Combining strengths

NN Group N.V.
2017 Annual Review

NN

You matter

The 2017 Annual Report consists of the 2017 Annual Review and the 2017 Financial Report. It provides an integrated review of the performance of our company.

The Annual Report is prepared in accordance with applicable Dutch law and the International Financial Reporting Standards (IFRS), which are endorsed by the European Union. It also complies with the Global Reporting Initiative's Sustainability Standards and the guidelines of the International Integrated Reporting Council. The Annual Report aligns relevant information about our strategy, governance systems, performance and future prospects in a way that reflects the economic, environmental and social contexts in which we operate. Read more about 'Our approach to reporting' on page 62 of the Annual Review.

NN Group also publishes a Solvency and Financial Condition Report (SFCR), including public quantitative and qualitative disclosures on Solvency II. The SFCR is published on NN Group's corporate website in the Investors/Annual Report section.

2017 Annual Review

The Annual Review covers NN Group's operating environment, key trends and material issues, it describes how we create value, and provides information on our business performance, our strategy, our objectives, achievements and dilemmas related to the social, environmental and governance aspects of our business, and the statement of our CEO. It is targeted at NN Group stakeholders.

2017 Financial Report

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

Visit our website

Further information, including the GRI Index table, can be found online by visiting our corporate website: www.nn-group.com/annual-report

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Cover photo: Runners crossing the finish line during City-Pier-City run, The Hague
Photographer: Bart Hoogveld

We are a financial services company active in 18 countries, with a strong presence in a number of European countries and Japan. Our roots lie in the Netherlands, with a rich history that stretches back more than 170 years.

Life is about living. That is why we do our very best to help our customers achieve their dreams and overcome adversity along the way.

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

Because what matters to you, matters to us.
You matter

How we create and share value

This report aims to provide a balanced view of NN Group's purpose, values, strategy, business model, operating environment and performance

The relationship between these elements, and how we create long-term value for our stakeholders, is illustrated in this diagram. The elements form the structure of our business and this report. More detail on each element can be found throughout the reporting suite, along with our performance measures and targets.

Trends and developments

pages 17-23

Regulation

Key inputs

Premiums and deposits
- Around 17 million customers[1]
- EUR 12.1 billion gross premium income
- EUR 246 billion Assets under Management at NN IP
- EUR 227 billion total assets of NN Group

pages 65-66

Capital
- EUR 22.7 billion shareholders' equity
- EUR 6,219 million total debt
- EUR 15,412 million eligible own funds

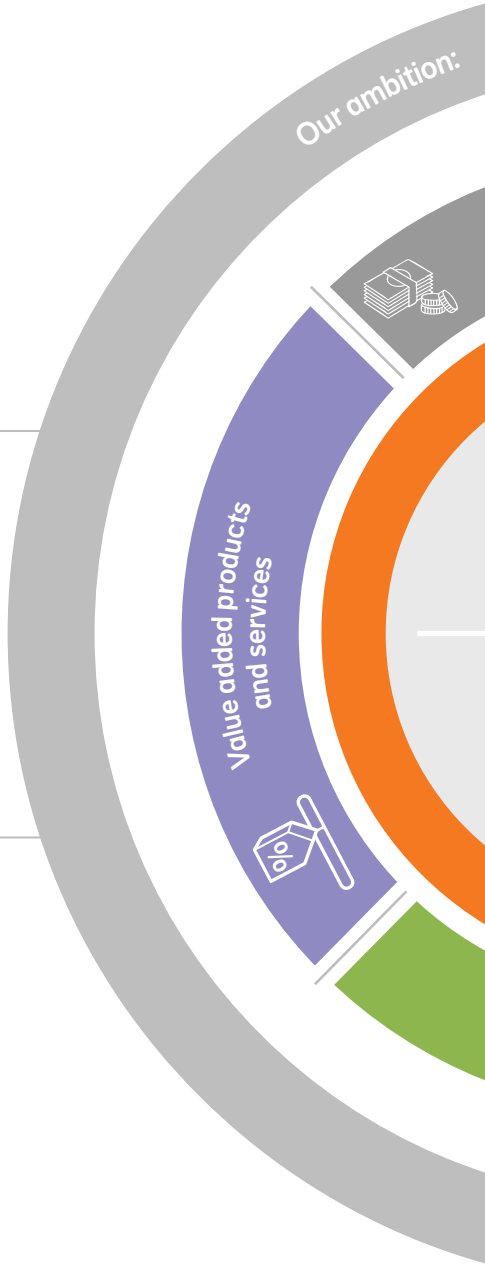
page 161 of the Financial Report (Note 51)

Talent and experience
- About 15,000 employees
- 11.8 average years of service

pages 45-47

Relations with stakeholders
- Multiple dialogues and memberships

pages 48, 56-57



Core skills that enable our strategy

pages 25-27

Multi-access distribution

Advanced underwriting and use of technology

1 Excluding Asset Management, ING Insurance and ABN AMRO Insurance.

Low interest rates

Digitalisation

To truly matter in the lives of our stakeholders

Our strategic objectives

Disciplined capital allocation

Our brand promise

Our values

Care

Clear

Commit

Our purpose

We help people secure their financial futures

pages 13-16

'You matter'

Innovate our business and industry

Agile and cost efficient operating model

pages 24-34

Partnerships and collaboration

Talented and empowered employees

Responsible business standards

Risk and capital management capabilities

Value created

pages 35-50

Customers

- 94% trust in our brand[2]
- Net promoter score +17
- EUR 15.8 billion claims and benefits paid

Investors

- 17.3% shareholder return over 2017
- EUR 524 million dividend paid in 2017
- Free cash flow to the holding of EUR 881 million in 2017[3]
- Capital allocated to value accretive Delta Lloyd acquisition

Employees

- EUR 21.4 million spent on training
- 32% women in senior positions
- EUR 1,496 million salaries and benefits paid
- 66% employee engagement

Society and community

- EUR 124 million income tax paid to governments
- EUR 1 billion paid to suppliers
- EUR 10.9 billion in SRI funds and mandates
- EUR 2.4 million in donations to charitable organisations
- 37,208 young people reached
- 100% carbon neutral (direct operations)

Contributing to the Sustainable Development Goals

pages 51-52

1 NO POVERTY
3 GOOD HEALTH AND WELL-BEING
8 DECENT WORK AND ECONOMIC GROWTH

8 DECENT WORK AND ECONOMIC GROWTH

4 QUALITY EDUCATION
8 DECENT WORK AND ECONOMIC GROWTH

1 NO POVERTY
3 GOOD HEALTH AND WELL-BEING
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

2 Non-life and Pensions in NL.

3 Including EUR 500 million capital injection into Delta Lloyd Life.

Our seven reporting segments

With around 15,000 employees, we aim to deliver high-quality retirement services, insurance, investments, and banking products to retail, SME, large corporate and institutional customers

Our business activities are structured within seven reporting segments.

1. Netherlands Life

Well positioned to capture opportunities in the changing Dutch pension market

Products and services

- Group life/pension products
- Individual life/pension products
- Pension administration (AZL)
- Premium Pension Institution (NN, BeFrank)
- Individual life closed block

Customers

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

Financial performance

Operating result	EUR 896 million
New sales life insurance (APE)	EUR 368 million
Total administrative expenses	EUR 513 million
Total provision for insurance & investment contracts	EUR 114 billion
– of which for risk policyholder	EUR 21 billion
NN Life Solvency II ratio[1]	217%
DL Life Solvency II ratio[1]	150%
Value of new business (VNB)	EUR 10 million

2. Netherlands Non-life

Leverage strong footprint and decisive action to improve performance

Products and services

Property & casualty

- Motor insurance
- Fire insurance
- Liability insurance
- Transport insurance

Disability & accident

- Individual disability insurance (Movir)
- Health insurance (OHRA Zorg)
- Group income insurance
- Accident insurance

Customers

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

Financial performance

Operating result	EUR 30 million
Gross premium income	EUR 2,579 million
Total administrative expenses[2]	EUR 398 million
Combined ratio[3,4]	102.0%
– of which Claims[3,4]	73.5%
– of which Expenses[4]	28.4%

3. Insurance Europe

Accelerate growth and generate value

Products and services

- Life insurance (all countries)
- Non-life insurance (Belgium, Spain, Poland)
- Pensions (Bulgaria, Czech Republic, Slovakia, Poland, Romania, Turkey)
- Health insurance (Greece, Hungary, Romania)
- Employee benefits (Spain)

Customers

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

Financial performance

Operating result	EUR 260 million
New sales life insurance (APE)	EUR 661 million
Value of new business (VNB)	EUR 141 million
Cost/income ratio	40.0%

