

Minutes Annual General Meeting of NN Group N.V.

The Hague
31 May 2018, 14:00



Please note

The following is a translation of the meeting minutes, which were originally provided in Dutch. Any deviations from the original Dutch version are not intended.

The Dutch version of this document should be considered leading. For questions or inconsistencies, please consult – and refer to – the Dutch document.

Agenda item 1

Opening

Mr Holsboer, Chair of the Supervisory Board of the Company, acts as **Chair** of the meeting.

The **Chair** opens the meeting, welcomes the attendees to the Annual General Meeting of Shareholders of NN Group and explains the choice of venue. The venue is close to the former head office of Nationale-Nederlanden. Before the merger with the NMB Postbank Group, the head office was located at number 3 Johan de Wittlaan, opposite the World Forum.

In addition to the shareholders, the **Chair** welcomes and introduces a number of other guests, namely: the external auditor, Peti de Wit and Wim Teeuwissen, from KPMG; the civil-law notary, Ms Cremers and Ms Stroeve from Stibbe; and the representatives of the Central Works Council, including for the first time members of the former Central Works Council of Delta Lloyd. The latter was integrated into NN Group's Central Works Council as of 3 April 2018.

The **Chair** states that the meeting will be conducted in Dutch, but that a number of members of the Executive Board and Supervisory Board will speak in English. Headsets are available to everyone so that they can follow the meeting entirely in Dutch or in English. They should choose channel 1 for Dutch or channel 2 for English.

The presentation shown on the big screen in the room and on the webcast will be in English, in consideration of the international stakeholders. The **Chair** notes that all attendees will have received a Dutch or English agenda upon registration, depending on the option chosen by them.

The meeting is being broadcast live on the website of NN Group. The **Chair** also extends a warm welcome to online guests.

The **Chair** confirms that the shareholders have been convened in accordance with legislation and the Articles of Association. This means that valid resolutions can be passed. The shareholders have not submitted any proposals for discussion besides the proposed agenda.

The issued capital on the registration date, 3 May 2018, consisted of 334,573,458 ordinary shares. A total of 199,823 ordinary shares were held by NN Group N.V. itself on the registration date, so that no votes could be cast on these shares. A total of 334,373,635 votes can be cast.

A statement of the capital present and represented and of the proxy votes cast will be shown on the screen prior to the first vote.

An audio recording will be made of the entire meeting, as it is necessary for the purpose of drawing up the minutes.

The **Chair** introduces the members of the Executive Board and the Supervisory Board. On his right are Heijo Hauser, Rob Ruijter and Yvonne **Van Rooij**, all members of the Supervisory Board, and Delfin **Rueda**, CFO, and Lard **Friese**, CEO. On his left are Dick Harryvan, vice-Chair of the Supervisory Board, and Supervisory Board members H el ene Vletter-van Dort, Robert Jenkins, Clara Streit and Hans Schoen.

Also present on the stage, in addition to Executive Board and Supervisory Board members, is company secretary Janet Stuijt, Head of Legal and Compliance. The other members of the Management Board of NN Group N.V. are also in the room: Dorothee van Vredenburg, Satish Bapat, Jan-Hendrik Erasmus and David Knibbe. Alongside the CEO and CFO, they are responsible for the day-to-day management of the activities of NN Group.

Robin Spencer, CEO of Insurance International, is attending the meeting for the last time. He will leave NN Group on 1 June and continue his career with Prudential Corporation Asia as its Chief Operating Officer in Hong Kong. The **Chair** thanks Mr Spencer for his dedication and contribution to the success of NN Group's international insurance activities in recent years.

Prospective Supervisory Board member David Cole is also in attendance. The **Chair** welcomes him.

The **Chair** provides a general outline of the items on the agenda at the meeting and their order.

Agenda item 2

2017 Annual Report

The **Chair** addresses the Annual Report for the financial year 2017 and refers to the 2017 Annual Review (part 1 of the 2017 Annual Report) and the 2017 Financial Report (part 2 of the 2017 Annual Report), pages 1 to 18 and pages 34 and 35. The **Chair** then gives the floor to Mr **Friese** to comment on the Annual Report.

Mr **Friese** welcomes the attendees to this Annual General Meeting of Shareholders, also on behalf of his colleagues on the Management Board. Mr **Friese** then covers 2017 in review.

In the 2017 report, NN Group once again presents financial and non-financial information in an integrated form, in accordance with applicable Dutch law and relevant reporting standards.

NN Group has given the report the title: 'Combining strengths'. This title refers to the joining of forces of the Dutch and Belgian activities of NN and Delta Lloyd. This was a milestone for the business.

Mr **Friese** continues by saying that combining strengths is also important in a general sense for an international and diverse company such as NN Group. With almost 15,000 employees in 18 countries, cooperation is very important, and the same applies to the shared values: care, clear, commit. By ensuring that all employees fulfil the brand promise 'You matter', NN Group can help its customers to secure their financial futures.

NN Group strives to create long-term value for stakeholders. In order to do so, it is necessary to make choices that contribute both to the economy and to the society of tomorrow.

Mr **Friese** explains that a number of aspects play a central role in this respect:

- Providing an excellent customer experience
- Offering employees a motivating working environment
- Generating an attractive long-term return for shareholders
- Ensuring that the business makes a positive contribution to society as a whole

As an insurance company, NN has been part of society for more than 170 years and plays an important role, for example, by ensuring that people have an income in the event of illness, incapacity for work or death; by providing cover for risks that people and companies are unwilling or unable to bear themselves; as an institutional investor; by providing financing for companies, homes, buildings, bridges and roads; and of course as an employer and buyer.

NN Group has four strategic priorities for creating long-term value for the company and its stakeholders.

The first of these is disciplined capital allocation. The considerations involved here include: which risks do we insure and to what extent? What do we invest in? An acquisition for example, or perhaps a joint venture? And: how much dividend should we pay out?

Second, Mr **Friese** stresses the importance of an agile and efficient operating model. NN Group aims to be efficient and agile, to increase customer responsiveness and to reduce time to market.

Third, he mentions innovating the business and the insurance industry, for example, by strengthening and widening distribution channels, and using new technologies to provide better service to customers and further increase customer satisfaction.

Fourth, Mr **Friese** mentions delivering value-added products and services. Services must be available to customers 24/7 through their preferred channel. But above all, NN Group wants to offer its customers contemporary, appropriate products to protect their property and secure their financial futures. These strategic priorities have become the priorities for the business units. Mr **Friese** says that he will return to this subject later in his presentation, but that he first wants to reflect on the completion of the acquisition of Delta Lloyd and on the subsequent integration, which is currently in full swing.

Mr **Friese** says that the acquisition of Delta Lloyd was completed in the first half of 2017. The acquisition process included the announcement of the tender offer in February, the issue of senior debt to finance the acquisition, the transaction with the Stichting Fonds NutsOhra and finally the legal merger on 1 June. He says that the integration is being tackled with the same drive as the acquisition process.

The management teams of all business units and the positions at head office were announced in the summer of 2017. The appointments were made with great care in order to ensure that the best candidates from both organisations were placed in the right roles. After the summer, the newly appointed management teams submitted their integration plans for their business units. These plans became the medium-term plans presented to the market by NN Group at its Capital Markets Day in November.

Mr **Friese** states that the company has started streamlining its systems and portfolios.

Delta Lloyd products are being rebranded to NN, most departments at the head office have been integrated, and the first legal mergers of individual business units have been completed.

For instance, Delta Lloyd Bank has become part of NN Bank, Delta Lloyd Asset Management has been combined with NN Investment Partners (NN IP), Delta Lloyd Belgium has become part of NN Insurance Belgium, and the Dutch works councils have been fully integrated as well. Mr Frieese says that, as the attendees will be able to understand, an integration process of this scope will have an impact on employees; he emphasises that NN will not lose sight of this. The process is being conducted quickly and all employees have now been assigned scales in the new job framework.

Mr Frieese continues by saying that such an integration of activities will result in some employees leaving the business. In 2017, NN Group saw a reduction of around 900 internal and external positions in the Netherlands and Belgium.

He says that NN Group will continue to aim for efficiency improvements, to take maximum advantage of the potential synergies offered by the combined business. NN Group expects that these efforts will achieve total cost savings of EUR 400 million by the end of 2020. The aim is to have realised at least half of that sum by the end of this year.

Mr Frieese concludes that the successful integration of Delta Lloyd in the Netherlands and Belgium is one of the company's top priorities. However, the company will not lose sight of its other objectives: to improve the customer experience and innovate the business model.

Mr Frieese says that in the next few slides he will give some examples of customer service-related developments at the various business units.

NN Group occupies a unique position, with leading positions in various markets such as non-life, life and pensions, and with NN Bank being an important player in the Dutch retail market. The company offers customers a number of different brands: Nationale-Nederlanden, OHRA, BeFrank, Movir, AZL and ABN AMRO Verzekeringen. In total, these brands have more than 5 million customers and more than 60,000 SME clients, as well as the more than 1.5 million customers who are provided with services in partnership with the two big banks ING and ABN AMRO. The Dutch business units will continue to build on this leading market position, based on a strategy that can be summarised in three keywords: 'digital, personal and relevant'.

Mr Frieese says that he touched on this subject briefly during the previous Annual General Meeting of Shareholders, and that further steps have been taken since then. The company has even been voted best mobile insurer.

Mr Frieese refers to the NPS score – a method of measuring customer satisfaction – which shows that customer satisfaction has improved, and says that he is proud that insurance intermediaries are more satisfied with the services than ever before. A great deal of attention has been paid recently to informing and engaging the intermediaries, to keep them properly up-to-date on changes within the business. Almost all NN products are now available via the NN portal and app, which prioritises convenience to the customer. The business aims to be 'relevant' and to communicate 'personally' with customers in a contemporary way. New technology and digitalisation are helping in this respect.

By using data, NN is now able to better analyse customer segments, because not everybody is the same. This is also the central focus of the Dutch TV campaign 'There's only one Dutch person like you.' Mr Frieese cites an example to illustrate this.

Referring to the screen behind him, Mr Frieese describes how Christa Kloosman – who originally trained as a professional dancer, before injury forced her to retrain – ultimately became a pilot at KLM. He concludes that customers and their needs change and that everyone has their own story. Insights provided by data have enabled the business to establish a clearer picture of the diversity within particular market segments. It is now possible to communicate much more personally with customers who would previously have been addressed in a uniform way.

New insights are enabling the company to adapt its services, ensuring that a visitor to the portal sees information and offers that are specific and relevant to him or her.

In the meantime NN is continuing to develop new concepts, including propositions aimed at employee vitality, for example, in the form of income insurance, doing so in partnership with other companies, as well as new concepts in the field of cyber security.

Mr Frieese adds that innovation and customer-experience improvements are of course happening in all countries in which NN Group operates. The focus is on offering products and services that respond to customer needs, via diverse and innovative insurance channels, with an attractive margin. He then gives a few examples.

With six innovation labs, known as Sparklabs, in Europe and Japan, NN Group has created an out-of-office environment to make it easier to exchange and test innovative ideas. The company also enters into joint ventures and is examining investment opportunities in fintech and insurtech companies. For example, in November a strategic partnership was announced with Hesapkurdu.com, a leading online provider of mortgages and consumer credit in Turkey. Via this new partner, NN will be able to offer products in Turkey to a broader range of customers. In Poland, NN has established a partnership with Play, the country's biggest telecom provider, to offer health insurance via the Play platform.

Since April 2017, one of the biggest insurers in Japan, Sumitomo Life, has offered NN's SME life insurance via its sales network of roughly 30,000 agents. This led to a substantial rise in sales of corporate-owned life insurance products in Japan in the past year. NN Group has also invested in RightIndem: a company that offers digital, customer-focused solutions for claims management. Mr Friese says that this was only a small selection of the many examples of partnerships and innovations at NN's international business units.

Mr Friese then mentions NN Investment Partners (NN IP): an asset manager with EUR 240 billion of assets under management at the end of the first quarter of 2018. He states that NN IP is very strong in a number of core competences, such as fixed-income investments, multi-asset, and responsible and sustainable investing. These are being developed further in order to attract new mandates. In addition, NN IP is working closely with the NN insurance companies in relation to pension solutions.

Mr Friese states that investments are also being made in innovation within NN IP, and that robots are now used to define risks (risk profiling). This enables customers to be provided with faster and better service, for instance via FitVermogen.nl, NN IP's online platform for private investors. In addition, new customer propositions have been developed in the field of sustainable and impact investing, for example, the NN Euro Green Bond fund. This fund now has assets under management of more than EUR 188 million and has been awarded a climate finance label for its contribution to a more sustainable world.

