



# Securing financial futures

NN Group N.V.  
2016 Annual Review



# The 2016 Annual Report consists of the 2016 Annual Review and the 2016 Financial Report. It provides an integrated review of the performance of our company.

It is in accordance with applicable Dutch law and the International Financial Reporting Standards (IFRS), which were endorsed by the European Union, as well as with the Global Reporting Initiative's G4 guidelines (GRI) and the guidelines of the International Integrated Reporting Council. It aligns relevant information about our strategy, governance systems, performance and future prospects in a way that reflects the economic, environmental and social contexts in which we operate. Read more about our approach to reporting on page 50 of the Annual Review.

As of the financial year 2016, NN Group will also publish a Solvency and Financial Condition Report (SFCR), which will include public quantitative and qualitative disclosures on Solvency II, either through a specific reference to this Annual Report or as supplemental information. The SFCR will be published later in 2017 on NN Group's corporate website in accordance with the relevant deadlines.

## 2016 Annual Review



The Annual Review covers NN Group's operating environment, key trends and material issues, how we create value, our business performance, our strategy, our objectives and achievements related to the social, environmental and governance aspects of our business, and the statement of our CEO. Target audiences are all NN Group stakeholders.

## 2016 Financial Report



The Financial Report covers NN Group's financial developments and annual accounts, the report of the Supervisory Board and our approach to risk management, capital management and corporate governance. Target audiences are shareholders, rating agencies and other stakeholders interested in the financials and governance of NN Group.

## Visit our website



 Further information, including the GRI Index table and case studies, can be found online by visiting our corporate website [www.nn-group.com/annual-report](http://www.nn-group.com/annual-report)

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**We are an insurance and asset management company active in 18 countries, with a strong presence in Europe and Japan. Our roots lie in the Netherlands, with a rich history that stretches back 170 years.**

We understand that for our customers, money is usually a means to an end. Life is about living. That is why we do our very best to help our customers achieve their dreams and overcome adversity along the way.

Through our retirement services, insurance, investments, and banking products, we are committed to helping people secure their financial futures. That is our purpose at NN.

**Because what matters to you, matters to us.**

**You matter**

# With about 11,500 employees, we aim to deliver high-quality retirement services, insurance, investments, and banking products to retail, SME, large corporate and institutional customers

Our business activities are structured within seven reporting segments.

## 1. Netherlands Life

Focus on positioning for growth in the changing Dutch pension market

### Products and services

Group life/pension products  
Individual life/pension products  
Pension administration (AZL)  
Individual life closed block

### Customers

Small- and medium-sized enterprises (SMEs)  
Large corporate clients and their employees  
Retail customers

### Financial performance

Operating result	EUR 710 million
New sales life insurance (APE)	EUR 229 million
Total administrative expenses	EUR 426 million
Total provision for insurance & investment contracts <sup>5</sup>	EUR 72 billion
- of which for risk policyholder <sup>5</sup>	EUR 15 billion

NN Life Solvency II ratio<sup>2</sup> 203%

Value of new business (VNB) EUR 9 million

Net operating ROE<sup>1</sup> 8.1%

## 2. Netherlands Non-life

Focus on improving underwriting performance and customer satisfaction

### Products and services

Property & casualty  
Motor insurance  
Fire insurance  
Liability insurance  
Transport insurance  
Disability & accident  
Individual disability insurance (Movir)  
Group income insurance  
Accident insurance

### Customers

Small- and medium-sized enterprises (SMEs)  
Large corporate clients and their employees  
Retail customers  
Self-employed

### Financial performance

Operating result	EUR 62 million
Gross premium income	EUR 1,578 million
Total administrative expenses	EUR 281 million
Combined ratio <sup>4</sup>	103.4%
- of which Claims ratio <sup>4</sup>	73.7%
- of which Expense ratio <sup>4</sup>	29.8%
Net operating ROE <sup>1</sup>	14.1%

## 3. Insurance Europe

Focus on profitable growth through digital transformation of the businesses

### Products and services

Life insurance (all countries)  
Non-life insurance (Belgium, Spain; Poland as of 2017)  
Pensions (Bulgaria, the Czech Republic, Slovakia, Poland, Romania and Turkey)  
Health insurance (Greece, Hungary and Romania)

### Customers

Retail customers  
Self-employed  
Small- and medium-sized enterprises (SMEs)

### Financial performance

Operating result	EUR 198 million
New sales life insurance (APE)	EUR 502 million
Value of new business (VNB)	EUR 85 million
Cost/income ratio	36.8%
Net operating ROE <sup>1</sup>	11.2%

## 4. Japan Life

Focus on profitable growth through product and distribution diversification

### Products and services

Corporate-owned life insurance (COLI)

Protection life insurance

### Customers

Owners and employees of SMEs, where the company is both the policyholder and the beneficiary of the policy

### Financial performance

Operating result	EUR 154 million
New sales life insurance (APE)	EUR 656 million
Value of new business (VNB)	EUR 121 million
Cost/income ratio	22.5%
Net operating ROE <sup>1</sup>	7.0%

<sup>1</sup> Net operating ROE is calculated as the (annualised) net operating result of the segment, divided by the (average) adjusted allocated equity.

<sup>2</sup> The solvency ratios are not final until filed with the regulators. The Solvency II ratio is based on the partial internal model

<sup>3</sup> Including Mandema & Partners, and Zicht broker businesses.

<sup>4</sup> Excluding Mandema & Partners, and Zicht broker businesses.

<sup>5</sup> End of period

<sup>6</sup> AuM include the mortgage portfolio managed on behalf of NN Life and NN Non-life since 2Q14.

<sup>7</sup> The NN Bank common equity Tier 1 ratio phased in is not final until filed with the regulators.

## What we do and how we are structured

Continued

### About NN

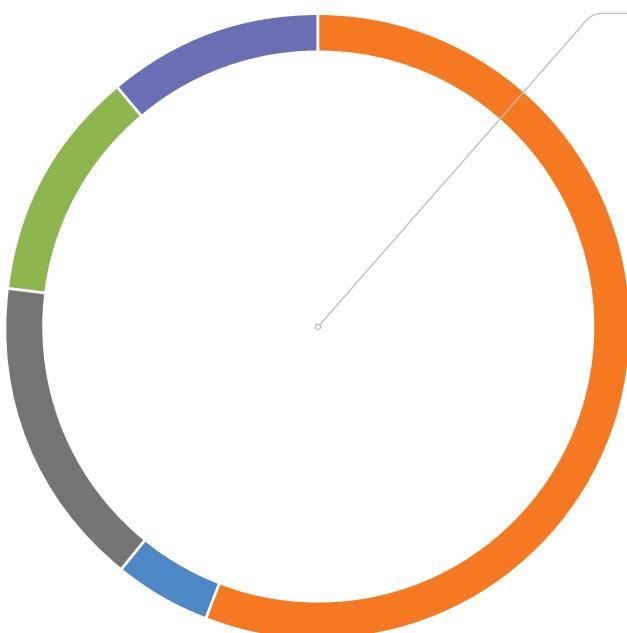
Marketplace and trends

Business model and value creation

Our strategy

Governance

Facts and figures



**NN Group operating result  
ongoing business before tax  
excluding segment Other**  
(% of total – FY2016)

**56 %**  
Netherlands Life

**5 %**  
Netherlands Non-life

**16 %**  
Insurance Europe

**12 %**  
Japan Life

**11 %**  
Asset Management

### 5. Asset Management

**Focus on being an active asset manager with distinct products**

#### Products and services

Fixed income

Equity

Multi-asset

Fiduciary Management

#### Customers

Institutional investors

Wholesale distributors

Retail investors

#### Financial performance

Operating result EUR 133 million

Net inflow Assets EUR -2 billion under Management

Assets under Management<sup>5,6</sup> EUR 195 billion

Cost/income ratio 71.3%

Net operating ROE<sup>1</sup> 24.7%

### 6. Other

**The segment 'Other' is part of the ongoing business**

This segment comprises NN Bank, NN Re (excluding reinsurance of the Japan Closed Block VA portfolio), the holding result and other results.

#### NN Bank

NN Bank operates in the Netherlands and offers a range of retail banking products, e.g. mortgages and savings products.

#### NN Re

NN Re is NN Group's reinsurer. It primarily reinsurance risks within NN Group and retrocedes or hedges risks with the market.

#### Financial performance

Operating result (segment 'Other') EUR -30 million

Holding expenses EUR -55 million

Operating result EUR 63 million  
NN Bank

Total assets EUR 15 billion  
NN Bank<sup>5</sup>

NN Bank common equity 14.0%  
Tier 1 ratio phased in<sup>7</sup>

Net operating ROE 10.0%  
NN Bank<sup>1</sup>

Operating result EUR 12 million  
reinsurance business

### 7. Japan Closed Block VA

**We expect 80% of the book to run off by the end of 2019**

(measured from the end of 2016)

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.

#### Financial performance

Operating result EUR 33 million

Account value<sup>5</sup> EUR 8,201 million

Net Amount EUR 352 million at Risk<sup>5</sup>

IFRS reserves<sup>5</sup> EUR 674 million

Number of policies<sup>5</sup> 154,315

**Continuing in this Annual Review, our reporting segments are grouped as follows:**

- Netherlands Life, Netherlands Non-life and NN Bank are part of Netherlands Insurance
- Insurance Europe, Japan Life, Japan Closed Block VA and NN Re are part of International Insurance
- Asset Management is the asset management business of NN Group: NN Investment Partners

# NN Group has a rich history that stretches back more than 170 years

Although we are a company with a long history at our core, we are relatively new in our current setup. The company we are today was only launched three years ago, with the listing of NN Group on Euronext Amsterdam on 2 July 2014.

Our journey in recent years has been instrumental in building a strong company with a solid balance sheet and a well-known brand.

This steady foundation allowed us to take an important step in preparing our company for the future, and bringing consolidation to the Dutch insurance and asset management markets.

On 23 December 2016, we announced a recommended public offer for all outstanding ordinary shares of Delta Lloyd, with the aim to combine Delta Lloyd with the Dutch and Belgian activities of NN Group.

## 1845-1863

In 1845, De Nederlanden van 1845 ('De Nederlanden') commences operations, specialising in fire insurance. In 1863, Nationale Levensverzekering-Bank ('Nationale') opens for business and specialises in life insurance.



## 1963

De Nederlanden and Nationale merge to form Nationale-Nederlanden. Nationale-Nederlanden pursues acquisitions throughout the world, and starts new operations in Europe and Asia.

**Nationale-Nederlanden** 

## 1991

Nationale-Nederlanden merges with NMB Postbank Groep to form Internationale Nederlanden Groep, better known as ING. ING develops into a leading international financial services company, both through organic growth and acquisitions.

**ING** 

## 2014

NN Group lists on Euronext Amsterdam, under the ticker symbol NN.



## 2008-2009

During the financial crisis, ING receives aid from the Dutch state. As a condition of receiving approval from the European Commission (EC) for this support, ING is required to restructure the company, including the divestment of its global insurance and investment management businesses.

## 2016

ING sells its remaining stake in NN Group. NN Group continues its journey, with the ambition to build a standalone company that truly matters in the lives of its stakeholders.

## 2016-2017

In October 2016, NN Group shares its views on the rationale and benefits of combining Delta Lloyd and the Dutch and Belgian activities of NN Group with the Executive Board and the Supervisory Board of Delta Lloyd. In December 2016, NN Group and Delta Lloyd agree on a recommended transaction. On 2 February 2017, we officially launched the offer.



More information about our history is available on our corporate website: [www.nn-group.com/Who-we-are/Discover-our-history.htm](http://www.nn-group.com/Who-we-are/Discover-our-history.htm)

## Our key figures

About NN  
Marketplace and trends  
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Facts and figures

# 2016 was an important year for NN Group. It was a year in which we continued to deliver on the targets that we set.

### Financial highlights

## EUR 1,227m

**Operating result ongoing business**  
(2015: EUR 1,435m)

Full-year 2016 operating result decreased to EUR 1,227 million from EUR 1,435 million in 2015 which benefited from higher private equity dividends and a significantly higher technical margin in Netherlands Life, while 2016 was impacted by severe storms at Netherlands Non-life.

## EUR 1,189m

**Net result**  
(2015: EUR 1,565m)

Full-year 2016 net result down to EUR 1,189 million from EUR 1,565 million in 2015, reflecting the lower operating result ongoing business, lower results at Japan Closed Block VA, and a negative result on divestments, partly compensated by higher non-operating items.

## 8.1%

**Net operating ROE**  
(2015: 10.8%)

The net operating ROE of the ongoing business for the full-year 2016 was 8.1% compared with 10.8% in 2015, a year which benefited from higher private equity dividends in the Netherlands.

## 241%

**Solvency II ratio**  
(2015: 239%)

We were able to maintain a strong capital position with a Solvency II ratio at 241%, making us well positioned to weather volatile markets.

## EUR 1,386m

**New sales life insurance (APE)**  
(2015: EUR 1,295m)

In 2016, total new sales amounted to EUR 1,386 million, up 2.9% compared with 2015, on a constant currency basis.

## EUR 195bn

**NN IP Assets under Management**  
(2015: EUR 187bn)

Total Assets under Management increased to EUR 195 billion from EUR 187 billion at the end of 2015 due to positive market performance, partly offset by net outflows primarily in the Other Affiliate segment.



Read more about our financial objectives and how we performed on page 45 of this Annual Review, and in our Financial Report.

### Non-financial highlights

## +2 pts

**Net Promoter Score**  
(2015: +6 points)

Based on measurements in our Insurance International Life businesses.

## EUR 5bn

**Assets under Management in SRI funds and mandates** (2015: EUR 4.5bn)

Assets under Management in SRI funds and mandates showed an increase of 12%. NN Investment Partners launched new SRI products, which contributed to this growth.

## 71%

**Employee engagement**  
(2015: 73%)

Overall employee engagement remained at a stable level compared to the previous year.

## EUR 1.5m

**Donations to charitable organisations**  
(2015: EUR 1.5m)

In 2016, already 69% of our total charitable donations of EUR 1.5m went to NN Future Matters and its related target areas.

## 5,685

**Employee volunteering hours in Future Matters focus areas** (2015: 5,593)

We invest in our local communities through our charitable partners and volunteering efforts.

## Neutral

**NN Group was CO<sub>2</sub> neutral**  
(2015: 100% neutral)

CO<sub>2</sub> emissions of our direct environmental footprint showed a decrease of 18%. The remainder of our CO<sub>2</sub> emissions was compensated by purchasing voluntary carbon units.



Read more about our non-financial objectives and how we performed on page 45 of this Annual Review.

# At NN, our purpose is to help people secure their financial futures. Our values: care, clear, commit, guide us in fulfilling this purpose.



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



We communicate proactively and honestly, while being accessible and open.



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

Our values are not voluntary suggestions; they apply to each and every employee. They are the foundation of our company culture and guide our employees in their day-to-day interactions with our stakeholders.

In 2014, we adopted the NN statement of Living our Values, which explains what these values mean to NN. The 'Living our Values' programme raises awareness, involves our employees and enables them to fully integrate our values into their every day work. Our senior management is expected to act as a role model when it comes to living our values, which is also reflected in our leadership profile.

Our values are reflected in our policies, standards and processes that guide our businesses in their interactions with customers and other stakeholders. Our key monitoring instruments that measure employee and consumers' perceptions include questions on how NN is truly living its values. This way our businesses are able to review their scores and generate insight into their values-related behaviour.

**90%**

of employees feel their team cares about customers and treats them with respect

**80%**

favourable employee perception on openly discussing consistency of actions with values

**86%**

of our employees feel that their colleagues demonstrate a high standard of integrity



Link to NN Statement of Living our Values:  
[www.nn-group.com/Who-we-are/  
Corporate-governance/NN-statement-of-  
Living-our-Values.htm](http://www.nn-group.com/Who-we-are/Corporate-governance/NN-statement-of-Living-our-Values.htm)

# Over the next few pages we highlight how our values are implemented across our businesses and how they support us in creating long term value for our stakeholders.

## Common standards for behaviour

Our NN values set the standard for our behaviour and express what we stand for – both internally and externally – to all our stakeholders.

## Code of Conduct

While our values provide us with a compass for decision-making, our NN Code of Conduct gives us more detailed guidelines for specific behaviour. The NN Code of Conduct brings together all relevant, conduct-related standards into a small set of comprehensible documents, fully aligned with our values. The renewed NN Code of Conduct came into effect on 1 September 2016.

In the same way that our values are not voluntary suggestions, our NN Code of Conduct is not optional. All employees are required to become familiar with its content, and NN Group provides clarity on what is and what is not acceptable behaviour. The Code of Conduct outlines our standards with regard to such issues as conflicts of interest, fraud, corruption and Financial Economic Crime. In addition to a general Code for all employees, a Manager annex was developed inform managers of their specific responsibilities in raising awareness and upholding the standards.

Throughout 2016, a series of workshops were organised to discuss the content of the NN Code of Conduct and to foster a dialogue on what it means to apply our values and our NN Code of Conduct in our day-to-day activities.

Based on these workshops, a casebook with real life dilemmas is being developed for learning purposes.



## Organisational implementation

Our values are the foundation for our interaction with customers and other stakeholders, but they are also an integral part of our Human Resources Policies. Compliance with our values is part of our performance management and reward system.

To ensure we hire employees who fit well within our organisation, we made the values an imperative part of our employee value proposition. In 2016, a Personality/Culture matching tool was added to the recruitment websites. This self-assessment tool enables prospective candidates to assess to what extent their personality and values match the culture and values of NN. They can share their matching results as an annex to a job application if they like. For new employees, we have an onboarding programme that explains the NN values and the expectations of employees to uphold them. In the Netherlands, new employees are also required to take the Oath for Financial Institutions, which was fully integrated in the NN statement of Living our Values. The accompanying ceremonies include a dialogue between employees about the values, and a signatory moment of the values statement or Banking Code. By 1 April 2016, all employees in the Netherlands required to take the oath or promise had done so, meeting the Dutch regulatory requirements.



Read more about the additional requirements that apply for NN Bank on [www.nn.nl/Over-NationaleNederlanden/NationaleNederlanden-Bank.htm](http://www.nn.nl/Over-NationaleNederlanden/NationaleNederlanden-Bank.htm)

## Case study: dilemma

### NN's General Terms and Conditions

NN's General Terms and Conditions (GTCs) aim to fully and adequately describe each Insurance product. GTCs can be substantive and, depending on the product, fairly complicated. As a consequence, customers may find them unclear or difficult to understand.

One solution could be to shorten the GTCs and use understandable and simple language, whilst still addressing the heart of the matter. However, we must find a balance and ensure that the GTCs are complete. They must still sufficiently explain product conditions to customers.

The dilemma NN is facing, is if it is possible to have short and simple GTCs that simultaneously inform customers fully and sufficiently? Or does simplification cause a lack of clarity and transparency regarding coverage and product conditions?

## Case study

### Workshops on new Code of Conduct

Workshops on the new Code of Conduct were offered to our employees during 2016. For our senior management these were mandatory. During the workshops, employees discussed dilemmas they may encounter in applying the values and Code of Conduct. An eight-steps model is taught to support them in unravelling a dilemma, including a stakeholders' interest analysis and a decision-making tool.



Link to full article:  
[www.nn-group.com/annual-report](http://www.nn-group.com/annual-report)

**Q1** Who are the relevant stakeholders?

**Q2** What are their interests?

**Q3** Which interests conflict with each other?

**Q4** Do I have all relevant information?

**Q5** What are the arguments in favour of each interest?

**Q6** Can I reach a win-win situation?

**Q7** If not, which argument should prevail?

**Q8** Do I really implement this decision?

### Open dialogue

With the 'Living our Values' programme, we aim to continuously raise awareness of our values, and encourage active engagement from our colleagues. Based on an evaluation conducted in 2015, it was decided to adopt a specific theme for our 2016 'Living our Values' programme, which was 'open dialogue'. It is important that we all feel we can openly share and discuss dilemmas and our different points of view, and various activities were initiated to support this. A blog series on our social collaboration intranet platform SAM (Share All that Matters), called 'Making a story together' was started in which employees could address dilemmas. In 2016, we also continued the 'serious game' called the 'NN Values challenge', which focused on learning about our values in an innovative and fun way. This game allowed our employees to apply our values in different work-related situations and stimulated discussion around the values.

For senior management a performance management pilot was started to emphasise higher frequency and higher quality of performance dialogue. This pilot consisted of workshops focused on improving coaching skills and an upward feedback survey where participants were asked about the clarity, commitment and care of their manager in performance dialogues.

**'It is important that we all feel we can openly share and discuss dilemmas.'**

Dorothee van Vredenburch  
CCO NN Group

### Case study

#### Open dialogue videos

In a series of four videos on the theme 'open dialogue', our Management Board members touched on what open dialogue means to them, and what it means for NN. Themes such as asking questions, listening, trust, and open feedback loops surfaced as common threads amongst our Board members. The first video focused on 'what is open dialogue'. For the other three videos, the MB Members were challenged to have a discussion on the following dilemmas:

- Being entrepreneurial vs Control risk
- Customer service vs Cost reduction
- Short-term profit vs Long term value creation



Link to full article:  
[www.nn-group.com/annual-report](http://www.nn-group.com/annual-report)

### Values week

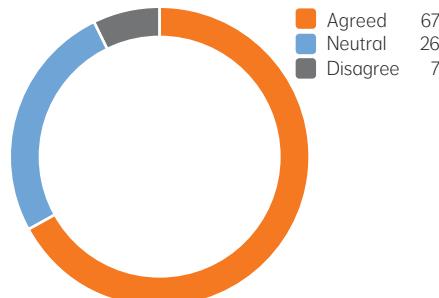
The annual NN Values week was again organised in October 2016, and offered an opportunity to reflect on our values and to pay extra attention to open dialogue. Our businesses organised their own local communication campaigns around the values during Values week. Most of them also organised their own finals of the NN Values challenge, and in nine countries our colleagues organised special values related events. In the Netherlands, 30 workshops were organised, with 450 employees participating. Examples include sessions on 'Navigating your moral compass', 'Listening with empathy' and 'Cultural intelligence'.

**98%**

would encourage a colleague to join the NN Values week next time

**'The Values week in the Netherlands provided a good opportunity to reflect on our values'**

(Netherlands Values week survey, %)



### Case study

#### Values week in Belgium

During the 2016 Values week, NN Belgium organised a number of events. To promote the NN Values challenge, lunch dates and fun tools to challenge each other were introduced. NN Values ambassadors gave cards to selected employees to compliment them for living the NN values. During the dedicated NN Values days employees could post their personal messages on care (what do you truly care for in your work and personal life?), clear (what should be done to be open and transparent in your daily job?) and commit (what do you commit to?). On the final day of the week, the NN Values challenge finalist and their supporters joined for the grand finale.

**2,244**

NN Values challenge games played



Link to our Values week activities:  
[www.nn-group.com/annual-report](http://www.nn-group.com/annual-report)



### Tone at the top

The NN Group Management Board, our senior leadership and line managers play a crucial role when it comes to setting an example. As part of our Yearly Engagement Survey (YES), we asked colleagues if their managers consistently act as role models when it comes to living our values, and if they feel encouraged to act with integrity. The results on YES are displayed in the chart.

The annual performance evaluation and appraisal of our senior leaders is 50% based on the extent to which they demonstrate behaviour in line with our leadership profile, which is founded on our values. Some of the key elements in the NN Leadership profile are: demonstrating integrity, customer focus and creating a culture of clear direction and open feedback.

The Management Board members play an active role in the 'Living our Values' programme. For example in 2016 they kicked off the Values challenge, shared their views in a special interview series (see case study on page 08) and invited employees to breakfast and lunch sessions during the Values week.

### Case study

#### The art of a great corporate culture

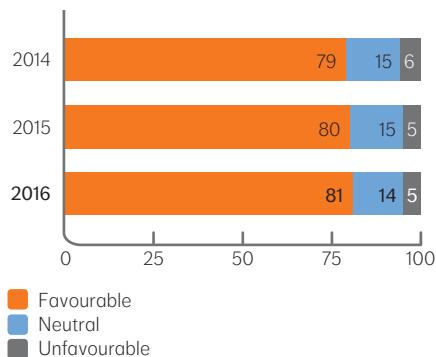
As an investor and advisor on responsible investment solutions, we believe a values-driven culture is an indispensable component of a company's Environmental, Social and Governance (ESG) profile. And even more importantly, it makes good business sense. With its Mindscape publication on corporate culture, NN Investment Partners demonstrates how strong corporate culture can contribute to better company performance. It outlines important market developments and highlights good practices from companies that have corporate culture high on their agenda. The study provides guidance for investors, board directors and other players in the market to stimulate and help shape a healthy corporate culture.



Link to full article:  
[www.nn-group.com/annual-report](http://www.nn-group.com/annual-report)

### 'My manager consistently acts as a role model when it comes to living our values'

(Pulse and YES results, %)



### Yearly Engagement Survey

#### Employees' perception

Through our Yearly Engagement Survey (YES) our employees can express their opinions on different topics, including the extent to which we are living our values and acting with integrity. The 2016 YES showed a slight progress in both areas.