4. Japan Life

Deliver strong profitable growth and diversify distribution

Products and services

- Corporate-owned life insurance (COLI)
- Protection life insurance

Customers

- Owners and employees of small- and medium-sized enterprises (SMEs), where the company is both the policyholder and the beneficiary of the policy

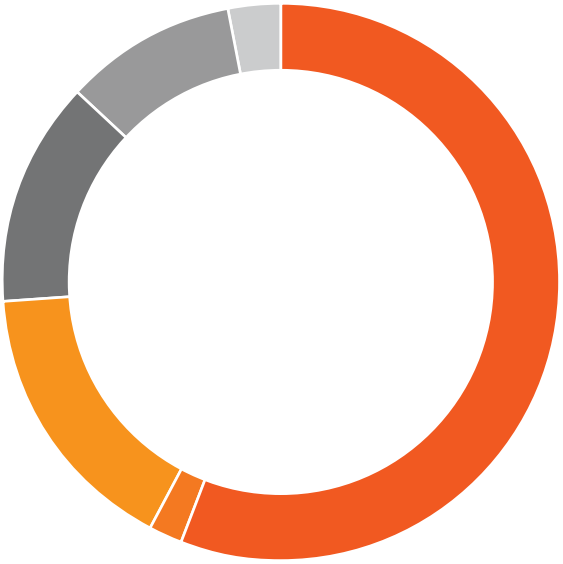
Financial performance

Operating result	EUR 200 million
New sales life insurance (APE)	EUR 762 million
Value of new business (VNB)	EUR 194 million
Cost/income ratio	23.1%

1 Not final until filed with the regulators; NN Life SII ratio based on the Partial Internal Model; Delta Lloyd Life SII ratio based on the standard formula.
2 Including health and broker business.
3 As of 2017 the calculation method excludes the discount rate unwind on D&A insurance liabilities.
4 Excluding health and broker business.
5 The 'Common Equity Tier I ratio phased in' is not final until filed with the regulators.
6 (Annualised) net operating result of the segment, divided by (average) adjusted allocated equity.
7 Expected run-off Japan Closed Block: measured from the end of 2017.

Our seven reporting segments Continued

NN Group operating result ongoing business before tax (excluding segment Japan Closed Block VA)
(% of total – FY2017)



56 % Netherlands Life
2 % Netherlands Non-life
16 % Insurance Europe
13 % Japan Life
10 % Asset Management
3 % Other

5. Asset Management

Increased focus on core investment capabilities

Products and services

Fixed income
Equity
Multi-asset
Fiduciary Management

Customers

Institutional investors
Wholesale distributors
Retail investors

Financial performance

Operating result	EUR 161 million
Assets under Management	EUR 246 billion
Net inflow AuM	EUR 0 billion
Net inflow 3rd party AuM	EUR 5.1 billion
Cost/income ratio	69.6%

6. Other

The segment 'Other' is part of the ongoing business

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

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

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

Financial performance

Operating result (segment 'Other')	EUR 40 million
Holding expenses	EUR -121 million
Operating result banking business	EUR 124 million
Total assets banking business	EUR 21 billion
NN Bank common equity Tier 1 ratio phased in[5]	15.2%
DL Bank common equity Tier 1 ratio phased in[5]	16.7%
Net operating ROE banking business[6]	15.0%
Operating result reinsurance business	EUR 43 million

7. Japan Closed Block VA

Run-off of the book driven by maturities

Japan Closed Block VA comprises NN Group's closed-block single premium variable annuity (SPVA) individual life insurance portfolio in Japan. These products were predominantly sold from 2001 to 2009. The total portfolio is reinsured by NN Re in the Netherlands.

The portfolio is actively managed and hedged on a market consistent basis and is expected to release capital as the block runs off. The exact timing and amount cannot be predicted as it is influenced by the results of the hedge programme.

Financial performance

Operating result	EUR 20 million
Account value	EUR 4,755 million
Net Amount at Risk	EUR 25 million
IFRS reserves	EUR 188 million
Number of policies	81,808

We expect 60% of the book to run-off by the end of 2019.[7]

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

- Netherlands Life, Netherlands Non-life and NN Bank are part of Netherlands
- Netherlands Life includes the results of Nationale-Nederlanden Life, Delta Lloyd Life, AZL, the life results of ABN AMRO Insurance and BeFrank
- Netherlands Non-life includes the results Nationale-Nederlanden Non-life, Delta Lloyd Non-life, the non-life results of ABN AMRO Insurance, Movir, OHRA, and the broker results related to health insurance products
- Insurance Europe, Japan Life, Japan Closed Block VA and NN Re are part of International Insurance
- NN Investment Partners and Delta Lloyd Asset Management are part of Asset Management

Our key figures

2017 was a memorable year with solid financial and non-financial performance

Financial highlights

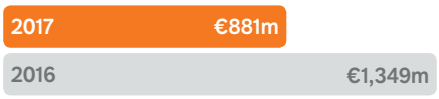
EUR 1,586m

Operating result ongoing business
(2016: EUR 1,227m)

How we performed
Full-year 2017 operating result of the ongoing business increased to EUR 1,586 million, up from EUR 1,227 million in 2016, mainly driven by improved results in most segments and the EUR 205 million contribution of the Delta Lloyd businesses.

EUR 881m

Free cash flow to the holding
(2016: EUR 1,349m)



How we performed
In 2017, our free cash flow to the holding was EUR 881 million, including a EUR 500 million capital injection into Delta Lloyd Life.

199%

Solvency II ratio
(2016: 241%)

How we performed
Our Solvency II ratio remained robust at 199%, in line with our disciplined approach to managing our capital. The decline from 241% at the end of 2016 reflects the acquisition of Delta Lloyd, partly offset by operating capital generation.

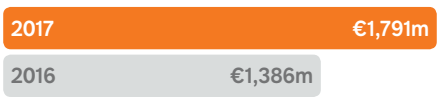
EUR 345m

Value of new business (VNB)
(2016: EUR 214m)

How we performed
VNB in 2017 amounted to EUR 345 million, up 60.7% from EUR 214 million in 2016. The increase reflects higher VNB at Japan Life mainly driven by higher sales, an improved product mix and an increase in interest rates, and higher VNB at Insurance Europe driven by higher sales at better margins.

EUR 1,791m

New sales life insurance (APE)
(2016: EUR 1,386m)



How we performed
In 2017, total new sales were EUR 1,791 million, up 33.9% compared to 2016 on a constant currency basis, driven by higher sales at Netherlands Life, Insurance Europe and Japan Life.

EUR 246bn

NN IP Assets under Management
(2016: EUR 195bn)

How we performed
Total Assets under Management were EUR 246 billion at the end of 2017, up from EUR 195 billion at the end of 2016, mainly driven by the acquisition of Delta Lloyd Asset Management.

Read more about how we performed financially in the chapter 'Attractive returns for investors' on pages 39-40, and in the chapter 'Facts and figures' on pages 63-65 of this Annual Review, and in our Financial Report.

Our key figures Continued

Non-financial highlights

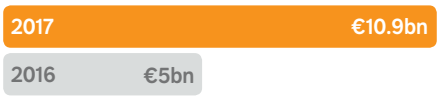
+17pts

Net Promoter Score
(2016: +2pts)

How we performed
In 2017, all of our insurance businesses maintained or improved their relational NPS scores compared with the previous year, with the exception of NN Life Hungary. Their NPS is still well above market average. We aim to increase our NPS scores every year.

EUR 10.9bn

Assets under Management in SRI funds and mandates (2016: EUR 5bn)



How we performed
Assets under Management in Socially Responsible Investment (SRI) funds and mandates increased by 114% compared to 2016. NN Investment Partners launched new SRI products that contributed to this growth. We aim to grow our Assets under Management and product offering in this area every year.

66%

Employee engagement
(2016: 71%)

How we performed
Overall employee engagement dropped compared with last year. This is mainly due to the integration of NN and Delta Lloyd in the Netherlands and Belgium. Our international business units showed an increase in engagement to 73%. We aim to increase our employee engagement going forward.

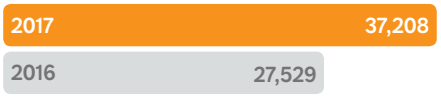
EUR 2.4m

Donations to charitable organisations
(2016: EUR 1.5m)

How we performed
In 2017, NN Future Matters and Delta Lloyd Foundation joined forces to increase our communities' financial wellbeing. Of our total charitable donations of EUR 2.4 million, 82% went to NN Future Matters focus areas.

37,208

Young people reached through NN Future Matters programme (2016: 27,529)



How we performed
Since the start of our NN Future Matters programme in 2015, we have reached out to nearly 74,000 youths in the many communities in which we operate. This brings us closer to our goal of positively impacting the futures of 100,000 young people by 2020.

