT Non-life and the remaining part of the intangibles recognised in 2017 on the acquisition of Delta Lloyd. Changes in composition of the group and other changes mainly relate to the acquisition of Heinenoord. Reference is made to Note 46 'Companies and businesses acquired and divested'. The acquisition intangibles comprise:

- Brand names – with an average expected remaining useful life at the acquisition date of approximately 10 years
- Client relationships – with an average expected remaining useful life at the acquisition date of approximately 10 years
- Distribution channels/agreements – with an average expected remaining useful life at the acquisition date of approximately 18 years

The increase in 2020 in Value of business acquired includes the impact of the acquisition of VIVAT Non-life.

Amortisation of software and other intangible assets is included in the profit and loss account in 'Other operating expenses' and 'Amortisation of intangible assets and other impairments' respectively.

Goodwill by cash generating unit (reporting unit)

	2021	2020
Netherlands Non-life	424	90
Insurance Europe	63	70
Asset Management		311
Bank	62	62
Goodwill	**549**	**533**

Reference is made to Note 46 'Companies and businesses acquired and divested'.

Goodwill impairment

Goodwill is tested for impairment at the lowest level at which it is monitored for internal management purposes. This level is defined as the cash generating unit (reporting unit) as set out above. Goodwill is tested for impairment by comparing the carrying value of the cash generating unit (reporting unit) to the best estimate of the recoverable amount of that cash generating unit (reporting unit). The carrying value is determined as the IFRS-EU book value including goodwill and certain acquisition intangibles. The recoverable amount is estimated as the higher of fair value less cost to sell and value in use. Several methodologies are applied to arrive at the best estimate of the recoverable amount.

The identification of impairment is an inherently uncertain process involving various assumptions and factors. Estimates and assumptions (including unobservable Level 3 inputs) are based on management's judgement and other information available.

For the goodwill recognised there is a significant excess of recoverable amount over book value for the cash generating units (reporting units) to which goodwill is allocated.

In 2021 and 2020, there was no impairment of goodwill.

11 Deferred acquisition costs

Changes in Deferred acquisition costs

	Life insurance		Non-life insurance		Total	
	2021	2020	2021	2020	2021	2020
Deferred acquisition costs – opening balance	1,781	1,838	90	75	1,871	1,913
Capitalised expenses	447	388	656	591	1,103	979
Amortisation and unlocking	-384	-398	-662	-578	-1,046	-976
Changes in the composition of the group and other changes	-2		2	2	-	2
Exchange rate differences	-35	-47			-35	-47
Deferred acquisition costs – closing balance	**1,807**	**1,781**	**86**	**90**	**1,893**	**1,871**

12 Assets and liabilities held for sale

Disposal groups (and groups of non-current assets) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This is only the case when the sale is highly probable and the disposal group (or group of assets) is available for immediate sale in its present condition; management must be committed to the sale, which is expected to occur within one year from the date of classification as held for sale.

Upon classification as held for sale, the carrying amount of the disposal group (or group of assets) is compared to their fair value less cost to sell. If the fair value less cost to sell is lower than the carrying value, this expected loss is recognised through a reduction of the carrying value of any goodwill related to the disposal group or the carrying value of certain other non-current non-financial assets to the extent that the carrying value of those assets exceeds their fair value. Any excess of the expected loss over the reduction of the carrying amount of these relevant assets is not recognised upon classification as held for sale, but is recognised as part of the result on disposal if and when a divestment transaction occurs.

Classification into or out of held for sale does not result in restating comparative amounts in the balance sheet.

When a group of assets that is classified as held for sale or is sold also represents a major line of business or geographical area the disposal group is classified as discontinued operations. In the Consolidated profit and loss account, the result after tax from discontinued operations is reported separately from income and expenses from continuing operations. The information for comparative years is adjusted accordingly. Reference is made to Note 31 'Discontinued operations'.

As at 31 December 2021 assets and liabilities held for sale relate to NN Group's asset management activities executed by NN Investment Partners (NN IP) and a closed book life insurance portfolio in NN Belgium.

As at 31 December 2020 assets and liabilities held for sale relate to NN Group's Bulgarian Pension and Life businesses.

Assets held for sale

	2021	2020
Cash and cash equivalents	226	8
Financial assets at fair value through profit or loss		38
Available-for-sale investments	3,117	59
Loans	64	1
Reinsurance contracts	1	
Property and equipment	12	1
Intangible assets	345	
Deferred acquisition costs		1
Other assets	356	5
Total assets	**4,121**	**113**

Liabilities held for sale

	2021	2020
Insurance and investment contracts	3,115	90
Other liabilities	349	3
Total liabilities	**3,464**	**93**

Reference is made to Note 46 'Companies acquired and companies divested'.

In 2021, Intangible assets under Assets held for sale includes EUR 311 million goodwill that relates to asset management. For businesses classified as held for sale, the related goodwill is no longer evaluated at the level of the reporting unit to which it was allocated in the regular goodwill impairment test. Instead, it is reviewed as part of the valuation of the disposal unit that is presented as held for sale. This goodwill is expected to be recovered through the sale at or above book value.

The fair value hierarchy of financial assets and liabilities (measured at fair value and measured at amortised cost), which are presented as held for sale is included below. The fair value hierarchy consists of three levels, depending upon whether fair values were determined based on quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have a more than insignificant impact on the fair value of the instrument (Level 3). Reference is made to Note 36 'Fair value of financial assets and liabilities' for more details on the methods applied in determining fair values.

12 Assets and liabilities held for sale continued

Methods applied in determining the fair value of financial assets and liabilities at fair value – held for sale (2021)

2021	Level 1	Level 2	Level 3	Total
Available-for-sale investments	2,492	625		3,117
Financial assets	**2,492**	**625**	**-**	**3,117**

13 Other assets

Other assets

	2021	2020
Insurance and reinsurance receivables	634	724
Income tax receivables	141	55
Accrued interest and rents	1,307	1,467
Other accrued assets	131	249
Cash collateral amounts paid	803	1,000
Other	690	544
Other assets	**3,706**	**4,039**

Insurance and reinsurance receivables

	2021	2020
Receivables on account of direct insurance from:		
– policyholders	434	454
– intermediaries	139	115
Reinsurance receivables	61	155
Insurance and reinsurance receivables	**634**	**724**

The allowance for uncollectable insurance and reinsurance receivables amounts to EUR 33 million as at 31 December 2021 (2020: EUR 36 million). The receivable is presented net of this allowance.

14 Equity

Total equity

	2021	2020
Share capital	38	39
Share premium	12,575	12,574
Revaluation reserve	14,422	20,468
Currency translation reserve	-181	-97
Net defined benefit asset/liability remeasurement reserve	-119	-138
Other reserves	6,153	3,885
Shareholders' equity (parent)	**32,888**	**36,731**
Minority interests	266	277
Undated subordinated notes	1,764	1,764
Total equity	**34,918**	**38,772**

14 Equity continued

Changes in Equity (2021)

2021	Share capital	Share premium	Reserves	Total shareholders' equity (parent)
Equity – opening balance	39	12,574	24,118	36,731
Total amount recognised directly in equity (Other comprehensive income)			-6,103	-6,103
Net result for the period			3,278	3,278
Changes in share capital	-1	1		-
Dividend			-412	-412
Purchase/sale of treasury shares			-545	-545
Employee stock option and share plans			-2	-2
Coupon on undated subordinated notes			-59	-59
Equity – closing balance	**38**	**12,575**	**20,275**	**32,888**

Purchase/sale of treasury shares (2021)

In 2021, 12,828,981 ordinary shares for a total amount of EUR 550 million were repurchased under an open market share buyback programme, including repurchases to neutralise the dilutive effect of stock dividends. Treasury shares for an amount of EUR 5 million were delivered under Employee share plans. The repurchased shares are held by NN Group and the amount was deducted from Other reserves (Purchase/sale of treasury shares).

In 2021, 12,400,000 NN Group treasury shares were cancelled.

As at 31 December 2021, 12,294,129 treasury shares were held by NN Group.

Issue of ordinary shares (2021)

In 2021, 2,891,880 NN Group shares were issued for the interim dividend.

Coupon paid on undated subordinated notes (2021)

The undated subordinated notes have optional annual coupon payments in June and July. The annual coupons resulted in a deduction of EUR 59 million (net of tax) from equity.

Changes in Equity (2020)

2020	Share capital	Share premium	Reserves	Total shareholders' equity (parent)
Equity – opening balance	41	12,572	18,155	30,768
Total amount recognised directly in equity (Other comprehensive income)			5,105	5,105
Net result for the period			1,904	1,904
Changes in share capital	-2	2		-
Dividend			-394	-394
Purchase/sale of treasury shares			-622	-622
Employee stock option and share plans			1	1
Coupon on undated subordinated notes			-59	-59
Changes in the composition of the group and other changes			28	28
Equity – closing balance	**39**	**12,574**	**24,118**	**36,731**

Purchase/sale of treasury shares (2020)

In 2020, 21,817,879 ordinary shares for a total amount of EUR 627 million were repurchased under an open market share buyback programme, including repurchases to neutralise the dilutive effect of stock dividends. Treasury shares for an amount of EUR 5 million were delivered under Employee share plans. The repurchased shares are held by NN Group and the amount was deducted from Other reserves (Purchase/sale of treasury shares).

In 2020, 23,289,558 NN Group treasury shares were cancelled.

As at 31 December 2020, 19,822,194 treasury shares were held by NN Group.

14 Equity continued

Issue of ordinary shares (2020)

In 2020, 10,011,647 NN Group shares were issued for the interim dividend.

Coupon paid on undated subordinated notes (2020)

The undated subordinated notes have optional annual coupon payments in June and July. The annual coupons resulted in a deduction of EUR 59 million (net of tax) from equity.

Shareholders' equity (parent)

Share capital

	Ordinary shares (in number)		Ordinary shares (amounts in millions of euros)	
	2021	2020	2021	2020
Authorised share capital	700,000,000	700,000,000	84	84
Unissued share capital	382,121,790	369,721,790	46	45
Issued share capital	**317,878,210**	**330,278,210**	**38**	**39**

Ordinary shares

The authorised ordinary share capital consists of 700,000,000 ordinary shares with a par value of EUR 0.12 per share. At 31 December 2021 issued and fully paid ordinary share capital consists of 317,878,210 ordinary shares with a par value of EUR 0.12 per share.

Distributable reserves

NN Group N.V. is subject to legal restrictions regarding the amount of dividends it can pay to its shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to total shareholders' equity less the paid-up and called share capital and less the reserves required pursuant to law or the Articles of Association. In case of negative balances for individual reserves legally to be retained, no distributions can be made out of retained earnings to the level of these negative amounts.

In addition, NN Group's ability to pay dividends is dependent on the dividend payment ability of its subsidiaries, associates and joint ventures. NN Group is legally required to create a non-distributable reserve insofar profits of its subsidiaries, associates and joint ventures are subject to dividend payment restrictions. Such restrictions may among others be of a similar nature as the restrictions which apply to NN Group.

Legally distributable reserves, determined in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code, from NN Group's subsidiaries, associates and joint ventures are as follows:

Distributable reserves based on the Dutch Civil Code

	2021	2021	2020	2020
Total shareholders' equity		32,888		36,731
– share capital	38		39	
– revaluation reserve	14,422		20,468	
– share of associates reserve	2,111		1,412	
– other non-distributable reserves	418		208	
Total non-distributable part of shareholders' equity:		16,989		22,127
Distributable reserves based on the Dutch Civil Code		**15,899**		**14,604**

The Dutch supervisory rules and regulations stemming from the Dutch Financial Supervision Act (Wet op het financieel toezicht) provide a second restriction on the possibility to distribute dividends. Total freely distributable reserves is the minimum of freely distributable capital on the basis of solvency requirements and freely distributable capital on the basis of capital protection.

14 Equity continued

Freely distributable reserves

	2021	2021	2020	2020
Solvency requirement under the Financial Supervision Act	9,840		9,534	
Reserves available for financial supervision purposes	20,927		20,028	
Total freely distributable reserves on the basis of solvency requirements		11,087		10,494
Total freely distributable reserves on the basis of the Dutch Civil Code		15,899		14,604
Total freely distributable reserves (lower of the values above)		**11,087**		**10,494**

Reference is made to Note 53 'Capital and liquidity management' for more information on solvency requirements.

Other restrictions

There are other restrictions to the ability of subsidiaries, associates and joint ventures to distribute reserves to NN Group as a result of minimum capital requirements that are imposed by industry regulators in the countries in which the group companies operate. Reference is made to Note 53 'Capital and liquidity management' for the minimum capital requirements.

In addition to the legal and regulatory restrictions on distributing dividends from subsidiaries, associates and joint ventures to NN Group there are various other considerations and limitations that are taken into account in determining the appropriate levels of equity in the Group's subsidiaries, associates and joint ventures. These considerations and limitations include, but are not restricted to, rating agency and regulatory views, which can change over time; it is not possible to disclose a reliable quantification of these limitations.

Without prejudice to the authority of the Executive Board to allocate profits to reserves and to the fact that the ordinary shares are the most junior securities issued by NN Group, no specific dividend payment restrictions with respect to ordinary shares exist.

Furthermore, NN Group is subject to legal restrictions with respect to repayment of nominal share capital to holders of ordinary shares. Nominal share capital may be repaid to the holders of ordinary shares pursuant to an amendment of NN Group's Articles of Association whereby the ordinary shares are written down. Pursuant to the Dutch Civil Code, capital may only be repaid if none of NN Group's creditors opposes such a repayment within two months following the announcement of a resolution to that effect.

Preference shares

As at 31 December 2021, none of the preference shares had been issued. The authorised number of preference shares is 700,000,000 shares.

Changes in Revaluation reserve (2021)

2021	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Revaluation reserve – opening balance	9	8,239	12,220	20,468
Unrealised revaluations		-3,093		-3,093
Realised gains/losses transferred to the profit and loss account		-1,431		-1,431
Changes in cash flow hedge reserve			-3,383	-3,383
Deferred interest credited to policyholders		1,861		1,861
Revaluation reserve – closing balance	**9**	**5,576**	**8,837**	**14,422**

Changes in Revaluation reserve (2020)

2020	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Revaluation reserve – opening balance	12	6,459	8,798	15,269
Unrealised revaluations	-3	3,104		3,101
Realised gains/losses transferred to the profit and loss account		-574		-574
Changes in cash flow hedge reserve			3,422	3,422
Deferred interest credited to policyholders		-750		-750
Revaluation reserve – closing balance	**9**	**8,239**	**12,220**	**20,468**

Deferred interest credited to policyholders reflects the change in the deferred profit sharing liabilities (net of deferred tax). Reference is made to Note 18 'Insurance and investment contracts, reinsurance contracts'.

14 Equity continued

Changes in Currency translation reserve

	2021	2020
Currency translation reserve – opening balance	-97	3
Unrealised revaluations after taxation	-18	10
Exchange rate differences for the period	-66	-110
Currency translation reserve – closing balance	**-181**	**-97**

Unrealised revaluations relate to changes in the value of hedging instruments that are designated as net investment hedges.

Changes in Other reserves (2021)

2021	Retained earnings	Share of associates reserve	Total
Other reserves – opening balance	2,473	1,412	3,885
Net result for the period	3,278		3,278
Transfers to/from share of associates reserve	-699	699	-
Dividend	-412		-412
Purchase/sale of treasury shares	-545		-545
Employee stock option and share plans	-2		-2
Coupon on subordinated notes	-59		-59
Changes in the composition of the group and other changes	8		8
Other reserves – closing balance	**4,042**	**2,111**	**6,153**

Changes in Other reserves (2020)

2020	Retained earnings	Share of associates reserve	Total
Other reserves – opening balance	1,756	1,271	3,027
Net result for the period	1,904		1,904
Transfers to/from share of associates reserve	-141	141	-
Dividend	-394		-394
Purchase/sale of treasury shares	-622		-622
Employee stock option and share plans	1		1
Coupon on subordinated notes	-59		-59
Changes in the composition of the group and other changes	28		28
Other reserves – closing balance	**2,473**	**1,412**	**3,885**

Dividends

	2021	2020
Dividend distributed from Other reserves:		
Dividend paid in cash (interim current year)	160	394
Dividend paid in cash (final previous year)	252	
Stock dividend (interim current year)	128	311
Stock dividend (final previous year)	202	
Total dividend	**742**	**705**

14 Equity continued

Interim dividend 2021

In September 2021 NN Group paid an interim dividend of EUR 0.93 per ordinary share, or approximately EUR 287 million in total. The interim dividend was paid either fully in cash, after deduction of withholding tax if applicable, or fully in ordinary shares, at the election of the shareholders. Dividends paid in the form of ordinary shares have been delivered from NN Group treasury shares. To neutralise the dilutive effect of the stock dividend, NN Group repurchases ordinary shares for an amount equivalent to the stock dividend.

Proposed final dividend 2021

At the annual general meeting on 19 May 2022, a final dividend will be proposed of EUR 1.56 per ordinary share, or approximately EUR 476 million in total based on the current number of outstanding shares. The final dividend will be paid either in cash, after deduction of withholding tax if applicable, or in ordinary shares, at the election of the shareholders. Dividends paid in the form of ordinary shares will be delivered from NN Group treasury shares or issued from the share premium reserve. To neutralise the dilutive effect of the stock dividend, NN Group will repurchase ordinary shares for an amount equivalent to the stock dividend. This is subject to adoption by the General Meeting at the annual general meeting to be held on 19 May 2022.

Interim dividend 2020

In September 2020, NN Group paid a 2020 interim dividend of EUR 2.26 per ordinary share, or approximately EUR 705 million in total. This amount comprises (i) EUR 1.40 per ordinary share, equal to the amount of the 2019 final dividend that was suspended in April 2020 plus ii) EUR 0.86 per ordinary share, equal to the regular 2020 interim dividend calculated in accordance with the NN Group dividend policy. The 2020 interim dividend was paid either in cash, after deduction of withholding tax if applicable, or ordinary shares at the election of the shareholder. As a result, an amount of EUR 394 million was distributed out of Other reserves (cash dividend) and 10,011,647 ordinary shares, with a par value of EUR 0.12 per share, were issued (EUR 311 million stock dividend). To neutralise the dilutive effect of the interim stock dividend, NN Group repurchased ordinary shares for an amount equivalent to the stock dividend.

Final dividend 2020

NN Group paid a final dividend of EUR 1.47 per ordinary share, or EUR 454 million in total. The final dividend was paid either in cash, after deduction of withholding tax if applicable, or in ordinary shares, at the election of the shareholders. Dividends paid in the form of ordinary shares were delivered from NN Group treasury shares or issued from the share premium reserve. To neutralise the dilutive effect of the stock dividend, NN Group repurchased ordinary shares for an amount equivalent to the stock dividend.

Appropriation of result

The result is appropriated pursuant to Article 34 of the Articles of Association of NN Group N.V., of which the relevant provisions state that the appropriation of result shall be determined by the General Meeting, on the proposal of the Executive Board, as approved by the Supervisory Board. It is proposed to add the 2021 net result less the (interim and final) cash dividends to the retained earnings.

Minority interest

NN Group owns 51% of the shares of ABN AMRO Verzekeringen Holding B.V. (ABN AMRO Verzekeringen). ABN AMRO Verzekeringen's principal place of business is Zwolle, the Netherlands. ABN AMRO Verzekeringen is fully consolidated by NN Group, with a minority interest recognised of 49%.

At 31 December 2021, the minority interest relating to ABN AMRO Verzekeringen recognised in equity was EUR 245 million (2020: EUR 259 million).

Summarised information ABN AMRO Verzekeringen[1]

	2021	2020
Total assets	4,566	4,706
Total liabilities	4,065	4,176
Total income	502	546
Total expenses	470	489
Net result recognised in period	23	37
Other comprehensive income recognised in period	7	6
Dividends paid	59	5

1 All on 100% basis.

14 Equity continued

Undated subordinated notes

In July 2014, NN Group N.V. issued fixed to floating rate undated subordinated notes with a par value of EUR 1,000 million. The notes are undated, but are callable after 11.5 years and every quarter thereafter (subject to regulatory approval). The coupon is fixed at 4.5% per annum for the first 11.5 years and will be floating thereafter. As these notes are undated and include optional deferral of interest at the discretion of NN Group, these are classified under IFRS-EU as equity. Coupon payments are distributed out of equity if and when paid or contractually due. The discount to the par value and certain issue costs were deducted from equity at issue, resulting in a balance sheet value equal to the net proceeds of EUR 986 million.

In June 2014, fixed to floating rate undated subordinated notes with a par value of EUR 750 million were originally issued by Delta Lloyd which are classified as equity under IFRS-EU. The notes are undated, but are callable as from 13 June 2024 and every quarter thereafter (subject to regulatory approval). The coupon is fixed at 4.375% per annum until 13 June 2024 and will be floating thereafter. Coupon payments are distributed out of equity if and when paid or contractually due. These notes were recognised upon acquisition of Delta Lloyd for an amount of EUR 778 million.

15 Subordinated debt

Subordinated debt

				Notional amount		Balance Sheet Value	
Interest rate	**Year of issue**	**Due date**	**First call date**	**2021**	**2020**	**2021**	**2020**
4.625%	2014	8 April 2044	8 April 2024	1,000	1,000	995	994
4.625%	2017	13 January 2048	13 January 2028	850	850	841	840
9.000%	2017	29 August 2042	29 August 2022	500	500	520	549
Subordinated debt						**2,356**	**2,383**

The above subordinated debt instruments have been issued to raise hybrid capital. Under IFRS-EU these debt instruments are classified as liabilities. They are considered capital for regulatory purposes. All subordinated debt is euro denominated.

16 Debt securities issued

Debt securities issued

				Notional amount		Balance Sheet Value	
Interest rate	**Year of issue**	**Due date**	**First call date**	**2021**	**2020**	**2021**	**2020**
1.000%	2015	18 March 2022	Not applicable	600	600	600	600
0.875%	2017	13 January 2023	13 October 2022	500	500	499	498
1.625%	2017	1 June 2027	1 March 2027	600	600	596	596
0.875%	2021	23 November 2031	23 May 2031	600		597	
Debt securities issued						**2,292**	**1,694**

17 Other borrowed funds

Other borrowed funds

	2021	**2020**
Credit institutions	578	1,402
Other	6,723	6,140
Other borrowed funds	**7,301**	**7,542**

Other borrowed funds includes the funding of the consolidated securitisation programmes as disclosed in Note 47 'Structured entities' and unsecured Debt Issuance.

During 2021, NN Bank issued EUR 0.5 billion bonds under its Covered Bond Programme, backed by Dutch prime residential mortgage loans (2020 EUR 1.3 billion).

18 Insurance and investment contracts, reinsurance contracts

Insurance and investment contracts, reinsurance contracts

	Liabilities net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	2021	2020	2021	2020	2021	2020
Non-participating life policy liabilities	55,364	55,968	475	284	55,839	56,252
Participating life policy liabilities	54,739	55,451	98	397	54,837	55,848
Investment contracts with discretionary participation features	3,222	5,601			3,222	5,601
Liabilities for (deferred) profit sharing and rebates	7,305	9,822			7,305	9,822
Life insurance liabilities excluding liabilities for risk of policyholders	**120,630**	**126,842**	**573**	**681**	**121,203**	**127,523**
Liabilities for life insurance for risk of policyholders	37,499	33,287	32	36	37,531	33,323
Investment contract with discretionary participation features for risk of policyholders	259	245			259	245
Life insurance liabilities	**158,388**	**160,374**	**605**	**717**	**158,993**	**161,091**
Liabilities for unearned premiums and unexpired risks	**406**	**443**	**19**	**16**	**425**	**459**
Reported claims liabilities	4,940	4,908	265	255	5,205	5,163
Claims incurred but not reported (IBNR)	1,722	1,632	65	75	1,787	1,707
Claims liabilities	**6,662**	**6,540**	**330**	**330**	**6,992**	**6,870**
Insurance liabilities and investment contracts with discretionary participation features	**165,456**	**167,357**	**954**	**1,063**	**166,410**	**168,420**
Investment contracts	953	1,002			953	1,002
Investment contracts for risk of policyholders	1,449	1,250			1,449	1,250
Investment contracts liabilities	**2,402**	**2,252**			**2,402**	**2,252**
Insurance and investment contracts, reinsurance contracts	**167,858**	**169,609**	**954**	**1,063**	**168,812**	**170,672**

The liabilities for insurance and investment contracts are presented gross in the balance sheet as 'Insurance and investment contracts'. The related reinsurance is presented as 'Reinsurance contracts' under Assets in the balance sheet.

Deferred interest credited to policyholders is included in the 'Liabilities for (deferred) profit sharing and rebates' and amounts to EUR 7,148 million as at 31 December 2021 (2020: EUR 9,538 million).

18 Insurance and investment contracts, reinsurance contracts continued

Changes in Life insurance liabilities (2021)

2021	Net life insurance liabilities[1]	Net liabilities for risk of policyholders[2]	Reinsurance contracts	Life insurance liabilities
Life insurance liabilities – opening balance	126,842	33,532	717	161,091
Deferred interest credited to policyholders	-2,381			-2,381
Current year liabilities	4,567	2,971	1,082	8,620
Prior years liabilities:				
– benefit payments to policyholders	-7,495	-2,525	-809	-10,829
– interest accrual and changes in fair value of liabilities	2,135		3	2,138
– valuation changes for risk of policyholders		4,201		4,201
– effect of changes in discount rate assumptions	-15		-4	-19
– effect of changes in other assumptions	-94	-22		-116
Changes in the composition of the group and other changes	-2,316	-339	-373	-3,028
Exchange rate differences	-613	-60	-11	-684
Life insurance liabilities – closing balance	**120,630**	**37,758**	**605**	**158,993**

1 Net of reinsurance and liabilities for risk of policyholders.
2 Net of reinsurance.

Changes in composition of the group and other changes includes the impact of the classification of a closed book life insurance portfolio in NN Belgium as held for sale.

Changes in Life insurance liabilities (2020)

2020	Net life insurance liabilities[1]	Net liabilities for risk of policyholders[2]	Reinsurance contracts	Life insurance liabilities
Life insurance liabilities – opening balance	126,089	33,224	713	160,026
Deferred interest credited to policyholders	1,298			1,298
Current year liabilities	5,713	2,059	855	8,627
Prior years liabilities:				
– benefit payments to policyholders	-8,539	-2,258	-853	-11,650
– interest accrual and changes in fair value of liabilities	2,351		7	2,358
– valuation changes for risk of policyholders		1,731		1,731
– effect of changes in discount rate assumptions	14		1	15
– effect of changes in other assumptions	-105	-24		-129
Changes in the composition of the group and other changes	752	-964	5	-207
Exchange rate differences	-731	-236	-11	-978
Life insurance liabilities – closing balance	**126,842**	**33,532**	**717**	**161,091**

1 Net of reinsurance and liabilities for risk of policyholders.
2 Net of reinsurance.

Where discounting is used in the calculation of life insurance liabilities, the discount rate for the main units in the Netherlands was in a range of 1.0% to 4.0% (2020: 1.0% to 4.0%). The range of discount rates in the international entities was -1.0% to 6.0% (2020: -1.0% to 8.0%).

Changes in the composition of the group and other changes includes insurance contracts for risk of policyholders with guarantees that were extended as general account contracts and the transfer of certain insurance contracts.

18 Insurance and investment contracts, reinsurance contracts continued

Longevity reinsurance

In May 2020, NN Group entered into three reinsurance agreements to reinsure the full longevity risk associated with in total approximately EUR 13.5 billion of pension liabilities in NN Group in the Netherlands. This reinsurance reduces NN Group's exposure to longevity risk and, consequently, the required capital under Solvency II. The three reinsurance agreements are similar in nature but are agreed with three different assuming reinsurers, Canada Life, Munich Re and Swiss Re. The risk transfer is effective as of 1 January 2020 and will continue until the relevant portfolio has run off.

The premium payable to the assuming reinsurers is fixed and includes a margin of approximately EUR 451 million over the current best estimate of benefits payable under the related portfolios. This margin, which represents a cost of reinsurance to NN Group is recognised in the profit and loss account over the duration of the reinsurance. An amount of EUR 27 million (2020: EUR 25 million) was recognised in Underwriting expenditure in the profit and loss account in 2021. An amount of approximately EUR 399 million (undiscounted) remains to be recognised in future periods.

In December 2021, NN Group entered into a fourth reinsurance agreement to reinsure the full longevity risk associated with in total approximately EUR 4 billion of pension liabilities in NN Group in the Netherlands. This reinsurance reduces NN Group's exposure to longevity risk and, consequently, the required capital under Solvency II. The fourth reinsurance agreement is similar in nature to the first three contracts but is agreed with a different reinsurer, RGA. The risk transfer for the fourth contract is effective as of 31 December 2021. The risk transfer will continue until the relevant portfolio has run off.

The premium payable to the assuming reinsurer is fixed and includes a margin of approximately EUR 140 million over the current best estimate of benefits payable under the related portfolios. This margin, which represents a cost of reinsurance to NN Group is recognised in the profit and loss account over the duration of the reinsurance. No amount was recognised in Underwriting expenditure in the profit and loss account in 2021. An amount of approximately EUR 140 million (undiscounted) remains to be recognised in future periods.

Changes in Liabilities for unearned premiums and unexpired risks

	Liabilities net of reinsurance		Reinsurance contracts		Liabilities for unearned premiums and unexpired risk	
	2021	2020	2021	2020	2021	2020
Liabilities for unearned premiums and unexpired risks – opening balance	443	390	16	15	459	405
Premiums written	3,648	3,363	221	216	3,869	3,579
Premiums earned during the year	-3,681	-3,478	-218	-216	-3,899	-3,694
Changes in the composition of the group and other changes	-4	168		1	-4	169
Liabilities for unearned premiums and unexpired risks – closing balance	**406**	**443**	**19**	**16**	**425**	**459**

18 Insurance and investment contracts, reinsurance contracts continued

Changes in Claims liabilities

	Liabilities net of reinsurance		Reinsurance contracts		Claims liabilities	
	2021	2020	2021	2020	2021	2020
Claims liabilities – opening balance	6,540	5,400	330	260	6,870	5,660
Additions:						
– for the current year	2,347	2,391	60	95	2,407	2,486
– for prior years	-28	-125	-18	-15	-46	-140
– interest accrual of liabilities	58	61			58	61
Additions	**2,377**	**2,327**	**42**	**80**	**2,419**	**2,407**
Claim settlements and claim settlement costs:						
– for the current year	-859	-918	-9	-30	-868	-948
– for prior years	-1,396	-1,306	-33	-49	-1,429	-1,355
Claim settlements and claim settlement cost	**-2,255**	**-2,224**	**-42**	**-79**	**-2,297**	**-2,303**
Changes in the composition of the group and other changes		1,040		69	-	1,109
Exchange rate differences		-3			-	-3
Claims liabilities – closing balance	**6,662**	**6,540**	**330**	**330**	**6,992**	**6,870**

Where discounting is used in the calculation of the claims liabilities the rate is within the range of -1.0% to 4.0% (2020: -1.0% to 4.0%).

Changes in Investment contracts

	2021	2020
Investment contracts – opening balance	2,252	2,160
Current year liabilities	276	209
Prior years liabilities:		
– payments to contract holders	-266	-179
– interest accrual	8	10
– valuation changes investments	132	52
Investment contracts – closing balance	**2,402**	**2,252**

18 Insurance and investment contracts, reinsurance contracts continued

Gross claims development table

											Accident year
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Estimate of cumulative claims											
At the end of accident year	2,943	2,789	2,669	2,546	2,709	2,602	2,837	2,640	2,674	2,443	
1 year later	2,869	2,874	2,687	2,596	2,721	2,598	2,792	2,648	2,569		
2 years later	2,828	2,839	2,661	2,615	2,699	2,539	2,795	2,664			
3 years later	2,788	2,814	2,680	2,611	2,715	2,555	2,817				
4 years later	2,778	2,778	2,656	2,577	2,658	2,538					
5 years later	2,770	2,762	2,655	2,569	2,694						
6 years later	2,779	2,769	2,670	2,587							
7 years later	2,770	2,772	2,630								
8 years later	2,757	2,775									
9 years later	2,759										
Estimate of cumulative claims	**2,759**	**2,775**	**2,630**	**2,587**	**2,694**	**2,538**	**2,817**	**2,664**	**2,569**	**2,443**	**26,476**
Cumulative payments	-2,539	-2,507	-2,337	-2,213	-2,283	-2,017	-2,065	-1,824	-1,524	-869	-20,178
	220	**268**	**293**	**374**	**411**	**521**	**752**	**840**	**1,045**	**1,574**	**6,298**
Effect of discounting	-22	-22	-21	-28	-26	-31	-40	-48	-35	-35	-308
Liabilities recognised	**198**	**246**	**272**	**346**	**385**	**490**	**712**	**792**	**1,010**	**1,539**	**5,990**
Liabilities relating to accident years prior to 2012											1,002
Gross claims											**6,992**

To the extent that the assuming reinsurers are unable to meet their obligations, NN Group is liable to its policyholders for the portion reinsured. Consequently, provisions are made for receivables on reinsurance contracts if and when they are deemed uncollectable.

As at 31 December 2021, the total reinsurance exposure including reinsurance contracts and receivables from reinsurers (presented in Note 13 'Other assets') amounts to EUR 1,015 million (2020: EUR 1,218 million).

19 Customer deposits and other funds on deposit

Customer deposits and other funds on deposit

	2021	2020
Savings	7,364	7,278
Bank annuities	8,577	8,521
Corporate deposits	4	4
Customer deposits and other funds on deposit	**15,945**	**15,803**

Customers have not entrusted any funds to NN Group on terms other than those prevailing in the normal course of business. All customer deposits and other funds on deposit are interest bearing.

Changes in Customer deposits and other funds on deposit

	2021	2020
Customer deposits and other funds on deposit – opening balance	15,803	15,161
Deposits received	4,826	4,220
Withdrawals	-4,656	-3,549
Amortisation	-28	-29
Customer deposits and other funds on deposit – closing balance	**15,945**	**15,803**

20 Financial liabilities at fair value through profit or loss

Non-trading derivatives

	2021	2020
Derivatives used in:		
– fair value hedges	4	547
– cash flow hedges	904	159
– hedges of net investments in foreign operations	10	12
Other non-trading derivatives	986	3,294
Non-trading derivatives	**1,904**	**4,012**

Other non-trading derivatives includes derivatives for which no hedge accounting is applied.

21 Other liabilities

Other liabilities

	2021	2020
Income tax payable	65	92
Net defined benefit liability	138	167
Other post-employment benefits	6	14
Other staff-related liabilities	93	124
Other taxation and social security contributions	161	169
Deposits from reinsurers	63	327
Lease liabilities	294	335
Accrued interest	182	240
Costs payable	309	324
Amounts payable to policyholders	802	1,002
Provisions	137	158
Amounts to be settled	1,213	1,126
Cash collateral amounts received	5,330	11,594
Other	983	766
Other liabilities	**9,776**	**16,438**

Other staff-related liabilities include vacation leave provisions, variable compensation provisions, jubilee provisions and disability/illness provisions.

Cash collateral amounts received relate to collateralised derivatives. The decrease is a result of the decrease in fair value of outstanding collateralised derivatives following an increase in market interest rates.

Other mainly relates to year-end accruals in the normal course of business.

Net defined benefit liability

	2021	2020
Fair value of plan assets	79	76
Defined benefit obligation	217	243
Net defined benefit liability recognised in the balance sheet (funded status)	**138**	**167**

21 Other liabilities continued

Changes in Provisions

	2021	2020
Provisions – opening balance	158	292
Additions	69	99
Releases	-12	-135
Charges	-74	-95
Changes in the composition of the group and other changes	-3	
Exchange rate differences	-1	-3
Provisions – closing balance	**137**	**158**

Provisions relate to reorganisation provisions, litigation provisions and other provisions.

Reorganisation provisions were recognised for operations in the Netherlands for the cost of workforce reductions. Additions to the reorganisation provision were recognised in 2021 and 2020 due to additional initiatives announced during the year. During 2021 EUR 66 million was charged to the reorganisation provision for the cost of workforce reductions (2020: EUR 65 million).

22 Gross premium income

Gross premium income

	2021	2020
Gross premium income from life insurance policies	10,443	10,243
Gross premium income from non-life insurance policies	3,869	3,579
Gross premium income	**14,312**	**13,822**

Gross premium income is presented before deduction of reinsurance and retrocession premiums. Gross premium income excludes premium received for investment contracts, for which deposit accounting is applied.

Premiums written – net of reinsurance

	Life		Non-life		Total	
	2021	2020	2021	2020	2021	2020
Direct gross premiums written	10,411	10,209	3,864	3,576	14,275	13,785
Reinsurance assumed gross premiums written	32	34	5	3	37	37
Gross premiums written	**10,443**	**10,243**	**3,869**	**3,579**	**14,312**	**13,822**
Reinsurance ceded	-1,304	-1,119	-221	-216	-1,525	-1,335
Premiums written net of reinsurance	**9,139**	**9,124**	**3,648**	**3,363**	**12,787**	**12,487**

Non-life premiums earned – net of reinsurance

	2021	2020
Direct gross premiums earned	3,894	3,692
Reinsurance assumed gross premiums earned	5	2
Gross premiums earned	**3,899**	**3,694**
Reinsurance ceded	-218	-216
Non-life premiums earned – net of reinsurance	**3,681**	**3,478**

Reinsurance ceded is included in Underwriting expenditure. Reference is made to Note 26 'Underwriting expenditure'.

23 Investment income

Investment income

	2021	2020
Interest income from investments in debt securities	1,739	1,752
Interest income from loans	1,531	1,604
Interest income from investments in debt securities and loans	**3,270**	**3,356**
Realised gains/losses on disposal of available-for-sale debt securities	569	595
Impairments of available-for-sale debt securities		-6
Realised gains/losses and impairments of available-for-sale debt securities	**569**	**589**
Realised gains/losses on disposal of available-for-sale equity securities	1,141	403
Impairments of available-for-sale equity securities	-44	-338
Realised gains/losses and impairments of available-for-sale equity securities	**1,097**	**65**
Interest income on non-trading derivatives	210	239
Changes in loan loss provisions	13	-19
Income from real estate investments	104	109
Dividend income	301	256
Change in fair value of real estate investments	241	-21
Investment income	**5,805**	**4,574**

Impairments on investments by segment

	2021	2020
Netherlands Life	-39	-283
Netherlands Non-life	-1	-24
Insurance Europe	-4	-4
Japan Life		-17
Other		-16
Impairments on investments	**-44**	**-344**

24 Net fee and commission income

Net fee and commission income

	2021	2020
Asset management fees	288	168
Insurance brokerage and advisory fees	153	131
Other	-14	44
Gross fee and commission income	**427**	**343**
Trailer fees		-1
Asset management fees	34	34
Commission expenses and other	88	46
Fee and commission expenses	**122**	**79**
Net fee and commission income	**305**	**264**

25 Valuation results on non-trading derivatives

Valuation results on non-trading derivatives

	2021	2020
Change in fair value of derivatives relating to:		
– fair value hedges	481	-670
– cash flow hedges (ineffective portion)	-10	2
– other non-trading derivatives	-716	883
Net result on non-trading derivatives	**-245**	**215**
Change in fair value of assets and liabilities (hedged items)	-486	678
Valuation results on assets and liabilities designated as at fair value through profit or loss	29	8
Valuation results on non-trading derivatives	**-702**	**901**

Included in 'Valuation results on non-trading derivatives' are the fair value movements on derivatives used to economically hedge exposures, but for which no hedge accounting is applied. These derivatives hedge exposures in insurance contract liabilities and foreign exchange exposures in the investment portfolio. The fair value movements on the derivatives are influenced by changes in the market conditions, such as share prices, interest rates and currency exchange rates. The change in fair value of the derivatives is partly offset by changes in insurance contract liabilities, which are included in 'Underwriting expenditure' and partly offset by foreign currency results. Reference is made to Note 26 'Underwriting expenditure' and the line Foreign currency results in the consolidated profit and loss account.

Valuation results on non-trading derivatives are reflected in the Consolidated statement of cash flows in the section 'Result before tax', in the line item 'Adjusted for: other'.

Reference is made to Note 38 'Derivatives and hedge accounting'.

26 Underwriting expenditure

Underwriting expenditure

	2021	2020
Gross underwriting expenditure:		
– before effect of investment result for risk of policyholders	15,821	15,583
– effect of investment result for risk of policyholders	4,201	1,733
Gross underwriting expenditure	**20,022**	**17,316**
Investment result for risk of policyholders	-4,201	-1,733
Reinsurance recoveries	-1,045	-1,095
Underwriting expenditure	**14,776**	**14,488**

The investment income and valuation results regarding investments for risk of policyholders is EUR 4,201 million (2020: EUR 1,733 million). This amount is recognised in 'Underwriting expenditure'. As a result, it is shown together with the equal amount of related change in insurance liabilities for risk of policyholders.

26 Underwriting expenditure continued

Underwriting expenditure by class

	2021	2020
Expenditure from life underwriting:		
– reinsurance and retrocession premiums	1,304	1,119
– gross benefits	11,044	11,426
– reinsurance recoveries	-991	-1,007
– change in life insurance liabilities	-509	-828
– costs of acquiring insurance business	470	499
– other underwriting expenditure	194	182
– profit sharing and rebates	62	81
Expenditure from life underwriting	**11,574**	**11,472**
Expenditure from non-life underwriting:		
– reinsurance and retrocession premiums	221	216
– gross claims	2,260	2,238
– reinsurance recoveries	-54	-88
– changes in the liabilities for unearned premiums	-33	-115
– changes in claims liabilities	122	110
– costs of acquiring insurance business	712	676
– other underwriting expenditure	-35	-32
Expenditure from non-life underwriting	**3,193**	**3,005**
Expenditure from investment contracts:		
– costs of acquiring investment contracts	1	1
– other changes in investment contract liabilities	8	10
Expenditure from investment contracts	**9**	**11**
Underwriting expenditure	**14,776**	**14,488**

Profit sharing and rebates

	2021	2020
Distributions on account of interest or underwriting results	7	18
Bonuses added to policies	55	63
Profit sharing and rebates	**62**	**81**

The total costs of acquiring insurance business (life and non-life) and investment contracts amounted to EUR 1,183 million (2020: EUR 1,176 million). This includes amortisation and unlocking of DAC of EUR 1,046 million (2020: EUR 976 million) and the net amount of commissions paid of EUR 1,240 million (2020: EUR 1,179 million) and commissions capitalised in DAC of EUR 1,103 million (2020: EUR 979 million).

The total amount of commission paid and commission payable amounted to EUR 1,418 million (2020: EUR 1,288 million). This includes the commissions recognised in 'costs of acquiring insurance business' of EUR 1,240 million (2020: EUR 1,179 million) referred to above and commissions recognised in 'other underwriting expenditure' of EUR 178 million (2020: EUR 109 million). Other underwriting expenditure also includes reinsurance commissions received of EUR 89 million (2020: EUR 81 million).

26 Underwriting expenditure continued

As set out in the section 'Accounting policies for specific items – Insurance and investment contracts, reinsurance contracts', NN Group applies, for certain specific products or components thereof, the option in IFRS 4 to measure (components of) the liabilities for insurance contracts using market-consistent interest rates and other current estimates and assumptions. This relates mainly to certain guarantees embedded in insurance contracts in Japan. The impact of these market-consistent assumptions is reflected in 'Underwriting expenditure – change in life insurance liabilities'.

This impact is largely offset by the impact of related hedging derivatives. As disclosed in Note 25 'Valuation results on non-trading derivatives', the valuation results on non-trading derivatives include the fair value movements on derivatives used to economically hedge exposures, but for which no hedge accounting is applied. For insurance operations, these derivatives hedge mainly exposures in Insurance contract liabilities. The fair value movements on the derivatives are influenced by changes in the market conditions, such as stock prices, interest rates and currency exchange rates. The change in fair value of the derivatives is partly offset by changes in insurance contract liabilities, which are included in 'Underwriting expenditure'.

27 Amortisation of intangible assets and other impairments

Amortisation of intangible assets and other impairments

	2021	2020
Other impairments and reversals of other impairments	**-**	**-**
Amortisation of other intangible assets	33	27
Amortisation of intangible assets and other impairments	**33**	**27**

Impairment on debt securities, equity securities and loans are included in Note 23 'Investment income'.

28 Staff expenses

Staff expenses

	2021	2020
Salaries	813	791
Variable salaries	38	44
Pension costs	117	118
Social security costs	123	124
Share-based compensation arrangements	6	5
External staff costs	272	289
Education	14	12
Other staff costs	46	63
Staff expenses	**1,429**	**1,446**

Pension costs

	2021	2020
Current service cost	9	9
Net interest cost	-7	-6
Defined benefit plans	**2**	**3**
Defined contribution plans	115	115
Pension costs	**117**	**118**

Defined contribution plans

Certain group companies sponsor defined contribution pension plans. The assets of all NN Group's defined contribution plans are held in independently administered funds. Contributions are generally determined as a percentage of pay. These plans do not give rise to balance sheet provisions, other than relating to short-term timing differences included in 'Other assets' or 'Other liabilities'.

Number of employees

Reference is made to Note 34 'Principal subsidiaries and geographical information' for information on the average number of employees.

28 Staff expenses continued

Remuneration of Executive Board, Management Board and Supervisory Board

Reference is made to Note 49 'Key management personnel compensation'.

Share plans

NN Group has granted shares to a number of senior executives (members of the Management Board, general managers and other officers nominated by the Management Board). The purpose of the share schemes is to attract, retain and motivate senior executives and staff.

