



Annual review **2015**

23 March 2016

delta lloyd

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1 OVERVIEW

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1.1 About Delta Lloyd

Delta Lloyd provides life insurance, pensions, general insurance, asset management and banking products and services to 4.2 million customers in the Netherlands and Belgium. We use multiple channels to distribute our products and services under well-known and respected brands: Delta Lloyd, BeFrank, OHRA and ABN AMRO Insurance.

We have 4,130 full-time employees, of which 3,647 are in the Netherlands and 483 in Belgium.

Delta Lloyd is listed on Euronext Amsterdam and Brussels.

1.1.1 Our brands

In the Netherlands, we sell life and general insurance under the Delta Lloyd, OHRA and ABN AMRO labels, while BeFrank is a premium pension institution (PPI) that provides innovative group pensions at relatively low cost. OHRA insurance products are sold directly to consumers, while Delta Lloyd products and services are distributed through independent financial advisors, authorised agents and brokers. ABN AMRO insurance products are provided through our joint venture partner ABN AMRO bank.

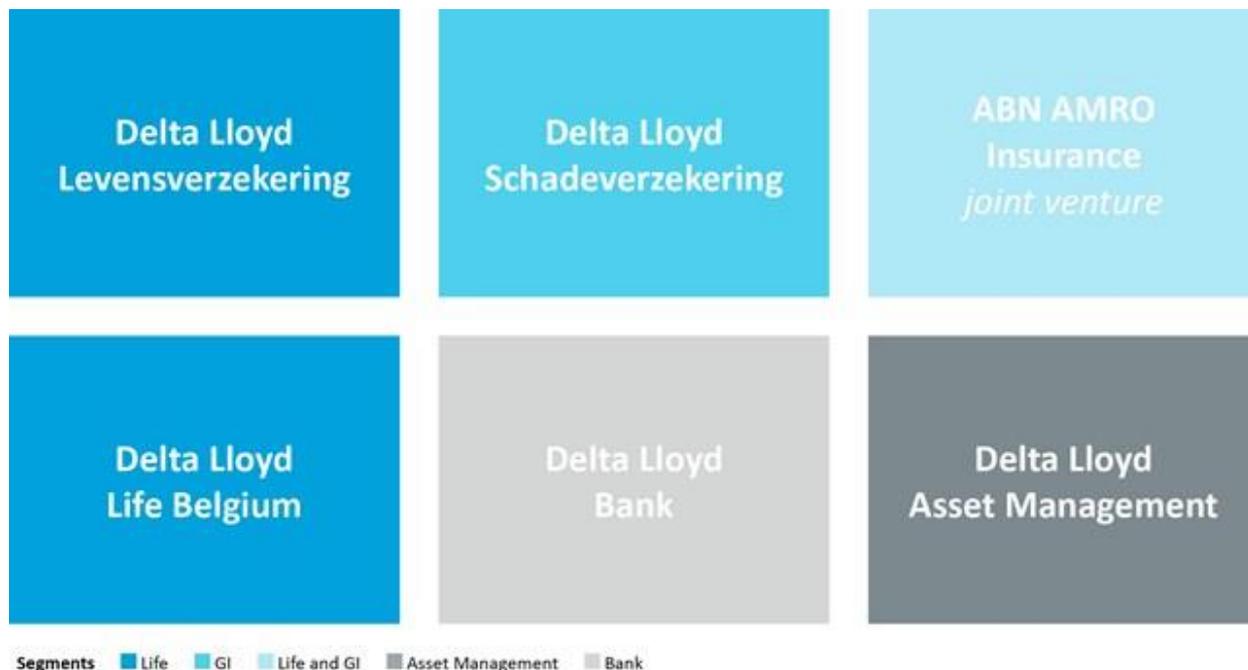
In Belgium, we primarily sell Delta Lloyd life insurance through intermediaries such as insurance brokers, banks and specialist consultants.

1.1.2 Our products and services

Our life insurance products include pension products and administration services for group customers, and traditional and unit-linked life insurance, savings products and financial planning for individuals. Our broad range of general insurance coverage includes motor vehicles, fire, liability, income protection, and specialist areas such as offshore wind parks. Delta Lloyd and OHRA also distribute health insurance products underwritten by CZ.

Our Dutch banking activities mainly centre around mortgage loans, bank annuities, savings products and fund investments.

Delta Lloyd Asset Management independently manages and invests Delta Lloyd's assets and those of our policy holders and it manages the investments of institutional and retail customers.



1.1.3 Our employees

The success of our business relies on talented and dedicated employees with skills and competencies that are aligned with our strategy. We invest in our people and attach great importance to helping them develop to their full potential throughout their working lives.

We are committed to creating a work force that reflects the diverse character of the society we serve. This relates to gender diversity, as well as including people from different cultural backgrounds, different age groups and with different physical and/or mental abilities. Embedding diversity starts with our Executive Board, which steers our efforts to recognise and promote diversity. The Executive Board leads by example: 40% of its members are female. However, in the rest of the organisation we are still working to meet our 30% target – as yet only 23% of our directors and 26% of managers are women.

Read more about our employees in our [annual report](#) and [section 4.4](#).

1.2 Highlights

432_m

NAPI

+3% ↑

[read more >](#)

Combined ratio

96.2%

1.8pp ↑

[read more >](#)

Gross operational result

940_m

52% ↑

[read more >](#)

Shareholders' funds

2.6_{Bn}

4% ↑

[read more >](#)

Net IFRS result

128_m

-65% ↓

[read more >](#)

Solvency II Standard
Formula ratio

131%

[read more >](#)

Operational expenses

619_m

-13% ↓

[read more >](#)

DJSI

Included

[read more >](#)

IFA satisfaction (pension
and authorised agents)

#1

[read more >](#)

Employee engagement

75%

1pp ↑

[read more >](#)

1.3 Message from the Chairman

There is no denying that 2015 was a tough year for Delta Lloyd, with many changes and challenges both internally and externally. The introduction of the Solvency II regulatory framework, which will harmonise the European insurance industry, affected Delta Lloyd in terms of our capital position and business model. Prior to its implementation in January 2016, we had spent considerable time preparing for this transition. As the year progressed however, we observed volatility in our Solvency II ratio, which was predominantly caused by adjustments to our internal model during the approval process.

The markets reacted severely to the effect of this volatility on our Solvency II capital position. It profoundly impacted our share price and caused concern among many of our shareholders. As part of a broader plan of capital measures to strengthen the capital position of our group holding company, we announced a right issue in November 2015. We put a lot of time and effort into explaining the need for this capital injection, which was approved at our EGM on 16 March 2016

In the meantime, we have decided to report Solvency II capital on the basis of the Standard Formula while we continue to work on our partial internal model. Our decision is based on a thorough analysis and we worked closely with the Dutch central bank to draw a line under important regulatory uncertainties that are specific to Delta Lloyd.

We also made progress during the year on preparing our company for the future: we updated our strategy and reshaped our business, with an ongoing commitment to sustainable capital generation. We strengthened our senior management where needed and appointed new members to the Executive Board. Creating value is a cornerstone of our 'Closer to the customer' strategy, which emphasises an increased focus on customer satisfaction, retention, technology, efficiency and a capital light business model, leading to ongoing capital generation.

It is also about creating value for society by contributing to sustainable economic growth, caring for the environment, investing responsibly and providing innovative products and services that will address society's needs now and in the future. Sustainability is integrated into our daily business and is closely linked to our corporate strategy. Our vision of a sustainable business blends with several international principles of sustainability, including the UN Principles of Sustainable Insurance and Responsible Investment.

Of course, our talented and dedicated employees and committed management team are key to our ability to create long-term value for our stakeholders in the future, and I would like to thank every one of our people for their unwavering commitment to our customers and to our company. For them too, we want to create long-term value, by helping them develop to their full potential.

Thanks to their ongoing efforts, our 4.2 million customers value our products and services. Pension advisors and underwriting agents consistently rank us as the best insurer in the in the Netherlands.

We invest in our people and give them the tools they need to develop their skills and talents so that they remain valuable contributors to Delta Lloyd's success. We also invest in our young leaders of tomorrow and our trainee programme is recognised as the best training & development traineeship in the Benelux. To take full advantage of the many innovative ideas that can improve our products and services we partner with start-ups and learn from other industries to develop new propositions faster. We also take pride in our diverse workforce, in which we strive to reflect the diversity of the society we serve.

We recognise that we asked our shareholders to make a significant financial commitment. The rights issue was not a step we took lightly. We are extremely grateful that they chose to support our capital plan. We look forward to a long-term mutually beneficial relationship with our new strategic partner Fubon. Not everyone agreed with the rights issue, and we certainly took these differing opinions into consideration. But like us, the majority of our shareholders believe the path we have chosen is the right one. It gives us strong foundation for the future and will ultimately generate long-term value for our stakeholders.

Having gained our shareholders' support, we will not stop here. We have an ongoing commitment to improving capital generation and our dividend. We will grow in profitable, capital-light business and we will upgrade our risk and capital management infrastructure. We will reduce our operating expenses by 10% by 2018, building on our cost reduction track record.

While 2015 was a transitional year for Delta Lloyd, with many challenges such as the introduction of Solvency II, we have made good progress and addressed many of the issues that we faced. We are now looking to the future with confidence again and we would like to thank all our stakeholders for their ongoing support.

Hans van der Noordaa

Chairman of the Executive Board

2 HOW WE CREATE VALUE

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2.1 Closer to the customer

Our ‘closer to the customer’ strategy aims to create value for our customers by offering them convenient and sustainable solutions that help them manage uncertainty. It delivers tailored, customer-focused products and services through multiple distribution channels in the right way and at the right time. We believe we can do this by enhancing our understanding of customer needs and providing an excellent customer experience.

In 2015, we adopted our revised strategy that plays into long-term industry trends and the changing regulatory environment in which we operate. ‘Closer to the customer’ focuses on customer satisfaction and retention, technology, efficiency and a capital light business model. It is designed to enable us to grow in our core Dutch and Belgian markets, reduce costs and create value for all our stakeholders, including our shareholders. Our objective is to deliver customer-focused, profitable and capital-generative new business, with a focus on insurance.



In this we will target 'value over volume' – stable and healthy margins rather than volume growth, unless it is value accretive over time. We are transitioning to a more fee-driven business model, such as the fees and commission generated from our asset management activities and BeFrank. We are focusing on lower risk, less volatile products with a relatively higher Solvency II risk-adjusted return, which generate capital and cash. For example, in Life insurance we are shifting towards capital-light products such as defined contribution pension schemes, premium pension institutions (PPI) and general pension funds (APF) in the Netherlands, and unit-linked and protection products in Belgium. The General insurance segment has a strong combined ratio that is consistently below the market average. These products generate capital and offer the Life business diversification benefits. In banking we will concentrate on bank annuities and mortgages with low loan-to-value and long fixed interest rate durations. Growth in assets under management will be important to support our future profitability.

Sustainability and taking a responsible approach to doing business to create long-term value is a key aspect of our revised corporate strategy. Read more in [section 4.1](#).

2.2 Strategic pillars

We identified three key factors that are important to achieving our mission of getting closer to, and creating value for, our customers:

- **Excel in fulfilling customer needs:** Delta Lloyd intends to excel in fulfilling customer needs by offering high levels of customer service and having more direct relevant interactions with our customers. We believe this can be achieved by adopting a pro-active approach to better understanding a customer's needs, including through the increased use of data driven decision making.
- **Multi-channel distribution:** Delta Lloyd intends to leverage its multi-channel distribution capabilities by adapting to changes in the market place where customers themselves determine how they interact with us. We intend to provide access to products, services and advice from our partners or directly at any time and using any device. The aim is to provide a customer with a seamless multi-channel interaction with our brands and the primary Intermediaries and Bancassurance partners.
- **Leverage technology:** Delta Lloyd intends to leverage technology by investing in IT systems that will permit us to better capture information about our customers across brands as well as supporting online sales, service and customer communication channels for our brand and our distribution partners. Continuing to reduce its legacy systems and creating an open infrastructure are important preconditions.

2.3 Enablers

To realise our strategy we have identified six enablers. These are:

- **Asset and liability management:** Our asset management business has vital experience of evaluating risk-return ratios under Solvency II and of managing our own assets as well as attracting third-party assets, which will be a critical contributor to profitability as we move to fee-related products.
- **Risk and capital management:** A strong solvency position is essential, particularly under the new Solvency II regulatory regime. As part of this we will move towards a more fee-driven business model, particularly asset management, and focus on lower risk, less volatile products. We have shifted towards capital light life insurance products, such as defined

contribution pension schemes. Cost reduction remains a priority, as does our commitment to operational excellence.

- **Analytics and innovation:** Data-driven decision-making will be crucial for successfully meeting customer needs. Innovation will help us fulfil those needs and enhance our multi-channel distribution. We aim to recognise good, innovative ideas in the market and implement them in our organisation.
- **Alliances and partnerships:** Critical scale in our core markets is necessary to operate efficiently and provide high service levels to our customers and distribution partners. Where we don't yet have critical scale we will use our distribution networks and partner with others to offer our customers complementary products and services. An example of this is our distribution partnership with CZ for health insurance products.
- **Values and way of working:** We will become more agile and innovative and reduce the complexity of our operations. To this end we have integrated our commercial activities into our life insurance, general insurance and banking businesses, centralised functions such as brand, online and strategic marketing and integrated IT into each business segment to improve time-to-market and facilitate better cooperation.
- **Human capital:** We will strengthen our workforce planning to ensure our employees have competencies that are aligned with our strategy. It is essential to attract talent and to develop, empower and retain our employees. Read more about our employees in [section 1.1.3](#).

2.4 Materiality analysis

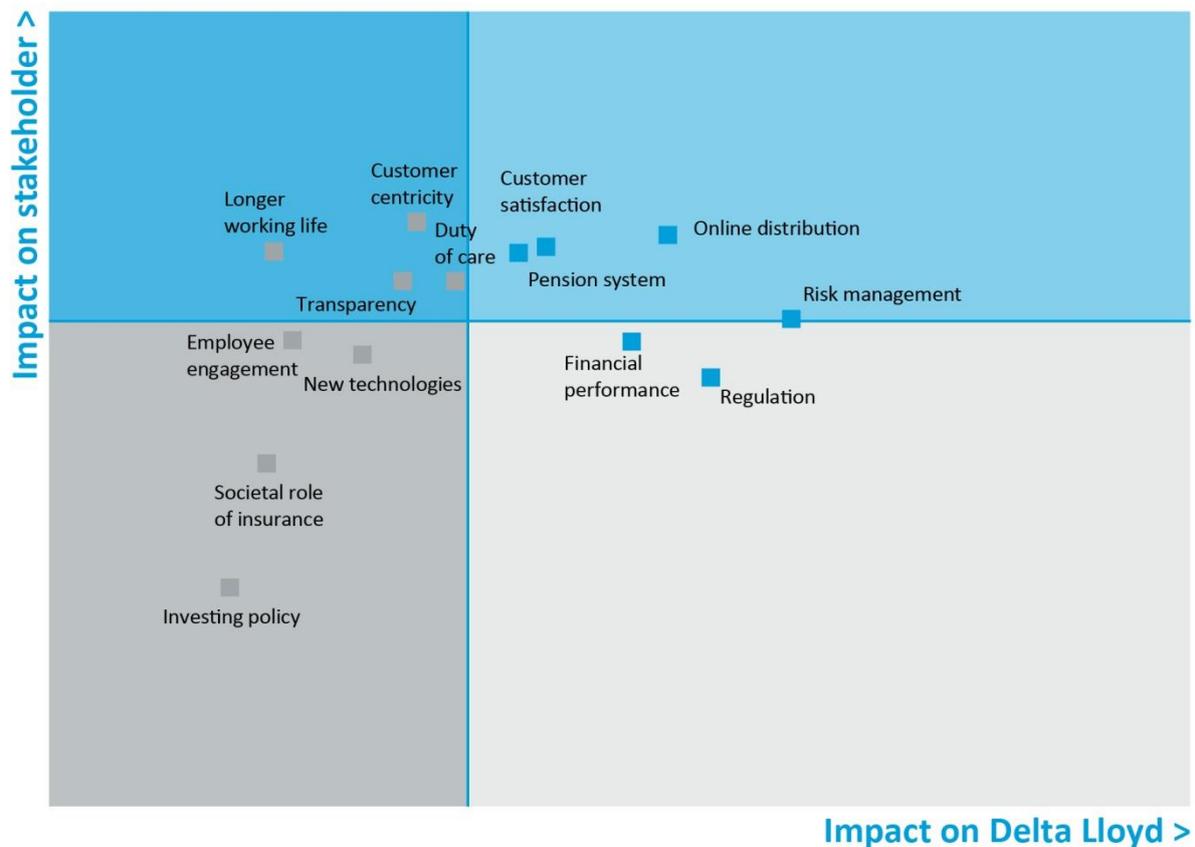
Material matters are those topics that are most important to Delta Lloyd and to our stakeholders, based on their impact and the value they create. As such, these are themes that could influence our business decisions and those of our stakeholders, including our customers, employees, investors, business partners and intermediaries. We carry out a materiality analysis to identify matters that substantively affect our ability to create value.

Materiality assessment

To assess the most material topics in 2015 we asked internal experts from our various business lines for the issues their stakeholders raised during their discussions. We looked at what was said in the media, research reports, financial sector publications and on social media. We also considered what our peers deem to be important. Based on this we drew up a long-list of 14 material matters.

Consequently an independent research company carried out an online survey among customers, financial advisors, investors, employees and journalists to determine the impact these 14 topics have on Delta Lloyd, on stakeholders and on society.

The topics on the horizontal axis are most relevant to Delta Lloyd; those on the vertical axis are most relevant to our stakeholders. The topics in the top right of the matrix are important to both and are therefore considered material. Each of these themes is connected to our strategy and has the backing of the Executive Board for inclusion in the materiality matrix.



The themes identified in 2015 as being material to both Delta Lloyd and our stakeholders were:

- **Customer satisfaction:** Our strategy is built around our customers. This means listening to them, acting on complaints and suggestions, and providing relevant products and services that create long-term value. Read more in [section 2.5.1.1](#).
- **Online distribution:** Everything is moving online and therefore our insurance products and services should also be available and easy to access online. Linked to this is the use of technology to innovate new products and services, and big data to better understand customer wants and needs. Read more in [section 2.5.1.2](#).
- **Pension system:** Pension systems are changing to accommodate longer lifespans. People have to take more responsibility for their own retirement, rather than relying on their employer or the state. To keep pensions affordable now and in the future requires a new approach to pensions products for employers and employees. Read more in [section 2.5.1.3](#).
- **Risk management:** The new regulatory environment under Solvency II emphasizes sound risk management. This is key to protecting our business against adverse events that may jeopardise our ability to achieve sustainable results, the required solvency level or our strategic objectives. As an insurer we are in the business of accepting risk, meaning we have to put capital at risk in a structured and disciplined manner to successfully execute our strategy. Read more in [section 2.5.1.4](#).

We also included financial performance and regulation in the final materiality matrix as we consider these topics material to Delta Lloyd.

- **Financial performance:** Achieving adequate returns and the ability to pay a stable annual dividend are essential for our business continuity. Our financial performance is underpinned by strong commercial and operational performance. Read more in [section 3.3.1](#) 'Financial and operational performance'.
- **Regulation:** Complying with the rules and regulations governing the insurance industry helps to strengthen trust in the financial sector, and in our company. Solvency II has had profound effect on our business model and we have adjusted our business mix and investment policy to comply with the capital and risk requirements under the new regulatory regime (see section 'Risk management' in our [annual report](#)). In the first half of the year, our relationship with the regulator DNB was marked by a legal dispute, which we resolved in August. Read more in section 'Dispute with DNB' in our [annual report](#).

The material themes are closely linked to our strategy and to the enablers required for putting it into action and unlocking the value we want to create for our customers, shareholders, employees, business partners and other stakeholders.