Neutral

NN Group was CO_2 neutral
(2016: 100% neutral)

How we performed
CO_2 emissions of our direct environmental footprint showed an increase of 15.2% due to the integration of NN and Delta Lloyd. However, the CO_2 emissions per FTE decreased by 10.5%. We fully compensated our CO_2 emissions by the purchase of voluntary carbon units.

Read more about our non-financial objectives and how we performed in the chapter 'Creating and sharing value' on pages 35-50 of this Annual Review.
For additional non-financial indicators refer to the chapter 'Facts and figures' on pages 63-69 of this Annual Review.

CEO statement

2017 was a memorable year for NN Group

"Our company aims to be a positive force in people's lives, now and for generations to come."

2017 was a memorable year for NN Group. We succeeded in further strengthening our businesses, and solidified our position in the Netherlands and Belgium through the acquisition of Delta Lloyd.

Since our Initial Public Offering in 2014, we have focused on building an agile, diverse and financially solid company that matters in the lives of our stakeholders.

Integrating Delta Lloyd

Consolidation in the competitive Dutch market had been anticipated for years. The joining of forces by NN and Delta Lloyd in 2017 was a key step for us in preparing our company for the future. Both organisations have been deeply rooted in Dutch society for over 170 years and share many features and values. As a result of the integration we are well-positioned to capture opportunities the market presents, to create attractive products and services for our customers, and to establish a platform for innovation, knowledge sharing and talent development.

At our Capital Markets Day in November 2017 we outlined our strategy and updated targets for the combined company going forward. Our top priorities are to deliver on the Delta Lloyd transaction, extract synergies and capitalise on our combined strengths. However, we recognise that an integration process of this scale is impactful and does not only bring benefits. It also entails the loss of an appreciated brand, a change in functions, and positions becoming redundant. Last year, we saw a reduction of approximately 900 jobs in our Dutch and Belgian businesses. We are committed to go through this process with respect and care, and I extend my warmest thanks to all colleagues who over the years contributed to where the company is today.

CEO statement Continued

Solid financial performance

With the persistent low interest rate environment, various geopolitical and regulatory developments and circumstances caused by for example weather-related events, 2017 also was a tumultuous year. Still, we maintained commercial momentum and delivered on our cost saving targets, demonstrating the resilience of our businesses.

Our financial performance in 2017 remained robust and our capital allocation disciplined. Our full-year operating results of the ongoing businesses – reflecting a strong contribution of Delta Lloyd and an improved performance of our insurance operations in Europe and Japan – increased by 29.3% to EUR 1,586 million and our net result[1] increased by 77.5% to EUR 2,110 million. Our cash capital position and Solvency II ratio are solid, at EUR 1,434 million and 199% respectively, with our Solvency II ratio reflecting the deduction of the final 2017 dividend of EUR 1.04 per ordinary share that will be proposed at our Annual General Meeting of Shareholders on 31 May 2018. Combined with the interim dividend paid in September 2017, this brings the payout ratio to 45% of the 2017 full-year net operating result of the ongoing business.

Innovating our businesses

The fundamental need of people to protect themselves against life's uncertainties will continue to drive growth in the insurance industry over the long term. With technology and data transforming our competitive landscape, our customers' behaviour and our cost structures, it is crucial that we are prepared to adapt as circumstances evolve. By making our operations more efficient, innovating our existing business, and branching out or joining forces with fintech companies and other business partners, we invest in the business of tomorrow.

Let me share a few examples. Following the successful launch of our innovation lab, Sparklab in the Netherlands in 2016, another five labs went live in different markets in 2017. They introduced a number of value propositions, such as 'Gappie', an on-demand car insurance product for the Dutch market, or an application tailored to support people with diabetes in Hungary. In Slovakia a partnership was set up with Slovenska sporitelna, one of the leading banks, and NN Hayat ve Emeklilik in Turkey entered into astrategic partnership with Hesapkurdu.com, the country's leading online loan aggregator platform for mortgage and consumer loans.

NN also invested in RightIndem, which offers digital, customer-driven claims management solutions, and in Dopay, a company that simplifies payroll management and disbursement in developing countries.

Commitment to teamwork

In our industry, trust is essential and living up to our stakeholders' expectations is key. In order to deliver on our promises, our more than 15,000 colleagues need to feel engaged, appreciated and equipped, especially in times of change. We were pleased to be named top employer in Poland, Spain and Turkey in 2017, and know there is further room for improvement. Regrettably, our Yearly Engagement Survey showed a decrease in employee engagement from 71% to 66%. Given the uncertainty around the integration process in the Netherlands and Belgium, this outcome is understandable. As we progress on our journey, this will have our full attention.

In 2017, we continued to invest in positioning our brand across markets, and improving the customer experience. This resulted in customer satisfaction ratings going up for almost all our businesses. We also entered into new partnerships with different cultural, art and sports organisations. One of the highlights was the launch of the NN Running team, bringing together the best long-distance runners globally. And as of 2018, we will be the title sponsor of the NN North Sea Jazz festival, the largest international indoor music festival.

Being part of society

We want to be a respected company and a good corporate citizen, and we recognise that this comes with responsibilities. This means we strive to bring positive change, and we avoid or manage the negative impacts our business activities may have. As an asset manager, with investments across the economy, we provide capital for households, companies and governments to finance growth. In line with our values – care, clear, commit – we further strengthened our Responsible Investment Framework policy. In 2017, we published a Stewardship Policy and a guidance paper on the Environment. We believe our engaged shareholdership contributes to generating long-term value, and we make active use of our voting rights at companies' shareholder meetings. Our Assets under Management in SRI funds and mandates doubled to more than EUR 10 billion.

In support of our societal commitments and to promote transparency, we made progress in aligning our reporting with the recommendations of the Task Force on Climate-related Financial Disclosures and we indicate how we contribute to the Sustainable Development Goals.

We improved our performance in the Dutch Transparency Benchmark, and are proud to be included in the Dow Jones Sustainability Indices.

After the listing of our company in 2014, we launched our community investment programme, NN Future Matters. Its activities are focused on promoting financial empowerment, a topic that fits well with our mission and the expertise of our people. Having reached nearly 74,000 youngsters since 2015, we are well on track towards meeting our goal of supporting 100,000 young people by 2020.

2018 onwards

Our operating environment changes rapidly, but with our company's financial strength, solid balance sheet and diverse set of businesses, we are well-positioned to face challenges, capture growth and contribute to an economy that works for people, societies and the environment. We made good progress in 2017 and took important steps to facilitate future success. But, as always, work remains to be done. We are determined to further accelerate our pace of change in 2018, by combining our strengths, transitioning to agile ways of working and by fostering the entrepreneurial mindset that is starting to bloom.

All this cannot be done without our colleagues' day-to-day dedication to our company, our customers' trust and the ongoing support of our stakeholders – for which I, also on behalf of our Management Board, express my gratitude.

Lard Friese
Chief Executive Officer

1 After minority interests.

Delta Lloyd transaction and integration

The joining of forces of NN Group and Delta Lloyd in the Netherlands and Belgium is a key step in ensuring a sustainable and profitable business for the future

Both NN Group and Delta Lloyd have been rooted in Dutch society for over a century.

After the IPO in July 2014, NN Group developed into a solid standalone company, with a strong capital position, businesses that perform well, and with colleagues dedicated to serving our customers.

2016 marked the start of the implementation of the new Solvency II regime. In December 2015, we received approval from the Dutch regulator, the Dutch Central Bank (DNB), to use our Partial Internal Model under Solvency II for NN Group and our subsidiaries in the Netherlands. Following the new capital requirements, we continued to be a strongly capitalised company, with a year-end 2016 Solvency II ratio of 241%. This provided us with a solid foundation for growth, ready to take a next step.

Consolidation

We are committed to returning capital in excess of our capital ambition to shareholders, unless it can be used for appropriate corporate purposes, including investments in value-creating opportunities. We continuously perform strategic assessments of each of our businesses within the NN Group portfolio.

In recent years, structural changes have confronted the financial services industry. The Dutch insurance market in particular faces declining margins and a challenging market environment, involving low interest rates, expiring life insurance portfolios, the transition from defined benefit to defined contribution pension schemes, and a fragmented non-life market with premiums under pressure.

In this highly competitive market, size and diversification are required to be able to continue to provide value-adding offerings to our customers, at levels of return that are attractive to our shareholders.

Consolidation is seen as a solution to bring further stability to the market. Because of our strong financial position, NN Group had the opportunity to take a first step in this consolidation process in the Netherlands.