Share awards comprise upfront shares and deferred shares. The entitlement to the deferred shares is granted conditionally. If the participant remains in employment for an uninterrupted period between the grant date and the vesting date, the entitlement becomes unconditional. A retention period applies from the moment of vesting these awards (five years for Management Board and one year for Identified Staff).

Share awards

Changes in Share awards outstanding

	Share awards (in number)		Weighted average grant date fair value (in euros)	
	2021	2020	2021	2020
Share awards outstanding – opening balance	454,738	478,058	29.29	36.38
Granted	271,322	292,189	40.48	20.78
Vested	-279,522	-298,899	33.13	32.02
Forfeited	-36,155	-16,610	34.12	34.55
Share awards outstanding – closing balance	**410,383**	**454,738**	**33.64**	**29.29**

In 2021, 35,645 (2020: 40,278) share awards on NN Group shares were granted to the members of the Executive and Management Board. In 2021, 235,677 (2020: 251,911) share awards on NN Group shares were granted to senior management and other employees.

As at 31 December 2021, the share awards on NN Group shares consist of 383,942 (2020: 427,305) share awards relating to equity-settled share-based payment arrangements and 26,441 (2020: 27,433) share awards relating to cash-settled share-based payment arrangements.

The fair value of share awards granted is allocated over the vesting period of the share awards as an expense under staff expenses.

As at 31 December 2021, total unrecognised compensation costs related to share awards amount to EUR 7 million (2020: EUR 4 million). These costs are expected to be recognised over a weighted average period of 1.3 years (2020: 1.3 years).

29 Interest expenses

Interest expenses

	2021	2020
Interest expenses on non-trading derivatives	238	228
Other interest expenses	283	283
Interest expenses	**521**	**511**

In 2021, total interest income and total interest expenses for items not valued at fair value through profit or loss were EUR 3,270 million (2020: EUR 3,356 million) and EUR 283 million (2020: EUR 283 million) respectively.

Interest income and expenses are included in the following profit and loss account lines.

Total net interest income

	2021	2020
Investment income	3,480	3,595
Interest expenses on non-trading derivatives	-238	-228
Other interest expenses	-283	-283
Total net interest income	**2,959**	**3,084**

30 Other operating expenses

Other operating expenses

	2021	2020
Depreciation of property and equipment	79	84
Amortisation of software	33	36
Computer costs	281	285
Office expenses	60	68
Travel and accommodation expenses	3	6
Advertising and public relations	66	60
External advisory fees	211	169
Addition/(releases) of provisions for reorganisation and relocations	31	73
Other	78	73
Other operating expenses	**842**	**854**

31 Discontinued operations

As of 2021, NN Group's asset management activities executed by NN Investment Partners (NN IP) are classified as discontinued operations. Reference is made to Note 46 'Companies and businesses acquired and divested'.

Net result from discontinued operations consists of the net result (after tax) of the businesses classified as discontinued operations and is presented separately in the profit and loss account for both 2021 and 2020. No gain or loss has been recognised in the profit and loss account upon the classification as held for sale and discontinued operations.

Net result from discontinued operations

For the period ended 31 December	2021	2020
Total income	482	439
Total expenses	304	286
Result before tax from discontinued operations	**178**	**153**
Taxation	43	38
Net result from discontinued operations	**135**	**115**

The activities of NN IP were reported in the segment Asset Management before these were classified as discontinued operations and held for sale. The segment Asset Management ceased to exist in 2021, following the classification as discontinued operations, as all activities previously included in this segment are now discontinued operations.

Reference is made to Note 12 'Assets and liabilities held for sale' for information on the assets and liabilities of the discontinued operations.

Net cash flow from discontinued operations

	2021	2020
Operating cash flow	95	-2
Investing cash flow	-10	-22
Financing cash flow	-4	-3
Net cash flow from discontinued operations	**81**	**-27**

32 Earnings per ordinary share

Earnings per ordinary share shows earnings per share amounts for profit or loss attributable to shareholders of the parent. Earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares outstanding. In calculating the weighted average number of ordinary shares outstanding, own shares held by group companies are deducted from the total number of ordinary shares in issue.

Changes in the number of ordinary shares outstanding without a corresponding change in resources are taken into account, including if these changes occurred after the reporting date but before the annual accounts are authorised for issue.

Diluted earnings per share is calculated as if the share plans had been exercised at the beginning of the period and assuming that the cash received from exercised share plans and warrants was used to buy own shares against the average market price during the period. The net increase in the number of shares resulting from exercising share plans and warrants is added to the average number of shares used for the calculation of diluted earnings per share.

Earnings per ordinary share from continuing and discontinued operations

	Amounts (in millions of euros)		Weighted average number of ordinary shares (in millions)		Per ordinary share (in euros)	
	2021	2020	2021	2020	2021	2020
Net result from continuing and discontinued operations	3,278	1,904				
Coupon on undated subordinated notes	-59	-59				
Basic earnings from continuing and discontinued operations	**3,219**	**1,845**	**308.9**	**314.1**	**10.42**	**5.88**
Dilutive instruments:						
– Share plans			0.4	0.5		
Dilutive instruments			**0.4**	**0.5**		
Diluted earnings from continuing and discontinued operations	**3,219**	**1,845**	**309.3**	**314.6**	**10.41**	**5.87**

Earnings per ordinary share from continuing operations

	Amounts (in millions of euros)		Weighted average number of ordinary shares (in millions)		Per ordinary share (in euros)	
	2021	2020	2021	2020	2021	2020
Net result from continuing operations	3,151	1,793				
Coupon on undated subordinated notes	-59	-59				
Basic earnings from continuing operations	**3,092**	**1,734**	**308.9**	**314.1**	**10.01**	**5.52**
Dilutive instruments:						
– Share plans			0.4	0.5		
Dilutive instruments			**0.4**	**0.5**		
Diluted earnings from continuing operations	**3,092**	**1,734**	**309.3**	**314.6**	**10.00**	**5.51**

Earnings per ordinary share from discontinued operations

	Amounts (in millions of euros)		Weighted average number of ordinary shares (in millions)		Per ordinary share (in euros)	
	2021	2020	2021	2020	2021	2020
Net result from discontinued operations	127	111				
Basic earnings from discontinued operations	**127**	**111**	**308.9**	**314.1**	**0.41**	**0.36**
Dilutive instruments:						
– Share plans			0.4	0.5		
Dilutive instruments			**0.4**	**0.5**		
Diluted earnings from discontinued operations	**127**	**111**	**309.3**	**314.6**	**0.41**	**0.36**

33 Segments

The reporting segments for NN Group, based on the internal reporting structure, are as follows:

- Netherlands Life (Group life and individual life insurance products in the Netherlands)
- Netherlands Non-life (Non-life insurance in the Netherlands including disability and accident, fire, motor and transport insurance)
- Insurance Europe (Life insurance, pension products and to a small extent non-life insurance and retirement services in Central and Rest of Europe)
- Japan Life (Life insurance primarily Corporate Owned Life Insurance (COLI) business)
- Banking
- Other (Operating segments that have been aggregated due to their respective size; including Japan Closed Block VA (Closed block single premium variable annuity individual life insurance portfolio in Japan, including the internally reinsured minimum guarantee risk, which has been closed to new business and which is being managed in run-off), reinsurance and items related to capital management and the head office)

As disclosed in Note 31 'Discontinued operations' as of 2021 the segment Asset Management ceased to exist. As a result, the result from the Asset management activities is presented separately from the results of the remaining segments. The comparatives for 2020 have also been restated to reflect the classification as a discontinued operation.

The Executive Board and the Management Board set the performance targets and approve and monitor the budgets prepared by the reporting segments. The segments formulate strategic, commercial and financial policies in conformity with the strategy and performance targets set by the Executive Board and the Management Board.

The accounting policies of the segments are the same as those described in Note 1 'Accounting policies'. Transfer prices for inter-segment transactions are set at arm's length. Corporate expenses are allocated to segments based on time spent by head office personnel, the relative number of staff, or on the basis of income and/or assets of the segment. Intercompany loans that qualify as equity instruments under IFRS-EU are presented in the segment reporting as debt; related coupon payments are presented as income and expenses in the respective segments.

Operating result (before tax) is used by NN Group to evaluate the financial performance of its segments.

The operating result for the life insurance business is analysed through a margin analysis, which includes the investment margin, fees and premium-based revenues and the technical margin. Disclosures on comparative years also reflect the impact of current year's divestments. Operating result as presented below is an Alternative Performance Measure (non-GAAP financial measure) and is not a measure of financial performance under IFRS-EU. Because it is not determined in accordance with IFRS-EU, operating result as presented by NN Group may not be comparable to other similarly titled measures of performance of other companies. The net result on transactions between segments is eliminated in the net result of the relevant segment. Operating result is calculated as explained below in the section Alternative Performance Measures.

33 Segments continued

Segments (2021)

2021	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Banking	Other	Total
Investment margin	996		116	-12			1,100
Fees and premium-based revenues	391		811	610			1,812
Technical margin	103		235	30			368
Operating income non-modelled life business			1				1
Operating income	**1,490**	**-**	**1,163**	**628**	**-**	**-**	**3,281**
Administrative expenses	473		446	135			1,054
DAC amortisation and trail commissions	31		401	230			662
Expenses	**504**	**-**	**847**	**365**	**-**	**-**	**1,716**
Operating result non-life		314	-1				313
Operating result banking					134		134
Operating result other						-157	-157
Operating result from continuing operations	**986**	**314**	**315**	**263**	**134**	**-157**	**1,855**
Non-operating items from continuing operations:							
– gains/losses and impairments	1,618	33	2	4	2	12	1,671
– revaluations	379	24	46	-2		39	485
– market and other impacts	-51				-28	-26	-105
Special items before tax	-17	-35	-14	-3		-30	-99
Acquisition intangibles and goodwill			-7			-21	-28
Result on divestments			54				54
Result before tax from continuing operations	**2,915**	**336**	**396**	**262**	**106**	**-184**	**3,832**
Taxation	431	71	80	74	25	-11	669
Minority interests	-4	16					12
Net result from continuing operations	**2,488**	**250**	**316**	**188**	**82**	**-172**	**3,151**
Net result from discontinued operations						127	127
Net result	**2,488**	**250**	**316**	**188**	**82**	**-45**	**3,278**

Special items in 2021 mainly reflect restructuring expenses incurred in respect of the cost reduction target and other project related expenses, such as the implementation of IFRS 17.

33 Segments continued

Operating result (2021)

2021	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Banking	Other and eliminations	Total
Operating result from continuing operations	986	314	315	263	134	-157	1,855
Operating result from discontinued operations						181	181
Operating result	**986**	**314**	**315**	**263**	**134**	**24**	**2,036**

Result before tax (2021)

2021	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Banking	Other and eliminations	Total
Result before tax from continuing operations	2,915	336	396	262	106	-184	3,832
Result before tax from discontinued operations						178	178
Result before tax	**2,915**	**336**	**396**	**262**	**106**	**-6**	**4,010**

Segments (2020)

2020	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Banking	Other	Total
Investment margin	890		110	-14			986
Fees and premium-based revenues	392		730	639			1,762
Technical margin	184		252	17			454
Operating income non-modelled life business			1				1
Operating income	**1,467**	**-**	**1,093**	**642**	**-**	**-**	**3,202**
Administrative expenses	440		417	144			1,001
DAC amortisation and trail commissions	33		389	258			680
Expenses	**473**	**-**	**806**	**402**	**-**	**-**	**1,681**
Operating result non-life		215	-3				212
Operating result banking					154		154
Operating result other						-151	-151
Operating result from continuing operations	**994**	**215**	**285**	**240**	**154**	**-151**	**1,737**
Non-operating items from continuing operations:							
– gains/losses and impairments	620		4	-7	11	12	640
– revaluations	371	-9	-12	-20		7	337
– market and other impacts	-310	12	-4		17	-29	-315
Special items before tax	-77	-79	-29	-3	-14	-75	-278
Acquisition intangibles and goodwill						-24	-24
Result on divestments			-11			111	100
Result before tax from continuing operations	**1,597**	**138**	**234**	**210**	**167**	**-149**	**2,197**
Taxation	330	31	63	57	35	-131	385
Minority interests	8	11					18
Net result from continuing operations	**1,260**	**97**	**171**	**152**	**132**	**-18**	**1,793**
Net result from discontinued operations						111	111
Net result	**1,260**	**97**	**171**	**152**	**132**	**93**	**1,904**

33 Segments continued

Special items in 2020 mainly reflect integration expenses and other project related expenses such as the implementation of IFRS 17.

Operating result (2020)

2020	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Banking	Other and eliminations	Total
Operating result from continuing operations	994	215	285	240	154	-151	1,737
Operating result from discontinued operations						152	152
Operating result	**994**	**215**	**285**	**240**	**154**	**1**	**1,889**

Result before tax (2020)

2020	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Banking	Other and eliminations	Total
Result before tax from continuing operations	1,597	138	234	210	167	-149	2,197
Result before tax from discontinued operations						152	152
Result before tax	**1,597**	**138**	**234**	**210**	**167**	**3**	**2,349**

Gross premium income and investment income by segment (2021)

2021	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Banking	Other	Total
Gross premium income	3,972	3,798	3,127	3,381		34	14,312
Investment income	4,382	213	429	182	613	-14	5,805

Gross premium income and investment income by segment (2020)

2020	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Banking	Other	Total
Gross premium income	3,544	3,521	3,001	3,728		28	13,822
Investment income	3,203	123	443	177	647	-19	4,574

Interest income and interest expenses by segment (2021)

2021	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Banking	Other	Total
Interest income	2,201	147	389	176	603	-36	3,480
Interest expenses	-222	-19	-21	-4	-298	42	-522
Interest income and interest expenses	**1,979**	**128**	**368**	**172**	**305**	**6**	**2,958**

Interest income and interest expenses by segment (2020)

2020	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Banking	Other	Total
Interest income	2,279	109	423	181	640	-37	3,595
Interest expenses	-207	-15	-20	-4	-307	42	-511
Interest income and interest expenses	**2,072**	**94**	**403**	**177**	**333**	**5**	**3,084**

33 Segments continued

Total assets and Total liabilities by segment

	Total assets 2021	Total liabilities 2021	Total assets 2020	Total liabilities 2020
Netherlands Life	158,579	131,056	168,228	137,172
Netherlands Non-life	10,011	8,389	9,704	8,039
Insurance Europe	30,837	28,063	31,783	28,945
Japan Life	21,527	19,205	21,370	18,879
Banking	24,194	23,347	25,381	24,471
Other (Including held for sale)	53,018	17,678	64,846	25,648
Total	**298,166**	**227,738**	**321,312**	**243,154**
Eliminations	-46,581	-11,071	-57,574	-18,188
Total assets and Total liabilities	**251,585**	**216,667**	**263,738**	**224,966**

Alternative Performance Measures (Non-GAAP measures)

NN Group uses three Alternative Performance Measures (APMs, also referred to as Non-GAAP measures) in its external financial reporting: Operating result, Adjusted allocated equity and Administrative expenses.

Operating result

Operating result (before tax) is used by NN Group to evaluate the financial performance of its segments. Each segment's operating result is calculated by adjusting the reported result before tax for the following items:

- Non-operating items: related to (general account) investments that are held for own risk (net of policyholder profit sharing):
  - Gains/losses and impairments: realised gains and losses as well as impairments on financial assets that are classified as Available-for-sale and debt securities that are classified as loans. These investments include debt and equity securities (including fixed income and equity funds), private equity (< 20% ownership), real estate funds and loans quoted in active markets.
  - Revaluations: revaluations on assets marked-to-market through the Consolidated profit and loss account. These investments include private equity (associates), real estate (property and associates), derivatives unrelated to product hedging programmes (i.e. interest rate swaps, foreign exchange hedges) and direct equity hedges.
  - Market & other impacts: these impacts mainly include movements in the liability for guarantees on separate account pension contracts and unit-linked guarantee provisions in the Netherlands and related hedges, the accounting volatility related to the reinsurance of minimum guaranteed benefits of Japan Closed Block VA and the changes in valuation of certain inflation linked liabilities and related derivatives.
- Special items: items of income or expense before tax that are significant and arise from events or transactions that are clearly distinct from the ordinary business activities and therefore are not expected to recur frequently or regularly. This includes, for example, restructuring expenses, rebranding costs, results related to early redemption of debt, and gains/losses from employee pension plan amendments or curtailments.
- Acquisition intangibles and goodwill: At the acquisition date, all assets and liabilities (including investments, loans and funding liabilities) were remeasured to fair value. Acquisition related intangible assets (mainly brand names, distribution agreements and client relationships) were recognised and will be amortised through the profit and loss account over their useful life. Goodwill on acquisition was also recognised; goodwill is not amortised but tested annually for impairment. Any amortisation and goodwill impairment is recognised in the line 'Amortisation of acquisition intangibles and other impairments'.
- Result on divestments: result before tax related to divested operations.

The operating result for the life insurance business is analysed through a margin analysis, which includes the investment margin, fees and premium-based revenues and the technical margin. Investment margin is defined as the investment income (on the investments for the account of NN Group) minus interest credited to policyholders and investment expenses. Technical margin includes the difference between costs charged and claim related revenues (such as risk premiums, surrenders and reserve releases) and incurred claims. Disclosures on comparative years also reflect the impact of current year's divestments. Operating result as presented below is an Alternative Performance Measure (non-GAAP financial measure) and is not a measure of financial performance under IFRS-EU. Because it is not determined in accordance with IFRS-EU, operating result as presented by NN Group may not be comparable to other similarly titled measures of performance of other companies. The net result on transactions between segments is eliminated in the net result of the relevant segment.

33 Segments continued

Adjusted allocated equity

NN Group evaluates the efficiency of the operational deployment of its equity of its banking operations by calculating Return On Equity (ROE). The net operating ROE is calculated using Net operating result in the numerator and average Adjusted allocated equity in the denominator. Net operating result of NN Group is the Net operating result, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity. Adjusted allocated equity is derived from IFRS equity by adjusting for:

- Revaluation reserves
- Undated subordinated notes classified as equity under IFRS
- Goodwill and Intangible assets recognised upon acquisitions

Allocated equity per segment represents the part of equity that is economically deployed by the segments. This allocation does not impact equity in total for NN Group. Adjusted allocated equity is an Alternative Performance Measure that is not a measure under IFRS-EU. Adjusted allocated equity as applied by NN Group may not be comparable to other similarly titled measures of other companies. Adjusted allocated equity is reconciled to IFRS Total equity as follows:

Adjusted allocated equity

	2021	2020
IFRS Total equity	34,918	38,772
Revaluation reserves, Goodwill and Intangible assets recognised upon acquisitions	-14,925	-21,079
Undated subordinated notes	-1,764	-1,764
Adjusted allocated equity excluding Japan Closed Block VA	**18,229**	**15,929**

Administrative expenses

NN Group monitors the level of expenses and assesses cost savings through the Administrative expenses. Administrative expenses are the expenses included in operating result, unless already included in the technical margin or the investment margin in the margin analysis of the operating result.

Administrative expenses

	2021	2020
Staff expenses	1,429	1,446
Other operating expenses	842	853
IFRS operating expenses	**2,271**	**2,299**
Presented in non-operating items (including special items)	-112	-289
Presented in the Technical margin (claims handling expenses)	-123	-139
Presented in the Investment margin (investment expenses)	-56	-35
Administrative expenses continuing operations	**1,980**	**1,836**

Administrative expenses are calculated as the total of IFRS Staff expenses and IFRS Other operating expenses, adjusted for expenses already recognised in the technical margin and the investment margin and for expenses that are not included in operating result (non-operating expenses and special items). From the total administrative expenses of EUR 1,980 million (2020: EUR 1,836 million), EUR 1,055 million (2020: EUR 1,002 million) relates to the segments Netherlands Life, Insurance Europe Life and Japan Life. The remainder of EUR 925 million (2020: EUR 834 million) is included in the operating result non-life, banking and other.

33 Segments continued

In addition, NN Group discloses a number of other metrics (that are not defined in IFRS and/or not defined in regulatory capital legislation). As these are not derived from comparable metrics under IFRS, these cannot be reconciled to an IFRS equivalent. These include the following:

- Operating Capital Generation (OCG): NN Group analyses the change in the excess of Solvency II Own Funds over the Solvency Capital Requirement ('SCR') in the following components: Operating Capital Generation, Market variance, Capital flows and Other. Operating Capital Generation is the movement in the Solvency II surplus (Own Funds before eligibility over SCR at 100%) in the period due to operating items, including the impact of new business, expected investment returns in excess of the unwind of liabilities, release of the risk margin, operating variances, non-life underwriting result, contribution of non-Solvency II entities and holding expenses and debt costs and the change in the SCR. It excludes economic variances, economic assumption changes and non-operating expenses.
- Annual Premium Equivalent (APE): the total of the IFRS annual recurring premiums and 10% of the IFRS single premiums received in a given period
- Assets under Management (AuM): the total market value of all investments being managed by NN Group's asset management segment on behalf of NN Group entities and clients
- Combined ratio: the sum of the claims ratio (claims incurred, net of reinsurance, excluding unwind of interest accrual, divided by net earned premiums) and the expense ratio (sum of acquisition costs and administrative expenses, divided by net earned premiums)
- Financial leverage ratio: the percentage of financial leverage in the total of financial leverage and equity
- Fixed cost coverage ratio: the ability of Earnings Before Interest and Tax (EBIT) to cover funding costs on financial leverage; calculated on a last 12-month basis
- Free cash flow: the change in the cash capital position at the holding company over the period, excluding acquisitions and capital transactions with shareholders and debtholders
- Cash capital position at the holding company: net current assets available at the holding company
- Net interest margin (NIM): interest result of the banking operations divided by the average total interest bearing assets of the banking operations
- Net operating ROE - Segment banking only: the (annualised) net operating result of the banking operations, divided by (average) adjusted allocated equity of the banking operations
- Value of New Business (VNB): the additional economic value created through writing new business during the period

34 Principal subsidiaries and geographical information

The table below provides additional information on principal subsidiaries, the nature of the main activities and employees by country. Information on guarantees issued by NN Group N.V. to subsidiaries under article 403 of Book 2 of the Dutch Civil Code is filed with the Chamber of Commerce.

Principal subsidiaries and geographical information (2021)

Name of principal subsidiaries / Country	Main activity	Average number of employees[1]	Total income	Total assets	Result before tax	Taxation[2]	Income tax paid
Nationale-Nederlanden Levensverzekering Maatschappij N.V.	Life insurance						
Nationale-Nederlanden Bank N.V.	Banking						
Nationale-Nederlanden Schadeverzekering Maatschappij N.V.	General insurance						
REI Investment I B.V.	Real estate						
NN Re (Netherlands) N.V.	Reinsurance						
ABN AMRO Levensverzekering N.V.	Life insurance						
The Netherlands		**9,144**	**13,643**	**196,434**	**2,875**	**459**	**247**
NN Life Insurance Company, Ltd.	Life insurance						
Japan		**915**	**3,549**	**21,642**	**253**	**71**	**55**
NN Insurance Belgium nv	Life insurance						
Belgium		**673**	**1,093**	**16,129**	**106**	**21**	**57**
Nationale Nederlanden Vida, Compania de Seguros y Reaseguros. S.A.	Life insurance						
Nationale Nederlanden Generales, Compania de Seguros y Reaseguros, S.A.	General insurance						
Spain		**535**	**748**	**5,166**	**53**	**13**	**3**
Nationale-Nederlanden Towarzystwo Ubezpieczeń na Życie S.A.	Life insurance						
Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A.	Pensions						
Poland		**1,032**	**485**	**2,230**	**66**	**16**	**-3**
NN Hellenic Life Insurance Co. S.A.	Life insurance						
Greece		**413**	**579**	**2,386**	**23**	**10**	
NN Životní pojišťovna N.V. (pobočka pro Českou republiku)	Life insurance						
Czech Republic		**671**	**226**	**1,479**	**27**	**6**	**21**
NN Biztosító Zártkörûen Mûködõ Részvénytársaság	Life insurance						
Hungary		**404**	**298**	**1,390**	**9**	**3**	**3**
NN Asigurari de Viata S.A.	Life insurance						
Romania		**471**	**257**	**1,106**	**49**	**8**	**7**
Slovak Republic		**334**	**186**	**859**	**34**	**8**	**6**
Germany		**9**	**102**	**392**	**131**	**20**	**2**
France		**8**	**129**	**1,255**	**119**	**29**	**8**
Italy		**6**	**13**	**278**	**13**	**-8**	**2**
Denmark			**45**	**196**	**43**	**7**	
United Kingdom		**13**	**31**	**595**	**33**	**1**	**2**
Bulgaria		**66**	**16**		**3**		
Turkey		**250**	**32**	**43**	**-4**	**1**	
Ireland						**4**	**-16**
Singapore		**31**					**2**
Mexico		**1**		**4**	**-1**		
United States		**13**					
Switzerland		**4**					**1**
Argentina		**2**		**1**			
Uruguay		**2**					
Total		**14,997**	**21,433**	**251,585**	**3,832**	**669**	**397**

1 The average number of employees is on a full-time equivalent basis.
2 Taxation is the taxation amount charged to the profit and loss account.

34 Principal subsidiaries and geographical information continued

Principal subsidiaries and geographical information (2020)

Name of principal subsidiaries / Country	Main activity	Average number of employees[1]	Total income	Total assets	Result before tax	Taxation[2]	Income tax paid
Nationale-Nederlanden Levensverzekering Maatschappij N.V.	Life insurance						
Nationale-Nederlanden Bank N.V.	Banking						
Nationale-Nederlanden Schadeverzekering Maatschappij N.V.	General insurance						
REI Investment I B.V.	Real estate						
NN Re (Netherlands) N.V.	Reinsurance						
The Netherlands		**8,595**	**11,905**	**207,801**	**1,707**	**261**	**87**
NN Life Insurance Company, Ltd.	Life insurance						
Japan		**901**	**3,883**	**21,999**	**203**	**56**	**83**
NN Insurance Belgium nv	Life insurance						
Belgium		**666**	**1,074**	**17,740**	**39**	**13**	**6**
Nationale Nederlanden Vida, Compania de Seguros y Reaseguros. S.A.	Life insurance						
Nationale Nederlanden Generales, Compania de Seguros y Reaseguros, S.A.	General insurance						
Spain		**536**	**657**	**4,785**	**5**	**1**	**4**
Nationale-Nederlanden Towarzystwo Ubezpieczeń na Życie S.A.	Life insurance						
Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A.	Pensions						
Poland		**1,022**	**474**	**2,300**	**77**	**17**	**37**
NN Hellenic Life Insurance Co. S.A.	Life insurance						
Greece		**419**	**506**	**2,234**	**15**	**6**	
NN Životní pojišťovna N.V. (pobočka pro Českou republiku)	Life insurance						
Czech Republic		**649**	**220**	**1,402**	**25**	**7**	**7**
NN Biztosító Zártkörûen Mûködõ Részvénytársaság	Life insurance						
Hungary		**374**	**271**	**1,332**	**12**	**3**	**3**
NN Asigurari de Viata S.A.	Life insurance						
Romania		**457**	**229**	**1,065**	**38**	**7**	**4**
NN Životná poist'ovna, a.s.	Life insurance						
Slovak Republic		**349**	**161**	**799**	**18**	**5**	**5**
Germany		**10**	**25**	**704**	**22**	**5**	**8**
France		**9**	**58**	**689**	**42**	**6**	**1**
Italy		**6**	**-10**	**241**	**-12**	**-2**	**2**
United Kingdom		**12**	**-4**	**192**	**2**		**1**
Denmark			**5**	**238**	**3**		
Bulgaria		**135**	**25**	**113**	**3**		**1**
Turkey		**395**	**43**	**62**	**-3**		
Ireland				**21**			
Singapore		**31**		**12**			
United States		**13**		**2**			**1**
Mexico		**1**		**4**			
Switzerland		**8**		**1**			
Argentina		**2**		**1**			
Luxembourg				**1**			
Uruguay		**2**					
Total		**14,592**	**19,522**	**263,738**	**2,196**	**385**	**250**

1 The average number of employees is on a full-time equivalent basis.
2 Taxation is the taxation amount charged to the profit and loss account.

35 Taxation

Deferred tax (2021)

	Net liability 2020	Changes through equity	Changes through net result	Changes in the composition of the group and other changes	Exchange rate differences	Net liability 2021
Investments	4,638	-1,230	-39	-89	-9	3,271
Real estate investments	926		248	-2		1,172
Financial assets and liabilities at fair value through profit or loss	22		7			29
Deferred acquisition costs	439		9	22	-10	460
Fiscal reserves	12		79			91
Depreciation	21		-2		-1	18
Insurance liabilities	-3,778	530	-108	87	-4	-3,273
Cash flow hedges	4,073	-1,004				3,069
Pension and post-employment benefits	5	4	-1	11	1	20
Other provisions	-54		19	7	1	-27
Receivables	12		1	5	-1	17
Loans	-87		3	112		28
Unused tax losses carried forward	-77		-6	2		-81
Other	104	-6	-20	-101	-1	-24
Deferred tax	**6,256**	**-1,706**	**190**	**54**	**-24**	**4,770**
Presented in the balance sheet as:						
Deferred tax liabilities	6,329					4,817
Deferred tax assets	-73					-47
Deferred tax	**6,256**					**4,770**

Deferred tax (2020)

	Net liability 2019	Changes through equity	Changes through net result	Changes in the composition of the group and other changes	Exchange rate differences	Net liability 2020
Investments	3,378	1,310	-58	17	-9	4,638
Real estate investments	777		149			926
Financial assets and liabilities at fair value through profit or loss	22		1		-1	22
Deferred acquisition costs	422		-7	35	-11	439
Fiscal reserves	10		2			12
Depreciation	23			-1	-1	21
Insurance liabilities	-3,155	-544	-160	81		-3,778
Cash flow hedges	2,473	1,600				4,073
Pension and post-employment benefits	5	1	-2		1	5
Other provisions	-44		-7	-4	1	-54
Receivables	-24		5	32	-1	12
Loans	-20		-13	-54		-87
Unused tax losses carried forward	-77		3	-3		-77
Other	156	14	13	-76	-3	104
Deferred tax	**3,946**	**2,381**	**-74**	**27**	**-24**	**6,256**
Presented in the balance sheet as:						
Deferred tax liabilities	4,030					6,329
Deferred tax assets	-84					-73
Deferred tax	**3,946**					**6,256**

35 Taxation continued

Deferred tax on unused tax losses carried forward

	2021	2020
Total unused tax losses carried forward	511	527
Unused tax losses carried forward not recognised as a deferred tax asset	-184	-221
Unused tax losses carried forward recognised as a deferred tax asset	**327**	**306**
Average tax rate	24.8%	25.3%
Deferred tax asset	**81**	**77**

Tax losses carried forward will expire as follows as at 31 December:

Total unused tax losses carried forward analysed by term of expiration

	No deferred tax asset recognised		Deferred tax asset recognised	
	2021	2020	2021	2020
Within 1 year	12	22		2
More than 1 year but less than 5 years	34	40	14	12
More than 5 years but less than 10 years	3			
Unlimited	135	159	313	292
Total unused tax losses carried forward	**184**	**221**	**327**	**306**

Deferred tax assets are recognised for temporary deductible differences, for tax losses carried forward and unused tax credits only to the extent that realisation of the related tax benefit is probable.

Taxation on result

	2021	2020
Current tax	480	459
Deferred tax	189	-74
Taxation on result	**669**	**385**

NN Group N.V., together with certain of its subsidiaries, is a part of a fiscal unity for Dutch income tax purposes. The members of the fiscal unity are jointly and severally liable for any income taxes payable by the Dutch fiscal unity.

Reference is made to Note 34 'Principal subsidiaries and geographical information' for more information on the taxation per country.

Reconciliation of the weighted average statutory tax rate to NN Group's effective tax rate

	2021	2020
Result before tax	3,832	2,196
Weighted average statutory tax rate	24.9%	24.6%
Weighted average statutory tax amount	**954**	**540**
Participation exemption	-319	-112
Other income not subject to tax and other	-11	
Expenses not deductible for tax purposes	13	8
Impact on deferred tax from change in tax rates	7	24
Deferred tax benefit for previously not unrecognised amounts	-9	-1
Tax for non-recognised losses	2	2
Write-off/reversal of deferred tax assets	1	3
Adjustments to prior periods	31	-80
Effective tax amount	**669**	**384**
Effective tax rate	**17.5%**	**17.5%**

35 Taxation continued

In 2021, the effective tax rate of 17.5% was lower than the weighted average statutory tax rate of 24.9%. This was mainly a result of tax exempt results of associates and participations.

In 2020, the effective tax rate of 17.5% was lower than the weighted average statutory tax rate of 24.6%. This is mainly a result of tax exempt results of associates and participations, including the tax exempt release of the provision related to ING Australia as well as a benefit following a reassessment of prior year tax liabilities in the Netherlands as a result of the filing of the relevant tax return. This was partly offset by a change in the Dutch corporate income tax rate.

Taxation on components of other comprehensive income

	2021	2020
Unrealised revaluations property in own use		1
Unrealised revaluations available-for-sale investments and other	1,189	-1,157
Realised gains/losses transferred to the profit and loss account	235	80
Changes in cash flow hedge reserve	1,004	-1,600
Deferred interest credited to policyholders	-530	544
Remeasurement of the net defined benefit asset/liability	-5	-1
Income tax	**1,893**	**-2,133**

36 Fair value of financial assets and liabilities

The following table presents the estimated fair value of NN Group's financial assets and liabilities. Certain balance sheet items are not included in the table, as they do not meet the definition of a financial asset or liability. The aggregation of the fair value presented below does not represent and should not be construed as representing, the underlying value of NN Group.

Fair value of financial assets and liabilities

	Estimated fair value		Balance sheet value	
	2021	2020	2021	2020
Financial assets				
Cash and cash equivalents	6,929	12,382	6,929	12,382
Financial assets at fair value through profit or loss:				
– investments for risk of policyholders	39,261	34,797	39,261	34,797
– non-trading derivatives	6,419	14,833	6,419	14,833
– designated as at fair value through profit or loss	991	1,336	991	1,336
Available-for-sale investments	107,883	118,175	107,883	118,175
Loans	72,597	70,124	68,200	65,428
Total financial assets	**234,080**	**251,647**	**229,683**	**246,951**
Financial liabilities				
Subordinated debt	2,624	2,734	2,356	2,383
Debt securities issued	2,351	1,781	2,292	1,694
Other borrowed funds	7,364	7,701	7,301	7,542
Investment contracts with discretionary participation features for risk of policyholders	259	245	259	245
Investment contracts for risk of company	976	1,057	953	1,002
Investment contracts for risk of policyholders	1,449	1,250	1,449	1,250
Customer deposits and other funds on deposit	16,460	16,585	15,945	15,803
Financial liabilities at fair value through profit or loss:				
– non-trading derivatives	1,904	4,012	1,904	4,012
Total financial liabilities	**33,387**	**35,365**	**32,459**	**33,931**

For the other financial assets and financial liabilities not included in the table above, including short-term receivables and payables, the carrying amount is a reasonable approximation of fair value.

36 Fair value of financial assets and liabilities continued

Reference is made to Note 1 'Accounting policies' for the upcoming changes as a result of IFRS 9 'Financial instruments'. One of the requirements in IFRS 9 is to assess whether investments in debt securities and loans meet the definition of 'Solely Payments of Principal and Interest', also referred to as 'SPPI assets'. SPPI assets are financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (as defined in IFRS 9), excluding assets that are held for trading and/or that are managed and whose performance is evaluated on a fair value basis. The table below provides a split of the fair value of financial assets into three categories: SPPI assessment applicable under IFRS 9 and conditions met (SPPI compliant assets), SPPI assessment applicable under IFRS 9 and conditions not met (SPPI non-compliant assets), and SPPI assessment not applicable. Whilst IFRS 9 becomes effective for NN Group on the same date as IFRS 17, the information in the table below is based on the assets held, and business models in place.

Fair value of financial assets -SPPI assessment

	SPPI compliant assets		SPPI non-compliant assets		SPPI assessment not applicable	
	2021	2020	2021	2020	2021	2020
Cash and cash equivalents					6,929	12,382
Financial assets at fair value through profit or loss:						
– investments for risk of policyholders					39,261	34,797
– non-trading derivatives					6,419	14,833
– designated as at fair value through profit or loss					991	1,336
Available-for-sale investments	94,940	105,565	4,842	4,513	8,101	8,097
Loans	71,576	68,944	62	190	959	990
Financial assets	**166,516**	**174,509**	**4,904**	**4,703**	**62,660**	**72,435**

The estimated fair value represents the price at which an orderly transaction to sell the financial asset or to transfer the financial liability would take place between market participants at the balance sheet date (exit price). The fair value of financial assets and liabilities is based on unadjusted quoted market prices, where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available market prices are obtained from independent market vendors, brokers or market makers. Because substantial trading markets do not exist for all financial instruments, various techniques have been developed to estimate the approximate fair value of financial assets and liabilities that are not actively traded. The fair value presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of the future fair value.

The following methods and assumptions were used by NN Group to estimate the fair value of the financial instruments:

Cash and cash equivalents

Cash and cash equivalents are recognised at their nominal value which approximates the fair value.

Financial assets and liabilities at fair value through profit or loss

Derivatives

Derivative contracts can either be exchange-traded or over the counter (OTC). The fair value of exchange-traded derivatives is determined using quoted market prices in an active market and those derivatives are classified in Level 1 of the fair value hierarchy. For those instruments that are not actively traded, the fair value is estimated based on valuation techniques. OTC derivatives and derivatives trading in an inactive market are valued using valuation techniques because quoted market prices in an active market are not available for such instruments. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instruments. The principal techniques used to value these instruments are based on discounted cash flows, Black-Scholes option models and Monte Carlo simulation. These valuation models calculate the present value of expected future cash flows, based on 'no arbitrage' principles. These models are commonly used in the financial industry. Inputs to valuation models are determined from observable market data where possible. Certain inputs may not be observable in the market directly, but can be determined from observable prices via valuation model calibration procedures. The inputs used include prices available from exchanges, dealers, brokers or providers of pricing, yield curves, credit spreads, default rates, recovery rates, dividend rates, volatility of underlying interest rates, equity prices and foreign currency exchange rates. These inputs are determined with reference to quoted prices, recently executed trades, independent market quotes and consensus data, where available.

36 Fair value of financial assets and liabilities continued

Available-for-sale investments

Equity securities

The fair value of publicly traded equity securities is determined using quoted market prices when available. Where no quoted market prices are available, fair value is determined based on quoted prices for similar securities or other valuation techniques. The fair value of private equity is based on quoted market prices, if available. In the absence of quoted prices in an active market, fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects, price, earnings comparisons and revenue multiples and by reference to market valuations for similar entities quoted in an active market.

Debt securities

The fair value for debt securities is based on quoted market prices, where available. Quoted market prices may be obtained from an exchange, dealer, broker, industry group, pricing service or regulatory service. If quoted prices in an active market are not available, fair value is based on an analysis of available market inputs, which may include values obtained from one or more pricing services or by a valuation technique that discounts expected future cash flows using market interest rate curves, referenced credit spreads, maturity of the investment and estimated prepayment rates where applicable.

Loans

For loans and advances that are repriced frequently and have had no significant changes in credit risk, carrying values represent a reasonable estimate of the fair value. The fair value of other loans is estimated by discounting expected future cash flows using a discount rate that reflects credit risk, liquidity and other current market conditions. The fair value of mortgage loans is estimated by taking into account prepayment behaviour. Loans with similar characteristics are aggregated for calculation purposes.

Subordinated debt and debt securities issued

The fair value of subordinated debt and debt securities issued is estimated using discounted cash flows based on interest rates and credit spreads that apply to similar instruments.

Other borrowed funds

The fair value of other borrowed funds is generally based on quoted market prices or, if not available, on estimated prices by discounting expected future cash flows using a current market interest rate and credit spreads applicable to the yield, credit quality and maturity.

Investment contracts

For investment contracts for risk of the company the fair value has been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. For investment contracts for risk of policyholders the fair value generally equals the fair value of the underlying assets. For other investment-type contracts, the fair value is estimated based on the cash surrender values.

Customer deposits and other funds on deposit

The carrying values of customer deposits and other funds on deposit with no stated maturity approximate their fair value. The fair values of deposits with stated maturities have been estimated based on discounting future cash flows using a discount rate that reflects credit risk, liquidity and other current market conditions.

36 Fair value of financial assets and liabilities continued

Financial assets and liabilities at fair value

The fair value of the financial instruments carried at fair value was determined as follows:

Methods applied in determining the fair value of financial assets and liabilities at fair value (2021)

2021	Level 1	Level 2	Level 3	Total
Financial assets				
Investments for risk of policyholders	38,092	444	725	39,261
Non-trading derivatives	30	6,381	8	6,419
Financial assets designated as at fair value through profit or loss	823	168		991
Available-for-sale investments	69,336	34,656	3,891	107,883
Financial assets	**108,281**	**41,649**	**4,624**	**154,554**
Financial liabilities				
Investment contracts with discretionary participation features for risk of policyholders		259		259
Investment contracts (for contracts at fair value)	1,449			1,449
Non-trading derivatives	30	1,851	23	1,904
Financial liabilities	**1,479**	**2,110**	**23**	**3,612**

Methods applied in determining the fair value of financial assets and liabilities at fair value (2020)

2020	Level 1	Level 2	Level 3	Total
Financial assets				
Investments for risk of policyholders	33,521	489	787	34,797
Non-trading derivatives		14,811	22	14,833
Financial assets designated as at fair value through profit or loss	1,217	119		1,336
Available-for-sale investments	79,118	36,377	2,680	118,175
Financial assets	**113,856**	**51,796**	**3,489**	**169,141**
Financial liabilities				
Investment contracts with discretionary participation features for risk of policyholders		245		245
Investment contracts (for contracts at fair value)	1,250			1,250
Non-trading derivatives	30	3,940	42	4,012
Financial liabilities	**1,280**	**4,185**	**42**	**5,507**

NN Group has categorised its financial instruments that are either measured in the balance sheet at fair value or for which the fair value is disclosed, into a three level hierarchy based on the priority of the inputs to the valuation. The fair value hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to valuation techniques supported by unobservable inputs. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide reliable pricing information on an ongoing basis.

The fair value hierarchy consists of three levels, depending on whether the fair value is determined based on (unadjusted) quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have a more than insignificant impact on the fair value of the instrument (Level 3). Financial assets in Level 3 include, for example, illiquid debt securities, complex OTC and credit derivatives, certain complex loans (for which current market information about similar assets to use as observable, corroborated data for all significant inputs into a valuation model is not available), mortgage loans and consumer lending, private equity instruments and investments in real estate funds.

Observable inputs reflect market data obtained from independent sources. Unobservable inputs are inputs which are based on NN Group's own assumptions about the factors that market participants would use in pricing an asset or liability, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default rates and recovery rates, prepayment rates and certain credit spreads. Transfers into and transfers out of levels in the fair value hierarchy are recognised on the date of the event or change of circumstances that caused the transfer.

36 Fair value of financial assets and liabilities continued

Level 1 – (Unadjusted) Quoted prices in active markets

This category includes financial instruments whose fair value is determined directly by reference to published quotes in an active market that NN Group can access. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions with sufficient frequency and volume to provide reliable pricing information on an ongoing basis.

Level 2 – Valuation technique supported by observable inputs

This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model), where inputs in the model are taken from an active market or are observable. If certain inputs in the model are unobservable the instrument is still classified in this category, provided that the impact of those unobservable inputs elements on the overall valuation is insignificant. Included in this category are items whose value is derived from quoted prices of similar instruments, but for which the prices are modified based on other market observable external data and items whose value is derived from quoted prices but for which there was insufficient evidence of an active market.

Level 3 – Valuation technique supported by unobservable inputs

This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model) for which more than an insignificant part of the inputs in terms of the overall valuation are not market observable. This category also includes financial assets and liabilities whose fair value is determined by reference to price quotes but for which the market is considered inactive. An instrument is classified in its entirety as Level 3 if a significant portion of the instrument's fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an orderly transaction would likely occur can be derived.

Changes in Level 3 financial assets (2021)

2021	Investments for risk of policyholders	Non-trading derivatives	Available-for-sale investments	Total
Level 3 Financial assets – opening balance	787	22	2,680	3,489
Amounts recognised in the profit and loss account	-41	-14	-18	-73
Revaluations recognised in other comprehensive income (equity)			388	388
Purchase			1,097	1,097
Sale	-21		-50	-71
Maturity/settlement			-116	-116
Transfers into Level 3			11	11
Transfers out of Level 3			-120	-120
Exchange rate differences			19	19
Level 3 Financial assets – closing balance	**725**	**8**	**3,891**	**4,624**

Changes in Level 3 financial assets (2020)

2020	Investments for risk of policyholders	Non-trading derivatives	Available-for-sale investments	Total
Level 3 Financial assets – opening balance	802	50	1,334	2,186
Amounts recognised in the profit and loss account	-2	-28	-69	-99
Revaluations recognised in other comprehensive income (equity)			54	54
Purchase			1,425	1,425
Sale	-13		-46	-59
Maturity/settlement			-2	-2
Other transfers and reclassifications			-19	-19
Transfers into Level 3			18	18
Exchange rate differences			-15	-15
Level 3 Financial assets – closing balance	**787**	**22**	**2,680**	**3,489**

36 Fair value of financial assets and liabilities continued

Changes in Level 3 financial liabilities (2021)

2021	Non-trading derivatives
Level 3 Financial liabilities – opening balance	42
Amounts recognised in the profit and loss account	-19
Level 3 Financial liabilities – closing balance	**23**

Changes in Level 3 financial liabilities (2020)

2020	Non-trading derivatives
Level 3 Financial liabilities – opening balance	59
Amounts recognised in the profit and loss account	-19
Other transfers and reclassifications	2
Level 3 Financial liabilities – closing balance	**42**

Level 3 – Amounts recognised in the profit and loss account during the year (2021)

2021	Held at balance sheet date	Derecognised during the period	Total
Financial assets			
Investments for risk of policyholders	-41		-41
Non-trading derivatives	-14		-14
Available-for-sale investments	-18		-18
Financial assets	**-73**	**-**	**-73**
Financial liabilities			
Non-trading derivatives	-19		-19
Financial liabilities	**-19**	**-**	**-19**

Level 3 – Amounts recognised in the profit and loss account during the year (2020)

2020	Held at balance sheet date	Derecognised during the period	Total
Financial assets			
Investments for risk of policyholders	-2		-2
Non-trading derivatives	-28		-28
Available-for-sale investments	-69		-69
Financial assets	**-99**	**-**	**-99**
Financial liabilities			
Non-trading derivatives	-19		-19
Financial liabilities	**-19**	**-**	**-19**

Level 3 Financial assets at fair value

Financial assets measured at fair value in the balance sheet as at 31 December 2021 of EUR 154,554 million (2020: EUR 169,141 million) include an amount of EUR 4,625 million (3.00%) that is classified as Level 3 (2020: EUR 3,489 million (2.10%)). Changes in Level 3 are disclosed above in the table 'Level 3 Financial assets'.