Materiality and strategic focus

Material issue	Strategic focus	References
Customer satisfaction	Excel in fulfilling customer needs	Section 4.3.2
Online distribution	Leverage technology	Section 2.5.1.2
Pension system	Asset and liability management	Annual report
Risk management	Risk and capital management	Section 3.4.7 , Annual report
Financial performance	Risk and capital management	Annual report
	Asset management	Section 3.3.1
	Analytics and innovation	Section 3.1 , Section 3.3.1
Regulation	Risk and capital management	Annual report
	Asset and liability management	Annual report

2.5 Material matters

Material matters are those topics that are most important to Delta Lloyd and to our stakeholders, based on their impact and the value they create. As such, these are themes that could influence our business decisions and those of our stakeholders, including our customers, employees, investors, business partners and intermediaries. We carry out a materiality analysis to identify matters that substantively affect our ability to create value.

2.5.1.1 Customer satisfaction

Customer focus is not a new priority for Delta Lloyd. Over the years we have built a strong reputation for good service and our 4.2 million customers consistently score us highly on customer satisfaction, as do our business partners.

Intermediary satisfaction is a key driver for our commercial businesses in the Netherlands. For the fourth consecutive year we achieved the highest intermediary satisfaction in the pensions market (7.6, which includes BeFrank and is on par with 2014) and Delta Lloyd ranked third in commercial General Insurance. Authorised agents (*Volmacht*) consider Delta Lloyd's service levels to be best in class in the Netherlands. The annual survey of pension insurers by IG& H Consulting found financial advisors most value the way we manage accounts and process new policies and claims. Our products are valued for being innovative and well-priced.

To continue improving our customer service we act on their comments and criticisms. In 2015, we increased the frequency of customer satisfaction surveys to monthly from annually, and ask for feedback after every customer interaction. This helps us identify areas for improvement. For example, customers indicated we could be more empathetic when they contact us to claim for damages after traumatic events such as car accidents, theft or fire.

To gain a better understanding of our customers' needs and requirements, we created the new business unit Customer, Brand & Digital, which stems from our 'Closer to the customer' strategy. This will allow us to respond faster and more efficiently to the needs of customers and to bring new products to the market quicker that offer them the right solutions at the right time.

It is our ambition is to become the most customer-oriented insurer in the Netherlands by 2020. Read more about our activities to further improve our customer satisfaction in [section 4.3.2](#).

2.5.1.2 Online distribution

Each of our labels is at a different stage of their digital transformation, with OHRA the most advanced and Delta Lloyd just setting out. We will expand our digital and data capabilities and use our customer insights and track record as an insurer to develop future-ready products and services that play into market trends and developments and take into account the new types of risks our customers face.

We are moving more of our Life business online to streamline and automate our internal processes and make it easier for customers to access and use our Life and non-life products on a single digital platform. Our aim is to give customers a single gateway to all our services. From here they will be able to compare insurance products, choose the one that best meets their needs, make claims, manage their finances and get in touch with us.

It opens up new ways for communicating with customers, such as with video conferencing and social media channels, and advisors can tailor their advice based on real-time data.

To strengthen our distribution capabilities, the OHRA brand is transforming into a purely digital, commodity insurer. We will expand our existing online portal for sales and services for commercial and individual customers and brokers.

Delta Lloyd Bank is also looking to introduce new digital and mobile banking products and services for mortgages and wealth accumulation. Consumers and advisors will benefit from simpler processes and systems, which will enhance our banking service and increase these customers' satisfaction.

Digitisation and automation will improve our service and reduce costs, adding value for our customers, intermediaries and our business. On the other hand, it also makes us more vulnerable to non-financial risks such as cybercrime, data leaks, protecting customer privacy and electrical outages. We took various actions in 2015 to mitigate these risks (see [section 3.4.7](#)).

In 2015, we were the first insurer in Europe to introduce an innovative fraud detection system called 'Sjerlok', which combines big data, artificial intelligence and detective work to search the internet for missing or stolen objects. Mobile technology allows customers to submit damages claims by uploading photos from their phones at the scene of an accident. And technology gives us more insight into customer behaviour online and enables us to better assess risks and adjust our premiums accordingly. For more examples of how we prevent fraud, see [section 4.2.4.6](#).

Technology and innovation go hand-in-hand. Big data gives us insight into our customers and technology offers us the tools to innovate the products and services they need. For example, OHRA's automated virtual assistant Maud could answer over 16,500 online queries relating to health insurance products in just four days at the end of 2015.

Unlocking the potential of online requires working in close cooperation with innovators and start-ups to bring ideas to market quicker. It also requires the people in our organisation to have the right skills as more of our business moves online.

2.5.1.3 Pension system

Government policies with regards to pensions have changed to reflect the changing demographics of the ageing Dutch society, which are putting the collective pensions system under pressure. People now have to work longer before they retire and companies can no longer afford to offer employees a guaranteed pension. The pensions market is more regulated under new solvency rules. Low interest rates remain a major challenge for Life insurers and continue to put pressure on profitability.

In this changing environment we are moving towards a capital-light, fees based business model. In this, asset management will play an important role, for example by providing investment management services to institutional pension fund mandates. As a responsible investor we very carefully select the companies and industries we invest in. This contributes to a lower risk profile and ensures our investment portfolio meets environmental, social and governance criteria.

The shift towards lower risk, less volatile products reflects the growing demand for more affordable pension options such as defined contribution (DC) schemes. Here our premium pension institution BeFrank remains the leader in the collective pensions market with its innovative DC products. At year-end 2015, it had assets under management of € 618 million, compared to approximately € 400 million at end-2014.

Another option for companies are the newly introduced Dutch general pension funds (APFs). These group multiple corporate pension plans together under the management of a single independent board (a non-profit foundation), while ring-fencing assets to offer a defined benefit-type scheme with no guarantees. Company pension funds can retain their own scheme and identity while lessening the regulatory burden and administrative costs. We see opportunity here for Delta Lloyd and have applied to the DNB for an APF licence.

We help people to prepare for their retirement, both financially and by raising awareness of what they can expect once they stop working. To help people plan for their retirement we are looking to develop a 'track-and-trace' system that will give pensions customers an overview of their retirement and savings products, so there are no surprises when they stop working.

For example, certain asset management savings products should be changed the closer they get to retirement, and we want to make sure they get the right advice and guidance to make the right choices. In this simplicity and transparency are key. We want to provide information that is clear and easy to understand on a single, digital platform where they can manage all their insurance products.

For more examples on how we plan to help our customers to manage uncertainty regarding their pensions, see section 'Responsible insurance'.

2.5.1.4 Risk management

Risk is inherent to the insurance business. We don't just have to assess and manage the risks our customers face, but also those that could jeopardise our own business. These include financial and non-financial risks such as the risk of reputational damage due to the decline in our share price or the risk that Delta Lloyd is struck by a significant cyber crime or data loss incident (see [section 3.4.7](#) 'Top five risks'). Risk management should be ingrained in every employee, as they are our ambassadors and their behaviour can win or lose customers. Risk management therefore includes integrity and compliance, see also [section 4.2.4.5](#).

Correctly assessing risk is vital for pricing our insurance products correctly, which helps to keep premiums affordable for customers. Managing risk safeguards Delta Lloyd against adverse events and creates value for our company, our shareholders and our customers.

To comply with Solvency II we are shifting towards lower risk, less volatile products and adjusting our investment portfolio towards higher Solvency II risk-adjusted returns.

We announced plans in 2015 to reorganise our risk organisation. We appointed a chief risk officer to the Executive Board and plan to make changes to more strictly implement key functions described in the Solvency II guidelines and support the pure division of the responsibilities of the second line of defence. This will include splitting the actuarial and risk management functions at group level and in the business units, where each business unit will get its own CRO. The new risk organisation is scheduled to be implemented in May 2016. Read more in [section 3.4.2](#).

Risk management should be ingrained in every employee, as they are our ambassadors and their behaviour can win or lose customers. Risk management therefore includes integrity and compliance, see also [section 4.2.4.5](#).

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3.1 A year of transition

Since it was founded in 1807, Delta Lloyd has faced many challenges and opportunities; 2015 was no exception. It was a difficult year, but also one in which we took important strides forward. To resolve a legal dispute with the DNB we accepted the court's ruling and decided not to lodge an appeal. As a consequence, our CFO and the chairman of the Supervisory Board decided to step down and we paid a fine of € 22.68 million. Developing the new Solvency II regulatory framework was a long and complex process. In the past year, we observed volatility in our Solvency II ratio, which was predominantly caused by adjustments to our Internal Model during the approval process. After a thorough independent analysis ordered by the Executive Board and discussions with the DNB, we determined it was necessary to withdraw the application for an Internal Model and focus on Solvency II capital reporting on the basis of the Standard Formula.

Capital position

Understandably, Delta Lloyd's good commercial and operational performance in 2015 was overshadowed by the attention to our capital position. Our share price plunged during the second half of 2015 and finished the year at € 5.45 – a 70% decrease on what it was at the end of 2014, when it closed at € 18.19. This profoundly negative impact was largely due to the way the markets reacted to the volatility of our Solvency II capital position in the second half, which caused concern among many of our shareholders. We decided to step up actions to reshape the business and implement Solvency II accretive measures. These included accelerating the shift toward lower risk, less volatile products and moving our investment portfolio towards higher Solvency II risk-adjusted returns and the generation of cash and capital in a Solvency II context.

We also made substantial progress in what was a transitional year for Delta Lloyd. Under the leadership of a new management team— a new chairman, chief financial officer and chief risk officer were appointed to the Executive Board – we improved risk awareness, compliance and internal governance, we revised our strategy, we continued to optimise the company’s balance sheet, we addressed regulatory uncertainties and we implemented various Solvency II accretive measures, including a clearly defined set of near-term management actions.

Rights issue

Notwithstanding these actions, we concluded that the capital position of our holding company needed to be strengthened further. On 30 November, we announced an intended rights issue to raise additional equity capital. The rights issue is due to take place in the first quarter of 2016, subject to shareholder approval at an Extraordinary General Meeting on 16 March. Once this is complete, and along with the already completed management actions, we expect to reach a solvency position that can support our business model and give us a strong foundation from which we can face the future with confidence.

Closer to the customer

In 2015, we revised our strategy to play in to long-term trends such as the ageing population, technology and evolving customer preferences. The ‘Closer to the customer’ strategy (see [section 2.1](#)) emphasises an increased focus on customer satisfaction, technology, efficiency and a capital-light business model. Using data analysis to better understand our customers’ wants and needs, innovation to develop the right products and services, strategic partnerships, outstanding service and simple, efficient processes, along with excellent risk and capital management, will help us grow in our core Dutch and Belgian markets and ultimately create long-term value for our customers, shareholders and other stakeholders.

Customers

Customer satisfaction remains high and Delta Lloyd remains the top choice for financial advisors, particularly our pension products. For the fourth consecutive year we achieved the highest intermediary satisfaction in the pensions market (7.6, which includes BeFrank and is on par with 2014) and Delta Lloyd ranked third in commercial General Insurance. Authorised agents (*Volmacht*) consider Delta Lloyd’s service levels to be best in class in the Netherlands. Overall intermediary satisfaction improved to 7.3 (2014: 7.0) in 2015. The outcomes of the annual survey of pension insurers by IG&H Consulting found financial advisors and intermediaries most appreciate the way we manage our accounts and back-office processing of new policies and claims and our innovative and well-priced products.

To gain a better understanding of our customers’ needs and requirements, we created the new business unit Customer, Brand & Digital, which stems from our ‘Closer to the customer’ strategy. This will allow us to respond faster and more efficiently to the needs of customers and to bring new products to the market quicker that offer them the right solutions at the right time.

Read more about customer satisfaction in [section 4.3.2](#).

3.2 Capital

Solvency II and Solvency II Standard Formula

As of 1 January 2016, we are required to comply with Solvency II, the new solvency framework and prudential supervisory regime. Until 31 December 2015, we had reported our solvency ratios based on the Insurance Group Directive (IGD), using the Solvency I framework. As the Solvency I ratio is no longer a regulatory measure as of 1 January 2016, we are providing it only to give context to our regulatory capital position immediately prior to entering the Solvency II regime. Although Delta Lloyd applied in 2015 to use a partial internal model, we decided, after thoroughly reviewing it in the third quarter, that it was necessary to withdraw the application. While we are working to improve our partial internal model, we have to report our regulatory capital numbers based on the more prescriptive Solvency II standard formula. Hence, the reported capital ratios since 1 January 2016, comply with the new Solvency II framework and are based on the latest interpretation of the standard formula rules and regulations and guidance disclosed by DNB and NBB.

As a result of these regulatory changes that took effect on 1 January 2016, the total eligible own funds increased from € 3.7 billion under Solvency I to € 3.9 billion under Solvency II, whereas the required capital increased from € 2.1 billion under Solvency I to € 3.0 billion under Solvency II.

Capital

<i>(in millions of euros)</i>	2015	2014
Solvency II SF ratio	131%	na
Solvency II SF ratio insurance entities*	155%	na
Regulatory (IGD) group solvency	177%	183%
Common equity tier-1 ratio	12.4%	13.6%
Shareholders' funds after non-controlling interests	2,569	2,468

*Before elimination of minority interest of ABN Amro Verzekeringen and excluding inter-entity diversification

At end 2015, the Solvency II Standard Formula (SF) ratio was 131%, compared to a Solvency II SF ratio of 136% at end of Q3. A number of planned management actions were executed (e.g. sale of commercial real estate and restructuring of the internal fee structure between Asset Management and the insurance entities) delivered a 7% points increase. On the other hand, DNB provided further guidance on LAC DT to the Dutch market for 2016 (excluding year end), which resulted in an impact of -2% points (subject to rights issue). Furthermore, DNB provided further guidance to Delta Lloyd to exclude the effects of credit institutions (Delta Lloyd Bank and the Van Lanschot holding) from the Solvency II capital ratio, which had a positive effect of 2% points. Asset and operational performance and some other smaller changes in methodology resulted in a 2% points increase in the fourth quarter. Adjustments were also made to the SF treatment of Delta Lloyd's longevity hedge transactions entered into in 2014 and 2015. Following a report by DNB in December 2015, Delta Lloyd has excluded mitigating effects on the risk margin beyond the current contract duration of 8 years. This resulted in an impact on the Solvency II SF ratio of -14%-points compared to the Solvency II SF ratio at Q3 2015. Maintaining the risk margin benefit for a period up to 8 years is subject to a restructuring of the hedge to ensure reinsurance treatment – absent this there would be a further adverse impact of 7%-points. The current Solvency Capital Requirement (SCR) benefit is retained, subject to moving to a partial Internal Model by 2018.

IGD group solvency ratio

Despite positive net capital generation (+ 9pp) and the equity offering in March (+15pp), IGD group solvency decreased -6pp to 177%, compared to 183% at year-end 2014. The IGD available capital was affected by the cash dividend (-5pp). We recalibrated certain assumptions in our IGD calculation during 2015, including the internal asset management fees for our insurance entities and the mortgage valuation. These recalibrations impacted IGD group solvency (total effect of -15pp). Furthermore, the decision to switch to the Standard Formula impacted IGD capital due to the adjustment of the risk margin (-11pp), which used to be based on Internal Model capital.

At year-end 2015, the common equity Tier 1 ratio of Delta Lloyd Bank was 12.4% (year-end 2014: 13.6%). The ratios are on a Basel III phased-in basis.

Shareholders' funds

Shareholders' funds increased by 4% to € 2,569 million. This was mainly due to the positive net IFRS result and the equity offering of 19.9 million new ordinary shares (€ 337 million) in March, offset by the cash payment of final dividend for 2014 and interim dividend in 2015 (€ -113 million), and negative impact on available for sale (AFS) reserves.

3.3 Financial and operational performance



Our gross operational result increased to € 940 million (2014: € 618 million), supported by an improved Life technical result and lower costs of liabilities. The IFRS net result was € 128 million (2014: € 361 million), which includes the 'change in provision onerous contracts for subsidiaries sold' included in IFRS accounting under Operating expenses.

Operational and IFRS result

<i>(in millions of euros)</i>	2015	2014
Operational technical result	230	191
Life	84	50
General Insurance	65	91
Asset Management	57	27
Bank	55	16
Corporate and other activities	-31	8
Investment spread	711	428
Direct yield	1,275	1,275
Cost of liabilities	-565	-848
Gross operational result	940	618
Market volatility	-641	-18
Movement assets	-1,022	6,439
Movement liabilities	381	-6,457
Change in provision onerous contracts for subsidiaries sold	-162	-134
Penalty fee redemption loan Rabobank	-	-32
Other	23	50
Tax and minority interests	-32	-124
Net IFRS result	128	361

In 2015, operational expenses amounted to € 619 million (2014: € 605 million), which is in line with the target of € 620 million set for 2015. The increase of 2% compared to last year was mainly due to higher pension service costs.

3.3.1 Segments

Delta Lloyd is active in five segments: Life insurance, General insurance, Bank, Asset management and Corporate and other activities.

Life insurance

Life insurance did well commercially and operationally in 2015. The strong performance was driven by our margin over volume approach and growing demand for capital light defined contribution (DC) contracts in the Group Life market. New annualised premium income (NAPI) rose to € 432 million (2014: € 418 million), of which € 235 million originated from new DC contracts, € 103 million from DB contracts and € 93 million from new individual life contracts.

Life insurance

<i>(in millions of euros)</i>	2015	2014*
New business single premium	975	1,019
New business annual premium	334	316
New annualised premium income (NAPI)	432	418
Individual life	93	83
Group defined benefit	103	131
Group defined contribution	235	205
Insurance liabilities for operational result	35,639	34,992
New business value	72	137
New business margin	1.5%	3.0%
Operational technical result	84	50
Operational result on mortality, disability and lapses	146	130
Normalised expense margins	-62	-81
Investment spread	727	453
Direct yield	1,261	1,255
Cost of liabilities	-534	-802
Gross operational result	810	502

*FY2014 figures restated for sale of Delta Lloyd Deutschland

Gross operational result in the Life segment was up 61% to € 810 million (2014: € 502 million), supported by a higher technical result and an increase in investment spread mainly due to lower required interest.

Low interest rates are still a major challenge for Life insurers and continued to put pressure on profitability in this segment. In light of this – and the new solvency rules – we accelerated the shift toward lower risk, less volatile products, which resulted in a 15% increase in NAPI in DC in 2015. In Belgium, we continued to move away from guaranteed products towards unit-linked products, which saw an increase in gross written premiums from unit-linked products following a successful campaign.

Our premium pension institution BeFrank remains the PPI market leader in the collective pensions market with its innovative DC products. At year-end 2015, it had assets under management of € 618 million, compared to approximately € 400 million at end-2014.

The new business margin (NBM) for Life was 1.5% (2014: 3.0%). While the new DC products boosted the performance of our Dutch DC portfolio, which had a new business margin (NBM) of 3.9%, the low interest rates negatively affected group business in our Belgian portfolio, decreasing its profitability. However, the Belgian individual business profitability showed a strong increase due to a more favourable business mix. New business value decreased to € 72 million from € 137 million in 2014. Our strategic focus in Belgium is on unit-linked pensions and products such as death and disability cover, as well as continuously striving to further optimise and digitise our customer service.

The introduction of a new type of pension scheme in the Netherlands opens up opportunities for Delta Lloyd. The general pension fund (APF) groups multiple corporate pension plans together under the management of a single independent board (a non-profit foundation), while ring-fencing assets to offer a defined benefit-type scheme with no guarantees. This offers companies an attractive alternative to defined benefit schemes and allows company pension funds to retain their own scheme and identity while lessening the growing regulatory burden and increasing administrative costs. Delta Lloyd has applied to DNB for an APF.

Customer satisfaction is our main business driver and the heart of our new client-focused strategy. Satisfied customers are loyal customers and will help us to grow our business. In 2015, we scored highly on customer satisfaction and for the fourth consecutive year we were rated the number one pensions provider in the Netherlands by intermediaries and financial advisors, in the National Performance Research for Pension Insurers by IG&H Consulting. Insurance consultants rate our account management and back office as the best in the market and our products for being innovative and well priced.

To this end, we are continuing to move more of our Life business online, both to streamline our processes internally and make it easier for customers to interact with us and take care of all their insurance needs by bringing our Life and non-life products together in a single digital platform.