**86%**

employee engagement on  
our brand and values



### Monitoring performance

Each year, the Management Board assesses the effectiveness of the implementation of the 'Living our Values' programme and the points for improvement. This evaluation is also discussed with the Supervisory Board. We established a number of monitoring instruments to assure the effectiveness of the measures we have taken to embed our values into our corporate culture. The perception of customers and the general public on how our company is living our values, for example, is measured through the Global Brand Health Monitor (GBHM), while our employee perception is measured through our Yearly Engagement Survey (YES). If there is a decrease or stagnation in performance, this is reported to the business units so they can take the appropriate action. One of the recommendations from the 2015 evaluation was to further strengthen the ability for employees to ask questions. Therefore, in 2016 Code & Values Desks were set up in all our business units.

### Looking forward

Overall employee awareness of the values continues to be very high, and much has been achieved to ensure the 'Living our Values' programme remains top of mind for all NN colleagues. We will continue the open dialogue as a global theme and a framework for local initiatives. We will further invest in the 'role model behaviour' of managers, as we believe this is a key component of success in the long term. There are a number of other actions planned for 2017 such as further embedding our values in the recruitment processes and further embedding and promoting the local Code & Values Desks with employees.

# Our drive for innovation is about customer satisfaction, intuitive interaction, and efficiency

## Our innovation approach

We continually look for new ways to meet our customers' needs and keep up with the changing dynamics of our markets. The fundamental need of people to protect themselves against life's uncertainties will continue to drive growth in the insurance industry over the long term, and the way we meet this need will change. We want to be the intuitive partner to help people secure their financial futures. Therefore, innovation is a strategic focus area for NN Group.

Our drive for innovation is about increasing customer satisfaction, intuitive interaction, and efficiency. We will continue to run our core activities with the same commitment as always, focusing on cost savings, generating cash flows, and profitable growth. In a complementary way, investing in innovation allows us to make our businesses stronger and to optimally prepare our company for the future.

**'In 2016, all our businesses developed innovative initiatives in support of our strategy to deliver an excellent customer experience.'**

## Creating a new world of customer experience

Our innovative approach is not only about digitalisation, apps and online platforms. Developing products and services that anticipate new customer demands – and meet them in tailored ways – as well as finding other means of distribution, are also at the core of our innovation strategy. The examples below highlight some of our initiatives throughout 2016.

In Turkey, a Self-Service Client Portal was introduced with the purpose of improving our customer experience, using the feedback and suggestions from our customers as the basis for development. This online tool enables customers to view and manage their investments, pensions and insurance, from anywhere, using smartphones, computers and tablets.

NN Life Japan launched a one-stop intuitive service platform for agents, that will strengthen our relationships with distributors, improve the quality of advice and service to customers, improve staff productivity, and create cross-sell, upsell and retention opportunities.

During the severe storm and flooding in Belgium in 2016, an NN Mobile Office was set up to help customers settle their claims. This temporary office and the service provided were highly valued by customers.

NN Investment Partner's Dutch investment platform 'FitVermogen.nl' offers a no-nonsense, needs-based solutions investment approach. Reaching out to private individuals in close cooperation with highly valued organisations and companies impacts the customer experience in a positive way. In 2016, the platform won the CASH innovation award and the CashCow Award for best online asset manager.



## Case study

### The Ab doorbell concept

Ab was one of the first ideas initiated by Sparklab, the innovation lab launched by NN Non-life in the Netherlands. Ab is a home protection service that combines smart technology with preventive technology and post-burglary service and support. Collaboration between the police, fire departments, municipalities, and residents was a crucial element in developing the Ab-concept. These external partnerships support the service's technical elements, including sensors that are installed in people's homes. The Ab system is already proving beneficial, as a burglary was prevented during the pilot phase of the project.

**'This Ab-concept makes me feel safer in my house.'**

**Paul**  
customer

 Link to full article:  
[www.nn-group.com/annual-report](http://www.nn-group.com/annual-report)

## Innovating our customer experience

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NN Group entered into a three-year partnership with Startupbootcamp, a growth accelerator that helps fintech start-ups expand into full-grown businesses. In addition to providing financial support, we offer professional assistance to fintech startups by providing employee mentors. Also, through internships, our employees are given the opportunity to gain insights and hands-on experience in fintech product innovation.

More examples can be found in the 'Delivering on our strategy' chapter, pages 41-44 of this Annual Review.

### Investments in innovation

The most significant investment we are making in terms of innovation is allowing space for it throughout the company. NN colleagues are encouraged to experiment, explore market opportunities, and build new capabilities that support our current business and foster long term growth.

They are stimulated to adopt an innovative mindset with a focus on providing an excellent customer experience, and NN supports internal startups with budgets to bring their ideas to the market. A recent example is Brickler, a NN Bank startup in the Netherlands that drastically simplifies the process of buying a home. Its app helps users in every step of the way, from finding their dream home to finalising their mortgage online.

Supporting these goals and projects are our tangible investments in developing new business models, testing new technologies such as blockchain and artificial intelligence, and transferring our IT-infrastructure to the Cloud.

These measures allow our organisation to become more agile and responsive to customer needs and market demands.

### Innovation going forward

Throughout 2016, our innovation efforts sparked a great deal of energy inside the organisation. Although not all colleagues think we are innovative enough, the majority does feel encouraged to be innovative in their jobs, and we created valuable results for our customers. Now, we are ready to take our efforts to the next level.

Internally, we are focused on further organising ourselves for innovation. Expanding our efforts outside of our current organisation gives us even more opportunities to experiment with new ideas.

Therefore, following the success of Sparklab, our first innovation centre in the Netherlands, we will create a series of similar, connected labs, both centrally and in our business units in different countries. At least seven labs, led by our businesses, will be put in place to launch country or business-specific innovation opportunities. The first new labs are already live in Rotterdam, the Netherlands, and since the beginning of February 2017 in Hungary. Others will be developed in Spain, Poland, and Japan. They are supported by a central lab in the new innovation space The Bridge, located at our headquarters in The Hague.

Expanding our current efforts, we are evaluating what the market has to offer in terms of innovative opportunities and new partnerships. Following our partnership with Startupbootcamp for the fintech and cyber security programme, we are open to further investments in fintech. Our approach to fintech investment is as a means to create strategic, mutually beneficial opportunities and connections, rather than building them ourselves.

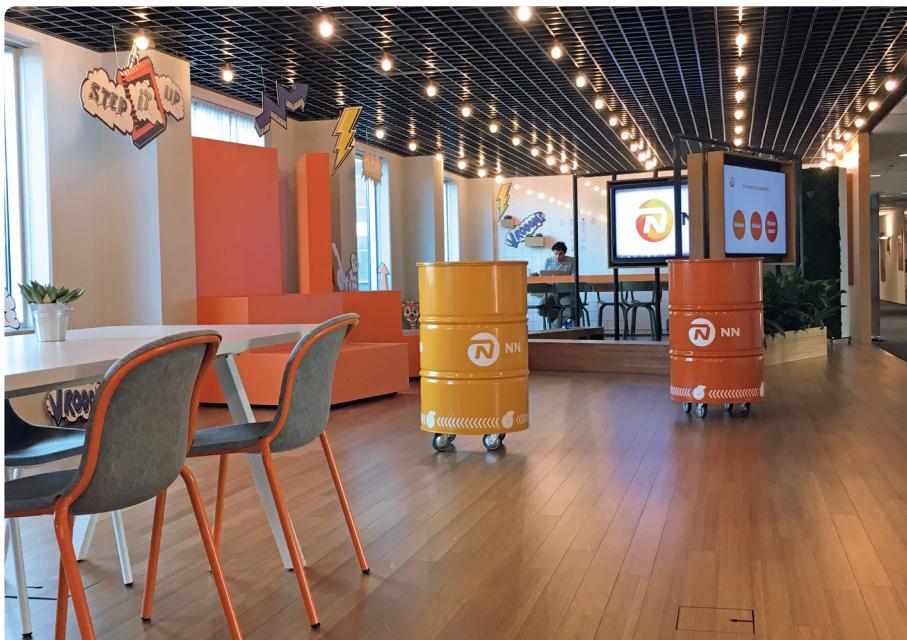
This is how we will pave the way for innovative growth, leveraging our capabilities and market opportunities. Finally, we will continue our 'innovation journey' with our Top 50 leadership group. After evaluating more than 1,000 trends, we identified those opportunities that hold the most potential for NN Group going forward. These insights are being used to further develop our business model.

# 87%

of employees feel encouraged to be innovative in their jobs

# 57%

of employees think NN Group is innovative in its products and services



### Case study

#### The Bridge innovation space

In October 2016, NN Group opened The Bridge, a creative location where all colleagues are encouraged and empowered to unleash their creativity and contribute to an innovation mindset within our company.

**'The Bridge offers everyone to get a taste of innovation initiatives in and outside NN.'**

**Mariken Tannemaat**  
Chief Innovation Officer NN Group

 Link to full article:  
[www.nn-group.com/annual-report](http://www.nn-group.com/annual-report)

# Securing financial futures



**'At NN, we want to help people secure their financial futures, guided by our values: care, clear, commit.'**

**2016 was an eventful and important year for NN Group. It was a year in which we made considerable steps in building a sustainable business for the future.**

In April, ING sold its remaining shares in NN Group, completing its divestment of our company – a process that started in July 2014, when NN Group opened for trading on the Euronext Amsterdam stock exchange. Since the earliest activities of our company in 1845, we have merged, grown and changed, but the core of who we are has remained the same. At NN, we want to help people secure their financial futures, guided by our values: care, clear, commit.

### **Innovating our businesses**

In today's operating environment, adhering to the status quo is not an option. We continuously invest in change and innovation, with the goal of improving our customer experience, lowering our costs and shaping our business for the long term. I am proud of the progress of all our businesses, enabling us to better meet the changing needs of our customers. Let me share a few examples.

In our Non-life business in the Netherlands, we launched our innovation lab, called 'Sparklab'. Following its success, in the coming year more labs will be opened in Turkey, Hungary, Spain, Poland and Japan.

After Nationale-Nederlanden Spain successfully implemented a paperless sales process, this concept was also introduced in Poland, the Czech Republic and Slovakia. These examples show that innovation is not only about coming up with new ideas, it is also about sharing them.

Further supporting our agents in Japan, we launched IRIS – an intuitive service platform aimed at strengthening relationships with distributors and improving the quality of service.

We also look for opportunities using new technologies. NN Investment Partners is exploring digital solutions such as robo-advice, and in the Netherlands we are using robotics to facilitate straight-through and errorless processing.

Our efforts are being recognised externally, earning over 40 awards in various markets. NN in Greece was awarded the best life insurance company in the country, while NN Life Romania won the Company of the Year award. For the fourth year in a row, NN Life Japan received 3 Stars from the Help Desk Institute (HDI) for its after sales service call centre. And in the Netherlands, NN Life was recognised as 'the most recommended pension insurer' for the third time in a row.

### **Robust financials**

Our progress is also reflected in our financial performance over 2016. It shows the resilience of our businesses in an environment which continues to be characterised by low interest rates and market volatility. Most of our businesses made steady progress in delivering on their strategic targets.

For the full year, we delivered a healthy operating result ongoing business of EUR 1,227 million and a good net result of EUR 1,189 million. We produced a higher value of new business and maintained robust Solvency II and cash capital positions – at 241% and EUR 2,489 million respectively. These results allow us to propose a final 2016 dividend of EUR 0.95 per ordinary share at our Annual General Meeting on 1 June 2017. Together with the interim dividend paid in September 2016, this brings the total 2016 dividend to EUR 1.55 per share.

This represents a pay-out ratio of around 51% of the 2016 full year net operating result of the ongoing business.

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### Achieving profitable growth

Our financial strength enables us to invest in value-creating opportunities, using capital generated in excess of our capital ambition. On 23 December 2016, we announced that the Boards of NN Group and Delta Lloyd reached an agreement on a recommended public offer on all outstanding ordinary shares of Delta Lloyd, with the aim to combine Delta Lloyd with the Dutch and Belgian activities of NN Group. With this transaction, we take an important step in bringing consolidation in the Dutch insurance and asset management markets while strengthening our leading position in the Netherlands and Belgium.

In line with our strategy to achieve profitable growth through multi-access distribution, in May, we acquired Dom Kredytowy Notus S.A. ('Notus'), a leading financial broker in Poland. And in Japan, we entered into a long-term collaboration with Sumitomo Life Insurance, focused on selling our Corporate-owned life insurance (COLI) products via tied agents.

### Extraordinary teamwork

As a financial services company, our business centres around people and trust. I am proud to work alongside our 11,500 colleagues who are committed to serving our customers in a professional, caring and personal way. In our Yearly Engagement Survey, 90% of employees stated they feel their team cares about customers and treats them with respect. A solid result, but we will continue to work hard to further improve this. Overall, our employee engagement level was stable at 71%. As a Management Board, we would like to express our gratitude to all NN employees for contributing to our 2016 achievements.

### Investing in society

Our company aims to be a positive force in people's lives, now and for generations to come. To achieve this, we will continue our corporate citizenship efforts in the areas where we believe we can have most impact: improving people's financial wellbeing and responsible investing.

Throughout 2016, we introduced new tools to help empower our customers to find their way towards a financially secure future. With our NN Future Matters programme, we reached out to more than 27,500 youths in the many communities in which we operate. This brings us closer to our goal of positively impacting the futures of 100,000 young people by 2020.

Additionally, we took steps to further drive the development of responsible investing. NN Investment Partners improved its understanding of the materiality of ESG factors for investment returns through two studies conducted with the academic institute ECCE. The results are used to strengthen the ESG integration in our investment process.

We also expanded the sustainable solutions range through the launch of innovative impact funds, both in equity and fixed income, as well as a sustainable multi-asset fund. This helped to grow our Assets under Management in SRI funds and mandates to EUR 5bn, an 12% increase compared to 2015.

We have set clear non-financial objectives to further strengthen our performance. We feel encouraged by the improvement of our position in the ranking of the Dow Jones Sustainability Index to 77 points (out of 100), which places NN Group in the top quartile of the global insurance industry.

### 2017 onwards

As we are proceeding with the recommended transaction with Delta Lloyd, our focus will be on further strengthening our position in the Netherlands and Belgium. We will make sure to give Delta Lloyd colleagues and customers a warm welcome, and show them that our brand promise 'You matter' defines who we are and what we do, every day. At the same time, we will continue to focus on delivering a robust performance as an international group, with a diverse business culture.

Our company has a solid foundation for the future, but more is yet to be done. In particular, we need to keep investing in becoming more efficient, agile, and innovative to optimally respond to the fast-paced environments in which we operate. In these times of change and growth, we would like to thank our customers for their continued loyalty towards our products and services, our business partners for our long term relationships, and our shareholders for their support and investment.

Our ambition going forward remains unchanged: we aim to deliver an excellent customer experience, so we can be a company customers can count on and employees can be proud of – a company that truly matters in the lives of our stakeholders.



Lard Friesen

Chief Executive Officer

### Case study: dilemma

#### Short term profit vs long term value creation

In a series of videos for the 2016 NN Values week, members of the Management Board addressed key dilemmas facing NN Group. One dilemma focused on short term profit vs long term value creation.

The Management Board members agreed that both need to be considered and balanced to achieve a future-proof organisation.

A good example is in quarterly reporting, which reflects the challenge of explaining how the company has performed financially and meeting the expectations of analysts and investors in both the short and long term. In parallel, to build an agile, future-proof organisation, NN Group must always be thinking of long term solutions and long term achievements within the businesses, also from the perspectives of all stakeholders.

 [Read more about the dilemma videos on page 08 of this Annual Review.](#)

 [Link to full article: \[www.nn-group.com/annual-report\]\(http://www.nn-group.com/annual-report\)](#)



# In a fluctuating environment, we strive to drive change to meet evolving stakeholder needs

The financial services industry, which encompasses insurance and asset management companies, is continually faced with various structural changes.

Economic conditions such as low interest rates, as well as the continued ageing of populations, impact the environment in which the industry operates. Increased regulation and decisions made by industry supervisors have a large bearing on the offering of products and services. At the same time, the competitive landscape is constantly changing augmented by the rapid developments in the area of digitalisation and changing customer behaviour. Lastly, (geo)-political developments, and uncertainties surrounding them, lead to volatility in the economy and markets. As such, they both directly and indirectly impact the industry. For the sector as a whole, as well as for companies and other constituencies operating in this environment, these conditions require agility and stable, efficient, and responsible responses to challenges. This always with the interest of the customer front and centre.

The developments described on the following pages are a general assessment of the environment in which financial service providers – insurance and asset management companies in particular – have operated in 2016, including an outlook of the expected impact of these developments in 2017.

## Economic and demographic developments

In the first half of 2016, economic developments in different parts of the world remained rather subdued. Towards the end of the year, some improvement in economic conditions gradually occurred. This was first seen in the US, where the state of the economy was the reason for the Federal Reserve to raise interest rates; Europe later followed suit. In 2017, long term yields are expected to increase, but gradually.

Economic indicators in several European countries, including the Netherlands, showed better-than-expected developments due to stronger consumption and investments. As a result, economic forecasts for the coming years have been adjusted slightly upwards. Japan continues to show the lowest economic growth figures and outlook on a global scale.

Modest positive signals for the global economy could be under pressure from ongoing economic, market, and political uncertainties. This may trigger corporates and the financial services industry to maintain no-regret policies, as they must be prepared for possible effects of (geo)political tensions, financial market volatility, and rapid changes in technology.

With low fertility rates and continued ageing, the working-age population (between the ages of 15 and 64) has declined over the past decade and is projected to further decline over the next years. These trends are common across the globe, and are set to increase pressure on pension and health care systems.

## Regulation

2016 marked the start of the implementation of Solvency II regulation. In general, this was successfully completed, as demonstrated by the results of the recent European Insurance and Occupational Pensions Authority (EIOPA) stress tests published in December 2016. In 2018, a first part of the Solvency II regime will be evaluated. This will provide a first opportunity to assess whether the new risk-based approach and prudence built into the design of Solvency II indeed increased the protection of customers and still sufficiently allows insurers to play their role in the economy as long-term investors.

Early 2017, the new IFRS17 standards will come out for the valuation of insurance liabilities, to be implemented in 2021. Together with the already published IFRS9 standards for asset valuation, this will bring insurance IFRS to the market value world.

In the coming years, it is also expected that legislation will be enacted regarding recovery and resolution planning, both at national and European levels. In addition to regulations related to solvency and risk reporting, several consumer related legislations, like for instance the EU Insurance Distribution Directive (IDD) and the EU General Data Protection Regulation (GDPR) will become applicable. To bring more transparency on tax paid in different countries, tax regulation like Base Erosion and Profit Shifting (BEPS) will come into effect.

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### Competitive landscape

Various trends and developments are impacting the competitive landscape for financial service companies.

Most importantly, customer behaviour is changing rapidly, with consumers increasingly asking for digital solutions.

This is most visible in the area of banking payments, but more and more in insurance and asset management as well. Particularly in the Property and Casualty (P&C) market, online sales of products are advancing quickly. Digitalisation also brings opportunities for insurance companies to broaden and deepen product offerings and increase partnerships with technological start-ups.

The outlook for life insurance and pension products differs across countries. In light of low interest rates, in some European market levels of guarantees in life products need to be addressed. In other markets the challenge lies in coming to terms with a post-guarantee operating environment which itself necessitates a new set of products and increased competition. In the Netherlands, the market for (individual) life and pension products is challenging. It has been observed by many that (life) insurers are forced to reduce costs and capacity, and to engage in consolidation wherever useful and efficient. Central and Eastern Europe remains an economic region with significant potential for the future as witnessed by rising demand for life insurance products and continued growth of the insurance sector in the region.

The asset management industry is currently facing various challenges that put pressure on margins. This is due to low interest rates, digitalisation and the move to passive investment solutions.

### (Geo) political developments

Over the past few years political shocks became increasingly impactful in driving markets and economies. Political situations in many countries have changed significantly, as demonstrated by the outcome of the Brexit referendum in June 2016.

In a broader sense, there are many discussions about the consequences of globalisation, and in some major countries, including the US, measures are being proposed that tilt in the direction of protectionism. In general, European political leaders are facing the challenge of deciding on how European integration will further develop in the coming years.

In 2017, important elections are due in some of Europe's largest countries such as Germany and France, and in the Netherlands. This may impact the financial services industry as it is yet unknown whether specific new measures will be taken by newly elected governments. In the Netherlands for instance, decisions are expected regarding the future pension system and the labour market.

Also in other countries, for example Poland, currently elected governments are expected to take decisions on the pension system that may impact the activities of life insurance and pension providers in those countries.

Another country where NN is offering financial services in a volatile environment is Turkey. Further growth of the business is expected, and we are keeping a close eye on political and economic developments.

All in all, there seems to be a higher risk of uncertainty in the political space, accompanied by potentially substantial consequences on markets and the real economy.

### Being prepared to drive change

What is clear from this general assessment is that the landscape of the insurance and asset management industry is changing rapidly. As in all sectors, businesses that are well-prepared to take advantage of the opportunities these changes bring will be able to create value for stakeholders in the future. Leveraging the opportunities brought with new trends, developments, and market challenges is critical for our long term, sustainable growth. Therefore, in order to further develop and refine our business strategy, it is essential to understand and anticipate the most relevant developments and issues, how these changes affect our business, and how to balance innovative growth with the risks of operating in a dynamic environment.

### Weathering market volatility

In 2016, businesses were impacted by dynamic economic conditions, reducing the investment income of our insurance businesses. However, NN Group's capital position remained strong and resilient, allowing us to weather severe market volatility. In the following sections, we address the issues and trends that potentially have the most impact on our businesses, our stakeholders, and the way we are able to serve our customers.

This is done by discussing trends and issues that are considered important by NN Group and our various constituencies.

### Case study

#### Brexit

In June 2016, the United Kingdom held a referendum that resulted in a decision to leave the European Union – 'Brexit'. With the announcement of Brexit, Europe was faced with growing uncertainty and risk in the markets, with a possibility of wide-ranging implications for the global insurance sector. NN Group has immaterial direct exposure to assets and currency in the United Kingdom. The ultimate impact for the financial sector much depends on what conditions UK companies will face to take part in the European Internal Market.



## To earn trust and support, NN Group maintains an open and continuous dialogue with its stakeholders

**NN considers customers, shareholders, employees, business partners and society at large (including regulators and societal organisations) important stakeholders. We seek feedback from them on different topics in order to learn which issues they consider important. We do this across all levels of the organisation.**

Identifying the most relevant developments and issues within our sector, and the potential impact they have on our company is an ongoing process. We also consider these factors relevant to our annual reporting efforts. The guidelines of the Global Reporting Initiative (GRI) define material aspects that reflect an organisation's significant economic, social and environmental impacts, or that may substantially influence the assessments and decisions of our stakeholders.

This year, we further strengthened our materiality process by redefining our short-list of developments and topics that could potentially impact our company. We did this through an analysis of external research, reporting guidelines, sustainability benchmarks and peer reports. As a result, some topics were added to the list, such as innovation, responsible investment and tax practices; issues such as the use of social media and natural resources scarcity were removed.

To validate these developments and topics, an online survey was conducted amongst an enlarged group of external stakeholders, including investors, regulators, institutional clients, peers, NGOs, academics, and experts in the area of sustainability. Internally, the survey was completed by a group of more than 100 of our most senior managers, the members of our European and Dutch works councils, and representatives of NN Young, our internal network of young professionals. The results from both surveys were combined to create a materiality matrix that presents the developments and topics important to our company, and the relevance of these to our external stakeholders.

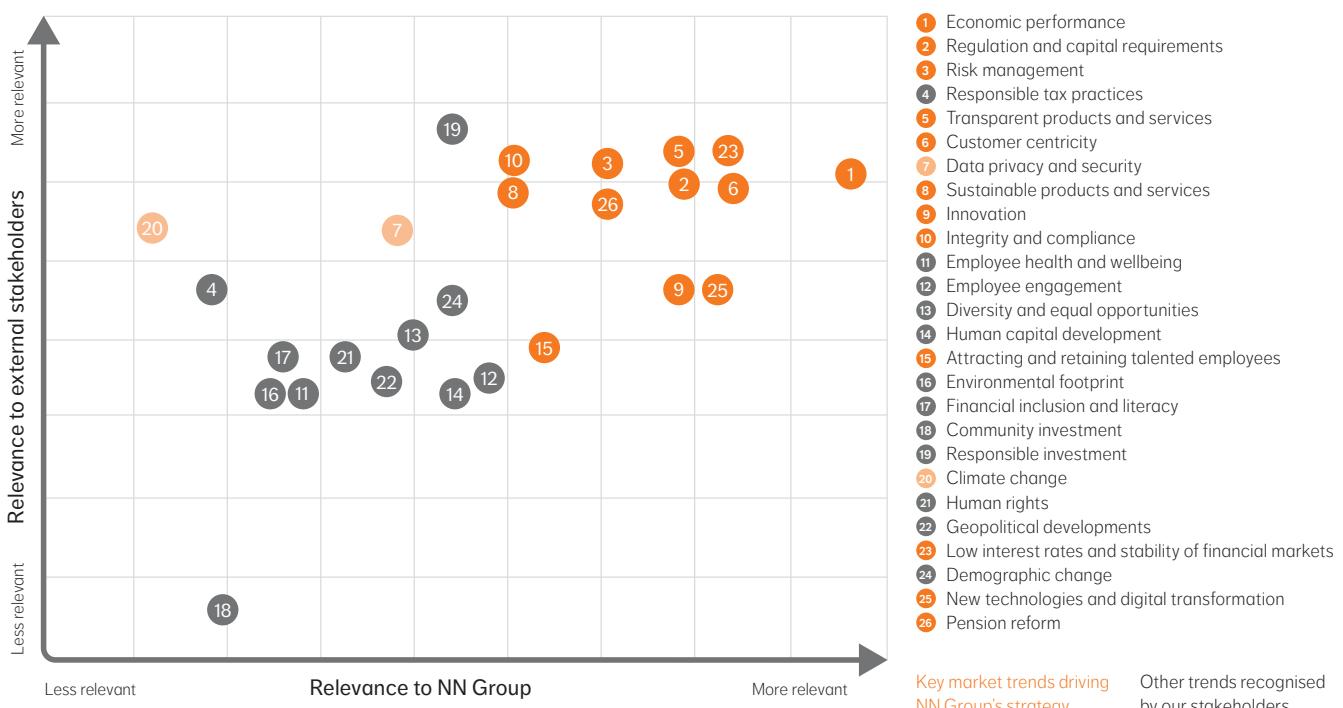
This process was supported and executed by an external agency to ensure a balanced and independent process.