36 Fair value of financial assets and liabilities continued

Financial assets in Level 3 include both assets for which the fair value was determined using valuation techniques that incorporate unobservable inputs and assets for which the fair value was determined using quoted prices, but for which the market was not actively trading at or around the balance sheet date. Unobservable inputs are inputs which are based on NN Group's own assumptions about the factors that market participants would use in pricing an asset, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default rates and recovery rates, prepayment rates and certain credit spreads. Fair values that are determined using valuation techniques using unobservable inputs are sensitive to the inputs used. Fair values that are determined using quoted prices are not sensitive to unobservable inputs, as the valuation is based on unadjusted external price quotes. These are classified in Level 3 as a result of the illiquidity in the relevant market, but are not significantly sensitive to NN Group's own unobservable inputs.

Unrealised gains and losses that relate to 'Level 3 Financial assets' are included in the profit and loss account as follows:

- Those relating to Investments for risk of policyholders are included in 'Underwriting expenditure'
- Those relating to Non-trading derivatives are included in 'Valuation results on non-trading derivatives'
- Those relating to financial assets designated as at fair value through profit or loss are included in 'Valuation results on non-trading derivatives – Valuation results on assets and liabilities designated as at fair value through profit or loss (excluding trading)'

Unrealised gains and losses that relate to available-for-sale investments are recognised in other comprehensive income (equity) and included in reserves in 'Unrealised revaluations available-for-sale investments and other'.

Investments for risk of policyholders

Investments for risk of policyholders classified as 'Level 3 Financial assets' amounted EUR 725 million as at 31 December 2021 (2020: EUR 787 million). Net result is unaffected when reasonable possible alternative assumptions would have been used in measuring these investments.

Non-trading derivatives

Non-trading derivatives classified as 'Level 3 Financial assets' are mainly used to hedge the fair value risk of the mortgage loan portfolio at NN Bank. These derivatives classified as Level 3 amounted EUR 8 million as at 31 December 2021 (2020: EUR 22 million).

Available-for-sale investments

The available-for-sale investments classified as 'Level 3 Financial assets' amounted EUR 3,891 million as at 31 December 2021 (2020: EUR 2,680 million) mainly consists of investments in debt securities and shares in real estate investment funds and private equity investment funds of which the fair value is determined using (unadjusted) quoted prices in inactive markets for the securities or quoted prices obtained from the asset managers of the funds. It is estimated that a 10% change in valuation of these investments would have no significant impact on net result but would increase or reduce shareholders' equity by EUR 389 million (2020: EUR 268 million), being approximately 1.1% (before tax) (2020: 0.7% (before tax)), of total equity.

Level 3 Financial liabilities at fair value

Non-trading derivatives

The total amount of financial liabilities classified as Level 3 at 31 December 2021 of EUR 23 million (2020: EUR 42 million) relates to non-trading derivative positions. In 2021, EUR 9 million (2020: EUR 22 million) relates to derivatives used to hedge the interest rate risk associated with the funding position of NN Bank. EUR 12 million (2020: EUR 17 million) relates to longevity hedges closed by NN Group. It is estimated that a 5% increase in mortality assumptions for these longevity hedges reduces result and equity before tax by EUR 13 million (2020: EUR 13 million) and a 5% decrease in mortality assumptions increases result and equity before tax by EUR 17 million (2020: EUR 18 million).

36 Fair value of financial assets and liabilities continued

Financial assets and liabilities at amortised cost

The fair value of the financial instruments carried at amortised cost in the balance sheet (where fair value is disclosed) was determined as follows:

Methods applied in determining the fair value of financial assets and liabilities at amortised cost (2021)

2021	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	6,929			6,929
Loans	4	3,832	68,761	72,597
Financial assets	**6,933**	**3,832**	**68,761**	**79,526**
Financial liabilities				
Subordinated debt	2,624			2,624
Debt securities issued	2,351			2,351
Other borrowed funds	6,372	941	51	7,364
Investment contracts for risk of company	49		927	976
Customer deposits and other funds on deposit	9,980	6,480		16,460
Financial liabilities	**21,376**	**7,421**	**978**	**29,775**

Methods applied in determining the fair value of financial assets and liabilities at amortised cost (2020)

2020	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	12,382			12,382
Loans	5	4,456	65,663	70,124
Financial assets	**12,387**	**4,456**	**65,663**	**82,506**
Financial liabilities				
Subordinated debt	2,734			2,734
Debt securities issued	1,781			1,781
Other borrowed funds	5,243	2,456	2	7,701
Investment contracts for risk of company	46		1,011	1,057
Customer deposits and other funds on deposit	9,792	6,793		16,585
Financial liabilities	**19,596**	**9,249**	**1,013**	**29,858**

37 Fair value of non-financial assets

The following table presents the estimated fair value of NN Group's non-financial assets that are measured at fair value in the balance sheet. Reference is made to Note 1 'Accounting policies' in the sections 'Real estate investments' and 'Property and equipment' for the methods and assumptions used by NN Group to estimate the fair value of the non-financial assets.

Fair value of non-financial assets

	Estimated fair value		Balance sheet value	
	2021	2020	2021	2020
Real estate investments	2,719	2,444	2,719	2,444
Property in own use	71	74	71	74
Fair value of non-financial assets	**2,790**	**2,518**	**2,790**	**2,518**

The fair value of the non-financial assets were determined as follows:

Methods applied in determining the fair value of non-financial assets at fair value (2021)

2021	Level 1	Level 2	Level 3	Total
Real estate investments			2,719	2,719
Property in own use			71	71
Non-financial assets	**-**	**-**	**2,790**	**2,790**

Methods applied in determining the fair value of non-financial assets at fair value (2020)

2020	Level 1	Level 2	Level 3	Total
Real estate investments			2,444	2,444
Property in own use			74	74
Non-financial assets	**-**	**-**	**2,518**	**2,518**

Changes in Level 3 non-financial assets (2021)

2021	Real estate investments	Property in own use
Level 3 non-financial assets – opening balance	2,444	74
Amounts recognised in the profit and loss account during the year	241	-2
Purchase	156	
Sale	-124	-2
Changes in the composition of the group and other changes	2	1
Level 3 non-financial assets – closing balance	**2,719**	**71**

Changes in Level 3 non-financial assets (2020)

2020	Real estate investments	Property in own use
Level 3 non-financial assets – opening balance	2,571	82
Amounts recognised in the profit and loss account during the year	-21	-2
Purchase	66	1
Revaluation recognised in equity during the year		-4
Sale	-176	
Changes in the composition of the group and other changes	3	-2
Exchange rate differences	1	-1
Level 3 non-financial assets – closing balance	**2,444**	**74**

37 Fair value of non-financial assets continued

Level 3 – Amounts recognised in the profit and loss account during the year on non-financial assets (2021)

2021	Held at balance sheet date	Derecognised during the year	Total
Real estate investments	241		241
Property in own use	-2		-2
Level 3 Amounts recognised in the profit and loss account during the year on non-financial assets	**239**	**-**	**239**

Level 3 – Amounts recognised in the profit and loss account during the year on non-financial assets (2020)

2020	Held at balance sheet date	Derecognised during the year	Total
Real estate investments	16	-37	-21
Property in own use	-2		-2
Level 3 Amounts recognised in the profit and loss account during the year on non-financial assets	**14**	**-37**	**-23**

Real estate investments and Property in own use

Valuation methodology

The fair value of real estate is based on regular appraisals by independent, qualified valuers. The fair value is established using valuation methods that take into account recent comparable market transactions (CMT), capitalisation of income (CI) methods and/or discounted cash flow (DCF) calculations.

The underlying assumption used in the valuation is that the properties are let or sold to third parties based on the actual letting status. Future rental income is taken into account in accordance with the terms in existing leases, (expected) vacancies, estimations of the rental values for new leases when leases expire and incentives like rent-free periods. These estimated cash flows are discounted using market-based discount rates that reflect appropriately the risk characteristics of the real estate investments.

37 Fair value of non-financial assets continued

Key assumptions

Key assumptions in the valuation of real estate include the estimated current rental value per square metre, the estimated future rental value per square metre (ERV), the net initial yield and the vacancy rate. These assumptions were in the following ranges:

Significant assumptions

	Fair value	Valuation technique	Current rent/m2	ERV/m2	Net initial yield %	Vacancy %	Average lease term in years
The Netherlands							
Office	155	DCF	334-345	330-356	3.7-4.2	0-4.3	5.1
Residential	67	DCF	211	239	3.3	3.5	
Industrial	183	DCF	53-56	55	2.9-3.6		4.7
Retail	12	DCF	133	198	5.0	35.7	7.2
Ground positions	16	Residual approach					
Germany							
Retail	242	DCF	184-313	175-314	4.3-4.6	10.9	3.6
Industrial	278	DCF	48-87	54-87	3.1-4.2	2.2	7.4
France							
Office	76	DCF	623	617	3.4		5.4
Residential	209	DCF	260-388	213-336	3.7-4.4	4.3	3.3
Industrial	366	DCF	45-70	45-72	3.5-4.5		4.5
Residential	13	Comparison approach	322	5			
Spain							
Retail	244	DCF	189-229	194-234	5.3-7.1	5.1	4.6
Industrial	117	DCF	0-44	28-42	1.0-6.2	8.8	3.1
Italy							
Retail	229	DCF	112-816	156-780	0.9-4.5	5.2	6.4
Industrial	33	DCF	42	44	4.6		3.4
Denmark							
Residential	120	DCF	217	311	3.6	0.9	
Industrial	65	DCF	155-167	144-154	4.4-5.0		11.5
Belgium							
Retail	119	DCF	83-342	99-322	4.9-7.6	4.8	3.5
Industrial	35	DCF	44	43	4.5		1.7
Office	9	Income Capitalisation	224	196	5.3	14.4	6.7
Poland							
Retail	84	DCF	150	160	7.7	6.0	3.6
Real estate under construction and other	47						
Total real estate	**2,719**						

37 Fair value of non-financial assets continued

Sensitivities

Significant increases (decreases) in the estimated rental value and rent growth in isolation would result in a significantly higher (lower) fair value of the real estate investments. Significant increases (decreases) in the long-term vacancy rate and discount rate in isolation would result in a significantly lower (higher) fair value of the real estate investments.

NN Group uses quarterly appraisals by external valuers as main input for the determination of fair value of its real estate investments. The fair value is established using valuation methods that take into account recent comparable market transactions (CMT), capitalisation of income (CI) methods and/or discounted cash flow (DCF) calculations. In 2020, uncertainties related to the Covid-19 pandemic have led to the inclusion of 'material valuation uncertainty' clauses in certain external valuation reports. Such clauses do not imply that the valuation cannot be relied upon, but are used to indicate that – in the extraordinary circumstances – less certainty could be attached to valuations than would otherwise be the case. This was primarily the case for real estate investments in the retail sector. At the end of 2021, valuators no longer included such clauses in the valuation reports for assets in the portfolio of NN Group. As for the different sectors the fair value of industrial and logistic real estate developed positive during the reporting period, as result of continuing favourable letting, capital markets and comparable market transactions, whereas for the retail sector, the vacancy and yield assumptions were updated as to be in accordance with the current (Covid-19 dominated) situation.

38 Derivatives and hedge accounting

Use of derivatives and hedge accounting

NN Group uses derivatives for effective portfolio management and the management of its asset and liability portfolios. The objective of economic hedging is to enter into positions with an opposite risk profile to an identified exposure to reduce that exposure.

The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and whether the hedge qualifies under the IFRS-EU hedge accounting rules. Derivatives that qualify for hedge accounting under IFRS-EU are classified and reported in accordance with the nature of the hedged item and the type of IFRS-EU hedge model that is applicable. The three models applicable under IFRS-EU are: cash flow hedge accounting, fair value hedge accounting and net investment hedge accounting. The company's detailed accounting policies for these three hedge models are set out in Note 1 'Accounting policies' in the section on 'Accounting policies for specific items'.

To qualify for hedge accounting under IFRS-EU, strict criteria must be met. Certain hedges that are economically effective from a risk management perspective do not qualify for hedge accounting under IFRS-EU. The fair value changes of derivatives relating to such non-qualifying hedges are taken to the profit and loss account. However, in certain cases, NN Group mitigates the profit and loss account volatility by designating hedged assets and liabilities at fair value through profit or loss. If hedge accounting is applied under IFRS-EU, it is possible that a hedge relationship no longer qualifies for hedge accounting and hedge accounting cannot be continued, even if the hedge remains economically effective. As a result, the volatility arising from undertaking economic hedging in the profit and loss account may be higher than would be expected from an economic point of view.

With respect to exchange rate and interest rate derivative contracts, the notional or contractual amount of these instruments is indicative of the nominal value of transactions outstanding at the balance sheet date; however, they do not represent amounts at risk.

In 2017, NN Group entered into a longevity hedge, based on a general index of Dutch mortality. The maximum pay-out of the hedge amounts to EUR 100 million, payable after 20 years. The hedge is financed by annual premium payments to the counterparty. The longevity hedge is accounted for as derivative. The hedge reduces the impact of longevity trend scenarios implying more improvement in life expectancy. The regulator gave approval to include the effects of this specific hedge on the SCR. The purpose of the hedge is to reduce the longevity risk.

Interest rate benchmark reform

Almost all hedge accounting applied by NN Group relates to interest rate risk based on Euribor. The calculation method of Euribor changed during 2019 and Euribor will continue to be used after the benchmark reform. As a result, NN Group expects that Euribor will continue to exist as a benchmark and does not anticipate replacing Euribor in its interest rate risk management and related hedge accounting. Furthermore, all of NN Groups Euribor based hedging instruments which are settled via clearing houses (the majority of NN Groups hedging instruments) have changed in July 2020 from EONIA to the Euro Short-Term Rate '€STR' as a reference rate to discount the future cash flows of the respective contracts in line with market practice. The remainder of NN Groups hedging instruments (primarily bilateral agreements) execute this change at the end of 2021, induced by market practice. This change does not impact the cash flows of the individual contracts, but only the calculation method of the fair value of the contracts.

38 Derivatives and hedge accounting continued

Cash flow hedge accounting

NN Group's hedge accounting consists mainly of cash flow hedge accounting. NN Group's cash flow hedges principally consist of Euribor based (forward) interest rate swaps and cross-currency interest rate swaps that are used to protect against its exposure to variability in future interest cash flows on assets and liabilities that bear interest at variable rates or are expected to be refunded or reinvested in the future. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio of financial assets and liabilities, based on contractual terms and other relevant factors including estimates of prepayments and defaults.

Gains and losses on the effective portions of derivatives designated under cash flow hedge accounting are recognised in Shareholders' equity. Interest income and expenses on these derivatives are recognised in the profit and loss account consistent with the manner in which the forecast cash flows affect Net result. The gains and losses on ineffective portions of such derivatives are recognised immediately in the profit and loss account.

For the year ended 31 December 2021, NN Group recognised EUR -3,383 million (2020: EUR 3,422 million) in equity as effective fair value changes on derivatives under cash flow hedge accounting. The balance of the cash flow hedge reserve in equity as at 31 December 2021 is EUR 11,906 million (2020: EUR 16,293 million) gross and EUR 8,837 million (2020: EUR 12,220 million) after deferred tax. This cash flow hedge reserve will fluctuate with the fair value of the underlying derivatives and will be reflected in the profit and loss account under Interest income/expenses over the remaining term of the underlying hedged items. The cash flow hedge reserve relates to a large number of derivatives and hedged items with varying maturities up to 49 years with the largest concentrations in the range 1 year to 13 years. Accounting ineffectiveness on derivatives designated under cash flow hedge accounting resulted in EUR 10 million loss (2020: EUR 2 million income) which was recognised in the profit and loss account.

As at 31 December 2021, the fair value of outstanding derivatives designated under cash flow hedge accounting was EUR 3,718 million (2020: EUR 10,371 million), presented in the balance sheet as EUR 4,622 million (2020: EUR 10,530 million) positive fair value under assets and EUR 904 million (2020: EUR 159 million) negative fair value under liabilities.

As at 31 December 2021 and 2020, there were no non-derivatives designated as hedging instruments for cash flow hedge accounting purposes.

Included in 'Interest income and Interest expenses on non-trading derivatives' is EUR 164 million (2020: EUR 192 million) and EUR 98 million (2020: EUR 88 million), respectively, relating to derivatives used in cash flow hedges.

Fair value hedge accounting

NN Group's fair value hedges principally consist of interest rate swaps and cross-currency interest rate swaps that are used to protect against changes in the fair value of fixed-rate instruments due to movements in market interest rates.

Gains and losses on derivatives designated under fair value hedge accounting are recognised in the profit and loss account. The effective portion of the fair value change on the hedged item is also recognised in the profit and loss account. As a result, only the net accounting ineffectiveness has an impact on the net result.

For the year ended 31 December 2021, NN Group recognised EUR 481 million (2020: EUR -670 million) of fair value changes on derivatives designated under fair value hedge accounting in the profit and loss account. This amount was offset by EUR -486 million (2020: EUR 678 million) fair value changes recognised on hedged items. This resulted in EUR -5 million (2020: EUR 8 million) net accounting ineffectiveness recognised in the profit and loss account. As at 31 December 2021, the fair value of outstanding derivatives designated under fair value hedge accounting was EUR 25 million (2020: EUR -546 million), presented in the balance sheet as EUR 29 million (2020: EUR 1 million) positive fair value under assets and EUR 4 million (2020: EUR 547 million) negative fair value under liabilities.

NN Group applies fair value hedge accounting for portfolio hedges of interest rate risk (macro hedging) under the EU 'carve out' of IFRS-EU. The EU 'carve-out' for macro hedging enables a group of derivatives (or proportions) to be viewed in combination and jointly designated as the hedging instrument and removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies. Under the IFRS-EU 'carve-out', hedge accounting may be applied to core deposits and ineffectiveness only arises when the revised estimate of the amount of cash flows in scheduled time buckets falls below the designated amount of that bucket. NN Group applies the IFRS-EU 'carve-out' to hedge the interest rate risk of mortgage loans. The hedging activities are designated under a portfolio fair value hedge on the mortgages, under IFRS-EU.

39 Assets by contractual maturity

Amounts presented in these tables by contractual maturity are the amounts as presented in the balance sheet.

Assets by contractual maturity (2021)

2021	Less than 1 month[1]	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
Assets							
Cash and cash equivalents	4,268	2,661					6,929
Financial assets at fair value through profit or loss:							
– investments for risk of policyholders[2]						39,261	39,261
– non-trading derivatives	5	98	84	108	6,124		6,419
– designated as at fair value through profit or loss	552			28		411	991
Available-for-sale investments	1,747	2,576	6,086	20,787	64,721	11,966	107,883
Loans	20	301	1,447	6,451	59,992	-11	68,200
Reinsurance contracts	25	32	130	137	596	34	954
Intangible assets	5	15	49	198	309	553	1,129
Deferred acquisition costs	53	26	111	309	1,392	2	1,893
Assets held for sale[3]			4,121				4,121
Deferred tax assets	-13		1	1	24	34	47
Other assets	1,935	794	548	156	271	2	3,706
Remaining assets (for which maturities are not applicable)[4]						10,052	10,052
Total assets	**8,597**	**6,503**	**12,577**	**28,175**	**133,429**	**62,304**	**251,585**

1 Includes assets on demand.
2 Investments for risk of policyholders are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of NN Group.
3 Assets held for sale consist of the assets of the disposal groups classified as held for sale as disclosed in Note 12 'Assets and liabilities held for sale'. For these assets and liabilities, the underlying contractual maturities are no longer relevant to NN Group. The assets and liabilities held for sale have been classified in accordance with the agreed or expected closing date.
4 Included in remaining assets for which maturities are not applicable are Property and equipment, Real estate investments and Associates and joint ventures. Due to their nature remaining assets consist mainly of assets expected to be recovered after more than 12 months.

Assets by contractual maturity (2020)

2020	Less than 1 month[1]	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
Assets							
Cash and cash equivalents	10,021	2,361					12,382
Financial assets at fair value through profit or loss:							
– investments for risk of policyholders[2]						34,797	34,797
– non-trading derivatives	44	187	42	284	14,276		14,833
– designated as at fair value through profit or loss	887		1	24	-1	425	1,336
Available-for-sale investments	1,373	2,093	5,937	25,485	71,988	11,299	118,175
Loans	329	182	1,235	6,503	57,164	15	65,428
Reinsurance contracts	21	27	117	184	639	75	1,063
Intangible assets	5	16	45	238	226	533	1,063
Deferred acquisition costs	41	22	105	277	1,424	2	1,871
Assets held for sale			113				113
Deferred tax assets		1	3	7	56	6	73
Other assets	2,213	1,057	613	98	56	2	4,039
Remaining assets (for which maturities are not applicable)[3]						8,565	8,565
Total assets	**14,934**	**5,946**	**8,211**	**33,100**	**145,828**	**55,719**	**263,738**

1 Includes assets on demand.
2 Investments for risk of policyholders are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of NN Group.
3 Included in remaining assets for which maturities are not applicable are Property and equipment, Real estate investments and Associates and joint ventures. Due to their nature remaining assets consist mainly of assets expected to be recovered after more than 12 months.

40 Liabilities by maturity

The tables below include all financial liabilities by maturity based on contractual, undiscounted cash flows. Furthermore, the undiscounted future coupon interest on financial liabilities payable is included in a separate line and in the relevant maturity bucket. Derivative liabilities are included on a net basis if cash flows are settled net. For other derivative liabilities the contractual gross cash flow payable is included.

Non-financial liabilities, including insurance and investment contracts, are included based on a breakdown of the (discounted) balance sheet amounts by expected maturity. Reference is made to the Liquidity risk paragraph in Note 52 'Risk management' for a description on how liquidity risk is managed.

Liabilities by maturity (2021)

2021	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Adjustment[1]	Total
Liabilities								
Subordinated debt[2]			500	1,000	850		6	2,356
Debt securities issued		600		500	1,200		-8	2,292
Other borrowed funds	55	675	385	2,805	3,381			7,301
Customer deposits and other funds on deposit	10,113	150	602	2,168	2,912			15,945
Financial liabilities at fair value through profit or loss:								
– non-trading derivatives	30	125	307	1,154	8,328		-8,040	1,904
Financial liabilities	**10,198**	**1,550**	**1,794**	**7,627**	**16,671**	**-**	**-8,042**	**29,798**
Insurance and investment contracts	821	1,187	3,961	16,796	108,051	37,996		168,812
Liabilities held for sale[3]			3,464					3,464
Deferred tax liabilities	4	6	-14	58	4,459	304		4,817
Other liabilities	7,853	495	516	287	633	-8		9,776
Non-financial liabilities	**8,678**	**1,688**	**7,927**	**17,141**	**113,143**	**38,292**	**-**	**186,869**
Total liabilities	**18,876**	**3,238**	**9,721**	**24,768**	**129,814**	**38,292**	**-8,042**	**216,667**
Coupon interest due on financial liabilities	15	25	102	660	1,924			2,726

1 This column reconciles the contractual undiscounted cash flow on financial liabilities to the balance sheet values. The adjustments mainly relate to valuation differences, the impact of discounting and, for derivatives, to the fact that the contractual cash flows are presented on a gross basis (unless the cash flows are actually settled net).

2 Subordinated debt maturities are presented based on the first call date. For the legal date of maturity reference is made to Note 15 'Subordinated debt'.

3 Liabilities held for sale consist of the assets of the disposal groups classified as held for sale as disclosed in Note 12 'Assets and liabilities held for sale'. For these assets and liabilities, the underlying contractual maturities are no longer relevant to NN Group. The assets and liabilities held for sale have been classified in accordance with the agreed or expected closing date.

40 Liabilities by maturity continued

Liabilities by maturity (2020)

2020	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Adjustment[1]	Total
Liabilities								
Subordinated debt[2]				1,500	850		33	2,383
Debt securities issued				1,100	600		-6	1,694
Other borrowed funds	124	303	1,254	3,373	2,488			7,542
Customer deposits and other funds on deposit	9,915	128	595	2,188	2,977			15,803
Financial liabilities at fair value through profit or loss:								
– non-trading derivatives	71	361	290	1,036	2,630		-376	4,012
Financial liabilities	**10,110**	**792**	**2,139**	**9,197**	**9,545**	**-**	**-349**	**31,434**
Insurance and investment contracts	1,148	1,063	4,523	17,744	112,395	33,799		170,672
Liabilities held for sale			93					93
Deferred tax liabilities	17	-4	-22	55	6,024	259		6,329
Other liabilities	14,093	526	640	400	710	69		16,438
Non-financial liabilities	**15,258**	**1,585**	**5,234**	**18,199**	**119,129**	**34,127**	**-**	**193,532**
Total liabilities	**25,368**	**2,377**	**7,373**	**27,396**	**128,674**	**34,127**	**-349**	**224,966**
Coupon interest due on financial liabilities	65	30	119	709	2,007			2,930

1 This column reconciles the contractual undiscounted cash flow on financial liabilities to the balance sheet values. The adjustments mainly relate to the impact of discounting and, for derivatives, to the fact that the contractual cash flows are presented on a gross basis (unless the cash flows are actually settled net).
2 Subordinated debt maturities are presented based on the first call date. For the legal date of maturity reference is made to Note 15 'Subordinated debt'.

41 Assets not freely disposable

Assets not freely disposable of EUR 136 million (2020: EUR 161 million) relates to the mandatory reserve deposit at De Nederlandsche Bank and cash balances held at BNG Bank regarding the structured entities Arena NHG, Hypenn RMBS entities and the Covered Bond companies.

Assets relating to securities lending are disclosed in Note 42 'Transferred, but not derecognised financial assets'. Assets in securitisation programmes originated by NN Bank are disclosed in Note 47 'Structured entities'.

42 Transferred, but not derecognised financial assets

The majority of NN Group's financial assets that have been transferred, but do not qualify for derecognition, are debt instruments used in securities lending. NN Group retains substantially all risks and rewards of those transferred assets. The assets are transferred in return for cash collateral or other financial assets. Non-cash collateral is not recognised in the balance sheet. Cash collateral is recognised as an asset and an offsetting liability is established for the same amount as NN Group is obligated to return this amount upon termination of the lending arrangement.

Transfer of financial assets not qualifying for derecognition

	2021	2020
Transferred assets at carrying value		
Available-for-sale investments	17,761	17,514
Associated liabilities at carrying value		
Other borrowed funds	580	247

The table above does not include assets transferred to consolidated securitisation entities, as these related assets are not transferred from a consolidated perspective. Reference is made to Note 47 'Structured entities'.

43 Offsetting of financial assets and liabilities

The following tables include information about rights to offset and the related arrangements. The amounts included consist of all recognised financial instruments that are presented net in the balance sheet under the IFRS-EU offsetting requirements (legal right to offset and intention to settle on a net basis) and amounts presented gross in the balance sheet but subject to enforceable master netting arrangements or similar arrangement.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements (2021)

2021					Related amounts not offset in the balance sheet		
Balance sheet line item	Financial instrument	Gross financial assets	Gross financial liabilities offset in the balance sheet	Net financial assets in the balance sheet	Financial instruments	Cash and financial instruments collateral	Net amount
Non-trading derivatives	Derivatives	6,411		6,411	-1,152	-5,231	28
Financial assets at fair value through profit or loss		**6,411**	**-**	**6,411**	**-1,152**	**-5,231**	**28**
Other items where offsetting is applied in the balance sheet		**127**	**-**	**127**	**-56**	**-70**	**1**
Total financial assets		**6,538**	**-**	**6,538**	**-1,208**	**-5,301**	**29**

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements (2020)

2020					Related amounts not offset in the balance sheet		
Balance sheet line item	Financial instrument	Gross financial assets	Gross financial liabilities offset in the balance sheet	Net financial assets in the balance sheet	Financial instruments	Cash and financial instruments collateral	Net amount
Non-trading derivatives	Derivatives	14,776		14,776	-3,214	-11,368	194
Financial assets at fair value through profit or loss		**14,776**	**-**	**14,776**	**-3,214**	**-11,368**	**194**
Other items where offsetting is applied in the balance sheet		**157**	**-**	**157**	**-63**	**-93**	**1**
Total financial assets		**14,933**	**-**	**14,933**	**-3,277**	**-11,461**	**195**

43 Offsetting of financial assets and liabilities continued

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements (2021)

2021					Related amounts not offset in the balance sheet		
Balance sheet line item	Financial instrument	Gross financial liabilities	Gross financial assets offset in the balance sheet	Net financial liabilities in the balance sheet	Financial instruments	Cash and financial instruments collateral	Net amount
Non-trading derivatives	Derivatives	1,679		1,679	-1,152	-495	32
Financial liabilities at fair value through profit or loss		**1,679**	**-**	**1,679**	**-1,152**	**-495**	**32**
Other items where offsetting is applied in the balance sheet		**58**		**58**	**-56**	**-2**	**-**
Total financial liabilities		**1,737**	**-**	**1,737**	**-1,208**	**-497**	**32**

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements (2020)

2020					Related amounts not offset in the balance sheet		
Balance sheet line item	Financial instrument	Gross financial liabilities	Gross financial assets offset in the balance sheet	Net financial liabilities in the balance sheet	Financial instruments	Cash and financial instruments collateral	Net amount
Non-trading derivatives	Derivatives	3,726		3,726	-3,214	-500	12
Financial liabilities at fair value through profit or loss		**3,726**	**-**	**3,726**	**-3,214**	**-500**	**12**
Other items where offsetting is applied in the balance sheet		**84**		**84**	**-63**	**-21**	**-**
Total financial liabilities		**3,810**	**-**	**3,810**	**-3,277**	**-521**	**12**

44 Contingent liabilities and commitments

In the normal course of business NN Group is party to activities whose risks are not reflected in whole or in part in the Consolidated annual accounts. In response to the needs of its customers, NN Group offers financial products related to loans. These products include traditional off-balance sheet credit-related financial instruments.

Contingent liabilities and commitments (2021)

2021	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
Commitments	550	1,347	3,260	2,312	135	343	7,947
Guarantees			40	1			41
Contingent liabilities and commitments	**550**	**1,347**	**3,300**	**2,313**	**135**	**343**	**7,988**

Contingent liabilities and commitments (2020)

2020	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
Commitments	655	772	1,983	1,947	203	104	5,664
Guarantees			40	1			41
Contingent liabilities and commitments	**655**	**772**	**2,023**	**1,948**	**203**	**104**	**5,705**

NN Group has issued certain guarantees, other than those included in 'Insurance contracts', which are expected to expire without being drawn on and therefore does not necessarily represent future net cash outflows. In addition to the items included in 'Contingent liabilities', NN Group has issued guarantees as a participant in collective arrangements of national industry bodies and as a participant in government required collective guarantee schemes which apply in different countries.

44 Contingent liabilities and commitments continued

ING Group

During 2016, ING Group, NN Group's former parent company, sold its remaining stake in NN Group. Therefore, ING Group has ceased to be a related party of NN Group in the course of 2016. The following agreements with ING Group are still relevant:

Master claim agreement

In 2012, ING Groep N.V., Voya Financial Inc. (formerly ING U.S., Inc.) and ING Insurance Eurasia N.V. entered into a master claim agreement to (a) allocate existing claims between these three parties and (b) agree on criteria for how to allocate future claims between the three parties. The master claim agreement contains further details on claim handling, conduct of litigation and dispute resolution.

Indemnification and allocation agreement

ING Groep N.V. and NN Group N.V. have entered into an indemnification and allocation agreement, in which ING Group has agreed to indemnify NN Group for certain liabilities that relate to the business of or control over certain (former) U.S. and Latin American subsidiaries of NN Group in the period until 30 September 2013 or, if the relevant subsidiary was divested by NN Group after 30 September 2013, such later date of divestment. These liabilities mainly include contingent liabilities that may arise as a result of the initial public offering of ING U.S. (such as prospectus liability), the sales of the Latin American businesses (such as claims under warranties and other buyer protection clauses) and the liabilities for the claims concerning the performance of certain interest-sensitive products that were sold by a former subsidiary of NN Group in Mexico.

Other agreements

In connection with the initial public offering of NN Group N.V., ING Groep N.V. entered in 2014 into several other agreements with NN Group N.V. which are currently, partly or wholly, in force, such as a joinder agreement, an equity administration agreement and a Risk Management Programme (RMP) indemnity agreement. In 2015, NN Group N.V. and ING Groep N.V. entered into an agreement providing amongst others for allocation between them of insurance payments under the public offering securities insurance taken out by ING Groep N.V. with respect to the IPO of NN Group N.V.

45 Legal proceedings

General

NN Group is involved in litigation and arbitration proceedings in the Netherlands and in a number of foreign jurisdictions, involving claims by and against NN Group which arise in the ordinary course of its business, including in connection with its activities as insurer, lender, seller, broker-dealer, underwriter, issuer of securities and investor and its position as employer and taxpayer. In certain of such proceedings, very large or indeterminate amounts are sought, including punitive and other damages. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, NN Group believes that some of the proceedings set out below may have, or have in the recent past had, a significant effect on the financial condition, profitability or reputation of NN Group.

Because of the geographic spread of its business, NN Group may be subject to tax audits in numerous jurisdictions at any point in time. Although NN Group believes that it has adequately provided for its tax positions, the ultimate outcome of these audits may result in liabilities that are different from the amounts recognised.

Unit-linked products in the Netherlands

Since the end of 2006, unit-linked products (commonly referred to in Dutch as 'beleggingsverzekeringen') have received negative attention in the Dutch media, from the Dutch Parliament, the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten) and consumer protection organisations. Costs of unit-linked products sold in the past are perceived as too high and Dutch insurers are in general being accused of being less transparent in their offering of such unit-linked products.

On 29 April 2015, the European Court of Justice issued its ruling on preliminary questions submitted by the District Court in Rotterdam, upon request of parties, including Nationale-Nederlanden, to obtain clarity on principal legal questions with respect to cost transparency in relation to unit-linked products. The main preliminary question considered by the European Court of Justice was whether European law permits the application of information requirements based on general principles of Dutch law that extend beyond information requirements as explicitly prescribed by laws and regulations in force at the time the policy was written. The European Court of Justice ruled that the information requirements prescribed by the applicable European directive may be extended by additional information requirements included in national law, provided that these requirements are necessary for a policyholder to understand the essential characteristics of the commitment and are clear, accurate and foreseeable. Dutch courts will need to take the interpretation of the European Court of Justice into account in relevant proceedings.

45 Legal proceedings continued

In 2013 Woekerpolis.nl and in 2017 Consumentenbond and Wakkerpolis, all associations representing the interests of policyholders of Nationale-Nederlanden, individually initiated so-called 'collective actions' against Nationale-Nederlanden. These claims are all based on similar grounds and have been rejected by Nationale-Nederlanden and Nationale-Nederlanden defends itself in these legal proceedings.

Woekerpolis.nl requested the District Court in Rotterdam to declare that Nationale-Nederlanden sold products which are defective in various respects. Woekerpolis.nl alleges that Nationale-Nederlanden failed to meet the required level of transparency regarding, cost charges and other product characteristics, failed to warn policyholders of certain product related risks, such as considerable stock depreciations, the inability to realise the projected final policy value, unrealistic capital projections due to differences in geometric versus arithmetic returns and that certain general terms and conditions regarding costs were unfair. On 19 July 2017, the District Court in Rotterdam rejected all claims of Woekerpolis.nl and ruled that Nationale-Nederlanden has generally provided sufficient information on costs and premiums. Woekerpolis.nl has lodged an appeal with the Court of Appeal in The Hague against the ruling of the District Court in Rotterdam. On 23 February 2021, the Court of Appeal in The Hague rendered an interim ruling submitting preliminary questions to the Dutch Supreme Court to obtain clarity on the interpretation of certain principle questions of law that are relevant in disputes concerning unit-linked policies. The questions concern the relationship between the specific Dutch regulations applicable to insurers regarding the provision of (pre)contractual information, and Dutch civil law and the impact thereon by European law. On 11 February 2022, the Supreme Court answered the questions of law submitted to it by the Court of Appeal in The Hague. The Supreme Court primarily considers that Dutch civil law is applicable to the legal relationship between insurer and policyholder. It is up to lower courts to decide whether Dutch civil law entails obligations to provide information in addition to the obligations arising from specific regulations and, if so, which obligations. The Supreme Court holds that potential additional information obligations must satisfy the criteria formulated by the European Court of Justice in the abovementioned judgment of 2015. The Supreme Court finds that, if the lower court were to decide that certain additional information obligations apply, the courts have to judge whether these information obligations 1) pertain to information that is clear and accurate, 2) are necessary for a proper understanding of the essential characteristics of the unit-linked policy, and 3) enable the insurer to identify with sufficient foreseeability the additional information that must be provided and that the policyholder may expect. The judgment has no direct consequences for customers with a unit-linked policy. The Court of Appeal in The Hague will now resume the collective proceedings between Woekerpolis.nl and Nationale-Nederlanden.

Consumentenbond alleges that Nationale-Nederlanden failed to adequately inform policyholders on cost charges, risk premium for life insurance cover and the leverage and capital consumption effect and that Nationale-Nederlanden provided misleading capital projections. Consumentenbond requested the District Court in Rotterdam to order a recalculation of certain types of unit-linked insurance products and to declare that Nationale-Nederlanden is liable for any damage caused by a lack of information and misleading capital projections. On 29 July 2020, the District Court in Rotterdam rejected all claims of Consumentenbond. The court ruled that Nationale-Nederlanden has provided sufficient information on the effect of costs and risk premiums for life insurance cover included in the gross premium, leading to agreement between parties (wilsovereenstemming) on these costs and risk premiums and on the manner in which these costs components are set off during the term of the insurance. Consumentenbond has lodged an appeal with the Court of Appeal in The Hague against the ruling of the District Court.

Wakkerpolis primarily concentrates on the recovery of initial costs for policyholders by claiming that there is no contractual basis for charging initial costs and that the insurer is obliged to warn against the leverage and capital consumption effect. In an interim ruling in the collective action initiated by Wakkerpolis rendered on 22 April 2020, the District Court in Rotterdam dismissed Wakkerpolis' claim to recalculate the value of unit-linked products without initial costs. With respect to unit-linked products issued after 1994, the District Court concluded that Nationale-Nederlanden complied with the precontractual information requirements prescribed by law and regulations applicable at the time and in principle all costs (including initial costs) were agreed upon by parties (wilsovereenstemming). With respect to unit-linked products issued before 1994, Nationale-Nederlanden is to demonstrate that for these unit-linked products it provided precontractual information on the (effect of) costs and risk premiums for life insurance cover included in the gross premium and net example capitals. For unit-linked products issued before 1 August 1999, the District Court ruled that policyholders were not sufficiently informed by Nationale-Nederlanden on the effect of costs on the surrender value or paid up value of a policy, leading to an absence in the agreement between parties (leemte). Nationale-Nederlanden is requested to inform the District Court whether the allocation system used by Nationale-Nederlanden to settle initial costs would negatively affect the value of policies in case of early surrendering or conversion into paid up policies, compared to another common allocation system used in the insurance industry. On 2 June 2021, the District Court rendered an interim judgment granting Wakkerpolis the right to supplement its claims. A final ruling in first instance is expected in Q2 2022.

45 Legal proceedings continued

There has been for some time and there continues to be political, regulatory and public attention focused on the unit-linked issue in general. Elements of unit-linked policies are being challenged or may be challenged on multiple legal grounds in current and future legal proceedings. There is a risk that one or more of those legal challenges will succeed. Customers of NN Group's Dutch insurance subsidiaries have claimed, among others, that (a) the investment risk, costs charged or the risk premium was not, or not sufficiently, made clear to the customer, (b) the product costs charged on initial sale and on an ongoing basis were so high that the expected return on investment was not realistically achievable, (c) the product sold to the customer contained specific risks that were not, or not sufficiently, made clear to the customer (such as the leverage capital consumption risk) or was not suited to the customer's personal circumstances, (d) the insurer owed the customer a duty of care which the insurer has breached, (e) the insurer failed to warn of the risk of not realising the projected policy values and/or that these projected policy values were incorrect, (f) the policy conditions were unfair, or (g) the costs charged or the risk premium had no contractual basis. These claims may be based on general standards of contract or securities law, such as reasonableness and fairness, error, duty of care, or standards for proper customer treatment or due diligence, such as relating to the fairness of terms in consumer contracts and may be made by customers, or on behalf of customers, holding active policies or whose policies have lapsed, matured or been surrendered. There is no assurance that further proceedings for damages based on aforementioned legal grounds or other grounds will not be brought. The timing of reaching any finality in last instance on these pending legal claims and proceedings is uncertain and such uncertainty is likely to continue for some time.

Rulings or announcements made by courts or decision-making bodies or actions taken by regulators or governmental authorities against NN Group's Dutch insurance subsidiaries or other Dutch insurance companies in respect of unit-linked products, or settlements or any other actions to the benefit of customers (including product improvements or repairs) by other Dutch insurance companies towards consumers, consumer protection organisations, regulatory or governmental authorities or other decision-making bodies in respect of the unit-linked products, may affect the (legal) position of NN Group's Dutch insurance subsidiaries and may force such subsidiaries to take (financial) measures that could have a substantial impact on the financial condition, results of operations, solvency or reputation of NN Group and its subsidiaries. As a result of the public and political attention the unit-linked issue has received, it is also possible that sector-wide measures may be imposed by governmental authorities or regulators in relation to unit-linked products in the Netherlands. The impact on NN Group's Dutch insurance subsidiaries of rulings made by courts or decision-making bodies, actions taken by regulators or governmental bodies against other Dutch insurance companies in respect of unit-linked products, or settlements or any other actions to the benefit of customers (including product improvements or repairs), may be determined not only by market share but also by portfolio composition, product features, terms and conditions and other factors. Adverse decisions or the occurrence of any of the developments as described above could result in outcomes materially different than if NN Group's Dutch insurance subsidiaries or its products had been judged or negotiated solely on their own merits.

The book of policies of NN Group's Dutch insurance subsidiaries dates back many years, and in some cases several decades. Over time, the regulatory requirements and expectations of various stakeholders, including customers, regulators and the public at large, as well as standards and market practice, have developed and changed, increasing customer protection. As a result, policyholders and consumer protection organisations have initiated and may in the future initiate proceedings against NN Group's Dutch insurance subsidiaries alleging that products sold in the past fail to meet current requirements and expectations. In any such proceedings, it cannot be excluded that the relevant court, regulator, governmental authority or other decision-making body will apply current norms, requirements, expectations, standards and market practices on laws and regulations to products sold, issued or advised on by NN Group's Dutch insurance subsidiaries.

Although the financial consequences of any of these factors or a combination thereof could be substantial for the Dutch insurance business of NN Group and, as a result, may have a material adverse effect on NN Group's business, reputation, revenues, results of operations, solvency, financial condition and prospects, it is not possible to reliably estimate or quantify NN Group's exposures at this time.

Dispute on reinsurance agreement

NN Group had reinsured with another insurance company part of the exposure on certain insured pension obligations. The counterparty acknowledged the existence of a reinsurance arrangement, but disputed the applicability of fundamental aspects of the reinsurance agreement. NN Group started legal proceedings in 2019. A provision was recognised in 2019. In 2021, both parties agreed on a settlement. As a result, the reinsurance was cancelled and a settlement amount was received. The net positive impact of the settlement was recognised in 2021.

Argentina

On 10 April 2019, NN Group filed a claim with the International Centre for Settlement of Investment Disputes (ICSID) under the Bilateral Investment Treaty between Argentina and the Netherlands, in order to resolve a dispute with the Argentine Republic. The dispute relates to the nationalisation of Orígenes – NN Group's former pension fund manager in Argentina – by the Argentine Government in 2008. These proceedings may last for several years. As the case is still pending, it is unclear at this stage whether and to what extent any compensation will be granted to NN Group and therefore no compensation has been recognised.