General insurance

Our General Insurance business improved in 2015, with gross written premiums slightly higher at € 1,353 million from € 1,319 million in 2014. Higher claims and commission ratios were partly offset by cost savings, but led to a higher combined ratio (COR) – our main indicator of profitability – of 96.2% from 94.5% in 2014, which is still well ahead of our target of 98%. The gross operational result decreased to € 106 million from € 134 million.

General insurance

(in millions of euros unless otherwise stated)

	2015	2014
Gross written premiums	1,353	1,319
Property and casualty	1,136	1,098
Income protection	217	221
Combined ratio	96.2%	94.5%
Property and casualty	101.3%	100.7%
Income protection	72.3%	68.2%
Operational technical result	65	91
Net earned premium	1,252	1,277
Benefits and claims	-822	-819
Expenses and commissions	-365	-367
Investment spread	41	43
Direct yield	54	66
Cost of liabilities	-13	-23
Gross operational result	106	134

We took a number of steps during the year to prepare our General Insurance business for Solvency II in terms of the types of risks we insure, as some types of insurance are more capital intensive. To keep premiums low for our customers and reduce the cost of claims, we continuously innovate to improve our products and services. For example, in 2015 we introduced an innovative fraud detection system called 'Sjerlok', which combines big data, artificial intelligence and detective work to search the internet for missing or stolen objects. This is the first system of its kind in Europe. We are also the first insurer to offer business customers consequential loss insurance, which guarantees against under-insurance in the event they can't conduct their business as usual, for example because of damage to their premises or inventory. And we introduced 'Carefree Recover', a repair network for our business customers in which Delta Lloyd takes care of all the work related to damages. The entrepreneur can settle their damage claims directly without paying cash advances within 24 hours of reporting the incident and urgent repairs can be arranged within two hours.

The digitisation of our General Insurance business is an ongoing priority and we are moving more and more of this business online. Here, the OHRA label is a frontrunner. This focus on technology is a key component of our 'Closer to the customer' strategy and will help us save costs and improve customer satisfaction. To this end, we created a new Customer, Brand & Digital department that brings our commercial and product divisions together in one central team to identify opportunities and speed up the time to market for new products.

In 2015, OHRA car insurance was recognised as having the best terms and conditions by independent research company MoneyView in its annual rating.

Asset management

It was a tough year for Asset management, which was under pressure from challenging markets and the new regulatory regime, as well as undergoing an internal reorganisation to enhance risk management and shift the asset mix towards investments with a relatively high Solvency II risk-adjusted return. That said, it outperformed the equity benchmark by nearly 10% and the gross operational result doubled to € 57 million (2014: € 27 million), supported by higher fee and commission income due to higher performance fees.

Asset management

<i>(in millions of euros)</i>	2015	2014
Net inflow new money	-249	-200
Institutional	154	-224
Third party	-403	24
Total assets under management	70,012	85,254
Own risk	46,221	55,664
Third party	23,791	29,589
Operational technical result	57	27
Fee and commission income	144	119
Fee and commission expenses	-44	-49
Operational expenses	-43	-43
Gross operational result	57	27

Total assets under management declined to € 70,012 million from € 85,254 million in 2014, due to the sale of Delta Lloyd Bank Belgium and Delta Lloyd Deutschland (€ 13.5 billion) and to market developments. Net outflows totalled € 249 million (2014: € 200 million), due to the market conditions and a decrease in retail funds. There was a net inflow of institutional mandates of € 154 million.

In our own risk investment portfolio, we continued to reduce the share of assets with a relatively low Solvency II risk-adjusted return by selling the commercial real estate portfolio and part of the private equity portfolio. Instead we are focusing on assets that match our liability profile and have relatively high Solvency II risk-adjusted returns, such as fixed income, mortgages and residential real estate.

Bank

Delta Lloyd Bank is mainly active in the Dutch mortgage and savings markets, which both performed well in 2015. New mortgages showed a strong improvement, increasing by 42% to € 1,173 million (2014: € 825 million). The bank made significant progress in improving customer service and operational performance, which supported its competitive offering against a good margin. The portfolio at group level increased by 1% to € 13,266 million (2014: € 13,136 million). The bank's savings portfolio was stable at € 3,359 million (2014: € 3,448 million), due to the focus on margin over volume. The gross operational result more than tripled to € 55 million (2014: € 16 million), due to higher net interest income, margins of savings and banking annuities products and cost savings.

Bank

<i>(in millions of euros)</i>	2015	2014*
Mortgage portfolio	13,266	13,136
Savings balance (incl. banksparen)	3,359	3,448
Technical result	55	16
Net interest income	82	48
Net fee and commission income	22	23
Operational expenses	-49	-55
Gross operational result	55	16

*FY2014 figures restated for sale of Delta Lloyd Bank Belgium

In 2015, we completed the sale of our Belgian banking activities to Chinese insurer Anbang.

Corporate and other activities

This segment mainly consists of holding company overheads, interest expenses, Treasury and the commercial result of our health insurance activities. The gross operational result declined to € -89 million (2014: € -61 million), mainly due to higher pension service costs, a lower Treasury result due to lower interest rates, and a higher investment spread as a result of lower net finance costs.

Corporate and other activities

<i>(in millions of euros)</i>	2015	2014
Gross operational result	-89	-61
Corporate activities	-114	-90
Label health	21	22
Treasury result	4	8

3.3.2 Outlook for the year 2016

If 2015 was a year of transition, we expect 2016 will be a year of stabilisation. As a result of completed and ongoing management actions, and assuming the completion of the intended rights issue, Delta Lloyd expects to reach a solvency position that gives us a strong foundation from which to execute our strategy and deliver customer-focused, profitable and capital-generative new business. We can grow in our core Dutch and Belgian markets, deliver solid returns to our shareholders and further safeguard the interests of all of our stakeholders. We have specific plans in place to further improve our business: we will continue to shift toward lower risk, less volatile products, adjust our investment portfolio toward higher Solvency II risk-adjusted returns and ensure the generation of cash and capital in a Solvency II context. We are committed to operational cost discipline and cost reductions will be ongoing in the Netherlands and Belgium. We will focus on simplifying our core processes and adopt a 'digital-first approach', make conscious buy-or build decisions and reduce overhead costs. The target for operational expenses for 2016 is set at € 610 million, for 2018 the target is set at less than € 560 million.

Following the completion of the rights issue, Delta Lloyd is targeting underlying net capital generation of € 200-250 million per annum. We expect this will enable us to pay a targeted cash dividend of € 130 million over 2016, subject to internal Solvency II thresholds, with a goal to increase our cash generation and dividends. We face the future with confidence, based on our strong, customer centric business, our revised strategy, our talented and dedicated employees, and our committed management team.

3.4 Risk management and top five risks

For further information about risk management at Delta Lloyd, please see section 'Risk management' in the [2015 Financial Statements](#) incorporated by reference herein.

3.4.1 Risk management philosophy

Our risk management policies are designed to protect Delta Lloyd against events that may jeopardise our ability to achieve sustainable results, the required minimum solvency level, or our strategic objectives. Our mission is to manage uncertainty. Risk management is fully embedded in our daily operations, to identify, analyse, measure, manage, control and audit risks that may arise in the course of our business operations, in a timely manner. This helps to maintain our credit ratings, meet our obligations to customers and other creditors, and comply with legislative and regulatory requirements and best practises. Our approach to risk is based on the following elements:

- *Risk governance*: Our risk governance framework comprises 'three lines of defence' and risk committees. It outlines the responsibilities and guidelines of our management structure. Each business segment has a dedicated Audit Committee (AC) and an Asset & Liability Committee (ALCO) that supervise the effectiveness of its business control systems. Following the appointment of a chief risk officer to the Executive Board in 2015, a revised risk organisation will be implemented in May 2016 (see section 'Risk governance' below).
- *Risk processes and systems*: The risk management framework takes into account all relevant elements of risk management, including the Solvency II Standard Formula (SF) model and an Internal Model (EC) for economic capital calculation, a sound risk management cycle (that includes all necessary and structural steps to assess all material risks and its control) and the interrelationship between governance and management information.

- *Risk culture*: Based on Delta Lloyd's core values, the Executive Board and the boards of the business units have a common framework to perform their risk/return considerations. That framework considers that what is good for our customers is good for all stakeholders.
- *Risk taxonomy and mitigation*: The risk management policy framework encompasses the 'risk universe' of all risks relevant to Delta Lloyd. It contains a set of mandatory policies and the group risk appetite statement (GRAS) to control and manage risk according to specific guidelines. The annual GRAS defines the risk appetite for all risks within Delta Lloyd. Each division defines its business unit's risk appetite statement consistent with the GRAS.
- *Capital model*: With the implementation of Solvency II in 2016, we started using the SF model for our insurance activities. The capital relating to our banking activities is assessed in accordance with the capital requirements regulation (CRR) and directive (CRD IV).

Because we believe a partial Internal Model better reflects the specific risks we face than the standard formula does, we will continue to update and test the internal model. We have been informed by DNB that it expects us to apply for the partial internal model and that we need to have made progress on applying the model before 1 January 2017, or it will impose capital add-ons or other measures. Following satisfactory test results and in consultation with the College of Supervisors, we have filed plans with DNB and plan to implement the partial internal model on 1 January 2018.

Delta Lloyd will continue to measure solvency on both the SF and on the internal EC method. The Executive Board determines the minimum risk and risk appetite levels for both measures, and both must be adhered to. We will use the EC model for making internal risk management decisions, taking into account the SF Solvency II ratio as a potential constraint.

3.4.2 Risk governance

In October 2015, the Executive Board announced plans to reorganise the risk management organisation in 2016. The new organisation is scheduled to be implemented in May 2016. The reorganisation aims to further improve risk management, more strictly implement key functions as described in the guidelines for Solvency II, and support the pure division of the responsibilities of the second line of defence. The changes include splitting the actuarial and risk management functions at group level and in the business units and appointing chief risk officers to the boards of the business units. Reorganisation plans often involve uncertainty and while we believe this reorganisation will be beneficial to risk management and to implementing key functions of the Solvency II guidelines, future adjustments may be needed. The current description of the governance is based on the risk management organisation as it is before implementation in May 2016.

Delta Lloyd's risk governance structure is based on roles and delegated authorities; the risk management policy, which comprises guidelines for all major risk types described in '—Risk Taxonomy'; and the risk committee structure.

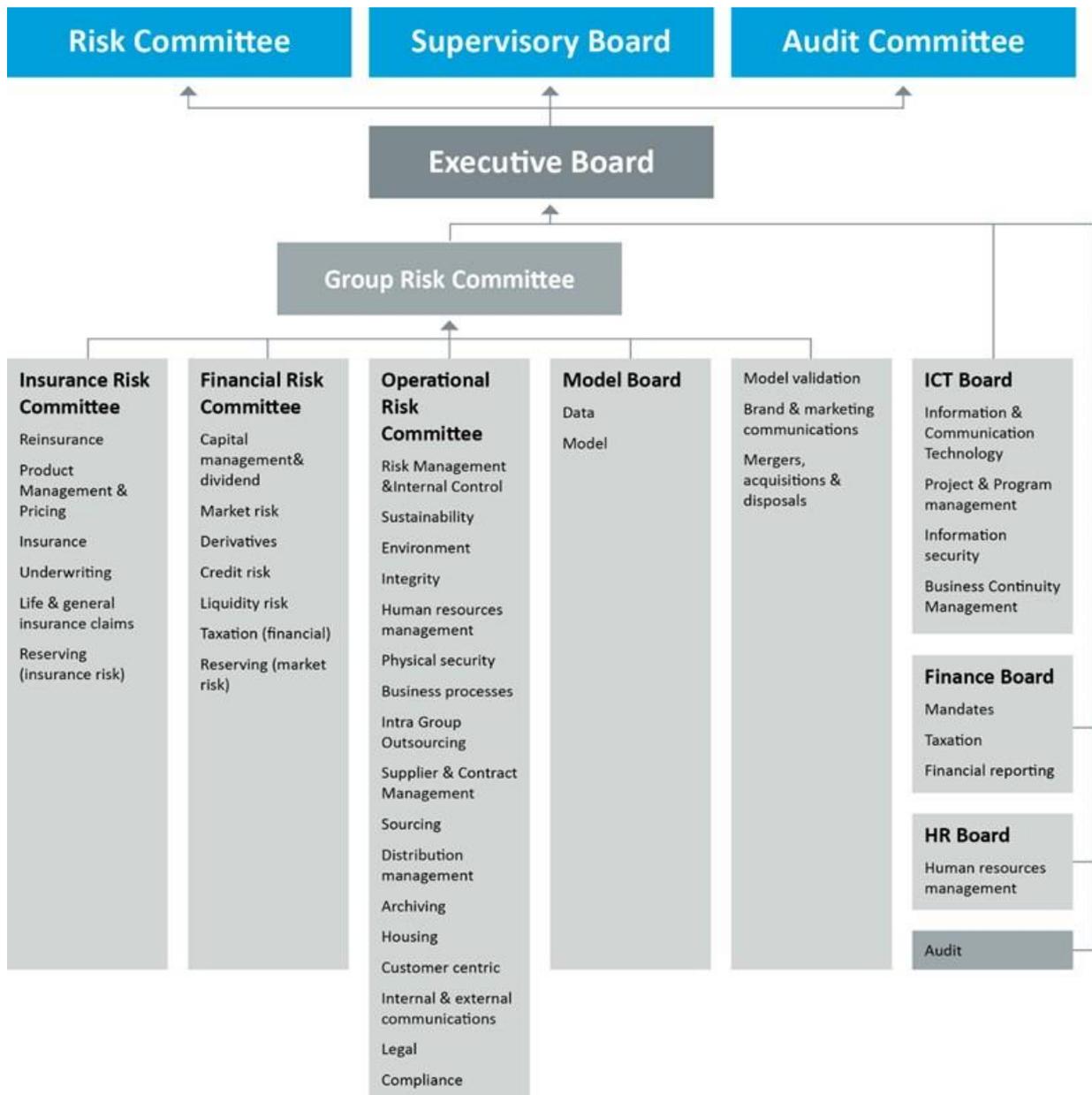
Risk management at Delta Lloyd has three lines of defence:

- *Day-to-day risk management in each business unit*: This includes implementing risk policies and reporting and managing information. This line of defence is executed by the management of each business unit.
- *The risk management and compliance organisation*: The second line of defence focuses on coordinating and developing policies, reporting structures and monitoring compliance with statutory rules and internal policies. It is executed by Group Actuarial & Risk Management,

Group Integrity, Group Finance, Control & Tax, the risk management committees and the risk management and compliance departments or officers in each division.

- *Internal audit function:* The Supervisory Board has a dedicated Risk Committee that reviews the governance, processes, appetite and risk positions. Group Audit performs regular internal audits of key controls. Delta Lloyd is supervised by the relevant external supervisory authorities in the Netherlands and Belgium.

Risk management is organised as follows:



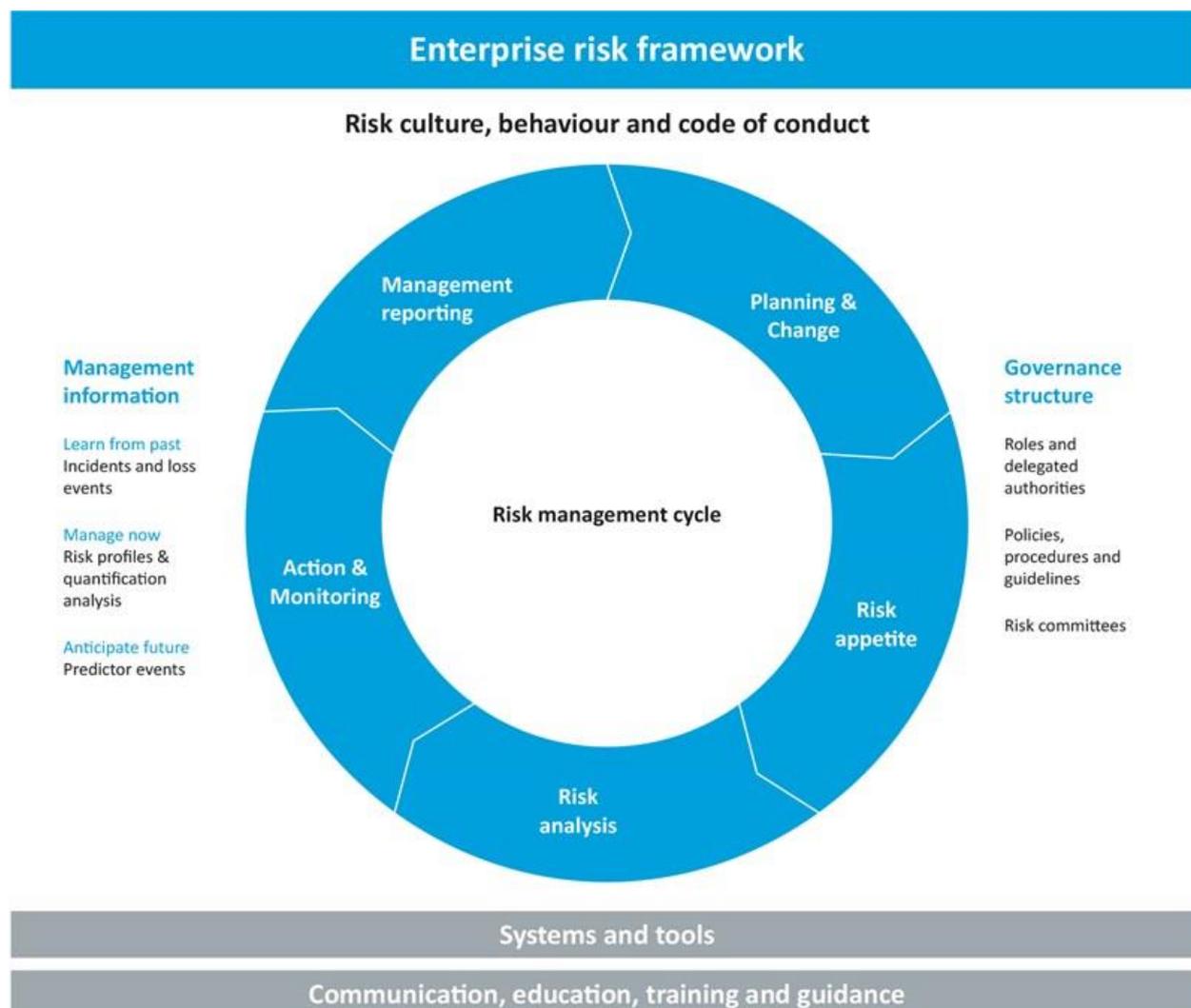
Various risk management committees analyse and monitor risks within their areas of expertise and prepare reports and advice for the Group Risk Committee and for the Executive Board to facilitate their decision-making. At business unit level, this task is delegated to its risk committee and audit committee. Group Audit reports its audit risks directly to the Group Audit Committee.

3.4.3 Risk management responsibilities

- The Executive Board is responsible for decisions relating to Delta Lloyd's risk profile and determines our overall risk appetite at least once a year. The Executive Board also assesses and approves the GRAS. The risk appetite sets the limit for key risks in each business unit.
- The Supervisory Board assesses how the Executive Board manages risks and monitors the consequences of decisions for the risk profile.
- The Group Risk Committee prepares this decision-making by regularly analysing Delta Lloyd's risk profile and solvency and making specific policy proposals. The Risk Committee comprises the chairman of the Executive Board, the chief risk officer, the chief financial officer, the director of Group Actuarial & Risk Management (GARM), the managing directors of Delta Lloyd Asset Management, Delta Lloyd Schadeverzekering, Delta Lloyd Levensverzekering, ABN AMRO Verzekeringen, Group Integrity, Group Audit, the chief risk officer of Delta Lloyd Life Belgium and the chief financial risk officer of Delta Lloyd Bank Netherlands. Specialists in specific areas are also invited, depending on the subject discussed. The Risk Committee's risk analyses focus on the consolidated economic balance sheet and risks that Delta Lloyd faces, taking account of restrictions arising from banking and insurance regulations at entity level.
- The management of each business unit is responsible for identifying, assessing and controlling the risks falling within their unit's responsibility.
- The chief risk officer carries overall responsibility for the independent oversight of all risks. GARM is responsible for the overall risk framework and monitors the effective management of these risks. The director of GARM bears delegated responsibility for the supervision of all risks, including compliance with Solvency II.
- Group Integrity is responsible for compliance, security, business continuity and the financial crime unit.
- Group Finance, Control & Tax is responsible for financial management and reporting and advises and instructs the business units. In addition, it is responsible for controlling, monitoring and reporting on Delta Lloyd's tax position, and compliance with tax laws and provisions.
- Group Audit reports to the Executive Board and the Audit Committee of the Supervisory Board and is responsible for internal audits to establish the effectiveness of our internal control systems.
- Group policy owners are responsible for providing oversight of specific risks and for monitoring the risks group-wide.