Mr Friese continues by saying that the investments in sustainable funds and mandates increased by 114% compared with 2016, bringing the total amount of sustainably invested assets under management to EUR 10.9 billion.

NN IP has also developed a new method for measuring companies' contributions to the United Nations' Sustainable Development Goals (SDGs).

Mr Friese refers once more to NN Group's social role. As a listed company, NN Group is being assessed increasingly explicitly on the non-financial aspects in its annual reporting. A few key figures in this area for the past year are displayed on the screen and explained by Mr Friese.

First is employee satisfaction, which fell from 71% to 66%. Mr Friese says that the integration of Delta Lloyd and the far-reaching changes that followed have understandably had an impact on employees. He says that this will obviously continue to be a focus area.

Mr Friese then mentions diversity. At the end of 2017, 48% of NN Group's workforce of almost 15,000 and more than 30% of its senior management were women. Furthermore, 35% of senior management were nationals of a country other than the Netherlands.

He continues by saying that the aim is not only to increase the number of women in senior positions within the international organisation, but also to achieve greater inclusivity: no restrictions on the basis of gender, religion, sexual orientation or any other factors.

In 2017, NN was included in both the World and European Dow Jones Sustainability Indices. The respected rating agency Sustainalytics put NN in third place in last year's international sustainability rankings of 145 insurers, making us the top-ranked Dutch insurer.

Mr Friese says that he will share details of a number of sustainability initiatives. In 2017, the company carried out an analysis of the environmental footprint of our own investments: our Proprietary Assets. The analysis shows the relationship between CO₂ emissions and those investments. By publishing this analysis, NN Group aims to contribute to increased knowledge and transparency in the sector on this subject. Furthermore, the analysis is also useful for the purpose of dialogue between the company and the CO₂-intensive sectors in the investment portfolio.

At the start of this month, NN Group established a partnership with BNG Bank and Bewust Investeren B.V., which led to the introduction of a special financing proposition aimed at making at least ten million square metres of social real estate more sustainable over the next ten years.

Finally, Mr Friese mentions the contribution made to society by the community investment programme NN Future Matters. Through this programme, the company helps young people to develop the skills that they will need in life. For example, volunteers from the company have given job application training and guest lectures on money, risk and programming, and 18 international students were offered a Future Matters scholarship to enable them to study for a Master's degree in the Netherlands. Since the

programme was launched in 2015, NN Group has reached around 74,000 young people.

Mr Frieese adds that the company will continue to invest in the brand through sponsorship activities and that NN Group's policy focuses on two areas: sport and culture. In 2017, in partnership with Nike and others, the company launched the NN Running Team, which includes the world's best long-distance runners. The team had more than 120 podium finishes in 2017, including victories in the Berlin and New York marathons, and more recently in London. In Rotterdam and The Hague, partnerships with a number of museums, including the Mauritshuis, continued. Finally, in 2017 it was announced that NN Group would be the title sponsor of the NN North Sea Jazz festival in Rotterdam from 2018 onwards.

Mr Frieese says he will now provide an explanation of the company's financial performance. He says that the company had a solid performance in 2017.

The pre-tax operating result from the ongoing business rose by 29% in 2017 compared with 2016. This was primarily due to improved results in most segments and the EUR 205 million contribution of the Delta Lloyd activities.

Mr Frieese says that the focus remains on improving results and efficiency. This applies, for example, to the non-life business, where results are volatile and a package of measures is being implemented to improve profitability. He says that he expects the results of these measures to become visible in the next two years.

In November during the Capital Markets Day, NN Group announced that efforts are being made to reduce the administrative expenses of the business units involved in the integration by EUR 350 million by the end of 2020. Mr Frieese emphasises that the company is well on the way to achieving this and that the expected savings have been adjusted upwards by EUR 50 million to EUR 400 million by the end of 2020.

Finally, the aim – over a number of years – is also to generate free cash in a range around the net operating result. This can vary from year to year: in 2017, the capital injection in Delta Lloyd Life was one of the factors that had an impact on free cash generation.

Mr Frieese continues his presentation by talking about the commercial performance of NN Group. He says that at constant currencies, the total sales of the life insurance activities rose by 34% in 2017 compared with 2016. The Delta Lloyd activities in the Netherlands and Belgium contributed to commercial growth, while in Japan the partnership with Sumitomo Life had a positive impact on sales of SME products.

Mr Frieese says that value of new business (VNB) is an important indicator for the company. In 2017, VNB was EUR 345 million, a rise of 61% compared with 2016.

NN IP's assets under management rose by 26% to EUR 246 billion and the bank mortgage portfolio increased by 39%, from EUR 12.7 billion to EUR 17.6 billion.

NN Group's capital position and balance sheet are solid, in line with the company's disciplined capital management, and Mr Frieese says that he is comfortable with the leverage position.

He moves on to the Solvency II ratio. It was 199% at the end of 2017, after deduction of the final dividend for 2017 that is proposed to the Annual General Meeting today.

The cash capital position was EUR 1.4 billion. This was after deduction of both the cash payment for the acquisition of Delta Lloyd and the repayment (in November 2017) of EUR 575 million in Delta Lloyd senior notes.

The strong capital position and balance sheet have enabled the company to distribute an attractive dividend. In February, at the presentation of the annual results, a final dividend of EUR 1.04 per share was proposed for 2017. This brings the total dividend for 2017 to EUR 1.66, a further increase. This is 7% higher than 2016. The dividend for 2017 represents a payout of around 45% of the net operating result of the ongoing business in 2017. This is in line with the target of 40–50% as set out in NN Group's dividend policy. Mr Frieese says that, as was announced at the time of the Delta Lloyd transaction, a double-digit rise in the dividend per share is expected in 2018, as compared with 2017.

Since the IPO in 2014, NN Group has returned a total of more than EUR 2.7 billion to shareholders in the form of dividends and share buybacks, including the proposed final dividend for 2017.

This underlines the promise to return surplus capital to shareholders, unless it can be used to create value in other ways.

Finally, Mr Frieese reflects on the development of the NN Group share price. In 2017, the total shareholder return was 17.3%. Measured from the company's IPO, it has been no less than 101.9%.

Mr Frieese ends his review of the company's performance in 2017 and moves on to the first quarter of 2018. He says that the balance sheet remained solid and that a combination of operating capital generation and positive market developments raised the Solvency II ratio to 213%. The cash capital position also increased to EUR 1.6 billion.

The operating result for the first quarter was lower than last year, primarily due to the severe storm that hit the Netherlands in January. Sales were lower than in the first quarter of 2017, which reflected the lower number of group pension contracts that came up for renewal at the Dutch life business.

In Japan, sales remained more or less stable, despite increased local competition. Sales at Insurance Europe rose. Mr Frieese says that the year began well and that the company will continue to focus on its strategic priorities and on long-term value creation.

Before ending his presentation and giving the floor back to the Chair, Mr Frieese says that he wants to talk briefly about the Corporate Governance Code, the next agenda item.

All Dutch listed companies must render an account of their compliance with the revised Code from the financial year 2017 onwards. A few months ago, NN Group posted the publication 'Application of the Dutch Corporate Governance Code by NN Group, Financial Year 2017' on its website. The publication contains all the provisions of the Code and for each provision confirms that the company complies with the Code, providing an explanation where necessary.

Mr Frieese stresses that he takes this very seriously and that many of the important aspects of the Code, such as long-term value creation, diversity and culture, have also been covered during his remarks.

Mr Frieese concludes his presentation. He says that he hopes he has given the attendees a clear picture of NN Group and what it has achieved in 2017, its strategy, its financial and non-financial performance, how the business is innovating and digitalising, and how it is preparing for the future.

The company's values: 'we care, we are clear, we commit' are and will remain one of its primary guiding principles. In 2017, NN Group succeeded in further strengthening and reinforcing the market positions of the business units in the Netherlands and Belgium through the acquisition of Delta Lloyd.

Looking to the future, the company will continue to improve both financial and non-financial performance and will focus on further improvements to customer service. One of the priorities is to successfully integrate the Delta Lloyd activities and to realise the expected synergies.

Mr Frieese emphasises that the company will remain rational and disciplined at all times when it comes to capital allocation.

Mr Frieese ends his presentation with the importance of cooperation – combining strengths. With a workforce of

almost 15,000 employees, NN Group will continue to build a profitable and sustainable company that customers and shareholders can rely on, and that people can be proud of, both today and in the future: a business that truly matters in the lives of its stakeholders. Mr Frieese gives the floor back to the Chair.

The Chair thanks Mr Frieese for his presentation and gives the shareholders in attendance an opportunity to ask questions.

Mr Stevense from Stichting Rechtsbescherming Beleggers (SRB, the Investors' Legal Rights Foundation) says that he has examined the Annual Report and was struck by a couple of points.

- NN has a substantial presence in Asia and SRB would like to know about the policy on Asia (for example on China)
- The next point is the premiums. Customers are satisfied with the insurer but not with the premiums. SRB would like more information about pricing and about how NN keeps customers satisfied, partly in view of the competition, since the Life business's sales did not meet expectations in Q1.
- Claim management in relation to interest-rate swaps, and in particular in relation to unit-linked policies, is handled on an individual basis. The question is whether this can be done more quickly.
- Does NN maintain an exclusion policy or a dialogue model under its policy on sustainable investing?

There is also a question on restoring employee satisfaction. It fell somewhat after the acquisition of Delta Lloyd, and SRB would appreciate information on absence due to illness as a way of gauging employee satisfaction.

Finally, Mr Stevense asks, as he did last year, about the costs of compliance within NN Group, given the additional legislation and regulations, and whether cost savings are possible.

The Chair then gives the floor to Mr Frieese to answer. Mr Frieese thanks Mr Stevense and begins to answer the various questions.

With respect to activities in Asia, he notes that NN's business in Japan is doing well, offering small and medium-sized enterprises (SME) a variety of products in the field of pensions, preparing for staff retirement, and other protection products. Sales in this niche, in which NN has been operating for almost 30 years, rose last year and market share was preserved. With respect to distribution, Mr Frieese adds that NN has around 4,000 independent financial advisers in Japan and that banks also sell the products. He then explains the new partnership with

Sumitomo and concludes that he is satisfied with how activities in Japan are developing. Mr FRIESE also refers to the asset management activities in Taiwan, Singapore and elsewhere, and says that NN is doing well in those parts of Asia where it has a presence, but that it has no operations in China.

Mr FRIESE emphasises that the priority is to strengthen activities in the 18 countries where NN has a presence. He adds that NN does not currently have any plans for example to start large-scale operations in China.

Mr FRIESE then turns to premiums. He says that the profitability of the non-life insurance activities of insurers, as measured using the combined ratio, has been under pressure in recent years, particularly in the Netherlands. At the end of November, NN presented the market with a programme comprised of a large number of measures for improving the profitability of the non-life insurance business. The programme consists of cost reductions and efficiency measures, as well as, for each individual risk, asking in very precise terms: 1. whether the risk is well managed, for instance through preventive measures; and 2. in the case of operating risks, how you can help the companies or even attach conditions, for example to the maintenance that companies are required to carry out on their machinery, buildings, etcetera. At the same time, an assessment is made of whether the risk that NN takes on is well-priced. The third element is that risk changes. Mr FRIESE refers in this connection to climate change and cites as an example the rising number of claims due to an increase in storms. When the risks change, you also need to charge different prices for those risks. Mr FRIESE concludes that premiums are going up here and there but that is because the risk is changing. He adds that in the longer term it is in everyone's interest that risks are well understood, well managed and well-priced.

In response to the question on the disappointing first quarter results, Mr FRIESE explains that sales abroad are fine but that sales in the Netherlands were somewhat lower. The reason is that, in the life insurance business in the Netherlands, group pension contracts are concluded for fixed periods. This year fewer contracts came up for renegotiation than in the previous year. Mr FRIESE adds that market share of the combined Company in this area has increased in the Netherlands.

With respect to legal claims, Mr FRIESE says that they are very unfortunate but that NN will defend itself in court, as shareholders would expect. Mr FRIESE adds that, as he said with respect to unit-linked insurance last year and in previous years, when customers are not satisfied with products that they bought in the past, he is not satisfied either, and that NN is making every effort to get in contact with these customers and offer solutions in their own specific case. These may change in the future. The good

news is that the programme, which the sector has undergone under the supervision of the AFM (Dutch Authority for the Financial Markets), has been completed and that everyone in the NN portfolio has been reached. Unfortunately legal proceedings are still being initiated, either collectively or individually, and NN must defend itself in them. Legal proceedings take a long time by their very nature and they involve many steps. It will take time before there is greater clarity on this front.