The materiality matrix was discussed with NN Group's Supervisory Board, and validated and approved by the Management Board. These discussions did not affect the division of topics per quartile in the matrix. The outcome of this process is reflected in the figure below.

The most relevant trends and material topics, indicated in the upper right quarter of the matrix, and NN Group's response to them, are further described in the next chapter of this Annual Review. Although not recognised as most material items by all our stakeholders, we believe it is evident that cyber security and climate change impact our businesses, and therefore they are added to this overview.

 Read more about these trends and topics and the impact on our businesses on pages 17-21.  
 Read more about stakeholder engagement on pages 48-49.

### Trends and business concerns recognised as most material by our stakeholders



<sup>1</sup> Although not recognised as one of the key material issues by all our stakeholders in the materiality assessment, we believe it is evident that climate change and the (future) legislation on data privacy and security impacts our businesses..

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The materiality assessment, combined with our own analysis, shows a number of **key trends and topics** that have the potential to impact the insurance and asset management industries.

### Market trend

#### Customer

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##### Customer centricity

Putting customers' interests first and striving to meet their needs throughout all different life stages is the key to being a customer-centric company. The fundamental need of people to protect themselves against life's uncertainties will continue to drive growth in the insurance industry over the long term. But the way people prefer that need to be met changes over time. These changing customer behaviours point to much quicker decision-making, and require our processes to be continuously adaptable.

##### Opportunities and risks

One of our main focus areas will be the way we engage with our customers. To become the partner for retail financial planning, we need to build our own relationships with our customer base. This requires intuitive tooling to facilitate more frequent contact, 24/7 through any means or device customers may use. We need to develop an ecosystem that facilitates direct customer contact. At the same time, it has a role for face-to-face contact with our distribution partners: agents, brokers, banks and other third party distributors. In addition to providing the right tooling, our product offering should anticipate the future needs of our customers, including different relevant social aspects and the shift towards a more sharing economy.

##### Our response

At NN Group, we aim to be a positive force in the lives of our customers. We want to help them secure their financial futures by empowering them to make sound financial decisions. Many people experience difficult financial situations due to unforeseen circumstances. We want to be there for our customers during these times, as well as when things are going well. As we aim to provide a positive and inclusive experience, we also reach out to people who may not have access to insurance and can benefit from additional support. By sharing their feedback with us, our customers help us improve our performance, and enable us to build a future-proof customer engagement model.



Read more about our customer-centric approach on pages 25-27 of this Annual Review.

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##### Transparent and sustainable products and services

Customers ask for transparent products and services that are easy to understand, and not only generate good financial returns, but also have a positive impact on society and the environment. Customers are increasingly looking for transparency and clear information, enabling them to make the right choices. They also increasingly care about the way we integrate sustainability aspects into our business and product offering.

##### Opportunities and risks

NN provides a number of life insurance, pension, income, investment and banking products. Economic conditions, inherent product risks, a highly competitive market and the changing need of consumers, affect the sales of our products and services. Products with guarantees are often no longer affordable. Therefore, we need to transform our propositions to customers. In order to secure our market position, we need competitive products. Products that are designed bottom up, with continuous feedback from our customers. Additionally, we need to price our products according to customer expectations. The use of data analytics is crucial in this process.

##### Our response

We are committed to delivering products and services that are easy to understand and meet customers' lifetime needs. These are built in a standardised, modular way, with flexible features tailored to the needs of individual customers. We review our product range regularly to ensure that all products and services meet our customer, compliance, risk, capital, and profitability requirements. In order to have a competitive advantage in the market, we develop products that are both intuitive and personal. Before introducing new products and services, they go through our product approval and review processes (PARP). PARP ensures, in all our markets, that transparency and customer interest remain a top priority, aligned with our company's values. We are also increasingly paying attention to integrating sustainability aspects into our products and services, such as the offering of specialised SRI funds.



Read more about our transparent and sustainable products and services on pages 25-27, 31 and 42 of this Annual Review.

### Dutch unit-linked products

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.

In recent years, NN has made significant progress in reaching out to ('activeren') individual customers who purchased unit-linked products in the past, addressing vulnerable customer groups with priority.

To date, we reached out to 100% of customers with non-accumulating policies, mortgage related policies and pension related policies (third pillar). NN will reach out to the remaining group before 1 January 2018.

From a total of almost one million individual unit-linked policies sold up to 2006, approximately 288,000 policies were still active on 31 December 2016.

In a limited number of cases (less than 500 by the end of 2016), NN has settled disputes with individual customers. These are tailor-made solutions. A limited number of individual customers have put forward their cases at the Dutch Complaints Committee Kifid or at the civil courts.

Read more on pages 110-111 of the Financial Report (Note 45).

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Key market trends driving  
NN Group's strategy

### Market trend

#### Technology

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#### Digitalisation and innovation

Technological developments continue to evolve at an exponential rate, and with it the ways in which our customers need and wish to interact with us. Technology can make products and services simpler, more direct, transparent and easier to manage. Digitalisation contributes to the optimisation of distribution and flawless processes. It creates the need to make our services accessible anytime and anywhere, while at the same time preserve our personal approach.

#### Opportunities and risks

New technology is also giving rise to new forms of risk, security, and business models. Customers are becoming more comfortable exploring opportunities with non-traditional 'startup' companies within the financial sector. They are willing to consider products that offer something different than traditional savings and pension models. This said, they also continue to demand transparent products and services, and prudent management of their investments. Additionally, it is essential to strike a solid balance between innovating for the future and addressing our current business needs and challenges.

#### Our response

Innovation is a key focus area for NN Group's businesses. Our drive for innovation is about customer satisfaction, intuitive interaction and efficiency at the same time. Developing products and services that anticipate new customer demands – and meet them in tailored ways – as well as finding other means of distribution are at the core of our innovation strategy. Most developments in this area are incorporated in our approach to customers every day.

At the same time, we are continuously replacing and improving our legacy IT systems and portfolios. In 2016, we improved our mainframe. By combining data badges and reducing handovers, our overall data-processing time decreased. Additionally, we are in the process of bringing our IT systems to the Public Cloud. Our Cloud Transformation Programme has its focus on delivering business solutions with built in security and deployment automation. This will further increase the agility of our company.

Expanding our current innovation efforts, we are evaluating what the market has to offer in terms of innovative opportunities and new partnerships. Our approach to fintech investment is a means to create strategic, mutually beneficial opportunities and connections, rather than building them ourselves.

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#### Data privacy and security

With the digitalisation of the insurance and asset management industry comes the increased risk and exposure to cyber crime activities. Although not recognised as one of the material issues by our stakeholders (see the materiality assessment on page 14 of this Annual Review), at NN Group we take data protection and the risk of potential information security breaches very seriously. We are aware of the potential impact of security breaches on our customers, employees, and other stakeholders, and the risk of reputational damage and loss of consumer trust it brings to our company, our brand, and the industry.

#### Opportunities and risks

The prevalence of cyber crime poses a real threat to our businesses and to the safety of our customers. Cyber criminals can use an array of online tools to hack into IT systems, ranging from distributing sophisticated malware to 'man in the middle' attacks that target our customers' data. The risk of cyber and data security goes beyond individual customers and businesses. It can also expose the financial industry to increased scrutiny and legal action from regulators, lawmakers, and governments.

#### Our response

At NN Group, we make every effort to provide optimal security and confidentiality of our customers' data and their transactions. Cyber security is an integral part of our risk management strategy. We work with well-known certification authorities, such as OpenTrust and GlobalSign. We use encryption and authentication mechanisms to secure online communication and transactions.

Security strategies are implemented at a local level through education and awareness. In order to prevent data breaches, our IT department delivers periodic instructions to all of our employees on how to manage the stored, personal data of our customers. We constantly perform security scans and we employ security guidelines which our businesses must meet to properly protect data. Examples are encryption and additional digital surveillance. We regularly review and update our privacy and security policies, as well as operating procedures, in order to comply with stringent regulatory requirements.

We have set up a Group-wide security organisation which has been implemented in all NN business units. We appointed a Chief Information Security Officer (CISO), who is responsible for the overall data and cyber security of NN Group. Central control and coordination are crucial for an effective security approach. For each business unit there are security teams, led by their own Business Information Security Officers.



Read more about our innovation approach  
on pages 10-11 of this Annual Review.



Read more about how we protect our customers' data and support  
them in protecting their data on pages 23 and 25 of this Annual Review.

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### Market trend

#### Talent and people

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#### Attracting and retaining talented employees

Attracting and retaining qualified and skilled colleagues that share our company values and commitment is crucial for the success of any organisation. Offering ongoing development opportunities and an attractive remuneration model tailored to fit market circumstances is part of this process.

#### Opportunities and risk

In order to remain competitive in our industry, NN Group needs to attract high quality talent to the company. In a global marketspace in which industry sectors are increasingly blurred, as well as where new-style businesses are often deemed more attractive than traditionally operating companies, NN is in constant and increasing competition to bring in the best talent from different backgrounds. Moreover, due to rapid technological and regulatory developments, the pressure for financial companies to attract talent with experience, skills, and qualifications in areas such as risk (e.g. actuaries), IT, and customer intelligence continues to increase. It also means that companies are increasingly looking for people that thrive in a dynamic and continuously changing environment.

#### Our response

At NN Group, we aim to have a workforce that reflects the diversity of the communities in which we live and work. When we attract and select employees, we want to ensure there is cultural fit and that they embrace our values care, clear, commit.

Many prospective employees recognise that the insurance industry is changing rapidly. They are often attracted to NN because they want to be part of this change. As we are a company with an international footprint, employees have the opportunity to work in a different country for a few years. This creates a diverse corporate culture where differences are appreciated.

To attract and retain talented people we offer opportunities for personal and professional growth, encourage our colleagues to take responsibility, and create a work environment that values authenticity and collaboration. We feel responsible for the continuous development of our workforce. This allows our people to meet our high professional standards, and to remain employable in this rapidly changing environment.

In 2016, we specifically invested in leadership and talent development by deploying leadership curriculums and talent development programmes. These opportunities encouraged current and future leaders to live our values, demonstrate personal excellence, develop a deep understanding of the markets in which we operate, and enable others to perform at their best.

### Case study

#### NN Group traineeship

At NN Group we want to attract and retain the best talents who share our passion and commitment. One way we do this is by offering traineeships to the next generation of talented employees and potential leaders.

Our traineeship is centred around personal development, problem solving, insurance, asset management, change management, and innovation. You can read more about how our trainees participated in this programme on our corporate website.



Link to full article:

[www.nn-group.com/annual-report](http://www.nn-group.com/annual-report)



Read more about our approach to attract, retain and support our talented people on pages 32-34 of this Annual Review.

## Our operating environment

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### Market trend

#### Economic environment

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##### Low interest rates

Current macroeconomic conditions and volatile markets keep interest rates low, which pose continued challenges for the financial industry. Low interest rates affect investment yields and the returns for customers, and have a negative impact on profitability. In general, this impacts consumer trust.

##### Opportunities and risks

Slow and fragile economic growth affects societies and industries in different ways. There is the risk that people are underinsured, and long term savings are affected, both of which jeopardise people's pensions. Political stability is one factor needed to create stability, however current increased protectionism in certain countries is decreasing the connectedness between countries, which is a complicating factor. More than ever, financial services companies can step up to re-engage people and help them to take their financial futures into their own hands.

##### Our response

Our strong capital position allows us to weather severe market volatility and pay a dividend in line with our dividend policy. We limit our exposure to interest rates by matching the cash flows of our assets and liabilities. We diversify our investments and invest part of our capital in bonds, stocks, and other debt instruments. We take on higher yielding assets in a prudent manner.

With our core activities in retirement services and asset management, we can fill the gap in risk protection that is a result of retreating governments. We have the required expertise and, by combining our asset management, life insurance and retirement service capabilities, we have a solid basis on which to build.

We further strengthened the cooperation between our insurance and asset management businesses. For example, in the Netherlands NN Investment Partners and Netherlands Life have a history of developing various defined contribution (DC) propositions and will continue to work close together in the future.

2

##### Regulation and capital requirements

In the past years, the financial services industry has been significantly impacted by regulatory changes. New regulations increase operational practices in general, and capital requirements that financial institutions should hold against their risk profiles more specifically. An important change for the insurance industry is the implementation of Solvency II. Solvency II is the regulatory framework for (re-) insurance undertakings and groups domiciled in the EU and replaced the former regulatory regime, which was based on the EU Solvency I directive, as of 1 January 2016.

##### Opportunities and risks

Although insurance companies are generally well positioned to adequately respond to regulatory pressure, increased levels of regulation have created a new operating reality in the financial industry. The implementation of Solvency II impacts the risk profiles of companies, the volatility of the market value balance sheet and the amount of information requirements from regulators and investors.

##### Our response

We recognise the importance of clear and sound regulation, as this helps to build and maintain trust in our sector and company. It is important however to achieve the right balance, and prevent regulation from severely disrupting our operations, which in turn increases costs for our customers and decreases customer engagement. NN Group strongly supports the close collaboration of policymakers and the industry to mitigate these risks.

In December 2015, NN Group received approval from the Dutch regulator, De Nederlandsche Bank (DNB), to use our Partial Internal Model (PIM) under Solvency II for NN Group and its insurance subsidiaries in the Netherlands. NN Group was well capitalised at year-end 2016, with a Solvency II ratio of 241% based on the Partial Internal Model.



Read more about our careful financial management to maintain a strong balance sheet, which enables us to weather volatile market circumstances, on pages 28-29 of this Annual Review.

## Our operating environment

Understanding key trends and material issues continued

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### Market trend

#### Economic environment continued

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##### Pension reform

An ageing population, limited economic growth, unemployment, and budget deficits cause difficulties in the funding of pensions in different countries. With governments retreating, the responsibility to manage these difficulties is transferred to individuals. At the same time, they are confronted with increasing complexity caused by various changes in pension systems, usually resulting in low pension awareness.

##### Opportunities and risks

Given the geographical scope of our operations, we deal with many pension systems. Countries have their own pension schemes and their own specifics regarding retirement age, contribution rates, tax deductions, replacement rates, and funding. We need to manage this wide variety of systems and adapt our approach locally.

##### Our response

Although we must consider different pensions systems in different countries, we start by placing the customer at the heart of everything we do. We contribute to raising awareness about pensions, and how the changing landscape will affect people's future income. We aim to engage them early on in an active dialogue, and are focused on offering products and services that give individuals more autonomy and responsibility with regard to their own pensions. Additionally, we aim to offer them security in light of government pension reforms. We have diversified our business and adjusted our product mix by shifting towards defined contribution and investment products.

In several of the countries in which we operate we launched new services and apps, allowing customers to easily access their pension and life insurance accounts, access performance reports of their investment funds, take immediate action in case of pension deficits or just provide them with relevant information.

We support strong and clear regulation regarding pension reform, and also believe that cooperation between governments, regulators and pension providers is essential to better align the interests of the various parties in the pension sector. Customers will benefit from such a shared approach in creating pension sustainability.



Read more about how we help people secure their financial futures  
on pages 25-27 and 41-44 of this Annual Review.

### Market trend

#### Climate change

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##### Climate change

Climate change poses a significant threat to the livelihoods and wellbeing of societies. The effects of climate change are already emerging with warmer temperatures and greater volatility in weather patterns. These changes can also pose a risk to the health of economies and financial markets, although the precise impacts and timing are difficult to predict. High uncertainty and the fact that climate change will occur over a long horizon are considered to be reasons why this issue was not indicated as most material for our company by all stakeholders. Nevertheless, NN considers climate change an issue that warrants attention.

##### Opportunities and risks

As a financial service provider we can be impacted by climate change risks in various ways. For example, in our non-life business, more frequent weather-related events such as wind- or hailstorms could lead to a higher claims ratio, impacting our profitability in certain product lines. Climate change could also have possible impacts on the investments of our life insurance business. The globally agreed goal to keep the temperature rise within 2°C above pre-industrial levels will require significant policy action by governments. This is a source of investment risk as the transition to a low carbon economy may negatively affect company cash flow and profits, particularly in carbon-intensive industries. At the same time, those companies that effectively manage the risks and opportunities may present good investments.

##### Our response

We aim to effectively manage our environmental footprint by reducing our use of natural resources, seeking green alternatives and compensating our carbon emissions (refer to page 35). In the non-life business, evaluating and managing the day-to-day impact of weather-related events is part of our core skills. Furthermore, a diverse range of products and a strong balance sheet help to provide resilience to these kind of risks. In managing investment portfolios, we integrate environmental, social, and governance factors in our analyses and decision making processes. Steps to address climate change also include proactive engagement with carbon-intensive companies and increasing our insights by measuring the carbon footprint of investments. Furthermore, we capture opportunities by offering clients sustainable products and solutions. We have taken note of the proposed recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and are committed to further align our disclosures to these recommendations in our future reporting. To this end, a multi-disciplined working group will regularly inform the Management Board of our progress and challenges.



Read more about our responsible investment and climate approach  
on pages 30-31 of this Annual Review.

## Our business model

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**NN Group wants to be a company that truly matters in the lives of our stakeholders: customers, shareholders, employees, business partners and society at large**

To create long term value we focus on understanding our stakeholders' needs and leveraging our core skills.

### The inputs that enable us to do what we do

Creating products and services that allow **our customers** to improve their financial wellbeing

EUR 9,424m gross premium income  
EUR 195bn assets under management

 Page 25-27



Careful **financial management** to maintain a strong balance sheet

EUR 22,706m shareholders' equity  
EUR 3,872m total debt

 Page 28-31



Attracting, retaining and supporting **our talented people**

11,955 employees (headcount)

 Page 32-34



Creating a positive impact for **society and communities**

Relations with stakeholders  
22 MWh (x1,000) electricity used

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### Our core skills

#### Asset and Liability Management



#### Underwriting



#### Data Analytics



 Page 23-24

#### Risk Management



### The outputs we realised and the outcomes we aim to achieve

Improving **our customers'** financial wellbeing

EUR 11.681m claims and benefits paid  
EUR 106bn total provisions for insurance and investment contracts (ongoing business)  
+2 points Net Promoter Score (NPS)

Enabling an appropriate return for our investors through **our financial management**

4.0% total shareholder return  
EUR 536m dividend paid  
241% Solvency II ratio  
EUR 2,489m holding company cash capital

Empowering **our talented people**

EUR 1,160m salaries and benefits paid  
EUR 13.7m spent on training  
71% employee engagement

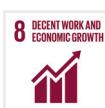
Creating a positive impact for **society and communities**

EUR 1bn paid to suppliers  
EUR 197m income tax paid to governments  
EUR 5,062m assets under management in SRI funds and mandates  
EUR 1.5m donations to charitable organisations  
22 kilotonnes CO<sub>2</sub> emitted, 100% compensated

This is a simplified visualisation of our business model. In developing this model we used the framework of the International Integrated Reporting Council (IIRC) that is based on financial, intellectual, human, and social and relational capital.

### The primary Sustainable Development Goals (SDGs) to which we aim to contribute

Our initial selection of SDGs which was the result of an internal mapping exercise and a stakeholder dialogue:



Decent work and economic growth



Responsible consumption and production



Read more about the Sustainable Development Goals on page 49 of this Annual Review.

## Our **core skills** are vital to generating value within our business model.

### Our core skills



#### Asset and Liability Management

##### What we do

We help people carry the risks that they cannot bear alone, and we charge a premium for accepting those risks. To pay out claims and benefits to our customers, we invest in different asset classes such as government and corporate bonds, stocks, and other types of investments.

##### How this helps create value

When investing our assets, our priority is to provide the best risk adjusted returns, consistent with matching our assets and liabilities. The asset and liability management process is integral in ensuring adequate liability for policyholder obligations. Additionally, we believe that value can be achieved by integrating environmental, social, and governance (ESG) factors in our investment and active ownership processes.

##### What we do differently

We invest most of our assets, as well as our own capital (together called proprietary assets) through our asset management business, NN Investment Partners. We match our asset portfolio to our liabilities with optimal strategic asset allocation and by limiting any mismatches to an acceptable degree. Our portfolio managers are provided with in-house research and information that helps them identify attractive investment opportunities.



#### Underwriting

##### What we do

Underwriting and product development are essential to the insurance business. Underwriting capabilities are needed in understanding, managing, and pricing risks. Our underwriters evaluate the physical and moral risk exposures of prospective businesses and clients. Together with our actuarial department, our underwriters determine the price of premiums to charge in order to insure our customers.

##### How this helps create value

Underwriting creates value by ensuring that NN Group accepts risk exposures within acceptable limits. This is done by improving the predictability of claims. The expertise of our underwriters also allows us to create value by finding optimal solutions for our customers by developing innovative insurance products that are priced properly and fairly.

##### What we do differently

We offer a comprehensive range of transparent value-for-money products than can be effectively risk managed over the expected life of the contract. Our underwriters perform a variety of roles. Their expertise allows them to be strategically involved in areas such as innovation, product development, and customer experience. This demonstrates how we are moving away from the traditional process of underwriting to a more data-driven business model.



#### Data Analytics

##### What we do

Data analytics is not only used to identify, assess, and calculate risks, but also to create personal and relevant products and services for our customers. By using it to identify our customers' needs and demands, we improve our product designs, allowing us to stay relevant in a changing and competitive industry. It increases customer satisfaction and decreases costs. Our models are only used for our own commercial and communication purposes, and we always respect the privacy of our customers.

##### How this helps create value

The ability to identify and respond to the unique needs of our customers directly affects how we interact with them, and in turn improves our customer experience. By analysing large data sets of customer behaviour, we can make predictive models that benefit both customers and NN Group. Besides personalising our product offerings, we can, for example, also predict the number of customers calling our call centre, which enables us to tailor our service offering.

##### What we do differently

To further improve our data analytics skills, we started the Advanced Analytics Lab in the Netherlands. This lab analyses opportunities and threats that can be solved using machine learning. The lab works for our Dutch business units, NN Group, NN Re and NN Investment Partners. Outside the Netherlands, we run a Customer Intelligence programme to significantly increase our data analytics capabilities.



## Our business model

Core skills continued

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## Our core skills



### What we do

Risk taking is integral to the business model for insurance, asset management, and banking organisations like NN Group. Through our Risk Management practices, we seek to meet our obligations to customers and creditors, manage our capital efficiently and comply with applicable laws and regulations.

### How this helps create value

Risk Management is at the core of our value creation process. We protect the financial and capital value of NN Group by employing our risk activities to limit falling short on our long term business objectives. We do not try to predict the future, but rather manage potential risk. This encompasses all risks to all business objectives. We are clear and transparent throughout the organisation for the benefit of management and stakeholders alike.

### What we do differently

Our risk philosophy, called 'Active Risk Management', is built around four components: strategy, assessment, control, and monitoring. We assess the effectiveness of our philosophy twice a year using Risk Culture Dashboards. We work systematically, aim for completeness and document what we do. Each risk analysis performed is communicated to relevant management.



## Our Risk Profile

At NN Group, we perform a yearly risk assessment to identify and assess the top risks for our company. The 2016 process brought attention to many risks and resulted in the following top risks for NN Group (in no particular order).

**Financial market exposure** relates to adverse market movements and volatility. A well-diversified portfolio, a natural hedge with our liabilities, and specific hedging programmes aim to keep this risk within set limits.

Closely related is the **risk of a Eurozone/EU break-up**. On short term, NN Group is able to withstand adversity due to the characteristics of its strong balance sheet. Exposures to certain asset classes as well as custody arrangements are frequently reviewed and action is taken where necessary.

**Adapting our longer term business model in a timely manner** is managed through NN Group's strategy process and related Business Planning cycle. A Chief Innovation Officer channels and supports innovation initiatives.

Closely following developments, actively managing relationships with regulators and supervisors alike, and raising any concerns in relevant forums are examples of mitigating the **risk of regulatory and political changes**.

As a pension provider, **longevity risk** is the largest quantifiable risk for which we investigate options to transfer part of the risk on short term and seek relief on the longer term by rebalancing our portfolio of Defined Benefit and Defined Contribution products.

**Client and product suitability** refers to the risk that products do not cover clients' interests over the full lifetime against a reasonable price. A product approval and review process ensures new products meet our criteria for products. A periodic review of existing products contributes to continuous customer care.

Just like any large organisation, we have a **risk of ineffective operations and related inefficiencies**, which can lead to slow or incorrect decision making, a cost base that is too high, and reputational damage. An effective control framework aims to mitigate these risks to acceptable levels.