45 Legal proceedings continued

Australia

In April 2015, the Australian Taxation Office (ATO) commenced a Tax Audit on ING Australia Holdings Ltd. The Tax Audit concerns the years 2007-2013 and focused on the currency denomination of and interest on intercompany loans which resulted from the transfer of the insurance and asset management businesses in Australia. ING Australia Holdings was transferred by NN Group to ING Group in 2013 as part of which it was agreed that NN Group remains liable for any damages resulting from tax claims. An Independent Review of the Tax Audit was completed by the ATO in July 2017. In 2017, NN Group recognised a provision on the IFRS and Solvency II balance sheets for an amount of AUD 279 million (EUR 185 million) to cover the costs of the expected ATO claim including penalties, interest and related expenses. In December 2020, a final agreement was reached with the ATO on all aspects of the Tax Audit resulting in a final payment to the ATO and the release of the remainder of the provision (net of related expenses). The release of EUR 109 million is recognised in 2020 in Result on disposal of group companies (Result on divestments in the segment Other). The Tax Audit concerns a former subsidiary of NN Group and, therefore, does not impact NN Group's business or strategy going forward.

46 Companies and businesses acquired and divested

Acquisitions (2021)

In July 2021, NN Group announced it had reached agreement to acquire MetLife's businesses in Poland and Greece for a consideration of EUR 584 million. This is in line with the strategy to consolidate NN Group's leading positions in attractive growth markets in which NN is already active. In January 2022 the acquisition of MetLife Greece was completed. The acquisition of MetLife Poland is expected to be completed in 2022.

In July 2021 NN Group announced that it had reached an agreement to acquire a 70% stake in Dutch insurance broker and service provider Heinenoord, for a total consideration of EUR 179 million. In addition, NN Group refinanced the outstanding debt granted to Heinenoord for an amount of EUR 129 million. Furthermore, the agreement includes an option structure to acquire the remaining 30% of shares within four years following the closing of the transaction. The acquisition closed in October 2021 and was accounted for in 2021. Heinenoord is consolidated 100% by NN Group; a liability is recognised for the estimated remaining price to be paid under the put option of EUR 85 million. Intangible assets for the brand name and customer relationships were recognised for an amount of EUR 120 million. In addition, goodwill was recognised for an amount of EUR 291 million. There are no other assets and liabilities in the balance sheet of Heinenoord that are significant to NN Group. Heinenoord is included in the segment Netherlands Non-life.

Divestments (2021)

Bulgaria

In February 2021, NN Group announced that it has reached an agreement with KBC Group N.V. (KBC) to sell its Bulgarian operations for a total consideration of EUR 78 million to KBC's Bulgarian insurance business DZI. The transaction closed in July 2021. The sale did not have a significant impact on the net result, equity or the Solvency II ratio of NN Group.

NN IP

In August 2021, NN Group announced that it had reached an agreement to sell its asset management activities executed by NN Investment Partners (NN IP) to Goldman Sachs for total cash proceeds of EUR 1.7 billion. Closing of the transaction is subject to customary conditions, and is expected to take place in the first half of 2022.

Following the announced disposal, the asset management activities are classified as Held for sale. Therefore, the assets and liabilities of NN IP are presented in 'Assets held for sale' and 'Liabilities held for sale' in the balance sheet. Reference is made to Note 12 'Assets and liabilities held for sale'. The results from NN IP are presented as Result from discontinued operations. Reference is made to Note 31 'Discontinued operations'.

Closed book portfolio NN Belgium

In November 2021, NN Group's subsidiary NN Insurance Belgium sold a closed book life portfolio to Athora Belgium. The closed book portfolio, comprising life insurance policies that are no longer being sold, reflect approximately EUR 3.3 billion of assets and liabilities. The agreement has no impact on the services and guarantees that NN Group provides to its policyholders. The transaction is subject to customary conditions, including obtaining the necessary regulatory and competition clearances and consultation of the NN Belgium works council. Closing of the transaction is expected by mid-2022.

Following the announced disposal, the closed book life portfolio is classified as Held for sale. Therefore, the assets and liabilities of the closed book life portfolio are presented in 'Assets held for sale' and 'Liabilities held for sale' in the balance sheet. Reference is made to Note 12 'Assets and liabilities held for sale'.

46 Companies and businesses acquired and divested continued

Acquisitions (2020)

VIVAT Non-life

In April 2020, NN Group announced the completion of its acquisition of VIVAT Schadeverzekeringen N.V. ('VIVAT Non-life'). Included below is an overview of the transaction, a description of VIVAT Non-life, the rationale for the transaction, the accounting at the acquisition date and certain additional disclosures on the acquisition.

Overview of the transaction

On 7 June 2019, NN Group announced to acquire 100% of the voting equity interest of VIVAT Non-life for a consideration of EUR 416 million. NN Group announced that it would acquire VIVAT Non-life from Athora, following the acquisition of the VIVAT Group (VIVAT) by Athora. In addition, NN Group announced that it would acquire the intercompany Tier 2 loans granted by VIVAT to VIVAT Non-life for a consideration of EUR 150 million plus accrued interest. The acquisition of the intercompany Tier 2 loans is considered part of the acquisition of VIVAT Non-life for IFRS accounting purposes. The approvals for the acquisition were received in the first quarter of 2020. The transaction closed on 1 April 2020. As a result, VIVAT Non-life is included in the consolidation from 1 April 2020.

Description of VIVAT Non-life

VIVAT Non-life is a Dutch insurance company that offers a variety of non-life insurance products. VIVAT Non-life provides mainly property & casualty and disability insurance. VIVAT Non-life operates in the Netherlands. VIVAT Non-life was a 100% subsidiary of VIVAT N.V. VIVAT N.V, was previously owned by Anbang Group Holdings Co Ltd until it was sold to Athora immediately before NN Group purchased VIVAT Non-life from Athora.

Rationale for the transaction

The acquisition of VIVAT Non-life by NN Group is in line with NN Group's strategic goal of long-term value creation for its stakeholders – increasing operating capital generation and driving growth in attractive markets. The completion of the acquisition of VIVAT Non-life adds additional scale and capabilities to NN Group's non-life platform, enabling further improvement of customer propositions and increasing NN Group's ability to invest in digital capabilities and innovation.

The acquisition of VIVAT Non-life will help achieve the strategic goals, extracting the synergy benefits from the transaction and further reducing expenses. This acquisition will enable NN Group to continue to optimise the Non-life business by building data capabilities and leveraging on its additional scale.

Accounting at the acquisition date

The acquisition date of VIVAT Non-life by NN Group for acquisition accounting under IFRS is 1 April 2020. On this date, NN Group acquired 100% of the ordinary shares in VIVAT Non-life and thus obtained control. Therefore, VIVAT Non-life is included in the NN Group consolidation from 1 April 2020.

NN Group has performed the accounting for the acquisition using the values below.

The accounting values of certain assets and liabilities acquired as at 1 April 2020 as disclosed below differ from the values of the assets and liabilities in the balance sheet of VIVAT Non-life immediately before the acquisition by NN Group. This difference is mainly a result of the following most significant amendments as a result of the purchase price allocation as required under IFRS:

- Insurance liabilities and reinsurance contracts were remeasured to fair value as defined in IFRS; this resulted in a decrease in insurance liabilities. The fair value of the insurance liabilities was determined based on the price that a market participant would charge to assume the insurance liabilities of VIVAT-Non-life in an orderly transaction at the measurement date. In arriving at the fair value of the insurance liabilities, the future cash flows were estimated using current best estimate actuarial assumptions. The future cash flows were then adjusted for the compensation a market participant would require for assuming the risks and uncertainties relating to the insurance liabilities. Where relevant these adjusted future cash flows were discounted using a current market discount rate to reflect the time value of money. Whilst the determination of the fair value of the insurance liabilities involved estimates and expert judgement, there are no elements in the valuation where using reasonably supportable alternative assumptions would have had a material impact on NN Group. In accordance with IFRS 4 and in line with NN Group's accounting policies, NN Group opted to recognise the difference between the fair value and the existing book value of the insurance liabilities as an asset (Value of Business Acquired, or 'VOBA') and to report the Liabilities for insurance contracts in the balance sheet at the existing book values.
- Subordinated debt was revalued from amortised cost to fair value. This resulted in an increase in the value of the subordinated debt.
- Acquisition related intangible assets were recognised. This mainly related to a distribution agreement. The distribution agreement was valued using the excess earnings method. Under this method the fair value is calculated by adjusting the forecasted income for the remaining useful life for contributory asset charges. This amount is then discounted using an adjusted cost of equity. The value of the distribution agreement is estimated at EUR 10 million and will be amortised through the profit and loss account over its useful life of 20 years.

46 Companies and businesses acquired and divested continued

Acquisition date fair values of the assets and liabilities acquired (2020)

2020	Acquisition date
Cash paid to acquire shares	-416
Cash paid to acquire the intercompany Tier 2 loans (including accrued interest)	-152
Cash in company acquired	29
Cash flow on acquisition	**-539**

2020	Acquisition date
Assets	
Cash and cash equivalents	29
Financial assets at fair value through profit or loss:	
– non-trading derivatives	62
Available-for-sale investments	1,517
Loans	43
Reinsurance contracts	70
Associates and joint ventures	21
Intangible assets	12
VOBA	141
Other assets	128
Total assets	**2,023**
Liabilities	
Subordinated debt	171
Insurance and investment contracts	1,278
Deferred tax liabilities	18
Other liabilities	142
Total liabilities	**1,609**
Net assets acquired	**414**
Fair value of purchase consideration	
- To acquire shares in VIVAT Non-life	416
- To acquire the intercompany Tier 2 loans (including accrued interest)	152
Total fair value of purchase consideration	**568**
Fair value of net assets acquired	
- Net assets acquired VIVAT Non-life	414
- Acquired intercompany Tier 2 loans	166
Total fair value of net assets acquired	**580**
Difference	**-12**

The purchase consideration paid was in total EUR 12 million lower than the net assets acquired; the difference represents negative goodwill. This negative goodwill is recognised in Other income in the profit and loss account immediately (presented in the segment Netherlands Non-life). The (negative) goodwill is not taxable.

Other information

2020	Acquisition date
Acquisition-related costs recognised as expense	9
Total income recognised in profit and loss since date of acquisition	529
Net profit recognised in profit and loss since date of acquisition	27
Total income that would have been recognised in profit and loss if acquired from the start of the year[1]	736
Net profit that would have been recognised in profit and loss if acquired from the start of the year[2]	31

1 The sum of Total income since the date of acquisition plus the first quarter 2020 Total income for VIVAT Non-life stand-alone.
2 The sum of Net profit since the date of acquisition plus the first quarter 2020 Net profit for VIVAT Non-life stand-alone.

46 Companies and businesses acquired and divested continued

No significant acquisition-related costs were recognised on this transaction. The financial assets acquired do not include any significant receivables, other than investments in debt securities and Loans. There were no significant contingent liabilities that were recognised at the date of acquisition.

Divestments (2020)

Sigorta Cini

In December 2020, NN Group sold Sigorta Cini, the intermediary business in Turkey, to BUBA Ventures. The transaction, which was completed in December 2020, did not have a material impact on the result and capital position of NN Group.

47 Structured entities

NN Group's activities involve transactions with structured entities in the normal course of business. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed through contractual arrangements. NN Group's involvement in these entities varies and includes both debt financing and equity financing of these entities as well as other relationships. Based on its accounting policies, as disclosed in Note 1 'Accounting policies', NN Group establishes whether these involvements result in no significant influence, significant influence, joint control or control over the structured entity.

The structured entities over which NN Group can exercise control are consolidated. NN Group may provide support to these consolidated structured entities as and when appropriate, however, this is fully reflected in the Consolidated annual accounts of NN Group as all assets and liabilities of these entities are included in the Consolidated balance sheet and off-balance sheet commitments are disclosed.

NN Group's activities involving structured entities are explained below in the following categories:

- Consolidated NN Group originated liquidity management securitisation and covered bond programmes
- Investments – NN Group managed investment funds
- Investments – Third-party managed structured entities

Consolidated NN Group originated liquidity management securitisation and covered bond programmes

Mortgage loans issued are partly funded by issuing residential mortgage-backed securities under NN Group's Dutch residential mortgage-backed securities programmes (Hypenn and Arena) and covered bonds. The mortgage loans transferred to these securitisation vehicles continue to be recognised in the balance sheet of NN Group. Total amounts of mortgage loans securitised (notes issued) and notes held by third parties as at 31 December is as follows:

Mortgage loans securitised

	Maturity year	Related mortgage loans		RMBS issued and held by third parties	
		2021	2020	2021	2020
Arena NHG 2016-I			337		223
Hypenn RMBS I	2023	1,169	1,304		
Hypenn RMBS V			307		283
Hypenn RMBS VI	2022	503	578	333	385
Hypenn RMBS VII	2026	1,563	1,918		
NN Conditional Pass-Through Covered Bond Company	2024-2039	2,925	2,923	2,587	2,585
Soft Bullet Covered Bonds	2030-2041	1,900	1,548	1,742	1,244
Total		**8,060**	**8,915**	**4,662**	**4,720**

NN Group companies hold the remaining notes.

NN Group managed investment funds

NN Group originates investment funds. NN Group may hold investments in these funds for its own account through the general account investment portfolio of the insurance operations. Other investments in these funds may be held for the risk of policyholders or by third parties. For the majority of these funds, NN Group also acts as the fund manager. NN Group considers both NN Group's financial interests for own risk and its role as asset manager to establish whether control exists and whether the fund is consolidated. In general, NN Group maintains a minority interest in these funds and NN Group receives a fixed fee over assets under management, at arm's length basis, for its asset management activities. These funds are generally not consolidated by NN Group. Financial interests for risk of policyholders are not taken into account when the policyholders decide on the investment allocations of their insurance policies (i.e. the policyholder has the 'power') and assume all risks and benefits on these investments (i.e. the policyholder assumes the variable returns).

47 Structured entities continued

Reference is made to Note 5 'Available-for-sale investments' in which investments in equity securities are specified by NN Group managed investment funds and Third-party managed investment funds. The maximum exposure to loss for NN Group is equal to the reported carrying value of the investment recognised in the balance sheet of NN Group.

Third-party managed structured entities

As part of its investment activities, NN Group invests both in debt and equity instruments of structured entities originated by third parties.

Most of the investments in debt instruments of third-party managed structured entities relate to Asset-backed securities (ABS), classified as loans. Reference is made to Note 5 'Available-for-sale investments' where the ABS portfolio is disclosed.

The majority of the investments in equity instruments of third-party managed structured entities relate to interests in investment funds that are not originated or managed by NN Group. Reference is made to Note 5 'Available-for-sale investments' in which investments in equity securities are specified by NN Group managed investment funds and Third-party managed investment funds.

NN Group has significant influence for some of its real estate investment funds as disclosed in Note 7 'Associates and joint ventures'.

The maximum exposure to loss for NN Group is equal to the reported carrying value of the investment recognised in the balance sheet of NN Group.

48 Related parties

In the normal course of business, NN Group enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Related parties of NN Group include, among others, associates, joint ventures, key management personnel and close family members and the defined benefit and defined contribution plans. Transactions between related parties have taken place on an arm's length basis and include distribution agreements, sourcing and procurement agreements, human resources-related arrangements, and rendering and receiving of services.

There are no significant provisions for doubtful debts or individually significant bad debt expenses recognised on outstanding balances with related parties.

NN Group identifies the following (groups of) related party transactions:

Transactions with key management personnel

Transactions with members of NN Group's Executive Board, Management Board and Supervisory Board and close family members are considered to be transactions with key management personnel. Reference is made to Note 49 'Key management personnel compensation' for more information on these transactions.

Transactions with consolidated entities

Entities over which NN Group can exercise control are considered to be related parties of NN Group. These entities are consolidated by NN Group. Transactions with or between entities controlled by NN Group are eliminated in the Consolidated annual accounts.
More information on the NN Group originated liquidity management securitisation programmes is disclosed in Note 47 'Structured entities'.

Transactions with associates and joint ventures

Associates and joint ventures of NN Group are related parties of NN Group. The transactions with associates and joint ventures can be summarised as follows:

Transactions with associates and joint ventures

	2021	2020
Assets	210	205
Income	8	5

Transactions with post-employment benefit plans

Entities administering or executing post-employment benefit plans of the employees of NN Group are considered to be related parties of NN Group. This relates to NN Group's pensions funds, i.e. the ING Group DB pension fund (joint with ING Bank), the Stichting Pensioenfonds Delta Lloyd, the NN CDC pension fund in the Netherlands and Instelling voor Bedrijfspensioenvoorziening Delta Lloyd Life OFP in Belgium. For more information on the post-employment benefit plans, reference is made to Note 28 'Staff expenses'.

48 Related parties continued

Transactions with other related parties

Investment funds

Other related parties include NN Group managed investment funds. Reference is made to Note 47 'Structured entities' for more information.

Pension entities

NN Group operates several pension entities in the Netherlands, including BeFrank PPI N.V. and De Nationale Algemeen Pensioenfonds. For these entities, all asset management and other services are provided by NN Group entities on an arm's length basis. NN Group has no financial interest in the pension schemes that are executed by these entities. These entities are considered related parties.

49 Key management personnel compensation

Transactions with key management personnel (Executive Board, Management Board and Supervisory Board) are transactions with related parties. These transactions are disclosed in more detail as required by Part 9 Book 2 of the Dutch Civil Code in sections II and III in the remuneration report in the financial report. These sections of the remuneration report are therefore part of the annual accounts.

2021

Executive Board and Management Board (2021)

amounts in thousands of euros	Executive Board	Management Board[3]	Total
Fixed compensation:			
– base salary (cash)	2,557	3,947	6,504
– base salary (fixed shares)	639	889	1,528
– pension costs[1]	49	162	211
– individual saving allowance[1]	692	953	1,645
Variable compensation:			
– upfront cash	118	206	324
– upfront shares	118	206	324
– deferred cash	176	241	417
– deferred shares	176	309	485
Other[2]		67	67
Fixed and variable compensation	**4,525**	**6,980**	**11,505**
Other benefits	350	322	672
Employer cost social security[4]	131	270	401
Total compensation	**5,006**	**7,572**	**12,578**

1 The pension costs consist of an amount of employer contribution (EUR 211 thousand) and an individual savings allowance (EUR 1,645 thousand), which is 23.3% of the amount of base salary above EUR 112,189.

2 For the NN Investment Partners business, 50% of deferred awards are made in a deferred investment in funds managed by the business instead of awarding deferred cash. In this way, alignment of interests is achieved between staff working in the NN Investment Partners business and the clients who invest in funds managed by that business.

3 Satish Bapat was appointed to the Management Board as CEO NN Investment Partners on 1 April 2017 and stepped down on 19 August 2021.

4 The employer cost social security do not impact the overall remuneration received by the Executive Board and Management Board members.

In the table above, 'Executive Board' refers to the two members of the Executive Board as at 31 December 2021. The two members of the Executive Board are also members of the Management Board. In the table above, 'Management Board' refers to the six members of the Management Board as at 31 December 2021, i.e. those members that are not also member of the Executive Board. In the table above 'Total' refers to all members of the Management Board during 2021.

Remuneration of the members of the Executive Board and the Management Board is recognised in the profit and loss account in 'Staff expenses' as part of 'Total expenses'. The total remuneration as disclosed in the table above (for 2021: EUR 12.6 million) includes all variable remuneration related to the performance year 2021. Under IFRS-EU, certain components of variable remuneration are not recognised in the profit and loss account directly, but are allocated over the vesting period of the award. The comparable amount recognised in staff expenses in 2021 and therefore included in 'Total expenses' in 2021, relating to the fixed expenses of 2021 and the vesting of variable remuneration of 2021 and earlier performance years, is EUR 13.4 million.

As at 31 December 2021, members of the Executive Board and Management Board held a total of 166,577 NN Group N.V. shares.

In 2021, 35,645 share awards on NN Group N.V. (both deferred and upfront) were granted to the Executive Board and Management Board.

49 Key management personnel compensation continued

Supervisory Board (2021)

amounts in thousands of euros	Supervisory Board
Fixed fees	831
Expense allowances	71
Compensation Supervisory Board	**902**

The above mentioned amounts include VAT of EUR 37 thousand for 2021. NN Group does not provide for any pension arrangement, termination arrangements (including termination or retirement benefits) or variable remuneration, for members of the Supervisory Board.

As at 31 December 2021, members of the Supervisory Board held no NN Group N.V. shares.

Loans and advances to members of the Executive Board and Management Board (2021)

amounts in thousands of euros	Amount outstanding 31 December	Average interest rate	Repayments
Executive Board members		5.28%	320
Management Board members	401	1.77%	74
Loans and advances	**401**		**394**

As at 31 December 2021, no loans and advances were provided to members of the Supervisory Board.

2020

Executive Board and Management Board (2020)

amounts in thousands of euros	Executive Board	Management Board[3]	Total
Fixed compensation:			
– base salary (cash)	2,557	3,376	5,933
– base salary (fixed shares)	639		639
– pension costs[1]	48	148	196
– individual saving allowance[1]	693	628	1,321
Variable compensation:			
– upfront cash	107	392	499
– upfront shares	107	392	499
– deferred cash	159	494	653
– deferred shares	159	589	748
Other[2]		95	95
Fixed and variable compensation	**4,469**	**6,114**	**10,583**
Other benefits	367	711	1,078
Employer cost social security[4]	131	200	331
Total compensation	**4,967**	**7,025**	**11,992**

1 The pension costs consist of an amount of employer contribution (EUR 196 thousand) and an individual savings allowance (EUR 1,321 thousand), which is 23.3% of the amount of base salary above EUR 110,111.
2 For the NN Investment Partners business, 50% of deferred awards are made in a deferred investment in funds managed by the business instead of awarding deferred cash. In this way, alignment of interests is achieved between staff working in the NN Investment Partners business and the clients who invest in funds managed by that business.
3 Bernhard Kaufmann was appointed Chief Risk Officer and Member of the Management Board NN Group on 1 June 2020. Leon van Riet was appointed CEO Netherlands Life & Pensions and Member of the Management Board NN Group on 1 June 2020.
4 The employer cost social security do not impact the overall remuneration received by the Executive Board and Management Board members.

In the table above, 'Executive Board' refers to the two members of the Executive Board as at 31 December 2020. The two members of the Executive Board are also members of the Management Board. In the table above, 'Management Board' refers to the seven members of the Management Board as at 31 December 2020, i.e. those members that are not also member of the Executive Board. In the table above 'Total' refers to all members of the Management Board during 2020.

49 Key management personnel compensation continued

Remuneration of the members of the Executive Board and the Management Board is recognised in the profit and loss account in 'Staff expenses' as part of 'Total expenses'. The total remuneration as disclosed in the table above (for 2020: EUR 12.0 million) includes all variable remuneration related to the performance year 2020. Under IFRS-EU, certain components of variable remuneration are not recognised in the profit and loss account directly, but are allocated over the vesting period of the award. The comparable amount recognised in staff expenses in 2020 and therefore included in 'Total expenses' in 2020, relating to the fixed expenses of 2020 and the vesting of variable remuneration of 2020 and earlier performance years, is EUR 10.7 million.

As at 31 December 2020, members of the Executive Board and Management Board held a total of 124,172 NN Group N.V. shares.

In 2020, 40,278 share awards on NN Group N.V. (both deferred and upfront) were granted to the Executive Board and Management Board.

Supervisory Board (2020)

amounts in thousands of euros	Supervisory Board
Fixed fees	870
Expense allowances	73
Compensation Supervisory Board	**943**

The above mentioned amounts include VAT of EUR 164 thousand for 2020. NN Group does not provide for any pension arrangement, termination arrangements (including termination or retirement benefits) or variable remuneration, for members of the Supervisory Board.

As at 31 December 2020, members of the Supervisory Board held no NN Group N.V. shares.

Loans and advances to members of the Executive Board and Management Board (2020)

amounts in thousands of euros	Amount outstanding 31 December	Average interest rate	Repayments
Executive Board members	320	5.10%	95
Management Board members	476	1.71%	95
Loans and advances	**796**		**190**

As at 31 December 2020, no loans and advances were provided to members of the Supervisory Board.

50 Fees of auditors

Fees of auditors

	2021	2020
Audit fees	18	17
Audit related fees	4	2
Fees of auditors	**22**	**19**

Fees as disclosed above relate to the network of the NN Group's auditors and are the amounts related to the respective years, i.e. on an accrual basis (excluding VAT).

The audit related fees include the services in relation to prospectuses, internal control reports provided to external parties, reporting to regulators and in 2021 IFRS 9 and 17.

Auditor fees are included in 'External advisory fees' as part of the Other operating expense.

51 Subsequent events

ABN AMRO life insurance subsidiary

In February 2022 NN Group, ABN AMRO Bank and their joint venture ABN AMRO Verzekeringen announced that they have reached an agreement to sell the life insurance subsidiary of ABN AMRO Verzekeringen to Nationale-Nederlanden Levensverzekering Maatschappij N.V. (NN Life). ABN AMRO Verzekeringen is a joint venture between NN Group (51%) and ABN AMRO Bank (49%). The life insurance subsidiary of ABN AMRO Verzekeringen is already consolidated by NN Group and, therefore, this transaction will not have significant impact on NN Group.

Share buyback programmes

In February 2022 NN Group announced that it will execute an open market share buyback programme for an amount of EUR 250 million. The programme will be executed within 12 months and commenced on 1 March 2022. NN Group also announced in February that it will execute an additional open market share buyback programme for an amount of EUR 750 million after completion of the sale of NNIP. This intended additional share buyback programme is expected to be completed before 1 March 2023. Both share buybacks will be deducted in full from Solvency II Own Funds in the first half of 2022 and are estimated to reduce NN Group's Solvency II ratio by approximately 10%-points.

52 Risk management

Introduction

Accepting and managing risks is an integral part of our insurance, banking and investment management business and therefore, risk management is fundamental. Appropriate risk management enables NN Group to meet obligations towards clients, regulators and other stakeholders.

The Risk Management paragraph has the following structure:

I. Covid-19; impact of the Covid 19 pandemic on NN Group during 2021

II. Risk Management System, consisting of:
III. Risk Governance, based on the Three lines of defence model; and
IV. Risk Control Cycle, covering Risk Strategy (incl. Risk Appetite Statements, Limits and Tolerances), Risk Assessment, Risk Monitoring, Risk Reporting and Risk Culture

V. Risk Profile, categorised into:
VI. Strategic and emerging risks, including climate change;
VII. Financial risks (based on the structure of our Internal Model); and
VIII. Non-Financial risks

52 Risk management continued

I. Covid-19 pandemic

With reference to Note 2 on the Covid-19 pandemic, the most significant Covid-19 related risks that NN Group is facing in the current context are related to the political and regulatory environment (how governments and supervisors respond to the crisis), volatility in financial markets (including interest rates, equity prices, inflation and spreads) and operational risk (continuity and security of business processes). NN Group is constantly monitoring the developments and the (potential) impact on NN Group through:

- A dedicated Covid-19 coordination team monitoring regularly developments in different areas, discuss our response, and set into motion required actions. The Covid-19 coordination team has regular contact with internal and external stakeholders, such as with supervisors DNB and AFM and senior management and employees, to communicate any changes to corporate policies, remedial actions required and provide regular progress reporting.
- Monitoring of financial markets: To make sure financial positions are monitored, and losses are avoided or mitigated, several financial indicators related to volatility and liquidity of markets are monitored, for example interest rates, inflation rates, equity prices, bond spreads, etc.
- Applying stress testing and scenario analysis to assess impact of financial market developments on our solvency and liquidity positions. As part of scenario analysis, we analysed both the impact of a prolonged Covid-19 crisis when vaccine-resistant mutations arise, as well as scenarios where Covid-19 will become endemic. In other words the pandemic will not end with the virus disappearing, but that enough people will gain immunity protection from vaccination or natural infection, such that there will be less transmission and much less Covid-19-related hospitalisation and death, even as the virus continues to circulate.
- Monitoring of impact on customers: Monitoring morbidity and mortality rates (customers passing away due to Covid-19), claim rates from customers getting sick by Covid-19 or longer disability where treatments are postponed, lapse and prepayment behaviour, and whether products still fit customer' needs.
- Monitoring of third parties and business partners: To ensure that services outsourced by NN, are delivered according to agreed service levels, and to ensure that our sales and support networks via tied agents and brokers remain healthy, and extra measures are taken as necessary.
- Monitoring business continuity and IT security: To make sure that customers can be serviced in a normal way using our digital channels, where necessary via accelerated digital initiatives, to ensure that NN Group's employees could work safely from home and to make sure financial market operations and payments could continue as normally as possible, while potential IT (security) risks are mitigated.

We will continue to monitor further developments related to the Covid-19 pandemic, and adjust our response accordingly. Where relevant, in the rest of this Note 52 we discuss the impact of the Covid-19 pandemic on the different risk types in more detail.

52 Risk management continued

II. Risk Management System

III. Risk Governance / System of Governance

NN Group's System of Governance comprises amongst others the following elements:
- General governance elements, including amongst others reporting lines, decision structures, company policies, and segregation of duties,
- Remuneration,
- Persons who effectively run NN Group or have other key functions, who should be 'Fit and Proper',
- Key Functions: the Risk Management, Compliance, Actuarial and Internal Audit Functions,
- System of Risk Management and Internal Control,
- Investment activities,
- Capital Management, and
- Managing and overseeing outsourcing critical or important operational functions and activities.

In 2021, a review of NN Group's System of Governance, as required under Solvency II was conducted by the Management Board and discussed with the Supervisory Board. The review was based, amongst others, on self-assessments by each Key Function on its compliance with requirements and on its operational effectiveness, as well as on a self-assessment by each Business Unit on the effectiveness of their local System of Risk Management and Internal Control (challenged by the Risk Management and Compliance Key Functions). Overall, whilst some improvement areas were identified with actions defined and taken, the Management Board concluded that NN Group's System of Governance is adequate and effective, supports its strategic objectives and operations and provides for sound and prudent management of the business.

NN Group's risk governance follows the 'three lines of defence' concept, which outlines the decision-making, execution and oversight responsibilities for NN Group's risk management. This structure has been embedded at both Head Office and Business Unit level.

The prudent person principle stipulates that insurers may only invest in assets and instruments whose risks the undertaking concerned can properly identify, measure, monitor, manage, control and report and appropriately take into account in the assessment of its overall solvency needs.

Three lines of defence

The three lines of defence defines three risk management levels, each with distinct roles, decision authorities, execution responsibilities, and oversight responsibilities. This concept helps to ensure that risks are managed in line with the risk appetite as defined by the Executive Board, ratified by the Supervisory Board, and cascaded throughout NN Group.
- First line of defence consists of the CEO of NN Group and the CEOs of the Business Units, as well as their first line management board members that collectively make business decisions, with primary accountability for financial performance, sales, operations, investments, and related risks affecting their businesses. Business Units design and sell products that reflect local needs and thus know their customers and are well-positioned to act in both the customers' and NN Group's best interest.
- Second line of defence consists of independent oversight functions at BU and head office level, most notably risk management, model validation, actuarial, compliance, and legal functions. Those functions support the commercial departments in their decision-making, but also provide sufficient countervailing power to prevent risk concentrations and other forms of unwanted or excessive risk taking. Second line functions have the following responsibilities:
  - Developing the policies, standards, guidance and charters for their specific risk and control area
  - Encouraging and objectively challenging/monitoring sound risk management throughout the organisation and coordinating the reporting of risks
  - Supporting the first line of defence in making proper risk-return trade-offs
  - Escalation power in relation to business activities that are judged to present unacceptable risks to NN Group
- Third line of defence: Corporate Audit Services (CAS) provides independent assurance on the effectiveness of NN Group's business and support processes, including governance, quality of risk management and quality of internal controls. CAS assesses first line of defence activities as well as second line of defence activities.

Executive management – First line of defence

Management of our Business Units take business decisions and are the primary 'risk-takers' in our company. They are also responsible, both on the executive as well as process level of the organisation, for properly managing risks on a daily basis.

52 Risk management continued

Executive Board and Management Board

The Executive Board is responsible for ensuring that the company has adequate internal risk management and control systems in place so that it is aware, in good time, of any material risks the company has and that these risks can be managed properly. While the Executive Board retains responsibility for NN Group's risk management, it has entrusted the day-to-day management and the overall strategic direction of the company, including the management of the structure, operation and effectiveness of NN Group's internal risk management and control systems, to the Management Board. The Executive Board ('EB') of NN Group has established four committees: Crisis, Disclosure, Compensation and Asset and Liability Committee.

The crises committee is responsible for the content of the Preparatory Crisis Plan. More details regarding this plan can be found under section Risk Reporting/Preparatory Crisis Plan.

Supervisory Board and its committees

The Supervisory Board is responsible for supervising the management of the Executive Board and the general course of affairs of NN Group and its businesses. The Supervisory Board also assists the Executive Board with advice. Each entity in the NN Group legal structure has its own Management and Supervisory Board. For supervising, advising and monitoring the Executive Board, the Supervisory Board is assisted by two committees:

- The Risk Committee focuses on (1) NN Group's risk appetite, risk strategy and policies, (2) risk exposures resulting from the strategy and business plan, such as significant acquisitions and divestments, (3) the design, operation and effectiveness of the internal risk management and control systems of the group and (4) NN Group's public disclosures on risk and risk management.
- The Audit Committee focuses on (1) the related design, operation and effectiveness of the internal risk management and control systems; (2) the integrity and quality of the financial reporting process including risks related to IT (security); and (3) the periodic financial reports and any ad hoc financial information. As part of this role, the Audit Committee evaluates the findings and outcome as reported by the internal auditor CAS and external auditor with regard to governance, risk management and internal control. The Audit Committee is the principal contact for the external auditor, including matters such as (re)appointment, remuneration and monitoring independence.

For more details on these two committees, read more in the section 'Report of the Supervisory Board' of this Annual Report.

NN Group has a Head Office that gives direction toward Business Units around risk taking via the Risk Policy Framework and Risk Appetite Framework (see Risk control cycle step 1: Risk strategy). NN Group's risk policy framework ensures that all risks are managed consistently and that NN Group as a whole operates within set risk appetite and related risk limits and tolerances. The policies and minimum standards focus on risk measurement, risk management and risk governance. Policies and standards have to be approved by the Management Board of NN Group. Any potential waivers to Group policies or standards require delegated approval of the CRO or General Counsel.

Business Units may independently perform all activities that are consistent with the strategy of NN Group and the approved (three year) business plan (the 'Business Plan') as long as these are consistent and compliant with the internal risk management and control frameworks, applicable laws and regulations, applicable collective agreements, NN Group's risk appetite, NN Group Values, and provided that these activities are not under the decision-making authority of the Management Board. Each business unit is expected to operate transparently and must provide all relevant information to the relevant Management Board members and Support Function Head(s) at Head Office.

The Business Unit CEOs are responsible for:

- Execution of the strategy and the financial performance, of business and operational activities, in their respective area, as well as the related risks
- Ensuring that the business operates in compliance with laws and regulations, NN Group policies and standards and internal controls
- Fulfilling their statutory responsibilities
- Operating a sound internal risk and control system and operating in accordance with NN Group's values
- Viability of the corresponding business unit in the long term

Regular oversight interaction between Head Office and Business Units takes place with respect to, amongst others, product approval, mandate approval, risk limit setting, risk reporting, Own Risk and Solvency Assessment (ORSA), policy setting and implementation monitoring, model and assumption review and validation. These interactions cover all types of risks, both financial and non-financial risks.

Ad-hoc interactions also take place when a Business Unit proposes a material business initiative for which any Management Board member has the right to initiate a risk review. A risk review may also be initiated to investigate a significant incident or unexpected significant adverse business performance in and by Business Units. A risk review is an in-depth risk analysis of the object in scope concluded with a risk opinion and advice when and where relevant.

52 Risk management continued

Risk, Compliance and Actuarial – Second line of defence

Risk Management Function:

Within the Management Board, the CRO is entrusted with the day-to-day execution of the Risk Management Function, while the Legal Function and Compliance Function fall within the responsibility of the General Counsel.

The NN Group CRO steers an independent risk organisation which supports the first line in their decision-making with sufficient countervailing power to prevent excessive risk taking. The NN Group CRO is also responsible for the organisation of Group Risk at Head Office level. Each business unit has its own CRO, who reports hierarchically to the BU CEO, and has a functional line to the NN Group CRO. The NN Group CRO must ensure that both the Management Board and the Supervisory Board are at all times informed of, and understand the material risks to which NN Group is exposed.

Responsibilities of the Risk Management Function include:

- Setting and monitoring compliance with NN Group's overall risk policies issued by the Risk Management Function
- Formulating NN Group's risk management strategy and ensuring that it is implemented throughout NN Group
- Supervising the operation of NN Group's risk management and business control systems
- Reporting of NN Group's risks, as well as the processes and internal controls
- Making risk management decisions with regard to matters which may have an impact on the financial results of NN Group or its reputation, without limiting the responsibility of each individual member of the Management Board in relation to risk management
- Sharing best practices across NN Group

Group Risk supports the NN Group CRO in the execution of his duties and responsibilities. To ensure solid understanding, oversight, and support to the international Business Units, the NN Group CRO is supported by a dedicated CRO International and a CRO International Organisation department at Group level. Risk governance and frameworks, as well as internal and external risk reporting, is supported by the Enterprise Risk Management (ERM) team, which team also covers Operational Risk Management and IT Risk Management. The newly established Risk Models & Analytics team takes care of the coordination, implementation and operation of NN Group's Partial Internal Model. A specialised ALM & Investment Risk Management team provides extra emphasis to the management of those risk types.

Model Validation Function:

Model Validation aims to ensure that NN Group's models are fit for their intended use. For this purpose, Model Validation carries out validations of risk and valuation models in particular those related to Solvency II. Any changes to models that have an impact larger than certain pre-set materiality thresholds require approval from either the Group CRO, Group CFO, or the NN Group Management Board.

Model validation is not a one-off assessment of a model, but an ongoing process whereby the reliability of the model is verified at different stages during its life cycle: at initiation, prior to approval, when the model has been redeveloped or modified, and on a regular basis, based on a planning discussed and agreed with the Model Development departments. It is not only a verification of the mathematics and/or statistics of the model but encompasses both a quantitative and qualitative assessment of the model. Accordingly, the validation process covers a mix of developmental evidence assessment, process verification and outcome analysis.

The validation cycle determines the maximum period between two model validations, which can be up to five years. This means that each model in scope will be independently validated at least once within the validation cycle. In general, the length of the validation cycle relates to the relative materiality of the models in scope. Model Validation can also start validating before the due date, for example following specific portfolio/market developments or regulatory changes. Materiality of a model is determined based on quantitative and qualitative criteria. Quantitative criteria relate to, amongst others, a percentage of Market Value of Liabilities/Assets, or Solvency Capital Requirement. Qualitative criteria cover model complexity, strategic importance and other factors. Depending on materiality of the model as well as the severity of findings resulting from a model validation, models receive a Validation Opinion. Models with severe findings require remediation actions by management, such as further adjustments of the model.

52 Risk management continued

Compliance Function:

To effectively manage business conduct risk, NN Group has an independent Compliance Function headed by a Chief Compliance Officer who has a direct reporting line to the General Counsel and Management Board member. The Compliance Function is positioned independently from the business it supervises. This independent position is, amongst others, warranted by independent reporting, unrestricted access to senior management as well as structural, periodic meetings of the Chief Compliance Officer with the CEO and the Chairman of the Risk Committee of the Supervisory Board. Within NN Group's broader risk framework, the purpose of the Compliance Function is to:

- Understand and advocate rules, regulations and laws for the effective management of risks in scope of the compliance function
- Proactively work with and advise the business to manage business conduct and product suitability risk throughout our products' life cycle and our business' activities to meet stakeholder expectations
- Develop and enhance tools to strengthen the three lines of defence to detect, communicate, manage and to report on business conduct risks
- Support NN Group's strategy by establishing clear roles and responsibilities to help embed good compliance practices throughout the business by using a risk-based approach to align business outcomes with NN Group's risk appetite
- Deepen the culture of compliance by partnering with the business to increase the culture of trust, accountability, transparency and integrity in evaluating, managing and in reporting on business conduct risk
- Developing and maintaining a framework to support the first line in adhering to material laws and regulations which is aligned with NN Group's Risk & Control framework
- Monitor that management and employees act in accordance with NN Group's policies and standards in scope of the function, as well as relevant material laws and regulation.

At the business unit level, management establishes and maintains a Compliance Function and appoints a Local Compliance Officer (LCO). The LCO hierarchically primarily reports to the CEO.

The LCOs have a functional reporting line to the Chief Compliance Officer.

Actuarial Function:

The Actuarial Function reports hierarchically to the CRO and has in addition a functional reporting line to the CFO as of June 2021. The primary objective of the Actuarial Function, is to ensure that technical provisions (under Solvency II and IFRS) are reliable and adequate, and as such that NN Group is able to meet its obligations towards policyholders and to protect NN Group from loss or reputational damage.

The Actuarial Function operates within the context of NN Group's broader Risk Management System. Within this system, the role of the Actuarial Function is to:

- Understand and advocate the rules, regulations and laws for effective management of the calculation process of technical provisions, covering elements such as data quality, assumption setting, models and methods, as well as underwriting and reinsurance arrangements; proactively advise the business to manage the risk of unreliable and inadequate technical provisions
- Inform management and the supervisory board on its opinion on the adequacy and the reliability of the technical provisions, the adequacy of reinsurance arrangements and the underwriting policy at least on an annual basis through the Actuarial Function Report
- Develop and enhance tools to strengthen the three lines of defence to detect, communicate, manage and to report on risks related to unreliable or inadequate technical provisions
- Support NN Group's strategy by establishing clear roles and responsibilities to help embed good (actuarial) practices throughout the organisation by using a risk-based approach aligned with NN Group's risk appetite
- Strengthen the culture of professional risk management by challenging management and experts to increase the culture of trust, accountability, transparency and integrity in evaluating, managing of and reporting on risks to unreliable or inadequate technical provisions
- Provide second line opinion when first line business initiatives can materially impact the risk profile of a business unit or NN Group and/or provide additional assurance for presented key first line risk related information

Corporate Audit Services – Third line of defence

Internal Audit Function:

Corporate Audit Services NN Group, the internal audit department within NN Group, is an independent assurance function and its responsibilities are established by the Executive Board of NN Group, pre-discussed with the Audit Committee and approved by the Supervisory Board of NN Group. CAS provides independent assurance on the effectiveness of NN Group's business and support processes, including governance, quality of risk management and quality of internal controls.

CAS keeps in close contact with home and local supervisors and regulators as well as with the external auditor via regular meetings in which current (audit) issues are discussed, as well as internal and external developments and their impact on NN Group and CAS. CAS also provides information like risk assessments and relevant (audit) reports.

52 Risk management continued

The General Manager and staff of CAS are authorised to:

- Obtain without delay, from General Managers within NN Group, information on any significant incident concerning NN Group's operations including but not limited to security, reputation and/or compliance with regulations and procedures
- Obtain without delay, from responsible managers within NN Group, a copy of all letters and reports received from external review agencies (e.g. external auditor, supervisors, regulators and other agencies providing assurance related services)
- Have free, full, unrestricted and unfettered access, at any time deemed appropriate, to all NN Group departments, offices, activities, books, accounts, records, files, information. CAS must respect the confidentiality of (personal) information acquired
- Require all NN Group staff and business management to supply such information and explanations, as may be needed for the performance of assessments, within a reasonable period of time
- Allocate resources, set frequencies, select subjects, determine scope of work and apply appropriate techniques required to accomplish the CAS's objectives
- Obtain the necessary assistance of personnel in various departments/offices of NN Group where CAS performs audits, as well as other specialised/professional services where considered necessary from within or outside NN Group. CAS should exercise its authority with the minimum possible disruption to the day-to-day activities of the area being assessed

In compliance with the Dutch Corporate Governance Code, the Executive Board is responsible for the role and functioning of CAS, supervised by the Supervisory Board, supported by the Audit Committee. The General Manager of CAS is accountable to the CEO and functionally to the chair of the Audit Committee. On a day-to-day basis the General Manager of CAS reports to the CEO.

IV. Risk Control Cycle

NN Group's business model exposes NN Group to inherent risks and obligations. As such, the environment determines the playing field and rules against which to calibrate risk management activities. These activities are carried out within NN Group's risk appetite and framework.

Every employee has a role in identifying risk in their area of responsibility and to manage risk in a proactive way. It is paramount to know which risks we take and why, to be aware of large existing and emerging risks and to ensure an adequate return for the risk assumed in the business.

NN Group's risk control cycle consists of four steps, supported by a sound risk culture. The cycle starts with (1) setting business and risk objectives, resulting in a risk strategy (risk appetite, policies and standards). The next steps of the cycle are: (2) to identify and assess the risks that need to be managed; followed by (3) effective mitigation through controls; and (4) continuous monitoring effectiveness of controls, including reporting of risk levels. This cycle is supported by a sound risk culture.

The risk control cycle ensures that BUs and NN Group operate within the risk appetite. The risk control cycle supports the NN Group strategy, the Business Plan (financial control cycle) and the performance management (HR cycle) which enable BUs and NN Group to meet its business objectives.

Step 1 of the risk control cycle: Risk Strategy

NN Group's risk appetite is the key link between NN Group's strategy, capital plan and regular risk management as part of business plan execution. NN Group's risk appetite, and the related risk limits and tolerances, is established in conjunction with the business strategy.

The Risk Appetite Statements define how NN Group weighs strategic decisions and communicates its strategy to key stakeholders and BU CEOs with respect to accepting risk. The statements describe how NN Group wants to avoid unwanted or excessive risk taking and aim to optimise use of capital. Risk limits and tolerances are the qualitative and quantitative boundaries for risk taking and are derived in a consistent way from the risk appetite statements.