At the suggestion of CFO Mr Rueda, Mr FRIESE addresses the example of claims relating to interest-rate swaps as cited by Mr STEVENSE and says that, while this is common in the banking world, it is not an issue at NN. He stresses once more that NN is defending itself in the legal proceedings and that the issue affects the whole industry, not just NN. Finally he adds that the solution is to be found in resolving any individual problems that exist.

Mr FRIESE continues his answers by addressing the subject of sustainable investing. He stresses the importance of this and NN's ambitions in this area. One of those ambitions is that NN wants to be more than a balance sheet and a profit and loss account. NN wants to be a company that makes an active contribution to global goals, laid out in the SDGs, the 17 Sustainable Development Goals.

NN engages in dialogue with a variety of stakeholders to decide which of the goals formulated by the United Nations are NN's priorities, in view of the nature of the business, and which NN is best able to contribute deliver a world for future generations.

Mr FRIESE refers to the annual report, in which NN reports on this subject, and then gives details of a number of specific measures.

Environmental and social principles and principles of good corporate governance have been integrated into the investment policy that determines which companies NN will invest in.

NN has assets under management of around EUR 240 billion, and so it has connections with many companies. In some cases, NN applies restrictions; Mr FRIESE refers in this connection to the recent decision to no longer invest in companies that earn more than 50% of their revenue from tobacco production. NN has taken this decision because the health risks and the burden placed by tobacco on the economy are so great.

At the same time, NN aims to maintain an active dialogue with companies about their social role and responsibility, and it has an extensive programme in this area. NN has a council, which discusses and prepares for this engagement, for instance in relation to CO₂ reduction. A recent example is NN's support for a Follow This resolution at Shell's annual

general meeting of shareholders. It called on Shell's management to formulate clear targets and KPIs on emissions and to contribute to implementing the Paris Agreement. Other Shell shareholders also expressed their support for this resolution. In this way, NN is working to achieve its global ambitions.

In response to Mr **Stevense's** question about employee satisfaction, Mr **Friese** refers to his presentation. The development in employee satisfaction is related to the integration of Delta Lloyd and NN in the Netherlands and Belgium. This is a complex, multi-year programme, which entails uncertainty for employees. Cost reduction goals are about more than jobs alone, but jobs are unfortunately part of it. However, given the complexity of the subject and the fact that it is a multi-year process, it is not possible to give everyone clarity right away, and that uncertainty leads to lower satisfaction and engagement. Mr **Friese** emphasises that the Management Board is paying particular attention to this matter and mentions finally that absence due to illness has remained roughly the same.

The final question was about the costs of compliance with legislation, which are increasing substantially. Mr **Friese** confirms this and adds that good legislation is important because it gives customers and other stakeholders confidence. He says that NN strives for efficient and effective legislation, and is in dialogue with various stakeholders on this subject. He points out that technology can contribute to keeping the costs of good, effective legislation low.

The **Chair** then gives the floor to Mr **Keyner**.

Mr **Keyner (VEB)** has a number of questions. His first question is about non-life insurance. Is it conceivable that NN could conclude within two years that non-life insurance cannot be made profitable and decide to stop offering it? Or is non-life insurance part of a total package that NN wants to offer, even if it is not profitable?

His second question concerns the integration of Delta Lloyd. The Annual Report devotes a great deal of attention to this subject, more than he had expected. It reports that there were surprises in both a negative and positive sense. He says that this is normal in the case of an acquisition, but he wonders what the surprises were. What he has read in the Annual Report and press releases is very positive. The acquisition was a very good move. It seems to be paying off quickly; more quickly than everyone had expected and there is more to come. As a shareholder, this leaves Mr **Keyner** wanting more. He wonders if this might be the way for NN to create value for shareholders more quickly? Could NN have achieved such a good annual performance without Delta Lloyd? Does NN's strength lie in quickly acquiring parties that are experiencing

temporary financial weakness and then extracting value in a way that the party in question could not have achieved on its own?

Mr **Keyner** says that he has also noticed that only 27% of open vacancies are filled by internal candidates. He refers to page 68 of the NN Group Annual Report. This percentage seems low to him. He would expect a multinational to recruit and then develop fresh young talent from universities. For the rest he expects that people within the organisation will mainly move sideways or be promoted to more senior positions. He wonders whether this low percentage is an indication of problems within the organisation in terms of employee skills and competences. Is it for example unable to find them in relation to ICT? Or is there a lack of commercial effectiveness and does NN have too many employees who are doing their jobs with an outdated mindset? He refers to the drop in employee satisfaction. Mr **Keyner** can imagine that Delta Lloyd employees in particular are less satisfied than they were a year or two ago. Does this not mean that shareholders run the risk that the new organisation will lose certain competences? He says that the smaller party may actually have skills that could be very useful to a large party.

With respect to the NPS scores, which measure customer satisfaction, Mr **Keyner** observes that all insurers say their scores are sky high and improving every year. Not only are their customers becoming more satisfied, but these insurers are also making advances compared with competitors who also measure their own NPS. He says that it is possible that one or two insurers could experience such improvements, but it cannot be the case that all the major insurers in the Netherlands are making such great strides forwards.

Can NN indicate whether the figures are assessed or whether insurers are compared with one another, or does each one use its own measurement methodologies?

Mr **Friese** thanks Mr **Keyner** for his questions. With respect to offering non-life insurance, he says that NN certainly believes in this; non-life insurance is highly relevant to customers. For example, if they want to insure their home, car or holiday.

NN also gave this matter consideration upon acquiring Delta Lloyd, because Delta Lloyd is a major player in the non-life insurance market. The mere fact of the acquisition shows that NN believes in non-life insurance. NN believes that it is good that it has acquired a larger position in this business. Not only can the benefits of scale created by the acquisition make NN more relevant to customers, but they can also improve the profitability of the business unit. NN is convinced that it can achieve this. It will not be easy and the shareholders were

informed in November that NN was taking measures. It will take 12 to 24 months to achieve the expected improvement in the results.

The non-life business is a relevant part of the NN business. Nevertheless, if NN concludes that products cannot be made profitable, it will stop offering them. That was the case for instance in relation to liability insurances for certain professions. And in relation to construction risks for construction projects. And in relation to lease car fleets of more than 50 vehicles. NN stopped offering these products because they could not be made profitable on an ongoing basis. NN will take any such step in a rational and disciplined manner. But it does have a good programme for making non-life insurance profitable. The medium-term target is a combined ratio of 97% or lower. Mr Frieese points out that there were encouraging developments in the combined ratio in the past few quarters.

Mr Keyner's second question concerned the upsides and downsides of the integration of Delta Lloyd. NN has always said that it considered Delta Lloyd to be a great company. That is why NN wanted to acquire it. It wanted the acquisition so much that it initially chose a somewhat inconvenient route to do so. That is the biggest compliment that can be paid to an acquisition candidate. NN has now actually witnessed the positive aspects of the integration, says Mr Frieese. Once an acquisition has been made and the integration actually begins, this generates internal focus and changes, and competitors immediately start looking for ways to snatch business from you as fast as they can. Mr Frieese understands this. So he was curious about the impact on the commercial performance of NN and Delta Lloyd. The good news is that market shares remained the same or increased in that period.

This is largely because the commercial flair of Delta Lloyd employees was brought together with the craftsmanship of NN, giving rise to a great combination. Customer satisfaction has risen and satisfaction among distribution partners has improved.

At the start of the integration, NN announced that it would merge various tasks and bring them under a single banner. For example in areas that involve a lot of expert judgment, such as longevity risk. NN has its own methodology in this area and so does Delta Lloyd. NN said at that time that it would continue to use its own methodology. This differs from the methodology used by Delta Lloyd. So this illustrates one of the more negative aspects of the integration. But NN knew this in advance and took it into account in pricing the transaction. NN also announced this at the time, on Christmas eve 2016.

In general all the upsides and downsides of the acquisition, which were also examined in advance during due diligence, have been as planned. Due to the acquisition, NN had to revalue both sides of the Delta Lloyd balance sheet at market value. NN then had a period of one year to make any adjustments. That year has now passed and there have been no adjustments. This gives shareholders confidence that everything was done properly. NN is very happy with the integration of Delta Lloyd and with the joint work being done on a shared future in the Netherlands and Belgium. This work is being tackled with drive. The first results are visible: last year's results, in which Delta Lloyd was part of the total results but reported separately, made a good contribution. NN is no longer able to report Delta Lloyd separately because the company has already been integrated to a great extent. The integration is proceeding satisfactorily and at a good pace. Here and there it is actually going faster than expected. Does the acquisition leave us wanting more? Yes, but NN will remain disciplined. Its decisions are rationally-based. You do not make an acquisition for the sake of getting bigger. What matters is continuing to examine how to strengthen the business. Acquisitions are one way of doing this. That is what NN did with the acquisition of Delta Lloyd in the Netherlands and Belgium, but it remains open to other acquisitions. There is no need for major acquisitions in the Netherlands, but smaller ones are not out of the question. NN's priority for now is to create value from the Delta Lloyd acquisition. The preferred option for a new acquisition is therefore more likely to be abroad, particularly in countries where NN already operates. This will enable the business to be further strengthened and synergies to be realised, since NN already has a presence in those countries and activities can be merged.

Last year, NN spent EUR 2.5 billion on the acquisition, almost completely in cash. The priority is the integration of Delta Lloyd and demonstrating value creation.

The Annual Report devotes a great deal of attention to this. That is what NN owes its shareholders: to render account for this.

On the subject of the composition of NN's workforce and the decline in employee satisfaction, Mr Frieese says that this can largely be explained by the uncertainty of the employees involved about their futures. This was not only an issue for Delta Lloyd employees. The integration process involves the merger of two companies. It is not the case that only Delta Lloyd employees are affected, and NN employees are unaffected. Together the companies form a single NN, where everyone is everyone else's colleague. All the employees in the Netherlands and Belgium are affected. It does not matter which 'company DNA' they have. What matters is that there is a single NN and that the best people need to be put in the right places, that employees cooperate and build a joint business together.

With respect to a mismatch between vacancies and departing employees, Mr Frieze says that a mismatch is sometimes possible. After all, vacancies may exist in different areas than those in which people are leaving the company. NN strives for a good internal labour market to minimise the number of people who have to leave. Sometimes people do leave, nevertheless. But NN is able to recruit and retain talent. That is important. NN does have to face international reality (unfortunately it did not lose Robin Spencer to a competitor for nothing) and this happens the other way round too. The fact is that NN competes in an international labour market. The best way to compete is to be clear about what kind of company NN Group is, about the future prospects that it offers, personal development, and investing in or training people. In the past year, NN Group has invested an average of almost EUR 1,500 per employee in training. This is very important for NN because it is an investment in the quality and capacity of people. There are many aspects involved in ensuring that a business can continue to attract talent. Specific considerations in relation to NN are that it is genuinely an international company, with strong Dutch roots, but present in 18 countries.

With respect to the Net Promoter Score (NPS), Mr Frieze understands the dilemma pointed out by Mr Keyner. If everyone says that they are successful at everything, how is that possible? There is only one explanation: that consumers in the financial sector are generally experiencing better service. Mr Frieze thinks that this is the case to a large extent. He says that the sector as a whole is performing better than in the past. Technology has made a positive contribution in this respect. It enables all insurers as a sector to deliver improved performance to customers. Obviously NN wants to win, and to be better than all the others.

That is what competition means. NN uses NPS to measure this. NPS is measured using public data points and compared with other companies. But the companies do not work together to make joint measurements. That would be unwise, so NN does not do it. NN cannot comment on other parties' reports either, only on NN's report, as set out in the NN Group Annual Report.

The Chair then gives the floor to Mr Tse.

Mr Tse has a further question on employee satisfaction. He refers to page 68 and says that he noticed in the section on complaints, specifically under total incidents of fraud involving employees, that the number of cases rose to eight last year, whereas in previous years there were only one or two cases.

He wants to know at which unit all those fraud cases were discovered; in the Dutch part, in asset management or were they all in parts of Delta Lloyd?