3.4.4 Risk processes and systems

Delta Lloyd's risk management framework is based on the enterprise risk management (ERM) model of the Committee of Sponsoring Organisations of the Treadway Commission (COSO). It meets future Solvency II requirements. This framework helps us to understand, quantify and manage the risks to which we are exposed. Management information and governance are linked according to the cycle below.



Specific risk management and control systems have been set up for key risk areas as follows:

- The management of each business unit assesses and manages its own risks and controls and updates its risk profile every quarter. These reports and processes include own risk and solvency assessments (ORSA), which are also a requirement of Solvency II. They cover the control of inherent risks, effectiveness of controls and an assessment of the probability and consequences of residual risks. One major objective is to keep residual risks within the limits of the defined risk tolerance. ORSA is a more forward-looking risk management exercise, to oversee and manage the effects of risk scenarios over a longer period.
- Each quarter, GARM draws up a financial risk report for Delta Lloyd. It addresses financial factors, such as recent developments in the financial markets and their consequences for our capital position. We use an economic capital model based on stress test analyses and stochastic scenario analyses. Risk positions (including hedges) are assessed to determine whether they are still compatible with our risk appetite. Collateral is managed on a day-to-day basis.
- Delta Lloyd Bank carries out its own annual risk assessment, known as the internal capital adequacy assessment process (ICAAP). This is in line with CRD IV, the revised solvency framework for the banking sector based on Basel III, as implemented in the Dutch Financial

Supervision Act. The ICAAP indicates whether the current capital position is still sufficient, given the financial risks to which Delta Lloyd Bank Netherlands is exposed.

- Our investment firm, Delta Lloyd Asset Management (DLAM), carries out its ICAAP in line with CRD IV, as implemented in the Dutch Financial Supervision Act. The ICAAP indicates whether the current capital position is still sufficient, given the financial risks to which DLAM is exposed.
- GARM coordinates the annual GRAS, which defines the appetite for all risks within Delta Lloyd. It is used to cascade risks down to the risk appetite statements of the business units.
- Delta Lloyd has set up its own internal financial control framework based on the top-down risk approach of the Sarbanes-Oxley Act.
- To assess our operational risk, the bank, asset management and insurance segments use a series of key risk indicators that are partly based on Basel II. In addition, we have a system for recording all operational losses above € 10,000 in all business units and, as a member of ORIC International loss data consortium, we have access to a database of external losses.
- Business units with large corporate customers apply a risk analysis and a risk management method that is subject to verification by external auditors. These units issue an ISAE 3402 statement regarding their internal controls (the standard for auditing service organisations).
- The Group Legal and Group Integrity departments guide our legal and regulatory risk management. Group Integrity is also responsible for our compliance network and for the Regulators Desk unit within Group Compliance.

3.4.5 Risk culture

The Executive Board and directors determine Delta Lloyd's risk culture. They set the example for the rest of the organisation. It is imperative they are approachable on risk management issues and open to discussions about improvement. In addition:

- Executive Board members include risk management objectives in the performance goals of directors.
- Business unit directors are directly responsible for implementing enterprise risk management activities.
- The Executive Board and heads of the various risk committees provide an overview of risks and the actions they have taken to address these.
- Executive Board members and directors regularly encourage staff to comply with the company's code of conduct.
- To promote effective risk-based decisions the chairman of the Executive Board, chief risk officer and chief financial officer ensure that senior and operational managers put into practice the principles contained in Delta Lloyd's CEO Guide – Better Business Decisions and CFO Guide – Better Business Decisions.

We use a number of systems and tools to support the risk management cycle (analyses, reports, workflow management charts). These include interfaces with systems within our business units that deliver management information and data for specific risk management systems. Data quality is crucial. Naturally, we pay close attention to good system support and technology. Delta Lloyd has specific policy documents for the EC model: the data policy, model policy and validation policy. The Model Board reviews the effectiveness of the controls on the systems and tools that we use to manage risk.

3.4.6 Risk taxonomy

Delta Lloyd's risk management process has developed into an integrated enterprise risk management process and fits into our preparation for Solvency II. It consists of a risk management cycle where each action is a stepping stone for the next. We carry out risk assessments and risk calculations to:

- Determine how much risk we are prepared to accept (Delta Lloyd's risk appetite);
- Determine the probability of risks occurring and their consequences, as well as potential scenarios and the possible regulatory capital consequences; and
- Decide on the measures, or additional measures, that should be taken.

In the line management and reporting phase of the cycle, management delivers reports that are used to make decisions, which subsequently lead to action in the planning and change phase. The risk appetite for the adjusted business activities must then be re-determined and the cycle begins again. Each business unit uses the GRAS to generate appetite statements. These are reviewed and adjusted at least once a year.

Recognising the requirements of our different stakeholders, we measure solvency on a number of bases, all of which we take into account when we manage solvency. For 2016, a Solvency II SF ratio of 140%-180% has been set for external reporting. The GRAS states that the EC model will be used to make internal risk management decisions while we concurrently manage these risk decisions within the boundaries of the reported 140%-180% SF ratio range, thus constraining Delta Lloyd's risk taking. In 2016, the risk appetite has not changed materially from 2015, but the SF ratio solvency targets have been set higher, thus constraining our risk taking.

The risk and control self-assessment (RCSA) is an important part of the risk management cycle. This is a mechanism for identifying and assessing risks, including scenarios (a combination of risks occurring at the same time). It also assesses the effectiveness of our existing controls and identifies gaps in those controls. The RCSA is integral to the ERM framework and the own risk and ORSA processes. This is because we can integrate and coordinate our risk identification and risk management efforts and generally improve the understanding, control and oversight of our risks.

We use the findings of a RCSA to formulate appropriate action plans that address identified control gaps, taking into account risk-reward (cost-benefit) considerations. Progress on these plans is monitored as part of our overall risk management approach. In this respect, RCSA promotes analysis and monitoring of factors that affect the level of risk exposure. Formal quarterly risk profile updates and ORSA are typically extracts and focus points brought forward from general RCSA exercises.

A consistent and regular information flow helps give management, the Executive Board and the Supervisory Board a deeper understanding and awareness of risk management. We organise regular workshops for the Supervisory Board and Executive Board on topics such as risk management and changes in financial reporting and value, to enhance their understanding of risk control and current developments, such as the preparations for Solvency II. We organise regular workshops for all managers and specialists on themes relating to risk management and financial reporting in general, and Solvency II in particular. A special web-based portal contains all available information on risk management and Solvency II, as well as a summary of the developments relevant to Delta Lloyd.

Delta Lloyd has a set of formal policies to manage and control all financial and non-financial risks – the so-called risk universe. The risk universe is the full range of risks that could positively or negatively our ability to achieve our long-term objectives.

The policies cover the following risk areas as specifically mentioned in Solvency II:

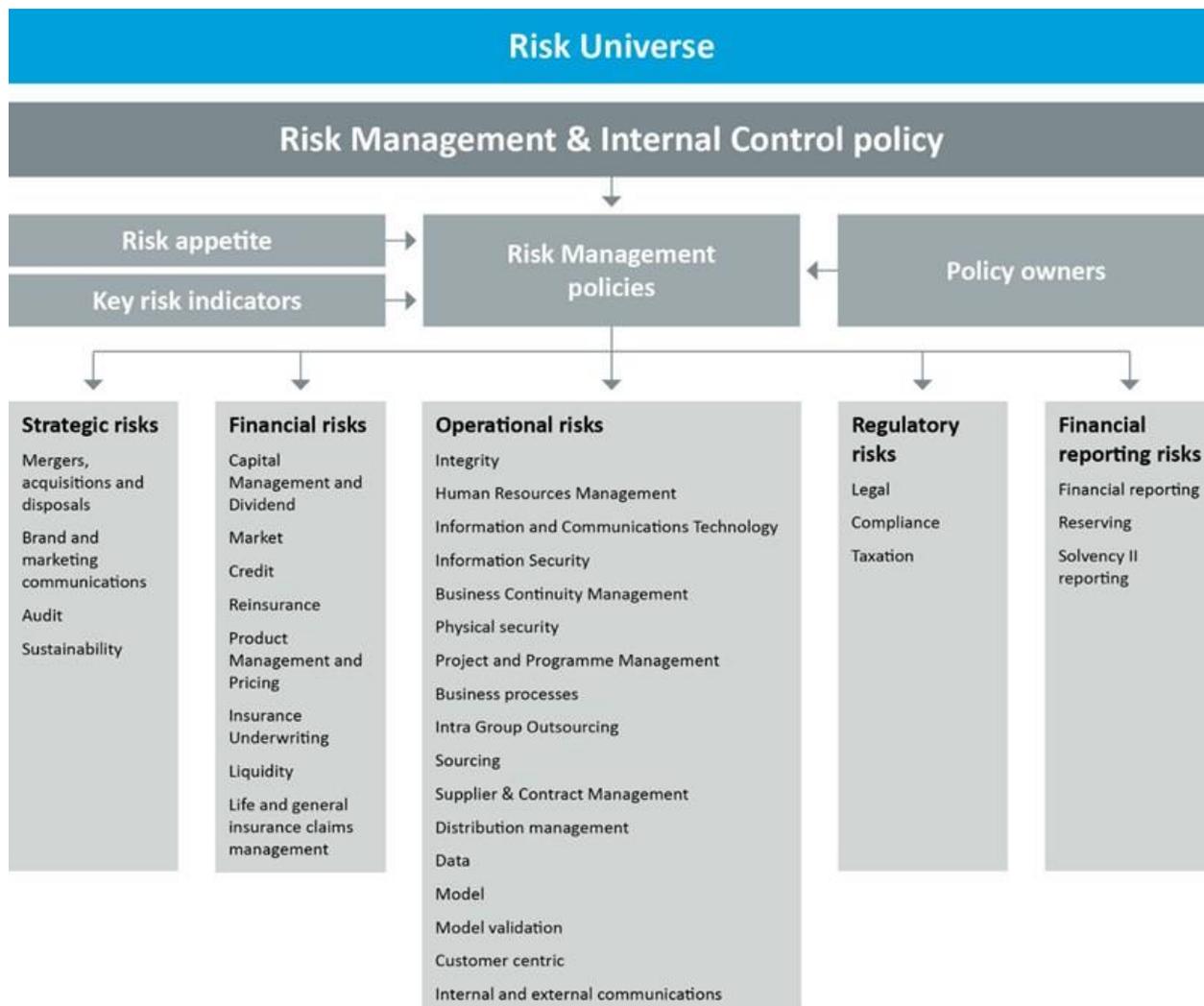
- Underwriting and provisioning;
- Asset-liability management;
- Investment, in particular derivatives and similar commitments;
- Liquidity and concentration risk management;
- Operational risk management; and
- Reinsurance and other risk mitigation techniques.

The risk management and internal control policy is the foundation of the risk management and internal control framework. It is designed to support the identification, assessment, monitoring, reporting, management and control of the material risks involved in achieving our business objectives.

Each policy sets out the minimum standards for risk management and internal control in the relevant area within the Group. It recognises that Delta Lloyd is in the business of accepting risk, meaning that we have to put capital at risk in a structured and disciplined manner to successfully execute our strategy. In other words, within the limits set by the GRAS, we must strike a balance between risk and return that allows us to make best use of our capital while displaying the appropriate prudence.

Our management policies provide practical direction on how to safeguard the business from events with excessive operational, financial or reputational impact while enabling us to deliver on our business strategy.

Delta Lloyd recognises five main conceptual categories of risks and policies within the overarching risk management and internal control policy. These are based on the Dutch Corporate Governance Code (DCGC) and describe the risk universe.



- **Strategic risk:** Strategic risk is defined as the risk to current and future earnings or capital that arises from adverse business decisions, improperly implementing decisions or not responding to changes in customer demand, legislation or the industry. Strategic risk includes the risk of missing targets because the business units do not respond, or do not respond adequately enough, to changes in their business environment.
- **Financial risk:** Financial risk means the uncertainty of a return and the potential for monetary loss. Financial risk includes credit risk, equity risk, property risk, inflation risk, interest rate risk, currency risk, insurance risk and liquidity risk.
- **Operational risk:** Operational risk is the risk of losses that may occur due to inadequate or malfunctioning internal processes or systems, human error, criminal behaviour or external events. Operational losses may have a direct impact (i.e. give rise to a quantified economic or financial loss) or an indirect impact (i.e. lower sales, opportunity costs or productivity losses that will unfold in the future but may be hard to establish accurately). Operational risk relates to areas such as integrity and fraud, crime, human resources management, information and communications technology, information security (including the risk of online services), business continuity management, physical security and outsourcing.
- **Regulatory risk:** Regulatory risk is the risk of not complying with laws, regulations and internal policies and procedures; for example risks related to litigation, compliance and tax.

- Financial reporting risk: Financial reporting risk is the risk that our financial statements contain a material error. Financial reporting risk includes reserving risk, investment business risk and the risk that the insurance liabilities of our Life and General Insurance businesses are not adequately determined and reported.

In addition, Delta Lloyd considers systemic risk to be an inherent risk. This is the risk of the financial system or the entire market collapsing due to war, global illiquidity, hyperinflation or similar massive events.

3.4.7 Top five risks

In 2015, we identified the following five risks as having the greatest potential impact on Delta Lloyd:

- Inadequate solvency, due to regulatory changes
- Reputational damage, due to declining share price and S&P downgrade
- Volatile financial markets
- Geopolitical instability
- Increased exposure to cloud computing, cybercrime and data manipulation

Risk quantifications and sensitivity analyses are described in section 'Risk management' in the [consolidated financial statements](#).

3.4.7.1 (1) Inadequate solvency due to regulatory changes

The risk of unexpected or undesired changes in the parameterisation of Solvency II, negatively impacting the solvency levels and resulting in suboptimal investments.

To anticipate on the impact of Solvency II regulation, Delta Lloyd implemented the following actions in 2015:

- Successful sale of Delta Lloyd Deutschland, Delta Lloyd Bank Belgium, the commercial property portfolio and a large part of the private equity portfolio;
- More restrictive policy on capital-intensive products;
- Implemented contingency plans to increase SF ratios;
- Implemented capital actions to increase SF ratio by the end of 2015;
- External review of the proposed partial Internal Model (PIM) and the decision to implement PIM in 2018;
- Closely monitored regulatory developments;
- Exercised lobby with 'Verbond van Verzekeraars' and European Insurance CFO forum;
- Performed an assessment to demonstrate the appropriateness of the SF
- Substantiation of LAC DT, following DNB guidance on LAC DT.

3.4.7.2 (2) Reputational damage due to declining share price, S&P downgrade

The risk that Delta Lloyd cannot execute its strategy as a result of damage to its reputation due to:

- A negative perception of the financial stability of Delta Lloyd leading to a declining share price
- Actions from S&P such as another downgrade;
- Negative media attention;

As a result, the number of business or retail customers may decrease and Delta Lloyd may not be able to execute its strategy.

To mitigate these risks, Delta Lloyd took the following actions in 2015:

- Implemented and communicated the revised 'Closer to the customer' strategy;
- Announced the intended rights issue and intensified contacts with customers and investors to explain the situation;
- Contact with S&P to resolve the CreditWatch placement based on our strategy and capital plans.

3.4.7.3 (3) Volatile financial markets

The risk of continued adverse financial market circumstances, in particular the volatility of financial markets and sustained low interest rates, leading to financial losses and less profitable business.

Interest rates have been at all-time lows for the last few years. Delta Lloyd is protected against interest rate movements ('matched'), and is strictly monitoring its market risk sensitivities. However, should this persist for a longer period this will lead to additional challenges:

- The price for minimum guarantees will increase significantly;
- Insurance products may become less attractive to customers;
- Lower yields put pressure on margins and on shareholders of all market participants and thus put pressure on solvency levels;
- The yield on the asset portfolio is still relatively good, but could decrease when instruments have to be rolled over;
- An ultimate forward rate of 4.2% is used for discounting liabilities. In a continuing low interest rate environment, realised returns may prove to be lower than returns implied/required by the UFR.

In order to limit financial losses as a result of volatile financial markets, Delta Lloyd aims to further reduce its balance sheet volatility in 2016.

To mitigate these risks, Delta Lloyd took the following actions in 2015:

- Focus on defined contribution products has increased with the emphasis on margin over volume and full ownership of PPI BeFrank has been obtained;
- Focus on property & casualty insurance in non-life and offer fewer long-term guarantees.
- Diversification to illiquid markets and asset types (private loans, infrastructure, property, mortgages).
- Focus on risk-based product design (non-life and term business).
- Limited interest rate risk by setting strict limits and monitoring risk on a regular basis.

3.4.7.4 (4) Geopolitical instability

The risk of geopolitical turmoil leading to market instability, which could result in financial or operational losses. There are several developments that indicate to more geopolitical instability:

- The global political balance is changing: the US has become less dominant; and more power has shifted to other countries (e.g. China). This results in instability;
- Recent examples of conflicts close to Europe are Ukraine, Gaza and Syria/Iraq;

- Turmoil can spread fast due to an increased availability of information;
- Migrants spreading across Europe from Africa, the Middle East, and South Asia have presented European leaders and policymakers with their greatest challenge since the debt crisis;
- Assaults by IS in Europe are causing unrest in Western Europe.

Delta Lloyd Asset Management aims to have a geographically well diversified portfolio. Diversification may become more difficult due to political conflicts. The risk exists that the Delta Lloyd portfolio contains positions in countries where conflicts may arise. The impact of this may be direct, but there could also be indirect effects, for example due to the impact on global financial markets, on global GDP growth or on trade relations.

To mitigate these risks, Delta Lloyd took the following actions in 2015:

- Closely monitor geopolitical developments and take appropriate action as necessary (such as selling or hedging risk).

3.4.7.5 (5) Increased exposure to cloud computing, cybercrime and data manipulation

The risk that Delta Lloyd falls victim to a significant cyber crime or data loss incidents as a result of the introduction of new technologies, private mobile devices, apps, a more open IT environment and more flexible workforce, leading to financial and operational losses or reputational damage.

Following the outcome of a Microsoft Office 365 assessment, Delta Lloyd will again assess and investigate its cloud computing solutions in 2016. Cybercrime may be reinsured in the future, once risk mitigating measures are implemented.

To mitigate these risks, Delta Lloyd took the following actions in 2015:

- Continued the Cyber Security Initiative programme within the IT&S department and in cooperation with the business units;
- Presented a workshop on collaboration in the cloud and the legal aspects;
- Initiated a cloud assessment of existing applications;
- Prepared for a data loss workshop in the fourth quarter.

3.5 Investor relations and share performance

Delta Lloyd has an international shareholder base. We aim to give our investors clear, transparent, accurate and timely information so they can make well-considered investment decisions. This policy is integral to Delta Lloyd's investor relations programme, which ensures we keep investors and analysts informed through our website, roadshows and meetings.

3.5.1 Dialogue with investors and analysts

Delta Lloyd regularly updates investors and analysts on its financial and operational performance, strategy and the opportunities and challenges we face. We organise roadshows to meet investors and potential investors, provide quarterly financial reports and accommodate bilateral meeting requests whenever feasible. Our investor relations policy endorses the standpoint of the Dutch Corporate Governance Code that a dialogue with shareholders, even outside the context of a formal shareholders meeting, can be useful for both investors and Delta Lloyd.