Without **the right people**, the ability to effectively manage our business for sustainable success will be compromised. Good talent management is crucial in attracting, retaining and rewarding world-class talent. We invest proactively in development throughout the careers of our employees as this is the number one engagement driver.



Read more about our Risk profile and our approach to Risk Management on pages 119-151 of the Financial Report (Note 52).



# Creating products and services that allow **our customers** to improve their financial wellbeing

In this chapter, we describe how our business model enables us to create long term value for our customers, by putting them at the heart of everything we do.

## Creating value as an insurer and asset manager

The core of our business model is to help people carry risks that they cannot bear alone, providing protection for what matters most to them. As such, we offer life insurance products to protect people against the financial risk of living a long life without sufficient means of support, or dying at an early age. In some markets, we also offer non-life products to protect the assets that matter to our customers, and savings and investment products to ensure their long term income.

Our customers entrust their money to us when purchasing our products and services. We invest and manage this money actively to be able to pay out claims and benefits. We are committed to offering products and services that are easy to understand and that empower our customers with the knowledge and tools they need to make sound financial decisions. Through our multi-access distribution approach, we aim to be where our customers want us to be, supported by efficient and effective operations. This is reflected in our strategy to deliver an excellent customer experience.

 Read more about our strategy on pages 38-45 of this Annual Review..

## Customer suitability

We strive to meet customers' needs throughout all different stages in their lives. We want to offer them fair value for money and an experience that is straightforward, personal, and caring. This means that we need to deliver insurance products that are suitable, transparent, and contribute to the financial wellbeing of our customers. Our Customer Golden Rules express that:

- We offer fair value to customers
- We explain the risks, returns and costs of our products and services
- We regularly assess products, services and distribution practices
- We only work with professional and licensed distributors

**“You matter” is not just a slogan. It defines what we do at NN.’**

**Lard Fries**  
CEO NN Group

## What matters to our customers matters to us

NN Group wants to be known as the 'You matter' company: a people-oriented, and authentic service provider in the long term financial planning industry. We want our customers to have an experience with our company that lives up to the promise we make. Therefore, 'You matter' is not just a slogan; it defines what we do at NN, influencing every department, every employee, and every interaction with our customers.

With our 'You matter approach', we wish to inspire people to think about what matters most to them, and to help instil in them the confidence and knowledge to secure their financial futures. This also means that we take an active role in helping our customers recognise what truly matters to them in life. Our campaigns, focused on understanding the deeper motivations of individuals, and sharing what makes our customers happy, play an important role in this.

In 2016, we launched our new international advertising campaign, 'It's different when it's yours', celebrating the uniqueness of our individual customers. It focuses on those moments in life we all experience, yet we all experience it differently. So even though NN is proud to help millions of families and businesses every day, we know that the family, home or business of each individual customer will matter most to him or her.

## Supporting our customers in protecting their data and the risks of cyber crime

As a financial services provider, NN Group is always concerned about security. We have vast quantities of personal and financial customer data, which we treat with utmost care.

Now that digital technology is the primary means with which to process information, new forms of risk and crime are also on the rise.

At NN Group, we make every effort to provide optimal security and the confidentiality of our customers' data and transactions. We also recognise our role in supporting our customers in their own fight against cyber crime. Therefore, we have launched the Dutch Cyber Collective, an overarching alliance between suppliers and users in the cyber sector.

This initiative, officially launched in 2017, has been set up to help small- and medium-sized enterprises in the Netherlands to reduce cyber crime. Initiated by NN Group, the Dutch Cyber Collective connects associations, commercial companies, NGOs, and other parties who are committed to cyber security.

 Link to full article:  
[www.nn-group.com/annual-report](http://www.nn-group.com/annual-report)

## Our business model

Our customers continued

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### Customer empowerment

At NN Group, we aim to be a positive force in the lives of our customers. We want to help them secure their financial futures by empowering them to make sound financial decisions. For this reason, we developed several tools to support customers in their financial planning. We also work together with several specialised partners, such as Wijzer in Geldzaken, Nibud and Viva magazine, to contribute to the increased financial awareness and resilience of our customers and society at large.

People may experience difficult financial situations due to unforeseen circumstances in their lives. We want to be there for our customers during these times, as well as when things are going well. For this reason, our business units developed policies for customers in arrears aimed at helping them better overcome these difficulties. In addition to these specific policies, we developed general practical measures for customers, such as the opportunity to receive the help of a budget or career coach.

We strive to help mortgage customers in financial distress by looking for solutions to address their financial situation. We realise that there is no 'one size fits all' solution to financial issues. This is why we try to offer assistance in various ways, based on an analysis of income and expenses of mortgage customers in arrears.

In 2016, NN Bank developed a pilot project focused on mortgage customers at risk of being in arrears. Via an early warning system, we proactively reached out to a group of customers to help them before they became behind in their payments. Measures we offer include grace periods, interest holidays, budget coaching, and job coaching.

By partnering up with initiatives of Wijzer in Geldzaken, a stakeholder platform coordinated by the Dutch Ministry of Finance, we aim to increase awareness of pensions. Nationale-Nederlanden in the Netherlands was nominated for an award from Wijzer in Geldzaken for our online service Pension Help. Pension Help starts ten years before a person's retirement date, and aims to help customers by sending them customised and relevant information step-by-step.

In Bulgaria, we have an information portal called Pensiopedia which provides information about the Bulgarian pension system in an accessible and understandable way, with NN experts available to answer questions. Additionally, in Bulgaria we provide tools which aim to improve the financial literacy of children.

In Turkey, we provide fund consultancy services. Fund consultants inform customers via telephone calls about their current funds, returns, and stock market fluctuations. In Spain, we are delivering more information to help customers make the right investment decisions, with the help of a matrix where they can see different investment options. Customers are shown which investment solution best fits their needs by linking their investor profile with the potential risks of different investments. Additionally, we created a newsletter with financial information to increase customers' knowledge of financial markets.

### Financial inclusion

NN reaches out to people who may not have access to insurance and could benefit from additional support. We want to provide a positive and inclusive experience for many different groups of people by anticipating their specific needs and individual situations.

In Romania, we developed a health insurance product that offers affordable access to private care, as health care is becoming increasingly expensive to lower- and middle-income families. The core of this new proposition is extensive care for patients and less financial worry for their families. This health care product also aims to address the long term sustainability of Romanian public healthcare. In a collateral project, our Insurance Romania business unit focuses on disadvantaged children and children placed in foster care.

In Spain, we have the ForYou life insurance product with breast cancer coverage. The insurance provides special coverage in case of breast cancer and allows for a second medical opinion, home assistance, and child care services. Also in Spain, we have 'Orange points' which are sales points in small villages. In 2016, we had 121 sales points providing access to our products and services. In Japan, we launched a new life insurance product that provides a critical illness coverage in case of cancer, acute cardiac infarct and stroke. It was developed to support business owners who are unable to manage their company due to critical illness.

### Case study

#### Survey into financial behaviour

In collaboration with the University of Tilburg, NN conducted an international survey into consumers' financial behaviour. Around 9,300 people in 14 European countries participated in the research, which focused on the degree to which people feel in control of their financial future. The results will allow us to shape our policies to better meet the needs and wishes of our customers.



Link to full article:  
[www.nn-group.com/annual-report](http://www.nn-group.com/annual-report)



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## Case study

### Value for money to SMEs in Japan

NN Life Japan launched a new value proposition – COLI critical illness insurance. It offers protection to business owners from the risk of deadly diseases. The product was developed to support business continuity when SME owners cannot stay at the helm of their company due to illness. We also opened a sales office in Kitakyushu. It enables us to better provide business continuity protection as well as other products related to business issues that SMEs are facing today



Link to full article:  
[www.nn-group.com/annual-report](http://www.nn-group.com/annual-report)

NN Group is involved in the Netherlands Investment Institution (NLII). The aim of the NLII is to increase long term investment opportunities in the Netherlands by matching supply and demand. This gives institutional investors the opportunity to invest in the Dutch economy, and allows entrepreneurs and SMEs to benefit from additional financing opportunities. We also have a partnership with microfinance organisation Qredits through our membership of the Dutch Association of Insurers (Verbond van Verzekeraars). Qredits offers microfinance loans to both starting and experienced entrepreneurs, who are not able to obtain a regular bank loan.

Additionally, NN is involved with the Foundation for Sustainable Micro Pensions in Developing Countries (SDMO), through our membership of the Dutch Association of Insurers. The micro pensions programme works with a local partner – the Development of Human Action (DHAN) Foundation – which supports one million families in India. The pension is a defined contribution product with two options upon retiring: pensioners either take a higher pension which ends when they die, or they take a slightly lower pension and the remainder is paid when they die to their families.

## NPS in 12 of our insurance countries (where we measure NPS)

Country	Life (unchanged/ improved NPS-r)	Non-life (unchanged/ improved NPS-r)	Pensions (unchanged/ improved NPS-r)
1 Belgium	yes	yes	n.a.
2 Bulgaria	yes	n.a.	yes
3 Czech Republic	yes	n.a.	yes
4 Greece	yes	n.a.	n.a.
5 Hungary	yes	n.a.	n.a.
6 Japan	yes	n.a.	n.a.
7 Poland	yes	n.a.	yes
8 Romania	no	n.a.	yes
9 Slovak Republic	yes	n.a.	yes
10 Spain	yes	n.a.	yes
11 The Netherlands <sup>1</sup>	n.a.	yes	yes
12 Turkey	yes	n.a.	yes

<sup>1</sup> Due to product portfolio and organisational set-up, the Dutch Life products are embedded in the Non-life and Pension results.

## Measuring our brand and reputation

We measure how our customers value our products and services using – amongst others – the Net Promoter Score (NPS) methodology. With NPS we collect, evaluate, and act on a constant stream of customer feedback. This information drives improvements in our product portfolio and customer service. In 2016, all of our insurance businesses maintained or improved their Relationship NPS scores compared with the previous year, with the exception of Life in Romania. The NPS for Romania Life is still well above market average and the highest score compared of all our business units.

The NN Global Brand Health Monitor monitors how our brand is perceived externally, amongst our customers and society at large. Twice a year, we measure our main brand indicators and provide insight in the development of the brand performance. The Global Brand Health Monitor measures the brand awareness per business line per country, and whether customers feel we are living our values.

NPS is measured in all countries where we have business activities. The table shows NPS of our insurance countries. Measurement for the insurance business is conducted for all business lines covering banking, life insurance, and pensions. Our insurance business in Japan is included in a separate study. Luxembourg is also included in a separate study as their clients mostly live outside Luxembourg. Measurements for the asset management business is conducted amongst both institutional and retail investors. For institutional clients we only report the aggregate score, which was +7.



# Careful financial management to maintain a strong balance sheet

In this chapter, we describe how our business model enables us to remain financially strong and competitive and create long term value for our different stakeholder groups, by closely managing our balance sheet.

## Creating value as a listed company

We raise the financial capital that we need to manage our business from our shareholders and investors, as the owners of our company. They invest their money in NN Group and expect to be compensated in a responsible way. Maintaining a strong balance sheet is key to absorbing market volatility and ensuring NN Group and our operating entities are sufficiently capitalised at all times.

We regularly inform the market of strategic, financial and commercial developments at NN Group. In doing so, we constantly strive to enhance our reputation as a solid, transparent and reliable company for all our stakeholders.

Our shares are included in four stock indices: MSCI Global Standard index (since 26 November 2014), STOXX Europe 600 index and FTSEurofirst 300 index (both since 22 December 2014), and Euronext AEX index (since 23 March 2015).

## Shareholder investment

NN Group strives for a strong and diversified shareholder base, as we believe this is in the interest of all our stakeholders. A diverse shareholder base allows for cost-effective access to capital and business support.

Besides the financial benefits of a broad shareholder base it also provides greater flexibility and strengthens the corporate reputation.

In April 2016, ING Group sold its remaining 14.1% stake in NN Group. This transaction was in line with ING's restructuring agreement with the European Commission to divest all of its insurance and investment management businesses, ultimately by the end of 2016. We are grateful to ING Group for their partnership and support in our journey to become a stand-alone company.

Shareholdings in Dutch listed companies of more than 3% must be notified to the Netherlands Authority for the Financial Markets (AFM).

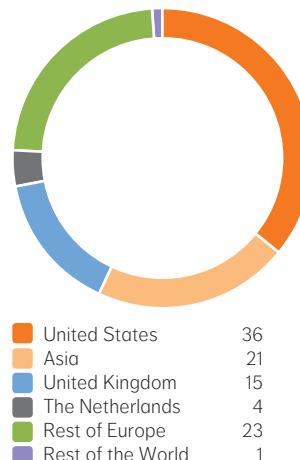
According to the AFM register as at 14 March 2017, the following shareholders have an interest of more than 3% in NN Group on the notification date: Thornburg Investment Management (3.03% – 7 Aug 2016), Norges Bank (3.22% – 27 Jun 2016), Franklin Mutual Series Fund Inc. (3.87% – 27 May 2015), Temasek Holdings (Private) Limited, (4.27% – 2 Feb 2016), BlackRock, Inc. (5.15% – 28 Oct 2016), and RRJ Capital II Ltd. (10.13% – 30 Jun 2016).

The stated percentages are the interests reported by the relevant shareholder to the AFM on the indicated dates. It is possible that the stated interests differ from the current interests of the relevant shareholder.

## Relationship agreement RRJ

RRJ Capital II Ltd ('RRJ') and NN Group have entered into a relationship agreement which was signed on 3 October 2016 and has a term of four years. Prior to the expiry of this agreement, NN Group and RRJ will discuss its potential continuation in good faith. RRJ intends to be a long term shareholder in NN Group and has expressed its continuous support and confidence in NN Group's strategy and management.

**Diverse shareholder base**  
(Nasdaq shareholder analysis as at 31 January 2017 (%))



Development of the NN Group share price in 2016



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On 19 December 2016, RRJ, its owners and certain associated companies, received a Declaration of No Objection (DNO) from the Dutch Central Bank (DNB), as referred to in section 3:95 of the Dutch Financial Supervision Act (WFT), to hold an interest in NN Group not exceeding 12.5% of the issued share capital of NN Group.

On the date the DNO was issued by DNB, RRJ held an interest of 10.26% in the issued share capital of NN Group.

### Shareholder returns and dividends

NN Group intends to pay an ordinary dividend in line with its medium-term financial performance and envisages an ordinary dividend pay-out ratio of 40-50% of the net operating result from ongoing business. We intend to pay interim dividends calculated at approximately 40% of the prior year's full year dividend. Barring unforeseen circumstances, we intend to declare the interim dividend with the disclosure of our second quarter results and to propose a final dividend at the Annual General Meeting of shareholders.

Capital generated in excess of NN Group's capital ambition is expected to be returned to shareholders unless it can be used for any other appropriate corporate purposes, including investments in value creating corporate opportunities. A clear example is our intention to combine Delta Lloyd with the Dutch and Belgian activities of NN Group, by way of a public tender offer for all issued and outstanding ordinary shares of Delta Lloyd, for EUR 5.40 in cash per ordinary share.

NN Group is committed to distributing excess capital in a form that is most appropriate and efficient for shareholders. Examples are our share buybacks as part of the ING selldown in January 2016, and the share buyback programme announced in May 2016.

More information about the share buybacks is available in the Financial Report, pages 63, 146, and 151, or on our corporate website.

When proposing a dividend, NN Group will take into account, among other things, its capital position, leverage and liquidity position, regulatory requirements, and strategic considerations, as well as the expected developments thereof.

NN Group intends to pay dividends either in cash, after deduction of withholding tax if applicable, or in ordinary shares from the share premium reserve at the election of the shareholder. We intend to neutralise the dilutive effect of the stock dividend through repurchase of ordinary shares.

At the Annual General Meeting on 1 June 2017, a final dividend for 2016 will be proposed of EUR 0.95 per ordinary share. Together with the 2016 interim dividend of EUR 0.60 per ordinary share paid in September 2016, NN Group's total dividend for 2016 will be EUR 1.55 per ordinary share, which is equivalent to a dividend pay-out ratio of around 51% of NN Group's full-year 2016 net operating result of the ongoing business.

### Debt instruments

NN Group is borrowing subordinated and senior debt through debt capital markets to meet long term financing requirements. In March 2015, NN Group established a Debt Issuance Programme which facilitates the issuance of debt instruments.

NN Group targets a single A financial strength rating. The financial strength rating of NN Group by both Standard & Poor's and Fitch is A+.

On 7 October 2016, Standard & Poor's announced that it had placed the credit ratings of NN Group on 'CreditWatch negative' as a result of the proposed acquisition by NN Group of Delta Lloyd. On 4 January 2017, Standard & Poor's announced that it will maintain the credit ratings of NN Group on 'CreditWatch negative' and expects to resolve or update this assessment within 90 days.

On 23 December 2016, Fitch announced that it will not take any rating action as a result of the offer that NN Group has made for Delta Lloyd.

On 10 January 2017, NN Group issued EUR 500 million of senior unsecured debt with a fixed rate coupon of 0.875% per annum and a maturity of six years. The proceeds are planned to be used to repay EUR 476 million of subordinated debt of NN Group on its first call date in May 2017. This debt does not qualify as Own Funds under Solvency II.

On the same date NN Group issued EUR 850 million of subordinated debt with a maturity of 31 years and first callable after 11 years with a fixed rate coupon of 4.625% per annum until the first call date and a floating rate coupon thereafter. This subordinated debt qualifies as Tier 2 capital under Solvency II. The proceeds have been used to repay EUR 823 million of hybrids loans outstanding with ING Group which ceased to be grandfathered as Tier 1 capital under Solvency II from 1 January 2017.

To be able to remain competitive and continue to create value for stakeholders, we closely monitor our capital position including the use of debt instruments.

 More information on this programme and the debt instruments issued by NN Group is available on our corporate website. [www.nn-group.com/investors/debt-securities](http://www.nn-group.com/investors/debt-securities)

### Credit ratings

Credit ratings are indicators of the probability of timely and full repayment of interest and the principal amount of fixed-income securities. NN Group has been awarded credit ratings from Standard & Poor's and Fitch Ratings. The financial strength ratings of NN Group on 31 December 2016 were:

**A+**

**Standard & Poor's**

CreditWatch negative, 7 October 2016

**Fitch**

Stable outlook, 23 December 2016

### Financial performance in EUR million

	2016	2015
Operating result ongoing business	1,227	1,435
Net result	1,189	1,565
Net operating ROE	8.1%	10.8%
Free cash flow to the holding	1,349	1,366

### Strong balance sheet in EUR million

	2016	2015
Solvency II ratio	241%	239%
Total assets	168,505	162,152
Shareholders' equity	22,706	20,469
Financial leverage ratio	21.1%	21.7%

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### As a long term and active investor, NN Group is committed to investing responsibly

We strive to conduct our business in an environmentally and socially responsible way. This means managing our own assets, as well as those our customers entrust to us, in a responsible way. NN Group's Responsible Investment Policy Framework sets out our vision and approach on how we integrate Environmental, Social and Governance (ESG) aspects in our investment decision-making process and active ownership practices. It also addresses our investment restrictions and the offering of specialised SRI products.

### Strengthening ESG integration processes and tools

To support the implementation of NN Group's Responsible Investment Policy Framework, we set out to create a series of guidance papers that address areas defined by the UN Global Compact. To help develop these papers, two workshops were organised related to human rights and the environment, involving the sector analysts of NN Investment Partners. The first paper published is on Human Rights, which can be downloaded from our website.

We continued to strengthen the integration of ESG factors in our investment processes. For example, NN Investment Partners in the Netherlands collaborated with our teams in Poland and Japan to leverage local expertise, ensuring that we make informed proxy voting decisions in the region, and strengthen the integration of ESG factors in the investment process across all our operations.

NN Group also developed responsible investment guidelines for Private Equity. These guidelines define our approach to integrate ESG factors in the selection, appointment and monitoring of our (external) private equity managers.

The full implementation of last year's introduced guidelines for Real Estate contributed to a further enhanced performance in the GRESB Real Estate assessment. In 2016, 90% of NN Group's EUR 5 billion proprietary real estate portfolio was measured in GRESB. The portfolio's (value-weighted) score in 2016 was 72 on a scale of 1 to 100, while the benchmark average (289 entities) was 59. This represented an improvement, both in absolute terms and relative to peers, from 2015 when the score was 66 versus the benchmark average of 55.

### Influencing companies to take responsibility

We believe that active, engaged ownership contributes to generating long term value. It is an important part of our strategy to earn long term returns from the companies in which we invest. One of the most powerful tools of active ownership is well-informed proxy voting. Voting rights are exercised on behalf of: (i) the proprietary portfolio and (ii) the Dutch, Belgian, and Luxembourg funds with at least EUR 100 million assets under management.

As part of the information barriers (historically known as 'Chinese Walls'), there are separate voting committees for proprietary and client assets in place. During 2016, NN Investment Partners voted at 1,437 shareholder meetings (94% of total votable meetings) on 18,335 agenda items and 347 resolutions put forward by shareholders.

These resolutions focus on ESG issues. We supported shareholder resolutions related to environmental and social matters in a large number of cases. We voted against when these resolutions would not provide proportionate benefits to shareholders. Our voting record is summarised in the table on page 54.

Dialogue and engagement with companies are part of our fundamental approach to the investment process. Because of NN Investment Partners' active investment strategies, our analysts and portfolio managers are in continuous dialogue with investee companies. During company meetings, they also address ESG issues that may have a material impact for the company.

Furthermore, we have an in-house team that focuses in more detail on ESG issues that may have a material impact on our customers' holdings. The engagements they conduct are often in collaboration with other investors. For example, during 2016, we participated in two working groups of the Principles for Responsible Investment (PRI) that focused on human rights in the extractive industry, and on identifying good practices for companies' director nominations processes.

In 2016, we implemented a more detailed database which allows us to better track and report on ESG dialogues with investee companies. The chart on the next page shows the breakdown between environmental, social and governance issues as a topic of discussion during our company meetings. In total, 310 dialogues were logged by our equity analysts and ESG specialists in the database. These dialogues included 48 engagements conducted by our ESG specialists, which were often in collaboration with other institutional investors or supported by an external service provider.



### Case study

#### ESG ratings lead to better performance

In 2016, a second study was conducted with the University of Maastricht's European Centre for Corporate Engagement (ECCE). This study aimed at understanding how ESG factors affect share price performance in emerging markets (EM) equities. The study finds that investing in EM equities with high ESG ratings leads to better performance when adjusted for country and sector factors. NN Investment Partners uses these results to improve the ESG integration in the investment process.



Link to full article:  
[www.nn-group.com/annual-report](http://www.nn-group.com/annual-report)

## Our business model

Our financial management continued

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NN Investment Partners reports in more detail on its proxy voting and on the progress and outcomes of engagements conducted in the Active Ownership and Responsible Investing reports, which are published on their website.

### Increased focus on climate change

As long term investors, we are aware of the risks climate change presents to our investments, and as such we are committed to playing our part in addressing the issue of climate change.

By supporting the annual Climate Change Information Request that the Carbon Disclosure Project (CDP) sends to publicly listed companies worldwide, we encourage companies to adopt a long term mindset, and to provide better disclosure regarding climate change-related risks and opportunities. In 2016, we also joined CDP's Water programme, through which we will encourage companies to disclose better information about their water usage.

Climate change dominated the environmental shareholder proposals at AGMs in 2016. NN IP voted on 18 different shareholder proposals related to this topic, of which we voted in support of 17. We also continued our engagement in the utility sector focusing on ways to increase power generation from renewable energy sources and reduce their carbon footprint. These engagement activities, supported by engagement specialist GES, focus on a selection of 20 large companies worldwide.

The companies' responses to our engagement requests differ substantially as a reflection of how mature they are in addressing carbon risks. The range in responses is taken into account when future engagement efforts are calibrated to reach maximum effect.

### Making a positive impact through our investments

By offering specialised SRI funds and responsible investment solutions, NN Investment Partners meets our customers' growing demand for products that generate solid financial returns and have a positive impact on society and the environment. NN Investment Partners has a long track record of managing sustainable products across asset classes. In addition to NN Investment Partners' flagship sustainable equity and credit funds, a number of new funds were introduced in 2016. This included a new sustainable balanced fund that invests in a mix of assets classes. NN Investment Partners also grew its presence in impact investment strategies through the launch of a euro green bond fund and a global impact fund focusing on listed equity. These offerings aim to generate measurable impact alongside financial return. The total assets under management in all our sustainable equity and fixed income products have grown with 12% to EUR 5,062 million at year-end 2016.

Guided by our responsible investment principles, we also consider opportunities on behalf of NN Group's proprietary assets that seek a positive impact on society whilst meeting our investment criteria. For example, we invested in green bonds, and provided debt financing for a wind park in Germany.

### Advocacy on responsible investment

NN Investment Partners actively participated in the Investment committee and the Legal committee of the Dutch corporate governance network Eumedion, the Corporate governance committee of EFAMA as well as the Shareholder rights committee of the International Corporate Governance Network (ICGN).

Representatives of NN Investment Partners also spoke publicly about sustainability and corporate governance at various symposia and congresses around the world. On these occasions, they shared the results of NN Investment Partners' studies on the effect of ESG data on investment performance. For its European institutional client base, NN Investment Partners hosted several responsible investor conferences in Europe.