Mr Frieze says that he can reassure everyone that it has absolutely nothing to do with Delta Lloyd or NN. These eight cases did not occur in a single unit but in a number of places. The consequences were limited, and the culture in NN is that we want to do things well and we want people to be compliant and challenge each other about their compliance. There is a strong compliance organisation headed by Ms Stuijt. There are all kinds of protocols and procedures in place at the company, so that once a complaint or a suspicion arises, it is acted on and investigated right away. Measures are taken where necessary and the matter is reported on in the Annual Report. Mr Frieze emphasises that there is not a rising trend that worries him. In one year there will be fewer cases than in others, and NN is a very big and complex organisation in which, unfortunately, things sometimes happen that should not happen, or that should have been prevented. A great deal of effort is constantly being made to bring the number down to zero.

Mr Tse follows up by asking whether there were eight individual cases or it was eight people working together? Mr Frieze responds it was not a combined effort.

Mr Vreeken from We Connect You, Public Affairs & Investor Relations begins his questions by noting that two years ago, NN Group paid the highest interest rate, at 1%. NN Group is now at number 5, with 0.3%. His question is whether consideration should be given to paying interest of 0.4% to put NN back at the top.

He continues by saying that he is very happy that NN Group is now the Netherlands' most sustainable insurance company and that NN actively supports Follow This.

His question is whether NN would consider supporting the most sustainable innovation in the Netherlands, Maurits Groen's WakaWaka. This is a personal solar panel and it would cost only EUR 5 billion to provide it to 1 billion people across the world who do not have electricity. NN, for example in partnership with Heineken, Unilever, ING and KLM, could surely achieve that within five years?

Third, he raises the issue of further restricting CO₂ emissions. There are massive traffic jams at NN's head office in The Hague every morning. Mr Vreeken suggests it would be an idea to ask Roger van Boxtel whether he could let the trains run every five minutes instead of once every quarter of an hour. In that case lots of employees would start travelling by train.

Furthermore, 80% of car journeys are shorter than 20 kilometres. Mr Vreeken asks whether consideration could be given to encouraging employees who live less than 10 kilometres from their place of work to travel to work using an electric bicycle or a speedbike.

He finishes by concluding that NN's travel insurance poses a challenge and that he has discussed it with Dick Harryvan as a member of the Supervisory Board of the ANWB (Royal Dutch Touring Club). Mr Vreeken believes that the ANWB offers the best travel insurance and illustrates this with some personal examples.

The Chair asks Mr Vreeken to limit himself to the Annual Report. Mr Vreeken answers that what he is saying is in the interest of a high NPS.

He continues with cybercrime, an area in which he believes that the corporates are doing well, but the government in the Netherlands is not. There are only two ministries that have proper arrangements in place and if things go wrong it will also have an impact on the corporates in the Netherlands. What can NN do about this?

Mr Friese thanks Mr Vreeken for his questions and suggestions. With respect to increasing the interest rate on savings, banks regularly reassess their position in this area and the management team of NN Bank does so too. This happens periodically. Mr Friese says that he will pass on Mr Vreeken's comment to the management of NN Bank.

Mr Friese then responds to the question about the WakaWaka personal solar panel. He likes the idea, but cannot immediately see how it would fit with NN. He says he will examine the proposal.

With respect to CO₂ emissions, the massive traffic jams and encouraging Roger van Boxtel to run more trains, Mr Friese says that he has also read the papers in the past few days.

NN does a great deal to encourage the use of public transport by employees, for instance by offering an NS business card.

In addition, NN is making its lease car fleet greener. Employees can choose from a wide selection of electric cars. If employees have a car that is not electric and the lease contract has for example another two years to go before they can trade the car in, they can opt to lease an electric car earlier anyway, without incurring extra costs.

The emissions of the cars in NN's lease car fleet that still run on fossil fuels are limited to 120 grams of CO₂ per kilometre. Employees with an electric car receive a charging station from NN at home free of charge, and to cover long distances (for example during the summer holidays) they are able to hire a car for up to EUR 1,000.

These measures are intended to encourage the use of public transport or electric transport.

Mr Friese responds to the question about travel insurance and the examples highlighted by Mr Vreeken. He acknowledges that the cover offered by the ANWB is somewhat broader. That is connected with the risk price. If you cover more, you generally pay a somewhat higher premium for it. That appears to be the case with the ANWB's product, and for that reason the products are not comparable. He says that he will investigate the examples cited by Mr Vreeken and if possible discuss them with Mr Hamers of ING.

Mr Friese concludes by responding to the question on cybercrime, and acknowledges that it is a big problem for many companies and also for small- and medium-sized enterprises in the Netherlands: how do you protect your company against cybercrime? NN is doing what is necessary by innovating in this area, providing assistance, mainly through preventive measures to make SMEs stronger and more resilient in relation to cybercrime. Attention is being paid to cybercrime for the sake of NN as a business and for the sake of its customers as well.

He gives the floor back to the Chair for the next question.

Denise Reike – VBDO: The VBDO consists of 79 institutional investors and 600 or more private investors that share its mission to make the Dutch capital market more sustainable. The VBDO comes to the AGM every year in order to congratulate NN on recent sustainability achievements but also to point out the challenges they see on the way forward.

Ms Reike congratulates NN on the stable performance over the past year and specifically also Mr Friese for his very enthusiastic speech on the Annual Report.

It was really convincing and the enthusiasm came across. Furthermore, Mr Friese's attention to the sustainability achievements indeed over the past year is much appreciated.

Ms Reike refers to NN's decision to divest from tobacco and asks why NN does not divest from fossil fuels. In addition, the VBDO asks why NN does not have a publicly available policy on investments in fossil fuels, in particular on unconventional ways of extractions such as shale gas.

Ms Reike's second question is about the topic of living wages. She indicates that living wages are not the same as a minimum wage but are wages to be paid to an employee in the specific sector or respective country where that employee operates. The VBDO understands that living wages are certainly not at stake within NN, but could be an issue within NN's partners, or the companies in which NN invests. The VBDO asks when the Labour Rights paper, including living wage, will be published, and whether living wage will be a criterion for investment in the future.

Ms Reike's final question concerns the SDGs. The VBDO appreciates that fact that NN reports on the SDGs in the Annual Report, and asks what the next step ahead will be, such as the development of specific goals related to the selected SDGs.

The Chair thanks Ms Reike for the questions and the compliments made with regard to the presentation on this very important subject. He adds that as recent as the morning of the AGM, the Supervisory Board was updated on NN's responsible investment framework and is pleased with the progress the company is making.

Mr Friese thanks Ms Reike for her kind words. NN recognises that it is a journey that NN is very much engaged in. Mr Friese expresses gratitude for the compliments once more and explains that NN wants to contribute to the global objectives laid out by the United Nations for example in its Sustainable Development Goals. NN is doing a lot in this field and will continue to develop further.

Mr Friese underlines the importance of the transition from the use of fossil fuels to a sustainable world. It will take time, but NN is keen to contribute to the transition. Transparency is a paramount consideration here. NN supports various initiatives in this field, such as the CDP and the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

NN has included a chapter on TCFD in its Annual Report and encourages other companies to report on this subject so that the action they take can actually be monitored. In 2017, NN also published a carbon footprint report on its Proprietary Assets.

The 2017 Annual Report provides an update on this carbon footprint. NN Investment Partners is also working on a publication concerning oil and gas.

In the context of NN's policy on sustainable investing, guidance papers are being developed on the basis of the four United Nations Global Compact themes: human rights, labour rights, environment and anti-corruption. Following papers on human rights (2016) and the environment (2017), a paper on labour rights is being drafted in 2018. The paper will address the subject of the living wage. These guidelines act as a supplement to policy and to the ESG integration and engagement processes. The latter process involves a dialogue between NN and investee companies to focus attention on this subject, ensuring that a joint effort is made to achieve the ultimate goal in this area. NN has also launched a project with ASN, MN, a.s.r., Achmea and others relating to a living wage in the clothing and food industries. The company screenings and interviews have already begun and the project will be launched on 27 September. Mr Friese invites the VBDO to attend. NN will take insights from the

project into account when integrating criteria into our investment processes in this area. Before the end of the year, NN expects to publish the guidance paper on labour rights including the living wage.

With respect to the SDGs, Mr Friese explains that a number of steps were taken in 2017, including the organisation of a multi-stakeholder dialogue to select the SDGs that NN wants to focus on and that are the best fit for its business model. The outcome is reported on pages 2-3 and 51-52 of the 2017 Annual Review.

Going forward, NN will attempt to bring the non-financial KPIs into line with the SDGs. In addition, NN will enter into conversations about the SDGs with customers and within the organisation itself, more particularly about how NN can actually contribute to achieving the SDGs. Consideration will be given to developing new business propositions and charitable programmes. Furthermore, NN will continue to work with a number of organisations and participate in various working groups, including those of the Dutch Central Bank (DNB), in order to translate the global goals into specific activities.

The Chair says that he sees two more people in the room with questions and expresses the hope that this agenda item can be closed after these questions.

Janna Guzinsky – by proxy of the Grassroots Foundation explains that he works for a Polish NGO called Development Yes – Open Pit Mines No! and addresses NN's operation in Poland, in particular its investments in the Polish coal sector. Mr Guzinsky refers to the fact that his question was brought up during the 2017 AGM and that the topic was addressed in the public debate as well. He continues that the coal sector causes serious health problems throughout Europe and undermines the actions against climate change. Despite this, in Poland coal mines are still being expanded and new powerplants are being built. A debate like in the Netherlands about the coal phase-out by 2030 and commitments to close down powerplants is non-existent in Poland. Mr Guzinsky therefore expresses his disappointment with the fact that NN (through its Polish subsidiaries) is investing in this sector in Poland. Since 2015, the investments in the Polish coal sector have increased by 28% in share value. Energa is currently planning to build a new power plant, and therefore such a company should not fit within NN's responsible investment policy.

Mr Guzinsky states that he is aware that pension companies in Poland are obliged to invest at least 70% of their assets into Polish denominated assets, and probably most of those will be listed assets, but that does not mean that they should invest in the coal sector. Pension funds are legally independent entities, but NN should try to

convince its asset manager in Poland to not compromise the image of the company. Furthermore, Mr **Guzinsky** claims that the exposure of the Nationale-Nederlanden open pension fund to the coal sector is the second largest in the market and therefore asks whether NN's investments in companies that extend their coal capacity are contradictory with its responsible investment policy, and what actions NN has undertaken to convince the Nationale-Nederlanden open pension fund in Poland to divest from the coal sector. And if so, if there are any timeframes that NN is willing to set in this context.

The **Chair** thanks Mr **Guzinsky** for his questions and stresses that NN is aware of the subject that he has raised.

Mr **Friese** also thanks Mr **Guzinsky** for his questions and says that NN can well understand the concerns he expresses. Mr **Friese** would like to take this opportunity to explain this rather complex issue. NN is one of the largest pension providers in Poland and manages the funds of Polish households to enable them to accrue pensions. That is a key role played by NN in this market. As additional information, Mr **Friese** says that the activities referred to are carried out by a separate legal entity with its own management board. Polish law provides that this management board has its own fiduciary duty.

The law does indeed impose restrictions or obligations, namely that 70% of the funds managed must be invested in assets denominated in Polish zloty (PLN).

Mr **Friese** acknowledges that coal mining still takes place in Poland, on a substantial scale. One of the consequences is that a significant portion of the companies listed on the Warsaw stock exchange are involved with it. If the statutory duty to allocate investments in a certain way must be complied with and at the same time fiduciary management plays its own role in this respect, then this imposes a number of restrictions on NN as a company. The first restriction is that NN cannot interfere with what the company's management board decides with respect to investments. The second restriction is that the local management must comply with the allocation obligations, which leaves little room for manoeuvre because in reality many listed companies have links with the aforementioned activities.

NN conducts active engagement with companies to ensure that they transition to sustainable energy generation. In addition, NN believes that, given its responsibility as a major player that ensures that Polish households have pensions, it should use its influence to change how the game is played. We pursue this actively via governments, via other coalitions that we form and via our influence as a major company that conducts dialogue with local authorities.

Mr **Van Stuivenberg** says that he was an employee of De Nederlanden van 1845. After leaving NN, he wound down his portfolio there and largely transferred it to OHRA (and ABN AMRO Verzekeringen) partly because of the possibility of direct writing. However, the NN Group Annual Report has made clear to him that his portfolio now falls entirely under NN once more.