52 Risk management continued

NN Group expresses its risk appetite via three key risk appetite statements, which are then internally detailed further into ten sub-statements, relevant risk limits and tolerances, control objectives and reporting. These three statements are also aligned with the NN Group's strategy:

Risk Appetite Statement	Description
Strategic Challenges (Shaping the business)	We manage our portfolio of businesses on a risk-return basis to meet our strategic objectives whilst considering the interests of all stakeholders.
Strong Balance Sheet (Running the business – financially)	We would like to avoid having to raise equity capital after a 1-in-20 year event and do not want to be a forced seller of assets when markets are distressed.
Sound Business Performance (Running the business – operationally)	We conduct our business with the NN Group Values at heart and treat our customers fairly. We aim to avoid human or process errors in our operations and to limit the impact of any errors.

Risk Taxonomy

NN Group has defined and categorised its generic risk landscape with the risk taxonomy as outlined below:

Risk Appetite Statement	Risk Class	Description
Strategic Challenges (Shaping the business)	Emerging Risks	Newly developing risks, or changing risks, that cannot yet be fully assessed or quantified but that could, in the future, affect the viability of NN Group's strategy.
	Strategic Risks	Risks arising from making incorrect business decisions, implementing decisions poorly, or being unable to adapt to changes in the operating environment.
Strong Balance Sheet (Running the business – financially)	Market Risks	Risks related to (the volatility of) financial and real estate markets. This includes liquidity risk.
	Counterparty Default Risks	Risks related to counterparties failing to meet contractual debt obligations.
	Non-Market Risks	Financial risks related to the products NN Group markets.
Sound Business Performance (Running the business – operationally)	Non-Financial Risks	Risks related to people, inadequate or failed internal processes, including information technology and communication systems, and/or external events.

Risk Limits and Tolerances

Risk appetite statements are implemented within the business through the use of risk tolerances and limits, as prescribed in specific policies for relevant risk categories. A risk limit is the maximum exposure of a risk, management is willing to accept, and should not be breached. A risk tolerance is the level of exposure of a risk, where management wants to be actively informed – it is set to function as a trigger for reviewing the exposure regularly and might lead to taking action.

52 Risk management continued

Risk Appetite Statement	Primary Impact Area	Key Risk Limits and Tolerances
Strategic Challenges (Shaping the business)	License to operate	Various metrics related to the Business Plan, such as progress on main strategic initiatives.
Strong Balance Sheet (Running the business – financially)	Financial	**Solvency II ratio:** the ratio of Eligible Own Funds (EOF) to Solvency Capital Requirement (SCR). NN Group aims to capitalise its operating units adequately at all times. To ensure adequate capitalisation, they are managed to their commercial capital levels (based on the Solvency II ratio) in accordance with the risk associated with the business activities. **Solvency II ratio sensitivities:** assess the changes for both NN Group EOF and SCR under various scenarios decided by NN Group Management Board. **Cash capital position at the holding company:** cash capital is defined as net current assets available at the holding company. NN Group holds a cash capital position in the Holding company to cover stress events and to fund holding company expenses and interest expenses. **Own Funds at Risk limits:** NN Group has implemented limits to monitor the impact of moderate stress events at Business Units and is monitoring the required level of capital and financial flexibility at the holding level in relation to this. **Interest Rate Risk limits:** NN Group has implemented limits and tolerances for interest rate risk exposures at NN Group and BU level. **Concentration Risk limits:** in order to prevent excessive concentration risk, NN Group has a concentration risk limit framework. The framework sets a risk appetite and concentration limits on corporate and sovereign issuers, asset type and country of risk. **Bank capitalisation:** amount of capital NN Bank has to hold as required by the regulator as part of Basel III framework, expressed as a capital adequacy ratio of equity that must be held as a percentage of risk-weighted assets. **Liquidity risk:** liquidity risks are monitored by assessing the ratio between liquid assets and liquidity requirements for severe stress scenarios and different time horizons.
Sound Business Performance (Running the business – operationally)	Reputation, Operations	**Annual Loss Tolorance and materiality**: Tolerances on potential yearly loss, reputation impact and financial reporting accuracy. **Restricted List**: to prevent investments in securities that are not in line with NN Group's values and/or applicable laws and regulations.

Step 2 of the risk control cycle: Risk Assessment

Risk assessments are regularly performed throughout NN Group. For market, counterparty default and non-market risks, NN Group's internal and associated models are leading in risk assessments/measurement. Risks that do not directly impact the balance sheet generally require professional judgement in identification and quantification: qualitative risk assessments (non-financial risks) and scenario analysis (strategic/emerging risks) are used to assess identified risks and set up adequate controls.

Risk Appetite Statement	Risk Class	Risk Assessment and main mitigation technique
Strategic Challenges (Shaping the business)	Emerging Risks	Strategic Risk Assessment, Scenario analysis and contingency planning.
	Strategic Risks	Scenario analysis and business planning.
Strong Balance Sheet (Running the business – financially)	Market Risks	Quantified via NN Group's Partial Internal Model. Assessed in New Asset Class Assessment (NACA) ALM studies and Strategic Asset Allocation(SAA). Mitigated by limit structure and use of derivatives.
	Counterparty Default Risks	NN Group's Partial Internal Model; Limit structure.
	Non-Market Risks	NN Group's Partial Internal Model; product approval and review process (PARP), Limit structure, reinsurance.
Sound Business Performance (Running the business – operationally)	Non-Financial Risks	Detailed risk assessments on (sub-) processes (including IT aspects, financial economic crime, fraud, etc.); Business and key controls, control testing, incident management and external insurance.

In the remainder of the paragraph, we describe some of the assessments as described above in more detail. Main mitigation techniques, such as our limit structure for financial risks, are discussed in more detail in the Risk profile paragraph, where we discuss all our main risk types and how we measure and manage them.

52 Risk management continued

Own Risk and Solvency Assessment (ORSA)

As part of the regular Own Risk and Solvency Assessment (ORSA), a strategic risk assessment is performed at least annually. Detailed risk assessments, performed bottom up by responsible managers throughout the organisation, serve as a main input. Outcomes of the strategic risk assessment are key risks, that are potentially solvency threatening, or that may have a significant negative impact on the achievement of one or more of the business objectives from NN Group's strategy or business plan. NN Group, and each of its regulated (re) insurance subsidiaries, prepares an ORSA at least once a year, including the non Solvency II entities Japan and Turkey. In the ORSA, NN Group articulates its strategy and risk appetite, describes its key risks and how they are managed, analyses whether its risks and capital are appropriately modelled, and evaluates how susceptible the capital position is to shocks through stress and scenario testing, including a multi-year view. Stress testing examines the effect of severe but plausible scenarios on the capital position of NN Group. Stress testing can also be initiated outside the ORSA, either internally or by external parties such as De Nederlandsche Bank (DNB) and European Insurance and Occupational Pensions Authority (EIOPA). The ORSA includes a forward-looking overall assessment of NN Group's solvency position considering the risks it holds. As part of the ORSA, the emerging risks are covered, that in the longer run might impact our balance sheet, including sustainability risks. For more information we refer to paragraph Risk Profile/Strategic and Emerging Risks. As part of the ORSA, NN Group also assesses the ongoing appropriateness of its Internal Model which is used to calculate the EOF/SCR ratio. Group Risk also prepares a separate annual report on the performance and appropriateness of the Internal Model for the Management Board and the Risk Committee of the Supervisory Board.

Equivalent to the ORSA NN Bank and NN IP performed an Internal Capital Adequacy Assessment and Internal Liquidity Adequacy assessment to assess whether current capital and liquidity positions, respectively, are adequate for the risks that our banking and asset management entities bear.

The key risks as identified in 2021 by the Group Management Board in the strategic risk assessment are:

- Delivering on strategic commitments; Risk of not delivering on commitments towards our stakeholders due to undisciplined strategic execution, too ambitious targets or a full strategic/inorganic growth agenda
- Change agility; Risk of NN Group not being able to timely identify threats and opportunities in the environment and to successfully and sufficiently implement necessary change
- Data capabilities; Risk of not being able to attract, develop and/or apply best-in-class big data capabilities for pricing, underwriting and distribution
- Sustainable cost levels; Risk of expenses levels remaining at a too high level compared to competitors
- Regulatory and (geo)political environment; Risk of disintegration of existing economic and political structures, adverse regulatory change or increased supervisory scrutiny which may have a profound impact on our business model or performance (e.g. Solvency II regulation, Internal Model, crisis measures, sustainable finance & reporting, (Anti) Money Laundering)
- Corporate social responsibility; Risk of NN Group not adequately balancing stakeholder interests, deviating from societal norms or not being transparent, on areas like responsible investments, climate change, equality, diversity, taxes and remuneration
- Asset Liability Management (ALM) and investment risk; Risk of reduced available capital or lower investment returns, due to financial market volatility, low interest rate environment or Environmental, Social and Governance (ESG) matters (such as climate change)
- Longevity risk; Risk of higher technical provisions or required capital if life expectancy increases faster than expected
- Product suitability; Risk that products do not appropriately cover customers' interests over the full product lifetime
- IT & change risk; Risk of material failures, or insufficiently managed change, in IT systems, networks or platforms, leading to higher expenses, operational losses or disruption of operations i.e. due to full change agenda, legacy data quality issues
- Cyber risk; Risk of cyber-attacks, leading to misuse, loss of information or privacy breaches, discontinuity of operations or financial or reputation loss

For more information we refer to the section Managing our risks see page 61.

Product approval and review process (PARP)

The PARP has been developed to enable effective design, underwriting and pricing of all insurance products, as well as to ensure that they can be managed throughout their lifetime. This process establishes requirements to the product risk profile features to ensure that products are aligned with NN Group's strategy. The PARP takes into account customer benefits and product suitability, expected sales volumes, value-oriented pricing metrics and relevant policies. It includes requirements and standards to assess risks as per the risk categories, as well as the assessment of the administration and accounting aspects of the product.

52 Risk management continued

New asset class assessment (NACA) and investment mandate process

NN Group maintains a NACA for approving investments in new asset classes NN Group establishes a global list of asset classes in which NN Group entities can invest. The investments in these asset classes are governed through investment mandates given by the insurance entities to the asset manager(s).

Responsible Investment Framework policy and Restricted List

NN Group has a policy framework in place to ensure that our assets are invested responsibly. Amongst others, the policy includes requirements to systematically incorporate environmental, social and governance (ESG) factors into the investment process. Furthermore, the Restricted List should prevent investments in securities that are not in line with NN Group's values, and/or applicable laws and regulations.

Internal Capital Adequacy Assessment (ICAAP) and Internal Liquidity Adequacy assessment (ILAAP) for non-insurance entities

At least once a year, NN Group's banking and asset management operations run a process for ICAAP, and the bank also for ILAAP, in conformity with Basel III requirements. ICAAP and ILAAP test whether current capital and liquidity positions, respectively, are adequate for the risks that our banking and asset management entities bear.

Step 3 of the risk control cycle: Risk Control

Risk Control refers to activities undertaken to ensure proper mitigating measures are designed, documented and executed such that risks are managed within defined risk limits and tolerances.

Activities that theoretically are beyond the formulated risk appetite shall not be started. Inherent risks that are assessed as beyond the risk appetite shall be controlled to the extent it meets the relevant risk appetite statement(s).

In the Risk Profile section we describe per risk type the mitigating activities.

Step 4 of the risk control cycle: Risk Monitoring (& Reporting)

Risk monitoring helps to assess and evaluate developments in the risk profile. It determines whether risks are within the risk appetite, related limits and tolerances and in line with policies and standards. Results of the Risk monitoring are reported regularly to responsible managers of departments, as well as management and supervisory boards of both NN Group and its operating entities. This includes information on control effectiveness, control deficiencies and incidents, financial risk limits and developments, as well as second line opinion and advice. Action shall be taken by management when monitoring indicates that risks are not adequately controlled.

Risk Appetite Statement	Risk Reporting and Monitoring
Strategic Challenges (Shaping the business)	We actively monitor and manage our products, distribution channels and organisation, as well as key performance and risk drivers of our business. We monitor alignment of investments with the Restricted List. This function is performed by Corporate Citizenship.
Strong Balance Sheet (Running the business – financially)	We monitor financial risks on our balance sheet via our Solvency II capital position and related limits and tolerances. We monitor our capacity to meet our payment and collateral obligations, even under severe liquidity stress scenarios.
Sound Business Performance (Running the business – operationally)	We monitor alignment with applicable laws and regulations, NN Group policies and standards. We actively monitor and manage employee conduct and foster a business culture demonstrating that we live the NN Group values. We accept but limit losses from non-financial risk and therefore manage to agreed tolerances by regularly evaluating controls, deficiencies and incidents.

52 Risk management continued

Risk Reporting

On a quarterly basis, the Management Board and Supervisory Board of NN Group are presented with an Own Funds and Solvency Capital Requirement Report and an Enterprise Risk Management (ERM) Report.

The Own Funds and Solvency Capital Requirement Report aims to provide an overview of the quarterly Solvency II capital position and development, including the Solvency II ratio sensitivities assessing the changes in various scenarios for both Eligible Own Funds and SCR at NN Group level. The size and type of the shocks applied for each sensitivity is decided by the Management Board. The Solvency II SCR is a Value at Risk-measure. Solvency II ratio sensitivities are therefore the alternative analysis for market risk sensitivities that NN Group needs to disclose, instead of IFRS sensitivities, as required based on IFRS 7 Financial Instruments: Disclosures.

The ERM report is a quarterly report to provide one consistent, holistic overview of the risks of NN Group. It focuses on comparing current risk levels to our risk appetite and aims to encourage forward-looking risk management. In the ERM report the different Business Units of NN Group report back on their risk profile versus their risk appetite. This also includes a second line opinion by Risk, Legal and Compliance.

In addition, NN Group has determined via its Crisis Plan a set of measures for early detection of and potential response to a financial or non-financial crisis, should it occur.

Following the entering into force of the Dutch law on Recovery and Resolution (as of now R&R Law) (in Dutch: 'Wet Herstel en Afwikkeling Verzekeraars'), NN Group N.V. (hereafter referred to as 'NN Group') has updated the 2020 edition of its Recovery Plan in 2021 to ensure there are effective strategies in place to deal with severe financial distress.

The aim of this Preparatory Crisis Plan is to ensure that tools, measures and processes are in place that enable NN Group to:
- Avoid going into Recovery
- Timely anticipate an approaching financial distress and/or potential recovery situation
- Quickly recover to an acceptable minimum solvency (and liquidity) level when faced with financial distress and/or Recovery
- The Management Board is responsible for the Preparatory Crisis Plan and the plan is regularly reassessed and updated by Group Finance, which is filed with DNB.

Risk Control Cycle: Risk Culture

Management plays a vital role in creating a sound risk culture as they are role models and the main messengers of sound risk management. This includes to:
- show a solid risk management focus in decision making, with a view to long term stability of the business, including understanding and use of risk models when relevant,
- foster diversity of thoughts and solicits different views in decision making,
- foster a culture of transparency in which early identification of risk issues and material incidents are communicated timely to relevant parties,
- ensure operational management take their proper responsibilities in the risk control cycle,
- address dysfunctional behaviour of staff,
- ensure adequate staffing and ensure employees are well trained for their roles, and
- actively manage risks throughout the lifetime of products and not just at the moment of sale.

Within our risk management cycle, we perform regular assessments with regard to risk culture and maturity, to assess and learn whether this supports the effective functioning of the risk control cycle. The ECF Maturity Reflection is an assessment that provides the BU CEO with a periodical confirmation that the framework is still materially complete and operated by first and second line as intended, ensuring he will be timely informed on things he needs to know from risk perspective, either by lower first line levels or by the second line, and if not, what the ambition is. In addition it creates awareness on what a good (risk) culture entails and fosters internal discussions on the same. We refer to the Safeguarding Value Creation for further information.

52 Risk management continued
V. Risk profile

VI. Strategic and emerging risks
- **Business Model Risk:** Risk of NN Group's business model not being able to timely adapt to changing market circumstances (resulting in lower revenues vs. our cost base) (this includes risks related to NN Group's strategy, M&A, product portfolio, legal structure and operating model)
- **HR Risk:** Risk of not being able to attract, retain and pay competent employees, including world class talents, to shape and build NN Group's business
- **Disruptive Technology Risk:** Risk of technological developments having a profound impact on the businesses of NN Group
- **Political & Regulatory Risk:** Risk of political and regulatory developments having a profound impact on the businesses of NN Group
- **Societal Risk:** Risk of evolving norms and values in society, including its view on dealing with the environment, having a profound impact on the business of NN Group

Strategic risks
Risk profile

Economic, technological, ecological and demographic developments are impacting the strategic context in which we operate. To remain relevant to our customers in the long run, we need to timely anticipate these developments. Strategic risks are risks arising from making incorrect business decisions, implementing decisions poorly, or being unable to adapt to changes in the operating environment.

NN Group manages its portfolio of businesses on a risk-return basis to meet strategic objectives whilst considering the interests of all stakeholders.

In the annual Strategic Risk assessment (for more detail see section: Steps 2 & 3 of the risk control cycle: Risk Assessment & Control) the Management Board of NN Group identified the following strategic and emerging risks: Delivering on strategic commitments, Change agility, Lack of data capabilities, Sustainable cost levels, Regulatory and (geo)political environment and Corporate social responsibility. For more details on these key risks we refer to Managing our risks.

Risk mitigation

Strategic risks are mainly managed by undertaking strategic projects to adjust our organisation, products or businesses to address new regulatory, technological or demographic developments. We realise organic growth in the markets we are active by developing new ecosystems or products. Further, we undertake targeted acquisitions or sale of businesses in markets where we feel we can grow/withdraw. Recent transactions include the divestment of NN Investment Partners, the acquisition of MetLife entities in Poland and Greece and the majority stake we acquired in broker Heinenoord to further strengthen our Dutch non-life business. The Risk, Compliance and Legal teams are involved in M&A activities through providing a second line opinion prior to decision making, or involvement in the integration/separation programmes. We also undertake scenario analysis to analyse potential future events that can impact our strategy and/or capital position, among others in the ORSA.

Risk measurement

Strategic risks are not fully quantified, instead several metrics are reported, such as (externally) progress versus our strategic commitments and (internally) progress on strategic initiatives. We refer to Our strategy & performance for more details.

Emerging risks (including risks related to ESG matters)
Risk profile

Emerging risks are newly developing risks, or changing risks, that cannot yet be fully assessed or quantified but that could, in the future, affect the viability of NN Group's strategy. Most of these risks have a high degree of uncertainty with regard to how they can impact us, or the size of the impact.

An important topic that receives significant attention are risks related to ESG matters, including climate change. They represent drivers that create risks in multiple parts of our operations. The Group Management Board identified the following key risks, partially driven by ESG and climate change developments: ALM and investment risk (physical and transitional) which covers the financial risks impacting our business, Corporate social responsibility that covers the reputational part and Regulatory and (geo)political environment that covers the regulatory changes that impact our business (a.o. sustainability regulations). For more information on these specific risks, we refer to the section Managing our risks.

52 Risk management continued

With regard to impact of climate change on ALM and investment risk, we distinguish physical and transition climate risks. Physical risk is most prominent on the short term in our Dutch Non-life business, caused by weather events such as windstorms or hail, resulting in higher expenditures, influencing the margins of our property & casualty insurance products.

For our life & pension and banking businesses, transition risk is most important. Transition risk, meaning risks related to transition to lower carbon economies which may adversely affect individual businesses, sectors and the broader economy, thereby also having an impact on our investment portfolio and related results. Pricing and investment returns of financial assets may be influenced by such factors as public policy (carbon tax, subsidies, etc.), technological developments (resulting in invested companies that will be able to profit, or that will be negatively impacted, by the transition) and changing consumer preferences (e.g. customers favouring greener products). Climate risk is further discussed in the section Safeguarding value creation – How NN deals with climate change – our response to the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

Risk mitigation

NN Group manages emerging risks by performing regular risk assessments, that help to further understand how emerging risks evolve, and how a combination of events can impact us. An important tool is scenario analysis to further understand how our risk profile would be impacted under certain circumstances, but also creating backup and contingency plans in case events would realise. Our main mitigant is adjusting our strategy to proactively react to these risks.

Around climate change the main mitigating activities are:

- Dealing with climate change is an integral part of our strategy. We have set specific non-financial targets, as part of our strategic commitment Society a.o. to integrate ESG aspects in our investments and our net zero commitments.
- For all our life businesses, we further integrate Environmental, Social & Governance (ESG) aspects in our investment strategy, as laid down in the Responsible Investment Framework, where we are phasing out our investments in certain industries, as well as shifting to others. Furthermore we use concentration limits to avoid concentration risk in certain counterparties/industries, as well as apply stress testing to further understand sensitivities of our investments.
- In our non-life business: (1) helping customers to take precautionary measures, (2) monitor claims experience and reprice or adjust contract conditions where necessary, (3) develop and use catastrophe models for underwriting, and (4) making use of a groupwide catastrophe reinsurance programme.
- Deploying qualitative and quantitative scenario based analysis, a.o. as part of our ORSA, helps us to better understand the impact of both physical and transitional risks on our investments and products, for different time horizons. We use the insights gained as further input for formulating our investment strategy and integrating climate change aspects in our risk management practices. In the TCFD section we give more insight in these scenarios.
- In 2022, an amendment to the Solvency II directive aims to integrate ESG risks into the risk management framework, amongst others considering ESG risks in actuarial and risk management and performing a mandatory risk assessment that assesses material risks to which NN is exposed (as part of ORSA). NN has composed a project to implement these requirements.

Risk measurement

Emerging risks are assessed via scenario analysis and stress testing. We refer to TCFD for more details.

VII. Financial risks

Partial Internal Model (PIM)

The Solvency Capital Requirement (SCR) is calculated based on actual NN Group risks exposure. Under Solvency II, the SCR is defined as the loss in basic own funds of the Solvency II balance sheet resulting from a 1-in-200-year adverse event over a one-year horizon. The risk-based framework for calculating solvency capital requirements at NN Group is a combination of Internal Model and Standard Formula components. The largest component covering major Dutch insurance entities uses internally developed methodologies for modelling the market, counterparty default, business and insurance risks to determine the solvency position for local reporting and Group consolidation purposes. For the EU-based international insurance businesses and smaller insurance undertakings in the Netherlands, NN Group uses the Solvency II Standard Formula to calculate the SCR for local reporting and for Group consolidation. The capital requirement for operational risk is based on the Standard Formula approach across the group.

The non-insurance businesses (e.g. Pension funds, NN Bank) and international insurance undertakings not based in the EU (e.g. Japan, Turkey) are consolidated in the group SCR based on the local applicable (sectoral) capital requirements. The Solvency II concept of Equivalence is granted to capital frameworks that are deemed to have similarity with the Solvency II framework and/or principles and as such can be relied-upon to assess capital requirements, at NN Group this applies to Japan. The total group SCR is obtained from the Internal Model and Standard Formula capital requirements using EIOPA's integration technique 3.

52 Risk management continued

The choice for a Partial Internal Model is based on the conviction that an Internal Model better reflects the risk profile of the major Dutch insurance entities and has additional benefits for risk management purposes, whilst the Standard Formula adequately captures the risk profile of the international businesses and smaller Dutch entities:

- An Internal Model approach can better reflect the specific assets and therefore the market risk in the portfolio of Dutch businesses e.g., sovereign and other credit spread risks
- The approach used for most significant non-market risks within the Life businesses such as longevity (trend uncertainty) and expense risk (closed block treatment) and within the Non-Life business (morbidity and P&C) can be better tailored to NN Group's specific portfolio characteristics. Diversifications effects that intuitive to the business model can be captured in a more adequate way
- Variable Annuity risks in a portfolio of NN Re are not adequately addressed by the Standard Formula, while the Internal Model captures the integrated market risks and hedging programmes more accurately if not adequate for re insurance business
- The granularity of the PIM and close alignment of the modelling techniques and parameters to NN's risk management approach also means that it can support a wide range of business decisions

Assumptions and limitations

Risk-free rate and volatility adjustment:

The assumptions regarding the underlying risk-free curve are crucial in discounting future cash flows when calculating the market values of assets and liabilities. For liabilities, NN Group uses the methodology prescribed by EIOPA for the risk-free rate including the credit risk adjustment (CRA) and the ultimate forwards rate (UFR). Where appropriate, the risk-free rate is adjusted with the volatility adjustment for the calculation of Own Funds.

Valuation assumptions – replicating portfolios:

NN Group uses replicating portfolio techniques to represent the insurance product-related cash flows, options and guarantees by means of standard financial instruments in the risk calculations. This approach is also used for a small part of the mortgages. The replications are used to determine and revalue insurance liabilities and mortgages under a large number of Monte Carlo scenarios.

Diversification and correlation assumptions:

As for any integrated financial services provider offering a variety of products across different business segments and geographic regions, and investing into wide range of assets, diversification is key to NN Group's business model. The resulting diversification reflects the fact that not all potential worst-case losses are likely to materialise at the same time. The Internal Model takes diversification effects into account when aggregating results between different risk types as well as at Group level. Diversification benefits result from diversification across regions, Business Units and risk categories.

Where possible, correlation parameters are derived through statistical analysis based on historical data. In case historical data or other portfolio-specific observations are insufficient or not available, correlations are set by expert judgement via an established, well-defined and controlled process. Similar to other risk models, correlations and expert judgements are also monitored for appropriateness given availability of more historical data (e.g. inclusion of Covid-19 related market stress), and are subject to regular development, validation and regulatory oversight. Based on these correlations, industry-standard aggregation approaches such as Gaussian copula and VaR–CoVaR approach are used to determine the dependency structure of quantifiable risks.

Model limitations

NN Group's Partial Internal Model (PIM) resulted from balancing between (1) an easy-to-communicate methodology and (2) efficient calculations with appropriate accuracy and granularity in the underlying risks. Despite several limitations stemming from this, the overall PIM is considered to be materially robust, appropriate and compliant with Solvency II.

As a result of the granular modelling approach and the wide variety of NN Group's assets and liabilities, the PIM is more complex than the Standard Formula.

Inherent model limitations related to the calibration of a 1-in-200-year stress events for a full spectrum of market and non-market risks include the use of limited historical data to determine a distribution of forward-looking risk factor stresses as well as the use of modelling assumptions and expert judgements.

Risks that cannot be directly modelled in the same way as Market Risk or Insurance Risk, for example strategic, reputational and model risks, and also emerging risks are managed through qualitative risk assessments. In addition, and as part of the ORSA, NN Group holistically assesses its risk exposure to both quantifiable and non-quantifiable risks in order to agree mitigating actions as required.

52 Risk management continued

The components of NN Group's Partial Internal Model for market and counterparty default risk and the models risk aggregation and replication have been developed centrally by Group Risk, with the inherent risk that the developed models have aspects which might be less appropriate for individual entities. On a regular basis the Business Units perform Fit For Local Use assessments and model reviews are performed by independent model validation department. Such reviews could result in additional monitoring and locally calculated and further centrally processed adjustments.

The Risk Management Function informs the Management and Supervisory Board on an annual basis on the performance of the Internal Model.

EIOPA Solvency II 2020 review

EIOPA's Opinion on the Solvency II review to the European Commission (EC) was published on 17 December 2020. The Opinion consists of a proposed package of measures and will be used as input for the European Commission to draft a legislative proposal which will be discussed with the European Council and European Parliament in the coming years.

On 22 September 2021 the European Commission published as part of the Solvency II 2020 Review the proposed Level I texts (Directive) and insights in the upcoming Level II (Delegated Acts) regulations. Since this proposal mainly contains details on the Solvency II Directive, full detailed specifications of Delegated Acts are not yet clear. Furthermore, this EC proposal forms the basis for the upcoming political process, which can take several quarters and can lead to further changes in the proposals. The EC advice is on many items broadly in line with the earlier EIOPA proposal published in December 2020. However, some noteworthy changes in the EC advice can be summarised as follows:

- Interest rate curve: The implementation of the alternative extrapolation methodology used for the valuation of (long) insurance cash-flows will lead to a higher valuation of liabilities. The phasing-in of this negative impact will follow a simpler phasing-in mechanism and the initial impact on the Solvency II ratio is expected to be smaller compared to the original EIOPA proposals.
- Risk margin: EC proposes to lower the cost-of-capital rate from 6% to 5%. Furthermore, it is proposed to remove the floor in the so called 'lambda approach' that was part of the EIOPA advice. These changes will lower the valuation of the risk margin. The exact details will be part of the Level II regulations, but the EC already included in its communication that these changes are considered.
- Volatility adjustment and Enhanced Prudency Principle: The entity specific liquidity haircut for volatility adjustment is not included in the proposals of the EC. This will increase the effectiveness of the volatility adjustment compared to the EIOPA advice and it impacts the Enhanced Prudency Principle.

The resulting updated legislation is currently expected to be implemented at the earliest in 2024.

Solvency Capital Requirement

Solvency II ratio of NN Group

The following table shows the NN Group Solvency II ratio as at 31 December 2021 and 31 December 2020, respectively.

Solvency II ratio of NN Group

	2021	2020
Eligible Own Funds	20,927	20,028
Solvency Capital Requirement	9,840	9,534
NN Group Solvency II ratio (Eligible Own Funds/SCR)	213%	210%

The Solvency Capital Requirement is based on NN Group's Partial Internal Model. This comprises Internal Model calculation for NN Life, NN Non-life, NN Re and the main holding companies owned by NN Group N.V., and Standard Formula calculation for ABN AMRO Life and ABN AMRO Non-life, NN Insurance Services and the European international insurance entities of NN Group and operational risk SCR. The capital requirements of non-Solvency II entities, in particular NN Life Japan, Pension Funds, NN Investment Partners and NN Bank were calculated using local sectoral rules.

52 Risk management continued

Solvency Capital Requirement

The following table shows the NN Group Solvency Capital Requirement as at 31 December 2021 and 31 December 2020 respectively.

Solvency II Capital Requirements

	2021	2020
Market risk	7,397	5,493
Counterparty default risk	200	315
Non-market risk	5,903	6,933
Total BSCR (before diversification)	**13,500**	**12,741**
Diversification	-3,603	-3,102
Total BSCR (after diversification)	**9,897**	**9,639**
Operational risk	711	758
LACDT	-2,225	-2,225
TCLI	116	
Other	7	-6
Solvency II entities SCR	**8,506**	**8,166**
Non-Solvency II entities	1,334	1,368
Total SCR	**9,840**	**9,534**

The Solvency II total Basic Solvency Capital Requirements (Total BSCR after diversification) includes both the Internal Model businesses' BSCR and the Standard Formula businesses' BSCR. This figure also reflects the diversification benefits between the business units using Internal Model and Standard Formula.

The general developments of the SCR:
- higher Market risk (mainly due to refinement of Interest Rate risk SCR calculation)
- lower Counterparty default risk (mainly driven by the decrease in exposure)
- lower Non-market risk (mainly driven by updated Longevity risk models and new reinsurance contract and decrease due to higher interest rates)
- lower Operational risk
- stable LACDT
- inclusion of TCLI
- lower Non-Solvency II entities

The breakdown of the market and non-market risk SCR in specific risk types and explanations for the most important changes in the risk profile and Solvency Capital Requirement over the year of 2021 are presented in the next sections.

The loss-absorbing capacity of deferred taxes (LACDT) offset remains stable. In the above table, 'Other' includes loss-absorbing capacity of technical provisions (LACTP), capital for non-modelled Solvency II entities and some minor non-modelled risks including those required by the regulator.

Solvency Capital Requirement for Non-Solvency II entities include mainly NN Life Japan, Pension Funds, NN Investment Partners and NN Bank.

On 31 December 2020, Nationale-Nederlanden Schadeverzekering Maatschappij N.V. (NN Schade) entered into a legal merger with VIVAT Schadeverzekeringen N.V. (VIVAT Non-life). As a result, VIVAT Non-life ceased to exist as a separate legal entity and NN Schade assumed all assets and liabilities of VIVAT Non-life under universal title of succession. NN Non-life is in the process of expanding its Partial Internal Model (NN PIM) to include the former VIVAT Non-life business. Prior to the formal completion thereof, NN Schade calculates the SCR for the merged entity using the NN PIM including a Transitional Capital Lock-In (TCLI). The TCLI amounts to EUR 116 million and resembles the impact of reporting the former VIVAT Non-life business on the Solvency II standard formula versus the NN PIM. Once the inclusion of the former Vivat Non-life business in the NN PIM is formally approved, the TCLI will cease to exist.

52 Risk management continued

In 2021, DNB issued further guidance related to the treatment of contract boundaries for individual disability contracts. NN Group intends to reflect the consequence of this guidance in the solvency calculations of NN Non-life in first half of 2022, which is expected to have an impact of approximately -2%-points on the Solvency II Ratio of NN Group.

Solvency II ratio sensitivities

Along with the Solvency II Capital Requirement, NN Group regularly calculates the sensitivities of the Solvency II ratio under various scenarios, by assessing the changes for both Eligible Own Funds and SCR. The Solvency II ratio sensitivities are primarily designed to support the NN Group Management Board and the Risk Management functions in having a forward-looking view on the risks to solvency of the company, and to analyse the impacts of market or other events. The sensitivities are selected to reflect plausible, realistic scenarios that could materialise within the foreseeable future and are not calibrated on a pre-defined confidence interval or time horizon.

The effect on the Solvency II ratio is calculated based on applying an instantaneous stress on the balance sheet, and on ceteris paribus basis. For all insurance entities including NN Life Japan, the after stress own funds are calculated for each of the sensitivity scenarios; the SCR impacts are recalculated for BSCR and Operational risk SCR. LACDT is recalculated keeping the LACDT percentage fixed. 'Other' SCR components including the LACTP are kept constant.

The Solvency II sensitivities are disclosed for main market risks in the below sections.

Main types of risks

In the next sections the main risks associated with NN Group's business are discussed. Each risk type is analysed through the risk profile, risk mitigation and risk measurement. For Market and Non-market risks more detailed quantification of risk exposures is provided.

Market risk

Market risk comprises the risks related to the impact of changes in various financial markets indicators on NN Group's balance sheet. Market risks are taken in pursuit of returns for the benefit of customers and shareholders. Accordingly, risk and return consideration and optimisation are paramount for both policyholder and shareholder. In general, market risks are managed through a well-diversified portfolio under a number of relevant policies within clearly defined and monitored limits. NN Group reduces downside risk through various hedging programmes, in particular risks for which NN Group has no or only a limited appetite like interest rate, inflation and foreign exchange risk. NN Group also integrates Environmental, Social, and Governance (ESG) factors in the investment decision-making framework.

Market risk capital requirements

	2021	2020
Interest rate risk	1,455	4,519
Equity risk	3,474	3,463
Credit spread risk	4,725	4,345
Real estate risk	2,124	1,776
Foreign exchange risk	730	668
Inflation risk	135	313
Basis risk	74	101
Diversification market risk	-5,320	-9,692
Market risk	**7,397**	**5,493**

In 2021, the Market Risk SCR increased to EUR 7,397 million, driven by higher exposure to mortgages and real estate and significantly lower diversification of the market risks. Interest Rate SCR decreased due to higher rates and the refinement of Interest Rate risk SCR calculation. Credit spread risk SCR increase was driven by the increase of the duration of government bonds, the shift to higher-yielding assets and additional investments in mortgages. Real estate SCR increase was mainly driven by additional investments and market revaluations. Diversification decreased as a result of decreased interest rate risk and increased real estate and spread risks, which are dominant market risks: adding risks to the more dominant risks in general leads to lower diversification.

52 Risk management continued

The table below sets out NN Group's market value of assets for each asset class as at the end of 2021 and 2020. The values in these tables may differ from those included in the consolidated IFRS balance sheet as derivatives are excluded from this overview and furthermore due to classification and valuation differences to reflect a risk management view.

Investment assets

	Market value 2021	% of total 2021	Market value 2020	% of total 2020[1]
Fixed income	**163,876**	**83%**	**165,855**	**81%**
Government bonds and loans	63,126	32%	69,773	34%
Financial bonds and loans	10,063	5%	10,779	5%
Corporate bonds and loans	26,838	13%	26,029	13%
Asset-backed securities	3,850	2%	4,206	2%
Mortgages[2]	58,499	30%	53,555	26%
Other retail loans	1,500	1%	1,513	1%
Non-fixed income	**22,512**	**11%**	**20,641**	**10%**
Common & preferred stock[3]	5,830	3%	6,073	3%
Private equity	1,215	1%	881	1%
Real estate[4]	12,492	6%	10,725	5%
Mutual funds (money market funds excluded)[5]	2,975	1%	2,962	1%
Money market instruments (money market funds included)[6]	**11,455**	**6%**	**17,455**	**9%**
Total investments	**197,843**	**100%**	**203,951**	**100%**

1 Restated due to reclassification between different buckets
2 Mortgages are on amortised cost value. The mortgage value on the consolidated IFRS balance sheet differs from the value in the current table due to the acquisition premium of mortgages and the inclusion of mortgages underlying the mortgage structure vehicles. Mortgage mutual funds are reported under mortgages as of this year. Last year, they were reported as 'other retail loans'. Comparative figures have been restated as a result of this change.
3 All preference shares are included in 'common & preferred stock', even when preference shares are modelled as bonds.
4 The real estate values exclude the real estate forward commitments, since NN Group has no price risk related to them.
5 Fixed income mutual funds are included in mutual funds. Short term bonds purchased through the NNIP's money market mandate do not hedge long term liabilities but serve NN Group's cash management. Given the growing size of this portfolio, these short term bonds are reported under 'Money market instruments (money market funds included)' as of this year. Comparative figures have been restated as a result of this change.
6 Money market mutual funds and commercial papers are included in the Money market instruments.

Total investment assets have decreased from EUR 203,951 million at the end of 2020 to EUR 197,843 million at the end of 2021. The decrease is mainly due to a lower NN Group cash position (money market instruments). This is due to higher interest rates and the decrease of the swap portfolio, which implies a lower volume of cash collateral received. Main developments in the NN Group risk profile in 2021 are a reflection of the strategy of NN Group to increase operating capital generation by shifting to higher-yielding assets: gradual reduction in the exposure to low yielding core government bonds and an increase in allocation to mortgages, loans, real estate and private equity.

Interest rate risk

Interest rate risk is defined as the possibility of decrease in the Solvency II Own Funds due to adverse changes in the level or shape of the risk-free interest rate curve used for discounting assets and liabilities cash flows. Exposure to interest rate risk arises from asset or liability positions that are sensitive to changes in this risk-free interest rate curve. As of the second half of 2021, NN Group's Partial Internal Model SCR includes the change in value of the Solvency II technical provisions and the risk margin due to interest shocks.

Risk profile

The interest rate risk SCR of NN Group decreased from EUR 4,519 million in 2020 to EUR 1,455 million in 2021. The decrease is mainly driven by a refinement of Interest Rate risk SCR calculation. Moreover, it is reflecting market and portfolio movements during the year such as an increase of the risk-free interest curve (Euro-Zone 20-year swap rate increased by 55 bps) and also investments in long term government bonds to replace swaps. Volatility adjustment (VOLA) decreased by 4 bps from 7 bps to 3 bps at the end of 2021. The decrease of interest rate risk SCR also contributes to the decrease of the diversification across market risks.

Risk mitigation

The interest rate SCR indicates to what extent assets and liabilities are matched on a Solvency II basis. The majority of NN Group liability cash flows are predictable and stable, since exposure to policyholder behaviour and profit-sharing mechanisms is very limited. Until year 30, where markets for fixed income instruments are sufficiently deep and liquid, best estimate liability cash flows (excluding risk margin) are closely matched with government bonds, corporate bonds, mortgages and loans. Cash flows after 30 years are partially hedged on a duration basis with long term government bonds and interest rate swaps, due to price and illiquidity of markets.

52 Risk management continued

NN Group has implemented limits and tolerances for interest rate risk exposures at NN Group level as well as for relevant Business Units.

We continuously monitor and work on mitigating solutions for our new business and products, such as an development of defined contribution pension products in the Netherlands and a shift towards protection products in our markets in general.

Risk measurement

For the purpose of discounting EUR-denominated asset cash flows, NN Group uses market swap curves to value assets. For the asset cash flows denominated in other currencies, the relevant swap or government curve is used for that specific currency.

For the purpose of discounting the EUR-denominated liability cash flows NN Group uses a swap curve less credit risk adjustment (CRA) plus VOLA in line with definitions under the Solvency II. For the liability cash flows denominated in other currencies, the relevant swap or government curve is used where this curve is also lowered by the credit risk adjustment and adding the volatility adjustment specific for each currency. In line with Solvency II regulations, NN Group extrapolates the EUR swap curve starting from the last liquid point onwards to the Ultimate Forward Rate for each relevant currency in its portfolio. The last liquid point (LLP) used for EUR is 20 years. As such, the sensitivity of SCR for interest rate risk primarily depends on the level of cash flow matching between assets and liabilities up to the 20-year point, and the difference between the swap curve and the curve extrapolated to the UFR for longer cash flows.

The sensitivity of the Solvency II ratio to changes in interest rates is monitored on a quarterly basis. The table below presents the Eligible Own Funds, SCR and Solvency II ratio sensitivities to various changes in interest rates.

Solvency II Ratio sensitivities for interest rate comprise the following set of shocks, each of them is calculated independently as a standalone scenario: a parallel up and a parallel down shift of the discount curve, a steepening scenario for the interest rate used to discount asset cash flows after the last liquid point and a change of the ultimate forward rate.

NN Group's Solvency II ratio decreases when interest rates increase or the UFR decrease. The more stable SCR due to refinement of the SCR calculation for interest rate risk contributed to the change of interest rate sensitivity from -3% for a -50bps move in 2020 to +5% in 2021 (and +3% for +50bps in 2020 to -4% in 2021). UFR level for Euro decreased from 3.75% to 3.6% as of 1 January 2021, which had a negative effect on the Solvency II ratio of NN Group in line with the calculated sensitivity. The volatility adjustment decreased by 4bps to 3bps at year-end 2021 from 7bps at year-end 2020.

Solvency II ratio sensitivities: interest rate risk at 31 December 2021

2021	Own Funds impact	SCR impact	Solvency II ratio impact
Interest rate: Parallel shock +50 bps	-624	-101	-4%
Interest rate: Parallel shock -50 bps	803	153	5%
Interest rate: 10 bps steepening between 20y-30y	-580	96	-8%
UFR: Downward adjustment of 15 bps (EUR UFR at 3.45%)	-261	66	-4%

Solvency II ratio sensitivities: interest rate risk at 31 December 2020

2020	Own Funds impact	SCR impact	Solvency II ratio impact
Interest rate: Parallel shock +50 bps	-882	-554	3%
Interest rate: Parallel shock -50 bps	1,197	730	-3%
Interest rate: 10 bps steepening between 20y-30y	-725	-2	-8%
UFR: Downward adjustment of 15 bps (EUR UFR at 3.6%)	-314	49	-4%

Under the parallel shock scenarios, the base risk-free interest rate curves for each currency are shocked by +/-50 bps for all tenors up until the last liquid point. The other components of the basic risk-free interest rate curve – namely UFR, Credit Risk Adjustment, volatility adjustment and extrapolation technique towards UFR remain unchanged. The asset interest rate curves are shocked with the parallel shocks for all tenors.

In the interest rate steepening scenario, the EUR asset valuation curve is shocked after the last liquid point (the last liquid point for EUR is set at 20 years under Solvency II). The steepening is applied for interest rate curve tenors between 20 and 30 years (a linear increase from 0 to 10 bps of 1bp per tenor). After the 30 years point, the shift in the interest rate curve remains constant at 10bps. The discount curve for liability cash flows is not impacted in this scenario, asset only shock.

52 Risk management continued

For 2021, the UFR for EUR under Solvency II is set at 3.60%. In line with the EIOPA methodology, the calculated value of the UFR for EUR was 3.60% with annual changes to the UFR not higher than 15 bps. In 2021 EIOPA published the applicable UFR for 1 January 2022 to be at 3.45%. It will be for the first time when the calculated and updated UFR are same, meaning that further drops in the next few years might be lower than 15 bps per annum, as currently. The UFR downward adjustment scenario provides the impact in Own Funds and SCR using the applicable UFR downward adjustment of 15bps for each currency. The other components of the basic risk-free interest rate curve – namely the Credit Risk Adjustment, volatility adjustment and extrapolation technique towards UFR – are kept constant in this sensitivity.

Equity risk

Equity risk is defined as the possibility of decrease Solvency II Own Funds due to adverse changes in the level of equity market prices. Exposure to equity risk arises from direct or indirect asset or liability positions, including equity derivatives such as futures and options, that are sensitive to equity prices.

Risk profile

The table below sets out the market value of NN Group's equity assets as at the 31 December 2021 and 2020, respectively.

Equity assets

	2021	2020
Common & preferred stock	5,830	6,073
Private equity	1,215	881
Mutual funds (money market funds are excluded, fixed income mutual funds are included)	2,975	2,962
Total	**10,020**	**9,916**

NN Group is mostly exposed to public listed equity but also invests in private equity funds and equity exposures through mutual funds. The equity exposure is diversified mainly across the Netherlands (25% in 2021 and 2020) and remaining exposure in other countries, predominantly in EU (50% in 2021 compared with 55% in 2020). Note that mutual funds are classified as equity in the table above but include predominantly fixed income funds.

As shown in the 'Market risk capital requirements' table above, the Equity Risk SCR of NN Group remains stable (EUR 3,463 million in 2020 and EUR 3,474 million in 2021). Over 2021 parts of the public equity portfolio were disposed to benefit from attractive valuations.

Risk mitigation

Exposure to equities provides additional diversification and upside return potential in the asset portfolio of an insurance company with long-term illiquid liabilities. The concentration risk on individual issuers is mitigated by having issuer risk limits in place in investment mandates as well as at NN Group level. There is no natural hedge for equity risk on the liability side of the balance sheet. NN Group has the possibility to protect the downside risk of the equity portfolio by selling equity or buying put options and other hedge instruments.