 Read more about stakeholder engagement and international commitments on pages 48-49 of this Annual Review.

 More information on NN's approach to responsible investment is available on our corporate website: [www.nn-group.com/In-society/Responsible-investment](http://www.nn-group.com/In-society/Responsible-investment)

### Building environmental screening tools

Sound investment decisions start with having the right information. To better understand investment exposure to potential environmental risks, NN Investment Partners partnered with South Pole Group, one of the leading providers of carbon, waste and water data. By building an in-house portfolio screening tool, we are able to meet current and future information requirements of clients, enabling on-demand reporting across asset classes. Among the first requests, a carbon footprint report is being prepared for NN Group's proprietary portfolio.



# EUR 5bn

AuM in SRI funds and mandates

# 1,437

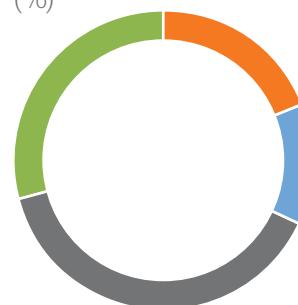
number of shareholder meetings at which we voted

# 310

number of ESG dialogues

### Company dialogues on ESG<sup>1</sup>

(%)



 Environmental 19  
 Social 13  
 Governance 39  
 ESG overlapping 29

<sup>1</sup> This represents the number of company dialogue and engagements conducted by NN IP's equity analysts and ESG specialists.



# Attracting, retaining, and supporting our people

In this chapter, we describe how our business model enables us to create long term value for our 11,500 colleagues by nurturing a culture where their ideas, talents and personalities matter.

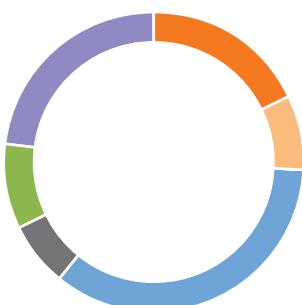
## Creating value as an employer

NN is committed to maintaining a caring, healthy, and respectful workplace in which people can work and thrive. NN's ambition to become more agile, and to increasingly focus on customer-driven innovation, drives our effort to empower our people and to support a more entrepreneurial culture.

Over the past year, these goals have been advanced through efforts dedicated to developing leaders. This includes creating the right mindset for all of us to deliver on our strategy. Overall, this means stimulating a culture that balances left-brain strengths such as ratio, logic, analysis and facts, with right-brain capabilities such as outside-in orientation, creativity, empathy and an entrepreneurial mindset. It is our belief that this fosters authentic employees who wish to develop themselves and take initiative. Although we see this as a long term journey, we have already received a number of HR awards that signal we are on the right track.

## Our employee distribution

(% per business unit)



Netherlands Life	18
Netherlands Non-life	8
Insurance Europe	35
Japan	7
Asset Management	9
Other	23

Building on this approach, we are gradually clarifying and focusing our employer brand in key markets. NN is enhancing its presence on online and social career platforms, and added a 'personality test' to the career site in the Netherlands to assess a cultural fit between a candidate and the company.

Our business in Spain was certified as a Top Employer, and also received a special award for Training and Development. Early 2017, our operations in Turkey and Poland achieved a Top Employer certification, where NN Greece is well under way to realising the same achievement.

## Stimulating our employees to develop and grow

Continuous personal and professional development is necessary to keep up with changing customer behaviour and technological developments. In 2016, much effort was put into stimulating employee dialogue around our values and the mind-set required to be successful. In addition, focus was placed on further cultivating a climate of trust, and on supporting leaders in improving their leadership skills, including 'setting a clear direction', 'creating followership' and 'coaching and giving feedback'.

We support our employees, including management, by offering development opportunities, taking into account different learning needs and styles. Development planning is a fundamental part of our annual planning, coaching, and appraisal cycle. We offer career checks, and specific coaching by internal and external specialists. In 2016, NN spent EUR 13.7 million on training and development. Among other resources, hundreds of online learning and training modules and e-Books were made available to our employees.

In addition to training, we facilitate internships, assignments and job rotation schemes to provide employees with the chance to find out what career steps would be feasible and suitable for them in the future. We also offer students the opportunity to learn and develop by way of internships, supported by challenging assignments and personal coaching.

## Leadership development

In 2016, NN specifically invested in leadership development by deploying a leadership curriculum focused on encouraging current and future leaders to live our values, demonstrate personal excellence, develop a deep understanding of the markets in which we operate, and enable others to perform at their best.

One of the most notable interventions was a three-day leadership development programme for all senior leaders. Similarly, we launched leadership development programmes for trainees, mid-career, and senior-career talents. In general, these programmes take the form of a development journey lasting between 6 and 36 months. This allows these talented colleagues to accelerate their development and grow their leadership skills in line with our NN values, leadership model, and strategic direction.

# EUR 13.7m

spent on training and development

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For all employees that join NN, a professional onboarding programme is offered. Employees are supported in their development through access to a rich variety of learning methods and media, such as e-learning suites, webcasts, games and simulations, as well as more traditional methods such as classroom sessions, training and coaching on the job, and peer learning.

For specific target groups, we developed training programmes for professional development on specific topics, such as Solvency II, Wet financieel Toezicht, and the Art of Insurance and Asset Management. This strengthens our learning communities, and enables knowledge sharing between professional practitioners.

### Recognising performance

The performance management approach is being transformed at the senior level, from a traditional structure to one that centres on regular performance check-ins throughout the year. The new approach puts more focus on employees' motivation, development, and growth. The performance management process includes financial objectives, non-financial objectives, and behavioural objectives that when combined drive value for our stakeholders. This is done on all levels in the company and is linked to reward (either in development or other benefits). 98.4% of our employee base completed the 2015 annual appraisal cycle ending in 2016.

### Equal opportunities and diversity

NN holds a strong belief in the virtues of diverse teams, and how the collective intelligence of diverse talents, personalities, and expertise leads to better decision-making. NN is engaged in a number of activities to stimulate specific aspects of diversity. Our aim is to increase female leadership, better balance our cultural diversity, bring more young talents in, and build an inclusive climate with no barriers with regards to gender, religious beliefs, sexual orientation or otherwise. At the same time we are looking for new ways to optimise how long-experienced employees contribute their knowledge and pass down their skills while working side by side with younger colleagues. As an international company, international mobility across our markets is also increasing.

NN Investment Partners is building momentum in this regard with a Female Leadership Council. The Council developed a business plan to improve gender diversity, including several actions and a governance structure going forward. The focus is on awareness and education, statistics, policies, and creating a network. We sponsor employee participation in several female professional and development networks.

In addition to these focused actions, we aim to have a higher representation of women in all leadership development programmes, such as senior and mid-career leadership programmes, mentoring, and trainee recruitment.

We also understand that diversity itself does not guarantee results in terms of cooperation and better decision-making. This is why in our development programmes we provide managers with tools to increase awareness around the reasons behind differences in behaviour and how to leverage these differences when working in teams and business units. Working for NN worldwide in 2016, 20% of our senior leaders in the so called Top 50 were female and 26% had an international background. The NN Supervisory Board is made up of seven members, two of whom are female. This shows that our continuous effort to improve diversity is bringing small visible improvements, and we look forward to better fulfilling this potential.

### Employee rights and representation

The way we consult with our employees also depends on local legislation and culture. In some countries, employee consultation is a legal requirement and in many European countries, it is arranged through works councils. At NN Group level, we work with a Central Works Council and a European Works Council, within which we encourage employee participation. In the Netherlands, works councils are often actively involved at an early stage in different processes that are of relevance to the company. Social policy topics are frequently discussed in meetings with the works councils and management. Our dialogue with the works councils accommodates collective interests and facilitates the sharing of information and indirect participation by all employees.

An overview of our Central and European Works Council members can be found on page 28 of the Financial Report.

# 52/48

total male/female ratio



### Case study

#### Engaging employees and building a 'start-up culture' in Poland

'How do we create a more entrepreneurial environment in which employees feel engaged and empowered to make decisions, act as owners, come up with innovative ideas and are committed to deliver results?' This was the starting point that led to an extensive engagement programme led by a dedicated group of change ambassadors from across the organisation within Nationale-Nederlanden Poland.

This resulted in a bank of initiatives that encourage employees to search for and create for new ideas for business development and improvement. Simultaneously, everyone's personal development was accelerated through 'speed-dating' events and a new training offer. Poland won an award in the Employee Engagement and Loyalty category from a leading Polish newspaper for their approach.



Link to full article:  
[www.nn-group.com/annual-report](http://www.nn-group.com/annual-report)

## Our business model

Our people continued

In addition, the vast majority of NN Group's employees are covered by a collective labour agreement (CLA) or locally agreed policies. The first NN CLA in the Netherlands was agreed upon in 2011, followed by a new (CDC) pension plan in 2012 and an agreement on the financial independence of the ING Pension Fund in 2014. In 2016, both a new CLA and a new agreement on our Social Plan were reached where 'Investment in continuous employee development' is at the heart of these agreements. NN's process of co-creation of the CLA (with contribution of employer, employees, trade unions and works councils) has been inspiring and is seen as best practice by other companies and governmental institutions.

### Vitality and wellbeing

At NN, we strive to create a healthy work environment and support a good work-life balance, which are crucial for fit and engaged employees. Work-life balance and flexibility are key themes in every country where we operate, even if they are not always the norm in every country's culture. NN strives to forward this through labour conditions that promote flexibility and a healthy way of working. We further support this ideal with office ergonomics, more inspiring workplaces, mindfulness training and different health and vitality programmes.

The 'Your Health matters' programme in the Netherlands offers energy workshops and sports clinics as well as tools and information on work-related stress and mental wellbeing. This is so employees can discuss their perceived workload with their managers and make appropriate agreements. We provide information and support on volunteer care duties and how to deal with these circumstances.

We integrate our vitality tools and workshops in the employability programme, so people are able to meet the constantly changing requirements of their jobs and have enough energy and vitality to remain productive in their work. The international running sponsorship platform and several other society related activities provide additional opportunities for employees to engage in a healthy lifestyle.

### Restructuring

In line with our medium term strategic focus area to become more efficient and agile, we worked on improving our operating model. The aim is to further stimulate a culture of entrepreneurship and accountability within NN Group. As of 2017, our new operating model will be implemented.

To further optimise the efficiency of our businesses, several restructurings were announced or implemented in 2016. Two examples are NN Bank and NN Life in the Netherlands.

In the second half of 2016, NN Bank prepared a Request for Advice to significantly change its organisational structure and governance. The main goal of this reorganisation is to become a more agile organisation. Furthermore, it enables NN Bank to further reduce the cost/income ratio in future years. The new organisation became effective as of 1 January 2017.

NN Life continued to improve the customer experience combined with cost reduction. For the individual life closed book segment, a strategic partnership with a leading outsourcing company was established for the outsourcing of business processes and IT. Combined with the migrations of portfolios to cost efficient IT platforms, the closed book organisation set the course to realise future efficiencies.

These restructurings lead to organisational changes and redundancies. NN remains committed to supporting those employees who are directly affected by these organisational changes. To guide and help our people through these challenging times, we introduced various initiatives to provide employees with training, coaching and advice. In addition, NN stimulates and enables ongoing development, with a view to improve and strengthen the employability of all our employees.

### Stable engagement levels

At NN, we believe that engaged employees are at the heart of a successful organisation. To understand how our employees feel about our company and to get an understanding of their engagement levels, we ask their opinion and get their views through an annual employee survey. The response rates this year – 86% of all employees completing the survey – was high, showing the commitment of our employees to have their voice heard and make our company an even better place to work. Despite ongoing restructuring, overall employee survey results show engagement levels that remain fairly stable at 71%. Furthermore, survey results show our continued focus on our customer, the need to continue to invest in collaboration and innovation, and reflect that colleagues feel all of us truly live our values – care, clear, commit – on a day-to-day basis throughout NN.



### Case study

#### Enhancing leadership self-awareness

Strong, empathetic and inspiring leadership is crucial for achieving our ambitions. In 2016, every senior NN leader was trained in giving coaching and feedback to unlock the full potential of their employees. Each senior leader also joined a three-day leadership development programme.

In this programme, leaders receive a bird's-eye-view of an NN-like business, with trade-offs, experiencing external and internal events similar to events occurring in our current context. It provided a rich context in which critical leadership behaviours can be practiced, observed and coached.

Topics included: 'sense making in a dynamic context', 'understanding how entrepreneurial thinking, innovation and customer centricity translate into managerial decision making' and 'how to more effectively leverage the collective intelligence'.

Management Board members took an active interest by joining debrief sessions at the end of each programme, focused on how to use the insights that were gained.

 Link to full article:  
[www.nn-group.com/annual-report](http://www.nn-group.com/annual-report)

**71%**  
employee engagement



# Creating a positive impact for society and communities

In this chapter, we describe how our business model enables us to create long term value for the societies and communities in which we operate, by using our resources to help them achieve long term, sustainable prosperity.

## Creating value as a corporate citizen

We contribute to the society and the communities in which we live and work in various ways. For example, we generate economic activity by purchasing products and services from local suppliers, in addition to regional and global suppliers. To provide revenue to fund public services, we pay taxes to the governments in the markets where we operate. To ensure we do this in a responsible way, we have adopted a set of tax principles. Furthermore, we invest in our local communities through our charitable partners and volunteering efforts.

## Sustainable supplier management

With an annual spend of around EUR 1 billion, our procurement activities support our business strategy. A substantial part of this investment goes towards real estate, professional services, IT and facility management.

Our relationship with suppliers is based on our NN values, and we aim to work together in a mutually beneficial way.

We have the supplier qualification process and governance in place for managing sustainability – related to social, environmental and financial aspects – which is improving every year.

## Managing our environmental footprint

In 2016, we continued to effectively manage our direct environmental footprint by efficiently using natural resources; by identifying and implementing green alternatives; and ultimately by compensating for the remainder of our carbon footprint.

Our sustainability initiatives continue to focus on energy and business travel efficiency and paper use reduction. We also encourage the recycling of materials inside our office buildings. NN Group's facility management teams are committed to improving the energy efficiency of our buildings, especially in countries where renewable energy is difficult to purchase. In 2016, we realised a decrease of 33% of energy use. This was partially caused by a reduction of office space in the Netherlands.

NN Group encouraged employees to drive cleaner by introducing more electric cars in the NN car pool, and installing additional charging stations at our offices in the Netherlands.

We offset the remainder of our CO<sub>2</sub> emissions through the purchase of Voluntary Carbon Units (VCUs), Gold standard. As a result, we achieved 100% carbon neutrality over 2016. The carbon credits that we acquired come from a windmill park in Manisa, Turkey. The park exists of 23 modern wind turbines with a total capacity of 57.5 MW. The park provides renewable electricity to around 20,000 households. The project ensures that less greenhouse gas emissions will be emitted as fossil fuels are replaced by wind energy.

## Case study

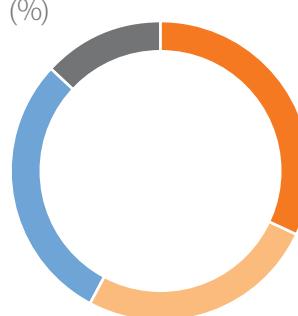
### Scan business travel

NN Group asked Climate Neutral Group in 2016 to make an analysis of our air travel. Climate Neutral Group identified four areas for reduction of CO<sub>2</sub> emissions: reducing business class flights, using the train for short trips, booking more efficient flights and replacing trips with video conferencing.

 Link to full article:  
[www.nn-group.com/annual-report](http://www.nn-group.com/annual-report)



## Energy consumption (%)



Electricity	32
Renewable electricity	26
Natural gas	29
District heating	13

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### Tax strategy and policy

We believe that being a responsible tax payer means that in our tax planning we take due account of long term considerations and carefully weigh the long term interest of our stakeholders. We have a set of tax principles to which we adhere as well as communicate to the public on our website.

One of NN's key principles is that we only structure our tax affairs based on business rationale. This means that we do not make use of aggressive tax planning or use 'tax havens' to reduce our corporate income tax. Furthermore, due consideration is given to NN's legitimate interests, reputation, brand, corporate social responsibility when considering tax initiatives. Another key principle is that we strive to be transparent and disclose all relevant facts and circumstances to local authorities. In the Netherlands this is embedded in a 'horizontal monitoring' approach where we aim to achieve clarity and upfront certainty around tax matters.

NN Group reports various tax elements on a country-by-country basis. We expect the impact of such reporting to be low as it reflects our policy that transactions must have a business rationale. Besides the public disclosure, we also report country-by-country information to the tax authorities in line with the BEPS initiatives.

To raise internal awareness of the standards and policies we have in place that are relevant for all managers to know and act upon, we included these principles in the Manager annex of NN's Code of Conduct, which became applicable in September 2016.

Furthermore, one of the permanent education sessions that NN Group organised for the Supervisory Board last year focused on the topic of tax transparency.

### Financial tax disclosures

The income tax charge of EUR 273 million in 2016 represents an effective tax rate of 18.7% (2015: 9.4%). The effective tax rate in 2016 was lower than the weighted average statutory tax rate of 25.4% due to tax exempt income, partly set off by prior year adjustments. More information on the effective tax rate can be found on pages 91-93 of the Financial Report (Note 35).

The income tax paid is reflected in the consolidated statement of cash flows in the Financial Report and amounted to EUR 197 million in 2016 (2015: EUR 39 million).

The lower income tax paid in relation to the income tax charge reflects differences between accounting and tax rules as well as loss carryforwards.

We further provide details of both the tax charge as well as the tax paid per reporting segment and per country. A full country-by-country report is included on pages 87-90 of the Financial Report (Note 34).



### Case study

#### **Junior Achievement Innovation Camp Spain**

In addition to the Social Innovation Relay, in Spain, JA and NN together also organised an Innovation Camp to promote social integration of people with intellectual disabilities. Students from High School, Baccalaureate, Vocational Schools together with Aprocor, a social foundation with more than 25 years of experience supporting students with intellectual disabilities to achieve social inclusion, worked together to create social innovations.

**'This experience always has a huge positive impact on the students and on us, both professionally and personally.'**

NN volunteer

 Link to full article:  
[www.nn-group.com/annual-report](http://www.nn-group.com/annual-report)

### Case study

#### **Circular mobile phones**

NN Group reduced its mobile footprint through collaboration with the organisation Closing the Loop and its 'One for One' programme. For every mobile phone we replaced, Closing the Loop bought a broken mobile phone in Africa and thereby prevented phones from ending up in landfills. Together, we created new value for discarded mobile phones and contributed to the circular economy.



Link to full article:  
[www.nn-group.com/annual-report](http://www.nn-group.com/annual-report)



## Our business model

Society and communities continued

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### Community investment

The community investment programme of NN Group is called Future Matters. Its goal is to empower people in the markets where we operate to improve their financial wellbeing. The programme specifically targets 10 to 25 year-olds and underserved groups. In 2016, we reached out to more than 27,500 youths in the many communities in which we operate.

We aim to gradually target our overall charitable giving more towards the Future Matters focus areas. In 2016, 69% of our total charitable donations of EUR 1.5 million went to NN Future Matters and its related target areas.

We focus our efforts on three complementary target areas: promoting financial empowerment, creating economic opportunities, and alleviating financial distress. With international and local partners involved, the programme is both globally consistent and locally relevant.

#### Promoting financial empowerment

By supporting people in their development of financial knowledge, we help them foster a secure and stable financial future. Responsible financial behaviour is often best developed at an early age, so many of our initiatives are focused on young people. During the 2016 Money Week in the Netherlands, NN employees gave in total 162 guest lectures in primary schools, teaching 3,700 children about money and financial risk scenarios.

#### Creating economic opportunities

By helping young people prepare for the future, we believe we add value by increasing their opportunities in the labour market. Our colleagues provide job training to young people who may lack specific skills or role models. This is in cooperation with JINC, a Dutch not-for-profit organisation focused on helping young people become better prepared for the labour market.

Another way of creating economic opportunities is by encouraging entrepreneurship. In 2016, the Social Innovation Relay (SIR) again took place as the flagship programme of the NN Group and Junior Achievement Europe partnership. The SIR is a global competition that challenges secondary school students to develop an innovative business concept that addresses a social need. Together with Impact Centre Erasmus (ICE) we are conducting an impact study that researches whether participation in the SIR indeed leads to expertise development and skills improvement.

The main questions addressed are if the participating students improve their skills and expertise, and do they show a more innovative, entrepreneurial and socially responsible attitude that they can use in their future career. A total of 12,631 students participated in ten countries.

In Japan, NN Life continued their partnership with the Social Entrepreneurship School (ETIC). Two young entrepreneurs grew their business by receiving mentoring and advice from various NN experts and senior social entrepreneurs.

#### Alleviating financial distress

Even in prosperous societies, formal social support services are sometimes unable to reach out to the disadvantaged and underserved of society. Through fundraising and partnerships with local charities, NN aims to support families with children that grow up in financially challenging circumstances.

For example in the Netherlands, we partner with the LINDA.foundation, a charity that helps families in financial distress. In 2016, we organised several initiatives to raise funds, such as an employee winter fair. In addition, volunteers helped assemble packages with gift vouchers for the families concerned. Our customers are also involved in the LINDA.foundation through our special credit card that donates ten eurocents for each transaction to the LINDA.foundation.

As part of the promotion of the NN Rotterdam Marathon event, we partnered with the Jeugdsportfonds, a charity that helps children from families without the financial means, to become members of a sports association of their choice. In Bulgarian NN running events, our colleagues ran for one of our local charity partners SOS Children's Village.

To celebrate the second anniversary of NN Future Matters, and to provide the various NN countries with the opportunity to further strengthen their structural partnerships with local charities in line with Future Matters, in 2016, we made extra donations that totalled EUR 127,500 to local charities in 12 of the markets where we operate.

#### Other good causes

In addition to the global community investment target areas under the NN Future Matters umbrella, our businesses and corporate foundations support other local initiatives, within the areas of health and environmental care that are close to our employees' hearts. With these activities, we connect with our employees, customers, and business partners, and aim to address societal needs together.

### Case study

#### Future Matters scholarship programme

The NN Future Matters scholarship programme is a collaboration between NN and EP-Nuffic and gives students the opportunity to complete a Master's programme while gaining the experience of studying abroad. These scholarships are intended for students from selected countries wishing to complete a Master's programme in the Netherlands, with a particular focus on those who are the first in their families to go on to higher education. The students are matched to an NN mentor, who supports them during the year.

 Link to full article:  
[www.nn-group.com/annual-report](http://www.nn-group.com/annual-report)



**'To help young people grow their economic opportunities what better than to provide talented and ambitious students a scholarship to take their future into their own hands.'**

**Delfin Rueda**  
CFO and NN Future Matters mentor

**27,529**

young people reached through  
NN Future Matters programme

**69%**

of total charitable donations to  
NN Future Matters and its related  
target areas

# Our strategy is to deliver an excellent customer experience, based on strong products and services, and long term relationships

Even though the landscape of insurance and asset management is constantly changing, the role we play in supporting people to build and protect their assets and cover their risks has not changed. Therefore our strategy has remained consistent over the past three years: it supports us in fulfilling our purpose and in creating long term value for our company and our stakeholders, as defined in our value creation model.

## NN Group strategy

### Our purpose

We help people secure their financial futures

We care



### Our values

We are clear



We commit



Read more on pages 06-09

### Our strategy

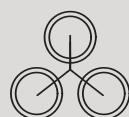
To deliver an excellent customer experience



#### Transparent products and services

To serve our customers' lifetime needs

Read more on page 42



#### Multi-access distribution

We are there, where our customers want us to be

Read more on page 43



#### Efficient and effective operations

To deliver excellent customer service

Read more on page 44

### Excellent balance sheet management

Disciplined capital and risk management to keep customers' money safe

**Our brand 'You matter'**

# Underpinning our core strategic objectives are four medium term focus areas

To capture opportunities for our businesses, we need to keep improving our customer service, increase efficiency and manage the assets entrusted to us – as well as our own assets – in a responsible way. To realise this, we defined four focus areas for the medium term.



## Innovate our customer experience

We want to be the intuitive partner to help people secure their financial futures. Our drive for innovation is about enhancing customer satisfaction, intuitive interaction and efficiency at the same time. In order to do that, we will focus on:

- Transforming our customer engagement, building up relationships with customers and developing intuitive tooling with 24/7 access
- Transforming our propositions, designing easy-to-understand products with continuous interactions with and feedback from customers
- Transforming our cost base, bringing our costs further down and adjusting our pricing to customer expectations



Read more about our innovation efforts and achievements on pages 10-11 of this Annual Review.

## Develop an efficient and agile operating model

To secure long term growth, we continually invest in making our organisation more efficient and agile. In 2016, NN Group further improved its operating model based on the following principles:

- Clear accountabilities: have a clear overview of who is responsible for what
- Streamlined decision making: decrease the number of approval committees and increase our speed of decision making
- Simplified governance: outline the specific roles for the business units, head office and Management Board in an updated governance manual

As of 2017, our new operating model will be implemented, based on a balance between 'responsible freedom' of our business units and control at Group level. It aims to further stimulate a culture of entrepreneurship and accountability within NN Group.

## Leverage our asset management capabilities

The fundamental need of people to protect themselves against life's uncertainties will not disappear and will therefore continue to drive growth in the insurance industry over the long term. With the combination of our asset management, life insurance and retirement service capabilities, we differentiate ourselves in the market. In this context, asset management needs to be even more integral to the core of NN Group. With regard to our portfolio, we are involved in banking, non-life and health on an opportunistic basis, where we have clear chances to succeed or where it helps us build the needed scale.