Joining forces

Together, NN Group and Delta Lloyd move forward as a leading player in insurance and pensions in the Dutch market, with a strong position in Belgium. The combined company also provides attractive propositions in asset management and banking products. With this acquisition, we are aiming to combine the best of two organisations into a company that is ready to take on the future. We share similar values and our mission to help people protect what matters most to them.

Integration process

For the integration of Delta Lloyd and NN in the Netherlands and Belgium, we formulated clear principles aimed at maximising synergies and execution certainty. A central Integration Management Office (IMO) steers, coordinates and aligns this process, working in close cooperation with dedicated integration teams in the business units and support functions. The NN operating model is the foundation for the combined company, while we aim to retain and integrate strong elements of the Delta Lloyd organisation, business and culture.

The integration plans incorporate the non-financial covenants as agreed between NN Group and Delta Lloyd.

We have set ambitious targets for the integration process. In 2018, we plan to rebrand all Delta Lloyd products to NN. As of 1 January 2018, the legal mergers of NN Bank and Delta Lloyd Bank, and NN Investment Partners and Delta Lloyd Asset Management were completed. A legal merger of NN and Delta Lloyd Insurance in Belgium is expected in the first half of 2018.

Also in 2018, the integration of the head offices will be realised. We will start negotiations with the trade unions for a new combined collective labour agreement (CLA), to be implemented as of 1 January 2019. NN Group will also seek DNB approval to extend the Partial Internal Model to include Delta Lloyd Life and Delta Lloyd Non-Life.

The legal mergers of NN and Delta Lloyd Life and Non-life are planned to take place during 2019. We will accelerate upgrading the combined organisation, and further reduce costs by rationalisation of products, back-end systems and IT infrastructure.

People integration

In the integration process, the NN brand promise 'You matter' and our values: care, clear, commit, are leading.

Read more in the 'Our culture' chapter of this Annual Review, pages 13-16.

Delta Lloyd transaction and integration Continued

Senior leadership appointments

To support and lead our people during the integration and beyond, a strong and collaborative leadership group needed to be appointed. After the settlement of the offer (12 April 2017), announcing the senior management of the combined company was a top priority. To do this respectfully and with due care, the guiding principle for the senior management selection process was the 'best person for the job' concept, based on a non-discriminatory, fair and business-oriented set of criteria.

Approximately 250 senior leaders from both companies went through an intensive selection process that encompassed individual meetings with HR representatives from Delta Lloyd and NN Group, as well as management assessments by an external specialised recruitment agency, and personal meetings with members of the NN Group Management Board. This led to 125 appointments by mid-July 2017.

We are committed to respecting the talents and strengths of people in both organisations. However, the integration of the companies will, unfortunately, lead to certain positions becoming redundant. In 2017 about 900 internal and external employees (measured in FTE) left the combined company.

Reorganisation framework

The next step was to agree on a reorganisation framework with the trade unions in the Netherlands. This framework, as agreed on in September 2017, sets out clear definitions and procedures that apply to all reorganisations that are part of the integration process. Plans are submitted between 1 September 2017 and 1 January 2019. Subsequently, a new job framework for the combined company was introduced.

Overarching job framework

This redesigned job framework contributes to a fair integration process, and ensures that employees from both companies start with equal opportunities when the Requests for Advice (RfAs) for the integration of their department or unit are submitted to the company's works councils. The framework includes 52 'job families', with each family consisting of three to six levels. Each level provides clear descriptions of what is expected from an employee in his or her job. In close collaboration with NN Group's HR department, the businesses and the trade unions, a specialised external consultant supported the developments of the framework based on their methodology.

The overarching job framework makes job placement in the new organisation easier and more transparent, accelerates the integration process and provided NN with the opportunity to simplify and modernise job structures. The first RfAs focused on integrating teams in the combined company were submitted to the Works Councils of NN Group and Delta Lloyd in October 2017, and approved in November and December 2017. It is anticipated that the integration process for all teams will be finalised in 2020, based on a phased approach.

This integration process is guided by an open and constructive dialogue with the works councils of NN Group and Delta Lloyd, the trade unions, and regulators such as the DNB, the Dutch Authority for the Financial Markets (AFM), and the National Bank of Belgium (NBB).

Measurement

To successfully integrate companies, employees need to be well-informed and engaged regarding the shared future. Every two months, a survey is conducted to collect feedback on the integration process. It measures if people feel ready, willing and able to embrace the changes involved in forming a combined company. The results show how and where we are making progress, and guide us in determining necessary adjustments.

88%

of senior leaders are strongly supportive of the combined company

60%

of colleagues recognise that the combining of the companies is necessary to ensure our future success

Results third Hello You survey, October 2017.

Rebranding

The combined company will continue under the NN Group brand architecture: a strong brand that is clearly identifiable in the market. The Delta Lloyd brand will be phased out gradually as of 2018.

In the Netherlands, all businesses will be NN-branded by 1 July 2018. The current Delta Lloyd brands Ohra and BeFrank will remain. The main aim in the Belgian market is to restore aided brand awareness levels for the NN brand (25%) to the Delta Lloyd level (75%). By year-end 2018, most products and services will be rebranded. For NN IP, selected fund ranges will be renamed in the second half of 2018, with a focus on client communications.

To deliver the brand transformation programme and manage the rebranding, a branding workstream has been set up within the Integration Management Office. Its main goals are to build awareness and understanding of the NN brand among Delta Lloyd stakeholders, to meet synergy objectives and to measure the progress of the Delta Lloyd brand transformation.

Delta Lloyd transaction and integration Continued

Our companies' stories began in the early 19th century

1807 Hollandsche Sociëteit van Levensverzekeringen founded

1845 De Nederlanden van 1845 founded

1853 Nederlandsche Lloyd (Nedlloyd) founded

1863 Nationale Levensverzekering-Bank founded

1892 Amsterdamsche Maatschappij van Levensverzekering (Amstleven) founded

1963 Merger of De Nederlanden van 1845 with Nationale Levensverzekering-Bank into Nationale-Nederlanden. Company listed on the Amsterdam Stock Exchange

1967 Merger of Hollandsche Sociëteit van Levensverzekeringen with Amstleven into Delta Verzekeringsgroep

1969 Merger of Delta Verzekeringsgroep with Nedlloyd into Delta Lloyd. Company listed on the Amsterdam Stock Exchange

1973 Delta Lloyd acquired by Commercial Union (now Aviva), Delta Lloyd delisted

1991 Nationale-Nederlanden merged with NMB Postbank Groep, which established ING Group, Nationale-Nederlanden delisted

2009 Start divestment ING Insurance business from ING Group

Delta Lloyd listed again on the Amsterdam Stock Exchange

2014 NN Group listed again on the Amsterdam Stock Exchange

2016 Announcement of intended offer to Delta Lloyd

NN Group and Delta Lloyd agree on recommended transaction

2017 Start of the joint future

- **February** Launch of tender offer for Delta Lloyd shares
- **April** Approval from all regulators; Offer for Delta Lloyd declared unconditional

  Start of integration process
- **June/July** Legal merger effective; Delta Lloyd delisted

  Management teams of all business units and support functions appointed
- **August** Consolidated results for combined entity

Our culture

Our values: care, clear, commit, serve as a compass for decision-making and guide us in our everyday work

Care

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

Clear

We communicate proactively and honestly, while being accessible and open

Commit

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

Over the next few pages, we describe how our values are implemented across our businesses, in particular in the integration process of NN Group and Delta Lloyd in the Netherlands and Belgium, and how they support us in creating long-term value for our company and our stakeholders.

Our values are the foundation of our culture and provide the basis for our company-wide policy framework. Our values are reflected in our policies, standards and processes that guide our colleagues in their interactions with each other, with customers and with other stakeholders. Especially in times of change, the values support an open and honest dialogue and provide a strong basis for a healthy company culture.

Living our Values programme

The 'Living our Values' programme raises awareness, involves our employees and enables them to integrate the values into their work. Our senior managers are expected to act as role models in living our values, which is also reflected in our company's leadership profile. The key elements of our NN Leadership profile are: demonstrating integrity, customer focus, and creating a culture of clear direction and open feedback.

The monitoring instruments that measure employee and consumer perceptions about our company include questions on how NN is living our values. Through their scores, our businesses are able to generate insight into their values-related behaviour.

Values week

The 'Living our Values' programme encourages our colleagues to actively engage with the values. The annual NN Values week provides an opportunity to reflect on our values, to talk with colleagues about the values, and address dilemmas people may face in their day-to-day work. In October 2017, all our businesses organised one or more internal values-related activities during NN Values week.