Twice a year, when we report our full year and half year results, our chairman and chief financial officer host a presentation for analysts giving more insight into our business performance. Analysts can attend in person, dial in to a conference call or watch a webcast on our website. The webcast is also open to the public. A transcript of the call is available on the news wires to subscribers. In addition, we publish our first and third quarter results on our website. On these occasions, and during the year, our investor relations team is available to answer questions and provide information telephonically and in person.

Every year we aim to host an investor day where we give an in-depth update on our strategy and business priorities for the medium and long term. We also organise an annual general meeting for shareholders. These events are webcast and the minutes of the shareholders' meetings and investor day presentations can be found on the [website](#).

As far as possible our Executive Board accommodates requests for bilateral meetings with investors, potential investors and analysts. No price-sensitive information may be disclosed during such meetings. Should this inadvertently happen we will publish the information as soon as possible. The recipient of the information is not allowed to trade in Delta Lloyd shares or derivatives during certain non-trading periods and until it has been made public. Our policy on bilateral meetings with shareholders is set out in the investor relations section on our corporate [website](#).

In early 2016, we embarked on a roadshow to introduce our new CFO Clifford Abrahams to large investors and analysts and instil confidence in our comprehensive capital plan and updated strategy that was announced on 30 November.

3.5.2 Capital structure

Allocation of share capital and voting rights

<i>At 31 December 2015</i>	Ordinary shares	%	Preferent shares A	%	Voting right	%
Fonds NutsOhra			10,021,495	100%	10,021,495	4.2%
Public shares	227,567,239	99.5%			227,567,239	95.8%
Own purchased shares	1,047,373	0.5%				
Total	228,614,612	100%	10,021,495	100%	237,588,734	100%

Debt

	Type	Issuer	ISIN	Issue date	Maturity	Coupon	Amount*
Senior unsecured debt	Senior debt	DLNV	XS0559434351	2010	2017	4.25%	575m
Subordinated 30nc10 loan	Dated subordinated	DLL	XS0821168423	2012	2042 call date 2022	9.00%	500m
Perpetual nc10	Undated subordinated	DLNV	XS1076781589	2014	Perpetual call date 2024	4.38%	750m
Perpetual subordinated convertible loan	Undated subordinated	DLNV		1999	Perpetual	2.76%	404m

* Nominal value at 31 december 2015

Geographical allocation¹

<i>(total 100 %)</i>	2015	2014
North America	40%	42%
UK & Ireland	23%	26%
Continental Europe	23%	19%
The Netherlands	4%	9%
Rest of the World	10%	4%

1) Based on information from several large banks and own estimates.

Major shareholders on 31 December 2015

<i>(more than 3% of ordinary shares)</i>	Percentage
Fubon Asset Management Company Ltd.	6.77%
Norges Bank Investment Management (NBIM)	6.51%
Highfields Capital Management, L.P.	5.35%
Fir Tree Partners	3.35%
Standard Life Investments Ltd.	3.29%
Majedie Asset Management Limited	3.28%

Analysts

Eighteen analysts follow the Delta Lloyd share (2014: 19). For the full list, see the Investor Relations section of our corporate [website](#).

Listing and indices

Delta Lloyd is listed on Euronext Amsterdam, where our shares are included in the AEX index of the 25 companies with the largest market capitalisation; and on Euronext Brussels, where our shares are included in the BEL20 index. We are also listed on the Dow Jones Sustainability Index (DJSI) World and DJSI Europe.

Liquidity

Liquidity was 271% higher in 2015 compared to the previous year, mainly due to the increasing volatility around the Delta Lloyd share in the second half of 2015.

Liquidity

Average, in shares	2015	2014
Daily trading volume	2,654,319	877,920

3.5.3 Dividend policy

General

Delta Lloyd targets paying out a stable annual dividend, subject to internal Solvency II thresholds. We have updated our dividend policy for 2016 and beyond to provide stable dividends for our shareholders, supported by underlying targeted capital generation. Delta Lloyd may only distribute its profit to shareholders if the equity exceeds the sum of the paid-in and called-up share capital plus the reserves that must be maintained under Dutch law or by the Articles of Association. Distribution of profit takes place after the financial statements have been adopted by the General Meeting, confirming distribution is permitted and taking into account all laws and regulations, including the capital requirements of the DNB. The General Meeting may resolve, upon a proposal of the Executive Board and approved by the Supervisory Board, that an ordinary share dividend be paid out wholly or partly in shares. The Executive Board may resolve to pay out an interim dividend on the ordinary shares, subject to the approval of the Supervisory Board.

To the extent that the maintenance of the dividend policy may conflict with targeted Solvency II thresholds, management will consider various possible capital management alternatives. Such actions may include:

- Capital-raising activities, e.g. raising non-equity Tier 1 or Tier 2 capital instruments;
- Hedging or alternative strategies to reduce net exposure to key risks;
- Other measures to reduce capital requirement (such as reducing volumes of products with higher capital strain).

Such alternative measures would only be taken after due consideration of their impact on Delta Lloyd's long-term profitability and business franchise.

Dividend history

The following table sets out details of dividends paid on outstanding ordinary shares in respect of the past five years. It shows the aggregate amount of dividend, aggregate amount of dividend paid in cash, and the amount of aggregated number of stock dividend shares in total, and the dividend per ordinary share.

Dividend history

Year ended 31 December	Aggregate dividend amount paid (EUR)	Aggregate amount paid cash (EUR)	Aggregate amount stock dividend (no.)	Per ordinary share (EUR)
2010	165,857,699	124,258,023	2,752,207	1.00
2011	173,504,709	132,504,357	3,892,022	1.03
2012	179,121,561	73,239,071	8,213,554	1.03
2013	193,155,518	70,877,584	7,530,755	1.03
2014	214,834,046	86,918,866	7,950,359	1.03

The preference shares A carry a fixed dividend of 2.76%, see also 'Major Shareholders and Related Party Transactions—Related Party Transactions—Long-term loan with Fonds NutsOhra'. No protective preference shares B have been issued.

Manner and time of dividend payments

Cash payments of dividends on ordinary shares are made in euro. Dividends on the ordinary shares are paid to shareholders through Euroclear Nederland and credited automatically to the shareholder's account.

At the proposal of the Executive Board, and with the approval of the Supervisory Board, shareholders may choose to receive the dividend on the ordinary shares in shares or in cash. Delta Lloyd intends to neutralise the dilutive effect of any stock dividend on earnings per ordinary share by repurchasing ordinary shares. Delta Lloyd may alter the attractiveness of a cash versus a stock dividend.

The value of the stock dividend (dividend in shares) will be charged to the ordinary share premium. Delta Lloyd intends to pay an interim dividend and a final dividend. Dividend payments are generally subject to withholding tax in the Netherlands.

Delta Lloyd will pay any final dividend within four weeks after adoption of the annual accounts, unless the General Meeting determines another date proposed by the Executive Board. Any interim dividend will be paid after the publication of the half-year results.

Different payment dates may be designated for the ordinary shares, the protective preference shares B and the preference shares A. Claims for dividends shall lapse five years after the date the dividends were released for payment.

3.5.4 Performance

Dividend paid out

The total dividend for 2015 equals the interim dividend of € 0.42 per ordinary share, which was paid in September 2015. The premium on stock dividend was 2%.

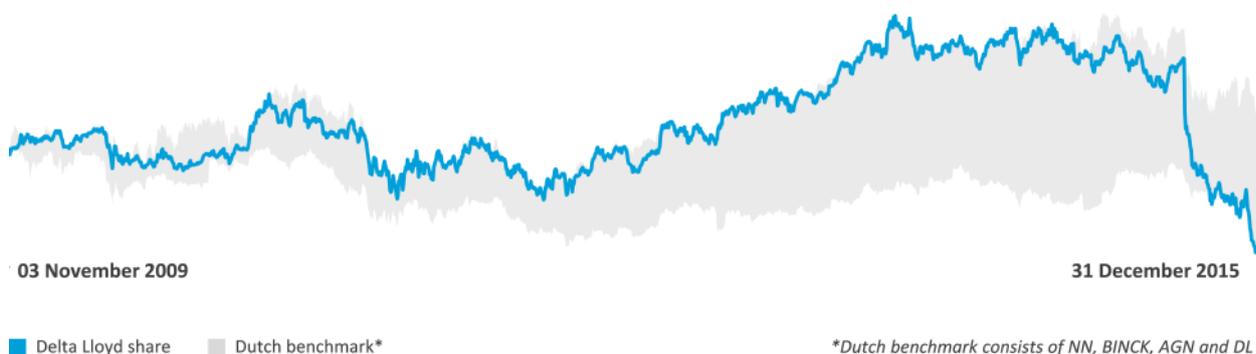
Total shareholder return

Our total shareholder return in 2015 is -67.7%.

Share price development

Delta Lloyd's share price plunged in the second half of 2015 to finish the year at €5.45 from €16.51 on 11 August, the day before we published our half-year results. This is a 70% decrease on the closing share price of € 18.19 at the end of 2014. This sharp decline in the share price was largely due to the way the markets reacted to the volatility of our Solvency II capital position in the second half, which caused concern among many of our shareholders. Total shareholder return (TSR) was -67.7%. This is 71.8% below the Dutch AEX index return of +4.1%, which was boosted by non-financial sector heavyweights Unilever (+23%) and Heineken (+34%). Financial sector peers all outperformed the AEX index, with the exception of Aegon (-16%).

Closing price, normalised for Delta Lloyd at IPO



Figures per share

<i>In euros, based on total number of shares outstanding on 31 December</i>	2015	2014
Highest closing price	18.59	21.10
Lowest closing price	4.15	16.71
Closing price (31 December)	5.45	18.19
Market capitalisation Delta Lloyd (in millions of euros)	1.24	3.60
Result (IFRS) after tax and non-controlling interests	0.56	1.82
Operational result after tax and non-controlling interests	3.34	2.19 ¹
Shareholders' funds	11.29	12.46
Operational return on equity	33.5%	19.5% ¹
Closing price / operational result after tax and non-controlling interests (P/E ratio)	1.63	8.30 ¹

¹restated: Operational result on new definition.

3.6 Management statement under Financial Supervision Act

With reference to Section 5.25 (c) (2c) of the Financial Supervision Act ('Wet op het financieel toezicht'), the Executive Board states that to the best of its knowledge:

- The financial statements for 2015 give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and its consolidated enterprises;
- The annual report gives a true and fair view of the position as at 31 December 2015 and developments during the year ended 31 December 2015 relating to the company and its consolidated enterprises for which data are included in the financial statements, as well as a description of material risks to which the company is exposed.

The Executive Board

Hans van der Noordaa, chairman

Clifford Abrahams

Ingrid de Graaf

Annemarie Mijer

4 SUSTAINABILITY

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4.1 Strategy and Ambition

Creating a positive sustainable impact is the basis of our revised corporate strategy. We take a sustainable and responsible approach to doing business in a way that creates long-term value for our shareholders, our customers, our employees and society as a whole.

In 2015, we redefined our sustainability strategy to incorporate sustainability into our core insurance and investment activities. Our sustainability strategy is based on three pillars: responsible insurance, responsible investments and the activities of the Delta Lloyd Foundation. Underpinning these are a responsible organisation with sound environmental, social and governance (ESG) principles.



Like our corporate strategy, the sustainability strategy, is aligned with the key material topics that play into long-term industry trends and the changing environment in which we operate. A materiality matrix was created at group level to prioritise these topics. The materiality matrix can be found in [section 2.4](#) and the way it came about in [section 5.1](#). In addition, we report on climate change as it is an integral part of our sustainability strategy.

Key performance indicators

To measure our progress on the material topics to create long-term value for our stakeholders we have set key performance indicators that are linked to our goals. These are set out in the KPI table below. The results we achieved in 2015 are explained in the following sections.

Sustainability

Key performance indicator	Result 2015	Result 2014
Responsible insurance		
Future wellbeing: increase number of people with awareness / active preparation for pension (read more)	New	-
Embed improved policies DLAM in investment life cycles (read more)	ESG policy improved	
Circular economy (read more)*		
Increase share of GWP in renewable energy	33.2%	
Increase number of households supported with renewable energy	1.4 million	-
Responsible investment		
Increase share of assets under management with ESG criteria in investment decisions (read more)	100%	63%
Increase share of sustainable investments (read more)	1.85%	1.19%
Delta Lloyd Foundation		
Reduce number of households in poverty caused by debt (read more)	New	-
Responsible organisation		
Reduce CO2 emission (carbon footprint) of Delta Lloyd offices (read more)	4,498 tonnes	6,398 tonnes
Retain and improve position in Dow Jones Sustainability Index (read more)	Included - 79	Included - 75
Customer		
Improve customer satisfaction (read more)	Improved	Decreased
Improve intermediary satisfaction (read more)	Improved	Improved
Customer Centricity: comply with KKV quality hallmark	Comply	Comply
Employee		
Improve employee engagement (read more)	75%	74%

*33.2% of target technical GWP, this equals our share of 1.4 million households (total of 8 million households)

Monitoring our progress

In the coming years we aim to make further progress on the sustainability KPIs and 2016 targets.

Insurance:

- We will take a baseline measurement on pension awareness so we can measure the impact of our involvement.
- We will further develop the responsible and sustainable investment life cycles.
- We will set targets on developing propositions for recycling and sharing to support a circular economy.

Investment:

- In 2015, we made significant progress updating our ESG investment policies, defining focus themes and applying these to all our assets. We will continue to improve our policy and implement it not only through exclusion but also by engagement.
- We aim to increase our sustainable investments and set new targets for 2016.

Foundation:

- In 2015, the Foundation set a new goal to reduce poverty caused by debt. It aims to reduce poverty caused by long-term debt by 15% by 2020 in the five cities where Delta Lloyd has offices. In 2016, we will set annual targets.

Organisation:

- We further reduced our CO2 emissions in 2015. In 2016, we aim to relate our activities to an external benchmark with objective measurement and targets.

We are designing a value dashboard to monitor our progress on non-financial values. These will regularly be measured alongside our financial values. The dashboard contains values for sustainability, customer satisfaction, customer numbers, employee engagement, diversity and mobility indicators, our progress on digitalisation, rationalisation of legacy systems, online sales and straight through processing. We will also track instances of fraud and monitor how we do on compliance.

We aim to implement the dashboard in 2016.

4.1.1 Governance

Sustainability at Delta Lloyd falls under the remit of a small corporate team that was integrated into the new Customer, Brand and Digital business unit in 2016. The team translates the strategy into KPIs, sets targets, and reports on and monitors progress. Implementing the strategy and meeting the targets is the responsibility of the related business divisions.

In 2015, we set up an environmental, social and governance (ESG) board. The manager of the sustainability team reports on progress to the ESG board. It comprises a member of the Executive Board, the managing directors of Delta Lloyd's business units, including the CEO of Asset Management, and the directors of the Corporate Communications & Investor Relations and Human Resources Management departments. The ESG board meets quarterly and sets the annual targets for Delta Lloyd's overall sustainability KPIs, monitors progress and decides on sustainability issues that may arise.

Responsible investment decisions are prepared by the Responsible Investment Committee and implemented by Delta Lloyd Asset Management.

The Delta Lloyd Foundation is managed by a small team as a trust with public welfare institution (ANBI) status. It is supervised by a separate board, presided by a member of the Executive Board.

KPIs relating to customers and employees are steered and monitored separately.

Customers:

- The Customer Strategy Board (CSB) monitors progress on our 'Closer to the Customer' strategy. The CSB has been active since the beginning of 2016, when we set up the new Customer, Brand and Digital business unit to help us achieve our ambition to become the most customer-orientated insurer in the Netherlands. The CSB is chaired by an Executive Board member and comprises the Chief Marketing Officer (appointed in February 2016) and the directors of the business divisions. The Customer, Brand and Digital business unit is led by the Chief Marketing Officer.
- In each business unit, a board member is responsible for customer centricity. These directors jointly form the Customer Centricity Board, where they exchange information and share experiences. In 2015, the Customer Centricity Programme was transformed into a staff department that reports directly to the Executive Board.

Employees:

- The HR board sets and monitors employee-related KPIs and targets along with the ESG board.

Finally, the Supervisory Board is regularly updated on the progress on all of the abovementioned KPIs.

4.2 Pillars

Sustainability at Delta Lloyd is based on three pillars – responsible investments, responsible insurance and the Delta Lloyd Foundation – and supported by responsible business operations. It covers our investment policy (who and what we invest in), our products, behaviour and corporate responsibility to our employees, customers, community and the environment.

4.2.1 Responsible Insurance

The key material topics identified under the insurance pillar are pensions (Life Insurance) and supporting the circular economy (General Insurance).

4.2.1.1 Life insurance - pension

Delta Lloyd contributes to people's financial security and future well-being by raising awareness, providing insight and calling for action on pension. As a life insurer, we want to create value by addressing the widespread lack of pension awareness and helping people to prepare for their retirement.

The ageing population and the financial crisis have put the pension system under pressure. People are now expected to take more responsibility for their own retirement, rather than relying on their employer or the state. At the same time, they are living – and working – longer but unemployment is rising among the over 55s. Studies (2015) show 33% of Dutch people are at risk of receiving a lower-than-expected pension income.

In 2015 we conducted a survey into how people retire and met with various companies to discuss how they help their employees prepare for retirement. From the insights we gained, we defined our approach to pension as a responsible insurer. It is based on the following assumptions defined from the sustainability strategy:

- Future well-being encompasses health, income and quality of living, as well as factors such as feeling useful, being socially included and staying active.
- As a responsible insurer, we want to raise awareness about all aspects of retirement, not only the financial ones;
- We want to approach retirement planning from people's current situation and life rather than focus on 'later';
- We will help our pension customers – and our own employees – to take pension planning into their own hands;
- We will measure the effects of our actions on pension awareness and activating people to take action.

We have taken the first steps around these assumptions by creating a platform that showcases financial and non-financial calls for action, such as working longer (paid and voluntary work through Delta Lloyd Foundation). This is illustrated by personal stories (read more on our Dutch website). The calls for action apply to people in all life stages, not only those nearing retirement.

In 2016, we will expand these activities by developing a Pension Guide (*Pensioenwegwijzer*) to further support pension planning at all life stages from employment to retirement, and including non-financial elements.

Our own employee pension fund, the Delta Lloyd Pensioenfond, keeps participants informed and aware of their pension via its website, where each participant can access their own personal webpage. In 2015, these communication efforts were recognised by *Pensioen, Bestuur & Management* magazine with the prize for best use of online and social media in a communication strategy. The jury was specifically impressed by the calls to action by means of alerts.

Responsible and sustainable life cycles

In addition to raising pension awareness, Delta Lloyd renewed the investment life cycles. In 2015 responsible investment was structurally embedded in our selection procedure. For all the funds we manage in-house, we apply a number of international guiding principles, which can be found on our asset management website. Externally we seek funds with a responsible investment policy that resembles our own. We will take further steps to develop responsible and sustainable investment life cycles in 2016 and 2017.

4.2.1.2 General insurance

Recycling, sharing and renewable energy are the focus areas of our General Insurance sustainability activities. We create a positive impact by contributing to the circular economy.

Our main focus in 2015 was on stimulating the transition to renewable energy. We use our expertise to drive change by supporting on- and offshore wind, solar- and tidal energy, both as an insurer and as an accelerator of new technologies related to renewable energy. Moreover, it is an important topic within the technical general insurance department. From a more general perspective, natural disasters caused by climate change have a big effect on people's lives, the economy and insurance companies, which are responsible for covering the insured losses. Contributing to solutions to climate change is therefore in our own and society's interest.

Delta Lloyd is the only large Dutch insurer of offshore wind turbines – and among the top three in Europe. As the largest Dutch co-insurance company in the commercial insurance market, renewable energy accounts for more than 30% of our total technical insurance portfolio. Through onshore and offshore wind power we contribute to the electricity needs of eight million households in Europe, our share is 1.4 million. Delta Lloyd also actively supports less conventional forms of renewable energy by insuring geothermal drilling and pilot projects on tidal energy. In addition, we insure a significant number of solar panels.