A good example is the cooperation between our pension administrator AZL and NN Investment Partners in setting up De Nationale Algemeen Pensioen Fonds (APF). Read more about the APF on page 41 of this Annual Review. Also, NN Investment Partners and Netherlands Life have a history of developing various defined contribution propositions and will continue to work closely together in the future.

## Make clear capital allocation choices

Capital generated in excess of NN Group's capital ambition is expected to be returned to shareholders, unless it can be used for other appropriate corporate purposes, including investments in value-creating opportunities. We continuously perform a strategic assessment of NN Group's portfolio. During the year, we announced several transactions.

On 18 May 2016, we acquired 100% of the shares of Dom Kredytowy Notus S.A. (Notus), a leading financial broker in Poland.

On 18 July 2016 we announced the sale of Mandema & Partners to Van Lanschot Chabot in the Netherlands.

On 4 October 2016, our wholly-owned reinsurance entity in Ireland, NN Re (Ireland) Ltd., signed a portfolio transfer agreement with Canada Life International Re Limited.

On 5 October 2016, we announced the intention to make an offer for all outstanding ordinary shares of Delta Lloyd, aiming to combine Delta Lloyd with the Dutch and Belgian activities of NN Group, which resulted in a recommended offer on 23 December 2016.

Also on 5 October 2016, we entered into a long term collaboration agreement with Sumitomo Life Insurance in Japan.

## Our medium term focus areas are translated by the different businesses into local strategies, responding to their own market characteristics.

### Netherlands Insurance

#### Personal, digital, and relevant

Embracing the main trends of individualisation and digitalisation, our Dutch business units continue to invest in innovating our customer experience by offering personal service in a digital and relevant way. It is a personal approach, with products and services relevant to the customer delivered through their preferred channel.

Whereas the focus in 2016 was mainly on increasing digitalisation and getting the basics right, going forward the ambition is set to increase our efforts to become more personal and relevant to our customers. Another clear goal is to increase pension awareness. This is paramount in the Netherlands, as its pension system is expected to change considerably over the next five years. NN actively contributes to the discussions on the direction of these changes. At the same time, cost savings remain a priority in the Netherlands. After NN Group announced the sale of Mandema & Partners on 18 July 2016, the target to achieve an annual administrative expense base for the Netherlands was reduced from EUR 700 million to EUR 685 million by the end of 2018.

### International Insurance

#### Strategic focus on profitable growth

In order to drive profitable growth while innovating our customer experience, a first priority for the international insurance businesses is to focus on disciplined capital allocation at portfolio and proposition levels. This enables the business to improve return on equity of the overall portfolio and also improve the value of new business written as we focus on innovating customer propositions that fit the low interest rate environment.

Secondly, we aim to further leverage high-quality distribution by accelerating the roll out of digital capabilities to tied agency networks. This brings improved productivity as well as an enhanced customer experience. Opportunities also exist to significantly grow in bancassurance partnerships. In 2016, we added partnerships with six new bancassurance players.

A third priority is to drive growth through innovative product development mainly in the areas of protection and long term savings. Finally, we want to differentiate through excellent customer experience by continuously digitalising and innovating the customer touchpoints and leveraging customer intelligence and data analytics. Successfully implementing a digital strategy is critical to firstly meet and progressively beat our customer expectations.

### Asset Management

#### Sharpening strategic focus

NN Investment Partners, our asset management business, continues to sharpen its strategic focus on creating relevant solutions for both institutional and private investors. NN Investment Partners aims to develop close partnerships and explore new opportunities to accelerate growth across its third party client base. The main focus therefore lies on segments where distinct investment skills meet strong or growing client demand.

To capture a greater part of today's market and to broaden recognition of its skills, NN Investment Partners continues to invest in products in selected areas. This includes Multi-Asset (such as MA total return strategies and MA factor Investing), Liability Driven Investments, Income (such as Credit and Convertible Bonds), Emerging Markets and Private Debt, while continuing to serve clients in other – more traditional – areas as well.

Furthermore, NN Investment Partners continues to invest in its sustainable solutions range through new fund offerings while further strengthening Environmental, Social and Governance (ESG) considerations across its entire investment process. Our 'skill-based boutiques' setup, combined with an overarching approach to responsible investing, supports this.

NN Investment Partners will also focus on delivering operational efficiencies, especially in IT processes, and further enhance its cooperation with the businesses of NN Group.

### Possible impact Delta Lloyd acquisition

The conditional agreement between the Boards of NN Group and Delta Lloyd to combine Delta Lloyd with the Dutch and Belgian activities of NN Group builds on our strategy to deliver an excellent customer experience and generate shareholder return.

Delta Lloyd shareholders have until 7 April 2017 to offer their shares, unless extended.

The combination of the activities of both companies will result in an organisation better placed to capture innovative opportunities and facilitate continuous improvement in our products, distribution, and customer service. It will provide increased possibilities for knowledge sharing, strengthening capabilities and talent development. And, it will bring growth perspective and lead to opportunities for employees of both NN Group and Delta Lloyd.

The transaction will create a well-diversified leader in the Dutch pensions, life and non-life insurance and banking sectors, with a strong asset management platform, attractive international presence, ample growth opportunities, and appealing customer propositions. It creates consolidation in the insurance sector, and as such brings additional stability in the markets, and will generate materially higher cash return to our shareholders over time through benefits of scale.



Read more on page 118 of the Financial Report (Note 51).

# With our strategy to deliver an excellent customer experience, we put the customer at the heart of everything we do

**48,000** 

In a bid to increase the access of insurance products to underserved groups, NN Poland has insured over 48,000 SMEs.



**95%**

95% of our businesses using NPS, compared to 2015 remains unchanged or improved.



'After an intense selection process we choose with strong conviction for NN Investment Partners.'

Arno Reekers, Chairman of the Board of Telegraaf Pension Fund



'Good insurer: clear, transparent, with a vision!'

Els Risseeuw from IAK about NL Non-life Group Disability

**3 stars**



For the fourth year in a row NN Life Japan has been awarded 3 Stars for its after sales call centre from the Help Desk Institute (HDI).

**25**

Sigorta Cini operates in 25 insurance shops across the country; it is the second most visited online aggregator in Turkey.

**2016**

All our businesses delivered on this strategy

**30-55**



The 'Vrouwenplan 2016' campaign targets 30-55 year old Dutch women by encouraging them to plan for their financial futures.

**40 awards**



In 2016 we received over 40 awards. For example NN Greece was awarded the best life insurance company in Greece, while NN Life Romania won Company of the Year.

**EUR 5bn**

Assets under Management in SRI funds and mandates, an increase of 12% compared to 2015.

## Our strategy

Delivering on our strategy continued

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# Transparent products and services

NN Group is committed to delivering products and services that are easy to understand and meet customers' lifetime needs. They are built in a standardised, modular way, with flexible features tailored to the needs of individual customers. We review our product range regularly to ensure that all products and services meet customer, compliance, risk, capital and profitability requirements. Here, we highlight several examples.

## Netherlands Insurance

NN Life launched a roll-over pension product and a pension service which provide (non-)customers insight in their pensions and opportunities to take action in case of deficits.

They also launched Retirement Support, which guides employees who will retire in ten years' time, in small steps with relevant information about their individual pension.

NN Non-life improved their Employers Package and extended the coverage. By managing absenteeism, the customer (the employer) affects the premiums that have to be paid: lower absenteeism leads to lower premiums.

NN Bank introduced 'Managed Investments', a new discretionary online investment management product developed for customers who want to increase their wealth but have little or no knowledge of investments. In this way, NN Bank's investment experts help customers to take steps in securing their financial futures.

## International Insurance

NN Turkey launched a cancer care product and a multi critical illness product that covers 17 diseases including cancer. This product insures customers for critical illness risks and provides financial security in their recovery period.

NN Poland received a licence to sell non-life insurance, an important step as it broadens our value proposition to Polish customers and may strengthen our position in bancassurance.

NN Romania launched private health insurance, a flexible one-year renewable health insurance with direct reimbursement for inpatient services and direct access to outpatient services.

NN Greece introduced three outpatient health products which can be used for check-ups and diagnostics in an approved medical centre.

NN Hungary launched a new accident insurance product that offers financial support and medical and assistance services after customers are involved in any accident.

## Asset Management

NN Investment Partners launched new funds designed to expand clients options in the current low-yield environment. Examples are additions to multi-asset funds, our environmental, social and governance (ESG) offering, and a mortgage fund. This is in line with NN Investment Partners' focus on products in selected growth areas.

The product offering continues to be further tailored towards client needs, with a focus on selected growth areas: more illiquid and higher margin products.

NN Investment Partners continues developing digital solutions for its clients, such as digital factsheets and apps, as well as joint propositions with NN Insurance, for instance via robo advice.

## Case study

### Discontinued products

General examples of managing discontinued products are the individual life closed block in the Netherlands and the Japan Closed Block VA. Examples of products ceased in 2016 are the individual pension plans in Turkey, due to legislation change, and For You in Czech Republic, as it was not commercially attractive anymore.

**'We look at the market position of each product – both present and projected.'**



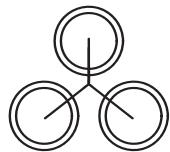
Link to full article:  
[www.nn-group.com/annual-report](http://www.nn-group.com/annual-report)



## Our strategy

Delivering on our strategy continued

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# Multi-access distribution

NN Group strives to be available to customers wherever they require us to be. We operate via agents, brokers, banks, and direct servicing, which allow customers to choose how and when they interact with us. In all our countries, we continue to optimise our distribution channels to be there where our customers want us to be. Here we highlight several examples.

## Netherlands Insurance

More products have become available in the NN mobile app and the 'MyNN' portal, such as pension savings, investment products, personal loan and revolving credit.

To track the progress and status of new mortgage applications, an online mortgage application service for customers was launched by NN Bank. More than 50% of the applicants already uses this new service.

To increase pension awareness, Netherlands Life makes an effort to reach their customers through a variety of channels. For example, with the popular Dutch women's magazine Libelle they developed an online pension course for women.

Non-life implemented intermediary segmentation, for example based on portfolio and growth potential, and on intermediary needs, ultimately resulting in improved servicing to customers. It also offers specific product information via nn.nl and My NN.

## International Insurance

NN Japan entered into a collaboration agreement with Sumitomo Life Insurance, which will sell our corporate-owned life insurance through their nationwide network. It also opened a sales branch to cover the Kitakyushu city and Yamaguchi prefecture, increasing our distribution reach.

NN Poland acquired Notus, a leading financial broker in Poland, further strengthening our distribution network with over 350 Notus agents and franchises giving access to 600 financial advisors.

NN Spain has opened 121 Orange Points since 2012 – a network of tied agents to reach customers and prospects in smaller cities that are not covered by NN Spain's branch network.

NN Greece has started to sell health insurance to customers online and through a call centre network. The product is tailored for this channel and reflects the needs of our customers.

## Asset Management

De Nationale Algemeen Pensioen Fonds (APF), an organisation set up by our pension administrator AZL and NN Investment Partners, received a licence from the Dutch regulator. An APF enables pension funds from different companies to merge in a pooled vehicle, offering them lower costs through economies-of-scale. It also relieves them from the governance burden of running a pension fund, which has become increasingly more complex. AZL and NN Investment Partners are the service providers for pension administration, communication and fiduciary management.

## Case study

### Be where our customers want us to be

Sigorta Cini, our insurance retail broker in Turkey, continues to grow fast. The company is reachable through 25 insurance shops as well as a 24/7-accessible call centre, and a website that allows for online comparison of products from different providers.

**'With this platform, Sigorta Cini contributes to NN Group's focus on multi-distribution.'**



Link to full article:  
[www.nn-group.com/annual-report](http://www.nn-group.com/annual-report)





# Efficient and effective operations

NN Group aims to make processes as efficient and effective as possible in order to deliver value to our customers. As well as implementing a new operating model with more standardised processes, we are simplifying and improving our IT infrastructure. We are also developing our customer intelligence skills so that we can adopt a more holistic way of servicing our customers and, ultimately, provide them with even better service. More on our data analytic skills can be found on page 21 of this Annual Review. Here, we highlight several examples.

## Netherlands Insurance

In our individual-life closed book, the first product portfolios were transferred to a new IT system, leading to better service and lower costs.

Our pension company decreased service lead times in call centres, improving the speed of service to our customers.

In the property & casualty SME domain we digitalised over 800,000 documents. As a result, response times decreased for phone calls and written communication.

Non-life's Employers Package runs on SAP, with a high degree of straight through processing (STP). In 2016, we transferred most of the policies from two legacy systems to SAP.

NN Bank significantly improved the mortgage interest rate renewal process and introduced new online options, such as automated quotations and mortgage rate averaging tooling, resulting in faster handling times and less failures. Also, the migration of the retail investment products to a new platform provided better online options for customers as well as increased operational efficiency.

## International Insurance

Following the example from NN Spain, the NN business units in Poland, Czech Republic, and Slovakia launched a paperless sales process.

NN Poland developed an outbound call centre automation which facilitates outbound sales and services for customers.

NN Turkey initiated a Deployment of Claims Handling Module which enables claims handling officers to track and measure claims on a daily basis.

NN Belgium optimised their process for dealing with pledged contracts at maturity for their life products. As a result customers receive payments quicker.

NN Romania ran a wide process automation project for pensions products that included enrolment digitalisation and implementation of a new asset management software that highly improves reporting, trading, investment risk monitoring, and NAV calculations.

## Asset Management

NN Investment Partners introduced robotics to enhance straight through processing and reduce manual errors, especially in the reporting domain, for the purpose of increasing efficiency.

A more agile way of working was introduced in NN Investment Partners' Operations & IT and HR departments. This method enables short-cycled change adapted from outcomes, increases entrepreneurship by moving decision power to the level of knowledge, and encourages a bottom-up flow of ideas.

NN Investment Partners trained staff to ensure that continuous process improvement is part of our 'business as usual' whilst maintaining positive client satisfaction scores and decreasing time-to-market.

## Case study

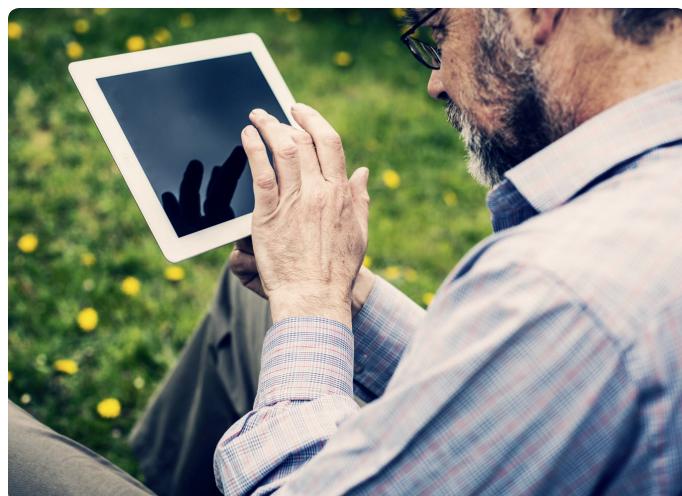
### Policies issued in minutes instead of days

NN Spain operates with a paperless sales process. In just three clicks on an app agents and customers are serviced anytime, anywhere, any place. From purchase to post-sales transactions, customers can manage their policy themselves.

**'This initiative simplified the sales process radically, resulting in better service.'**



Link to full article:  
[www.nn-group.com/annual-report](http://www.nn-group.com/annual-report)



# Financial and non-financial objectives

In assessing the success of our strategy, we measure our performance in a disciplined way with clear objectives and ambitions we strive for to guide our business. We measure the success of our company both in terms of financial and non-financial performance.

## Financial objectives

Annual growth rate on average of 5–7% of operating result before tax of the ongoing business, in the medium term.

Reduce administrative expenses by approximately 15% to achieve a cost base of EUR 685 million by 2018 for Netherlands Life, Netherlands Non-life and Corporate/Holding. The reduction of administrative expenses in Netherlands Life, Netherlands Non-life and holding entities by EUR 200 million, compared to 2013, was completed in 2015.

Increase the net operating return on equity (ROE) of the ongoing business in the medium term, measured against pro-forma 7.1% in 2013.

Over time generate free cash available to shareholders in a range around the net operating result of the ongoing business, assuming normal markets, the current regulatory framework and no material special items.

## Non-financial objectives

Optimise the customer experience by creating transparent, easy to understand products.

- Provide tools to improve our customers' financial decision making
- Be recognised as the 'You matter' company and improve NPS score

Invest in a responsible manner by integrating environmental, social and governance factors into the investment processes.

- Further develop Responsible Investment Policy Framework
- Continue to grow Assets under Management in SRI funds and mandates and expand product offering

Empower our employees by fostering an open, inclusive and stimulating working environment.

- Strive for 30% women in senior management positions by 2020
- Continue to strengthen employee engagement

Create positive change in the communities where we operate by supporting people to improve their financial wellbeing and help them overcome adversity.

- Reach out to at least 100,000 young people by 2020
- 70% of total charitable giving towards NN Future Matters related areas through time and charitable donations by 2020

Minimise our environmental footprint by reducing the use of natural resources and seeking green alternatives. Making responsible choices in procurement contributes to this.

- Reduce CO<sub>2</sub> emissions with 30% in 2020 compared to 2005 (Dutch operations)
- Embed the mapping of ESG risks and opportunities across different procurement categories into the procurement strategy by 2020

## How we performed

Measuring for the period 2013 to 2016, we delivered on the targets we set. Firstly, we have achieved a compound annual growth rate of 11% of the operating result before tax of the ongoing business.

We reduced the administrative expense base of our Netherlands units by almost 25% to EUR 761 million. We are well on our way to reaching our current target of EUR 685 million by the end of 2018. Thirdly, we increased the net operating return on equity of the ongoing business to 8.1% for 2016.

Aligned with these three targets, we generated a total free cash flow of EUR 3.2 billion and a total net operating result of EUR 2.9 billion in the period 2014–2016, in line with our target. We will be proposing a total 2016 dividend of EUR 1.55 per share, representing a pay-out ratio of around 51% of the net operating results of the ongoing business. This is slightly above the envisaged 40–50% pay-out ratio in our dividend policy. It is also in line with our aim to pay sustainable and predictable dividends. The proposed dividend will be voted on at our annual general meeting of shareholders in June 2017. Including this dividend, we have returned more than EUR 2.1 billion to shareholders in the form of dividends and share buybacks since the IPO in 2014. This demonstrates our commitment to return excess capital to shareholders, unless it can be used for any other appropriate corporate purposes, including investments in value creating corporate opportunities.

## How we performed

- All insurance countries offer (online) tools; Increase of NPS score with 2 points
- Implementation of Responsible Investment Policy Framework strengthened by a guidance paper for investors on Human Rights; Assets under Management in SRI funds and mandates increased with 12%; new SRI products were launched
- Slight increase of women in senior management positions (+2 pts); Employee engagement stable, high participation rate of 86%
- Strong increase in young people reached through NN Future Matters, 37% of 2020 target achieved; Charitable giving towards NN Future Matters is 69% of total giving
- Decrease of our direct CO<sub>2</sub> emissions with 18%; mainly caused by a reduction of energy use

# NN Group operates under a two-tier board system

NN Group N.V. is a public limited liability company ('naamloze vennootschap') incorporated under the laws of the Netherlands. It has a two-tier board structure consisting of an Executive Board and a Supervisory Board. The company also has a Management Board.

## The interests of NN Group and its stakeholders

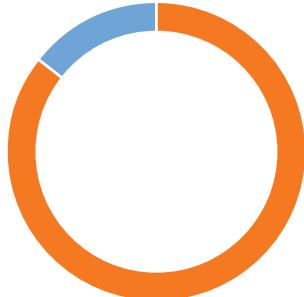
In performing its duties, the Boards must carefully consider and act in accordance with the interests of NN Group and its associated business, taking into consideration the interests of all stakeholders of NN Group. The organisation, duties and working methods of the Executive Board, Management Board and Supervisory Board are detailed in charters of these Boards. These charters are available for download on the NN Group corporate website.

 For more specific information on the governance relating to our corporate citizenship approach, read more at [www.nn-group.com/In-society/Governance-memberships-and-endorsements.htm](http://www.nn-group.com/In-society/Governance-memberships-and-endorsements.htm)

## 22 years

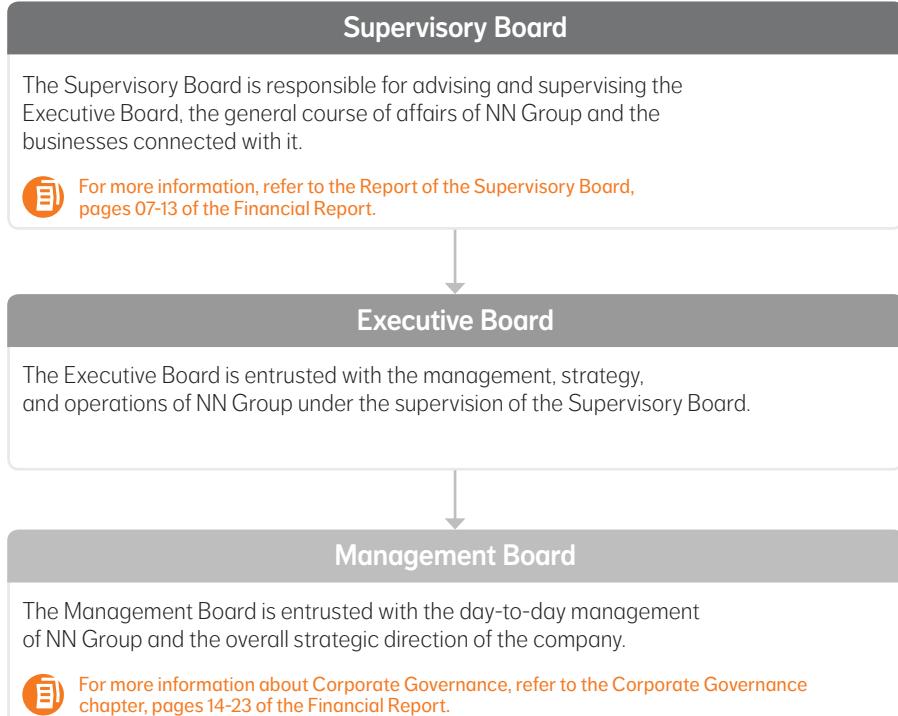
average experience in the financial services industry of an NN Group Management Board member

### Management Board diversity (#)



Male  
Female

6  
1



### Compliance with relevant codes

#### Dutch Corporate Governance Code

As a Dutch listed company NN Group must adhere to the Dutch Corporate Governance Code. NN Group endorses the Code and strongly supports its principles for sound and responsible corporate governance. NN Group considers the principles and best practices of the Code a useful and efficient guide that contributes to NN Group's effort to carefully take into account the interests of its stakeholders. The Code also supports transparency in decision-making and helps strengthen the principles of good governance. NN Group annually publishes a booklet on its application of the Code. The booklet is available for download on the NN Group corporate website.

 Read more [www.nn-group.com/who-we-are/corporate-governance](http://www.nn-group.com/who-we-are/corporate-governance)

#### NN Group Compliance Charter & Framework

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 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 aspect of good corporate governance. The purpose of the NN Group Compliance Charter & Framework, which was renewed in June 2015, is to help businesses to effectively manage their compliance risks. This document is available for download on the NN Group corporate website.

 Read more [www.nn-group.com/who-we-are/corporate-governance](http://www.nn-group.com/who-we-are/corporate-governance)

**The Management Board is entrusted with the day-to-day management and overall strategic direction of NN Group. Its members have, on average, 22 years' experience gained from significant and varied roles in the financial services industry.**



We would like to thank our cultural partner, the Mauritshuis Museum in The Hague, The Netherlands, for allowing us to take this group photo in their iconic entrance.

## Executive Board

### 1. Lard Fries (1962) Chief Executive Officer

Appointed: 2014 Nationality: Dutch

Lard Fries was appointed as member and vice-chair of the Executive Board on 1 March 2014 and as Chief Executive Officer (CEO) and chair of the Management Board and Executive Board on 7 July 2014. Previously he was appointed to the Management Board of ING Insurance as from 3 November 2011. Lard is responsible for the strategy, performance and day-to-day operations of NN. He has been employed by ING/NN since 2008 and brings 27 years' experience in the financial services industry, most recently with NN Insurance Eurasia and Nationale-Nederlanden.

### 2. Delfin Rueda (1964) Chief Financial Officer

Appointed: 2014 Nationality: Spanish

Delfin Rueda was appointed to the Executive Board as Chief Financial Officer on 1 March 2014 and as member of the Management Board on 7 July 2014. Previous to that he was CFO and member of the Management Board ING Insurance Eurasia N.V. since 2012. Delfin is responsible for NN's finance departments and investor relations. He brings 23 years of experience in the financial services industry. Prior to joining ING in 2012, he was Chief Financial and Risk Officer and member of the Management Board at Atradius. He also held leadership positions at J.P. Morgan, UBS and Andersen Consulting.