In Belgium and Bulgaria, care, clear, commit days were organised. Greece, Poland and Turkey hosted townhalls and discussion sessions on the values with senior leaders. Donation activities played a central role in Bulgaria, Greece and Slovakia, ranging from society-focused activities to blood donations. In Romania, dilemmas towards (prospective) customers, colleagues, third parties and society were posted with polls on the intranet. In Spain, colleagues attended care, clear, commit training courses. NN Czech Republic organised a Fit Day. Japan will organise values-related activities in April 2018, coinciding with their Sales Awards event.

Values week in the Netherlands

In the Netherlands, 47 different workshops were organised for Values week at all Delta Lloyd and NN locations. 336 employees participated in one or more sessions on topics such as mental health, family caregiving and climate change.

The Netherlands' Values week survey found that 74% of participants thought Values week provided a good opportunity to reflect on our values, compared to 67% in 2016. 95% of all participants would encourage a colleague to join the next Values week, compared to 98% in 2016.

Our culture Continued

NN Code of Conduct

While our values provide us with a compass for decision-making, our NN Code of Conduct gives us more detailed guidelines for specific behaviour. It contains a general Code for all employees, and a Manager Annex describing specific management responsibilities in raising awareness and upholding standards.

The NN Code of Conduct brings together all relevant, conduct-related standards into a small set of comprehensible documents. It outlines our standards with regard to issues such as conflicts of interest, fraud, corruption and Financial Economic Crime (FEC).

The renewed NN Code of Conduct came into effect on 1 September 2016. To provide clarity on what is and what is not acceptable behaviour, a series of workshops on the NN Code of Conduct were held in 2016 and continued throughout 2017 for all employees. The workshops evolved around a dialogue on what it means to apply both our values and our NN Code of Conduct in our day-to-day activities.

To further empower employees to ask questions, Code & Values Desks were set up in all our business units and at group level. In the second half of 2017, the business units confirmed that the Code & Values Desks were in place and that further awareness, if necessary, will be created in 2018.

Written acknowledgement of the NN Code of Conduct has already been mandatory in several businesses for a number of years, and became mandatory for NN Group as a whole in the first half of 2017. In May 2017, NN started an annual process for acknowledgement of the Code of Conduct by every employee via the HR system Workday. In October 2017, NN reached an acknowledgement score of almost 100% for internal NN staff. We have started the acknowledgement for external staff and will further implement this over 2018.

Raising concerns

The NN Group Whistleblower Policy enables every employee to report, also anonymously, a concern outside the normal reporting channels. NN Group guarantees several rights, including protection from retaliation, for an employee who reports a concern in good faith, who provides information, who causes information to be provided, or who otherwise assists in an investigation. The main outlines of the Whistleblower policy are explained in our Code of Conduct. Training materials regarding this subject have been developed and made available for all business units.

Organisational implementation

Our values are an integral part of our Human Resources policies. Compliance with our values is part of our performance management and reward system.

To ensure we hire employees who fit well within our organisation, we have made the values an integral part of our employee value proposition. A personality/culture matching tool has been part of the recruitment website since 2016. With this self-assessment tool, candidates can assess to what extent their personality and values match the culture and values of NN. For our NN traineeship programme, we look for traits in candidates that correspond with our values. We use a special tool called TalentPitch to select this group of employees.

For all new employees, we have an onboarding programme that explains the NN values and the expectation that employees uphold them. In the Netherlands, new employees are also required to take the Oath for Financial Institutions, which is fully integrated in the 'NN statement of Living our Values'.

The importance of role models

The NN Group Management Board, our senior leadership and line managers play a crucial role in setting the example of how to live our values.

As part of our Yearly Engagement Survey (YES), we ask colleagues if their managers consistently act as role models when it comes to living our values, and if they feel encouraged to act with integrity. As demonstrated in the chart below, there was a slight decrease compared to 2016, mainly caused by the fact that business units are in the process of reorganisation.

In the annual performance evaluation and appraisal of our senior leaders, 50% is based on the extent to which they demonstrate behaviour in line with our leadership profile.

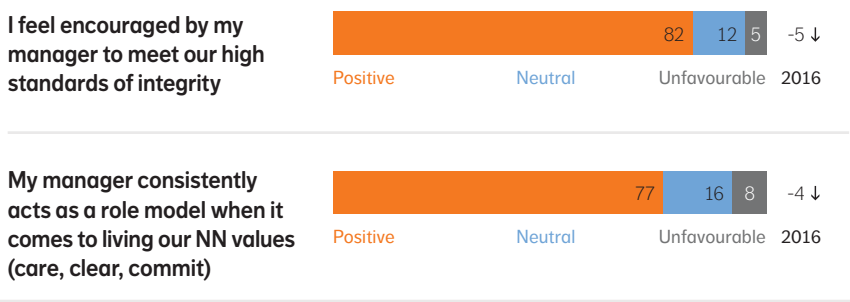
The Management Board members play an active role in the 'Living our Values' programme. As in 2016, the Management Board Members hosted breakfast, lunch and coffee meetings during NN Values week, where colleagues could meet with them in an informal, personal setting for an open conversation.

There is continuous formal and informal dialogue between the works councils and the management representatives for these works councils on conduct and culture in the company.

77%

of employees feel their manager consistently acts a a role model when it comes to living our NN values (care, clear, commit)

Yes results 2017: questions on role models



Our culture Continued

Promoting a culture of long-term value creation

On 7 September 2017, the revised Dutch Corporate Governance Code as published in December 2016 (the Code) was embedded in Dutch law. The application of the Code by NN Group during the financial year 2017 is described in the publication 'Application of the Dutch Corporate Governance Code' by NN Group, dated March 2017, which is available on the website of NN Group (see pages 18-27 of the 2017 Financial Report). An important element of the Code is long-term value creation. The consequences of decisions and actions for the company's long-term value creation, and their impact on stakeholders, should be given a prominent role in decision-making processes. For NN, this approach is strongly embedded in the 'NN statement of Living our Values', which emphasises the importance of doing business with the future in mind. It articulates that we 'value long-term objectives over short-term gains' and 'carefully balance the interests of our stakeholders'.

According to the Code, creating long-term value also means companies are expected to take responsibility for the environment within which the enterprise operates and upon which it has an impact. For NN Group, this responsibility is an integrated part of our values, our Corporate Citizenship statements, policies and programmes. In 2017, we took a number of steps to ensure long-term value creation for our stakeholders is better reflected in our value-creation model, our refined strategy framework (pages 2-3) and our non-financial KPIs (pages 65-69). In addition, in 2017, the Management Board and Supervisory Board discussed and approved the 'NN Group Human Rights Statement' and the 'NN Group Environmental Statement', which explain how our business impacts these themes.

Another element of long-term value creation is the management's awareness and anticipation of new developments in technology and changes in business models. By making innovation part of our strategic priorities, these issues are constantly and thoroughly addressed.

Read more about our strategic priorities on page 24 of this Annual Review.

The charters of the Executive Board, Management Board and Supervisory Board have been revised, amongst others to ensure the focus on long-term value creation, and to ensure that the stakeholder interests that are relevant in this context are taken into account. Future value creation is also part of the strategic planning cycle, target setting and performance management of our leadership.

Embedding conduct and culture in our Control Framework

Conduct and culture are embedded in the design of our Effective Control Framework (ECF) with the purpose of managing risks related to improper employee conduct and/or the lack of a suitable risk culture. Management is in the process of implementing controls that enable them to periodically assess and report on the degree to which our employees live our values, the level of awareness on conduct-related policies and standards, the degree to which related processes are adhered to, and our risk culture.

Values as part of the Delta Lloyd integration

The Delta Lloyd core values and the NN values have a lot in common, focusing on honesty, clarity and integrity. From the start of the integration, it was determined that the culture of NN Group, based on the three NN values, would serve as the blueprint for the culture of the combined company in the Netherlands and Belgium. Therefore, the NN values were introduced as a fundamental part of the integration process. This means they serve as a guide throughout the different stages of the integration, from employee communications to Human Resources processes, such as personnel selection. A multidisciplinary NN/Delta Lloyd workstream was set up to provide advice and guidance on all aspects of the integration of Delta Lloyd from a values perspective.

Monitoring performance

Each year, the Management Board assesses the effectiveness of the implementation of our 'Living our Values' programme and discusses points for improvement. This evaluation is also discussed with the Supervisory Board. We established a number of monitoring instruments to assess how well our values are embedded in our corporate culture. The perception of customers and the general public on how we are living our values is measured through the Global Brand Health Monitor (GBHM). Our employee perception is measured through YES. If there is a decrease or stagnation in performance, this is reported to and discussed with the business units so they can take appropriate action.

Through YES, our employees can express their opinions on different topics, including the extent to which we are living our values and acting with integrity. The 2017 YES showed 85% employee engagement with our brand and values, a decrease of 1% compared to 2016, which is considered to be insignificant.