Mr **Friese** says that consumers who want to contact NN directly and purchase their products in that way are welcome to do so. Via OHRA for example, a great company that is now part of NN. NN wants to be there for the customer in the way that he or she prefers. Via an advisor, a bank branch or directly by phone, email, an app or any other way.

The **Chair** then gives the last word to Mr **Groen**.

Mr **Groen** has a question about the vote cast by NN at Shell's annual general meeting. He says that Shell is making a highly realistic effort to find its way in the transition to a sustainable economy.

NN could help Shell do this, rather than abandoning it by supporting the Follow This resolution.

Mr **Groen** also says that the Paris targets are achievable in the short term using carbon capture and storage. NN could provide Shell with emphatic support by encouraging carbon capture and storage. Shell is ready for this, but politicians are not. If the business world joins forces to support this, Mr **Groen** believes that the terms of the Paris Agreement are achievable.

Mr **Friese** says that this is about the transition to a low-CO₂ world. We are all trying to achieve this. Shell wants to do so too, and thus far it has played a leading role in these efforts.

Mr **Friese** says that Shell has taken and continues to take a leading position when it comes to the transition to a low-CO₂ world. That is very good. NN sees the support for the Follow This resolution as encouragement for Shell's policy, and as further support for Shell's management, to ensure that they formulate company-wide targets to actually enable greenhouse gas emissions to be reduced to the levels required by the Paris Agreement. That is what NN wanted to demonstrate with its support for the Follow This resolution.

Mr **Groen** asks a question without a microphone.

The **Chair** interrupts the discussion and says that this agenda item is about the NN 2017 Annual Report. After saying that there may be time to return to this subject during any other business, the **Chair** thanks Mr **Groen** for his understanding.

The **Chair** establishes that there are no further questions with regard to this agenda item. The **Chair** closes agenda item 2 and moves to item 3.

Agenda item 3

Corporate Governance

This agenda item concerns a discussion of NN Group's compliance with the revised Dutch Corporate Governance Code in the financial year 2017. NN Group's corporate governance structure is described in pages 19 through 27 of the Financial Report.

The **Chair** notes that during last year's annual general meeting, the revised Corporate Governance Code was considered for the first time. The Code has now been implemented by Dutch legislation and applies to the financial year 2017. He continues by saying that, as Mr **Friese** explained in his introduction, all listed companies in the Netherlands have to report on their compliance with the revised code throughout the financial year 2017, for instance on their focus on long-term value creation, diversity and culture as part of corporate governance.

The vast majority of NN Group's governance was already in compliance with the revised code. Since 31 December 2017, NN Group has been entirely compliant with the new code. At the close of this meeting, the company will deviate from one of the best practice provisions. The **Chair** explains.

The **Chair** states that at the close of this meeting, Ms Van Rooij will step down as a member of NN Group's Supervisory Board and therefore also as **Chair** of the Remuneration Committee. As was announced, the **Chair** will succeed her in that role. He explains that the Supervisory Board is aware that this appointment is not in line with the Code. However, the Supervisory Board believes that it is desirable in order to safeguard continuity, partly in view of the public debate on remuneration for executive directors of listed companies in general and in the financial sector in particular. Besides knowledge of the subject, the Supervisory Board also considers it extremely important that the **Chair** of the Remuneration Committee has an affinity with political and social relationships in the Netherlands.

The **Chair** also explains the proposal for the succession of Ms **Van Rooij** as member of the Supervisory Board. This point will be discussed later in the meeting, as agenda item 8. He continues by saying that when searching for suitable candidates for the Supervisory Board, various criteria play a role, for instance background, age and nationality, but also experience in corporate governance, experience in a political and social/economic setting, and DNB guidelines. In line with the objectives outlined earlier by Mr **Friese**, diversity criteria are also taken into consideration as factors. The **Chair** says that efforts were of course made to find a suitable female successor. At the same time, appointments must be made on the basis of suitability for a position.

This means considering someone's personality and the experience and insights that he or she can bring, and NN continues to strive for at least 30% women, as laid down

by law. For these reasons, the Supervisory Board has chosen to propose Mr Cole as successor to Ms **Van Rooij**.

Finally, the **Chair** says that attention will continue to be paid to the expiry of the terms of appointment of Supervisory Board members in the years ahead.

The **Chair** gives the shareholders in attendance the opportunity to ask questions.

Mr **Keyner** (VEB) says he can understand the decision to put remuneration in the hands of the **Chair**. Given the risk of negative publicity, which ING can confirm, he understands that it can be a matter for the person at the top.

He continues with two substantive questions on governance. Mr **Keyner** says that he thinks it is great that this has been made a separate agenda item and asks that this continue to be done in future. The VEB considers governance to be extremely important, in particular the role of the Supervisory Board as the supervisory body.

His first question concerns the Annual Report and more specifically the self-evaluation that took place. Mr **Keyner** would like to know which action points arose from this.

The second question concerns the complexity of the annual accounts of an insurer like NN. Mr **Keyner** wants to know what is done to ensure that each individual member of the Supervisory Board actually understands the annual accounts. Has the outcome of that training been that every member does indeed understand them?

The **Chair** thanks Mr **Keyner** for his questions and decides to answer himself. He continues by saying that it is customary for the Supervisory Board to carry out the self-assessment every year. This is also required by law. Roughly every three years they carry out the assessment under the guidance of an external adviser/consultant. That is what happened last year.

The company Phyleon provided its assistance. The process is extremely thorough and careful, and contributions are required not only from the Board and Committees as collectives, but also from all individual members, both in the form of personal interviews and the completion of long surveys. Extremely extensive feedback was then obtained. The **Chair** continues by saying that this assessment is made with exceptional care and should not give shareholders or the Supervisory Board itself any reason for concern or for special attention.

The **Chair** then answers the concern perhaps expressed about the knowledge of the individual Supervisory Board members concerning the exceptionally complex matters involved in the insurance business. First, Supervisory Board

members have regular permanent education (PE) sessions. During the past year they actually had extra PE sessions, mainly in relation to the entire integration of the financial accounts of Delta Lloyd with those of NN. The Chair also refers Mr Keyner to another aspect in this connection. Knowing that the Supervisory Board members are all under the supervision of the DNB, when permission to use the partial internal model was requested, each individual Supervisory Board member was required to take an exam at DNB, lasting approximately two-and-a-half hours, to prove that they did indeed understand the complexity and problems associated with that type of internal model. The Chair concludes that, even if the Supervisory Board members themselves thought that they did not need to have the necessary knowledge of the matters at issue, the matter is also overseen by an external supervisory authority.

The Chair continues that, having said that, it is a matter that he does think about and is somewhat concerned about. He adds that it should not be the case that the Supervisory Board only has room for people who are extremely specialised in the financial aspects of this business. There are a great many other aspects that are also very important, which the Supervisory Board is also required to consider and to supervise. And for this reason the Chair, who says that he has discussed the matter with DNB, is a big proponent of organisations like NN Group, but also financial institutions in general, also having people on their Supervisory Boards who may not be the best experts on finance, risk management and such matters. The Chair concludes by observing that Mr Keyner can rest assured that in this case all Supervisory Board members know what they are talking about.

Mr Keyner (VEB) expresses gratitude for the clear answer and would like to make one qualification, namely that his reason for thinking that people do not need to be experts, but that they do need to understand the essentials of a set of annual accounts, is that financial products, and therefore figures, are at issue.

The Chair thanks Mr Keyner for reiterating in this setting the importance of this matter from his perspective for the people on both sides of the table. He says that he agrees with Mr Keyner on this point.

The Chair establishes that there are no further questions with regard to this agenda item. The Chair closes agenda item 3 and moves to item 4.

Agenda item 4

Implementation of the remuneration policy during the financial year 2017

The **Chair** addresses the implementation of the remuneration policy for Executive Board members in the financial year 2017, and refers to the remuneration report, included in the Financial Report on pages 28 to 32, and to note 47 to the annual accounts, included in the Financial Report on pages 126 to 128. The **Chair** gives the floor to Ms **Van Rooij**, **Chair** of the Remuneration Committee.

Before giving details of the remuneration of members of the Executive Board of NN Group for 2017, Ms **Van Rooij** explains that NN has a clear and transparent remuneration policy that applies to all employees. It is a remuneration policy that puts NN Group in a position to attract and also to retain qualified employees at all levels within the organisation.

The remuneration policy of listed companies has become a sensitive and much discussed topic in recent years and opinions on the subject vary greatly.

The Supervisory Board is well aware of how society and politicians currently feel about this subject. The reality shows that, every year, making decisions about Board members' remuneration is an exceptionally complex whole. In formulating and implementing its remuneration policy, the Supervisory Board therefore considers the interests of the various stakeholders at NN Group, customers, shareholders, employees and the society in which NN operates, in the Netherlands and in other countries. It is always a matter of striking the right balance, also taking into account the international nature of the company.

NN Group is an international company with its head office in the Netherlands. The company has activities in 18 countries, both in and outside Europe. That requires knowledge and experience with a broader scope than can be acquired only in the Netherlands or with Dutch companies. The Supervisory Board concludes that NN Group operates in an internationally oriented labour market. That was confirmed recently with the announcement of the departure of Robin Spencer, CEO of International Insurance, to Prudential Corporation Asia in Hong Kong. NN's international character is also reflected in the distribution of share capital, almost 95% of which is held by shareholders outside the Netherlands.

The Supervisory Board ensures that NN Group's remuneration policy supports the long-term objectives of the Company, namely giving central priority to the customer's interests, sound business operation and management of risks. The Company needs to attract and retain qualified employees in order to achieve these objectives.

Ms **Van Rooij** then turns to the implementation of the policy adopted by the Annual General Meeting of Shareholders in 2015. In this connection, the Supervisory Board evaluates

the remuneration of each member of the Executive Board each year in comparison with remuneration at peer companies, both in financial services and in non-financial sectors. The Supervisory Board also consults external experts. As is known, the remuneration of the Executive Board should be set slightly below the median for the peer group. The remuneration of both Mr Friese and Mr Rueda is significantly below the median for the peer group. That is why a gradual, step-by-step increase in the remuneration of the members of the Executive Board was announced last year.

Ms **Van Rooij** refers to agenda item 7, the reappointment of Mr Rueda as member of the Executive Board. In anticipation of this, she says that the Supervisory Board has decided on account of his reappointment to grant Mr Rueda a salary increase of 20% with effect from 1 June 2018. She cites the fact that it is known that NN Group operates in an international labour market for professionals who have broad knowledge and experience. NN Group has a great many talented individuals with an international background, who are also offered opportunities outside NN, at all levels. Mr Rueda also took this into consideration in relation to his reappointment and the Supervisory Board is pleased that he has decided that he wishes to be reappointed as CFO. After the increase with effect from 1 June 2018, Mr Rueda's salary as CFO of NN Group will still be below the median as stipulated in the remuneration policy.

In summary, the remuneration policy established in 2015 by the Annual General Meeting of Shareholders is transparent and appropriate in today's context. This policy takes all the stakeholders into account and at the same time is compatible with the Company's long-term goals.

Ms **Van Rooij** gives the floor back to the **Chair**.

The **Chair** asks whether there are questions from the floor or comments regarding this item and gives the floor to Mr **Veen**.

Mr **Veen** thanks Ms Van Rooij for her explanation and says that he regrets her departure, given her affinity with the social importance of this subject. He is pleased that during the years that Ms Van Rooij has been a Supervisory Board member, there have been no public debates like those that have arisen in relation to ING. In addition Mr Veen says that he understands from an applicant in Romania that he also was happy with the salary offered as an employee.

The **Chair** thanks Mr Veen for the warm words about Ms **Van Rooij** and says that the Supervisory Board will miss her too.

Mr **Keyner** (VEB) has a question concerning the ratio between the remuneration of Mr Friese and that of the average employee. It is a factor of 1:29. He wonders to what extent the ratio is taken into account.

Ms **Van Rooij** responds that the ratio is a new element, in the context of the application of the Governance Code. In the past year a great deal of attention has been paid to this new ratio, in the context of transparency and comparability with other listed companies. The ratio will have to prove its worth in future. This is the first year and there is very little basis for comparison. The instrument will need to develop somewhat further. The Supervisory Board and the Remuneration Committee have discussed it extensively, and have fairly and honestly disclosed a ratio for NN that accurately reflects the intention, which is to give an impression of the salary structure in the Company. In comparison with other listed companies, NN is positioned moderately, but it will be interesting to see how this develops in the coming years. This will remain a subject of ongoing dialogue with the shareholders.