## Management Board

### 3. David Knibbe (1971) Chief Executive Officer Netherlands Insurance

Appointed: 2014 Nationality: Dutch

David Knibbe was appointed to the Management Board on 7 July 2014. From 1 September 2014, he was appointed Chief Executive Officer of Netherlands Insurance. In this role, David is responsible for NN's insurance and banking business in the Netherlands. He is also responsible for IT globally. He brings 19 years' experience in the financial services industry and held management positions at ING Bank, ING Piraeus in Greece, NN Investment Partners and Nationale-Nederlanden. David Knibbe is chair of the Dutch Association of Insurers.

### 4. Robin Spencer (1970) Chief Executive Officer International Insurance

Appointed: 2015 Nationality: British

Robin Spencer was appointed to the Management Board on 1 August 2014, and as Chief Executive Officer International Insurance on 1 September 2014. He is responsible for NN's Insurance Europe, Japan Life, Japan Closed Block VA and NN Re businesses. Robin was previously Chief Executive Officer of Aviva UK & Ireland General Insurance. He has over 20 years' experience in the insurance industry across life, non-life and asset management in the UK and internationally.

### 5. Dorothee van Vredenburch (1964) Chief Change and Organisation

Appointed: 2014 Nationality: Dutch

Dorothee van Vredenburch was appointed to the Management Board as Chief Change and Organisation (CCO) on 7 July 2014. Dorothee is responsible for NN's human resources, communications and sustainability. She joined ING/NN in 2009 as managing director of Corporate Communications and Affairs of ING Group. She brings 27 years' experience in the financial services industry starting as an investment banker, and held leadership positions at amongst others Citigate First Financial.

### 6. Stan Beckers (1952) Chief Executive Officer NN Investment Partners

Appointed: 2014 Nationality: Belgian

Stan Beckers was appointed to the Management Board as Chief Executive Officer NN Investment Partners on 7 July 2014. Stan is responsible for NN's asset management business. Over the past 26 years, he has also been a member of the Investment Committees at several pension funds and of the Supervisory Board at KAS Bank, Robeco, Econowest and St Lawrence Trading Inc. Stan is also a visiting professor at KU Leuven. As announced on 16 February 2017, Stan is retiring on 1 April 2017 and will be succeeded by Satish Bapat, currently CEO of NN Life Japan.

### 7. Jan-Hendrik Erasmus (1980) Chief Risk Officer

Appointed: 2016  
Nationality: South African and British

Jan-Hendrik Erasmus was appointed to the Management Board on 1 September 2016 and as Chief Risk Officer of NN Group on 1 October 2016. Previously, he was a Partner in Oliver Wyman's Financial Services business, Head of the UK Insurance Practice and a member of the European Leadership Team. He joined Oliver Wyman in 2009, before which he held leadership positions in Lucida plc and Prudential plc. Jan-Hendrik has more than 14 years of financial services experience across insurance, risk and investment management in the UK and internationally.

### Doug Caldwell (1969) Chief Risk Officer

Nationality: American  
Stepped down 1 October 2016

After more than 17 years with ING and NN, Doug Caldwell stepped down from his position as Chief Risk Officer and member of the Management Board of NN Group as of 1 October 2016 to pursue his career outside of the company. He joined ING in 1999 and was Chief Risk Officer and member of the Management Board since 1 December 2012.

**To earn trust and support, NN Group maintains an open and continuous dialogue with its stakeholders about various topics and issues, including our products and services, our business performance, and our role in society. We do this across all levels of the organisation, from NN Group to business unit levels.**

NN Group identifies stakeholders based on their relevance to NN Group. Parties are regarded as stakeholders when they have a significant impact on our business, or who are impacted by our business. We consider customers, shareholders, employees, business partners and society at large (including regulators and societal organisations) important stakeholders. We seek feedback from them on different topics in order to learn which issues they consider important.

This input is used in defining our strategy and in our decision-making processes, and tells us how we can best align the interests of our business with the needs and expectations of our various stakeholder groups.

The instruments to conduct this dialogue include regular interactions and feedback sessions for customers on our products and services; roundtable sessions with policymakers, academics and peers; works council meetings with employee representatives and continued dialogue with our employees;

frequent bilateral contact with regulatory and government authorities and societal organisations (including non-governmental organisations, labour unions and industry associations); and briefing sessions and roadshows for journalists, analysts, and investors.

In 2016, we were confronted with various developments, issues, and challenges. These were brought to our attention by, or discussed with, different stakeholders. Below we provide a snapshot of the key developments and dilemmas.

## Stakeholder and topic

### ICSR sector covenant

Following its policy paper 'CSR Pays Off' and a sector risk analysis by KPMG presented in 2014, the Dutch government is supporting the development of sector-based covenants with Dutch sector associations.

The covenants are intended to be the product of multi-stakeholder dialogue between sector associations, member companies, government, trade unions and civil society organisations. Through these covenants, sector associations can identify leading International Corporate Social Responsibility (ICSR) risks facing their sector and develop collaborative approaches to address them. This work is being undertaken in close collaboration with the Social and Economic Council of the Netherlands (SER), the advisory and consultative body of employers' representatives, union representatives, and independent experts that have been fostering sustainable supply chain management among Dutch industry. In 2016, the Dutch insurance sector has expressed its commitment to working on the development of an ICSR sector covenant. Within a reasonable period of time parties aim to come to agreements related to risks in the area of human rights, labour situations and the environment for the investment activities of Dutch insurers.

## Stakeholder and topic

### Ratings and benchmarks

NN Group participates in various ratings and benchmarks.

This often includes a dialogue to improve our understanding of stakeholder expectations. In 2016, we were invited for a dialogue session organised by the Dutch Association of Investors for Sustainable Development and PwC in honour of the 2016 Tax Transparency Benchmark. The report acknowledged the large improvement NN made compared to 2015. We shared our experience and how the benchmark was used as a practical guide to take several steps in the area of tax transparency. We expressed that the benchmark remains valuable, but that it is important that the method remains stable. In another example, NN representatives attended a meeting organised by the Fair Guide, a Dutch NGO initiative, to discuss their revised annual sustainability assessment. We expressed our concerns on the overly detailed policy expectations. Furthermore, the methodology is focused on exclusion of sectors and activities from investment, which is not in line with our approach. NN's policy is aimed at the integration of Environmental, Social and Governance (ESG) issues into our investment decision-making process. An important principle is to encourage businesses to positive change through engaging in a dialogue with them. By publishing our policies and guidance papers, we hope to provide our stakeholders with a better understanding of our approach.

## Stakeholder and topic: dilemma

### Climate change

Prior to and at our Annual General Meeting of Shareholders, a Polish NGO asked us to divest from coal companies.

The burning of coal to produce energy is carbon intensive, contributing to climate change. That is why it is an increasing societal concern, and the focus of increasing regulatory policy tightening. Coal-based business models are of particular concern, also to long-term investors. We clarified that NN's own exposure to coal companies is limited. We have no investments in mining companies deriving more than 25% of revenues from thermal coal; we have invested around 1% of NN's proprietary assets in utilities, and these companies derive a part of their power-generation capacity from coal. As a long term investor, there are different ways to address potential climate change risks. One of which is by excluding entire sectors. We question however whether this is the most effective way to support the transition towards a low carbon economy. At NN, we prefer active engagement. In 2016, our asset manager started a 2-year engagement with utility companies (refer to pages 30-31 of this Annual Review). If we consider there is not enough progress against engagement goals set, NN may decide to divest. We are further working on a carbon footprint of our proprietary assets, which will contribute to more insights prioritising companies with which to engage.

## Governance

Stakeholder engagement and our international commitments continued

### International commitments and endorsements

As a company based in the Netherlands, we adhere to Dutch law and the Dutch Corporate Governance Code (read more on page 44). We observe the laws and regulations in the markets where we operate.

We adhere to international standards and guidelines, including the UN Global Compact and Guidelines for Multinational Enterprises of the Organisation for Economic Cooperation and Development (OECD).

To underline our ambition, NN Group and/or its respective businesses, endorsed various international initiatives, such as:

- Principles for Sustainable Insurance
- Principles for Responsible Investment
- Carbon Disclosure Project

Furthermore, we are a member of various (inter)national network organisations, including:

- UN Global Compact
- United Nations Environmental Programme Finance Initiative (UNEP FI)
- International Corporate Governance Network (ICGN)
- MVO Nederland

 For an overview of all endorsements and memberships go to our website: [www.nn-group.com/in-society](http://www.nn-group.com/in-society)

### Sustainable Development Goals

We support the Sustainable Development Goals (SDGs). The SDGs were adopted by world leaders and came into force in January 2016 and relate to climate, poverty, health care, education, and other societal challenges. The SDGs are set for 2030 and in addition to government action, institutional and private investment capital will be needed to help achieve these goals.

NN Group, together with 17 other Dutch financial institutions, contributed to a report called 'Building Highways to SDG Investing'. In November, the report was presented to the Dutch Minister for Foreign Trade and Development Cooperation at the Global Impact Investing Network (GIIN)'s conference. With this report the group of financial institutions invite the Dutch government and Central Bank to continue to make a concerted effort with them in support of the SDGs. NN joined this initiative as we believe it is important to collaborate on this topic, and because we acknowledge that considering the largest societal challenges is important in our work and investments.

Early 2017, we invited a group of 20 stakeholders to engage in a conversation on our potential impact on the SDGs, and how these relate to our strategy and our key objective; creating long-term value for all stakeholders. Government representatives, regulators, investors, NGOs, academics and peers were present, and the dialogue was hosted by Dorothee van Vredenburch, member of our Management Board.

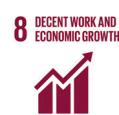
As an insurance and asset management company with a purpose to help people secure their financial futures, we learned that SDG 8 (Decent work and economic growth) and SDG 12 (Responsible consumption and production) resonate most with our core activities. Regarding our investment activities, we discussed that different investment instruments, such as ESG integration, dialogue and engagement, and impact investing, might be linked to additional SDGs. More specifically, SDG 3 (Good health and well-being), SDG 7 (Affordable and clean energy) and SDG 9 (Industry, innovation and infrastructure) were mentioned as potential goals. The outcomes of this stakeholder dialogue will be used to strengthen our strategy going forward.

### 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 interactions with stakeholders. The principles make a clear reference to internationally accepted standards, such as the UN Declaration of Human Rights.

Through various policies and related due diligence, NN Group seeks to meet its responsibility to respect human rights in our role towards employees, suppliers, clients, investments and the communities in which we operate. Examples of such internal policies are our Human Capital policy, Procurement policy and our Responsible Investment Policy Framework. To provide our stakeholders, including investors and NGOs, with more insight and to guide our analysts in their assessment, we published an Investor Guidance paper on Human Rights in July 2016. In addition to these policies, we developed an overarching corporate Human Rights Statement in 2016. This statement, endorsed by the Management Board, underlines our commitment to human rights and was published early 2017.

### The primary SDGs to which we aim to contribute



**8 DECENT WORK AND ECONOMIC GROWTH**

**Decent work and economic growth**

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**

**Responsible consumption and production**

Ensure sustainable consumption and production patterns

## We take a holistic approach to reporting. Our Annual Report consists of two components: this Annual Review and the Financial Report.

In the Annual Review, we aim to provide a concise, accurate and balanced account of NN Group's performance over the past year. In-depth information, particularly regarding our financial performance, can be found in the Financial Report. NN Group N.V. is referred to in this document as 'NN Group' or 'NN'.

In this year's Annual Report, we made a next step towards integrated reporting. Elements such as our materiality matrix, and a description of how our business model creates values for our stakeholders, are again included in the Annual Review. The performance data regarding responsible investment, human capital, community investment and environmental footprint that were in the Sustainability Supplement last year are now included in the Annual Review. It aligns relevant information about our strategy, governance systems, performance, and future prospects in a way that reflects the economic, environmental and social contexts in which we operate.

As of the financial year 2016, NN Group will also publish a Solvency and Financial Condition Report (SFCR), which will include public quantitative and qualitative disclosures on Solvency II, either through a specific reference to this Annual Report or as supplemental information. The SFCR will be published later in 2017 on NN Group's corporate website in accordance with the relevant deadlines.

We believe that this reporting strategy enables us to tailor our reporting for different stakeholders, many of whom require different depths of information.

The online versions of the Annual Review and the Financial Report contain a number of links. Links to sources on the NN Group website are also included.

### Reporting profile

This is NN Group's third standalone Annual Report, after our separation from ING Group and becoming a publicly listed company on 2 July 2014. It is published on 16 March 2017. We report annually, on a calendar year basis (1 January – 31 December).

### Reporting process

Relevant topics were selected for the 2016 Annual Report, more specifically the Annual Review, through a materiality assessment using internal and external research and other sources. In addition, a survey was conducted amongst external and internal stakeholders to help steer our focus.

 For more information, see page 16 of this Annual Review.

Information in this review is based on extensive reporting from our countries, businesses and functions. All information is reviewed by NN Group's Disclosure Committee and is subject to approval of our Executive Board and Supervisory Board before publication.

We aim to provide transparency and enhance the reliability of the reported content for our stakeholders. Therefore, our external auditor KPMG provided limited assurance on the Annual Review. We provide evidence to our external auditor to support the statements we make in this report.

The non-financial information in scope of the assurance engagement of KPMG is defined as related to the material topics: transparent products and services, customer centricity, sustainable products and services, innovation, employee health, wellbeing and employee engagement, diversity and equal opportunities, human capital development, attracting and retaining talented employees, environmental footprint, financial inclusion and literacy, community investment, responsible investment, climate change and human rights. The non-financial information is included on the following pages of the Annual Review: About NN (pages 05-11), Marketplace and trends (pages 16-17, 19, 21), Our business model (pages 22, 25-27, 30-37), Our strategy (page 45), Governance (pages 48-50), Facts and figures (pages 53-56). Please see page 57 of this Annual Review for their assurance report.

### Boundary and scope of the reported data

The boundaries of this report are defined by the topics included in the materiality assessment and the results that are presented in the materiality matrix.

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

The scope for community investment and environmental data is all businesses with more than 100 FTE. NN Group used an online system, Credit360, for gathering the information and data for community investment and environmental footprint. We have tried to limit any uncertainties in the reported data through our internal validation process, including application of validation rules in Credit360.

We have sourced the HR data directly from the HR data analytics department. The financial data reported in this review has been fully sourced and aligned with NN Group's 2016 Financial Report.

In the reporting year 2016, no significant changes occurred regarding our corporate citizenship strategy, definitions and reported data. Also, no acquisitions or divestments occurred that impacted our scope (see page 39 of this Annual Review), therefore no changes occurred regarding our reporting approach.

### Reporting guidelines

The information and data in the NN Group Annual Review is in accordance with the G4 guidelines (Core) from the Global Reporting Initiative (GRI). It aims to make information available in a manner that is understandable and accessible to stakeholders using the report and reflects different aspects of the organisation's performance to enable a reasoned assessment of overall performance.

The GRI Index table states the indicators NN Group is reporting on, including where to find the respective information, either in this Annual Review, Financial Report and/or the NN Group website. The index table can be found on [www.nn-group.com/annual-report](http://www.nn-group.com/annual-report). In this document you can also find the Progress reports for the UN Principles for Sustainable Insurance and the UN Global Compact.

### Going forward

Going forward, we will continue to tailor our reporting to serve different stakeholder groups. This includes further integration of financial and non-financial information and indicators to provide stakeholders with a complete picture of how we create long term value for our company and stakeholders.

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## Consolidated balance sheet

As at 31 December

Amounts in millions of euros, unless stated otherwise	notes	2016	2015
<b>Assets</b>			
Cash and cash equivalents	2	8,634	7,436
Financial assets at fair value through profit or loss:	3		
– trading assets			
– investments for risk of policyholders		30,711	35,154
– non-trading derivatives		4,421	4,656
– designated as at fair value through profit or loss		873	443
Available-for-sale investments	4	79,767	74,393
Loans	5	33,920	31,013
Reinsurance contracts	17	231	236
Associates and joint ventures	6	2,698	2,197
Real estate investments	7	2,028	1,564
Property and equipment	8	86	86
Intangible assets	9	342	351
Deferred acquisition costs	10	1,636	1,531
Assets held for sale	11	6	
Other assets	12	3,152	3,092
<b>Total assets</b>		<b>168,505</b>	<b>162,152</b>
<b>Equity</b>			
Shareholders' equity (parent)		22,706	20,469
Minority interests		12	9
Undated subordinated notes		986	986
<b>Total equity</b>	13	<b>23,704</b>	<b>21,464</b>
<b>Liabilities</b>			
Subordinated debt	14	2,288	2,290
Debt securities issued	15	598	597
Other borrowed funds	16	7,646	6,785
Insurance and investment contracts	17	115,699	115,984
Customer deposits and other funds on deposit	18	10,224	8,034
Financial liabilities at fair value through profit or loss:	19		
– non-trading derivatives		2,008	1,701
Liabilities held for sale	11	2	
Other liabilities	20	6,336	5,297
<b>Total liabilities</b>		<b>144,801</b>	<b>140,688</b>
<b>Total equity and liabilities</b>		<b>168,505</b>	<b>162,152</b>

References related to the notes starting on page 39 of the Financial Report. These form an integral part of the Consolidated annual accounts.

## Facts and figures

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### Consolidated profit and loss account

For the year ended 31 December

	notes	2016	2015
<b>Continuing operations</b>			
Gross premium income	21	9,424	9,205
Investment income	22	4,123	4,058
Result on disposals of group companies		-114	14
- fee and commission expenses		936	1,015
- gross fee and commission income		-340	-371
Net fee and commission income:	23	596	644
Valuation results on non-trading derivatives	24	-55	-313
Foreign currency results and net trading income	25	-90	120
Share of result from associates and joint ventures	6	377	221
Other income		60	46
<b>Total income</b>		<b>14,321</b>	<b>13,995</b>
 - gross underwriting expenditure		11,590	10,843
- investment result for risk of policyholders		-1,156	-1,099
- reinsurance recoveries		-116	-81
Underwriting expenditure:	26	10,318	9,663
Intangible amortisation and other impairments	27	19	9
Staff expenses	28	1,174	1,172
Interest expenses	29	598	614
Other operating expenses	30	749	776
<b>Total expenses</b>		<b>12,858</b>	<b>12,234</b>
 <b>Result before tax</b>		<b>1,463</b>	<b>1,761</b>
Taxation	35	273	166
<b>Net result</b>		<b>1,190</b>	<b>1,595</b>

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### Key financial and non-financial indicators

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#### Financial indicators (in EUR million)

	2016	2015	Change	2014
Operating result ongoing business	1,227	1,435	-14.5%	1,086
Net result	1,189	1,565	-24.0%	588
Net Operating ROE	8.1%	10.8%		8.6%
Solvency II ratio	241%	239%		
Value of new business	214	202	6.4%	178
Assets under Management (end of period, in EUR billion)	195	187	4.2%	195
Dividend proposal (per ordinary share, in EUR)	1.55	1.51		0.57
NN Group share price (COB 31 December 2016, in EUR)	32.20	32.55		24.85

#### Key non-financial indicators

	2016	2015	Change	2014
Customer satisfaction and loyalty				
– Insurance business units using NPS	100%	100%		85%
– Insurance business units scoring on/above level previous year	95%	n.a.		n.a.
– Insurance business units scoring on/above market average	n.a.	95%		70%
Countries/business units offering tools improving financial decision-making (#)	13	13	0%	13
Assets under Management in SRI funds or mandates (end of period – in EUR million)	5,062	4,509	12.3%	4,052
– as part of the total Assets under Management	2.6%	2.4%		2.2%
Employee engagement score	71%	73%		66%
– Participation in the engagement survey	86%	84%		62%
Total donations to charitable organisations (x EUR 1,000) <sup>1</sup>	1,500	1,500	0%	1,100

<sup>1</sup> Includes cash donations to charitable causes, corporate foundations and partnerships.

#### Sustainability ratings

	2016	2015	Change	2014
Sustainalytics (position/# insurance companies)	13/151 (Outperformer)	13/149 (Outperformer)		11/93 (Outperformer)
Oekom	C (Prime)	C (Prime)		n.a.
Carbon Disclosure Project	B	95C		n.a.
Dow Jones Sustainability Index (out of 100)	77	68		n.a.
FTSE4Good	Included	Included		n.a.
Dutch Transparency Benchmark (out of 200)	176	157		n.a.

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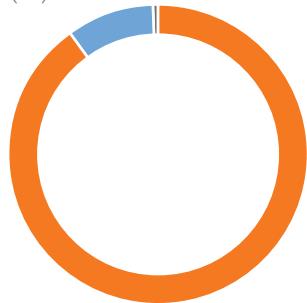
### Customer-related indicators (in EUR million)

	2016	2015	Change	2014
Total claims and benefits paid	11,681	14,225	-17.9%	11,982
New sales life insurance (APE)	1,386	1,295	7.0%	1,315
Gross premium income	9,424	9,205	2.4%	9,340

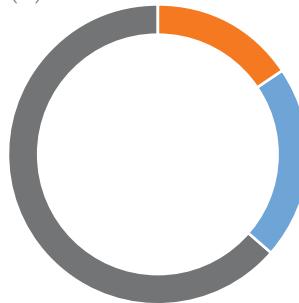
### Responsible investment indicators (in EUR million)

	2016	2015	Change	2014
Assets under Management in SRI funds and mandates (end of period)	5,062	4,509	12.3%	4,052
- as part of total Assets under Management NN Investment Partners	2.6%	2.4%		2.2%
Funds				
- NN Duurzaam Aandelen Fonds	679	682	-0.4%	539
- NN (L) European Sustainable Equity Fund	91	148	-38.5%	128
- NN (L) Global Sustainable Equity Fund	673	544	23.7%	268
- NN Global Sustainable Opportunities Fund	265			
- NN (L) Euro Sustainable Credit (excluding Financials)	587	471	24.6%	457
- NN (L) Euro Sustainable Credit (including Financials)	96	85	12.9%	31
- NN (L) Euro Green Bond Fund	61			
- NN (L) Patrimonial Balanced European Sustainable	102			
Subtotal	2,554	1,930	32.3%	1,423
Mandates				
- Sustainable Fixed Income Mandates	1,038	1,548	-32.9%	1,706
- European Sustainable Equity Mandates	349	333	4.8%	286
- Global Sustainable Equity Mandates	1,121	699	60.4%	637
Subtotal	2,508	2,580	-2.8%	2,629
Total	5,062	4,509	12.3%	4,052
Shareholders meetings where we voted (#)	1,437	2,013	-28.6%	1,699
- as % of total votable meetings	94%	96%		93%
Agenda items on which we voted (#)	18,335	26,580	-31.0%	20,005
Countries where we voted (#)	51	52	-1.9%	53

How we voted on agenda items (%)



Shareholder resolutions on which we voted by topic (#)



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## Human capital indicators

	2016	2015	Change	2014
<b>Workforce (end of year)</b>				
Total full-time equivalents (FTEs)	11,545	11,643	-0.8%	11,890
Total number of employees (headcount)	11,995	12,105	-0.9%	12,420
- Netherlands Life	2,162	2,183	-1.0%	2,222
- Netherlands Non-life	935	901	3.8%	918
- Insurance Europe	4,254	4,228	0.6%	4,242
- Japan	775	697	11.2%	706
- Asset Management	1,098	1,191	-7.8%	1,188
- Other	2,771	2,905	-4.6%	3,144
Part-time employees	15.8%	16.1%		17.2%
Temporary employees	5.9%	5.8%		5.2%
Male/female ratio (%)	52/48	53/47		54/46
Male/female managers (%)	66/34	66/34		65/35
Male/female ratio Top 50 (%)	80/20	82/18		80/20
<b>Wellbeing and engagement</b>				
Sick leave <sup>1</sup>	2.4%	2.8%		2.6%
Engagement score	71%	73%		66%
Participation in engagement survey	86%	84%		62%
<b>Employee participation</b>				
Employees covered by collective labour agreement (CLA)	70.1%	70.9%		71.1%
<b>Complaints</b>				
Grievances on labour practices (#) <sup>2</sup>	12	5	140%	7
<b>Talent development</b>				
Total spending on training and development (in EUR million)	13.7	13.0	5.4%	13.6
Spending/average FTE	1,111	1,094	1.6%	1,047
Employees with completed standard performance process (2015/2016)	98.4%	87%		90%
<b>Employee turnover rate</b>				
Voluntary employee turnover rate	5.8%	5.2%		
% of open positions filled by internal candidates	29.2%	25.4%		43.2%
<b>Employee compensation</b>				
Total employee wages and benefits (in EUR million)	1,160	1,159	0.1%	1,100

1 Dutch business units only; this counts for more than 50% of the total organisation

2 Five grievances in 2016 refer to the same subject

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Key financial and non-financial indicators continued

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## Community investment indicators

	2016	2015	Change	2014
Total donations to charitable organisations (x EUR 1,000) <sup>1</sup>	1,500	1,500	0%	1,072
Of which donations from corporate foundations (country/name)				
The Netherlands/Together for Society	182	293	-37.9%	264
Hungary/NN Foundation for Children's Health	9	33	-72.7%	26
Romania/Foundation for Life	29	137	-78.8%	142
Total hours of volunteering work (in Future Matters focus areas)	5,685	5,593	1.6%	3,034
Total number of young people reached through NN Future Matters programme <sup>2</sup>	27,529	9,069	203.6%	

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

2 Numbers reached include partnership with Junior Achievement, main Dutch programmes and for 2016 also the impact numbers of the Future Matters anniversary donations.