85%

employee engagement with our brand and values

90%

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

Global Brand Health Monitor – Country performance Greece	Q4-2017	Q4-2016
Aided brand awareness	65%	49%
Brand trust (customers)	69%	60%
Brand preference (life)	13%	10%
You matter company (customers)	73%	69%
NPS	+37	+21

Our culture Continued

As a first step to raise awareness of the NN values, all Delta Lloyd employees in the Netherlands and Belgium received several emails and video messages from NN Group CEO Lard Friese and Netherlands CEO David Knibbe, informing them about the NN values and the importance of common values for the new combined company.

In addition, we again used the 'NN Values challenge' in the Netherlands and Belgium. This game helps employees to apply our values in different work-related situations and stimulates discussion around the values.

In Belgium, 386 NN and Delta Lloyd employees participated in special Strategy and Values dialogue sessions, including interactive modules on our three values: care, clear, commit.

Measuring our progress

To monitor how well the NN values are used in the integration process, questions on the values were included in the Hello You survey. This survey monitors whether employees are ready, willing and able to embrace the combined company. The awareness of the NN values, what they mean in our everyday work, and how business leaders act on the values during the integration were measured. The results of the third survey in October, compared to the second survey in July (the first time the questions on values were included), showed that awareness of the NN values amongst Delta Lloyd colleagues improved from 71% to 77%. Recognition of NN values in Delta Lloyd was around 75% in the Netherlands and 90% in Belgium in October 2017.

This was only five months after the NN values had been introduced. This improvement was also reflected in the results of the question on knowing what the values mean for the everyday job. These improvements indicate the success of including the NN values in all corporate messaging from the start of the transaction and integration process, and initiatives such as the Values challenge.

The response to the question on how management is living the values during the integration process showed a less favourable trend. Although the percentage of employees who are positive remains stable at 54%, the amount of neutral answers remains high at 33%, indicating employees have not yet made up their mind. The percentage of employees who disagree did not change significantly, and is at 13%. The IMO has addressed this outcome with the relevant business units.

Code of Conduct and integration

Besides dilemma workshops for NN employees, a new training programme was developed for all Delta Lloyd employees. As of the fourth quarter of 2017, NN Group Compliance started training all Delta Lloyd managers on the Code of Conduct via face-to-face workshops supported by a Code of Conduct toolbox. After attending these workshops, management trains the Delta Lloyd employees by organising similar face-to-face workshops. The workshops for Delta Lloyd employees were held in the fourth quarter of 2017 and the first quarter of 2018. As of May 2018, all Delta Lloyd employees will be asked to acknowledge the Code of Conduct.

Going forward

Overall employee engagement with our brand and values remains high – at 85%. However, we will continue our 'Living our Values' programme, based on the concept of a global theme and a framework for local initiatives. We will continue to promote and monitor values awareness as part of the integration process. Furthermore, we will keep investing in the role model behaviour of managers, as we believe this is a key component of success in the long term.

77%

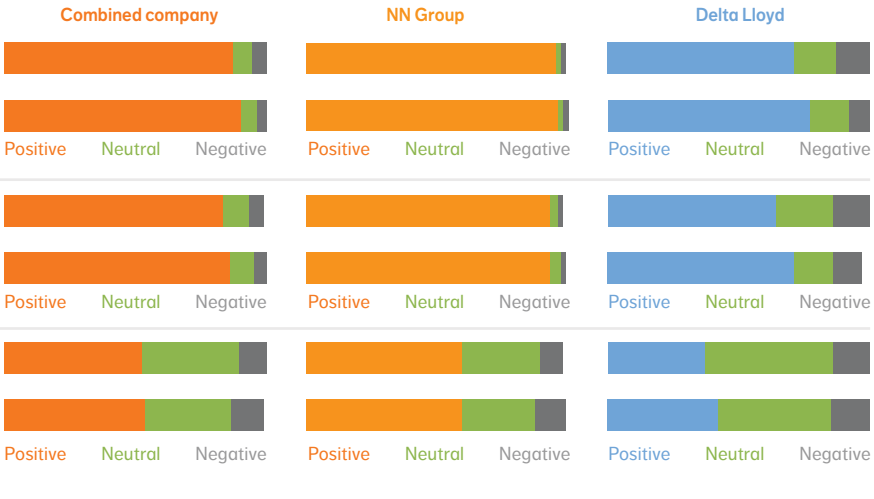
favourable employee perception on openly discussing consistency of actions with values

82%

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

Measuring our progress

Values questions



Trends and developments

Several external factors impact the environment in which the financial services industry operates

Despite a persistent low interest rate environment, global economic conditions developed positively, also in the countries in which NN Group is active. At the same time, regulatory, demographic and climate change require the sector to continue to adapt.

Rapid progress in digitalisation and changing customer behaviour continue to transform the competitive landscape. Regulation and measures from industry regulators have influenced the offering of products and services.

Combined, these factors imply that the financial services sector as a whole, as well as individual companies, needs to formulate efficient and responsible answers to challenges, in alignment with the interests of customers and other stakeholders.

Economic and demographic changes and outlook

The positive development in global economic conditions that began in the second half of 2016 gained further momentum in 2017.

The global economy is stronger than it has been over the past decade. In advanced economies, growth momentum was broad-based, with stronger activity in the United States, Europe and Japan.

Growth in Europe, with the exception of the United Kingdom (due to Brexit), reflects continued strength in domestic demand, which was supported by monetary conditions and diminished political risk and policy uncertainty, as well as an increase in exports.

Economic growth in the Netherlands was higher in 2017 compared to other mature European countries, and is expected to remain solid in the coming years. In emerging and developing Europe (including Turkey), short-term growth was significantly above EU average growth, and growth prospects continue to be favourable for 2018. In Japan, growth was supported by accommodative fiscal and monetary policies, and by the strengthening of global demand.

In the short term, global growth forecasts are relatively balanced, with strong consumer and business confidence, including in the euro area. A disadvantage is that substantial policy uncertainty remains, reflecting, for example, difficult-to-predict developments in US regulatory and fiscal policies, the potential adoption of trade restrictions, the Brexit negotiations and geopolitical risks.

The outlook for the medium term is more subdued as demographic factors may negatively impact future growth. With fertility rates decreasing and populations ageing, the working-age population is projected to decline in the coming years, which will put pressure on pension and health care systems.

Low interest rates and financial market stability

Market sentiment remained strong and volatility continued to be low in 2017. On the monetary policy front, the US Federal Reserve raised short-term interest rates in March, June and December. In most other advanced economies, the monetary policy stance remained broadly unchanged, with the exception of the European Central Bank's (ECB) announcement that it will halve the pace of its bond-buying asset purchase programme, starting in January 2018.

In 2017, long-term sovereign bond yields stayed broadly stable in Germany, the Netherlands and Japan, and declined by 20–30 basis points in other EU countries, as spreads relative to German yields reduced sharply after the French presidential election. Prices in equity markets have continued to increase due to strong company earnings, high consumer and business confidence, and strong macroeconomic data. As the search for yield intensifies, however, vulnerabilities and market risks increase.

Asset valuations are becoming stretched in some markets, as investors accept higher credit and liquidity risk.

Trends and developments Continued

Regulation

In 2017, consultations started to review part of the Solvency II regime. After many years of careful designing and planning for its implementation, it is important that customers, companies, regulators and investors have time to become familiarised with how the framework functions. It is important to provide for stable regulation and a level playing field in Europe. In early 2017, the new IFRS17 standard was published for the valuation of insurance liabilities, which is expected to be implemented in 2021. Together with the already published IFRS9 standard for asset valuation, accounting standards are now increasingly based on market value approaches.

In 2017, legislation was proposed by the Dutch Government with regard to recovery and resolution planning for insurance companies in the Netherlands. This legislative process is likely to be finalised in 2018. Also at a European level, the topic of recovery and resolution of insurance companies is given attention. Consumer-related legislation, such as the EU Insurance Distribution Directive (IDD), will help insurance firms further improve the quality and transparency of information provided to consumers. Also important is the EU General Data Protection Regulation (GDPR) that will become applicable on 25 May 2018. The GDPR will have a significant impact, as it will provide for a truly unified, high and consistent level of protection of personal data within the European Union (a.o.) introducing new rights for natural persons and obligations for organisations that process personal data. Data protection refers to the protection of personal data of individuals and is derived from the right to Privacy. Both the right to privacy and data protection are fundamental human rights. As a large financial services company, NN processes large numbers of (sensitive) personal data of our customers and employees. This places an extra responsibility on us to do our best to properly and in a timely manner comply with the GDPR.