Wind energy offshore

<i>in millions of euros unless otherwise stated</i>	2015	2014
Total gross written premiums	22.3	19.9
Build	10.2	5.7
Operational	12.1	14.1

4.2.2 Responsible Investment

Investing responsibly is part of our corporate responsibility. We combine our social responsibility as an investor with every aspect of our fiduciary responsibility, i.e. providing a secure pension for the future. As such, we are interested in both the financial returns and the sustainability commitments of the entities we invest in. First and foremost we have an obligation to safeguard financial returns for our customers, which we balance with ESG factors when making decisions. We believe a sound ESG policy enables a sustainable return on investments.

Delta Lloyd organised several responsible investment boot camps in 2015 for our portfolio managers. Headed by our responsible investment officer, we assessed our investments, identified material sustainability issues and recorded our views on these issues in specific sustainability sector policies and thematic policies. Read more about our views [here](#).

Responsible investment policy

For Delta Lloyd, responsible investment means combining the care and attention we pay to the financial aspects of an investment with the environmental, social and governance aspects of that investment. Our mission as an asset manager is to translate Delta Lloyd's sustainability ambitions into our investment portfolio. These ambitions are based on international conventions, codes and treaties such as the United Nations Global Compact and the OECD Guidelines. Read more about our investment beliefs on the Delta Lloyd Asset management [website](#).

The responsible investment policy applies to all asset classes, regardless of the portfolio of the customer we invest for. In our daily business it means we take ESG factors into account in our investment analysis and decision-making processes. These ESG factors apply to each investment case, for equity, corporate credit and government bonds.

We also implement our responsible investment beliefs by applying the same exclusions to our passively managed index funds.

When selecting external managers or external investment products, we also consider ESG criteria. We assess whether the external manager has established and published an ESG policy, and we compare their policy to our own. We investigate opportunities for engagement and include ESG-related expectations in our discussions with external managers.

Assets under management by policy

<i>In millions of euros unless otherwise stated</i>	2015	2014
Responsible Investment Policy	55,911	65,637
Fixed income	39,722	47,623
Equities	13,889	14,352
Real estate	1,415	2,720
Cash & deposits	885	941
Responsible Banking Code	13,447	18,605
Mortgages	10,594	13,179
Securitized mortgages	2,827	5,405
Loans	26	21
Corporate Governance Code	654	1,012
Total assets under management	70,012	85,254

The table above shows our total assets under management. In comparison to previous years we have added the assets that are covered by the Responsible Banking Code, in addition to the asset management department. In this way we make transparent which codes or policies apply, covering 100% of our assets under management.

Exclusions

Delta Lloyd can decide not to invest in companies with poor ESG scores (exclusions) or monitor them for improvements (watch list). The Responsible Investment Committee at Delta Lloyd Asset Management advises the CEO of Delta Lloyd Asset Management, based on its own observations and research by investment research firm Sustainalytics.

We do not invest in companies involved in controversial weapons, such as cluster bombs, depleted uranium or anti-personnel mines. In 2015, Delta Lloyd decided to also exclude from our investment portfolio all companies involved in nuclear weapons. As such we added more than 20 company names to our controversial weapons exclusion list, and divested from those companies.

Responsible investment policy: excluded companies

<i>Average of excluded companies</i>	2015	2014
ESG criteria	34	35
Corruption	7	7
Environment	7	8
Human rights	17	17
Labour	3	3
Weapons	35	28
Nuclear weapons	17	12
Controversial weapons	18	16
Total number of exclusions	69	63

The cause mentioned is the principal cause. Some companies are excluded because of involvement with multiple sorts of controversial weapons. However, this list includes each company only once.

In 2015, we also excluded between 35 and 40 private companies from our investment portfolio because of their involvement in controversial weapons. Our watch list includes between 70 and 80 companies due to UN Global Compact-related incidents.

Excluding companies might not always be the best option. We also choose to work with companies when we expect this will help them to improve. When no short-term improvement is possible, or if a violation is imminent, we sell our exposure as quickly as possible. We strive for an optimum balance between a quick exit and the best return on investment in order to safeguard the interests of our customers.

Read more about our exclusion policy on the Delta Lloyd Asset Management [website](#).

Material sectors and topics

The general principles of responsible investment and our approach to it are laid down in our policy on responsible investment. In addition to this general policy, we have developed and written our own vision on certain sectors and topics related to sustainability. To determine which ones to include, we looked at the Delta Lloyd's sustainability objectives –which led us to include climate change and human rights – and we also conducted a materiality analysis of our investments. In the materiality analysis, we identified the sectors important to us in terms of invested capital (such as sovereign bonds and the financial and consumer goods sectors). We also identified sectors that are important because they potentially have a large ESG impact (e.g. oil & gas, construction and real estate). For these sectors, we have drawn up a policy stating how we want to look at ESG issues.

Read more about material sectors and topics on the Delta Lloyd Asset Management [website](#).

Voting behaviour

Delta Lloyd is an active shareholder and we express our opinion and our expectations in the way we vote. When voting, we take ESG considerations into account. It is our policy to vote at shareholder meetings of the companies in which we hold a stake of €10 million or more, or in which we hold a stake of 5% or more. By voting on corporate governance issues such as remuneration, appointments or reappointments, capital structure and board independence, we align our responsible investment policy with our shareholder interests. In 2015, we voted at 199 annual or extraordinary shareholder meetings. The percentage of ballots (portfolios) that voted as a percentage of the total number of ballots was 34%.

Read more about our voting behaviour on the Delta Lloyd Asset Management [website](#).

Sustainable investments

Being a responsible investor means handling certain situations with care. Our responsible investment policy sets out strict guidelines regarding our investment options. When it transpires that a big issuer has deliberately and severely violated environmental legislation, we follow suit by selling our investments in the company.

That being said, we feel that investing responsibly minimises our risk profile and fosters exciting opportunities. In 2015, we invested in a green bond issued by ING Bank NV. This 'sustainability bond', which is supported by the ING Green Bond Framework, was developed with third party assurance provider Oekom. Proceeds from this green bond will be allocated to projects related to sustainable buildings, water and energy efficiency. In 2015 we also invested in a green bond issued by HSBC. Supported by the HSBC Green Bond Framework, the proceeds from this bond will be used to fund eligible businesses and projects in sustainability sectors such as renewable energy, sustainable waste management and climate change adaptation.

We entered into a sustainable shipping loan with Anthony Veder Group, arranged by ABN AMRO. This is the first sustainable shipping loan fully certified according to the Clean Shipping Guidelines by Bureau Veritas. A Sustainable Shipping Framework was created, underlying the process and verification. The loan, for which Delta Lloyd Asset Management is the sole investor, will be used to finance a new LNG-fuelled (liquid natural gas) vessel called Coral Energice, which will be active in the Nordic countries and Baltic sea. LNG-fuelled ships contribute to a low-carbon economy. This investment supports our ambition to address climate change as one of the focal points of our sustainability programme.

Sustainable investments in 2015 total €1,294 million. These include equity, bonds and green bonds, and sustainable loans. We aim to increase our sustainable investments in the coming years.

4.2.3 Community involvement

Our community involvement is most evident through the actions of our employees. They volunteer their time and financial know-how to advise people on how to manage their money, for example by drawing up a household budget or filing paperwork. As well as initiating our own financial literacy projects, we also support those of other organisations and provide information and education programmes.

4.2.3.1 Delta Lloyd Foundation

Our community involvement is most evident through the actions of our employees. They volunteer their time and financial know-how to advise people on how to manage their money, for example by drawing up a household budget or filing paperwork. As well as initiating our own financial literacy projects, we also support those of other organisations and provide information and education programmes. In 2015, Delta Lloyd employees volunteered for 609 tasks across 48 projects. About one third (29%) of these involved helping people with their personal finances.

Poverty and debt

Debt is a growing problem, with around 40% of Dutch households in arrears (Nibud 2015). Often, this is because people lack the financial know-how to manage their personal finances. The Delta Lloyd Foundation has been working to address this since 2008. Volunteers from Delta Lloyd teach people in their communities how to budget and manage their personal finances. The Foundation also works closely with various partners to advance financial literacy and ultimately improve people's financial security.

The Foundation's activities and research have provided valuable insights. In partnership with the Amsterdam University of Applied Sciences (Hogeschool van Amsterdam) we developed a model to address debt and poverty. This highlights four basic requirements: knowing how to manage personal finances; understanding financial terms and concepts; the ability to earn money; and keeping control of expenses (budgeting skills). Our third joint conference in November 2015 addressed the role of creditors in debt.

Ambition 2020

Delta Lloyd is the poverty ambassador for the sustainable business platform 'Ambition 2020'. This is an initiative of Dutch CSR organisation MVO Nederland to unite companies in building a more sustainable society. In this role we collaborate with other companies on initiatives to reduce poverty caused by long-term debt.

In 2015, this led to the creation of a national coalition of creditors called 'From Debt to Opportunities' (Van Schulden naar Kansen). It produced an ethical charter with 10 rules for creditors, such as simple and easy to understand contracts, transparent terms and conditions, and allowing outstanding bills to be paid in instalments. It also encourages creditors to reward good spending behaviour and make it harder for people to obtain credit. Delta Lloyd reviewed its own payment arrears policy and will align it with the 10 rules in 2016.

Collaboration

To tackle poverty and debt effectively the Foundation forges alliances with other companies and organisations on projects around job creation, training, work and life skills and financial education in the five Dutch cities where Delta Lloyd has offices (Amsterdam, Arnhem, Helmond, Rotterdam and Zwolle). It aims to reduce poverty caused by long-term debt in these cities by 15% in five years. In 2015, the Foundation again collaborated with Dutch network Women Inc. on the annual 'I love pension' event, which was awarded for being the best initiative for making pension schemes clearer to consumers.

The Foundation is affiliated with the government's Money Wise platform (Wijzer in Geldzaken), which promotes financial literacy.

An impact analysis based on feedback from two-thirds of the Foundation's projects in 2015 showed they stimulated financial self-reliance by raising the financial awareness of at least 1,273 participants. The Foundation helps to connect the organisations it works with and pool the resources within its extensive network. In 2016, we will extend this research to gain greater insight into our sustainable impact.

4.2.3.2 Sponsoring and donations

Delta Lloyd also contributes to society through charitable donations and by sponsoring water-related sports and photography. Among the organisations we support are the Dutch Water Sports Association, the Dutch national sailing team, Amsterdam's photography museum Foam and the World Press Photo Foundation.

In 2015, we brought these two diverse areas together by sponsoring Sail Amsterdam, the largest free nautical event in the world and the most photographed event in the Netherlands. It takes place every five years, attracting millions of visitors who come to view more than 600 Tall Ships. As part of this, we organised the 'Sail in pictures' photo contest with our partners Foam, World Press Photo and daily newspaper Metro.

In 2015, we donated to the fund to help victims of the earthquake in Nepal and our Belgian employees organised a fundraising event for a healthcare and education project in India. Delta Lloyd Life Belgium doubled the amount they raised. Also in Belgium, a sports event was held to raise money for an international organisation that encourages sports worldwide.

In addition, our employee donation fund supports local sports clubs and good causes that our employees are involved in to stimulate local initiatives of employees.

In 2016, we will continue to sponsor water-related sports and photography. As the sponsor of the Dutch sailing team, we will organise an 'Olympic experience' ahead of the Summer Olympics in Rio de Janeiro.

Delta Lloyd sponsorships

<i>In thousands of euros</i>	2015	2014
Charity	398	715
Commercial sponsorship	2,164	2,185
Community-based activities	978	929
Corporate memberships and hospitality	378	855
Total sponsorship	3,918	4,684

4.2.4 Responsible organisation

4.2.4.1 Stakeholder engagement

Delta Lloyd regularly meets with stakeholders to discuss sustainability and gain an understanding of current developments and trends, as well as get feedback on our own sustainability vision and policy. We have done this since 2013. We engage with employees, a network of relevant experts, and stakeholders such as our customers.

In 2015, we organised three meetings for employees to introduce our sustainability strategy and discuss the pillars of our sustainability programme. Employees were asked to provide input on how they could contribute. The outcome was shared across the organisation and we dedicated more attention to our internal and external communication on this subject. We also discussed sustainable engagement with our employees. Delta Lloyd is keen to know how our employees feel about working for our organisation, see [section 4.4.2](#) for a detailed description.

Several times a year we organise a so-called Dialogue Board, which brings various stakeholders (business, government, knowledge institutions and NGO's) together to discuss relevant and topical issues. The sessions offer the participants a platform where they can share their views, knowledge and experience and use their combined thinking power to address pressing issues in a closed and confidential setting. One meeting was devoted to 'True Value'. This addressed the challenge businesses face to deliver short-term results while simultaneously implementing fundamental changes to remain successful. Another edition of the Dialogue Board was dedicated to the theme: Balance, Work & Income.

Additionally, we participated in a number of externally organised platform meetings and dialogues on sustainability topics.

Stakeholder engagement

Stakeholder	Engagement	Topics discussed
Customers	Regular customer dialogues take place. This helps us improve customer satisfaction. We hold discussions with group pensions customers to engage them in our life insurance sustainability strategy.	Sustainability, our service
Employees	We discuss sustainability with employees to engage them in the sustainability strategy, raise their awareness of sustainability and our role in society, and what we do to make a positive impact. We also hold employee engagement dialogues in addition to the employee engagement survey.	Sustainability, employee satisfaction
Shareholders, investors and analysts	Delta Lloyd regularly updates shareholders, investors and analysts. Every year we organise a General Meeting and roadshows to meet investors and potential investors. We provide quarterly financial reports and accommodate bilateral meeting requests whenever feasible.	Financial and operational performance, strategy, opportunities and challenges
Companies	Dialogue Boards are regularly organised to bring together business, government, knowledge institutions and NGOs. We engage with companies on specific topics like the energy transition, and with companies we invest in.	Shared value, renewable energy
NGOs	Delta Lloyd discusses social themes and ways to resolve social or environmental issues with NGOs such as Unicef and Fair Finance Guide.	Human rights, investment policy
Government	We engage with the Dutch Ministry of Infrastructure and Environment (and the CSR platform MVO NL) to support actions on climate change. We also interact with the Social and Economic Council of the Netherlands (SER).	COP 21, carbon emissions, sustainability policy
Other	We address various sustainability topics with organisations such as the Dutch Banking Association (NvB), VvV, Association of Investors for Sustainable Development (VBDO), Univer, CSR Netherlands (MVO NL) and Eumedion.	Improving sustainability performance, investment policies, carbon emissions, corporate governance

Delta Lloyd distinguishes between external and internal stakeholders, the latter being management and employees. External stakeholders are divided into business relations and outsiders. Business relations include customers, entrepreneurs, suppliers, peers, financial experts and representatives of customer interest organisations. Outsiders include independent experts, opinion leaders, representatives of NGOs, politicians, scientists, journalists and representatives of youth organisations.

4.2.4.2 Tax

Delta Lloyd's tax strategy is based on the principle 'tax follows the business', which implies that we recognise taxes in the countries where the operations take place and at the moment that activities occur and revenues are recognised. Our tax strategy is aligned with our business principles and corporate values. These include:

- Commitment to ensure full compliance with all statutory obligations, and full disclosure to tax authorities.
- Sustaining good relations with tax authorities, and actively disclosing business developments and potential uncertainties to tax authorities.

- Considering the implications of tax planning as relevant to Delta Lloyd's corporate reputation.
- Managing tax affairs in a proactive way that seeks to maximise stakeholder value, while operating in accordance with the law.
- Maintaining a tax control framework that enables us to proactively manage tax risk.

Delta Lloyd does not make use of tax havens or tax-avoiding structures. Our taxation policy is based on the tax rules and regulations and we take these tax principles into account in our business operations and when choosing business partners or structuring transactions.

Relation with local tax authorities

The horizontal monitoring principle on which we base our relationship with the Dutch tax authorities is built on three key values: mutual trust, understanding and transparency. Based on the existing good relationship and our tax behaviour we comply with the principle of horizontal monitoring. Delta Lloyd shares information with the tax authorities about its operations, business initiatives and the tax implications on a continuous basis.

Taxation policy

Management of the tax position is based on a taxation policy. This policy supports the company in managing the risks which can be recognized such as compliance risk, transaction risk, customer and product risk, external risk, financial reporting risk and tax planning risk.

Total contribution in taxation

From a tax perspective, Delta Lloyd pays taxes that are charged to the profit and loss account – the taxes borne – as well as collecting large amounts of taxes on behalf of the governments, the taxes collected. These taxes are related to banking- and insurance products that are sold and charged to or on behalf of Delta Lloyd customers or employees.

In 2015, Delta Lloyd contributed € 904 million (2014: € 948 million) in taxes resulting from its operations, excluding corporate income tax (see also our [annual report](#)) and restated for the sale of Delta Lloyd Bank België and Delta Lloyd Deutschland. The majority of this (€ 813 million) was paid to the Dutch Treasury, the remainder going to the Belgian Treasury. Taxes are collected on behalf of the company or on behalf of customers and employees. The contribution includes payroll taxes on insurance and banking products (€ 388 million); insurance premium taxes (€ 236 million); wage tax; social premiums and employment taxes as cost of employment (€ 153 million); and non-deductible VAT as part of the operating costs (€ 86 million). In 2015, new taxes were introduced, such as the single resolution fund and the national deposit guarantee scheme contributions. More taxes are expected to be introduced in the coming years, such as financial transaction tax, which is expected to result in higher tax contributions by Delta Lloyd.

Total tax contribution - The Netherlands

<i>in millions of euros</i>	2015	2014	Change
Total VAT contribution to governments	77.5	77.2	0.0
Insurance premium taxes collected	212.7	205.4	0.0
Income taxes as cost of employment	124.6	131.2	0.1
Payroll taxes on insurance- and banking products	357.4	393.7	0.1
Withholding tax on dividends	35.3	32.0	0.1
Other taxes	5.3	11.8	0.6
Taxes as costs of the corporate income	812.8	851.2	0.0

Total tax contribution - Belgium

<i>in millions of euros</i>	2015	2014	Change
Total VAT contribution to governments	8.6	9.3	0.1
Insurance premium taxes collected	22.9	24.3	0.1
Income taxes as cost of employment	28.2	29.4	0.0
Payroll taxes on insurance- and banking products	30.2	32.2	0.1
Withholding tax on dividends	0.1	-	na
Other taxes	0.9	1.1	0.2
Taxes as costs of the corporate income	90.8	96.5	0.1

4.2.4.3 Environment

In 2015, we signed the Climate Coalition (Klimaatcoalitie), an initiative of the Dutch Ministry of Infrastructure and Environment and Dutch CSR platform MVO Nederland, to achieve a climate neutral business by 2050. Although we are by definition already climate neutral, we feel it is important to continuously set goals that address our performance in this area.

We want to encourage other companies to sign the initiative too. We aim to reduce our carbon footprint by 3% in 2016. Our Facility Services department is taking measures to help achieve this.

Delta Lloyd also signed the Paris Pledge, an outcome of the COP21 climate conference in Paris, where 19 sustainable development goals (SDG) were negotiated. With this, we affirm our commitment to a safe and stable climate in which temperature rise is limited to below two degrees Celsius.

An aspect of a climate neutral business is compensating for our remaining carbon emissions.

Climate change

CO2 emissions in kg	2015 (in tonnes)	2014 (in tonnes)	2015 (per fte in kg)	2014 (per fte in kg)
Energy consumption	2,255	3,246	476	685
Company cars	1,038	1,544	219	326
Paper consumption	501	724	106	153
Business flights	181	212	38	45
Business rail traffic	92	78	19	16
Waste generation	419	580	89	122
Water consumption	12	13	2	3
Total emissions	4,498	6,398	949	1,350

In 2015 we used different key figures compared to 2014. The source is emissiefactoren.nl. This affects the total amount of CO2 emissions. Another factor that reduced the total number of emissions is the sale of Delta Lloyd Bank Belgium, as we no longer report these offices which accounted for 1,128 tonnes of emissions.

Carbon footprint

Our focus is on decreasing the amount of energy we need for our processes. We do this by taking into account energy use when we buy or replace installations, machines and appliances. We are also piloting the use of LED lighting in our offices and whether it is energy- and cost efficient to apply in more work places.