Mr **Keyner** (VEB) responds that the first half of the answer, namely that it is not taken into account, appeals to him. Report first, then observe how the instrument develops, and for the rest he has not yet formed an opinion on it, but the second part of the answer gives Mr **Keyner** more cause for concern. If next year the ratio is 1:35 rather than 1:29 and the reason is that activities are outsourced, that will speak for itself. However, if the ratio goes down and that happens because high-quality people have been recruited who unfortunately are often expensive, that will cast a different light on the matter. Mr **Keyner** says that he has trouble knowing what to do with this ratio. That is why he is curious about how it is taken into account. As he now understands it, nothing is being done just now, the company will report first and then examine what can be done with it in future.

Ms **Van Rooij** responds that it is one of the many instruments that enables the Supervisory Board to be transparent about the governance of the company, but that its value will not be absolute. She points to the multiplicity of considerations and interests that are taken into account in the remuneration policy. The pay ratio will not change this.

Mr **Vreeken**, from **We Connect You, Public Affairs & Investor Relations**, says that he is not really opposed to the remuneration, but he believes that it is very difficult to see any benchmark in the Netherlands.

Ralph Hamers makes a profit of EUR 5 billion and earns EUR 2 million. Mr **Friese** makes a profit of EUR 1.5 billion and earns EUR 1.5 million or EUR 1.2 million. At ABN AMRO the CEO delivers a profit of EUR 3 billion, double that of

NN, and has an annual salary of around EUR 600,000 to EUR 700,000. And then there are parties such as Heineken, Unilever and Shell, that are heading towards EUR 10 million. For shareholders it is a black box and not very transparent at all. Maybe listed companies can investigate among themselves how to make things easier for the shareholders. So if you make three times as much profit, you only get an extra EUR 0.5 million. Mr **Vreeken** thinks that Mr Hamers does not earn enough for what he is doing, and adds that he finds the situation in the Netherlands strange. In the Netherlands, the Balkenende norm (a public sector salary cap named after former prime minister J.P. Balkenende) applies. Ralph Hamers earns ten times more than the Balkenende norm, Mr **Friese** earns around six times more than the Balkenende norm and the CEO of ABN AMRO earns three times more than the Balkenende norm. Mr Balkenende himself nowadays earns around three times more than the Balkenende norm. This is not an NN Group problem, but the shareholders do not really understand it.

The **Chair** asks Ms **Van Rooij** to respond.

Ms **Van Rooij** thanks Mr **Vreeken** for his question, which indicates how many different aspects remuneration involves and the multiple different interests that need to be taken into account. It always makes sense to go back to basics, namely the policy agreed by the shareholders three years ago. That policy set out a number of principles that enable NN as an international insurance company to achieve the long-term goals and ensure that good people can be recruited and retained, people who are capable of fulfilling the long-term strategy.

At the annual meeting, consideration is always given to other companies, and specifically to comparable companies, in terms of market share, number of employees, sales, international aspects, whether they are in the financial sector or outside it. It is important to bear in mind that NN is an international company with its head office in the Netherlands. That has benefits, but it also causes complications. After all, it is not always all about the Netherlands, sometimes it is about employees in Japan too. It is good to hear that NN is also regarded as a good employer outside the Netherlands. A comparison with the Balkenende norm is quite Dutch, but it is less relevant to this business with its long-term goals. Ms **Van Rooij** says that it is her job as member of the Supervisory Board to explain public sentiments in the Netherlands and how Dutch society is positioned on remuneration, but adds that NN is a broader company. She illustrates this by referring to the composition of the Executive Board.

Four of the seven members were born outside the Netherlands. The Company is actually stronger because people have international work experience. The fact that

NN Group is doing well is thanks to all of its employees, and in particular its leadership.

The **Chair** establishes that there are no further questions with regard to this agenda item and refers to the slide on the screen showing the capital present and represented. The **Chair** then closes agenda item 4 and moves to item 5.A.

Agenda item 5.A

Proposal to adopt the annual accounts for the financial year 2017

The **Chair** raises the proposal to adopt the annual accounts for the financial year 2017 and refers to the annual accounts, included in the 2017 Financial Report on pages 36 to 179, and to the presentation given by Mr Friese under agenda item 2. The **Chair** continues by noting that the Executive Board drafted the annual accounts on 14 March 2018 in English, and the accounts have been available on the NN Group website since 15 March 2018. The annual accounts have been made available for examination at NN Group's head office, and are available to shareholders free of charge. The auditor KPMG, which issued an unqualified opinion that is included in the Financial Report on pages 180 to 193, has audited the annual accounts. The Supervisory Board recommends that the General Meeting adopt the annual accounts.

The **Chair** gives the floor to Mr De Wit of the external auditor KPMG, stating that the Company has released KPMG from its obligation to maintain confidentiality for the purpose of this meeting. The **Chair** also states that the auditor has an obligation to rectify, meaning that if the annual accounts or the Auditor's Report contain misstatements that might give a materially inaccurate view of the affairs of the Company, KPMG will request that corrections be made, either during this meeting, or prior to the final adoption of the minutes of this meeting. The auditor will elucidate on its audit of the annual accounts.

Mr De Wit (KPMG) states that he welcomes the opportunity to elucidate on KPMG's role as the external auditor of the Company. As an audit partner at KPMG, he signed the Independent Auditor's Report relating to the 2017 annual accounts of NN Group. Mr De Wit explains that the financial year 2017 is the second year that KPMG has audited the accounts. He confirms that KPMG has been released from its obligation to maintain confidentiality and that he is therefore free to comment on the audit performed and on the resulting statement.

First, Mr De Wit (KPMG) notes that, in accordance with its assignment, KPMG audited the parent company and the consolidated annual accounts of NN Group for 2017, and has issued an unqualified auditor's opinion with respect to these annual accounts.

KPMG assessed the quarterly figures of NN Group in 2017 for the first, second and third quarters, and issued an unqualified review report with respect to these interim figures.

In addition, this year KPMG assessed the sustainability information included by NN in the Annual Review and also issued an unqualified review report on it, which can be found on page 70.

Furthermore, Mr De Wit observed that KPMG has read NN Group's statements in the Annual Review, including

those relating to corporate governance, and, on the basis of the knowledge and insight it obtained from performing the audit of the annual accounts, no material misstatements or contradictions with the audited annual accounts were identified. KPMG moreover has established that the information required by the applicable legislation is included in the Annual Review.

Mr De Wit (KPMG) gives further details of the key elements of the Auditor's Report, included on pages 180 to 193 of the Financial Report. Based on its procedures, KPMG concludes that the annual accounts give a true and fair view of the financial position on 31 December 2017 and of the results for 2017. The annual accounts were prepared according to the going concern principle, and, on the basis of the audit procedures carried out, the auditor concludes that management's assessment of this point is appropriate.

Since 1 October 2015, KPMG has been independent of NN Group and all its subsidiaries. In 2017, KPMG confirmed its independence to the Supervisory Board's Audit Committee each quarter.

The acquisition of Delta Lloyd was a key event in 2017 and had major implications for KPMG's audit approach. The materiality, the scope of the audit and the risk analysis were reassessed after the acquisition and this led to a higher materiality and an increase in the number of group units where audit activities were conducted for group purposes. In addition, two significant risks were identified in relation to the acquisition of Delta Lloyd and the integration risks.

Mr De Wit (KPMG) explains that materiality is an important aspect of the audit and that it is based on the Core Equity benchmark, comprised of equity minus the revaluation reserves.

That approach is the same as in 2016. The materiality applied in the audit of the consolidated annual account of NN Group is EUR 140 million. This materiality is higher than the EUR 120 million applied in last year's audit, on account of the acquisition of Delta Lloyd. With respect to the Core Equity benchmark, the materiality remained unchanged at 1%.

Besides this materiality of EUR 140 million, some documents in the annual accounts were audited with a much greater level of precision, for instance the disclosures on the remuneration of the Executive Board and the Supervisory Board or the pay ratio. The first time that such information is included, it is audited with precision.

All discrepancies identified and not corrected in excess of EUR 7 million are communicated in writing by KPMG to the Audit Committee of the Supervisory Board.

Mr De Wit (KPMG) then addresses the scope of the audit and observes that KPMG's responsibility as external auditor of NN Group entails sending instructions to the auditors of NN Group's units to carry out audit procedures. The NN Group units all had KPMG as their local auditor, but the acquired Delta Lloyd units had EY as their local auditor. As group auditor, KPMG decides on where it must conduct its auditing procedures and their scope. This applies both to the local KPMG and local EY audit teams. The results of the local audits are assessed by KPMG as group auditor and are discussed with both the local teams and with NN Group at group level. In addition, a number of countries are visited each year, and the audit files of the local auditors are evaluated. This year, this included visits to Japan, Spain, Romania, Belgium, the Czech Republic and Greece. These international procedures ensure adequate coverage to enable conclusions to be drawn about the entire NN Group.

The partnership with EY operated in a good, professional manner. There were regular consultations on the audit procedures at the Delta Lloyd units in the Netherlands and Belgium, and a review was carried out of EY's audit procedures and files.

In carrying out its procedures, KPMG focuses primarily on the significant risks and the so-called key audit matters. A significant risk is an identified and estimated risk of a material misstatement.

Significant risks often concern significant non-routine transactions or matters that require management to make estimates. During the audit, special attention is paid to these risks by acquiring insight into the structure, existence and operation of NN Group's own internal control mechanisms related to these risks. In addition, KPMG carried out specific substantive procedures to ensure that a risk does not lead to a material misstatement in the annual accounts.

The significant risks then became the following five key points of the audit, which are included in the Auditor's Report: 1. the acquisition of Delta Lloyd; 2. estimation of uncertainty in connection to the provisions for insurance liabilities and the adequacy test; 3. exposure to risks relating to unit-linked insurance; 4. disclosures in connection to Solvency II and the risk management disclosures; and 5. the integration of Delta Lloyd.

For each of these points, the Auditor's Report describes the risk and the procedures implemented to mitigate the risk. These procedures form the basis for KPMG's conclusion that the annual accounts present a true and fair view.

Mr De Wit returns the floor to the **Chair**.

The **Chair** gives the shareholders in attendance an opportunity to ask questions or to make comments about the presentation and the Audit Report of KPMG, noting that Mr De Wit will only answer questions concerning the audit of the annual accounts and the procedures KPMG carried out in relation to the Annual Report, and concerning the Auditor's Report.

Mr **Stevense** (SRB) poses a question regarding the introduction of IFRS9 and IFRS17. He also says that insurance companies are increasingly becoming tech companies and asks the auditor to say more about the audit in relation to ICT.

Mr **De Wit** (KPMG) explains that changes in the principles are explained in note 1 to the annual accounts in so far as they are applicable to 2017, as well as the potential effect of forthcoming standards on the annual reporting. In the years ahead there is a lot on the horizon for insurance companies, due to IFRS17 in particular; IFRS9 is actually more a matter for banks and will apply to NN Group in a later phase, at the same time as IFRS17.

With respect to the audit of ICT risks connected with NN's activities, this constitutes a large part of the audit in the Netherlands and abroad. The Auditor's Report says more about this. Last year the Auditor's Report noted that one of the key audit matters was in the area of IT general controls. In 2017, a great deal of effort was devoted by NN's management and employees to improving the IT general controls, and therefore when completing the 2017 audit it was no longer necessary to focus the same level of attention on this point. That is why the point was not reported on again as a key audit matter.

This year, the integration risks of Delta Lloyd have been reported on by KPMG as a key audit matter. Attention has been paid to the risk that good people need to be retained to shape the integration. At the underlying level, the merger of the businesses is largely about process integration and system integration. The Auditor's Report observes that KPMG has familiarised itself with the plans that exist and with the controls established by the management itself to ensure that things run smoothly.

The audit procedures were adapted accordingly.

This means that the procedures related to the IT risks were adapted in accordance with the changes that took place in the underlying organisation in 2017. The speed of integration is divergent. Mr **Friese** said during his introduction that the legal mergers of the banking business, Belgian business and asset management are already complete. This shows that these business units are

working at a different tempo than the non-life and life insurance businesses. The controls and the IT-related audit procedures take this into account so that they remain aligned with the current risk profile.

Mr **Stevens** (SRB) then asks whether the Netherlands is further ahead than Belgium.