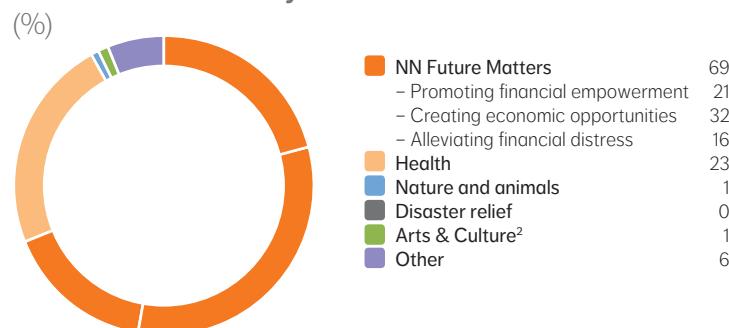
## Environmental indicators

	2016	2016/CO <sub>2</sub>	2015	2015/CO <sub>2</sub>	Change	2014	2014/CO <sub>2</sub>
Total CO <sub>2</sub> emissions (kilotonne)	22	22	27	27	-17.5%	25	25
CO <sub>2</sub> emissions/FTE (kilotonne)	1.9		2.3			2.1	
Business travel – air travel (km x 1 million)	24	4	25	6	-0.5%	23	4
Business travel – car travel (km x 1 million) <sup>1</sup>	45	9	45	8	1.4%	46	9
Total energy consumption (MWH x 1,000)	37	9	55	12	-33.0%	65	12
Electricity	12	6	12	6	-4.7%	11	6
Renewable electricity	10		19		-49.3%	24	
Natural gas	11	2	13	3	-16.6%	18	4
District heating <sup>2</sup>	5	1	11	3	-56.0%	12	2
Total paper use (kg)	830,409		872,996		-4.9%	803,444	
- Sustainable paper (i.e FSC) (kg)	693,580		730,277		-5.0%	527,624	
Total waste (kg)	471,162		573,875		-17.9%	906,965	
- Recycled waste (kg)	215,325		152,053		41.6%	131,691	
Water use (liter)	97,875		n.a.			n.a.	

1 The comparative figures for 2015 and 2014 have been restated according to new data

2 Decrease in 2016 mainly caused by a reduction of office space in The Netherlands

## Charitable donations by theme<sup>1</sup>



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

2 Cultural partnerships and sponsorships are not included. Refer to [www.nn-group.com](http://www.nn-group.com) for more information on how we support arts and culture.

# Assurance report of the independent auditor

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## Assurance report of the independent auditor

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

### Report on the assurance engagement of the 2016 non-financial information

#### Our conclusion

We have reviewed the non-financial information - as defined in the chapter Our approach to reporting on page 50 - in the Annual Review 2016 (hereafter: the non-financial information) of NN Group N.V. (hereafter 'the Group' or 'NN Group') officially based in Amsterdam and headquartered in The Hague.

Based on our review, nothing has come to our attention to indicate that the non-financial information in the Annual Review is not presented, in all material respects, in accordance with the GRI Sustainability Reporting Guidelines version G4 and the internally developed criteria as described in Our approach to reporting on page 50.

#### Limitations in our scope

The report includes prospective information such as ambitions, strategy, plans, expectations and estimates. Inherently the actual future results may differ from these and are therefore uncertain. We do not provide any assurance on the assumptions and achievability of prospective information.

#### Basis for our conclusion

We have performed our review on the Annual Report in accordance with Dutch law, including the Dutch Standard 3000: "Assurance engagements other than Audits or Reviews of Historical Financial Information".

This review engagement is aimed to obtain limited assurance. Our responsibilities under this standard are further described in the 'Our responsibilities for the review of the non-financial information' section in our report.

We are independent of NN Group in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (VO, 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.

#### Our key review matters

Key review matters are those matters that, in our professional judgement, were of most significance in our review of the non-financial information. We have communicated the key review matters to the Executive Board and the Supervisory Board. The key review matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our review of the information within the scope of our engagement as a whole and in forming our conclusion thereon, and we do not provide a separate conclusion on these matters.

#### Materiality of topics

##### Description

NN Group performed a materiality assessment to determine the non-financial topics of material significance for inclusion in the 2016 Annual Review. Aspects of material significance are defined as aspects of which omission could substantially influence the stakeholders' decisions. They are defined by prioritising the aspects based on shown interests by stakeholders and the impact NN Group has on the aspect and vice versa. The pre-selection of material aspects is subject to significant management judgement and was therefore identified as a significant area for our review.



##### Our response

We reviewed the process that NN Group executed to identify and prioritise the (non-financial) topics to be reported in the 2016 Annual Review. We also conducted a media search and a peer benchmark to assess potential other material aspects to be included and compared these with NN Group's materiality analysis. We assessed the (non-financial) topics as included in the Annual Review against the results from the materiality analysis.



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# Assurance report of the independent auditor

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## Materiality of topics

### Our observation

We have assessed the materiality assessment process that NN Group executed during 2016 to be sufficiently solid to identify material topics for inclusion in the 2016 Annual Review. We have also observed that the material topics as identified in the process have been reflected in the Annual Review.



## Balanced reporting

### Description

It is required that the Annual Review provides an unbiased and clear picture of NN Group's (non-financial) performance to its stakeholders. For a reasoned assessment of the overall performance of NN Group the Annual Review has to reflect both positive and negative aspects of the organisation's performance as applicable. This area was significant to our review as the assessment of the right balance is inherently subject to a qualitative evaluation of the information gathered and judgment about the extent to which specific information needs to be included in the Annual Review.



### Our response

Our assurance procedures included, amongst others, obtaining an understanding of the principles that NN Group applied to collect and document information as the basis for preparing the Annual Review. We interviewed relevant staff responsible for preparing the Annual Review and assessed proper inclusion of their insights. Finally, we performed an overall assessment of the Annual Review based on our knowledge of the company and evidence obtained to determine that the Annual Review presents a balanced overall picture of NN Group's (non-financial) performance over the year.



### Our observation

Based on our procedures performed it appears that the Annual Review sufficiently reflects both positive and negative aspects of NN Group's performance over the year.



## Responsible investment

### Description

Responsible Investment is considered as a material topic for NN Group. In this context NN Group reported in the 2016 Annual Review on its assets under management in Socially Responsible Investing (SRI) funds and mandates. Since generally recognised definitions and guidelines for sustainable assets / investments are not available and this is a critical indicator to assess NN Group's progress regarding responsible investing, we identified the assets under management in SRI funds and mandates as an important indicator for our review.



### Our response

On the basis of our sector knowledge and expert judgement we assessed the applicability and clarity of the definitions for assets under management in SRI funds and mandates. In addition, we reviewed on a limited sample basis whether the mandates of the SRI funds are in line with the definitions for assets under management in SRI funds and mandates of NN Group. Finally we reviewed whether the explanation on the topic in the 2016 Annual Review provides a clear and proper reflection of NN Group's progress regarding responsible investing.



### Our observation

We have observed that the definitions as applied by NN Group are sufficiently clear and based on our procedures performed it appears that these definitions have been properly applied.



## Report on the non-financial information included in other parts of the annual review

The sections: Introduction, What we do and how we are structured, and the CEO statement contain (references to) other non-financial information.

Based on the following procedures performed, we conclude that the non-financial information included in the sections listed above is consistent with the other sections of the Annual Review and does not contain material misstatements.

We have read the other parts of the Annual Review. Based on our knowledge and understanding obtained through our review of the non-financial information we have considered whether the non-financial information included in other parts of the Annual Review contains material misstatements.

The scope of the procedures performed is substantially less than the scope of those performed in our review of the non-financial information.



The Executive Board is responsible for the preparation of the non-financial information included in other parts of the Annual Review.

### Description of the responsibilities for the non-financial information

#### Responsibilities of the Executive Board and Supervisory Board for the non-financial information

The Executive Board of NN Group is responsible for the preparation of the non-financial information in accordance with the GRI Sustainability Reporting Guidelines version G4 and the internally developed criteria as described in Our approach to reporting on page 50. The Executive Board is also responsible for such internal control as it determines is necessary to enable the preparation of the non-financial information that are free from material misstatement, whether due to fraud or error.

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

#### Our responsibilities for the review of the non-financial information

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

A review is aimed to obtain a limited level of assurance. Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information. The procedures performed consisted primarily of making inquiries of staff within the entity and applying analytical procedures on the information in the Annual Review. The level of assurance obtained in review engagements is therefore substantially less than the level of assurance obtained in an audit engagement.

We apply the 'Nadere voorschriften accountantskantoren ter zake van assurance opdrachten (RA)' (Regulations for Audit Firms Regarding Assurance Engagements) 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.

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 have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3000, ethical requirements and independence requirements.

Our procedures consisted primarily of:

- Performing an analysis of the external environment, obtaining an understanding of relevant social trends and issues, and of the organisation's business.
- Evaluating the appropriateness of the reporting criteria and its consistent application, including the evaluation of the reasonableness of management's estimates.
- Evaluating the design and implementation of the reporting systems and processes related to the non-financial information.
- Interviewing relevant staff at corporate level responsible for the sustainability strategy and policy.
- Interviewing relevant staff responsible for providing the non-financial information, carrying out internal control procedures on the data and consolidating the data in the Annual Review related to the indicators.
- An analytical review of the data and trends submitted for consolidation at group level.
- Reviewing relevant data and evaluating internal and external documentation, based on limited sampling, to assess the accuracy of the non-financial information.

Amstelveen, 15 March 2017

KPMG Accountants N.V.

P.A.M. de Wit RA

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<b>App</b>	An application; typically a small, specialised programme downloaded onto mobile devices to support NN Group's ability to provide a quick, easy, confidential customer experience across digital channels.	<b>AR</b> p. 10, 21, 42
<b>Assets under Management in SRI funds and mandates</b>	Assets under Management in SRI funds and mandates are assets that are managed with a specific focus on sustainability. This includes our Socially Responsible Investing (SRI) funds and mandates.	<b>AR</b> p. 5, 31, 45
<b>Brand awareness</b>	The extent to which consumers are familiar with the distinctive qualities or image of NN; the recognisability of the NN Brand in the general public.	<b>AR</b> p. 27
<b>Carbon footprint</b>	The total amount of greenhouse gases produced to directly and indirectly support ongoing activities, usually expressed in equivalent tonnes of carbon dioxide (CO <sub>2</sub> ).	<b>AR</b> p. 21, 31
<b>Carbon neutrality</b>	Achieving net zero carbon emissions by balancing a measured amount of carbon released with an equivalent amount sequestered or offset, or buying enough carbon credits to make up the difference.	<b>AR</b> p. 35
<b>CDP</b>	Carbon Disclosure Project – global disclosure system for companies, cities, states and regions to manage their environmental impacts and for investors or purchasers to access environmental information for use in financial decisions.	<b>??</b> p. 31
<b>Central Works Council</b>	The Central Works Council (CWC) is an entity required by the Dutch Works Council Act of 2013. It is a standing works council formed by representatives from eight Dutch work councils. The CWC is informed or consulted about important NN Group developments in the Netherlands and international developments to the extent that Dutch interests are influenced.	<b>AR</b> p. 33 <b>FR</b> p.10, 28
<b>COLI</b>	Corporate owned life insurance	<b>AR</b> p. 2
<b>Community investment</b>	Activities that are focused on making a positive contribution to communities, including investments in education programmes and partnerships that aim to bring sustainable developments.	<b>AR</b> p. 36, 37
<b>Corporate governance</b>	The way in which a company is governed and how it deals with the various interests of its customers, shareholders, employees, business partners and society at large.	<b>AR</b> p. 31, 46
<b>Credit rating</b>	Credit ratings, as assigned by rating agencies (such as Standard & Poor's and Fitch), are indicators of the likelihood of timely and complete repayment of interest and instalments of fixed income securities.	<b>AR</b> p. 29
<b>Data privacy</b>	Data privacy, also called data protection or information privacy, is the aspect of information technology that deals with the ability of NN Group to protect the personal data of its customers and other stakeholders.	<b>AR</b> p. 16, 18
<b>DHAN</b>	Development of Human Action Foundation – The Foundation works to make significant changes in the livelihoods of the poor through innovative themes and institutions.	<b>AR</b> p. 27
<b>Diversity and inclusion</b>	NN Groups approach to diversity includes hiring people of various race, ethnicity, gender, age, sexual orientation, physical abilities and personal philosophies, as well as creating an inclusive culture and diversity of thought – one that welcomes, acknowledges, respects, challenges and benefits from our differences.	<b>AR</b> p. 33

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<b>ECCE</b>	European Centre for Corporate Engagement – the world's leading research institute on sustainable finance and responsible investing located in Maastricht, The Netherlands.	 p. 30
<b>EFAMA</b>	European Fund and Asset Management Association – the representative association for the European investment management industry. EFAMA represents 28 member associations and 61 corporate members.	 p. 31
<b>Emerging (market) economies</b>	An emerging market economy describes a nation's economy that is progressing toward becoming more advanced, usually by means of rapid growth and industrialisation. These countries experience an expanding role both in the world economy and on the political frontier.	 p. 30
<b>Employee engagement</b>	Employee engagement is a property of the relationship between an organisation and its employees, measured by NN Group through such means as the Pulse and YES employee surveys.	 p. 33, 34, 45
<b>Employee Value Proposition</b>	The Employee Value Proposition (EVP) represents what our employees experience and benefit of during their employment period within NN and what we expect from them. It is the rational and emotional articulation of the tangible benefits employees receive as a result of working for the NN Group. The EVP highlights the attractive factors in NN for the labour market.	 p. 7
<b>Environmental footprint</b>	The effect that NN Group has on the environment, for example the amount of natural resources used and the amount of waste produced in direct operations.	 p. 16, 21, 35, 45, 50
<b>Environmental, social and governance (ESG) factors</b>	ESG factors are a subset of non-financial performance indicators which include sustainable, ethical and corporate governance issues such as managing the company's carbon footprint and ensuring there are systems in place to ensure accountability.	 p. 23, 30
<b>Eumedion</b>	Eumedion represents institutional investors' interests in the field of corporate governance and related sustainability performance.	 p. 31
<b>Euronext Amsterdam</b>	A conglomerate of the former entities: Amsterdam Stock Exchange, Brussels Stock Exchange and Paris Stock Exchange. Located in Amsterdam, the Netherlands.	 p. 4
<b>European Works Council</b>	The European Works Council (EWC) is a standing works council body as required by the 2009 European Works Council Directive 2009/38 of the European Commission. The EWC is formed by chosen employee representatives of all eleven European countries where NN Group is active. EWC-members are informed about 'transnational' matters twice a year.	 p. 33  p. 28
<b>Financial sector oath or promise</b>	Ethics 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. The oath or promise applies not only to employees of banks but also to employees of other financial enterprises, including insurance companies, investment firms and financial service providers. By taking the oath or promise, employees proclaim that they are bound by the Code of conduct attached to the oath or promise for the ethical and careful practice of their profession.	 p. 7
<b>FinTech</b>	A line of business based on using software to provide financial services. Financial technology companies are generally providers of new solutions which demonstrate an incremental or radical innovation development of applications, processes, products or business models in the financial services industry.	 p. 11, 18
<b>GIIN</b>	Global Impact Investing Network – current campaign explores the role of impact investing in achieving the United Nations Sustainable Development Goals, and calls for impact investors to take action.	 p. 49

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<b>Global Real Estate Sustainability Benchmark (GRESB)</b>	GRESB is an industry-driven organisation committed to assessing the sustainability performance of real assets globally, including real estate portfolios. On behalf of close to 60 institutional investors, GRESB Real Estate has assessed almost 1,000 property companies and funds globally.	 p. 30
<b>Global Reporting Initiative (GRI)</b>	The Global Reporting Initiative is an international independent standards organisation that helps businesses, governments and other organisations understand and communicate their impacts on issues such as climate change, human rights and corruption.	 p. 16
<b>Green alternatives</b>	Choices that NN Group makes with regards to energy, resource use and waste management that serve to protect the environment more so than traditional options.	 p. 21, 35, 45
<b>ICE</b>	Impact Centre Erasmus – A centre for scientific knowledge and skills aimed at gaining traction with a diverse group of organisations on the realisation of their social ambitions. (paraphrased from Dutch from their website)	 p. 37
<b>ICGN</b>	International Corporate Governance Network – in place to influence policy by providing a reliable source of investor opinion on governance and stewardship.	 p. 31
<b>ICSR</b>	International Corporate Social Responsibility	 p. 48
<b>Information barriers</b>	The ethical barriers between different divisions of a financial (or other) institution to avoid conflict of interest. Also historically known as 'Chinese Walls'.	 p. 30
<b>Institutional investors</b>	Entities which pool money to purchase securities, real property and other investment assets or originate loans. Institutional investors include banks, insurance companies, pension funds, hedge funds, investment advisors and endowments.	 p. 27
<b>Integrated reporting</b>	A process founded on integrated thinking that results in a periodic integrated report by NN Group about value creation over time and related communications regarding aspects of value creation.	 p. 50
<b>International Integrated Reporting Council (IIRC)</b>	A global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. The coalition is promoting communication about value creation as the next step in the evolution of corporate reporting.	 p. 22
<b>Junior Achievement Europe</b>	Junior Achievement Europe is Europe's largest provider of education programmes for entrepreneurship, work readiness and financial literacy, reaching 3.5 million students in 39 countries in 2016.	 p. 37
<b>KiFiD</b>	The Dutch institute for consumer complaints about the financial services industry (Klachteninstituut Financiële Dienstverlening). It mediates in disputes between consumers and banks, insurers, brokers and other financial service providers. Mediation occurs by the public advocate (Ombudsman) or through a (usually) binding advice of the Disputes Committee or the Appeals Committee.	 p. 17  p. 110
<b>Longevity</b>	Length or duration of life.	 p. 24
<b>Materiality matrix</b>	The materiality matrix presents the developments and topics which are important to our business and the relevance of these to our external stakeholders.	 p. 16, 50
<b>Net Promoter Score</b>	A management tool that can be used to gauge the loyalty of a firm's customer relationships. It serves as an alternative to traditional customer satisfaction research.	 p. 5, 27
<b>NGO (Non-Governmental Organisation)</b>	An organisation that is neither a 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 persons.	 p. 48, 49
<b>NL II</b>	Netherlands Investment Institution – established to enable institutional investors such as pension funds and insurers to invest directly in the Dutch economy.	 p. 27

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<b>NN Future Matters</b>	Future Matters is the global community investment programme for NN Group. It aims to empower people in the markets where we operate to improve their financial wellbeing, and to support them in growing their economic opportunities, so they can realise their dreams and overcome adversity.	<b>AR</b> p. 37, 45
<b>NN Group Compliance Charter &amp; Framework</b>	A policy set in place by NN Group to help businesses to effectively manage their compliance risks.	<b>AR</b> p. 46
<b>No-regret Policy</b>	Policy adopted with the objective of gaining capability to cope with forthcoming adversity, including having the optionality to reverse measures if changed circumstances require.	<b>AR</b> p. 14
<b>Ordinary share</b>	An equity instrument that is subordinated to all other classes of equity instruments. Ordinary shares participate in the net profit for the financial year after other types of shares such as preference shares.	<b>AR</b> p. 29
<b>Partial Internal Model</b>	A method of calculating the Solvency Capital Requirement (SCR) that combines a standard formula and an approved, internally developed internal model.  NN Group's Partial Internal Model was approved by the Dutch regulator (DNB) in December 2015.	<b>AR</b> p. 3, 20
<b>Product Approval and Redesign Process (PARP)</b>	The Product Approval and Redesign Process (PARP) refers to the assessment of a product in relation to its customer suitability, financial and non-financial risks and profitability. The PARP is conducted when NN Group introduces a new product, changes the characteristics of an existing product or reviews a product. This is to ensure that our products are acceptable for our company, our customers and our society in general.	<b>AR</b> p. 17
<b>Pulse survey</b>	A short version of the yearly YES survey, NN Group's yearly employee engagement survey. It was last conducted internally by NN Group in May 2014 with the goal of evaluating how our strategy, values and brand were impacting people throughout the organisation.	<b>AR</b> p. 9
<b>Qredits</b>	Qredits – A microfinancing organisation assisting entrepreneurs with loans, mentoring and e-learning	<b>AR</b> p. 27
<b>Remuneration</b>	Reward to NN Group's employees in the form of salary or compensation, either fixed or variable, including benefits.	<b>AR</b> p. 7, 19 <b>FR</b> p. 23-27
<b>Report of the Executive Board</b>	The NN Group N.V. 2016 Report of the Executive Board (Bestuursverslag), as referred to in section 2:391 of the Dutch Civil Code. Specific chapters to be mentioned in this matter are the Annual Review and the following chapters in the Financial Report: the Financial Developments, the Report of the Supervisory Board, Corporate Governance, the Remuneration Report and the Report of the Executive Board on internal control over financial reporting.	<b>FR</b> p. 29
<b>Responsible Investment (RI) Policy Framework</b>	The Responsible Investment (RI) Policy Framework sets out NN Group's vision, approach and key principles on responsible investment. NN Group defines RI as the systematic integration of relevant ESG factors into its investment decision-making and active ownership practices.	<b>AR</b> p. 29, 30, 45, 49
<b>Retail investors</b>	An individual who purchases securities for his or her own personal account rather than for an organisation.	<b>AR</b> p. 3, 27
<b>Robo-advice</b>	The use of automation and digital techniques to build and manage portfolios of exchange-traded funds (ETFs) and other instruments for investors.	<b>AR</b> p. 42

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<b>SDMO</b>	Sustainable Micro Pensions in Developing Countries organisation – joint initiative of the Association of Insurers and the Pension Federation in the Netherlands with support of the Dutch Ministry of Foreign Affairs.	 p. 28
<b>SER</b>	Social and Economic Council of the Netherlands advises the Dutch Government and Parliament on key points of social and economic policy. It also undertakes activities arising from governance tasks and self-regulatory matters, and functions as a platform for discussions of social and economic issues. The Council consists of independent Crown-appointed members, employers, and employees.	 p. 48
<b>Settlement date</b>	The date on which a trade must be settled and the buyer must make payment. On 2 July 2014, ING Group offered part of its shares in the share capital of NN Group to the public and the shares in the capital of NN Group were listed on Euronext Amsterdam. Settlement date of the offering was 7 July 2014.	 p. 14-19, 21
<b>Social Innovation Relay</b>	The Social Innovation Relay is an initiative of Junior Achievement supported by NN Group. It works to inspire secondary school students to develop innovative business concepts that address social challenges.	 p. 37
<b>Socially Responsible Investment (SRI) funds</b>	Socially Responsible Investment (SRI) funds are specialised sustainable investment products which cater to the increasing demand for products that not only generate good financial returns, but are also good for society and the environment.	 p. 5, 17, 31, 45
<b>Solvency II ratio</b>	Measurement of NN Group's capital position, calculated as the ratio of Own Funds (OF) to the Solvency Capital Requirement (SCR) based on NN Group's approved Partial Internal Model.	 p. 2, 3, 5, 14, 20, 22, 29, 33
<b>SPVA</b>	Single premium variable annuity	 p. 3
<b>Stakeholders</b>	The groups and individuals who, directly or indirectly, influence – or are influenced by – the attainment of the company's objectives, such as shareholders and other lenders, employees, suppliers, customers and civil society.	 p. 4, 6, 7, 14-16, 18, 21, 22, 24, 28, 29, 33, 36, 38, 46, 48-50
<b>UN Global Compact</b>	The United Nations Global Compact is an initiative of the United Nations to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. It is a principle-based framework for business, stating ten principles in the areas of human rights, labour, environment and anti-corruption.	 p. 30, 49, 50
<b>Value creation model</b>	An operating model which focuses on how NN Group can create revenue which exceeds expenses which results in a profit, or value, to the stakeholders.	 p. 22, 38
<b>YES</b>	The Yearly Engagement Survey (YES) is designed as a questionnaire measuring how NN Group's brand and values are experienced by our employees, how our leaders live up to the high standards we set and how we fulfil our employee value proposition as an organisation. The results reflect employee engagement expressed as a percentage score.	 p. 9

## Contact and legal information

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

### Prepared by

NN Group Corporate Relations

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

### Disclaimer

NN Group's 2016 Annual Report consists of two documents: the 2016 Annual Review and the 2016 Financial Report. More information – for example the GRI Index Table and the case studies – is available on the corporate website in the Investors/Annual report section. Later in 2017, in accordance with the relevant deadlines, the SFCR will be published on the corporate website as well.

Certain of the statements in this 2016 Annual Report are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in NN Group's core markets, (2) changes in performance of financial markets, including developing markets, (3) consequences of a potential (partial) breakup of the eurozone, (4) changes in the availability of, and costs associated with, sources of liquidity as well as conditions in the credit markets generally, (5) the frequency and severity of insured loss events, (6) changes affecting mortality and morbidity levels and trends, (7) changes affecting persistency levels, (8) changes affecting interest rate levels, (9) changes affecting currency exchange rates, (10) changes in investor, customer and policyholder behaviour, (11) changes in general competitive factors, (12) changes in laws and regulations, (13) changes in the policies of governments and/or regulatory authorities, (14) conclusions with regard to accounting assumptions and methodologies, (15) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (16) changes in credit and financial strength ratings, (17) NN Group's ability to achieve projected operational synergies and (18) the other risks and uncertainties detailed in the Risk Factors section contained in recent public disclosures made by NN Group and/or related to NN Group.

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