Competitive landscape

Digital innovations will continue to drive change across the financial services value chain, particularly in the property and casualty (P&C) market and asset management industry. This affects product development and underwriting, back-office operations and online distribution. Social, mobile, analytics and cloud technologies will become utility assets as insurers focus on smarter technologies, such as artificial intelligence, blockchain and the Internet of Things. Digitalisation also brings opportunities for financial services companies to broaden and deepen product offerings and increase partnerships with insurtech startups. The use of (big) data for analysing client propositions offers opportunities to strengthen interaction with customers and create more intuitive partnerships, as well as create better and tailor-made product solutions. Insurers and asset managers are aware this requires ensuring a proper balance between individual choices, privacy and solidarity.

Changing pension systems

Low interest rates, digitalisation and the move to passive investment solutions continue to put pressure on the asset management industry. The outlook for life insurance and pension products differs across countries. On a global scale, life insurers have managed to restore profits allowing them to retain earnings, raise capital buffers, and adapt their business models in response to the low-yield environment. Also, insurers have been adjusting their asset mix to higher-yielding and less liquid assets. In the Netherlands, the market for (individual) life and pension products is challenging. The new Dutch government announced initial ambitions to reform the second pillar of the pension system. The Central and Eastern European (CEE) region maintains significant potential for future growth, and witnessed rising demand for life insurance products and continued growth of the insurance sector in the region.

Uncertain geopolitical developments

In the refinement of business strategies, financial services companies should take due account of other developments, such as ambiguity around geopolitical developments, which potentially lead to uncertainties in the economy and markets. The increased frequency and severity of major weather events mean that climate change has enlarged the risks and costs of insurance. Cyber risks to business and governments are growing, as events in 2017 demonstrated, with a sizable increase in the impact and sophistication of financially motivated cyber-attacks on financial institutions. A greater reliance on technology, combined with the interconnectedness of the global financial system, means that many participants in the system could potentially be at risk.

Being prepared to drive change

From this general assessment we can conclude that the environment in which financial services companies operate is prone to continuous change. Companies must be agile and well prepared to deal with and take advantage of the opportunities these changes bring.

Understanding and addressing our material topics

To earn trust and support, we maintain an open and continuous dialogue with our stakeholders

NN considers employees, customers, shareholders, business partners and society at large (including regulators and societal organisations) to be important stakeholders. We seek their feedback on different topics in order to learn what topics they consider important.

Identifying the most relevant developments and topics within our sector, and the potential impact they have on our company, is an ongoing process, relevant also to our annual reporting efforts. The Global Reporting Initiative's (GRI) Sustainability Standards define material aspects as those that may reasonably be considered important for influencing the decisions of stakeholders, or reflecting the organisation's economic, environmental and social impacts.

As in every year, we checked the list of trends and topics through an analysis of recent laws and regulations, external research, reporting guidelines, benchmarks and peer reports. Instead of an extensive survey amongst internal and external stakeholders, we took a different approach in 2017.

As a result of the acquisition of Delta Lloyd, the first step in our process was the integration of the 2016 materiality matrices of NN Group and Delta Lloyd. As most topics in the matrices were similar, some topics were integrated. For example, talent attraction and retention and training and development were merged into human capital development. The scores of the topics were merged based on the number of employees per organisation.

In line with the GRI Standards, the x-axis of the matrix was adjusted from 'Relevance to NN' to 'NN's impact on the topic'. This resulted in trends, such as demographic change and low interest rates, ending up in the left quartiles of the matrix. Although our impact on these trends is limited, they are truly relevant to our business and therefore described on pages 17-18 of this Annual Review.

To validate the outcome of this exercise, we organised a dialogue session with a group of 20 internal and external stakeholders. The latter included investors, regulators, NGOs and experts in the area of sustainability.

Internally, we invited representatives from different business units and relevant staff functions. During the session, all topics were discussed and rated on a scale of one to five. The process was supported by an external specialised agency to ensure it was balanced and independent.

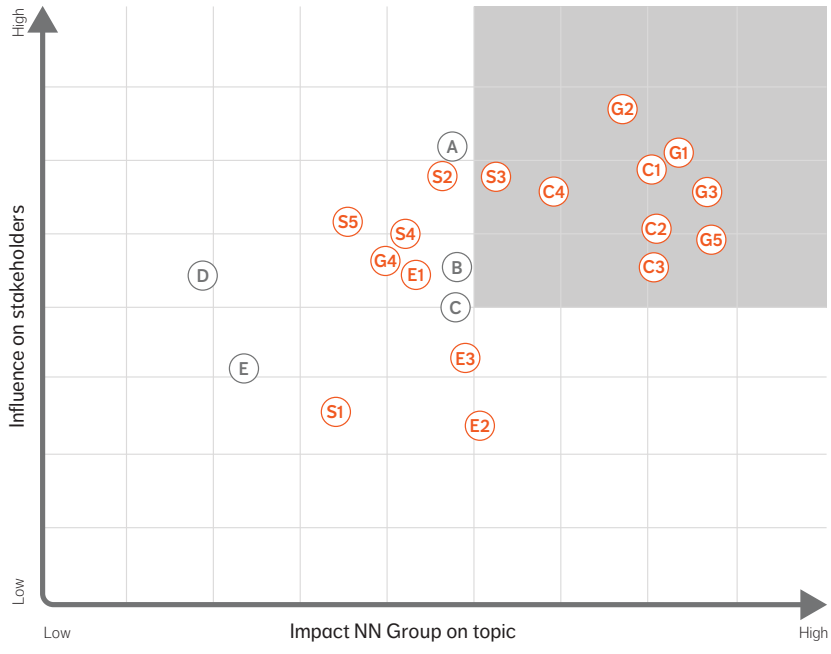
The materiality matrix was discussed with NN Group's Management Board, and validated by the Supervisory Board. The outcome is reflected in the chart below.

The most material topics, indicated in the upper right quarter of the matrix, and NN Group's response to them are described in the next chapter of this Annual Review. Although climate change is placed outside the upper right quarter, we address climate change risks and opportunities in this chapter, and in our response to the recommendations of the Taskforce Climate-related Financial Disclosures (on pages 58-61).

Read more about the trends that are relevant to our business on pages 17-18.

Read more about the most material topics and our response to them on pages 20-23.

Topics recognised as most material by our stakeholders



Customers

- C1 Customer centricity
- C2 Innovation
- C3 New technologies, digital transformation and big data
- C4 Data privacy and security

Good governance

- G1 Transparency
- G2 Business Ethics & Compliance
- G3 Risk management
- G4 Responsible tax practices
- G5 Financial performance

Employees

- E1 Diversity and inclusion
- E2 Employee engagement
- E3 Human capital development

Society and environment

- S1 Financial and economic empowerment
- S2 Sustainable products and services
- S3 Responsible investment
- S4 Human Rights
- S5 Climate change

Macro-economic trends and developments

- A Low interest rates and stability of financial markets
- B Regulations
- C Pension system
- D Demographic change
- E Geopolitical developments

Understanding and addressing our material topics Continued

A number of topics, resulting from the materiality assessment and our own analysis, impact the financial services industry and our company

Material topics

Customers

C1 C2 Customer centricity and innovation

The fundamental need of people to protect themselves against life's uncertainties will continue to drive growth in the insurance industry over the long term. But we are living in a new world: people are increasingly independent. They expect, and are used to, financial services companies delivering 24/7, no threshold access, through any means or device. A company's business model and the way it offers products and services must support this.

Innovation and digitalisation contribute to the further optimisation of product development and distribution capabilities. At the same time, they change the competitive landscape in our industry with new, non-traditional entrants. The result is an intensified focus on customers' needs, and a need for new and improved ways to service them.

Opportunities and risks

Customers are willing to consider products and services that offer something different from traditional savings and pension models. They do, however, continue to demand transparency and prudent management of their investments.

Companies need to decide where they want to invest in order to engage with their customers and build an ecosystem that facilitates customer contact. By doing this correctly and efficiently, a real competitive advantage can be obtained. Continuous feedback and interaction with customers is needed to design easy-to-understand products that anticipate their future needs, and that are priced at customers' expectations. Drivers for customer satisfaction are not only price and service, but also contributing to a more sustainable society and the quality of interaction moments.

Our response

We want to be the intuitive partner for our customers when it comes to planning their financial futures. This can take many forms, including digitalisation, developing new products to anticipate changing customer demands and finding new ways to distribute our products.

Innovation takes place within the business units, by improving our existing offering, process and services to create a digital, personal and relevant customer experience.

For example, in the Netherlands, we have defined 'Next Best Actions'. These are relevant and personal propositions that we offer during our contact with our customers. We use a self-learning engine to determine the most suitable recommendations, resulting in higher customer satisfaction and improved cross-sell ratios.