Risk measurement

The sensitivity of the Solvency II ratio to changes in the value of equity is monitored on a quarterly basis. This scenario estimates the impact of an instantaneous shock of -25% applied to the value of direct equity and equity mutual funds. Derivatives like equity options or equity forwards which have equity as underlying are also revalued using the same shock applied to the underlying equities or equity indices.

The table below presents the Eligible Own Funds, SCR and Solvency II ratio sensitivity to a downward shock in equity prices at 31 December 2021 and 2020.

Solvency II ratio sensitivities: equity risk

	Own Funds impact		SCR impact		Solvency II ratio impact	
	2021	2020	2021	2020	2021	2020
Equity Downward shock -25%	-1,840	-1,863	-489	-305	-9%	-13%

52 Risk management continued

Credit spread risk

The credit spread risk is defined as the possibility of decrease in Solvency II Own Funds due to adverse movements in the credit spreads of fixed income assets. The credit spread widening (or narrowing) reflects market supply and demand, rating migration of the issuer and changes in expectation of default. Changes in liquidity and other risk premiums that are relevant to specific assets can play a role in the value changes.

In the calculation of the SCR for the Partial Internal Model entities, NN Group assumes no change to the volatility adjustment on the liability side of the balance sheet after a shock-event, but instead reflects the illiquidity of liabilities in the asset shocks to ensure appropriate solvency capital requirements. This approach ensures appropriate risk incentives and is approved by DNB. NN Group also shocks all government bonds and its mortgage portfolio in the calculation of spread risk capital requirements for the Partial Internal Model entities.

The main asset classes in scope of the credit spread risk module for Partial Internal Model entities are government and corporate bonds, mortgages and loans.

For the calculation of the SCR for credit spread risk of the Standard Formula insurance entities, the main asset classes in scope are corporate bonds and loans.

Risk profile

As shown in the 'Market risk capital requirements' table, the credit spread risk SCR of NN Group increased from EUR 4,345 million in 2020 to EUR 4,725 million in 2021. This increase is mainly driven by new investments in government bonds with very long duration and shift to higher-yielding assets.

The government securities market value delta can mostly be explained by valuation changes (60%). Transactions and redemptions count for 40% of the decrease. The corporate securities market value delta is explained by valuation (50%) and transactions (50%).

The table below shows the market value of NN Group's fixed-income bonds which are subject to credit spread risk SCR by type of issuer as at the 31 December 2021 and 31 December 2020, respectively.

Fixed-income bonds and loans by type of issuer

	Market value		Percentage	
	2021	2020[1]	2021	2020[1]
Sovereign	63,126	69,773	61%	63%
Manufacturing	8,022	8,093	8%	7%
Finance and Insurance	10,063	10,779	9%	10%
Asset-backed securities	3,850	4,206	4%	4%
Utilities	2,928	3,442	3%	3%
Information	2,365	2,263	2%	2%
Transportation and Warehousing	2,947	2,872	3%	2%
Real Estate and Rental and Leasing	2,070	1,879	2%	2%
Other	8,506	7,480	8%	7%
Total	**103,877**	**110,787**	**100%**	**100%**

1 Restated due to reclassification between different buckets, see footnotes 2 and 5 in table 'Investment assets'.

52 Risk management continued

The table below sets out the market value of NN Group's assets invested in government bonds and loans by country and maturity.

Market value government bond and loans exposures (2021)

			Market value of government bond and loans in 2021 by number of years to maturity[4]								
2021	Rating[1]	Domestic exposure[2]	0-1	1-2	2-3	3-5	5-10	10-20	20-30	30+	Total 2021
France	AA	0%	47	68	52	129	212	3,881	750	5,290	10,429
Japan	A+	99%	644	461	503	889	1,919	2,571	1,682	737	9,406
Belgium	AA-	33%	401	243	37	173	790	3,723	1,218	950	7,535
Germany	AAA	0%	30	95	488	140	1,977	3,030	733	396	6,889
Netherlands	AAA	99%	45	618		210	404	2,339	2,034	13	5,663
Austria	AA+	0%	171	11	190	517	737	1,303	1,048	2,012	5,989
Spain	A-	27%	24	15	136	155	420	1,999	648	59	3,456
Multilateral[3]	AAA	0%	194	48	135	175	202	969	732	15	2,470
United States	AAA	0%	1			1		282	2,085		2,369
Italy	BBB	0%	43	101	35	50	745	283	11		1,268
Finland	AA+	0%	5	3		166	82		981		1,237
Other[5] – Above Investment Grade			551	180	258	899	2,029	1,139	462	20	5,538
Other[5] – Below Investment Grade			107	119	141	144	208	139	19		877
Total			**2,263**	**1,962**	**1,975**	**3,648**	**9,725**	**21,658**	**12,403**	**9,492**	**63,126**

1 NN Group uses the second-best rating across Fitch, Moody's and S&P to determine the credit rating label of its bonds.
2 Percentage of the bonds held in the local unit, e.g., percentage of Dutch bonds held by entities registered in the Netherlands.
3 Includes EIB, ECB, EFSF, EU and ESM.
4 Based on legal maturity date.
5 Investment Grade reflects a rating of BBB or higher; Below Investment Grade reflects a rating below BBB.

Market value government bond and loans exposures (2020)

			Market value of government bond and loans in 2020 by number of years to maturity[4]								
2020	Rating[1]	Domestic exposure[2]	0-1	1-2	2-3	3-5	5-10	10-20	20-30	30+	Total 2020
France	AA	0%	52	47	70	125	268	3,022	2,460	6,057	12,101
Japan	A+	98%	342	492	484	1,069	2,028	2,798	1,603	707	9,523
Belgium	AA-	35%	51	432	250	86	1,026	2,839	3,173	20	7,877
Germany	AAA	0%	79	116	102	787	1,681	3,954	785	98	7,602
Netherlands	AAA	99%	319	81	772	320	908	2,522	2,382	15	7,319
Austria	AA+	0%	189	184	11	204	1,425	1,438	1,174	1,818	6,443
Spain	A-	26%	9	25	24	255	483	1,707	1,169	5	3,677
Multilateral[3]	AAA	0%	81	198	60	177	519	1,399	795	35	3,264
United States	AAA	0%	1	1		1		176	2,184		2,363
Italy	BBB-	0%	8	46	104	51	810	546	26		1,591
Finland	AA+	0%	43	5	4	274	143		1,079		1,548
Other[5] – Above Investment Grade			172	508	208	731	2,467	1,312	305	1	5,704
Other[5] – Below Investment Grade			62	45	113	201	152	155	33		761
Total			**1,408**	**2,180**	**2,202**	**4,281**	**11,910**	**21,868**	**17,168**	**8,756**	**69,773**

1 NN Group uses the second-best rating across Fitch, Moody's and S&P to determine the credit rating label of its bonds.
2 Percentage of the bonds held in the local unit, e.g., percentage of Dutch bonds held by entities registered in the Netherlands.
3 Includes EIB, ECB, EFSF, EU and ESM.
4 Based on legal maturity date.
5 Investment Grade reflects a rating of BBB or higher; Below Investment Grade reflects a rating below BBB.

60% (or EUR 38 billion) of NN Group total sovereign debt exposure is invested in AAA and AA rated eurozone countries in 2021 as compared to 62% in 2020. Of the EUR 38 billion core eurozone government bonds and loans held by NN Group, 78% will mature after year 10 and 40% after year 20 in 2021 while those for 2020 were EUR 42 billion, 76% and 43% respectively. The proceeds of the sales of government bonds were used partly to fund investments in mortgages and loans and partly to invest in government bonds with very long duration to reduce the NN Group's swap portfolio. With regard to Central and Eastern Europe, the government bond exposures are mainly domestically held. Exposure to Belgium decreased and United States remains stable. In the Partial Internal Model, all government bonds contribute to credit spread risk, including those rated AAA. The tables below shows the market value of non-government fixed-income securities (excluding mortgages and derivatives) by rating and maturity.

52 Risk management continued

Market value non-government bond securities and loans (2021)

2021	0-1	1-2	2-3	3-5	5-10	10-20	20-30	30+	Total 2021
	Market value of non-government bond securities and loans in 2021 by number of years to maturity								
AAA	153	201	257	597	352	1,017	1,365	2,097	6,039
AA	507	358	139	540	663	569	241	173	3,190
A	1,270	1,543	1,210	2,691	3,468	1,204	810	614	12,810
BBB	1,204	1,650	2,113	2,602	3,260	1,781	1,050	118	13,778
BB	271	242	282	777	1,253	51	31	30	2,937
B and below	126	262	219	661	500	21			1,789
No rating available	138	3			4			63	208
Total	**3,669**	**4,259**	**4,220**	**7,868**	**9,500**	**4,643**	**3,497**	**3,095**	**40,751**

Market value non-government bond securities and loans (2020[1])

2020	0-1	1-2	2-3	3-5	5-10	10-20	20-30	30+	Total 2020
	Market value of non-government bond securities and loans in 2020 by number of years to maturity								
AAA	392	245	271	406	543	1,183	1,225	2,684	6,949
AA	634	593	376	439	924	430	190	55	3,641
A	837	1,483	1,652	2,750	3,907	804	428	559	12,420
BBB	1,059	1,466	1,877	3,654	3,619	1,250	660	101	13,686
BB	215	164	478	862	1,211	29	33	28	3,020
B and below	79	161	218	334	321	16		9	1,138
No rating available	116	3	4	4	2			32	161
Total	**3,332**	**4,115**	**4,876**	**8,449**	**10,527**	**3,712**	**2,536**	**3,468**	**41,015**

1 Restated due to reclassification between different buckets, see footnotes 2 and 5 in table 'Investment assets'.

The table below shows NN Group's holdings of loans and other debt securities as at the 31 December 2021 and 2020, respectively.

Market value all loans and other debt securities (per credit rating)

	2021	2020[1]
AAA	22,479	26,755
AA	30,545	33,899
A	27,772	27,366
BBB	17,181	17,688
BB	3,868	3,749
B and below	1,824	1,169
No rating available	70	46
Mortgages[2]	58,499	53,555
Other Retail Loans	1,638	1,628
Total	**163,876**	**165,855**

1 Restated due to reclassification between different buckets, see footnotes 2 and 5 in table 'Investment assets'.
2 Mortgages refer to all mortgages using the same criteria and is aligned with the Mortgages figure in Investment assets above.

Mortgages

The required capital for mortgages within entities under the Partial Internal Model is calculated in the credit spread risk module while the required capital for mortgages within entities under Standard Formula is calculated in the counterparty default risk module. The credit spread risk module within the Partial Internal Model captures the behaviour of Own Funds when the valuation of mortgages changes with market mortgage rates, while the counterparty default risk module within Standard Formula captures the behaviour of Own Funds as a result of unexpected loss or default of mortgages.

The Loan-to-Value (LTV) for residential mortgages (which is based on the net average loan to property indexed value) at NN Life, the Banking business, NN Non-life and NN Belgium stood at 59%, 57%, 65% and 60% respectively at the end of December 2021 while those were 68%, 66%, 72% and 71% respectively at the end of December 2020. Sharply increasing house prices in 2021 (+17.5%) resulted in a migration towards lower LTV buckets. The average LTV for NN Group portfolio is 59% in 2021 (67% in 2020).

52 Risk management continued

The inherent credit risk of mortgages is backed primarily by means of the underlying property, but also through the inclusion of mortgages guaranteed by the Nationale Hypotheek Garantie (NHG) and other secondary covers like savings, investments and life insurance policies. Mortgages with NHG accounted for 26%, 32%, 20% and 28% at NN Life, the Banking business, NN Non-life, and NN Belgium respectively at the end of 2021 and 29%, 33%, 23% and 29% at NN Life, the Banking business, NN Non-life and NN Belgium respectively at the end of 2020. The relative NHG coverage is decreasing in the portfolios mostly due to the high house prices, so overall less mortgages are eligible for NHG coverage. Since the change in the Dutch tax regime in 2014 with regards to mortgage interest deductibility, a shift from interest-only mortgages to annuity and linear payment type mortgages is being observed.

Loan-to-Value on mortgage loans[1]

	2021	2020
NHG	28%	30%
LTV <= 80%	65%	53%
LTV 80% – 90%	5%	11%
LTV 90% – 100%	1%	5%
LTV > 100%	1%	1%
Total NN Group	**100%**	**100%**

1 Risk figures and parameters do not include third party originated mortgages and collateralised mortgages although they are on the balance sheet of NN Group.

The mortgage portfolio is under regular review to ensure troubled assets are identified early and managed properly. The loan is categorised as a non-performing loan (NPL) if the loan is 90 days past due, or the client was in default the previous month, and the minimum holding period (MHP) is active or the loan is classified as Unlikely To Pay (UTP) by the problem loans department. A loan is re-categorised as a performing loan again when the amount past due has been paid in full (and the UTP-status is withdrawn).

The main criterion for lifting the default status will be that no arrears greater than EUR 250 occurred during the Minimum Holding Period (MHP). For defaulted clients that are classified as 'distressed restructuring', the MHP is 12 months. For all other defaulted clients, the MHP is 3 months.

The impact of the definition of default is limited. Combined with low levels of unemployment, the outstanding non-performing loans decreased in 2021. Provisions decreased due to sharply increasing house prices in 2021 (+17.5%) and a decrease in non-performing loans.

The net exposure decreased because of increasing house prices.

Credit quality: NN Group mortgage portfolio, outstanding[1,2]

	Life business		Banking business		Other[3]		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Performing mortgage loans that are not past due	25,285	23,189	20,322	19,764	5,304	5,132	50,911	48,085
Performing mortgage loans that are past due	128	111	161	146	24	27	313	284
Non-performing mortgage loans[4]	77	113	104	116	12	22	193	251
Total	**25,490**	**23,413**	**20,587**	**20,026**	**5,340**	**5,181**	**51,417**	**48,620**
Provisions for performing mortgage loans	2	3	2	3	1	1	5	7
Provisions for non-performing mortgage loans	5	11	1	8		1	6	20
Total[5]	**7**	**14**	**3**	**11**	**1**	**2**	**11**	**27**

1 Risk figures and parameters do not include third party originated mortgages and collateralised mortgages although they are on the balance sheet of NN Group.
2 Amounts are excluding partial transfer of mortgages.
3 Other' column includes numbers for the Non-life entities, Belgium business and other small entities.
4 The non-performing loans include 'unlikely to pay' mortgage loans, which may not be past due.
5 Mortgage provisions have decreased as a result of the increase in the house prices, a decrease in non-performing loans due to low unemployment and an update in the default policy following ECB guidance on the definition of default.

52 Risk management continued

Collateral on mortgage loans

	Life business		Banking business		Other[1]		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Carrying value[2]	25,490	23,413	20,587	20,026	5,340	5,181	51,417	48,620
Indexed collateral value of real estate	49,536	38,902	41,478	34,793	9,685	8,041	100,699	81,736
Savings held[3]	985	1,006	1,408	1,416	75	77	2,468	2,499
NHG guarantee value[4]	5,480	5,600	5,328	5,463	1,113	1,152	11,921	12,215
Total cover value[5] + including NHG guarantee capped at carrying value	25,474	23,391	20,576	20,007	5,337	5,177	51,387	48,575
Net exposure	**16**	**22**	**11**	**19**	**3**	**4**	**30**	**45**

1 'Other' column includes numbers for the Non-life entities, Belgium business and other small entities.
2 Amounts are based on outstanding, excluding deduction of constructions deposits and excluding partial transfer of mortgages.
3 Savings held includes life policies excluding the effect of partial transfer of mortgages.
4 The NHG guarantee value follows an annuity scheme and is corrected for the 10% own risk (on the granted NHG claim).
5 The cover value of the real estate does not include haircuts, which are applied in the determination of loan loss provisions.

Risk mitigation

Our mortgages are subject to strict underwriting criteria and are well collateralised. NN Group has concentration risk limits for individual issuers which depend on the credit quality of the issuer. These limits ensure that large risk concentrations are avoided. In order to diversify the credit spread risk further, NN Group has increased its investments in non-listed assets.

Risk measurement

The sensitivity of the Solvency II ratio to changes in credit spreads is monitored on a quarterly basis. The table below presents the Eligible Own Funds, SCR and Solvency II ratio sensitivities to various changes in credit spreads.

Solvency II ratio sensitivities: credit spread risk at 31 December 2021

2021	Own Funds impact	SCR impact	Solvency II ratio impact
Credit spread: Parallel shock for AAA-rated government bonds +50 bps	-628	89	-8%
Credit spread: Parallel shock for AA and lower-rated government bonds +50 bps	-938	120	-12%
Credit spread: Parallel shock spreads corporates +50 bps	697	-209	12%
Credit spread: Parallel shock spreads mortgages +50 bps	-1,075	31	-12%

Solvency II ratio sensitivities: credit spread risk at 31 December 2020

2020	Own Funds impact	SCR impact	Solvency II ratio impact
Credit spread: Parallel shock for AAA-rated government bonds +50 bps	-706	3	-7%
Credit spread: Parallel shock for AA and lower-rated government bonds +50 bps	-968	-124	-8%
Credit spread: Parallel shock spreads corporates +50 bps	997	-161	14%
Credit spread: Parallel shock spreads mortgages +50 bps	-897	-7	-9%

NN Group has exposure to government, corporate and financial debt and is exposed to spread changes for these instruments. Furthermore, the volatility adjustment in the valuation of liabilities introduces an offset to the valuation changes on the asset side. The Solvency II sensitivities for spread changes cover four possible scenarios – spread widening for AAA rated government bonds, spread widening for non-AAA rated government bonds, spread widening for corporates and spread widening for mortgages. For all scenarios, a parallel widening of the respective spread curves of +50bps is assumed. There is a corresponding translation of the spread widening on asset valuations on the volatility adjustment according to EIOPA reference portfolio in each of the scenarios.

Government bond shocks are applied to the following asset classes: government bonds and loans, government-linked instruments (sub-sovereigns and supranational). Corporate spread shocks are applied to the following asset classes: corporate bonds (financials and non-financials), covered bonds, subordinated bonds, asset-backed securities and loans. Mortgages are subject to spread shocks in a separate scenario.

52 Risk management continued

NN Group's sensitivity to credit spread changes is mainly driven by the difference between NN's investment portfolio and the EIOPA reference portfolio. The reference portfolio represents the weights of an average European insurers' portfolio to different fixed income assets and is used to determine the level of the volatility adjustment to be applied for the valuation of liabilities. Asset spread changes impact the level of the volatility adjustment and therefore also the valuation of liabilities, and thus provide an offset to asset valuation changes. NN Group is exposed to widening in government bond spreads due to a higher exposure to well rated government debt compared with the reference portfolio. At the same time, the exposure to widening of credit spreads on corporate and financial bonds has a positive impact on the ratio due to a lower exposure of NN Group to these asset classes compared with the reference portfolio. Mortgages spread widening has a negative impact on the Solvency II Ratio, as mortgages are not part of the reference portfolio.

Real estate risk

Real estate risk is defined as the possibility of decrease in Solvency II Own Funds due to adverse changes in the value of real estate. Exposure to real estate risk arises mainly from holding direct real estate properties or positions in real estate mutual funds. With the long-term nature of the liabilities of NN Group, illiquid assets such as real estate play an important role in the asset allocation.

Risk profile

NN Group's real estate exposure (excluding forward commitments) increased from EUR 10,725 million at the end of 2020 to EUR 12,492 million at the end of 2021. The market value change is mainly (75%) due to valuation increase. The new investments count for 25% of market value increase. The real estate exposure is mainly present in the portfolios of NN Life, NN Non-life and NN Belgium Life.

NN Group has various categories of real estate: investments in real estate funds and joint-ventures, real estate directly owned and investments in buildings occupied by NN Group. Several of the real estate funds, in which NN Group participates, include leverage and therefore the actual real estate exposure is larger than NN Group's value of participation in real estate funds. The real estate portfolio is held for the long-term and is illiquid. Furthermore, there are no hedge instruments available in the market to effectively reduce the impact of market volatility.

The table below sets out NN Group's real estate exposure per region as at 31 December 2021 and 2020, respectively.

Real estate assets per region[1]

	2021	2020
Western Europe	60%	60%
Southern Europe	17%	19%
Nordics	7%	7%
Central and Eastern Europe	5%	5%
UK and Ireland	11%	9%
Total	**100%**	**100%**

1 Excludes real estate forward commitments, since NN Group has no price risk related to them.

As shown in the 'Market risk capital requirements' table, the real estate risk SCR of NN Group increased from EUR 1,776 million in 2020 to EUR 2,124 million in 2021. This increase is mainly due to increase in property investment valuations and new investments.

Risk mitigation

Exposure to real estate provides for additional diversification for the asset portfolio. The concentration risk on individual assets is limited under the relevant investment mandates. Real estate portfolio is also well diversified across European countries and sectors.

Risk measurement

The sensitivity of the Solvency II ratio to changes in the value of real estate is monitored on a quarterly basis. This scenario estimates the impact of an instantaneous shock of -10% to the value of direct real estate exposures and real estate within mutual funds. The table below presents the Eligible Own Funds, SCR and Solvency II ratio sensitivity to a downward shock in the value of real estate at 31 December 2021 and 2020.

52 Risk management continued

Solvency II ratio sensitivities: real estate risk

	Own Funds impact		SCR impact		Solvency II ratio impact	
	2021	2020	2021	2020	2021	2020
Real estate Downward shock -10%	-921	-794	-58	-12	-8%	-8%

Foreign exchange risk

Foreign exchange (FX) risk measures the impact of losses related to changes in currency exchange rates.

Risk profile

FX transaction risk can occur on a local entity level, while FX translation risk can occur when non-Euro entities are consolidated at the level of NN Group and show a risk in regard to NN Group's reporting currency, the Euro.

The SCR for foreign exchange risk increased from EUR 668 million in 2020 to EUR 730 million in 2021. This is mainly due to higher exposures to non-Euro currencies.

Risk mitigation

The FX risk at the local entity level is mitigated by limiting investment to the non-local currency assets or by hedging through FX forwards and cross currency swaps.

Inflation risk

Inflation risk is defined as the risk of adverse changes in inflation that result into decrease in Solvency II Own Funds. Inflation risk is calculated for the Dutch entities applying the Partial Internal Model for the SCR calculation.

Risk profile

The SCR for inflation risk decreased to EUR 135 million from EUR 313 million at the end of 2020. Inflation risk is limited and hedged to a large extent with inflation-linked swaps or bonds, which are exposed to lower inflation rates. The impact of the increase in inflation in 2021 on the NN Group Solvency II Ratio was approximately -3%-points. The impact of this scenario reduced as a result of higher inflation rates in 2021. Note that the vast majority of NN's pension contracts do not include any guaranteed pay-out linked to inflation developments.

Risk mitigation

The inflation risk is managed through the use of inflation swaps and investments in inflation bonds.

Basis risk

The SCR Basis risk is defined as a risk that the underlying asset or liability behaves differently than the underlying hedge instrument, which results in the loss in the Solvency II balance sheet.

Risk profile

The SCR for basis Foreign exchange risk from EUR 101 million in 2020 to EUR 74 million in 2021, mostly due to model changes.

Risk mitigation

The Basis Risk is mitigated by fund mapping of the underlying funds to risk factors, and also by constant monitoring of the fund performance compared to the benchmark.

Concentration risk

For SF entities there is an additional SCR for Concentration Risk calculated under SF, which is defined as the risk of loss in the Basic Own Funds as a result of the default of an issuer in which NN Group has a concentrated investment position.

Risk profile

The SCR for Concentration Risk remained at nil in 2021.

Risk mitigation

This Concentration Risk is mitigated by concentration risk limits aiming to have a well-diversified portfolio with credit risk concentrations in any particular issuer within the NN Group risk appetite.

52 Risk management continued

Market risks within separate account businesses

The separate account businesses are those in which the policyholder bears the majority of the market and credit risk. NN Group's earnings from the separate account businesses are primarily driven by fee income. However, in the case of variable annuities and the guaranteed separate account pension business in the Netherlands, NN Group retains risk associated with the guarantees provided to its policyholders. Businesses in this separate account category are (i) the group pension business in the Netherlands for which guarantees are provided and (ii) other separate account business, primarily the unit-linked business and variable annuities (VA).

Separate account guaranteed group pension business in NN Life

Risk profile

In the Dutch separate account guaranteed group pension portfolio, investments are held in separate accounts on behalf of the sponsor employer who concluded their contract with a business unit of NN Group. Regardless of actual returns on these investments, pension benefits for the beneficiaries are guaranteed under the contract. The value of the provided guarantee is sensitive to interest rates, movements in the underlying funds and the volatility of those funds.

The Assets under Management for NN Life's portfolio decreased from EUR 3.2 billion 31 December 2020 to EUR 2.9 billion 31 December 2021 mainly driven by interest rate changes. In general, the materiality of the separate account business within NN Group has reduced in the past few years due to the runoff of the portfolio.

Risk mitigation

NN Group currently hedges the value of the guarantees it provided under group pension contracts in the Netherlands. For the purpose of hedging, the exposure under such guarantees is discounted at the swap curve without the extrapolation to the UFR. The hedge programme includes equity basket options, swaps and equity futures. Upon contract renewal, NN Group offers policyholders defined contribution products with investments in portfolios that NN Group can more easily hedge, thus reducing the risk to NN Group.

Other separate account businesses

Risk profile

The other separate account business primarily consists of unit-linked insurance policies and variable annuity (VA) portfolios. Unit-linked insurance policies provide policyholders with selected fund returns combined with an insurance cover. The investment risk is borne by the policyholder, although there are some unit-linked products where NN Group has provided guarantees on the performance of specific underlying funds. Unit-linked products without guarantees do not expose NN Group to market risk, except to the extent that the present value of future fees is affected by market movements of the underlying policyholder funds. The variable annuities in the Japan Closed Block VA and VA Europe business consist of guaranteed minimum accumulation benefit products, guaranteed minimum death benefit products and guaranteed minimum withdrawal benefit products.

Risk mitigation

The market risks of the unit-linked and other separate account business are managed by the design of the product. Currently, NN Group does not hedge the market risks related to the present value of future fee income derived from this business (with the exception of the Japan Closed Block VA). For the Japan Closed Block VA business and European VA business NN Group has hedging programmes in place targeting equity, interest rate, credit spread and FX risk as well as volatility risk.

Risk measurement

NN Group determines eligible own funds for the market and credit risks of the separate account business through modelling the risks of the fee income and the guarantees including the impact of the hedge programmes.

Counterparty default risk

Counterparty default risk is the risk of loss due to default or deterioration in the credit standing of the counterparties and debtors (including reinsurers) of NN Group. The SCR for counterparty default risk is primarily based on the issuer's probability of default (PD) and the loss-given-default (LGD) of each individual position taking into account diversification across these positions.

The counterparty default risk module also covers any credit risk exposures which are not covered in the spread risk sub-module.

Risk profile

As shown in the 'Solvency II Capital Requirements' table above, the Counterparty default risk SCR of NN Group decreased from EUR 315 million at the end of 2020 to EUR 200 million at the end of 2021, due to lower cash positions and lower mortgage portfolio due to indexation of properties. In the Partial Internal Model the mortgages do not get the capital charge under the Counterparty default risk and are under Credit Risk SCR sub module for these Business Units.

52 Risk management continued

Risk mitigation

NN Group uses different credit risk mitigation techniques. For OTC derivatives, the exchange of collateral under the International Swaps and Derivatives Associations contracts accompanied with Credit Support Annexes is an important example of risk mitigation. Other forms of credit risk mitigation include reinsurance collateral exchange. For cash and money market funds, limits per counterparty are put in place.

Risk measurement

The Counterparty default risk (CDR) module comprises two sub-modules:

- CDR Type I: applicable to exposures which might not be diversified and where the counterparty is likely to be (externally) rated, e.g., reinsurance contracts, derivatives and money market exposures. The underlying model is the Ter Berg model (which was also the basis for Standard Formula calibration under Solvency II)
- CDR Type II: applicable to exposures that are usually (well) diversified and where the counterparty is likely to be unrated, like retail loans, but also other forms of term lending not covered in Type I

The capital charges for CDR Type I and CDR Type II exposures are calculated separately and subsequently aggregated.

Liquidity risk

Liquidity risk is the risk that one of NN Group's entities does not have sufficient liquid assets to meet its financial obligations when they become due and payable, at reasonable cost and in a timely manner. Liquidity in this context is the availability of funds, or certainty that funds will be available without significant losses, to honour all commitments when due. NN Group manages liquidity risk via a liquidity risk framework: ensuring that – even after shock – NN Group's businesses can meet immediate obligations. Liquidity stress events can be caused by a market-wide event or an idiosyncratic NN Group specific event. These events can be short-term or long-term and can both occur on a local, regional or global scale.

Subsidiaries that trade derivatives are responsible for maintaining sufficient liquidity levels to meet their collateral requirements. For this purpose, liquidity buffers are set to ensure sufficient liquidity is available in an adverse scenario and to ensure the liquidity thresholds are being met.

Risk profile

Liquidity risk covers three areas of attention. Operational liquidity risk is the risk that funds are unavailable to meet financial obligations when due. Market liquidity risk, is the risk that an asset cannot be sold on short-term without significant losses. Funding risk is the risk related to not being able to refinance maturing debt instruments and may lead to higher funding costs. The connection between market and operational liquidity risk stems from the fact that when payments are due and not enough cash is available, investment positions need to be converted into cash; if market liquidity is low or an adverse market movement took place in this situation, this could lead to a loss.

Risk mitigation

NN Group aims to match day-to-day cash in- and outflows and at the same time wants to be able to have sufficient cash in case of a liquidity stress event.

NN Group Liquidity Management Principles defines three levels of Liquidity Management:

- Short-term liquidity (including operational liquidity) management covers the day-to-day cash requirements under normal business conditions
- Long-term liquidity management considers business conditions, in which market liquidity risk materialises
- Stress liquidity management looks at the company's ability to respond to a potential crisis situation

Risk measurement

NN Group Liquidity Risk Management Standard measures liquidity risk in a stress event through the gap between liquidity needs and liquidity sources compared to available liquid assets for sale. This is calculated for different time horizons and different levels of availability of liquidity sources.

52 Risk management continued

Non-market risk

Within the SCR Partial Internal Model a differentiation is made for the classification of non-market risks for different NN Group entities depending on the model applied.

For the Business Units applying Partial Internal Model, non-market risks are split between:

- **Insurance risk:** is the risk related to the events insured by NN Group and comprise actuarial and underwriting risks like Life risk (mortality, longevity), Morbidity risk and Property & Casualty risk which result from the pricing and acceptance of insurance contracts
- **Business risks:** are the risks related to the management and development of the insurance portfolio but exclude risks directly connected to insured events. Business risk includes policyholder behaviour risks, expense risk, persistency risk and premium re-rating risk. Business risks can occur because of internal, industry, regulatory/political or wider market factors. Policyholder behaviour risk is the risk that policyholders use options available in the insurance contracts in a way that is different from that expected by NN Group. Depending on the terms and conditions of the insurance policy, and the laws and regulations applicable to the policy, policyholders could have the option to surrender, change premiums, change investment fund selections, extend their contracts, take out policy loans, and make choices about how to continue their annuity and pension savings contracts after the accumulation phase, or even change contract details. Policyholder behaviour therefore affects the profitability of the insurance contracts. Changes in tax laws and regulations can affect policyholder behaviour, particularly when the tax treatment of their products affects the attractiveness of these products for customers

For the Business Units applying Standard Formula, non-market risks are split between:

- **Life risk:** the life portfolio is mainly attributed to the individual and group business in the international entities of NN Group (mainly Belgium, Spain Life, Poland) and ABN AMRO Life. This risk comprises the mortality, longevity, disability-morbidity, expense, lapse and life catastrophe risks
- **Health risk:** this covers the Similar to Life Techniques (SLT) Health portfolio risk, the Non-SLT (NSLT) Health portfolio risk and the Health Catastrophe risk. Within NN Group, the health risk stems from morbidity riders in Belgium, Czech, Poland, Slovakia, Romania, from the yearly renewable health insurance portfolio of Greece. This risk is split between the SLT Health risk (comprising mortality, longevity, disability-morbidity, expense and lapse risks), the NSLT Health risk (comprising premium and reserve risk and lapse risk) and the Health Catastrophe risk
- **Non-life risk:** this covers non-life portfolio mainly contributed by ABN AMRO Non-life and NN Insurance Services. This risk covers the premiums and reserve risk, non-life catastrophe risk and lapse risk

Risk profile

The table below presents the non-market risk SCR composition at the end of 2021 and at the end of 2020 respectively. The main changes in the risk profile are explained in the subsequent section of this document.

Non-market risk capital requirements

	2021	2020
Insurance risk (IM entities)	4,326	5,144
Business risk (IM entities)	1,536	1,712
Life risk (SF entities)	957	871
Health risk (SF entities)	236	582
Non-life risk (SF entities)	113	341
Diversification non-market risk	-1,265	-1,717
Non-market risk	**5,903**	**6,933**

The insurance risk decreased mainly driven by a refinement of the Longevity risk models, by a transfer of longevity risk of approximately EUR 4 billion of liabilities via reinsurance contract and due to higher interest rates. Health risk and Non-life risk decreased due to the transfer of VIVAT Non-life to IM entities. Life risk SCR for Standard Formula entities remained relatively stable. The fact that VIVAT Non-life is reported on Standard Formula method is captured via TCLI (as an outside the model adjustment) which was the main trigger of the decrease in Health risk and Non-life risk for SF entities. The changes to the standalone risk drivers, lead to lower diversification.

52 Risk management continued

Risk mitigation

Proper pricing, underwriting, claims management and diversification are the main risk mitigating actions for insurance risks.

By expanding insurance liabilities to cover multiple geographies, product benefits, lengths of contract and both life and non-life risk, NN Group reduces the likelihood that a single risk event will have a material impact on NN Group's financial condition.

Management of the insurance risks is done by ensuring that the terms and conditions of the insurance policies that NN Group underwrites are correctly aligned with the intended policyholder benefits to mitigate the risk that unintended benefits are covered. This is achieved through NN Group's underwriting standards, product design requirements, and product approval and review processes – as referred to under Risk Management Policies, Standards and Processes.

Insurance risks are diversified between Business Units. Risk not sufficiently mitigated by diversification is managed through concentration and exposure limits and through reinsurance: retention limits for non-life insurance risks are set by line of business for catastrophic events and individual risk.

Insurance Risk

Insurance risk is the risk that the future insurance claims and other contractual benefits cannot be covered by premiums, policy fees and/or investment income or that insurance liabilities are not sufficient because claims and benefits might differ from the assumptions used in determining the best estimate liability. Insurance risk manifests itself in the life as well as in the non-life portfolio of NN Group.

Risk profile

The table below presents the Partial Internal Model insurance risk SCR for the Dutch NN insurance entities of NN Group (namely NN Life, NN Non-life and NN Re) as at 31 December 2021 and 31 December 2020 respectively.

Insurance risk capital requirements

	2021	2020
Mortality (including longevity) risk	4,149	5,049
Morbidity risk	818	623
Property & Casualty risk	669	521
Diversification insurance risk	-1,310	-1,049
Insurance risk (IM entities)	**4,326**	**5,144**

The SCR for insurance risk is mostly driven by longevity risk which is included in mortality risk, for the Netherlands pension business. The insurance risk decreased mainly driven by the redesign of the Longevity risk models and by new reinsurance contract.

Mortality risk occurs when claims are higher due to higher mortality experience (for instance in relation to term insurance). Longevity risk is the risk that insured persons live longer than expected due to mortality improvements like better living conditions, improved health care and medical breakthrough. While NN Group is exposed to both longevity and mortality risks, these risks do not fully offset one another as the impact of the longevity risks in the pension business in the Netherlands is significantly larger than the mortality risk in the other businesses, which is not only due to the size of the business. Changes in mortality tables impact the future expected benefits to be paid and the present value of these future impacts is reflected directly in measures like Own Funds.

Morbidity risk is borne primarily by the health insurance portfolio which pays out a fixed amount benefit, reimburses losses (e.g. in the case of loss of income), or pays for expenses of medical treatment related to certain illness or disability events. The main exposures to morbidity risks within NN Group are the disability insurance policies underwritten in Netherlands Non-life.

The Netherlands Non-life portfolio includes Property & Casualty (P&C) products covering risks such as fire damage, car accidents, personal and professional liability, windstorms, hail, and third-party liabilities. The P&C risk is primarily underwritten by Netherlands Non-life and catastrophic losses are partially reinsured to external reinsurers through NN Re.

52 Risk management continued

Risk mitigation

Insurance risk is mitigated through diversification between mortality and longevity risks within NN Group Business Units, appropriate pricing and underwriting policies and risk transfer via reinsurance, which are used to reduce the Own Funds volatility.

In addition to the existing index-based longevity hedge and longevity reinsurance transaction of 2020 that were already in place, in December 2021 NN Group reinsured the longevity risk related to approximately EUR 4 billion of pension liabilities externally. Concentration risk is mitigated through spreading the risk over multiple counterparties. CPD risk is further mitigated through collateral mechanisms in place for these transactions.

The risks that are not sufficiently mitigated by diversification are managed through concentration and exposure limits and through reinsurance:

- Retention limits for life insurance risks are set per insured life and significant mortality events affecting multiple lives such as pandemics
- Retention is used to manage risk levels (such as non-life reinsurance and risk morbidity reinsurance in the COLI business in Japan Life)
- Retention limits for non-life insurance risks are set by line of business for catastrophic events and individual risk

For NN Non-Life natural catastrophic events are a major risk. One of the main natural catastrophe threatening the Netherlands is storms causing severe wind damage. NN Non-Life purchased a reinsurance contract offering protection against severe storms and other natural perils. In addition, reinsurance contracts per risk group are in place, covering NN Non-Life against large one- off events such as fires.

Reinsurance creates credit risk which is managed in line with the Reinsurance Standard of NN Group.

Business risk

Business risk include risks related to the management and development of the insurance portfolio risk, policyholder behaviour risks, persistency risk and expense risks. These risks occur because of internal, industry, regulatory/political, or wider market factors.

Risk profile

The table below presents the Partial Internal Model business risk SCR for the Dutch NN insurance entities of NN Group as at 31 December 2021 and 31 December 2020 respectively.

Business risk capital requirements

	2021	2020
Persistency risk	408	357
Premium risk	12	13
Expense risk	1,387	1,598
Diversification business risk	-271	-256
Business risk (IM entities)	**1,536**	**1,712**

The main contributors to persistency risk are NN Non-Life and NN Czech business and the Corporate Owned Life Insurance (COLI) business in Japan Life (both reinsured by NN RE). Persistency risk increased due to the assumption changes.

The risk that policyholders maintain their contracts longer than NN Group has assumed is specific to the variable annuity business when guarantees are higher than the value of the underlying policyholder funds, the pension business in the Netherlands, and the older, higher interest rate guaranteed savings business in Europe. The risk that policyholders hold their contracts for a shorter period than NN Group has assumed relates to the life business in Japan and the unit-linked businesses in Central and Eastern Europe. Within NN Group NN Re reinsures parts of the life business in Japan and Central and Eastern Europe.

Expense risk decreased due to regular assumption updates throughout NN Group, which is partially offset by the increase in inflation rates. This risk relates primarily to the variable part of NN Group's expenses and is the risk that future actual expenses exceed the expenses assumed. Total administrative expenses for NN Group for 2021 were EUR 2,280 million compared with EUR 2,121 million in 2020. Parts of these expenses are variable, depending on the size of the business and sales volumes, and parts are fixed and cannot immediately be adjusted to reflect changes in the size of the business.

Expense risk of NN Group mainly comprises the expense level and expense inflation risks in NN Life. A significant portion of it is incurred in the closed block operations of Netherlands Life, where NN Group is exposed to the risk that the expenses will not decrease in line with the gradual decrease of the in-force book, leading to a per policy expense increase. Furthermore, expense risk is also driven by the Group pension business in the Netherlands which includes long-term best estimate expense assumptions, discounted over a long period of time.

52 Risk management continued

Risk mitigation

Policyholder behaviour risks, such as persistency and premium risk, are managed through the product development, product approval and review processes and by ensuring that appropriate advice is given to the customer, not only at the point of sale but also during the lifetime of the product. The policyholder behaviour experience of in-force policies is assessed at least annually.

As part of its strategy, NN Group has put several programmes in place to own and improve the customer experience. These programmes improve the match between customer needs and the benefits and options provided by NN Group's products. Over time, NN Group's understanding and anticipation of the choice policyholders are likely to make, will improve, thereby decreasing the risk of a mismatch between actual and assumed policyholder behaviour.

Ongoing initiatives are in place to manage expense risk throughout NN Group, especially in the Netherlands where company targets are in place to reduce expenses, thus, lowering expense risk going forward. These initiatives seek to reduce expenses through the number of underlying contracts in place. This is particularly relevant for the Dutch individual life closed-block business that can only reduce in number of contracts.

Besides the already described mitigating actions, proper pricing, underwriting, claims management, and diversification are also risk mitigating actions for business risk.

Life Risk

Life risk includes risks arising from the underwriting of life insurances of the Business Units applying Standard Formula and is split into mortality risk, longevity risk, disability/morbidity risk, persistency risk, expense risk, revision risk and catastrophic risk. These risks refer to the adverse deviation from the best estimate liabilities due to the perils covered, policyholder behaviour and the processes used in the conduct of business.

Risk profile

Life risk capital requirements

	2021	2020
Mortality risk	142	138
Longevity risk	103	116
Morbidity risk	11	10
Expense risk	435	384
Lapse risk	546	500
Catastrophe risk	113	102
Diversification life risk	-393	-379
Life risk (SF entities)	**957**	**871**

As shown in the table above, the life risk SCR Business Units increased from EUR 871 million in 2020 to EUR 957 million in 2021 mainly due to model and assumption changes performed by the Business Units.

Risk mitigation

The majority of life risk is comprised of lapse, expense and mortality risks (in Standard Formula entities) mainly from the international NN Group entities (Belgium, Poland, Spain) as well as ABN AMRO Life.

The NN Group Standard Formula entities manage the expense risk through detailed budgeting and monitoring the costs using activity-based costing.

Lapse risk management serves an important objective for NN Group entities. When deviations from assumed lapse rates are observed over a prolonged period of time, a product review and further management actions will be taken to address the underlying reasons.

Health Risk

Health risk arises from issuing health insurance contracts, which is divided in Similar to Life Techniques (SLT) risk, Non-Similar to Life Techniques (NSLT) risk and catastrophe risk. SLT risk is associated to health obligations pursued on a similar technical basis to that of life insurance, while NSLT risk applies to health obligations not pursued on a similar technical basis to that of life insurance. These risks refer to the adverse deviation from the best estimate liabilities due to the perils covered, policyholder behaviour and the processes used in the conduct of business.

52 Risk management continued

Risk profile

Health risk capital requirements

	2021	2020
SLT	220	545
NSLT	20	40
Catastrophe risk	19	48
Diversification health risk	-23	-51
Health risk (SF entities)	**236**	**582**

As shown in the table above, the health risk SCR of the Business Units applying Standard Formula decreased from EUR 582 million in 2020 to EUR 236 million in 2021. The decrease is mainly explained by the fact that VIVAT Non-life is reported on a Standard Formula via TCLI captured outside Health risk module.

Risk mitigation

The majority of Health risk originates from international NN Group entities (Belgium, Czech, Poland, Slovakia, Romania, Greece). They mitigate the risks by strict acceptance policies and stringent claims-handling procedures. An acceptance policy is developed for each product line maintained by those entities. Random checks are also carried out to check whether underwriters are following the rules and regulations.

Non-life Risk

Non-life risk involves risks arising from the underwriting of non-life insurance, which includes premium and reserve risk, persistency risk and catastrophic risk. These risks refer to the adverse deviation from the best estimate liabilities due to the perils covered, policyholder behaviour and the processes used in the conduct of business.

Risk profile

Non-life risk capital requirements

	2021	2020
Premium and reserve risk	99	302
Lapse risk	18	36
Catastrophe risk	33	96
Diversification non-life risk	-37	-93
Non-life risk (SF entities)	**113**	**341**

As shown in the table above, the non-life risk SCR of the Business Units applying Standard Formula decreased from EUR 341 million in 2020 to EUR 113 million in 2021. Just as for Health risk the decrease is mainly explained by the fact that VIVAT Non-life is reported on a Standard Formula via TCLI adjustment which is captured outside Non-life risk module.

Risk mitigation

Non-life risk is mitigated through appropriate pricing and underwriting policies and through risk transfer via reinsurance. Most of the non-life risk comes from ABN AMRO Non-life and NN Insurance Services, and they manage the risk using various reinsurance contracts.

Within our non-life business, weather-related risks are managed through the use of catastrophe risk modelling in underwriting and risk assessment. We use external vendor models to estimate the impact and damage caused by large natural catastrophes such as windstorms, considered to be the main natural peril for the NN Group portfolio. Reinsurance covers are placed with strongly capitalised external reinsurers.

Natural catastrophic losses can become more severe and more frequent because of climate change. Although most of our non-life business is annually renewable, to accurately price our business it is essential that we monitor and understand linkages between natural disasters and climate change. NN Group therefore liaises with our external vendors and participates in industry initiatives to improve our knowledge, data and models to better prepare for changing weather patterns.

52 Risk management continued

VIII. Non-financial risks

- **Business operations risk:** risks related to inadequate or failed processes, including information technology and communication systems
- **Business continuity & security risk:** risks of accidents or external events impacting continuation or security of (people or assets in) our business operations
- **Business conduct risk:** is the risks related to unethical or irresponsible corporate behaviour, inappropriate employee behaviour and suitability of products

Business operations and continuity & security risk

Risk profile

Business operations and continuity & security risks are non-financial risks that include direct or indirect losses resulting from inadequate or failed processes (including as a result of fraud and other misconduct), systems failure (including information technology and communications systems), human error, and certain external events.