The energy we consume is from sustainable sources and we have purchased Dutch guarantees of origin for 2016, 2017 and 2018. In 2015, these were European guarantees. In 2015, we added another 205 solar panels to our buildings, which with those already installed provide solar energy equivalent to the annual usage of 25 households.

According to CFP – a Dutch company specialised in sustainability benchmarks – electricity consumption at our main office in 2015 was 22 % lower than in reference buildings. Gas consumption was 25 % lower. In 2016, we aim to extend this benchmark to other areas than only the energy consumption of our main office.

4.2.4.4 Risk

Changes to the sustainability risk policy in 2015 extended it to cover financial and operational risks and controls according to the Enterprise Risk Model. More information on risk management can be found in [section 3.4](#). One example of improved controls on sustainability is in supply chain management.

Supply chain management

Delta Lloyd wants to increase its supply chain responsibility and our impact on our supply chain. We aim to do so by increasing ESG opportunities at our suppliers and using our supply chain to create a positive impact. We also want to decrease the likelihood of ESG risks at our suppliers negatively impacting Delta Lloyd. As part of our efforts in this area, we have asked our main suppliers to sign a corporate social responsibility covenant (a code of conduct based on international ESG guidelines). We also extended supply agreements for our office refurbishment to include cradle-to-cradle materials.

In 2015, we inventoried the ESG supply chain risks that are most material to Delta Lloyd – a task we conducted in collaboration with FIRA, an agency specialised in sustainable procurement. FIRA screened the top 10 suppliers that have not yet signed our CSR covenant. We also analysed the ESG scorecards of suppliers who are already linked to the FIRA platform. We will extend this analysis in 2016 and implement a plan to increase suppliers' engagement in our sustainability strategy and targets. We will ask our most important suppliers, based on spend, to voluntarily screen their ESG efforts and publish their results on the FIRA platform.

In 2015, 83% of our most important suppliers signed the CSR covenant. We will continue to ask suppliers to commit to it.

For the intermediaries who advise customers and offer our products we have a quality dashboard that monitors the performance of intermediaries in terms of customer centricity and compliance. We update the data in the dashboard every quarter. The dashboard uses information from several existing internal and external reports. Results from the dashboard analysis, combined with other criteria and reports, are used to manage our supply chain of intermediaries.

4.2.4.5 Compliance

The insurance sector is increasingly regulated and we have spent a considerable amount of time in recent years on incorporating these many and complex requirements into our operations and ensuring our policies are up to date. This work continued in 2015. One example is the preliminary work regarding the duty to report data breaches ('Meldplicht datalekken'); after all, safeguarding our customers' privacy is very important to us. This new privacy policy will be implemented across our organisation in 2016.

The business divisions are responsible for complying with laws and regulations based on the framework provided by Group Compliance. In preparation for the implementation of Solvency II legislation, Group Compliance met with the compliance officers, managers and employees of the divisions to specify and prioritise the key compliance issues and associated risks and linked these to risk management measures. These meetings encouraged a cross-section of the group to critically reflect on how risk is managed.

Conscious sustainability

In addition to complying with laws and regulations, Delta Lloyd believes it is important that all employees are aware of sustainability and the importance of customer interest. This is also part of our sustainability strategy: creating a positive impact for all our stakeholders. Our Compliance & Integrity department is involved in the product approval and review process (PARP), which ensures the quality and also the sustainability of our products. These employees also offer support and advice on implementing internal and external codes of conducts and making the right choices. In 2015, we reorganised the Risk organisation and the Compliance and Integrity functions, to improve their efficiency. The new organisation will be implemented in 2016. We also decided in 2015 that all our employees should take the 'Oath or Affirmation' and endorse the values therein and act in accordance with it. This is beyond what is legally required.

In 2016, we will strive to evolve into an even more risk-conscious and sustainable compliant organisation. Much attention will be devoted to implementing the Compliance Risk Cycle, a group-wide methodology for managing compliance and integrity risks. This will enable us to better identify risks and to effectively act on them. Our aim is to permanently establish a demonstrably high level of risk awareness within the organisation, taking into account the lessons learned from events in 2015 that led to negative publicity.

Delta Lloyd is continuously committed to increasing our employees awareness of risk in their daily activities through e-learning and other forms of training in 2016.

4.2.4.6 Fraud

When it comes to fraud, Delta Lloyd focuses both on integrity and incidents relating to employees and on integrity and incidents relating to clients. Fraud protection and an awareness of integrity ensure that we act with integrity when dealing with colleagues, customers and other stakeholders. This contributes to a sound organisation and way of working, ensures products with integrity and promotes confidence in our company and the industry as a whole. It also ensures that we keep unnecessary pay-outs to a minimum, so that we can continue to offer our customers fair products at competitive prices.

The ongoing shift towards digitalisation is changing the face of fraud and the ways in which we can detect and combat fraudulent practices. Organised forms of fraud, often involving national networks, are also on the increase, as is the use of false identities. It is our job to respond to and anticipate these and other developments.

Focus on risks, detection and prevention

In 2015, Delta Lloyd's Integrity Office stepped up its activities, sharpening its focus and deepening its understanding of fraud risks, detection and prevention.

Employee training and the shift from traditional researchers to data analysts meant we could dedicate more resources to data analysis, prompting investment in more rapid identification and response to fraud and trends in fraud. For example, we were able to respond more effectively to an organised campaign of car insurance fraud involving various false identities. Our commitment to data analysis also enabled us to rapidly build an accurate picture of the nature and extent of fraud in claims payments and to periodically monitor pay-outs for possible irregularities.

Delta Lloyd's Integrity Office took significant steps to advance a multidisciplinary approach to fraud. For this, Delta Lloyd undertook a project-based initiative that enables the company to combine knowledge and broaden its view on how to respond effectively to trends and prevent fraud. The Integrity Office works very closely with various teams and specialists at Delta Lloyd and has incorporated external disciplines into its approach.

One example is its use of the 'Book of Crime', a model already used by the Dutch police and the department of justice that has proved effective in preventively tackling criminal trends and phenomena. The issues involved are frequently more complex in nature, with solutions that often lie beyond the scope of the Integrity Office. The 'Book of Crime' is a practical approach to multidisciplinary collaboration, based on connecting the information, experience, intuition and expertise of different partners, both internal and external, in a spirit of mutual cooperation. The aim is to design an intervention programme that can frustrate a total criminal insurance process by drawing on the capabilities of all partners working together. Using this approach, the Integrity Office launched a specific campaign to target vehicle crime/collisions with intent. Delta Lloyd is the first insurer to adopt this method, which until now has been the domain of the justice department and the police.

In addition, Delta Lloyd joined the Institute for Financial Crime, set up to promote innovation in research, collaboration and education. The institute supports the exchange of methodologies and skills among various parties who have yet to establish sufficient collaborative links. It also works on a project basis with its partners in the field of financial and economic crime. This means the Integrity Office will be better informed on fraud trends and innovative investigation and research methods.

Integrity Office staff have also been working as consultants on integrity tests in areas such as relationships, new products and processes.

Best practice

The Insurers and Crime Monitor audit was conducted again in 2015. Delta Lloyd achieved very high scores on preventing and combating fraud and as such we expect we will retain our best practice status. Detailed results of the 2015 review were not yet available at the time of publication. This is partly because we approach fraud control from the perspective of business economics and address the issue strategically; our Integrity Office has an independent status in the higher echelons of the organisation, enabling it to function independently at all levels. Meanwhile, ongoing training and education ensures that staff have the requisite knowledge and skills, and that they are registered as qualified experts.

Fraud prevention

In 2015, Delta Lloyd began setting up a fraud risk framework, as part of which a systematic inventory and analysis was conducted of internal and external fraud risks affecting Delta Lloyd. This will be monitored annually. The framework gives Delta Lloyd an even greater insight into risks, changing risks and the measures that need to be taken, equipping the organisation to further reduce fraud and to adapt its activities accordingly. As in 2015, our digital acceptance and claims handling processes will be reviewed in 2016 to establish what more we can do to prevent fraud at an early stage. To that end, the developments in the business are being followed closely.

Delta Lloyd seeks to offer an open working environment based on integrity, in which every employee is able to bring to light fraud or matters that represent a risk to integrity, without fear of adverse consequences or jeopardizing their career. For this purpose, a number of provisions are in place, most notably the Whistleblower Policy. Employees are able to report any abuses to our Integrity Office. In 2015, Delta Lloyd investigated 26 internal incidents on the basis of such reports, one of which was made by whistleblowers. The number of internal incidents has remained virtually unchanged compared with 2014, when 31 internal incidents were investigated. Only a slight decline in the number of internal incidents is evident, however these were also more complex in nature.

The Dutch Association of Insurers (Verbond van Verzekeraars) wants to monitor the extent to which incidents of fraud are of societal importance, for example are intermediaries involved or have there been comparable incidents at other insurance companies. Therefore, Delta Lloyd reports these external incidents of fraud to the Dutch Association of Insurers.

Reported frauds

<i>In numbers</i>	2015	2014
Number of reports internally	26	31
Number of reports externally*	2,607	2,483
Reported frauds	2,633	2,514

* of which 396 incidents to the Dutch Association of Insurers

Reported incidents

<i>In numbers</i>	2015	2014
Reported incidents as per the Whistleblower policy	1	3
Reported incidents to the Dutch Association of Insurers	396	328

4.3 Our customers

Customer focus is at the heart of our 'Closer to the customer' strategy. We aim to create sustainable value for our customers through our products and services. We engage with our customers in an open dialogue and use their feedback to make improvements. We want to excel in customer care, and in providing clear information and transparent communication. Customer centricity is embedded in every level of our organisation, starting at the top with the Executive Board and the Supervisory Board. This prioritises customer centricity and ensures it remains highly visible throughout our organisation.

We developed an e-learning programme in 2015 for all our Dutch employees that aims to embed customer focus in everything they do.

4.3.1 Fair products and services

Clear and transparent communication is a priority and ensures our customers understand our products.

Rewriting policy conditions

As part of our commitment to clear customer communication, we are rewriting the conditions of our policies. This initiative was launched in 2013, and we continued to further simplify the rewritten conditions in 2014 and 2015, and to rewrite those that had not yet been addressed. We will continue this process in 2016.

Product approval and review

We want to offer our customers relevant products they understand. This applies to new products as well as to our existing and adapted products. We review our products every two years and make improvements where necessary. Inactive products (those that we no longer sell, but still have in our books) are reviewed every four years. This process is structured in the product approval and review process (PARP), in accordance with the requirements of the decree on supervision of the conduct of financial enterprises (Besluit Gedragstoezicht financiële ondernemingen / Bgfo) under the Financial Services Act (WFT). The PARP review assesses whether a product meets the needs of customers and does what it should. It's also important that customers can easily understand the product. In 2015, we addressed the findings of earlier reviews and continued to improve products. A working group from the business units meets several times in a year to discuss the outcomes of the reviews, progress on improvements and share knowledge. Each business unit is responsible for implementing its own product improvements. In 2015, we updated the PARP template with regards to tax and risk management.

Unit-linked insurance

Delta Lloyd regularly updates customers about their unit-linked insurance policies and provides intermediaries and advisers with information about the options available to customers so they can make an informed decision about whether or not to adjust their policy. We have been following this formal policy process since 2013, which is referred to as the 'activation' of customers. We do our utmost to proactively encourage customers to take appropriate action with regards to their unit-linked policy. If they want to change their policy, we will help them to do so.

In mid-2015, the Dutch Authority for Financial Markets (AFM) introduced regulation setting fixed targets for this activation. For customers with a non-accruing policy (i.e. a unit-linked insurance policy of which the future increase in value is less than the future contribution payments), the AFM set a target of 100% activation by 21 August 2015. Delta Lloyd achieved almost 100% by that date. With regards to activating customers with a mortgage-linked policy, we already achieved the AFM's 80% target at the end of 2014. However, we are continuing to activate these customers and aim to achieve 100% activation by the end of 2016. We will also continue our efforts to activate those remaining customers with non-accruing policies, as well as customers with a deferred annuity (a pension related unit-linked insurance policy). We started activating customers with a deferred annuity in 2015.

We believe our personal activation approach is effective and that a large and growing number of customers are taking action. An AFM survey, as well as our own customer surveys, support this view. Many customers are taking measures to bridge the potential gap between the original expected return and the current expected return. These surveys have provided us with valuable insights to further improve our approach. The surveys also show there is a group of customers who choose not to change their unit-linked insurance policy. One reason is the possible fiscal advantage of leaving the policy unchanged. Some customers are of the opinion that changing their policy will not necessarily improve their situation. What's more, a large number of our customers have unit-linked insurance policies with a guarantee that entitles them to a minimum capital sum on maturity or a minimum guaranteed return.

We approach customers personally if they have complaints, which has proven very effective. This is illustrated by the incredibly low number of pending complaints regarding unit-linked insurance policies, namely 0.01% of the overall unit-linked insurance portfolio in 2015. In addition, we have an exceptional hardship arrangement for customers whose personal circumstances require it. This arrangement stems from agreements Delta Lloyd entered into with consumer organisations in 2008 and 2010. In such hardship cases, we do our best to find a solution tailored to the customer's specific needs. In 2015, we extended the duration of this agreement and broadened the terms.

4.3.2 Customer satisfaction

Customer satisfaction is one of the key material topics for Delta Lloyd. We put our customers first and engage them to make sure our services meet their expectations. Our ambition is to become the most customer-oriented insurer in the Netherlands by 2020. Customer surveys are performed by external partners. In 2015, Delta Lloyd was ranked as the top pension insurer by independent financial advisors for the fourth consecutive year. Authorised agents regard our service levels as best in class, and we ranked number three in the commercial general insurance business segment.

Our customer satisfaction survey for clients is conducted by GFK, while our customer satisfaction survey for independent financial advisors is done by IG&H.

Customer satisfaction - retail clients

Scale of 1 to 10	2015	2014	Change
Life			
Delta Lloyd	6.5	6.2	5%
OHRA	7.1	6.2	15%
ABN AMRO Verzekeringen	6.3	7.4	-15%
General Insurance			
Delta Lloyd	7.5	7.5	-
OHRA	7.6	7.6	-
ABN AMRO Verzekeringen	7.6	7.8	-3%
Bank			
Delta Lloyd	6.9	6.5	6%
OHRA	7.0	6.9	1%
Other			
Delta Lloyd	7.6	7.5	1%
OHRA	7.6	7.5	1%

Customer satisfaction - commercial clients

Scale of 1 to 10	2015	2014	Change
Life			
Delta Lloyd	7.0	7.0	-
General Insurance			
Delta Lloyd (GI)	7.2	7.1	1%
Delta Lloyd (Income)	7.0	6.9	1%
ABN AMRO Verzekeringen	7.2	7.3	-1%

Customer satisfaction - Independent financial advisors

Scale of 1 to 10	2015	2014	Change
Life			
Delta Lloyd (Life)	7.1	7.0	1%
Delta Lloyd (Pension)	7.6	7.6	-
General Insurance			
Delta Lloyd (Income)	7.1	7.1	-
Delta Lloyd (GI (Individual))	7.3	7.3	-
Delta Lloyd (GI (Commercial))	7.2	7.1	1%
Delta Lloyd (Underwriters)	7.4	7.4	-
Bank			
Delta Lloyd (Banksavings)	7.2	7.3	-1%
Delta Lloyd (Mortgages)	6.6	6.4	3%

We made a lot of effort to improve our customer satisfaction scores after they fell in 2014. Our work proved successful, and in 2015 all customer satisfaction scores at OHRA and Delta Lloyd went up or levelled out. OHRA life insurance did particularly well, with its customer satisfaction score increasing from 6.2 to 7.1.

OHRA and Delta Lloyd achieved these results by focusing on optimizing the customer journey. In 2015, we launched 'customer experience teams', introduced a new customer-oriented method for redesigning customer journeys and developed customer experience modules to train OHRA and Delta Lloyd employees. With this new approach, employees can choose the right journey with the greatest impact for the customer. Using their training, the employees created new customer experiences, and after three months, the new customer journeys were ready to be rolled out. The results of this work will be evident in 2016.

Our customers' insights are crucial to ensure that the right customer journeys are prioritised. To gain more insight into our customers, we developed a 'voice of the customer' programme, which comprises research into customer contact, customer panels and customer satisfaction. For example, regarding customer contact, every time we are in contact with a customer, we send an email asking for their feedback about the experience. Furthermore, from 2016, we will conduct ongoing customer satisfaction research throughout the year.

Another activity that will help us to become the most customer-oriented insurer is our 'First Time Fix' programme, which will lead on from the 'First Time Right' programme in 2016. The goal of this new programme is to settle a customer's request, for example a claim, in one contact moment. The aim here is to minimise referrals, repetition of information and switching to other contact channels (for example from telephone to email).

4.4 Our employees

Our talented and dedicated employees play a key role in realising our strategy. We invest in our people and give them the tools they need to develop their skills and capabilities, thereby ensuring they remain valuable contributors to Delta Lloyd's success. We also invest in our young leaders of tomorrow, and our graduate programme is recognised as the best training and development traineeship in the Benelux. We take pride in our diverse workforce and strive to reflect the diversity of the society we serve.

4.4.1 Workforce

Delta Lloyd employs 4,739 staff (FTE), down from 5,684 at year-end 2014. This includes 609 temporary employees. Of the total permanent staff of 4,130 FTEs, 3,648 are employed in the Netherlands and 483 are employed in Belgium. The fall in staff numbers is mainly stems from the sale of Delta Lloyd Bank België and Delta Lloyd Deutschland. Other contributing factors were a decrease in temporary staff, a cost-savings programme and natural wastage.

Number of employees

<i>in FTE, at year-end</i>	2015	2014
Permanent	4,130	5,030
Temporary	609	655
Total number of employees	4,739	5,684

Delta Lloyd greatly values diversity within the organisation and is committed to creating a workforce that reflects the diverse character of society. This relates to gender diversity, as well as including people from different cultural backgrounds, different age groups and with different physical and/or mental abilities. Although cultural diversity is difficult to measure, we endeavoured to do so for the first time in 2015 as part of our annual employee engagement survey, in which employees were given the voluntary option to state their cultural background. The survey found that 15% of our employees have a non-Dutch background, i.e. one or both of their parents is from another country. Embedding diversity starts with our Executive Board, which steers our efforts to recognise and promote diversity. The Diversity Council monitors progress and activities to increase diversity in the organisation at all levels.

We aim to have at least 30% female executives, i.e. women on the Executive Board and in the two management layers immediately below (directors and managers). Although we failed to meet this overall target in 2015, there are currently two women (40% of total board members) on the Executive Board. We are delighted with this development and continue to actively seek opportunities to enhance gender diversity at all management levels in Delta Lloyd. The percentage of female directors increased slightly in 2015 to 23%, while the percentage of female managers remained stable at 26%.

Diversity

<i>% of female employees, by function</i>	2015	2014
Directors	23%	22%
Managers	26%	26%
Teamleaders	39%	39%
Staff	42%	42%
Total	41%	42%

Our Belgian business is not included in these figures.

4.4.2 Employee engagement

A quantitative and qualitative survey of employee engagement was conducted in 2015. This survey provided more insight into the underlying motivation and expectations of our employees.

We held several employee sessions in the second half of 2015 to talk about sustainable engagement. The purpose of these sessions was to establish a qualitative analysis of sustainable engagement; a quantitative analysis was created using the results of the employee engagement survey conducted by Towers Watson.

The sessions were held at several different locations, where employees discussed such topics as work enjoyment and work-life balance, customer centricity, leadership and engagement. The first three topics were chosen because these are key indicators for sustainably engaged employees according to the quantitative research conducted by Towers Watson. Representatives from an external HR development organisation (Qidos) also attended these sessions and provided an independent report on how to improve sustainable engagement at Delta Lloyd. This report was shared with the HR board and is being used as input for our next steps in ensuring employee engagement. The report presents numerous similarities with the results of the quantitative research and is a good addition to these more static results. Employees were very enthusiastic about having an opportunity to give input and also share best practices with colleagues.