Mr **De Wit** (KPMG) responds that both in the Netherlands and Belgium the management has identified the risk that the two existing organisations already have IT risks that need to be managed and that, upon merger of the organisations, an additional risk will actually be added. The most important thing is to plan and test well to prevent the integration going too fast without the organisation being sufficiently ready for it. The management's test activities also include a key role for the internal auditor and the external auditor, by ensuring that the test procedures are sufficiently aligned to provide a sufficient basis for ultimately concluding that the figures generated at the end of the year can be incorporated in the annual accounts. This applies to Belgium and to the Netherlands.

Mr **De Wit** (KPMG) reiterates that the speed and complexity are divergent. The composition and the size of the life insurance companies is not comparable to that of the banking companies, for example. The history of the Belgian business also differs from that of the Dutch business. It determines the starting point and has been of key significance to the integration plans, and thus to the speed at which management is able to achieve integration in a range of aspects, including IT, the controls established in this area and of course the tests performed by KPMG on this. Mr De Wit says that next year in relation to the 2018 audit he will once again say that this was an important subject within the audit.

Mr **Keyner** (VEB) has two questions for the auditor and one question for the management. First he thanks the auditor for the fact that there is a signature under the figures, for people like him who may have problems understanding the figures.

In KPMG's assurance report he read that not only financial information, but also all kinds of non-financial information is disclosed by the Management Board in relation to ambitions, plans, risk assessments and such like, and that KPMG gives no assurance on this. This is despite the fact that the balance sheet is largely also based on models incorporating a variety of expectations and estimates regarding risks, opportunities and the like. Mr **Keyner** asks how it is possible that KPMG is unable to give any assurance for one, namely ambitions, plans, estimates and the like, but does give assurance on the figures presented here in the balance sheet.

Mr **Keyner**'s second question concerns the extent to which KPMG will present its role as auditor in a more modern manner and also have discussions with the Management Board about a different way, a different world in which NN Group will have to start earning its revenue. He asks whether there are discussions with the Management Board about potential developments of a disruptive nature and about situations and developments in the sector that may perhaps result in NN Group finding itself in a whole new market in five years' time. This could also mean that in five years' time it may be concluded that what we now accept as true, namely the balance sheet that KPMG has signed, is totally wrong.

Mr **Keyner** (VEB) has one question to management about the situation in Italy. He asks what impact a scenario in which Italy gets into serious problems would have on the various balance sheet items.

The **Chair** says that this question will be answered during any other business.

Mr **De Wit** (KPMG) begins with the second question and explains that the audit always starts with obtaining a good understanding of NN Group and its environment, because this is an important step in risk assessment. This is about risk in relation to financial reporting year-by-year. The going concern test looks at the situation a year in the future.

On account of the analysis, KPMG has very frequent contact with the executive and supervisory directors of NN Group and with a variety of departments within NN Group, both at the start of and during the audit. Attention is constantly paid to how the environment is changing and to what that means for both risk models and strategy. Last year the strategy for the Delta Lloyd acquisition was examined, before, during and after the acquisition, and the progress of the integration is now being examined as well. KPMG also asked about further developments in this area.

This is discussed regularly as part of the quarterly process in which KPMG signs off the quarterly figures.

Mr De Wit (KPMG) deals further with the question of what the auditor says about expectations, starting with the assumptions in the Financial Report. It is very difficult to produce annual accounts for an insurer and IFRS17 will not make it any easier. It is important that, in preparing the annual accounts, the management looks to the future in all kinds of areas, with respect to future cash flows and calculating their present value. Many discussions are held about the underlying assumptions and how these change over time. Those assumptions are assessed by KPMG. KPMG has a good frame of reference when it comes to financial opinions. That makes it possible for KPMG as

auditor to state that this is a set of norms within which it can say in a nuanced way that it is appropriate and within bandwidths and therefore acceptable.

Mr **De Wit** (KPMG) then addresses the question of non-financial opinions on the future. These are often opinions of a more qualitative nature and it is very difficult to apply a norm for what is good and what is not. One example would be the sustainability targets: it is not possible to predict where NN Group will be in 2021, but it is possible to conclude that the information in the report has not proven to be incorrect in the past year. On this basis KPMG makes a contribution to enable readers to see how the journey is going each year.

According to Mr **Keyner** (VEB) this is very important and increases confidence. The exception noted by KPMG is very broad, however. It is all about ambitions, plans and estimates and KPMG does not give any assurance on those. This is broader than not knowing exactly what will happen to sustainability targets in five years. At the end of the assurance report, KPMG says that it takes no responsibility for this. Yet it is actually the basis for the largest portion of NN Group's balance sheet.

Mr **De Wit** (KPMG) explains that when this becomes the financial information presented in the annual accounts, it is obviously covered by the signature on the accounts, which says explicitly that the annual accounts present a true and fair view. This means that everything currently estimated for the future and how that translates into financial information has been assessed by KPMG as a whole and approved.

Mr **Veen** asks the auditor to say something about the Solvency II ratio, which is above 200% again. That is important for an investor to know, because a lower ratio, resulting from the integration of Delta Lloyd, could have had implications for the development of the share price.

Mr **De Wit** (KPMG) emphasises that his explanation is about the 2017 audit and the Solvency II ratio was 199% as at 31 December 2017. In the first quarter, for which KPMG issued a review report, the ratio was 213%. Solvency II is an extensive and complex framework, but it also provides very important information for an investor to rely on. It reflects the capital position and sound capital management. That is why KPMG pays so much attention to it in the audit, as well as a lot of attention to how the ratio is established. This happens on the one hand by looking at all the arrangements that the management has made to ensure that it is calculated properly and tested to ensure that it is in fact robust. On the other hand KPMG also conducts all kinds of information-related procedures and calculations of its own.

KPMG has a large actuarial team that assesses everything and tests many of the assumptions referred to by Mr **Keyner**, also in comparison to observations concerning other market parties. Ultimately that has given KPMG sufficient comfort to add its signature to the disclosure concerning the 199% figure in the annual accounts.

The **Chair** establishes that there are no further questions with regard to this agenda item and thanks the auditor for his explanation. The **Chair** puts the proposal to adopt the annual accounts for the financial year 2017 to a vote and establishes that the proposal is adopted.

The **Chair** closes agenda item 5.A and moves to item 5.B.

Agenda item 5.B

Discussion of the profit retention and dividend policy

The **Chair** raises the discussion of the profit retention and dividend policy and refers to the dividend policy as published on the NN Group website. The **Chair** states that the Company intends to pay an ordinary dividend in line with its medium-term financial performance and envisages an ordinary dividend pay-out ratio of 40% to 50% of the net operating result from ongoing business. NN Group intends to pay dividends in cash or in ordinary shares at the election of the shareholder and intends to neutralise the dilutive effect of the stock dividend on the result per ordinary share through repurchase of ordinary shares. In addition, capital generated in excess of NN Group's capital ambition is expected to be returned to shareholders, unless it can be used for any appropriate corporate purposes, including investments in value-increasing corporate opportunities.

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

The **Chair** establishes that there are no questions with regard to this agenda item.

The **Chair** closes agenda item 5.B and moves to item 5.C.

Agenda item 5.C

Proposal to pay dividend

The **Chair** raises the proposal to pay a dividend and refers to the presentation by Mr Friese and the note to this agenda item included on page 4 of the convocation letter.

In summary, it is a final dividend of EUR 1.04 per ordinary share, which taken together with the interim dividend of EUR 0.62, brings the total dividend for 2017 to EUR 1.66 per ordinary share.

The **Chair** establishes that there are no questions with regard to this agenda item, puts the proposal to pay a dividend to a vote and subsequently establishes that the proposal is adopted.

The **Chair** closes agenda item 5.C and moves to item 6.A.

Agenda item 6.A

Proposal to release the members of the Executive Board from liability for their respective duties performed during the financial year 2017

The **Chair** raises the proposal to release the members of the Executive Board from liability for their respective duties performed during the financial year 2017, as included on page 5 of the convocation letter.

The **Chair** establishes that there are no questions with regard to this agenda item, puts the proposal to a vote and subsequently establishes that the proposal is adopted.

The **Chair** closes agenda item 6.A and moves to item 6.B.

Agenda item 6.B

Proposal to release the members of the Supervisory Board from liability for their respective duties performed during the financial year 2017

The **Chair** raises the proposal to release the members of the Supervisory Board from liability for their respective duties performed during the financial year 2017, as included on page 5 of the convocation letter.

The **Chair** establishes that there are no questions with regard to this agenda item, puts the proposal to a vote and subsequently establishes that the proposal is adopted.

The **Chair** closes agenda item 6.B and moves to item 7.

Agenda item 7

Notice of the intended reappointment of Delfin Rueda as member of the Executive Board

The **Chair** raises the announcement of the intended reappointment of Delfin Rueda as a member of the Executive Board and refers to the proposal with the note, as included on page 5 of the convocation letter.

The term of appointment of Delfin Rueda as a member of the Executive Board will terminate at the close of this meeting. The Supervisory Board announces its intention to reappoint Mr **Rueda** as a member of the Executive Board, with effect from the close of this meeting for a term of four years, which will end at the close of the Annual General Meeting to be held in 2022.

The Supervisory Board also has the intention to designate Mr Rueda again as Chief Financial Officer of the Company and as vice-Chair of the Executive Board for the same term. With the reappointment of Mr Rueda, his membership and vice-Chairmanship of the Management Board of the Company will be continued.

The Supervisory Board has the intention to reappoint Mr Rueda because of his international experience in the financial industry, especially in the insurance sector, his professionalism and extensive knowledge, his leadership profile and experience as an Executive Board member. His intended appointment serves continuity with the Executive Board and Management Board. For more information, the **Chair** refers to page 5 of the convocation letter and the NN Group website.

The **Chair** gives the shareholders in attendance the opportunity to ask questions and establishes that there are no questions concerning this agenda item.

The **Chair** turns to Mr Rueda and, on behalf of the Supervisory Board, expresses his appreciation for Mr Rueda's commitment, many years of experience, expertise and his ability to explain complex financial issues in clear terms. The Supervisory Board looks forward to the continuation of the pleasant and constructive cooperation, and congratulates Mr Rueda.

The **Chair** closes agenda item 7 and moves to item 8.A.

Agenda item 8.A

Proposal to reappoint Heijo Hauser as member of the Supervisory Board

The **Chair** raises the proposal to reappoint Heijo Hauser as member of the Supervisory Board.

In accordance with the rotation schedule of the Supervisory Board, the term of appointment of Heijo Hauser ends at the close of this meeting. The **Chair** announces on behalf of the Supervisory Board that a vacancy on the Supervisory Board needs to be filled. Heijo Hauser has indicated that he is available for reappointment. The Supervisory Board has nominated Mr Hauser for reappointment as member of the Supervisory Board for a term of four years. If the proposal is accepted, the reappointment shall become effective as from the close of this meeting and shall end at the close of the Annual General Meeting in 2022. An abridged CV for Mr Hauser has been included in the convocation documents.

Heijo Hauser has been nominated for reappointment on the basis of his knowledge of and management experience in the insurance and pension sector, his experience as advisor of the boards of international companies, his actuarial knowledge and knowledge of risk management, the professional manner in which he fulfils his membership of the Supervisory Board and his exceptional performance as member and Chair of the Risk Committee and member of the Audit Committee of the Supervisory Board.

The Central Works Council has informed the Supervisory Board that it does not have recommendations for this nomination and supports the reappointment of Mr Hauser. If Mr Hauser is reappointed as a member of the Supervisory Board, he will also remain member and Chair of the Risk Committee of the Supervisory Board and member of the Audit Committee of the Supervisory Board.

For more information, the **Chair** refers to page 5 of the convocation letter. The Supervisory Board's nomination of Mr Hauser for reappointment is conditional on the General Meeting not recommending any other persons for nomination. The **Chair** states that no such recommendations were received prior to the meeting and therefore concludes that the General Meeting does not wish to recommend any other persons.

Since there are no recommendations for the filling of the current vacancy on the Supervisory Board, the **Chair** raises the proposal to reappoint Mr Hauser.

The **Chair** establishes that there are no questions with regard to this agenda item, puts the proposal to reappoint Mr Hauser as a member of the Supervisory Board to a vote and subsequently establishes that the proposal is adopted.

The **Chair** congratulates Mr Hauser on his reappointment, closes agenda item 8.A and moves to item 8.B.

Agenda item 8.B

Proposal to reappoint Hans Schoen as member of the Supervisory Board

The **Chair** raises the proposal to reappoint Hans Schoen as member of the Supervisory Board.