The business operations risk management areas covered within NN Group are:

- **Operational control risk:** the risk of not (timely) detecting adverse deviations from strategy, policies, procedures, work instructions or authorised activities
- **Operational execution risk:** the risk of human errors during (transaction) processing
- **Financial accounting risk:** the risk of human errors during general ledger/risk systems processing and subsequent financial reporting
- **Information (technology) risk (including cyber-risk):** the risk of data (information) corruption, misuse or unavailability in IT systems, either through external causes (e.g. cybercrime) or internal causes
- **Operational change risk:** the risk that actual results of changes to the organisation (this includes changes in processes, products, IT, methods and techniques) differs adversely from the envisaged results
- **Outsourcing risk:** the risk that outsourced activities or functions perform adversely as compared to performing them in-company. This includes the risk of unclear mutual expectations as documented in the outsourcing agreement, risk of unreliable outsourcing partner (both (un)intentional), operational control, information security and continuity risk of the outsourcing partner
- **Legal risk:** the risk that agreements, claims, regulatory inquiries or disclosures potentially result in damage to NN Group's brand and reputation, legal or regulatory sanctions or liability resulting in financial loss
- **External fraud risk:** the risk of intended acts by a third party to defraud, misappropriate property or circumvent the law

The business continuity & security risk management areas covered within NN Group are:

- **Continuity risk:** the risk of primary business processes being discontinued for a period beyond the maximum outage time
- **Personal & physical security risk:** the risk of criminal acts or environmental threats that could endanger NN Group employees' safety, NN Group's assets (including physically stored data/information) or NN Group's offices

Risk mitigation

Mitigation of risks can be preventive in nature (e.g. training and education of employees, preventive controls, etc.) or can be implemented upon discovery of a risk (e.g. enforcement of controls, disciplinary measures against employees). Risk mitigating actions or controls are based on a balance between the expected cost of implementation and execution, and the expected benefits.

Business operations and continuity risks are mitigated through controls. For specific areas like financial reporting, outsourcing of activities, and business continuity, specific Policies and Standards apply. In the case of outsourcing, an appropriate outsourcing agreement is required between outsourcing parties and the performance under the outsourcing agreement is required to be monitored regularly.

NN Group conducts regular risk and control monitoring to measure and evaluate the effectiveness of key controls. It determines whether the risks are within the norms for risk appetite and in line with requirements from policies and standards. The exposure of NN Group to non-financial risks is regularly assessed through risk assessments and monitoring. After identification of the risks, each quantifiable risk is assessed as to its likelihood of occurrence as well its potential impact, should it occur. Actions required to mitigate the risks are identified and tracked until the risk is either reduced, if such a reduction is possible, or accepted as a residual risk if the risk cannot be mitigated.

The business process owners are responsible for the actual execution of the controls and for assessing the adequacy of their controls.

The Chief Information Officer (CIO) function ensures Business Continuity Management, Cyber risk management and Business Information Security.

52 Risk management continued

For IT risks, CIO has adopted the Standard of Good Practice of the Information Security Forum (ISF) as the basis to manage IT, cyber and cloud risks within NN Group. ISF forms the basis of our ISF Policy and Standard, and ensures a consistent view and treatment of our risks in this area. Cyber security is an integral part of our risk management strategy. Within Group IT, the Enterprise Security & Compliance (ESC) Function leads all efforts within NN Group to further enhance our activities with regard to information security. ESC collaborates with BU Security Officers (BSOs) to provide 24/7 protection against cyberthreats. Education and awareness-raising are part of our security strategy at all levels of the organisation.

Main regular activities undertaken to manage this risk are amongst others:
- Regular IT risk assessments are performed on critical business environments, applications and supporting systems/networks, and testing of security measures is performed on a regular basis. Identified risks are documented, classified and monitored in the Security Action Plans.
- User identification and access management are in place, based on defined authorisation matrices and enforcing segregation of duties (especially for administrative accounts). Password parameters are system-enforced for user accounts on the network and critical applications. Multi-factor authentication on business-critical applications is required as an additional measure for protecting against unauthorised access.
- Anti-malware and anti-virus tooling and file integrity checking are implemented and kept up-to-date.
- Effective security logging and monitoring is defined, and corrective actions are taken for identified vulnerabilities. A security incident process is in place, and incidents are registered, assessed and solved within a predefined timeframe.
- Networks are protected by intrusion detection and prevention systems. All hardware and software on the network are monitored so that only authorised devices and software is granted access. The security configuration of laptops, servers, and workstations is managed via a configuration management and change control process.
- Data is classified based on its relevance and confidentiality. Depending on the risk classification, data is secured and encrypted according to required security standards.
- A change management process exists and is required for relevant systems and infrastructure, including relevant steps to ensure security such as impact analyses, testing, fall back scenarios and post implementation review.

Information Risk Management, as part of the second line of defence, is responsible for providing management with an objective assessment of the effectiveness of NN Group's risks and controls.

Risk measurement

NN Group's SCR for operational risk decreased from EUR 758 million as at the end of 2020 to EUR 711 million at the end of 2021 respectively. The SCR is calculated based on the Standard Formula. As it is additive to the modelled SCR, it should be considered as net of diversification with other NN Group risks. Business conduct risk is considered to be a part of the Operational Risk SCR and is therefore not specifically calculated. Progress is also tracked through monitoring control effectiveness and timeliness as well as tracking progress of open issues.

Business conduct risk

Risk profile

Through NN Group's retirement services, insurance, investments and banking products, NN Group is committed to help our customers care for what matters most to them. To fulfil this purpose, we base our work on three core values: care, clear, commit. Our values set the standard for conduct and provide a compass for decision-making. Further, NN Group is committed to the preservation of its reputation and integrity through compliance with applicable laws, regulations and ethical standards in each of the markets in which it 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. NN Group continuously enhances its business conduct risk management programme to ensure that NN Group complies with international standards and laws.

Risk mitigation

NN Group separates business conduct risk into three risk areas: sound business conduct, employee conduct and product suitability. In addition to effective reporting systems, NN Group has also a Whistleblower Policy and procedure which protects and encourages staff to speak up if they know of or suspect a breach of external regulations, internal policies or our values. NN Group also has policies and procedures regarding anti-money laundering, anti-terrorist financing, sanctions, anti-bribery and corruption, product suitability, conflicts of interest and confidential and inside information, as well as a Code of Conduct for its personnel. Furthermore, NN Group designates specific countries as 'ultra-high risk' and prohibits client engagements and transactions (including payments of facilitation) involving those countries.

52 Risk management continued

NN Group performs a product approval and review process for our products and continuously invests in the maintenance of risk management, legal and compliance procedures to monitor current sales practices. Customer protection regulations as well as changes in interpretation and perception of acceptable market practices by both the public at large and governmental authorities might influence customer expectations. The risk of potential reputational and financial impact from products and sales practices exists because of the (changing) market situation, customer expectations, and regulatory activity. The Compliance Function and the business work closely together with the aim to anticipate changing customers' needs.

53 Capital and liquidity management

Objectives, policies and processes

Objective

The goal of NN Group's capital and liquidity management is to adequately capitalise NN Group and its operating entities at all times to meet the interests of our stakeholders, including our customers and shareholders. The balance sheet is assessed in line with our capital management framework which is based on regulatory, economic and rating agency requirements. NN Group closely monitors and manages the following metrics: Own Funds/Solvency Capital Requirement (SCR), cash capital at the holding company, financial leverage, fixed cost coverage, capital generation and liquidity.

Governance

The NN Group Capital Management and Corporate Treasury Department reports to the NN Group CFO. Activities of the department are executed on the basis of established policies, guidelines and procedures.

Capital Management is responsible for the sufficient capitalisation of NN Group entities, which involves the management, planning and allocation of capital within NN Group. Corporate Treasury is responsible for the management and execution of debt capital market transactions, term (capital) funding, cash management and risk management transactions.

Capital management and framework

The capital framework takes into account regulatory, economic and rating agency requirements:

- As a first principle, NN Group aims to capitalise its operating entities adequately at all times. Operating entities have to comply with the local statutory capital frameworks that are under supervision of local regulators. To ensure adequate capitalisation, they are managed to commercial capital target levels which are set in accordance with the risk associated with the business activities, commercial requirements and other relevant factors. The commercial capital target levels are set in local legal entity capital policies and approved by the Management Board of NN Group. Capital adequacy is ensured through the capital planning process which starts with the annual budgeting process in which a capital plan is prepared for NN Group and its operating entities with a time horizon of 5 years. NN Group's risk appetite statements, as further described in Note 52 'Risk Management', drive the target setting and are cascaded down to the operating entities in line with NN Group's risk management strategy. Other important factors which are considered in the capital plan are efficient capital allocation, the cost of capital and capital generation. Capital positions of operating entities are closely monitored and, if necessary, measures are taken to ensure capital adequacy. At the end of 2021, all operating entities were capitalised above their local regulatory requirements.
- In addition, cash capital is held at the holding company. The cash capital position is available to cover capital needs of the entities after a stress event and to cover financial leverage costs and holding company expenses for a period of at least 12 months. Stress tests are based on 1-in-20 year scenarios and specific stress scenarios that might change from time to time. The free cash flow to the holding is the cash made available to NN Group, which can be distributed to shareholders (reference is made to Note 14 'Equity' for information on distributable reserves), used to reduce debt or for other corporate purposes. The free cash flow to the holding is closely monitored and forecasted on a regular basis.
- NN Group assesses its funding mix via the financial leverage and fixed-cost coverage ratio. Financial leverage measures the amount of debt that NN Group issued to capitalise its operations. Debt used for funding or liquidity needs for the operating companies is not considered financial leverage. The fixed-cost coverage ratio measures the ability of NN Group to pay its fixed financing expenses and is defined as the earnings before interest and tax (EBIT) divided by interest before tax on financial leverage. Special items, revaluations on derivatives that are non-eligible for hedge accounting, market and other impacts and amortisation of acquisition intangibles are excluded from EBIT.

Liquidity management

NN Group monitors and manages its liquidity risk based on certain severe stress scenarios, assessed by operating entities and aggregated at the group level. Liquidity positions are periodically reported and monitored both on an individual entity and on a consolidated basis.

Liquidity risk is measured through the Required Sales Ratio, calculated as: (i) the difference between liquidity needs and liquidity sources in certain stress scenarios, divided by (ii) the available liquid assets for sale, subject to a reduction applied to the value of assets. This ratio is calculated for different time horizons and different levels of liquidity sources. The ratios of the entities should meet the predefined tolerance levels on a standalone entity basis. At 31 December 2021, the liquidity position of all entities was adequate and within the risk tolerance (reference is made to Note 52 'Risk management' for more information on liquidity risk management).

53 Capital and liquidity management continued

For the Banking business, Dutch Central Bank (DNB) requires an annual internal evaluation of capital adequacy, liquidity position and the risk management framework, including stress testing. This internal evaluation is performed using an Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP) and reviewed by DNB in its Supervisory Review & Evaluation Process (SREP). The ICLAAP and SREP show that NN Bank has a robust capital and liquidity position.

NN Group has a syndicated revolving credit facility in place with maximum size of EUR 1.75 billion which will mature in 2025. There was no amount drawn from the facility in 2021 and 2020.

Significant events of 2021 are listed below in chronological order

On 11 February 2021, NN Group announced that it has reached an agreement with KBC Group N.V. (KBC) to sell its Bulgarian operations for a total consideration of EUR 78 million to KBC's Bulgarian insurance business DZI. The transaction was closed in July 2021.

On 18 February 2021, NN Group announced an open market share buyback programme for an amount of EUR 250 million within 12 months, that commenced on 1 March 2021. This share buyback was executed by financial intermediaries under an open market share buyback programme which was completed on 28 February 2022.

On 16 June 2021, NN Group paid a 2020 final dividend of EUR 1.47 per ordinary share, equivalent to EUR 454 million in total. To neutralise the dilutive effect of the stock dividend on earnings per share, NN Group repurchased ordinary shares for a total amount of EUR 202 million. This share buyback was executed by financial intermediaries under an open market share buyback programme which was completed on 22 September 2021.

On 5 July 2021, NN Group announced to acquire MetLife's businesses in Poland and Greece for a consideration of EUR 584 million. This is in line with the strategy to consolidate NN Group's leading positions in attractive growth markets in which NN is already active. On 31 January 2022 the acquisition of MetLife Greece was completed. The acquisition of MetLife Poland is expected to be completed in 2022.

On 8 July 2021, NN Group announced that it has reached an agreement to acquire a 70% stake in insurance broker and service provider Heinenoord, for a total consideration of EUR 179 million. In addition, NN Group refinanced the outstanding debt granted to Heinenoord for an amount of EUR 129 million. Furthermore, the agreement includes an option structure to acquire the remaining 30% of shares within four years following the closing of the transaction. The transaction closed on 14 October 2021.

On 19 August 2021, NN Group announced that it has reached an agreement to sell its asset management activities executed by NN Investment Partners (NNIP) to Goldman Sachs for total cash proceeds of EUR 1.7 billion. Closing of the transaction is subject to customary conditions, including obtaining the necessary regulatory and competition clearances and consultation of the NN IP works council in the Netherlands, and is expected to take place in the first half of 2022.

On 8 September 2021, NN Group paid a 2021 interim dividend of EUR 0.93 per ordinary share, or approximately EUR 287 million in total. To neutralise the dilutive effect of the stock dividend on earnings per share, NN Group repurchased ordinary shares for a total amount of EUR 127 million. This share buyback was executed by financial intermediaries under an open market share buyback programme which was completed on 26 November 2021.

In November 2021, NN Group's subsidiary NN Insurance Belgium sold a closed book life portfolio to Athora Belgium. The closed book portfolio, comprising life insurance policies that are no longer being sold, reflect approximately EUR 3.3 billion of assets and liabilities. Closing of the transaction is expected by mid-2022.

On 16 November 2021, NN Group announced that it had priced EUR 600 million senior unsecured notes with a fixed coupon at 0.875% per annum and a maturity of 10 years. The notes are rated by Standard & Poor's (BBB+) and Fitch (A), and listed on Euronext Amsterdam. The notes are issued under the Debt Issuance Programme of NN Group N.V., for which the Base Prospectus is dated 10 June 2021, as supplemented on 12 November 2021. NN Group intends to use the proceeds of the notes to repay the existing EUR 600 million senior unsecured notes that matures on 18 March 2022.

At the end of December 2021, NN Group entered into a longevity reinsurance transaction to transfer the full longevity risk associated with approximately EUR 4 billion of pension liabilities. This will reduce NN Group's exposure to longevity risk, and consequently reduce the required capital and further strengthen NN Group's capital position. The transaction is expected to have limited financial impact on NN Group.

53 Capital and liquidity management continued

On 15 February 2022, NN Group, ABN AMRO Bank and their joint venture ABN AMRO Verzekeringen (AAV) announced that they have reached an agreement to sell the life insurance subsidiary of AAV to NN Life for a total amount of EUR 253 million. This transaction will be financed from existing cash resources of NN Life. AAV is a joint venture between NN Group (51%) and ABN AMRO Bank (49%). Following the transaction, AAV intends to distribute the proceeds from the transaction, after deduction of costs related to the transaction, to its shareholders NN Group and ABN AMRO Bank. The transaction is expected to have a limited negative impact on NN Group's Solvency II ratio on closing, which is expected to change into a limited positive impact following the envisaged legal merger of AAV's life insurance business and NN Life and the application of NN Group's Partial Internal Model. The transaction is subject to regulatory approvals and is expected to close in the second half of 2022.

Solvency II

Solvency II is the regulatory framework for (re-)insurance undertakings and groups domiciled in the EU.

Under the Solvency II regime, required capital (Solvency Capital Requirement) is risk-based and calculated as the post-tax value-at-risk at the confidence interval of 99.5% on a one-year horizon. Available capital (Own Funds) is determined as the excess of assets over liabilities, both based on economic valuations, plus qualifying subordinated debt. The EU Solvency II directive requires that (re-)insurance undertakings and groups hold sufficient Eligible Own Funds to cover the SCR.

NN Group is the holding company of licensed insurers, asset management and banking businesses. Regulated entities which from local regulatory perspective are not subject to the Solvency II regime (e.g. pension funds in Central Europe, NN Investment Partners, NN Bank, BeFrank and BeFrank PPI) are included in Own Funds based on their local available capital and in SCR based on required capital defined by sectoral supervisory rules. NN Life Japan is included in Own Funds and SCR based on its available and required capital determined according to the local solvency regime recognised by the European Commission as provisionally equivalent.

NN Group uses the Partial Internal Model (PIM) to calculate capital requirements under Solvency II. The group capital model is named as such due to the fact that an Internal Model is used to calculate the capital requirements for the Dutch insurance entities (namely NN Life, NN Non-life and NN Re in the Netherlands), while the Standard Formula is used to calculate capital requirements for operational risk (across the group), for the international insurance entities that fall under Solvency II, for ABN AMRO Life and ABN AMRO Non-life. NN Non-life is in the process of expanding the PIM to include the former VIVAT Non-life business.

Further details on the NN Group capital requirements at 31 December 2021 are provided in Note 52 'Risk Management'.

The Solvency II ratios of NN Group and its Dutch insurance entities do not include any contingent liability potentially arising from unit-linked products sold, issued or advised on by NN Group's insurance entities (including ABN AMRO Life) in the past, as this potential liability cannot be reliably estimated or quantified at this point. Reference is made to Note 45 'Legal proceedings' for more information.

On 17 December 2020, EIOPA published its opinion to the European Commission (the 'Opinion'). The Opinion, which consists of a proposed package of measures, was used as input for the European Commission to draft a legislative proposal. On 22 September 2021, the European Commission published its draft proposals on the Solvency II 2020 review. These proposals, which are partly based on the Opinion, but differ in important elements, will be discussed with the European Council and European Parliament in the coming years. The resulting legislation is currently expected to be implemented at the earliest in 2024. Based on the draft proposals by the European Commission and current market conditions, NN Group remains comfortable with its Solvency position and do not expect changes to its capital return policy caused by the issuance of the opinion.

In 2021, the Dutch Central Bank (DNB) issued further guidance related to the treatment of contract boundaries for individual disability contracts. NN Group intends to reflect the consequence of this guidance in the solvency calculations of Nationale-Nederlanden Schadeverzekering Maatschappij N.V. (NN Schade) in the first half of 2022, which is expected to have an impact of approximately -2%-points on the Solvency II Ratio of NN Group.

NN Group was adequately capitalised at 31 December 2021 with a Solvency II ratio of 213% based on the Partial Internal Model.

53 Capital and liquidity management continued

Eligible Own Funds and Solvency Capital Requirement

	2021	2020
Shareholders' equity	32,888	36,731
Minority interest	266	277
Elimination of deferred acquisition costs and other intangible assets	-2,149	-1,669
Valuation differences on assets	2,268	2,611
Valuation differences on liabilities, including insurance and investment contracts	-18,687	-25,582
Deferred tax effect on valuation differences	4,649	6,039
Difference in treatment of non-Solvency II regulated entities	-951	-1,082
Excess assets/liabilities	**18,284**	**17,325**
Qualifying subordinated debt	4,383	4,498
Foreseeable dividends and distributions	-646	-595
Basic Own Funds	**22,021**	**21,228**
Non-available Own Funds	1,094	1,200
Eligible Own Funds to cover Solvency Capital Requirements (a)	**20,927**	**20,028**
– of which Tier 1 unrestricted	13,377	12,484
– of which Tier 1 restricted	1,875	1,927
– of which Tier 2	2,422	2,484
– of which Tier 3	848	733
– of which non-Solvency II regulated entities	2,404	2,400
Solvency Capital Requirements (b)	**9,840**	**9,534**
– of which from Solvency II entities	8,506	8,166
– of which from non-Solvency II entities	1,334	1,368
NN Group Solvency II ratio (a/b)[1]	213%	210%

1 The Solvency ratios are not final until filed with the regulators.

The final amount of the Solvency Capital Requirement is still subject to supervisory assessment.

The Solvency II ratio of NN Group increased to 213% at the end of 2021 from 210% at the end of 2020. The increase mainly reflects operating capital generation and favourable market impacts. This was partly offset by other movements including the impact of model and assumption changes (reference is made to Note 52 'Risk management' for more information about model changes) and asset portfolio changes, capital flows to shareholders as well as the impact of UFR reduction from 3.75% to 3.60%. Market impacts mainly reflect the positive impact of credit spreads tightening and real estate revaluations.

Eligible Own Funds increased to EUR 20,927 million from EUR 20,028 million at 31 December 2020 mainly driven by the above mentioned favourable market impacts and operating capital generation, partly offset by capital flows to shareholders.

The SCR of NN Group increased to EUR 9,840 million from EUR 9,534 million at 31 December 2020 mainly as a result of model and assumption changes, as well as the impact of changes in the asset portfolio.

53 Capital and liquidity management continued

Structure, amount and quality of Own Funds

Subordinated liabilities included in NN Group Own Funds

							Solvency II value	
Interest rate	Issue	Year of issue	Notional	Due date	First call date	Own Funds tier	2021	2020
4.500%	NN Group N.V.	2014	1,000	Perpetual	15 January 2026	Tier 1	1,078	1,111
4.375%	NN Group N.V.[1]	2014	750	Perpetual	13 June 2024	Tier 1	797	816
4.625%	NN Group N.V.	2014	1,000	8 April 2044	8 April 2024	Tier 2	1,075	1,100
4.625%	NN Group N.V.	2017	850	13 January 2048	13 January 2028	Tier 2	912	940
9.000%	Nationale-Nederlanden Levensverzekering N.V.[2]	2012	500	29 August 2042	29 August 2022	Tier 2	521	530

1 These securities were originally issued by Delta Lloyd N.V. which was merged into NN Group N.V. at the end of 2017.
2 These securities were originally issued by Delta Lloyd Levensverzekering N.V. which was merged into Nationale-Nederlanden Levensverzekering Maatschappij N.V. (NN Life) on 1 January 2019.

The perpetual subordinated notes issued in 2014 with a notional amount of EUR 1 billion have a coupon of 4.50% and are fully paid in. NN Group N.V. has the right to redeem these notes on the first call date on 15 January 2026 or on any interest payment date thereafter. The subordinated notes are classified as Restricted Tier 1 capital based on the transitional provisions (grandfathering). These subordinated notes are grandfathered for a maximum period of 10 years until 1 January 2026.

The perpetual subordinated notes (originally issued by Delta Lloyd N.V. in 2014) with a notional amount of EUR 750 million have a coupon of 4.375% are fully paid in. NN Group N.V. has the right to redeem these notes on the first call date on 13 June 2024 or on any interest payment date thereafter. The subordinated notes are classified as Restricted Tier 1 capital based on the transitional provisions (grandfathering). These notes are grandfathered for a maximum period of 10 years until 1 January 2026.

The dated subordinated notes issued in 2014 with a notional amount of EUR 1 billion have a coupon of 4.625% and maturity date on 8 April 2044 and are fully paid in. NN Group N.V. has the right to redeem these notes on the first call date on 8 April 2024 or on any interest payment date thereafter. These subordinated notes are classified as Tier 2 capital based on the transitional provisions (grandfathering). The subordinated notes are grandfathered for a maximum period of 10 years until 1 January 2026.

The dated subordinated notes issued in 2017 with a notional amount of EUR 850 million have a coupon of 4.625% with maturity date on 13 January 2048 and are fully paid in. NN Group N.V. has the right to redeem these notes on the first call date on 13 January 2028 or on any interest payment date thereafter. These subordinated notes are classified as Tier 2 capital.

The dated subordinated notes, originally issued by Delta Lloyd Levensverzekering N.V. in 2012 and assumed by Nationale-Nederlanden Levensverzekering N.V. following the legal merger effective as of 1 January 2019, with a notional amount of EUR 500 million have a coupon of 9% and maturity date on 29 August 2042 and are fully paid in. Nationale-Nederlanden Levensverzekering N.V. has the right to redeem these notes on the first call date on 29 August 2022 or on any interest payment date thereafter. The subordinated notes are classified as Tier 2 capital based on the transitional provisions (grandfathering). These notes are grandfathered for a maximum period of 10 years until 1 January 2026.

Eligible Own Funds

NN Group Own Funds are classified into three tiers as follows:

- The excess of assets over liabilities on the basis of consolidated accounts excluding net Deferred Tax Asset is classified as (unrestricted) Tier 1
- The proportional share in the Own Funds of NN Investment Partners, BeFrank, BeFrank PPI and pension funds in Central Europe is classified as (unrestricted) Tier 1
- The proportional share in the Eligible Own Funds of NN Life Japan is classified as (unrestricted) Tier 1 (European Commission recognised the solvency regime applied to the insurance undertakings in Japan as provisionally equivalent to Solvency II according to Commission Delegated Decision (EU) 2016/310 of 26 November 2015)
- The proportional share in the Own Funds of NN Bank is classified as (unrestricted) Tier 1 with the exception of the subordinated loans which are classified as Tier 2
- Perpetual subordinated notes are classified as (restricted) Tier 1 based on the transitional provisions (grandfathering)
- Dated subordinated debt is classified as Tier 2 including that based on the transitional provisions (grandfathering)
- The Net Deferred Tax Asset (Deferred tax assets and liabilities are offset only where such assets and liabilities relate to taxes levied by the same tax authority on the same taxable undertaking) is classified as Tier 3

As at 31 December 2021 and 2020, NN Group had no ancillary Own Funds.

53 Capital and liquidity management continued

There are a number of regulatory restrictions on the amounts classified as Restricted Tier 1, Tier 2 and Tier 3 capital. The following restrictions have to be taken into account:

- Restricted Tier 1 capital cannot exceed 20% of the total Tier 1 amount
- The proportion of Tier 1 items in the Eligible Own Funds should be higher than one third of the total amount of Eligible Own Funds
- Tier 2 and Tier 3 capital together cannot exceed 50% of the SCR
- Tier 3 capital cannot exceed 15% of the Solvency Capital Requirements
- Tier 3 capital cannot exceed one third of the total amount of Eligible Own Funds

The application of the regulatory restrictions as at 31 December 2021 is reflected in the table below.

Eligible Own Funds to cover the Solvency Capital Requirement

	Available Own Funds 2021	Eligibility Own Funds 2021	Available Own Funds 2020	Eligibility Own Funds 2020	Eligibility restriction
Tier 1	15,252	15,252	14,411	14,411	More than one third of total EOF
Of which:					
– Unrestricted Tier 1	13,377	13,377	12,484	12,484	Not applicable
– Restricted Tier 1	1,875	1,875	1,927	1,927	Less than 20% of Tier 1
Tier 2 + Tier 3	3,270	3,270	3,217	3,217	Less than 50% of SCR
Tier 2	2,422	2,422	2,484	2,484	
Tier 3	848	848	733	733	Less than 15% of SCR; Less than one third of total EOF
Non-Solvency II regulated entities	2,404	2,404	2,400	2,400	
Total Own Funds	**20,927**	**20,927**	**20,028**	**20,028**	

Transferability and fungibility of Own Funds

NN Group adjusts the group Own Funds taking into account the value of own fund items that cannot effectively be made available to cover the group SCR. These are the own fund items of related undertakings subject to legal and regulatory constraints that restrict the ability of those items to absorb all types of loss within the group and/or transferability of assets. Based on NN Group's assessment these own fund items mainly include:

- Differences between valuations of assets and liabilities based on Solvency II principles and according to principles that related undertakings use to prepare respective local annual accounts
- For NN Life Japan, own fund items according to local rules but which are not part of shareholders' equity
- For NN Bank, own funds covering pillar II guidance issued by regulator
- The transitional measures on risk-free interest rates and technical provisions
- Legal reserves set up according to local company law
- Any minority interest in a related undertaking

These own fund items are included in NN Group Own Funds to the extent they are eligible for covering contribution of the respective related undertaking to NN Group's SCR. On 31 December 2021 excess non-available own funds amounted to EUR 1,094 million. On 31 December 2020, this amount was EUR 1,200 million.

Cash capital position at the holding company

NN Group holds a cash capital position in the holding company to cover stress events and to fund holding company expenses and interest expenses. Cash capital is defined as net current assets available at the holding company. It is NN Group's aim for the cash capital position at the holding company to be in a target range between EUR 0.5 billion and EUR 1.5 billion. Another related metric is the free cash flow at the holding which is defined as the change in the cash capital position at the holding company over the period, excluding acquisitions, divestments and capital transactions with shareholders and debtholders.

53 Capital and liquidity management continued

Cash capital position at the holding company

	2021	2020
Cash capital position – opening balance	1,170	1,989
Remittances from subsidiaries[1]	1,835	1,310
Capital injections into subsidiaries[2]	-19	-56
Other[3]	-344	-183
Free cash flow to the holding[4]	**1,472**	**1,070**
Cash divestment proceeds	76	
Acquisitions	-358	-572
Capital flow from/to shareholders	-960	-1,017
Increase/decrease in debt and loans	597	-300
Cash capital position – closing balance	**1,998**	**1,170**

1 Includes interest on intragroup subordinated loans provided to subsidiaries by the holding company.
2 Includes the change of subordinated loans provided to subsidiaries by the holding company.
3 Includes interest on subordinated loans and debt with external debtholders, holding company expenses and other cash flows.
4 Free cash flow to the holding company is defined as the change in cash capital position of the holding company over the period, excluding acquisitions, divestments and capital transactions with shareholders and debtholders.

The cash capital position at the holding company increased to EUR 1,998 million at 31 December 2021 from EUR 1,170 million at 31 December 2020. The increase is mainly due to EUR 1,835 million remittances from subsidiaries and a temporary increase from the proceeds of the issuance of senior debt which is intended to be used for the repayment of an existing EUR 600 million senior note that matures on 18 March 2022. This is partly offset by EUR 960 million of capital flows to shareholders, EUR 358 million paid for acquisitions mainly reflecting the acquisition of Dutch insurance broker and service provider Heinenoord and other movements of EUR 344 million that include holding company expenses, interest on loans and debt and other holding company cash flows. Capital flows to shareholders represents the cash part of the 2020 final dividend and the 2021 interim dividend for a total amount of EUR 412 million and the repurchase of EUR 548 million of own shares. Cash divestment proceeds of EUR 76 million reflect the sale of the Bulgarian business.

Financial leverage

The financial leverage and fixed-cost coverage ratio are managed in accordance with a single A financial strength rating target.

Financial leverage

	2021	2020
Shareholders' equity	32,888	36,731
Adjustment for revaluation reserves[1]	-11,730	-17,790
Minority interests	266	277
Capital base for financial leverage (a)	**21,424**	**19,219**
– Undated subordinated notes[2]	1,764	1,764
– Subordinated debt	2,356	2,383
Total subordinated debt	**4,120**	**4,146**
Debt securities issued	2,292	1,694
Financial leverage (b)	**6,412**	**5,840**
Total debt	**6,412**	**5,840**
Financial leverage ratio (b/(a+b))	23.0%	23.3%
Fixed-cost coverage ratio[3]	19.9x	11.9x

1 Includes revaluations on debt securities, on the cash flow hedge reserve and on the reserves crediting to life policyholders
2 The undated subordinated notes classified as equity are considered financial leverage in the calculation of the financial leverage ratio. The related interest is included on an accrual basis in the calculation of the fixed-cost coverage ratio.
3 Measures the ability of earnings before interest and tax (EBIT) to cover funding costs on financial leverage. Special items, revaluations on derivatives that are non-eligible for hedge accounting, market and other impacts and amortisation of acquisition intangibles are excluded from EBIT

53 Capital and liquidity management continued

The financial leverage ratio of NN Group decreased to 23.0% at 31 December 2021 from 23.3% at 31 December 2020, reflecting the increase of the capital base partly offset by a temporary increase of the financial leverage as a result of the issuance of EUR 600 million of senior debt. The capital base for financial leverage increased by EUR 2,205 million mainly driven by the 2021 net results of EUR 3,278 million partly offset by capital flows to shareholders of EUR 960 million.

The fixed-cost coverage ratio increased to 19.9x at the end of 2021 from 11.9x at the end of 2020, mainly driven by higher capital gains on the sale of public equities and government bonds and higher positive real estate revaluations that increased EBIT.

Proposed 2021 final dividend

At the annual general meeting on 19 May 2022, a final dividend will be proposed of EUR 1.56 per ordinary share, or approximately EUR 476 million in total based on the current number of outstanding shares (net of treasury shares). The final dividend will be paid either fully in cash, after deduction of withholding tax if applicable, or fully in ordinary shares, at the election of the shareholders. Dividends paid in the form of ordinary shares will be delivered from NN Group treasury shares or issued from the share premium reserve. To neutralise the dilutive effect of the stock dividend, NN Group will repurchase ordinary shares for an amount equivalent to the stock dividend. If the proposed dividend is approved by the General Meeting, NN Group ordinary shares will be quoted ex-dividend on 23 May 2022. The record date for the dividend will be 24 May 2022. The election period will run from 25 May up to and including 8 June 2022. The stock fraction for the stock dividend will be based on the volume weighted average price of NN Group ordinary shares on Euronext Amsterdam for the five trading days from 2 June through 8 June 2022. The dividend will be payable on 15 June 2022. (For more information: https://www.nn-group.com/investors/shareinformation/dividend-policy-and-dividend-history.htm)

On 16 June 2021, NN Group paid a 2020 final dividend of EUR 1.47 per ordinary share.

On 8 September 2021, NN Group paid an interim dividend of EUR 0.93 per ordinary share. The proposed 2021 final dividend of EUR 1.56 per ordinary share plus the 2021 interim dividend of EUR 0.93 per ordinary share gives a total dividend for 2021 of EUR 2.49 per ordinary share.

Share buyback

On 17 February 2022, NN Group announced that it will execute an open market share buyback programme for an amount of EUR 250 million. The programme will be executed within 12 months and commenced on 1 March 2022. NN Group also announced that it will execute an additional open market share buyback programme for an amount of EUR 750 million after completion of the sale of NN IP. This intended additional share buyback programme is expected to be completed before 1 March 2023. Both share buybacks will be deducted in full from Solvency II Own Funds in the first half of 2022 and are estimated to reduce NN Group's Solvency II ratio by approximately 10%-points. In addition, NN Group intends to repurchase shares to neutralise the dilutive effect of any stock dividends. NN Group intends to cancel any repurchased NN Group shares under the programmes unless used to cover obligations under share-based remuneration arrangements or to deliver stock dividend.

The share buyback programmes will be executed within the limitations of the existing authority granted by the General Meeting on 20 May 2021 and such authority to be granted by the General Meeting on 19 May 2022. The shares will be repurchased at a price that does not exceed the last independent trade or the highest current independent bid on the relevant trading platform. The programmes will be executed by financial intermediaries and will be performed in compliance with the safe harbour provisions for share buybacks.

On 18 February 2021, NN Group announced an open market share buyback programme for an amount of EUR 250 million over a period of 12 months, commencing on 1 March 2021. This share buyback programme was completed on 28 February 2022.

Following payment of the 2020 final dividend, NN Group announced that it would repurchase ordinary shares for a total amount of EUR 202 million, equivalent to the value of the stock dividends, to neutralise the dilutive effect. This share buyback programme was completed on 22 September 2021.

Following the payment of the 2021 interim dividend, NN Group announced that it would repurchase ordinary shares for a total amount of EUR 127 million, equivalent to the value of the stock dividends, to neutralise the dilutive effect. This share buyback programme was completed on 26 November 2021.

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

53 Capital and liquidity management continued

Share capital

In 2021, a total number of 12,828,981 ordinary shares for a total amount of EUR 548 million were repurchased.

The Executive Board of NN Group has decided to cancel 7,878,210 treasury shares representing shares that NN Group repurchased as part of the share buyback programmes. This cancellation is subject to a two-month creditor opposition period which will ended on 3 May 2022. If no opposition is made the cancellation of shares will take effect on 4 May 2022.

On 4 March 2022, the total number of NN Group shares outstanding (net 13,286,783 of treasury shares) was 304,591,427.

Credit ratings

On 9 December 2021, Standard & Poor's published a report affirming NN Group's 'A' financial strength rating and 'BBB+' credit rating with a stable outlook.

On 5 November 2021, Fitch Ratings published a report affirming NN Group's 'AA-' financial strength rating and 'A+' credit rating with a stable outlook.

Credit ratings on NN Group N.V. on 9 March 2022

	Financial Strength Rating	NN Group N.V. Counterparty Credit Rating
Standard & Poor's	A	BBB+
	Stable	Stable
Fitch	AA-	A+
	Stable	Stable

Authorisation of the Consolidated annual accounts

The Consolidated annual accounts of NN Group N.V. for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Executive Board on 9 March 2022. The Executive Board may decide to amend the Consolidated annual accounts as long as these are not adopted by the General Meeting.

The General Meeting may decide not to adopt the Consolidated annual accounts, but may not amend these during the meeting. The General Meeting can decide not to adopt the Consolidated annual accounts, propose amendments and then adopt the Consolidated annual accounts after a normal due process.

The Hague, 9 March 2022

The Supervisory Board

D.A. (David) Cole, chair
H.M. (Hélène) Vletter-van Dort, vice-chair
I.K. (Inga) Beale
H.J.G. (Heijo) Hauser
R.W. (Robert) Jenkins
R.J.W. (Rob) Lelieveld
C. (Cecilia) Reyes
J.W. (Hans) Schoen
C.C.F.T. (Clara) Streit

The Executive Board

D.E. (David) Knibbe, CEO, chair
D. (Delfin) Rueda, CFO, vice-chair

Parent company balance sheet

Parent company balance sheet

As at 31 December before appropriation of result	notes	2021	2020
Assets			
Investments in group companies	2	34,507	38,535
Available-for-sale investments	3	3,918	4,509
Intangible assets	4	264	455
Other assets	5	5,822	6,036
Total assets		**44,511**	**49,535**
Equity			
Share capital		38	39
Share premium		12,575	12,574
Share of associates reserve		16,651	21,853
Retained earnings		346	361
Unappropriated result		3,278	1,904
Shareholders' equity		**32,888**	**36,731**
Undated subordinated notes		1,764	1,764
Total equity	6	**34,652**	**38,495**
Liabilities			
Subordinated debt	7	1,836	1,834
Other liabilities	8	8,023	9,206
Total liabilities		**9,859**	**11,040**
Total equity and liabilities		**44,511**	**49,535**

References relate to the notes starting with Note 1 'Accounting policies for the Parent company annual accounts'. These form an integral part of the Parent company annual accounts.

Parent company profit and loss account

Parent company profit and loss account

For the year ended 31 December	2021	2020
Result group companies	3,494	2,022
Other income	63	65
Total income	**3,557**	**2,087**
Amortisation of intangible assets and other impairments	21	24
Interest expenses	122	121
Operating expenses	166	146
Total expenses	**309**	**291**
Result before tax	**3,248**	**1,796**
Taxation	-30	-108
Net result	**3,278**	**1,904**

Parent company statement of changes in equity

Parent company statement of changes in equity (2021)

	Share capital	Share premium	Share of associates reserve	Other reserves1	Shareholders' equity	Undated subordinated notes	Total equity
Balance at 1 January 2021	**39**	**12,574**	**21,853**	**2,265**	**36,731**	**1,764**	**38,495**
Unrealised revaluations available-for-sale investments and other			-2,899	-202	-3,101		-3,101
Realised gains/losses transferred to the profit and loss account			-1,431		-1,431		-1,431
Changes in cash flow hedge reserve			-3,383		-3,383		-3,383
Deferred interest credited to policyholders			1,861		1,861		1,861
Share of other comprehensive income of associates and joint ventures			-2		-2		-2
Exchange rate differences			-66		-66		-66
Remeasurement of the net defined benefit asset/liability			19		19		19
Total amount recognised directly in equity (Other comprehensive income)	**-**	**-**	**-5,901**	**-202**	**-6,103**	**-**	**-6,103**
Net result for the period				3,278	3,278		3,278
Total comprehensive income	**-**	**-**	**-5,901**	**3,076**	**-2,825**	**-**	**-2,825**
Changes in share capital	-1	1			-		-
Transfers to/from associates			699	-699	-		-
Dividend				-412	-412		-412
Purchase/sale of treasury shares				-545	-545		-545
Employee stock option and share plans				-2	-2		-2
Coupon on undated subordinated notes				-59	-59		-59
Balance at 31 December 2021	**38**	**12,575**	**16,651**	**3,624**	**32,888**	**1,764**	**34,652**

1 Other reserves include Retained earnings and Unappropriated result.

Parent company statement of changes in equity (2020)

	Share capital	Share premium	Share of associates reserve	Other reserves1	Shareholders' equity	Undated subordinated notes	Total equity
Balance at 1 January 2020	**41**	**12,572**	**16,597**	**1,558**	**30,768**	**1,764**	**32,532**
Unrealised revaluations available-for-sale investments and other			3,119	-10	3,109		3,109
Realised gains/losses transferred to the profit and loss account			-574		-574		-574
Changes in cash flow hedge reserve			3,422		3,422		3,422
Deferred interest credited to policyholders			-750		-750		-750
Share of other comprehensive income of associates and joint ventures			5		5		5
Exchange rate differences			-110		-110		-110
Remeasurement of the net defined benefit asset/liability			6		6		6
Unrealised revaluations property in own use			-3		-3		-3
Total amount recognised directly in equity (Other comprehensive income)	**-**	**-**	**5,115**	**-10**	**5,105**	**-**	**5,105**
Net result for the period				1,904	1,904		1,904
Total comprehensive income	**-**	**-**	**5,115**	**1,894**	**7,009**	**-**	**7,009**
Changes in share capital	-2	2			-		-
Transfers to/from associates			141	-141	-		-
Dividend				-394	-394		-394
Purchase/sale of treasury shares				-622	-622		-622
Employee stock option and share plans				1	1		1
Coupon on undated subordinated notes				-59	-59		-59
Changes in the composition of the group and other changes				28	28		28
Balance at 31 December 2020	**39**	**12,574**	**21,853**	**2,265**	**36,731**	**1,764**	**38,495**

1 Other reserves include Retained earnings and Unappropriated result.

Notes to the Parent company annual accounts

1 Accounting policies for the Parent company annual accounts

The parent company annual accounts of NN Group N.V. are prepared in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. The accounting policies applicable to presentation and disclosures are in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. The principles of valuation and determination of results stated in connection with the Consolidated balance sheet and profit and loss account are also applicable to the parent company balance sheet and profit and loss account with the exception of investments in group companies and Associates and joint ventures which are recognised at net asset value with goodwill, if any, recorded under intangible assets.

A list containing the information referred to in Article 379 (1), Book 2 of the Dutch Civil Code has been filed with the Commercial Register of the Chamber of Commerce in Amsterdam in accordance with Article 379 (5), Book 2 of the Dutch Civil Code.

Changes in balance sheet values due to changes in the revaluation reserves of associates are reflected in the 'Share of associates reserve', which forms part of shareholders' equity. Changes in balance sheet values due to the results of these associates, accounted for in accordance with NN Group accounting policies, are included in the profit and loss account. Other changes in the balance sheet value of these associates, other than those due to changes in share capital, are included in the 'Share of associates reserve'.

A legal reserve is carried at an amount equal to the share in the results of associates since their first inclusion at net asset value less the amount of profit distributions to which rights have accrued in the interim. Profit distributions which can be repatriated to the Netherlands without restriction are likewise deducted from the 'Share of associates reserve'.

2 Investments in group companies

Investments in group companies

Name	Statutory seat	Interest held 2021	Balance sheet value 2021	Interest held 2020	Balance sheet value 2020
NN Insurance Eurasia N.V.	Amsterdam, the Netherlands	100%	33,387	100%	37,332
Delta Lloyd Houdstermaatschappij Verzekeringen N.V.	Amsterdam, the Netherlands	100%	1	100%	1
Nationale-Nederlanden Bank N.V.	The Hague, the Netherlands	100%	847	100%	910
Nationale-Nederlanden ABN AMRO Verzekeringen Holding B.V.	Zwolle, the Netherlands	51%	255	51%	270
NN Insurance International B.V.	The Hague, the Netherlands	100%	17	100%	22
Investments in group companies			**34,507**		**38,535**

Changes in Investments in group companies

	2021	2020
Investments in group companies – opening balance	38,535	32,234
Revaluations	-6,100	5,136
Result of group companies	3,494	2,022
Capital contributions	338	422
Dividend and repayments	-1,760	-1,265
Changes in the composition of the group and other changes		-14
Investments in group companies – closing balance	**34,507**	**38,535**

3 Debt securities Available-for-sale

Changes in Debt securities Available-for-sale

	2021	2020
Debt securities Available-for-sale – opening balance	4,509	6,238
Additions	14,301	10,942
Disposals and redemptions	-14,892	-12,671
Debt securities Available-for-sale – closing balance	**3,918**	**4,509**

4 Intangible assets

Intangible assets

	2021	2020
Goodwill	148	294
Other intangible assets	116	161
Intangible assets	**264**	**455**

For the decrease of Goodwill and the accompanying change in the line 'Amortisation of intangible assets and other impairments' in the Parent company profit and loss account, reference is made to Note 10 'Intangible assets' of the Consolidated annual accounts.

5 Other assets

Other assets

	2021	2020
Receivables from group companies	2,450	2,838
Cash	2,640	2,302
Other receivables	562	896
Assets held for sale	170	
Other assets	**5,822**	**6,036**

As at 31 December 2021, an amount of EUR 1,394 million (2020: EUR 1,462 million) is expected to be settled after more than one year from the balance sheet date.

