

Speech of David Knibbe at NN AGM held on 2 June 2023



The spoken word prevails.

'Good morning everyone.

Welcome. Thank you all for being here today, either in person or virtually. It is good to see you, and I'm pleased to share with you the achievements of NN in 2022, as well as some words on our future plans.

Our operating environment

Last year, we were again able to deliver strong results, and we made significant progress on the execution of our strategy – despite the volatile economic and geopolitical environment.

After the Covid-19 pandemic came to an end, the world was confronted with a series of developments, such as the war in Ukraine, supply chain disruptions, and high inflation... and earlier this year the devastating earthquakes in Turkey and Syria... this all has impacted many people's lives.

It also has an effect on the economic outlook for the coming years, and the prosperity of our customers, our employees, and society at large. This creates a dynamic and complex environment, which requires adaptation.

Recent years have shown that NN is able to deal with high levels of uncertainty. Our business model is relatively resistant to volatility, and inflation risk is limited and hedged to a large extent. We have a well-diversified risk profile for our investments and insurance activities.

Furthermore, our strategy remains well aligned with long-term market trends, creating opportunities for growth. This enables us to stay fully committed to supporting our customers and other stakeholders in navigating the change and uncertainty they might face.

Our performance in 2022

Now let's focus on our performance in 2022. Our purpose is to help people care for what matters most to them. And, it is our ambition to become an industry leader, known for customer engagement, talented people, and our role in society.

Over the past year, we have continued to make progress towards this long-term ambition:

On customers: we maintained our solid Net Promoter Score. In 8 of our 11 Dutch and international businesses, we scored on or above market average. We are constantly looking for ways to better serve our customers during the most important moments in life: for example when planning for retirement or when buying a home.

On our people; especially in today's competitive labour market, we are pleased with the high level of engagement of our colleagues, as reflected by an increased score of 7.9.

And, for the first time, the number of women in senior management positions has reached 40%.

When it comes to our societal and environmental targets, we also took some important steps. For example, we committed to net-zero targets in our first Climate Action Plan – on which I will elaborate later.

In addition, we started the NN Social Innovation Fund. With an initial 5 million euros investment, the fund is aimed at supporting early-stage social enterprises focused on increasing financial, physical, and/or mental well-being.

Strong financial and commercial performance in 2022

On our commercial and financial performance; We continued to deliver solid results in 2022, based on our strong market positions, our diverse business footprint and robust balance sheet.

Operating capital generation (OCG), which is our main financial performance metric, increased by 8% in 2022 compared with 2021, to more than 1.7 billion euros, exceeding our 2023 target of 1.5 billion euros. This was driven by a strong business performance and supported by higher interest rates.

We have seen that uncertainties, such as the pandemic or inflation, have heightened consumers' awareness of risk and vulnerability, leading to a greater demand for long-term health and protection products, particularly in markets with low insurance rates.

The high level of inflation is affecting people's disposable income however, resulting in short term pressure on sales. Nevertheless, we are confident that the structural demand for protection products in Europe will continue to result in sales growth over time.

Our balance sheet remains strong, with a Solvency II ratio of 197% at year-end 2022. This gives us ample financial flexibility and also allows us to continue delivering attractive capital returns to shareholders.

We have proposed a final dividend of 1.79 euros per ordinary share, bringing total 2022 dividend to 2.79 euros. This is an increase of 12% on 2021. We also announced a new share buyback programme for an amount of 250 million euros.

New financial and strategic targets

In November last year, we shared new ambitious targets with the market, underscoring our commitment towards long-term value creation for all stakeholders. We increased our OCG target to 1.8 billion euros in 2025 and we expect mid-single-digit growth of free cash flow.

To achieve this, we focus on growing the underlying business, based on our strategic targets around customers, our people, and society.

Our first strategic target is about customer satisfaction, which we measure based on Net Promoter Scores. The goal is to significantly outperform the competition in NPS. We aim to do this by providing customers with a flawless, digital, and hassle-free experience. To achieve this, we offer an omnichannel environment that combines digital channels with proactive, personal advice when needed. We believe that this approach will help us to meet our customers' needs more effectively.

Furthermore, we have two strategic targets around our people; the first on employee engagement. We intend to outperform the sector in engagement and the second on diversity in senior management positions. And although we have met our target of 40 % women in senior positions, this remains an important focus point for us.

We want to retain, and attract, the talent we need for the future. This means investing in technical reskilling as well as upskilling. And we also put additional emphasis on our efforts in the area of diversity & inclusion; so our employee base reflects our customer base.

Thirdly, our targets reflect our community activities as well as our efforts in the area of climate change. With our work in the communities, we aim to support 1 million people with their financial, physical or mental well-being by 2025.

And, when it comes to our impact on the environment, we take the role we can play in combating climate change very seriously. We aim for net-zero emissions across the entire business – so in our investment portfolio, underwriting portfolio, and in our own operations.

Let's look at the specific climate actions we are taking on the next slide.

Climate change and our net-zero commitments
This is our roadmap towards net-zero Greenhouse Gas Emissions. As an insurer we are mostly exposed to the risk of climate change through both our investments and underwriting activities.

From the perspective of society in general, there is progress, but it is not going fast enough and it will be a challenge to reach the targets of the Paris Agreement – despite all efforts in emissions reduction and new technology. There is a lot of potential for businesses to contribute more, which goes for NN as well.

Our efforts are focused on our net-zero strategy. Our Climate Action Plan outlines a clear roadmap to reduce greenhouse gas emissions to net-zero -- in our own operations by 2040, -- and in our investments and insurance underwriting by 2050.

We are more than doubling investments in climate solutions, aiming to invest an additional 6 billion euros by 2030. Our progress so far: we invested around 3 billion as part of the 6 billion target. This comes all on top of the existing 5 billion euros that we already invested in climate solutions.

In August 2022, NN Group raised 500 million euros of green bonds in the first issue under its Sustainability Bond Framework – to finance green and social projects. And another 1 billion euros of green bonds was raised in April this year.

We are also taking steps to address biodiversity, as the loss of biodiversity heavily impacts ecosystems and human life. In October 2022, we signed the Finance for Biodiversity Pledge, and we will set targets and take further action in the years to come.

In addition to our net-zero strategy, we are taking steps to help our customers reduce their carbon footprint and adopt more sustainable practices. For example, by not automatically replacing for new when we receive damage claims, but instead use recycled materials, or by helping our mortgage customers to make their homes more sustainable via our label Woonnu.

Looking forward: 2023 and beyond

Looking ahead, we have a strong foundation for long-term sustainable growth. As a company with a history that stretches back more than 175 years, we have weathered many storms, and we will continue to do so with the same sense of perspective, long-term view, and responsibility that have guided us thus far.

We believe the insurance industry is a vital part of society, and it's our goal to help ensure that NN, our people, the customers we serve, and the communities in which we operate, remain financially healthy and prosperous for years to come.

In closing, I would like to extend my gratitude to all of you – our shareholders –, for your continued support and confidence in NN.

Again, thank you for joining us today, and we look forward to a good dialogue with you during this meeting, as well as in the year ahead.'

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