In accordance with the rotation schedule of the Supervisory Board, the term of appointment of Hans Schoen also ends at the close of this meeting. The **Chair** announces on behalf of the Supervisory Board that a vacancy on the Supervisory Board needs to be filled. Mr Schoen has also indicated that he is available for reappointment. The Supervisory Board has nominated Mr Schoen for reappointment as member of the Supervisory Board for a term of four years. If the proposal is accepted, the reappointment shall become effective as from the close of this meeting and shall end at the close of the Annual General Meeting in 2022. An abridged CV for Mr Schoen has been included in the convocation documents.

Hans Schoen has been nominated for reappointment on the basis of his in-depth knowledge of the insurance and pension sector, his great expertise in the field of financial reporting of insurance companies and pension funds, the professional manner in which he fulfils his membership of the Supervisory Board and his exceptional performance as member and Chair of the Audit Committee and member of the Risk Committee of the Supervisory Board.

The Central Works Council has informed the Supervisory Board that it does not have recommendations for this nomination and supports the reappointment of Mr Schoen. If Mr Schoen is reappointed as a member of the Supervisory Board, he will also remain member and Chair of the Audit Committee of the Supervisory Board and member of the Risk Committee of the Supervisory Board.

For more information, the **Chair** refers to pages 5 and 6 of the convocation letter. The Supervisory Board's nomination of Mr Schoen for appointment is conditional on the General Meeting not recommending any other persons for that nomination. The **Chair** states that no such recommendations were received prior to the meeting in relation to this agenda item either and therefore concludes that the General Meeting does not wish to recommend any other persons.

Since there are no recommendations for the filling of the current vacancy on the Supervisory Board, the **Chair** raises the proposal to reappoint Mr Schoen.

The **Chair** gives the shareholders in attendance the opportunity to ask questions.

Mr **Stevense** (SRB) asks Mr Schoen to explain his motivation.

Mr **Schoen** answers that he is pleased to be available for reappointment on account of his positive experiences as a Supervisory Board member of NN Group and future developments in the insurance sector in general and at NN in particular. In addition, Mr Schoen says that with his knowledge and experience, he can contribute to the further development of NN Group.

The **Chair** establishes that there are no further questions with regard to this agenda item, puts the proposal to reappoint Mr Schoen as a member of the Supervisory Board to a vote and subsequently establishes that the proposal is adopted.

The **Chair** congratulates Mr Schoen on his reappointment, closes agenda item 8.B and moves to item 8.C.

Agenda item 8.C

Proposal to appoint David Cole as member of the Supervisory Board

The **Chair** raises the proposal to appoint David Cole as member of the Supervisory Board.

The **Chair** says that, as announced on 4 April 2018, Ms Van Rooij will step down as member of the Supervisory Board at the close of this meeting. The Supervisory Board therefore announces that a vacancy on the Supervisory Board needs to be filled.

The Supervisory Board has nominated David Cole for appointment as member of the Supervisory Board. If the proposal is accepted, the appointment shall become effective as of 1 January 2019 and shall end at the close of the Annual General Meeting in 2022. In that case, as from the date of this meeting, David Cole will attend meetings of the Supervisory Board as an observer, until his appointment becomes effective on 1 January 2019.

An abridged CV for Mr Cole has been included in the convocation documents and it is displayed on the screen in the room.

Mr Cole has been nominated on the basis of his extensive international experience in the insurance and banking sector, his experience as a board member and supervisory board member and his in-depth knowledge of banking and insurance services.

The Central Works Council has informed the Supervisory Board that it does not have recommendations for this nomination and supports the appointment of Mr Cole.

Further information is provided on page 6 of the convocation letter.

The Supervisory Board's nomination of Mr Cole for appointment is conditional on the General Meeting not recommending any other persons for that nomination.

The **Chair** states that no such recommendations were received prior to this meeting. He therefore concludes that the General Meeting did not wish to recommend any other persons.

Mr **Stevense** (SRB) asks Mr Cole to explain his motivation.

Mr Cole says that he would like to be involved with NN Group and can contribute to the future development of the business. He also sees it as a fine opportunity to strengthen his ties with the Netherlands.

Mr **Tse** asks why Mr Cole's appointment is effective as of 1 January 2019.

The **Chair** responds that this was at the personal request of Mr Cole. In preparation for his role as member of the

Supervisory Board, Mr Cole will attend Supervisory Board meetings as an observer until 1 January 2019.

The **Chair** establishes that there are no further questions with regard to this agenda item, puts the proposal to appoint Mr Cole as a member of the Supervisory Board to a vote and subsequently establishes that the proposal is adopted.

The **Chair** congratulates Mr Cole on his appointment.

The **Chair** then expresses gratitude to Ms Van Rooij.

The **Chair** notes that Ms Van Rooij was appointed as a member of the Supervisory Board at the recommendation of the Works Council of the company and that the members of the Works Council have indicated that as of Ms Van Rooij's resignation they will regard the **Chair** in that capacity. The Supervisory Board agrees.

The **Chair** closes agenda item 8.C and moves to item 9.A.

Agenda item 9.A

Proposal to designate the Executive Board as the competent body to resolve on the issuance of ordinary shares and to resolve on the granting of rights to subscribe for ordinary shares

The **Chair** raises the proposal to designate the Executive Board as the competent body to resolve on the issuance of ordinary shares and to resolve on the granting of rights to subscribe for ordinary shares and refers to the note to the agenda item as included on pages 6 and 7 of the convocation letter.

The **Chair** notes that the proposal is identical to last year's proposal.

The **Chair** establishes that there are no questions with regard to this agenda item, puts the proposal to a vote and subsequently establishes that the proposal is adopted.

The **Chair** closes agenda item 9.A and moves to item 9.B.

Agenda item 9.B

Proposal to designate the Executive Board as the competent body to resolve to limit or exclude pre-emptive rights of shareholders when issuing ordinary shares and granting rights to subscribe for ordinary shares

The **Chair** raises the proposal to designate the Executive Board as the competent body to resolve to limit or exclude the pre-emptive rights of shareholders when issuing ordinary shares and granting rights to subscribe for ordinary shares and refers to the note as included on pages 6 and 7 of the convocation letter.

The **Chair** notes that the proposal is identical to last year's proposal.

The **Chair** establishes that there are no questions with regard to this agenda item, puts the proposal to a vote and subsequently establishes that the proposal is adopted.

The **Chair** closes agenda item 9.B and moves to item 10.

Agenda item 10

Proposal to authorise the Executive Board to acquire ordinary shares in the Company's share capital

The **Chair** raises the proposal to authorise the Executive Board to acquire in the Company's name, subject to the approval of the Supervisory Board, ordinary shares in the Company's share capital and refers to the note to this agenda item as included on page 7 of the convocation letter.

The **Chair** notes that the proposal is identical to last year's proposal.

The **Chair** establishes that there are no questions with regard to this agenda item, puts the proposal to a vote and subsequently establishes that the proposal is adopted.

The **Chair** closes agenda item 10 and moves to item 11.

Agenda item 11

Proposal to reduce the issued share capital by cancellation of ordinary shares held by the Company

The **Chair** raises the proposal to reduce the issued share capital by cancellation of ordinary shares held by the Company and refers to the note to this agenda item as included on pages 7 and 8 of the convocation letter.

The **Chair** notes that the proposal is identical to last year's proposal.

The **Chair** establishes that there are no questions with regard to this agenda item, puts the proposal to a vote and subsequently establishes that the proposal is adopted.

The **Chair** closes agenda item 11 and moves to item 12.

Agenda item 12

Any other business and closing

Mr **Keyner** asks about developments in Italy and their impact on NN. Mr **Rueda** says that NN is a major investor and that political and macroeconomic developments can have an impact on NN, just like they can on other financial institutions. NN does not, however, have any insurance activities in Italy. With the exception of asset management, NN does not do any business in Italy. The majority of NN's investments in Italy are government bonds. They represent somewhat more than 1% of the total investments of NN Group. That is why developments in Italy have so far barely had any impact on the solvency or financial results of NN.

Mr **Keyner** is not so much concerned about investments by NN itself in Italy, but is more interested in and concerned about the impact if Italy were to exit the Eurozone. That would have a serious impact, among other things on the euro. On which elements of NN's balance sheet would this have a particular impact?

Mr **Rueda** replies that this is not the first time that NN has been faced with the question of the potential effects of a certain country leaving the euro, as well as the surrounding uncertainty. It was previously the case with respect to Greece, and in relation to Brexit. As part of NN's regular risk management, and after a few stress tests, NN made an assessment of the risks. Uncertainty is something that every financial institution has to live with. Mr **Rueda** does not see the current situation in Italy as an enormous threat, however, although it is clearly making the markets nervous. That is why nowadays NN opts for more government bonds with a triple-A rating. Experience has shown that when the spreads of corporate bonds and government bonds on the periphery of Europe deteriorate during a crisis, they actually improve in Germany and the Netherlands. In this sense, NN is therefore protected against risks of this kind.

Mr **Friese** states that NN is positioned relatively well.

Mr **Rueda** says that nobody wants an economic and financial situation in Europe that could be predominantly negative in the medium term or even the short term. NN is positioned relatively well.

Mr **Veen** thinks of the Italian insurer Generali in this connection.

The **Chair** says that Generali Nederland has already been sold.

Mr **Veen** then asks a question about interest-only mortgages. Is NN Group anticipating future problems so that it does not face a foundation pursuing compensation claims for interest-only mortgages, after all of the bad news stories in the media?

Mr **Friese** says that NN's mortgage business also regularly examines the products that it sells, and whether they still satisfy customer needs. If necessary, changes are made to the products. A recent change is that after a repayment, mortgage customers with a fixed-interest period move to a different 'risk bucket'. This is done automatically and it allows customers to benefit from a lower mortgage interest rate without having to take any action themselves. A lower interest rate is also possible if somebody's house increases in value. However, in that case the customer does have to take action, because to make such an assessment NN needs specific information, such as a valuation report or the property tax valuation (WOZ verklaring). NN therefore continuously follows developments in the market, what motivates customers and what they consider important. NN will continue to keep customers well informed about all these developments.

Mr **Groen** says that improving sustainability is a very complex world. Every company has its own vision on this, with all kinds of variables that are continuously changing. Shell has such a vision and so does NN. He says that it would make more sense for companies to reinforce each other in certain elements, via lobbying or in some other way, to ultimately bring about movement and ensure that something happens. That benefits both, he says. If this can be done through collaboration, for example in relation to carbon capture and storage, then this would be a step forward. He has already heard Shell say that this is the area with the greatest potential gains. But Shell has not yet been able to find enough support for its efforts. Mr **Groen** respects all the idealistic views held by a variety of parties in society, but unlike companies, those people do not know how things work in practice. That is what he would advocate.

Mr **Friese** thanks Mr **Groen** and understands what he means. He is unable to give an immediate response on the comment specifically regarding storage. That is a very complex issue. With respect to the other point, namely collaborating to ensure that together you achieve a better world with lower greenhouse gas emissions, a much lower burden on the environment and lower CO₂ emissions, he completely agrees with Mr **Groen**. NN is now collaborating with others on a large scale, in numerous coalitions, to work together to ensure that we pass our planet and this world on to our children, grandchildren and great grandchildren in a better state than it is today.

Mr **Groen** has heard that NN is reluctant to provide insurance in the construction world. He wonders if he understood properly, but says that billions are going to sustainability improvement processes in existing properties and newbuilds. There are opportunities here for NN.

Mr **Friese** agrees with him and has two comments. The first concerns NN no longer being willing to provide CAR cover.

That is related to insurance for building sites. NN cannot insure this risk because it cannot be made sufficiently profitable. The second concerns NN as an investor. NN has launched a major initiative, with BNG Bank and others, to make millions of square metres of property more sustainable. Mr Friese says this is exactly what Mr Groen means. NN is actually doing it already.

Mr **Groen** confirms this and assumes that NN has countless buildings insurance policies with big owners' associations and such like. They will all be making that transition and companies can provide enormous support to each other.

Mr **Friese** agrees. Hence NN's motto, 'combining strengths'.

The **Chair** establishes that there are no further questions and makes a number of final announcements. He announces that the draft of the minutes will be published on the Company's website within three months and adds that shareholders can ask to be sent a copy if they wish. To arrange this, they should report to the information desk.

The **Chair** closes this agenda item and informs those in attendance that drinks and snacks are being served outside the room. Finally he asks those in attendance to return their voting consoles and chip cards when leaving the room. He notes that no personal data is stored on the chip cards. He thanks those in attendance for their contributions and closes the meeting.

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