Employee motivation

<i>% sustainably engaged employees</i>	2015	2014
Delta Lloyd group staff	79%	79%
Delta Lloyd Levensverzekeringen	72%	69%
Delta Lloyd Schadeverzekeringen	74%	73%
ABN AMRO Verzekeringen	81%	80%
Delta Lloyd Asset Management	59%	68%
Delta Lloyd Commercial Division	76%	75%
Delta Lloyd IT & Services	79%	80%
Delta Lloyd Bank	85%	78%
Delta Lloyd Life Belgium	65%	68%
Delta Lloyd Total	75%	74%

In 2015, we conducted our ninth annual employee engagement survey, with 3,576 employees (81%) participating. The findings were very promising and can be expected to be followed up on. Six open questions were added to the survey in 2015, the answers to which have given us more insight and will help us develop and fine-tune our HR policies.

The survey showed an overall sustainable engagement of 75%, which is higher than our 2014 score of 74%. Improvements, slight or otherwise, were noted for all topics, except future expectations. Benchmarking shows that we need to improve in terms of future expectations, performance management and integrity. The findings per division are very different: where Delta Lloyd Bank is best in class, Asset Management and Delta Lloyd Life Belgium are far behind. Of nine divisions, five improved their results on engagement and most other topics compared to 2014.

Overall results have improved slightly, something which was not expected given our reorganisation. That said, employees still perceive:

- A lack of improvement in terms of efficiency, stress and support in performance;
- Not enough support in developing talent; and
- Increasing uncertainty about objectives and how they fit with the company in future.

This results in:

- A decreasing confidence in the future; and
- An increase in considerations to leave Delta Lloyd.

The most important driver for change is leadership and executives demonstrating this by:

- Inspiring employees with a clear vision and transparent communication; and
- Showing an interest in employees, their work, perceptions and obstacles.

Compared to the benchmark drawn up by Towers Watson, Delta Lloyd outperforms on working conditions and collaboration, and our employees are more satisfied their line manager. This holds for Towers Watsons' benchmark for the Netherlands as well as for the benchmark for the financial sector in the Benelux.

The research findings are being used in our activities to improve employee engagement. Divisions have their own action plans as well. For example, one division put together a small project group to work on how to improve the scores for different topics. Also, further sessions with employees and senior management were organised on the topics of employability, strategy and the accompanying responsibilities.

In December 2015, the Dutch national daily newspaper NRC Handelsblad conducted a survey into good employment practices. This survey found that Delta Lloyd is among the top 10 best employers in the Netherlands and among the top 3 when it comes to working conditions, which is in line with our employee engagement survey.

4.4.3 Lifelong employability

Capable, engaged and healthy employees are key to Delta Lloyd's success. To ensure our employees have the skills and capabilities to take on new tasks and assignments in an evolving workplace, we provide them with a range of tools that boost their capabilities and know-how, as well as their health, energy, motivation, engagement and work-life balance throughout their working lives.

In 2015, Delta Lloyd introduced several new initiatives. These included a career guidance workshop and a development programme for older employees. The workshop, 'Taking control of your life and career', gives employees insight into developments affecting the labour market and potentially their employability, and helps them to prepare for the future. The development programme for our older employees, 'Delta Lloyd Top 50', aims to empower them to use their experience in a positive manner and emphasizes that personal development does not stop at a certain age. In 2016, we are planning to start a programme for our employees who are over 60 to help them to understand their financial situation in light of changes to the Dutch pension system and to set personal goals for the years ahead.

As agreed in the collective labour agreement, we extended the preventive mobility programme for employees potentially affected by a reorganisation. In 2015, 91 employees voluntarily signed up and their feedback was positive. An additional 64 people signed up for training to help them prepare job applications both at Delta Lloyd and outside the company. So far, only two employees have made use of the activity pool set up for employees over 60. Generally speaking, employees over 60 choose to leave and organisation after it has undergone a reorganisation. We will re-evaluate the effectiveness of the activity pool when the collective labour agreement is updated.

In 2015, the Dutch Participation law came into effect; this legislation aims to introduce people with an 'occupational disability' into the workplace. 'Occupational disability' can also mean a lack of education. While Delta Lloyd aims to employ more people from this target group, our vacancies generally require specific professional expertise. We have partnered with 'De Normaalste Zaak', a network of employers that promotes inclusion in the workplace, shares knowledge and lobbies the government. Delta Lloyd is actively involved in discussions with local municipalities to improve collaboration in this area and to explore ways of creating sustainable jobs. We will also step our efforts with our suppliers on this in 2016.

Training and development

We really value the expertise of our employees. More than delivering the right skills and qualifications, our training and development goes beyond what is legally required to ensure our employees reach their full potential and remain employable throughout their working lives. As such, we have drawn up an internal training and professional skills policy in close cooperation with our Works Council. This policy promotes employee development by way of courses and on-the-job training, thereby ensuring our employees remain employable. In 2015, we spent € 9.6 million on training and education, which is in line with the previous year.

In November 2015, our trainee programme was a finalist for the Best Traineeship Benelux award for the third consecutive year and was named 'Best in class' in the category 'Training & Development'. The jury concluded that Delta Lloyd has a very sound and well organised trainee programme, with a strong focus on personal development, both during and afterwards. Senior management are very committed to the programme, and there is a high level of retaining management talent because of the excellent growth opportunities at Delta Lloyd.

In 2015, the first plans were made to integrate the traineeships for Management, IT Management, Risk and Finance into a single programme. This will ensure greater efficiency of and uniformity across the four programmes. It will also help trainees with a different background and education share knowledge and experience. By having a broad view of our employees skills and capabilities, we can make better, more informed choices in terms of succession planning, developing high potentials and creating opportunities for young talents.

From 2016, all trainees at Delta Lloyd will follow the same personal development programme. The traineeship lasts three years and aims to facilitate talent development for key positions in the four specialist fields of management, IT management, risk and finance.

In 2015, we took an important step to simplify and improve our HR cycle by moving performance reviews to earlier in the year and combining this with target setting for the year ahead. This enables us to improve the quality of dialogues, linking performance reviews directly with target setting and possible additional training and development goals. Moreover, this simplifies the process and makes it more efficient. In 2016, we will continue to improve and integrate the HR cycle. For example, we will examine how we can better measure and reward achieved targets. The changes we implement will be decided in the first quarter of 2016.

4.5 Principles, guidelines and index listing

We identify strongly with the principles of the United Nations Global Compact and the UNEP FI Principles for Sustainable Insurance and Principles of Responsible Investment to encourage sustainable business practices. These principles are very much in line with our own vision of a sustainable business.

4.5.1 United Nations Global Compact

Delta Lloyd has been a signatory of the United Nations Global Compact for corporate social responsibility since 2010. Set up by the UN in 1999, this platform represents a commitment to 10 principles aimed at improving human rights, labour standards, the environment and anti-corruption. By signing the Global Compact for corporate social responsibility, Delta Lloyd has committed to issuing a 'Communication on Progress' to the UN head office every year.

UN Global Compact principles

Principle	Reference
1. Businesses should support and respect the protection of internationally proclaimed human rights; and	Responsible investment
2. make sure that they are not complicit in human rights abuses.	Responsible investment, Compliance
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Responsible investment, Employability
4. the elimination of all forms of forced and compulsory labour;	Responsible investment
5. the effective abolition of child labour; and	Responsible investment
6. the elimination of discrimination in respect of employment and occupation.	Responsible investment, Workforce
7. Businesses should support a precautionary approach to environmental challenges;	Responsible investment, Environment
8. undertake initiatives to promote greater environmental responsibility; and	Responsible investment, Environment
9. encourage the development and diffusion of environmentally friendly technologies.	Responsible investment, Responsible insurance
10. Businesses should work against corruption in all its forms, including extortion and bribery.	Responsible investment, Compliance, Fraud

4.5.2 UNEP FI Principles for Sustainable Insurance

In 2012, we also signed up to the UNEP FI Principles for Sustainable Insurance as formulated by the UN Environmental Programme for financial institutions (UNEP FI), the programme that coordinates the UN's environmental activities, assisting developing countries in implementing environmentally-sound policies and practices and helping them to improve their quality of life without compromising that of future generations.

UN Principles for Sustainable Insurance

Principle	Reference
1. We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.	Strategy and ambition , Risk , Responsible insurance , Responsible investment
2. We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.	Stakeholder engagement , Supply chain management
3. We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.	Stakeholder engagement , Environment
4. We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.	Governance

4.5.3 United Nations-supported Principles for Responsible Investment

Delta Lloyd is a signatory of the United Nations-supported Principles for Responsible Investment (PRI), established in 2006. These principles provide a global framework for institutional investors to consider environmental, social and governance issues in their investment decisions, based on the notion that issues such as climate change and human rights can affect the performance of investment portfolios and should therefore be considered alongside more traditional financial factors.

UN Principles for Responsible Investment

Principle	Reference
1. We will incorporate ESG issues into investment analysis and decision-making processes.	Responsible investment
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.	Voting behaviour
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.	Responsible investment , Material sectors , Voting behaviour
4. We will promote acceptance and implementation of the Principles within the investment industry.	Stakeholder engagement
5. We will work together to enhance our effectiveness in implementing the Principles.	Stakeholder engagement
6. We will each report on our activities and progress towards implementing the Principles.	Responsible investing policy

4.5.4 Index listing

Delta Lloyd was included in the Dow Jones Sustainability Index for the second consecutive year. We increased our score by three points. We scored very well on the Principles of Sustainable Insurance, Risk Detection and Customer Relationship Management. However, in comparison with the scores of the industry best for the topics of Supply Chain Management and Stakeholder Engagement, we could do better. We have already given these topics extra attention and have incorporated them into our sustainability strategy. For more information on what we have done in this area, please refer to [section 4.2.4](#).

5 GENERAL INFORMATION

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5.1 About this report

Due to the extraordinary circumstances ahead of the rights issue that was announced in November 2015, Delta Lloyd is publishing both an annual report for 2015 and an annual review. The audited information in the annual report is used in the prospectus for the intended rights issue.

Publication of the annual report on 24 February 2016, coincided with the release of our full-year figures for 2015. It provides an overview of Delta Lloyd's financial performance, Solvency II position, strategy and corporate governance. With this information our shareholders could make an informed decision about the planned rights issue ahead of the Extraordinary General Meeting on 16 March.

The annual review gives a detailed, integrated view of our financial and non-financial performance in 2015, as well as in-depth information about our 'Closer to the customer' strategy and how we are putting it into action to make a sustainable difference to society. The annual review contains elements of the reporting guidelines issued by the International Integrated Reporting Council (IIRC).

The annual review is available on www.deltalloyd.com from 23 March 2016. Both the annual report and the annual review can be downloaded as separate PDFs or viewed online as a single, integrated document. Together they provide our customers, investors, employees and society as a whole with a comprehensive overview of Delta Lloyd during 2015 and our vision for the future.

The reports are published in English. A Dutch summary of the annual review is available from 8 April 2016. More information about Delta Lloyd, our brands, the Executive Board, our management and the addresses of our office locations can be found on www.deltalloyd.com.

Reporting process

The annual sustainability report describes the national and international activities of Delta Lloyd. Excluded from the reporting process are the German operations (which are in run-off), suppliers, subcontractors and other entities on which our operations would typically only have an indirect impact. The sustainability report was assured by EY (see section [Section 5.2](#)). The sustainability report of Delta Lloyd was compiled in accordance (Core) with the Global Reporting Initiative (go to the [Section 6.1](#)).

The quantitative figures for this year's report, which were collated by the Group Finance and Control & Tax department via the SAP system, came from the relevant divisions at Delta Lloyd. The qualitative information was gathered through interviews with the officers responsible for the subject in question.



In our first annual review, we have summarised information about the matters that are most material to Delta Lloyd and our stakeholders. We have opted to report on all matters on our materiality shortlist. We have also reported on climate change, a topic that was added by the ESG board as it is a material topic for our investments as well as our general insurance business.

We realise the information we are reporting is not yet perfectly balanced. On some material matters, such as online distribution, there is relatively little information available as it is part of a new strategic pillar, while other matters can be reported in more detail.

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5.2 Assurance report of the independent auditor with respect to the Sustainability Report

To: the Shareholders and the Supervisory Board of Delta Lloyd N.V.

We have performed an assurance engagement on the sustainability information included in Chapters 2.4, 4 and 5.1 (hereinafter: “the Sustainability Report”) of the accompanying Annual review for the year 2015 of Delta Lloyd N.V. (hereinafter: Delta Lloyd), Amsterdam. The Sustainability Report comprises a description of the policy, the activities, events and performance of Delta Lloyd relating to sustainability during the reporting year 2015.

Our assurance engagement relating to the Sustainability Report was carried out for the purpose of obtaining:

1) a reasonable level of assurance that the sustainability information in the following sections in the Sustainability Report (hereinafter: sections with reasonable assurance):

- 4.1.1 Governance;
- 4.2.3.1 Delta Lloyd Foundation;
- 4.2.4.5 Compliance
- 4.2.4.6 Fraud
- 4.4.2 Employee engagement;
- Customer satisfaction tables in 4.3.2

has been presented correctly, in all material respects, in accordance with the “Sustainability Reporting Guidelines” G4 of the Global Reporting Initiative (GRI) (option Core) and the reporting policy developed by Delta Lloyd, as disclosed in chapter 5.1 of the Annual review 2015.

2) a limited level of assurance that the other sustainability information reported in the Sustainability Report has been presented correctly, in all material respects, in accordance with the “Sustainability Reporting Guidelines” G4 of the Global Reporting Initiative (GRI) (option Core), the Guidance Note on Sustainability Reporting of the Dutch Accounting Standards Board and the reporting policy developed by Delta Lloyd, as disclosed in chapter 5.1 of the Annual review 2015.

Limitations in our scope

The Sustainability Report contains prospective information, such as an outlook, ambitions, strategy, targets, expectations and projections. Inherent to this information is that actual future results may be different from the prospective information and therefore may be uncertain. We do not provide any assurance on the assumptions and feasibility of this prospective information.

The [Section 6.1](#) as published on the annual report website (www.annualreport.deltalloyd.com) is an integral part of the Sustainability Report and is within our engagement scope. Other references in the Sustainability Report (to www.deltalloyd.com, to external websites, to other chapters of the Annual review 2015 and to other documents) are not part of our assurance engagement.

Management's responsibility

The Executive Board is responsible for the preparation of the Sustainability Report in accordance with the "Sustainability Reporting Guidelines" G4 (option Core) of the GRI, the Guidance Note on Sustainability Reporting of the Dutch Accounting Standards Board and the reporting criteria developed by Delta Lloyd as disclosed in chapter 5.1 of the Annual review 2015, including the identification of the stakeholders and the determination of material issues. The disclosures made by the Executive Board with respect to the scope of the Sustainability report are included in chapter 5.1 "About this report" of the Annual review 2015.

Furthermore the Executive Board is responsible for such internal control as it determines is necessary to enable the preparation of the Sustainability Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to form an opinion on the sections with reasonable assurance and a conclusion on the other sustainability information in the Sustainability Report. We conducted our assurance-engagement in accordance with Dutch law, including the Dutch Standard 3810N, "Assurance Engagements relating to Sustainability Reports". This Standard is based on the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This requires that we comply with ethical requirements and plan and perform procedures to obtain sufficient and appropriate evidence to obtain assurance about whether the Sustainability Report is free from material misstatements.

A review is focused on obtaining limited assurance. The procedures performed in obtaining limited assurance are aimed at the plausibility of information which does not require exhaustive gathering of evidence as in engagements focused on reasonable assurance and therefore less assurance is provided. The performed procedures consisted primarily of making inquiries of management and others within the entity, as appropriate, applying analytical procedures and evaluating the evidence obtained.

The procedures selected to obtain reasonable assurance depend on the auditor's judgment, including the assessment of the risks of material misstatement of the sustainability information in the sections with reasonable assurance, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant for the preparation of the sections with reasonable assurance, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An assurance engagement aimed on providing reasonable assurance also includes evaluating the appropriateness of the reporting framework used for the sections with reasonable assurance, and the reasonableness of accounting estimates made by management.

Procedures performed

Our main procedures for obtaining a limited level of assurance included the following:

- Performing an external environment analysis and obtaining an understanding of the sector, relevant social issues, relevant laws and regulations and the characteristics of the organization;

- Evaluating the acceptability of the reporting policies and their consistent application, such as assessment of the outcomes of the stakeholder dialogue and the reasonableness of accounting estimates made by management;
- Evaluating the in accordance option with the Sustainability Reporting Guidelines G4 (option Core) of GRI;
- Evaluating the design and implementation of the systems and processes for data gathering and processing of information as presented in the Sustainability Report;
- Interviewing management (or relevant staff) at corporate and business division level responsible for the sustainability strategy and policies;
- Interviewing relevant staff responsible for providing the information in the Sustainability Report, carrying out internal control procedures on the data and the consolidation of the data in the Sustainability Report;
- Evaluating internal and external documentation, in addition to interviews, to determine whether the information in the Sustainability Report is reliable;
- Analytical review of the data and trend explanations submitted for consolidation at group level.

Additional procedures for obtaining a reasonable level of assurance included the following:

- Following the audit trail on a test basis, from the source data to the information contained in the sections with reasonable assurance;
- Performing tests of detail on a test basis aimed at reviewing the reliability of the primary information in the sections with reasonable assurance.

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

Opinion on the sections with reasonable assurance

In our opinion, and with due consideration of the limitations described in the paragraph "Limitations in our scope", the sustainability information reported in the sections with reasonable assurance in the Sustainability Report is presented correctly, in all material respects, in accordance with the "Sustainability Reporting Guidelines" G4, option Core, of the Global Reporting Initiative (GRI) and the reporting policy developed by Delta Lloyd, as disclosed in section 5.1 of the Annual review 2015.

Conclusion on the Sustainability Report

Based on our procedures performed, and with due consideration of the limitations described in the paragraph "Limitations in our scope", nothing has come to our attention that causes us to conclude that the other sustainability information in the Sustainability Report is not presented, in all material respects, in accordance with the "Sustainability Reporting Guidelines" G4, option Core, of the Global Reporting Initiative (GRI), the Guidance Note on Sustainability Reporting of the Dutch Accounting Standards Board and the reporting policy developed by Delta Lloyd as disclosed in section 5.1 of the Annual review 2015.

Amsterdam, 22 March 2016
Ernst & Young Accountants LLP
R.J. Bleijs

5.3 Disclaimer

Certain statements contained in this annual report that are not historical facts are "forward-looking statements". Forward-looking statements are typically identified by the use of forward looking terminology such as "believes", "expects", "may", "will", "could", "should", "intends", "estimates", "plans", "seeks", "assumes", "anticipates", "continues", "annualised", "goal", "target" or "aim" or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy that involve risk and uncertainties. The forward-looking statements in this annual report are based on management's beliefs and projections and on information currently available to them. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond Delta Lloyd's control and all of which are based on management's current beliefs and expectations about future events.

Forward-looking statements involve inherent risks and uncertainties and speak only as of the date they are made. Delta Lloyd undertakes no duty to and will not update any of the forward-looking statements in light of new information or future events, except to the extent required by applicable law. A number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement as a result of risks and uncertainties facing Delta Lloyd and its subsidiaries. Such risks, uncertainties and other important factors include, among others: (i) changes in the financial markets and general economic conditions, (ii) changes in competition from local, national and international companies, new entrants in the market and self-insurance and changes to the competitive landscape in which Delta Lloyd operates, (iii) the adoption of new, or changes to existing, laws and regulations including Solvency II, (iv) catastrophes and terrorist-related events, (v) default by third parties owing money, securities or other assets on their financial obligations, (vi) equity market losses, (vii) long- and/or short-term interest rate volatility, (viii) illiquidity of certain investment assets, (ix) flaws in underwriting assumptions, pricing and/or claims reserves, (x) the termination of or changes to relationships with principal intermediaries or partnerships, (xi) the unavailability and unaffordability of reinsurance, (xii) flaws in Delta Lloyd's underwriting, operating controls or IT systems, or a failure to prevent fraud, (xiii) a downgrade (or potential downgrade) of Delta Lloyd's credit ratings, and (xiv) the outcome of pending, threatened or future litigation or investigations, or other factors referred to in this annual report.

Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, Delta Lloyd's actual financial condition or results of operations could differ materially from those described herein as anticipated, believed, estimated or expected.