6 Equity

Total equity

	2021	2020
Share capital	38	39
Share premium	12,575	12,574
Share of associates reserve	16,651	21,853
Retained earnings and unappropriated result	3,624	2,265
Shareholders' equity	**32,888**	**36,731**
Undated subordinated notes	1,764	1,764
Total equity	**34,652**	**38,495**

As at 31 December 2021, share premium includes an amount of EUR 6,390 million (2020: EUR 6,390 million) exempt from Dutch withholding tax.

Share capital

	Ordinary shares (in number)		Ordinary shares (amounts in millions of euros)	
	2021	2020	2021	2020
Authorised share capital	700,000,000	700,000,000	84	84
Unissued share capital	382,121,790	369,721,790	46	45
Issued share capital	**317,878,210**	**330,278,210**	**38**	**39**

For details on share capital and share premium, reference is made to Note 14 'Equity' in the Consolidated annual accounts.

6 Equity continued

Changes in Retained earnings and unappropriated result (2021)

2021	Retained earnings	Unappropriated result	Total
Retained earnings and unappropriated result – opening balance	361	1,904	2,265
Net result for the period		3,278	3,278
Unrealised revaluations	-202		-202
Transfer to/from share of associates reserve	-699		-699
Transfer to/from retained earnings	1,904	-1,904	-
Dividend	-412		-412
Purchase/sale of treasury shares	-545		-545
Employee stock option and share plans	-2		-2
Coupon on undated subordinated notes	-59		-59
Retained earnings and unappropriated result – closing balance	**346**	**3,278**	**3,624**

Changes in Retained earnings and unappropriated result (2020)

2020	Retained earnings	Unappropriated result	Total
Retained earnings and unappropriated result – opening balance	-404	1,962	1,558
Net result for the period		1,904	1,904
Unrealised revaluations	-10		-10
Transfer to/from share of associates reserve	-141		-141
Transfer to/from retained earnings	1,962	-1,962	-
Dividend	-394		-394
Purchase/sale of treasury shares	-622		-622
Employee stock option and share plans	1		1
Coupon on undated subordinated notes	-59		-59
Changes in the composition of the group and other changes	28		28
Retained earnings and unappropriated result – closing balance	**361**	**1,904**	**2,265**

The total amount of Equity in the Parent company annual accounts equals Shareholders' equity (parent) in the Consolidated annual accounts. Certain components within equity are different, as a result of the following presentation differences between the Parent company accounts and Consolidated accounts:

- Unrealised revaluations within consolidated group companies, presented in the 'Revaluation reserve' in the Consolidated annual accounts, are presented in the 'Share of associates reserve' in the Parent company annual accounts
- Foreign currency translation on consolidated group companies, presented in the 'Currency translation reserve' in the Consolidated annual accounts, is presented in the 'Share of associates reserve' in the Parent company annual accounts
- Remeasurement of the net defined benefit asset/liability within consolidated group companies presented in the 'Net defined benefit asset/ liability remeasurement reserve' in the Consolidated annual accounts, are presented in the 'Share of associates reserve' in the Parent company annual accounts
- Non-distributable retained earnings of associates presented in 'Other reserves' in the Consolidated annual accounts, are presented in the 'Share of associates reserve' in the Parent company annual accounts
- Revaluations on real estate investments, capitalised software and certain participations recognised in income and consequently presented in 'Retained earnings' in the Consolidated annual accounts, are presented in the 'Share of associates reserve' in the Parent company annual accounts

6 Equity continued

Share of associates reserve

	2021	2020
Unrealised revaluations within consolidated group companies	14,422	20,468
Currency translation reserve	-181	-97
Net defined benefit asset/liability remeasurement reserve	-119	-138
Reserve for non-distributable retained earnings of associates	2,111	1,412
Revaluations on investment property and certain participations recognised in income	418	208
Share of associates reserve	**16,651**	**21,853**

Positive components of the Share of associate reserve of EUR 16,951 million (2020: EUR 22,088 million) cannot be freely distributed. The reserve for cash flow hedges is included in the Share of associates reserve on a net basis. Retained earnings can be freely distributed, except for an amount equal to the negative balance in each of the components in the Share of associates reserve.

Distributable reserves

NN Group N.V. is subject to legal restrictions regarding the amount of dividends it can pay to its shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to total shareholders' equity less the issued and outstanding capital and less the reserves required by law. In case of negative balances for individual reserves legally to be retained, no distributions can be made out of retained earnings to the level of these negative amounts.

In addition, NN Group's ability to pay dividends is dependent on the dividend payment ability of its subsidiaries, associates and joint ventures. NN Group is legally required to create a non-distributable reserve insofar profits of its subsidiaries, associates and joint ventures are subject to dividend payment restrictions. Such restrictions may, among others, be of a similar nature as the restrictions which apply to NN Group.

Legally distributable reserves, determined in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code, from NN Group's subsidiaries, associates and joint ventures are as follows:

Distributable reserves based on the Dutch Civil Code

	2021	2021	2020	2020
Total shareholders' equity		32,888		36,731
Share capital	38		39	
Positive components of Share of associates reserve	16,951		22,088	
Total non-distributable part of shareholders' equity:		16,989		22,127
Distributable reserves based on the Dutch Civil Code		**15,899**		**14,604**

The Dutch supervisory rules and regulations stemming from the Dutch Financial Supervision Act (Wet op het financieel toezicht) provide a second restriction on the possibility to distribute dividends. Total freely distributable reserves is the minimum of freely distributable capital on the basis of solvency requirements and freely distributable capital on the basis of capital protection.

Freely distributable reserves

	2021	2021	2020	2020
Solvency requirement under the Financial Supervision Act	9,840		9,534	
Reserves available for financial supervision purposes	20,927		20,028	
Total freely distributable reserves on the basis of solvency requirements		11,087		10,494
Total freely distributable reserves on the basis of the Dutch Civil Code		15,899		14,604
Total freely distributable reserves (lower of the values above)		**11,087**		**10,494**

Reference is made to Note 53 'Capital and liquidity management' for more information on solvency requirements.

6 Equity continued

Other restrictions

There are other restrictions to the ability of subsidiaries, associates and joint ventures to distribute reserves to NN Group as a result of minimum capital requirements that are imposed by industry regulators in the countries in which the group companies operate. Reference is made to Note 53 'Capital and liquidity management' in the Consolidated annual accounts for the minimum capital requirements.

In addition to the legal and regulatory restrictions on distributing dividends from subsidiaries, associates and joint ventures to NN Group there are various other considerations and limitations that are taken into account in determining the appropriate levels of equity in the Group's subsidiaries, associates and joint ventures. These considerations and limitations include, but are not restricted to, rating agency and regulatory views, which can change over time; it is not possible to disclose a reliable quantification of these limitations.

Without prejudice to the authority of the Executive Board to allocate profits to reserves and to the fact that the ordinary shares are the most junior securities issued by NN Group, no specific dividend payment restrictions with respect to ordinary shares exist.

Furthermore, NN Group is subject to legal restrictions with respect to repayment of capital to holders of ordinary shares. Capital may be repaid to the holders of ordinary shares pursuant to an amendment of NN Group's Articles of Association whereby the ordinary shares are written down. Pursuant to the Dutch Civil Code, capital may only be repaid if none of NN Group's creditors opposes such a repayment within two months following the announcement of a resolution to that effect.

Undated subordinated notes

In July 2014, NN Group N.V. issued fixed to floating rate undated subordinated notes with a par value of EUR 1,000 million. The notes are undated, but are callable after 11.5 years and every quarter thereafter (subject to regulatory approval). The coupon is fixed at 4.50% per annum for the first 11.5 years and will be floating thereafter. As these notes are undated and include optional deferral of interest at the discretion of NN Group, these are classified under IFRS-EU as equity. Coupon payments are deducted from equity if and when paid or contractually due. The discount to the par value and certain issue costs were deducted from equity at issue, resulting in a balance sheet value equal to the net proceeds of EUR 986 million.

In June 2014, fixed to floating rate undated subordinated notes with a par value of EUR 750 million were originally issued by Delta Lloyd which are classified as equity under IFRS. The notes are undated, but are callable as from 13 June 2024 and every quarter thereafter (subject to regulatory approval). The coupon is fixed at 4.375% per annum until 13 June 2024 and will be floating thereafter. Coupon payments are distributed out of equity if and when paid or contractually due. These notes were recognised upon acquisition of Delta Lloyd for an amount of EUR 778 million.

7 Subordinated debt

Subordinated debt

Interest rate	Year of issue	Due date	First call date	Notional amount		Balance Sheet Value	
				2021	2020	2021	2020
4.625%	2014	8 April 2044	8 April 2024	1,000	1,000	995	994
4.625%	2017	13 January 2048	13 January 2028	850	850	841	840
Subordinated debt						**1,836**	**1,834**

The above subordinated debt instruments have been issued to raise hybrid capital. Under IFRS-EU these debt instruments are classified as liabilities and are considered capital for regulatory purposes. All subordinated debt is euro denominated.

8 Other liabilities

Other liabilities

	2021	2020
Debt securities issued	2,293	1,694
Amounts owed to group companies	5,575	7,290
Other amounts owed and accrued liabilities	155	222
Other liabilities	**8,023**	**9,206**

Amounts owed to group companies by remaining term

	2021	2020
Within 1 year	5,575	7,290
Amounts owed to group companies	**5,575**	**7,290**

9 Other

NN Group N.V. has issued statements of liability in connection with Article 403, Book 2 of the Dutch Civil Code and other guarantees (mainly funding and redemption guarantees) for group companies.

Reference is made to the Consolidated annual accounts for the number of employees, audit fees and remuneration of the Executive Board, the Management Board and the Supervisory Board.

Authorisation of the Parent company annual accounts

The Parent company annual accounts of NN Group N.V. for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Executive Board on 9 March 2022. The Executive Board may decide to amend the Parent company annual accounts as long as these are not adopted by the General Meeting.

The General Meeting may decide not to adopt the Parent company annual accounts, but may not amend these during the meeting. The General Meeting can decide not to adopt the Parent company annual accounts, propose amendments and then adopt the Parent company annual accounts after a normal due process.

The Hague, 9 March 2022

The Supervisory Board

D.A. (David) Cole, chair
H.M. (Hélène) Vletter-van Dort, vice-chair
I.K. (Inga) Beale
H.J.G. (Heijo) Hauser
R.W. (Robert) Jenkins
R.J.W. (Rob) Lelieveld
C. (Cecilia) Reyes
J.W. (Hans) Schoen
C.C.F.T. (Clara) Streit

The Executive Board

D.E. (David) Knibbe, CEO, chair
D. (Delfin) Rueda, CFO, vice-chair

Independent auditor's report

To: The General Meeting of Shareholders and the Supervisory Board of NN Group N.V.

Report on the audit of the annual accounts 2021 included in the annual report

Our opinion

In our opinion:

— the accompanying consolidated annual accounts give a true and fair view of the financial position of NN Group N.V. ('the Group') as at 31 December 2021 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and in accordance with Part 9 of Book 2 of the Dutch Civil Code; and

— the accompanying parent company annual accounts give a true and fair view of the financial position of NN Group N.V. as at 31 December 2021 and of its results for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the 2021 annual accounts of NN Group N.V. based in Amsterdam and headquartered in The Hague, as set out on pages 142 to 298 of the annual report. The annual accounts include the consolidated annual accounts and the parent company annual accounts.

The consolidated annual accounts comprise:

1. the consolidated balance sheet as at 31 December 2021;
2. the following consolidated statements for 2021: the profit and loss account, the statements of comprehensive income, cash flows and changes in equity; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The parent company accounts comprise:

1. the parent company balance sheet as at 31 December 2021;
2. the parent company profit and loss account for 2021; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the annual accounts' section of our report.

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).

Our audit procedures were determined in the context of our audit of the annual accounts as a whole. Our observations in respect of going concern, fraud and non-compliance with laws and regulations, climate and the key audit matters should be viewed in that context and not as separate opinions or conclusions.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit approach

Summary

Materiality
— Materiality of EUR 140 million, this is in line with 2020
— Based on core equity; shareholders' equity minus revaluation reserves (1%)

Group audit
— 89% of core equity
— 97% of total assets
— 92% of profit before tax

Going concern
— Going concern: no significant going concern risks identified

Fraud/Noclar
— Fraud & non-compliance with laws and regulations (Noclar): we identified management override of controls as presumed fraud risk

Climate-related risks
— The Group's strategy related to climate risk has been disclosed in the annual report — We have considered the impact of climate-related risks on our identification and assessment of risks of material misstatement in the annual accounts

Key audit matters
— Valuation and reserve adequacy of insurance liabilities — Valuation of illiquid investments — Unit-linked exposure — Solvency II disclosure — Reliability of IT general controls and cybersecurity controls

Opinion
Unqualified

Materiality

Based on our professional judgement we determined the materiality for the annual accounts as a whole at EUR 140 million (2020: EUR 140 million). The materiality is determined with reference to core equity (shareholders' equity minus revaluation reserves) and amounts to 1% (2020: 1%). We continue to consider core equity as the most appropriate benchmark based on our assessment of the general information needs of the users of the annual accounts of the financial institutions predominantly active in the life insurance business. We believe that core equity is a relevant metric for assessment of the financial performance of the Group.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the annual accounts for qualitative reasons.

We agreed with the Audit Committee of the Supervisory Board that misstatements identified during our audit in excess of EUR 7 million (2020: EUR 7 million) would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

NN Group N.V. is at the head of a group of components. The financial information of this group is included in the consolidated annual accounts of the Group. The Group is structured along seven segments: Netherlands Life, Netherlands Non-life, Insurance Europe, Japan Life, Asset Management, Banking and Other, each comprising of multiple legal entities and/or covering different countries. Following the announced sale of NN Investment Partners, Asset Management activities are presented separately from the results of the remaining segments.

Because we are ultimately responsible for the audit opinion, we are responsible for directing, supervising and performing the group audit. In this respect, we have determined the nature and extent of the audit procedures to be carried out for group entities.

In our risk assessment and related scoping, we took into account potential effects of COVID-19 and re-evaluated these during the process.

Our group audit mainly focused on significant components. These significant components are either individually financially significant due to their relative size within the Group or because we assigned a significant risk of material misstatement to one or more account balances of the component. In addition, we included certain components in the scope of our group audit in order to arrive at a sufficient coverage for all relevant significant account balances.

This resulted in a full or specific scope audit for 27 (2020: 25) components, in total covering ten countries, and in a coverage of 89% of core equity, 97% of total assets and 92% of profit before tax. For the remaining 11% of core equity, 3% of total assets and 8% of profit before tax, procedures were performed at the group level including analytical procedures in order to corroborate that our scoping remained appropriate throughout the audit. This coverage is in line with our 2020 audit.

We sent audit instructions to all component auditors, covering significant areas including the relevant risks of material misstatement and set out the information required to be reported to the group audit team. All components in scope for group reporting purposes are audited by KPMG member firms.

A specific point of attention as a result of COVID-19 was the virtual way of working, and in particular the impact thereof on the audit procedures and the reliability of the audit evidence obtained. For the largest part of 2021, the Group's employees were working from home. We performed the audit of the Group also largely working from home.

In view of the COVID-19 related restrictions on the movement of people across borders, we considered changes to the planned audit approach to evaluate the component auditors' communications and the adequacy of their work. According to our original audit plan, we intended to visit the components in Japan, Greece, Poland, Spain and Romania. Due to the aforementioned restrictions this was not possible. As a result, we held those visits remotely. For all components in the scope of the group audit we held video and conference calls. During these calls, the planning, risk assessment, procedures performed, findings and observations reported to the group auditor were discussed in more detail and any additional work deemed necessary by the group audit team was then performed. In addition, we requested component auditors selected for file review to provide us with remote access to their audit workpapers and subsequently performed the file reviews.

The group audit team has set component materiality levels, which ranged from EUR 7 million to EUR 100 million, based on the mix of size and risk profile of the components within the Group.

The consolidation of the Group, the disclosures in the annual accounts and certain accounting topics are audited by the group audit team. The accounting matters on which audit procedures are performed by the group audit team include, but are not limited to, assessment of the use of the going concern assumption, companies and businesses acquired and divested, intangible assets including goodwill, equity, staff expenses in the Netherlands, other operating expenses in the Netherlands, certain elements of the risk and capital management disclosures, corporate income tax for the Dutch fiscal unity and legal proceedings.

By performing the procedures mentioned above at group components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the Group's financial information to provide an opinion about the annual accounts.

Our procedures as described above, including our audit coverage can be summarised as follows:

Core equity

76%	13%	11%
Audit of the complete reporting package	Audit of specific items	Covered by additional procedures performed at group level

Total assets

91%	6%	3%
Audit of the complete reporting package	Audit of specific items	Covered by additional procedures performed at group level

Profit before tax

70%	22%	8%
Audit of the complete reporting package	Audit of specific items	Covered by additional procedures performed at group level

Audit response to going concern – no significant going concern risks identified

The Executive Board has performed its going concern assessment and has not identified any significant going concern risks. Our main procedures to assess the Executive Board's assessment were:

- we considered whether the Executive Board's assessment of the going concern risks included all relevant information of which we are aware as a result of our audit;
- we assessed whether the scenarios included in the Own Risk Solvency Assessment (ORSA) and Preparatory Crisis Plan that were submitted to De Nederlandsche Bank N.V. (the Dutch Central Bank, DNB) and other regulatory correspondence indicate a significant going concern risk; and
- we considered whether the outcome of our audit procedures on the Solvency II capital position and disclosures (see: Key Audit Matters) indicate a significant going concern risk.

The outcome of our risk assessment procedures, including our consideration of findings from our audit procedures on other areas, did not give reason to perform additional audit procedures.

Audit response to the risk of fraud and non-compliance with laws and regulations

In note 52 chapter VIII of the annual report, the Executive Board describes its response and procedures in respect of the risk of fraud and non-compliance with laws and regulations, as does the Supervisory Board in the paragraph 'Risk Control Framework'.

As part of our audit, we have gained insights into the Group and its business environment, and assessed the design and implementation and, where considered appropriate, tested the operating effectiveness of the Group's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the Group's code of conduct, whistleblowing procedures, incidents register and its procedures to investigate indications of possible fraud and non-compliance. Furthermore, we performed relevant inquiries with management, Supervisory Board and other relevant functions, such as Internal Audit, Legal Counsel, Compliance and the Actuarial Function Holder. As part of our audit procedures, we:

- assessed the fraud risk assessments performed by operational risk management in the business units and coordinated by Group Operational Risk Management. We shared these fraud risk assessments with all component auditors and evaluated their local follow up;
- assessed other positions held by the Management Board members and paid special attention to procedures and governance and compliance in view of possible conflicts of interest;
- evaluated internal compliance reports on indications of possible fraud and non-compliance;
- inspected correspondence with De Nederlandsche Bank (DNB), Autoriteit Financiële Markten (AFM) and other regulators and supervisory authorities; and
- evaluated legal confirmation letters.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Group.

The Group is subject to many other laws and regulations where the consequences of non-compliance could have an indirect material effect on amounts recognised or disclosures in the annual accounts, or both, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an indirect effect:

- Wet op het financieel toezicht (Wft) (including the European Solvency II directives);
- Financial and economic crime (FEC) related regulation; and
- data privacy regulation (GDPR).

We evaluated with support of our forensics specialists, the fraud and non-compliance risk factors to consider whether those factors indicate a risk of material misstatement in the annual accounts.

Based on the above and on the auditing standards, we identified the following fraud risk that is relevant to our audit, including the relevant presumed risks laid down in the auditing standards, and responded as follows:

- **Management override of controls (a presumed risk)**

Risk:

- Management is in a unique position to manipulate accounting records and prepare fraudulent annual accounts by overriding controls that otherwise appear to be operating effectively such as: estimates related to valuation and reserve adequacy of insurance liabilities and Solvency II disclosures.

Responses:

- We evaluated the design and the implementation of internal controls that mitigate fraud and non-compliance risks, such as processes related to journal entries and estimates.
- We performed data analysis of high-risk journal entries and evaluated key estimates and judgements for bias by the Group, including retrospective reviews of prior year's estimates.
- Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk. These procedures also included testing of transactions back to source information.
- We incorporated elements of unpredictability in our audit, e.g. in the scoping of components and data-analysis on outgoing payments and performed risk-based specific item testing.
- We performed detailed testing on other emoluments in relation to the Management Board remuneration.
- Considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud or non-compliance. If so, we re-evaluated our assessment of relevant risks and its resulting impact on our audit procedures.

We refer to the key audit matters 1, 2 and 4 that provide information of our approach related to areas of higher risk due to accounting estimates where management makes significant judgements.

We assessed the presumed fraud risk on revenue recognition as irrelevant, as we consider the likelihood remote that a material error results from fraud other than originating from management override of controls, which is covered by the risk described above.

We communicated our risk assessment, audit responses and results to the Executive Board and the Audit Committee of the Supervisory Board. Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit.

Audit response to climate-related risks

The Executive Board is responsible for preparing the annual accounts in accordance with the applicable financial reporting framework, including considering whether the implications from climate-related risks and commitments have been appropriately accounted for and disclosed.

The Executive Board has performed an analysis of the impact of climate-related risks on the Group's business and operations going forward and on its accounting in the 2021 annual accounts. We refer to the Group's response in relation to climate change as disclosed in the annual report and note 52 of the annual accounts.

The evaluation of the effectiveness of management's strategy against internal or external goals set is not in scope of our audit of the annual accounts. As part of our audit we consider the potential effects of climate-related risks on the accounts and disclosures, including significant judgements and estimates in the current year's annual accounts to determine whether the annual accounts are free from material misstatements. This includes discussion of the Group's strategy in relation to climate change with the Executive Board and the Supervisory Board and inspecting minutes and external communications for significant climate related commitments, strategies and plans made by management.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts. We have communicated the key audit matters to the Executive Board and the Audit Committee of the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the annual accounts as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The COVID-19 pandemic has had both operational and financial impact on the Group. We refer to note 2 of the annual accounts. As described under scoping of the group audit it also impacted our way of working with the component auditors. COVID-19 is also reflected in our key audit matters. For the valuation of non-listed investments, the reserve adequacy of insurance liabilities and Solvency II we assessed the impact of COVID-19 on management's accounting estimates.

1. Valuation and reserve adequacy of insurance liabilities

Description

Insurance and investment contract liabilities (in short; insurance liabilities) amount to EUR 169 billion as at 31 December 2021, or 78% of total liabilities. The valuation of insurance liabilities involves management judgement, especially for determining the ultimate settlement value of long-term liabilities. In addition NN performs the so-called Reserve Adequacy Test (RAT) to assess the adequacy of the insurance liabilities, before reinsurance and net of deferred acquisition cost, based on current best estimate actuarial assumptions.

The RAT for NN Life is most significant to the group given its relative size and complexity and requires significant management judgement in setting the assumptions related to longevity, expenses and future reinvestment rates.

Given the financial significance and the level of judgement required we considered the valuation and reserve adequacy of insurance contract liabilities a key audit matter.

Our response

Our audit approach is a mixture of controls testing and substantive audit procedures.

Our procedures over internal controls focused on testing of controls around the adequacy of policyholder data, assumption setting and internal review procedures performed on the RAT by the Group Chief Actuary. We also assessed the process for the internal validation and implementation of the models used for the valuation of the insurance liabilities and the RAT.

With the assistance of our own actuarial specialists we performed the following substantive audit procedures:

- we assessed the appropriateness of assumptions used in the valuation of the insurance liabilities for significant business units (including NN Life) by reference to company and industry data and expectations of future investment returns, future longevity, also in relation to the mortality tables published by The Royal Dutch Actuarial Association on 9 September 2020, and expense developments;
- we tested of the appropriateness of the data used and assumptions and methodologies applied in the RAT, taking into account COVID-19 related uncertainties.
- we performed substantive analysis of developments in actuarial results and movements in reserve adequacy during the year for each of the business units in scope and made corroborative inquiries with management and the Group Chief Actuary; and
- we assessed the robustness of management's substantiation that the insurance contract liabilities are adequate as at 31 December 2021.

Our observation

The valuation and reserve adequacy test shows a positive margin and we consider the valuation of the insurance contract liabilities to be appropriate. We refer to notes 11 and 18 of the annual accounts.

We note that the unrealised revaluations on available for sale investments backing the insurance contract liabilities are recorded in shareholders' equity and represent a significant part of the revaluation reserve. As and when these available for sale investments are sold, the excess in reserve adequacy would decrease accordingly and the realised capital gains would only be partly available to shareholders, since a significant portion of the gains would be required to strengthen the insurance contract liabilities in order to remain adequate. We refer to note 1 of the annual accounts.

2. Valuation of illiquid investments

Description

For non-listed investments quoted prices are not available and fair values are based on valuation techniques which often involve the exercise of judgement by management and the use of assumptions, estimates and valuation models. Where significant pricing inputs are unobservable, management has no reliable, relevant market data available in determining the fair value. For these illiquid investments estimation uncertainty can be high, especially since the outbreak of COVID-19 with increased market volatilities. This is mainly applicable to:

- mortgages;
- real estate investments; and
- private equity and private debt investments.

Given the financial significance and estimation uncertainties we considered the valuation of non-listed investments a key audit matter.

Our response

We assessed management's approach to the valuation for non-listed investments and performed the following procedures:

- we evaluated the Group's processes and controls governing the valuation of non-listed investments;
- we inspected the supporting valuation documents prepared by management's internal and external valuation experts;
- KPMG valuation specialists assisted us in challenging the appropriateness of the models and methodologies used by management in calculating fair values of mortgages. We tested the source data used and assessed the appropriateness of critical valuation parameters. Our valuation specialists independently calculated whether the fair value for the mortgage portfolio as a whole as determined by management is within the acceptable fair value range;

- we involved our real estate valuation specialists in the substantive audit procedures of selected high-risk real estate investments. We evaluated the objectivity, independence and professional competence of external valuators engaged by management. We inspected the valuation reports obtained, tested the source data used and the calculations made and challenged significant assumptions such as the gross initial yield/discount rate and estimated rental values. We assessed the assumptions used against available market data and object specific underlying characteristics such as occupancy rates and contract renewals;
- we tested and challenged management's valuation of private equity and private debt investments by critically reviewing the minutes of the meetings of management with the external fund managers, we tested the timeliness of such meetings and performed back testing procedures to determine the reliability of the fair value estimates provided by the external fund managers. We compared the movements in the valuations for the period with available external market data and performed back testing on the prior year estimates, e.g. by reconciliation of valuations to annual accounts of investments or comparison to sales results; and
- we assessed the disclosures in the annual accounts.

Our observation

The results of our testing were satisfactory and we considered the fair value of illiquid investments to be appropriate. We observed that in the course of 2021 valuation uncertainties in real estate decreased for all sectors excluding retail, where, although valuations stabilised, a limited number of transactions took place to support the estimated yield levels. As at year-end the valuation reports of external valuators do not contain material valuation uncertainty clauses anymore. We also refer to note 2 and 37 of the annual accounts in which the real estate valuation uncertainties that exist at 31 December 2021 are disclosed.

3. Unit-linked exposure

Description

Holders of unit-linked products sold in the Netherlands, or consumer protection organisations on their behalf, have filed claims or initiated legal proceedings against the Group and may continue to do so. A negative outcome of such claims and proceedings, settlements or any other actions to the benefit of the customers by other insurers or sector-wide measures, may affect the (legal) position of the Group and could result in substantial financial losses for the Group as and when compensation would be required. The Executive Board assessed the financial consequences of these legal proceedings under both the EU-IFRS and the Solvency II reporting framework and concluded that these cannot be reliably measured, estimated and/or quantified at this point.

Due to the potential significance and judgement that is required to assess the developments relevant to these claims and proceedings we considered this a key audit matter.

Our response

- We assessed the group's processes and controls with respect to the unit-linked exposures within the relevant business units in the Netherlands and especially NN Life.
- We inspected and assessed supporting legal documentation and discussed on a quarterly basis the evolving legal risks and proceedings with the legal counsel and its internal legal advisors. Our assessment took into account NN specific developments such as the Supreme Court's answers relating to collective proceedings initiated by the Vereniging Woekerpolis.nl against Nationale-Nederlanden as well as broader market developments, including the impact, if any, of verdicts issued up to the date of this audit opinion.
- We obtained lawyers letters of the external lawyers engaged by the group in relation to the collective cases Woekerpolis.nl, Consumentenbond and Wakkerpolis to support our assessment of management judgment on the accounting treatment and disclosures for related risks exposures. We assessed the professional competency and capability of these external lawyers.
- We assessed the unit-linked disclosure on contingent liabilities in note 45 Legal proceedings of the annual accounts.

Our observation

We concur with the Executive Board's conclusion that the financial consequences of the unit-linked exposure cannot be reliably measured and that no provision can be recognised as at 31 December 2021. We consider the disclosure in note 45 to be appropriate.

4. Solvency II disclosure

Description

Solvency II information as included in note 52 and 53 of the annual accounts is an important disclosure about the regulatory capital position of the Group. The calculation of the Solvency II ratio is complex and requires significant management judgement. The Group applies the Partial Internal Model (PIM) as approved by DNB to calculate the Solvency Capital Requirement (SCR).

Given the importance of the Solvency II capital position, the reporting complexities, the significance of management judgements and assumptions on the outcome of the ratio, the significant measurement uncertainties and related sensitivities we identified the adequacy of the Solvency II disclosure as a key audit matter.

Our response

We obtained an understanding of the Group's application and implementation of the Solvency II directive. In designing our audit approach, we have set a separate materiality for the audit of the Solvency II capital position. The materiality level applied is EUR 180 million (2020: EUR 180 million). With the assistance of our own actuarial specialists, we performed the following audit procedures:

- we assessed the effectiveness of internal controls over the SCR calculations and Group's modelling and assumption (change) approval processes;
- we assessed the follow up to the terms and conditions set by DNB in relation to the approval of the PIM-Major Model Changes;
- we tested controls over the calculations of the market value balance sheet, Own Funds and SCR for them to be prepared in accordance with the Solvency II directive and in accordance with the PIM as approved by DNB;
- we assessed and challenged the rationale, implementation and impact of material changes to models and assumptions used to determine the value of best estimate insurance liabilities and SCR;
- we assessed the impact of the 2021 Q&A published by DNB on contract boundaries for individual disability contracts and the related disclosure in the annual accounts under note 52 chapter VII;
- we assessed the appropriateness of economic and non-economic assumptions used for the calculations of the market value balance sheet, Own Funds and SCR, based on market observable data, company and industry data, comparison of management judgements made to current and emerging market practices;
- we assessed the adequacy of the quantitative and qualitative disclosures of the Solvency II Capital Requirements including disclosures about the interpretation of legislation and related uncertainties. In this context we also assessed internal controls over the preparation of the Solvency II sensitivity disclosures;
- we assessed the quality of the risk management function and actuarial function for their involvement with the Solvency II reporting. We made inquiries with the Group Chief Actuary on the Group Actuarial Function Holder report 2021, which sets out conclusions on the reliability and adequacy of the technical provisions as at 31 December 2021 under Solvency II;
- we verified the accuracy of the calculations of the market value balance sheet used to determine Own Funds for selected balance sheet items, using our own actuarial specialists and alternative actuarial methods, if applicable;
- we assessed the supporting evidence for critical judgements applied in assumption setting by the Group for both the best estimate liability and the SCR. This included the substantiation by management of the loss absorbing capacity of deferred taxes in accordance with the applicable legislation and regulations;

KPMG

- we verified the correctness of the consolidation of the Solvency II reporting by the Group's components, taking into account the Solvency II requirements for consolidation that deviate from EU-IFRS;
- we assessed and challenged the internally prepared analysis of the movements in the Solvency II capital position during the year and sensitivities reported as at 31 December 2021 and discussed the outcome with the Group's actuaries and Group Chief Actuary; and
- we tested the accuracy of the sensitivity disclosures.

Our observation

We considered the Solvency II disclosure in note 52 to be adequate.

5. Reliability of IT general controls and cybersecurity controls

Description

The Group is highly dependent on its IT systems for the continuity of its operations. To meet evolving client needs and business requirements the Group is continuously improving the efficiency and effectiveness of its IT systems and infrastructure. IT general controls and cybersecurity controls are fundamental to the group's internal control framework to ensure the continuity and reliability of IT.

Taking into account group's dependency on the reliability and continuity of IT and the increasing frequency and severity of cyber incidents in the environment where the group operates, we considered the reliability of IT general controls and cybersecurity controls a key audit matter.

Our response

With the support of our specialised IT auditors, we tested IT general controls related to logical access, change management and computer operations and key application controls embedded in the IT systems that are relevant to the Group's financial reporting. As part of our risk assessment and design of our IT audit approach, we have taken into account regulatory correspondence related to IT security risk management. We performed test procedures to respond to specific risks such as data migrations (in particular at NN Life, NN Non-life and Group), the implications of the decommissioning of systems following the conversion to new environments and vendor management related to outsourced IT processes.

We evaluated cybersecurity risks as part of our audit of the annual accounts. We updated our understanding and assessed the design and effectiveness of preventive and detective cybersecurity controls and responses, cybersecurity self-assessments performed by the business units and we performed procedures to test the resilience of the cybersecurity controls in place. We held corroborative inquiries with the personnel at the Security Operations Center and with the Group's Chief Information Security Officer (CISO). This work was performed together with our IT auditors that are specialised in cyber risk management.

Our observation

Based on our testing of IT general controls we obtained sufficient comfort to support our IT driven audit approach.

The results of the procedures performed regarding cybersecurity controls were satisfactory in relation to our audit. We shared our observations with the Executive Board and the Audit Committee of the Supervisory Board.

We refer to the disclosure on Risk Management in note 52.

Report on the other information included in the annual report

In addition to the annual accounts and our auditor's report thereon, the annual report contains other information. Additionally, other information includes the annual review.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the annual accounts and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code report and other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the annual accounts or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the annual accounts.

The Executive Board is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Engagement

We were engaged by the General Meeting of Shareholders as auditor of NN Group N.V. on 28 May 2015, as of the audit for the year 2016 and have operated as statutory auditor ever since that financial year. We were reappointed by the General Meeting of Shareholders on 29 May 2019 to continue to serve the Group as its external auditor for the financial years 2020–2022.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

European Single Electronic Format (ESEF)

The Group has prepared its annual report in ESEF. The requirements for this format are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (these requirements are hereinafter referred to as: the RTS on ESEF).

In our opinion, the annual report prepared in the XHTML format, including the partially tagged consolidated annual accounts of the Group has been prepared in all material respects in accordance with the RTS on ESEF.

The Executive Board is responsible for preparing the annual report including the annual accounts, in accordance with the RTS on ESEF, whereby management combines the various components into a single reporting package. Our responsibility is to obtain reasonable assurance for our opinion whether the annual report is in accordance with the RTS on ESEF.

Our procedures taking into consideration Alert 43 of NBA (the Netherlands Institute of Chartered Accountants), included amongst others:

- obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package;
- obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files have been prepared in accordance with the technical specifications as included in the RTS on ESEF; and
- examining the information related to the consolidated annual accounts in the reporting package to determine whether all required taggings have been applied and whether these are in accordance with the RTS on ESEF.

Description of responsibilities regarding the annual accounts

Responsibilities of the Executive Board and the Supervisory Board for the annual accounts

The Executive Board is responsible for the preparation and fair presentation of the annual accounts in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board is responsible for such internal control as management determines is necessary to enable the preparation of the annual accounts that are free from material misstatement, whether due to fraud or error. In that respect the Executive Board under supervision of the Supervisory Board is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

As part of the preparation of the annual accounts, the Executive Board is responsible for assessing the Group's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the annual accounts using the going concern basis of accounting unless the Executive Board either intends to liquidate NN Group N.V. or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the Group's ability to continue as a going concern in the annual accounts.

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

Our responsibilities for the audit of the annual accounts

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these annual accounts. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the annual accounts is located at the website of de 'Koninklijke Nederlandse Beroepsorganisatie van Accountants' (NBA, Royal Netherlands Institute of Chartered Accountants) at http://www.nba.nl/ENG_oob_01. This description forms part of our auditor's report.

Amstelveen, 9 March 2022

KPMG Accountants N.V.

D. Korf RA

Other - Appropriation of result

Appropriation of result

The result is appropriated pursuant to Article 34 of the Articles of Association of NN Group N.V., the relevant stipulations of which state that the appropriation of result shall be determined by the General Meeting, having heard the advice of the Executive Board. Reference is made to Note 14 'Equity' for the proposed appropriation of result.

Other information

Our approach to reporting

Structure

In the Annual Report, 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 the sections About NN, Our operating environment, Our strategy and performance, Creating value for our stakeholders, Safeguarding value creation, Corporate governance, Facts and figures, followed by the consolidated Annual Accounts.

It is prepared in accordance with applicable Dutch law and the International Financial Reporting Standards (IFRS), endorsed by the European Union. It furthermore adheres to relevant non-financial disclosure regulations, such as the EU Non-Financial Reporting Directive (NFRD). Moreover, we are disclosing according to the EU Taxonomy regulation for the first time in 2021.

NN Group also publishes a Solvency and Financial Condition Report and a Total Tax Contribution 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/Financial reports section.

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

Reporting profile

This is NN Group's eight Annual Report since our separation from ING Group and becoming a publicly-listed company on 2 July 2014. It is published on 10 March 2022. We report annually, on a calendar year basis (1 January – 31 December).

Scope of the data in the Annual Report

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

For non-financial information and data on customer engagement we use NPS reporting and the Global Brand Health Monitor (GBHM). The Human Resources (HR) data is directly sourced from our HR data analytics department. Data on responsible investment come from Aladdin and our proprietary system for logging engagements with issuers. For data related to community investment, we follow the B4SI (industry) standard for categorising the data. For our direct environmental footprint, NN Group uses an online system, Credit360. Our internal validation process, including the application of Credit360's validation rules ensures we limit any inaccuracies in the reported data.

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 2021 Annual Report through a materiality assessment using internal and external research, and other sources. This assessment included interviews and an online session with internal and external stakeholders, see page 59.

Reporting guidelines

We aim to strengthen our integrated way of reporting every year. For this reason, we have integrated what was previously the Annual Review and Financial Report into one Annual Report. The Annual Report contains various elements from the Value Reporting Foundation framework, such as our value creation model and a materiality matrix. This report strives to present relevant information about our strategy, governance and performance in ways that are relevant to the economic, environmental and social contexts in which we operate.

The non-financial information and data in the Annual Report 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 Report and/or the NN Group website. For the second time, the 207 Tax Standard is included. The index table is published on NN Group's corporate website in the Investors/Financial Report section, where you can also find the Progress reports for the UN Principles for Sustainable Insurance and the UN Global Compact.

External assurance

The annual accounts of NN Group N.V., including the consolidated annual accounts and the parent company annual accounts, are audited by KPMG. For more information, refer to the Independent auditor's report on page 299.

Furthermore, KPMG provided limited assurance on the non-financial information in the Annual Report. The scope of KPMG's assurance engagement is described in its assurance report. We provided evidence to our external auditor in support of the statements we make in this report. For more information, refer to the Assurance report of the independent auditor on page 138.

NN Group's Total Tax Contribution Report was provided limited assurance by KPMG. For more information, refer to the Assurance report of the independent auditor on pages 29-31 of the Total Tax Contribution Report.

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.

Material topics index

We closely monitor those material topics that potentially have the most impact on our business and stakeholders, and where we could create the most long-term value. This table links our material topics to our strategic commitments and the stakeholders that are most impacted. It also shows where in this Annual Report you can read more about this topic.

Material topic (in alphabetical order)	**Strategic commitment**					**Involved stakeholders**	**Read more on chapter**
Segment	Customer and distribution	Products and services	People and organisation	Financial strength	Society		
Business ethics and transparency Having a strong corporate governance structure in place (board diversity, elaborate codes of conduct, ESG in remuneration, etc.) and ensuring compliance with all relevant regulations, ethical behavior and transparency in all aspects such as artificial intelligence, human rights, sustainable finance and taxes.	X	X	X	X	X	Customers Investors Employees	Safeguarding value creation Corporate governance chapter
Climate change Having a strong climate strategy to mitigate and adapt for the consequences of climate change. This includes preparing for the climate-related risks and opportunities in investments and insurance underwriting, having a commitment to net zero, and being resource efficient in own operations.	X				X	Society Customers Investors	Operating environment, Create a positive impact on society, managing our risks, TCFD, Facts and figures
Community investment Putting our resources, expertise, and networks to maximise positive change in our communities, specifically around financial well-being, self-care and carefree retirement, and sustainable planet.			X		X	Society Employees	Create a positive impact on society
Customer experience Understanding customer needs and expectations, delivering quality products and services, and fostering customer engagement. This includes providing transparent information as well as fair and suitable advice to empower our customers (and end-consumers) to make sound financial decisions.	X	X				Customers	Adding value for customers
Data privacy and cybersecurity Safeguarding customer privacy, securing personal data, and actively protecting the security of our information systems against cybersecurity failure.	X	X	X		X	Customers Employees	Safeguarding value creation, Managing our risks
Digitalisation Investing in technology, platforms and ecosystems to advance digital systems and capabilities and continually deliver seamless customer experience.	X	X	X	X	X	Customers Employees	Adding value for customers, Safeguarding value creation
Diversity and inclusion Being a purpose-led and values-driven organisation which fosters diversity and inclusion, equal opportunities and pay, and hybrid Way of Working.			X			Customers Employees Society	Empowering our people to be their best, Corporate governance chapter
People management Having a strong employer branding to foster talent attraction and retention, investing in skills and capabilities to develop talent and leadership, protecting the health and well-being of our people (especially in the context of the Covid-19 pandemic) and sustaining employee engagement.			X			Employees	Empowering our people to be their bestEmpowering our people to be their best

Material topics index continued

Material topic (in alphabetical order) Segment	**Strategic commitment** Customer and distribution	 Products and services	 People and organisation	 Financial strength	 Society	**Involved stakeholders**	**Read more on chapter**
Products with societal added value Developing insurance and banking products that address societal challenges and/or promote environmentally-responsible behaviour. This includes ensuring our products and services promote financial inclusion.	X	X			X	Customers Society	Add value for customers, Creating a postive impact on society
Responsible investing Integrating environmental, social and governance factors in our investment processes. This includes undertaking sustainable and impact investments, and practising engagement and voting, and exclusion. Related to this topic, we pay a special attention to corporate governance, climate change and natural resources, and human rights/decent work.	X	X		X	X	Customers Investors Employees Society	Creating a positive impact on society, TCFD, Carbon footprint analysis
Robust financial framework Being a financially reliable and stable institution, able to meet its financial objectives and fulfil its short- and long-term commitments to all its stakeholders. This includes ensuring a strong balance sheet, solid financial returns for shareholders, disciplined capital allocation and systemic risk management.				X		Customers Investors Employees Society	Our performance, Creating value for investors

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.
COLI	Corporate-owned life insurance.
EIOPA	European Insurance and Occupational Pensions Authority. EIOPA focuses on providing a sound regulatory framework for and consistent supervision of insurance and occupational pensions sectors in Europe, and is an independent advisory body to the European Commission, the European Parliament and the Council of the European Union.
Engagement 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.
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)	GRESB is a mission-driven and industry-led organization that provides actionable and transparent environmental, social and governance (ESG) data to financial markets. GRESB collects, validates, scores and benchmarks ESG data to provide business intelligence, engagement tools and regulatory reporting solutions for investors, asset managers and the wider industry.
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.
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.
Net zero	Net zero means that emissions in the real economy are reduced as close to zero as possible and remaining emissions are balanced using carbon removal technologies. The ambition is based on the Paris Climate Agreement to limit temperature rise to 1.5°C.
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 Function 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.
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.
OECD	The Organisation for Economic Co-operation and Development, an international organisation, established after World War II, with the aim to shape policies that foster prosperity, equality, opportunity and well-being for all.

Glossary continued

Operating capital generation (OCG)	The movement in the solvency surplus (Own Funds before eligibility over SCR at 100%) in the period due to operating items, including the impact of new business, expected investment returns in excess of the unwind of liabilities, release of the risk margin, operating variances, Non-life underwriting result, contribution of non-Solvency II entities and holding expenses and debt costs and the change in the SCR. It excludes economic variances, economic assumption changes and non-operating expenses.
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. 2021 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.
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.

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

Disclaimer

The 2021 Annual Report provides an integrated review of the performance of NN Group. More information – for example the Solvency and Financial Condition Report (SFCR), Total Tax Contribution Report and the GRI Index Table – is available on the corporate website in the Investors/ financial reports section.

Small differences are possible in the tables due to rounding.

Certain of the statements in this 2021 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) the effects of the Covid-19 pandemic and related response measures, including lockdowns and travel restrictions, on economic conditions in countries in which NN Group operates, on NN Group's business and operations and on NN Group's employees, customers and counterparties, (3) changes in performance of financial markets, including developing markets, (4) consequences of a potential (partial) break-up of the euro or European Union countries leaving the European Union, (5) changes in the availability of, and costs associated with, sources of liquidity as well as conditions in the credit markets generally, (6) the frequency and severity of insured loss events, (7) changes affecting mortality and morbidity levels and trends, (8) changes affecting persistency levels, (9) changes affecting interest rate levels, (10) changes affecting currency exchange rates, (11) changes in investor, customer and policyholder behaviour, (12) changes in general competitive factors, (13) changes in laws and regulations and the interpretation and application thereof, (14) changes in the policies and actions of governments and/or regulatory authorities, (15) conclusions with regard to accounting assumptions and methodologies, (16) changes in ownership that could affect the future availability to NN Group of net operating loss, net capital and built-in loss carry forwards, (17) changes in credit and financial strength ratings, (18) NN Group's ability to achieve projected operational synergies, (19) catastrophes and terrorist-related events, (20) adverse developments in legal and other proceedings and (21) 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.

NN

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