Cultivating the right innovation mindset is key to ensuring that we have the necessary agility to deliver truly customer-oriented solutions and shorten the time to market. Our six international innovation labs – Sparklabs – provide an out-of-office environment to foster innovative ideas and infuse innovative thinking into our company. In 2017, we had more than 120 experiments (sparks) in our innovation pipeline. When new start-up products or services become successful, we may integrate them into our regular businesses.

We also believe that innovating our customer experience is supported by connecting with relevant partners. An example is our strategic partnership with Hesapkurdu.com, the leading online loan aggregator for mortgages and consumer loans in Turkey. This partnership provides for the exclusive distribution of NN Hayat ve Emeklilik's life and pension products for a period of 15 years.

Since March 2017, we have been a key partner in the Dutch Blockchain Coalition, a public-private consortium aimed at applying blockchain technology in Dutch society.

Read more about our innovation efforts to create the customer experience of tomorrow on pages 35-38 of this Annual Review.

Understanding and addressing our material topics Continued

Material topics

Customers Continued

C3 C4 New technology and data privacy

New technologies continue to impact the digitalisation of society, which is fundamentally changing the behaviours, needs and requirements of customers. The increased availability and sharing of data enables companies to improve the way they develop and offer tailor-made and personalised products and services. The expectation is that a variety of breakthrough technologies are set to spur a fundamental transformation of the financial services industry, such as blockchain, cloud computing, the Internet of Things, telematics, drones and artificial intelligence. With this comes increased risk and exposure to cyber crime activities and unwanted privacy breaches.

Opportunities and risks

Financial services companies are investing in new digital platforms to facilitate connectivity and benefit from these new technologies. At the same time, they possess large amounts of payment data or personal information about their customers. Therefore security awareness and data protection are vitally important.

Attacks on financial services companies can have a major impact, such as claims and lawsuits, but also a loss of trust, driven by customers' concerns about whether their information is truly safe. A major breach can seriously impact a company's reputation and brand.

Our response

Protecting financial and customer data is a key component in our daily business operations. We make every effort to provide optimal security and ensure confidentiality of our customers' data and transactions. Cyber security is an integral part of our risk management strategy, both internally and externally.

We invest in information security and data privacy and have dedicated security teams, consisting of more than 100 security professionals and our Chief Information Security Officer, with support from our NN Security Operation Centre (SoC). They collaborate with Business Unit Security Officers to provide 24/7 protection for our customers and our organisation against current and emerging cyber threats. We work with well-known certification authorities. We use encryption and authentication mechanisms to secure online communication and transactions.

Through education and awareness, security strategies are implemented at all levels of the organisation. Examples are periodic instructions to all employees on how data are to be stored and managed, phishing security tests, and awareness campaigns on password protection. We constantly perform security scans and employ security guidelines which our businesses must meet to properly protect data.

We work closely with various partners such as universities, law enforcement, other financial institutions, Team High Tech Cybercrime (THTC) and the National Cyber Security Centre (NCSC) to support our own cyber security initiatives such as the Dutch Cyber Collective (www.nederlandscybercollectief.nl) and other business innovations.

Read more about our how we approach new technology and data privacy in the business segment chapters on pages 28-34 of this Annual Review.

The EU General Data Protection Regulation (GDPR)

Ensuring proper information security and data privacy is an important element of the GDPR. The GDPR will become applicable in the European Union on 25 May 2018. It aims to give citizens more control over their personal data and will for the first time unify all data protection legislation across Europe.

Under the GDPR, customers have enhanced rights, for example, the 'right of access', meaning that we should be able to respond within a month to any customer's request for information about the why, what and which of their personal data being processed by NN.

The GDPR is in line with our 'NN statement of Living our Values', which states that we use our knowledge responsibly, keep confidential what is entrusted to us and communicate proactively and honestly. NN has processes in place to safeguard personal data, and currently our businesses are busy implementing additional measures to properly and timely comply with this regulation. A central NN GDPR programme has been installed to manage the consistency and coordination of the implementation across our European businesses. All European businesses will appoint a Data Protection Officer (DPO). Through a mandatory e-learning course, all employees will learn about the basic principles of privacy/data protection and what is expected of them.

Understanding and addressing our material topics Continued

Material topics

Good governance

G1 G2 Business ethics and transparency

Several factors play a role in the success of a company that are beyond the scope of customer centricity and generating good financial returns alone. Business ethics and being transparent are crucial for ensuring long-term success. Customers ask for transparent products and services that are easy to understand and also have a positive impact on society and the environment, enabling them to make the right choices. They increasingly care about how companies integrate sustainability aspects into their business and product offerings. Businesses must be committed to operating from a transparent and ethical foundation as it relates to the treatment of employees, respect to the environment, and fair market practices in terms of pricing and consumer treatment.

Opportunities and risks

The reputation of a business among stakeholders is paramount in determining whether a company is a reliable supplier of products or a worthwhile investment. If a company is perceived to not operate transparently or ethically, customers are less inclined to buy its products and investors to buy its stock. Consistent ethical behaviour and transparency can contribute to a positive public image.

Our response

Our values guide our interactions with our stakeholders, and embody responsible business conduct and corporate citizenship. They are published in our 'NN statement of Living our Values'. Additionally, the NN Code of Conduct gives more detailed guidelines for specific behaviour. Written acknowledgement of the Code has been mandatory for NN Group since the first half of 2017, and needs to be acknowledged annually by all employees. Two other standards that guide us in our activities are the 'NN Group Human Rights Statement' and the 'NN Group Environmental Statement'. Before introducing new products and services, they go through our product approval and review process (PARP). We review our product range regularly to ensure that they meet our customer, compliance, risk, capital and profitability requirements. We strive to manage all our assets, in an environmentally and socially responsible way, by integrating environmental, social and governance (ESG) aspects in our investment processes.

Read more about our values on pages 13-16 and responsible business standards on page 26 of this Annual Review.

G3 Risk and capital management

NN Group's role is to support customers in building and protecting their assets and covering their risks. Our risk and capital management activities seek to keep the company safe and profitable, in the interest of our stakeholders. NN Group adapts our risk management practices to new developments to ensure the business operates in a controlled way.

For more information, refer to the 'Core skills that enable our strategy' chapter on pages 25-27 of this Annual Review, and the 'Risk management' in our Financial Report on pages 129-158 (Note 50).

Dutch unit-linked products

In the Netherlands, unit-linked products have received negative public attention since the end of 2006. We have taken this criticism to heart, as our aim is to support our customers as best we can. In recent years, Dutch insurance subsidiaries of NN Group have made significant progress in reaching out to individual customers who purchased unit-linked products in the past, addressing vulnerable customer groups as a priority ('activeren').

To date, Dutch insurance subsidiaries of NN Group have reached out to 100% of customers with a unit-linked policy. We encouraged all customers to carefully assess their unit-linked products in order to enable them to address their personal situation and offered customers the option to switch to another product or make changes to their policy free of charge.

As at 31 December 2017, the portfolios of Dutch insurance subsidiaries of NN Group comprised approximately 500,000 active policies. Dutch subsidiaries of NN Group will continue to support customers with a unit-linked policy by providing aftercare. In a limited number of cases (less than 1,000), Dutch insurance subsidiaries of NN Group have settled disputes with individual customers. These are tailor-made solutions. A limited number of individual customers and several consumer protection organisations have initiated legal proceedings against Dutch insurance subsidiaries of NN Group.

Read more on pages 117-119 of the Financial Report (Note 43).

G5 Financial performance

Prudent financial management is NN Group's main driver to maintain a strong balance sheet. This is key to absorbing market volatility and ensuring NN Group and our operating entities are sufficiently capitalised at all times. This is how we ensure good financial performance, keeping our customers' money safe and generating attractive returns. For 2017, our Solvency II ratio and cash capital position remained robust, at 199% and EUR 1,434 million respectively, in line with our disciplined approach to managing our capital. Our operating performance was strong, with the operating result of the ongoing business at EUR 1,586 million. Our total Assets under Management increased to EUR 246 billion.

Read more about how we manage our balance sheet on pages 39-40 of this Annual Review, and page 37 of the Financial Report.

Understanding and addressing our material topics Continued

Material topics

Society and environment

S3 Climate change

Although not recognised as the most material topic by our stakeholders, we believe it is evident that climate change impacts our businesses. As one of the biggest challenges facing the world today, we can already see the effects of climate change with weather events such as windstorms, drought and sea level rise. The UN Intergovernmental Panel on Climate Change has predicted that if average global temperatures increase more than 2°C this century, these events will become more frequent and severe, posing a significant threat to livelihoods and the wellbeing of society. This underlines the need to take urgent action to meet the goals of the Paris Agreement to keep a global temperature rise this century to a maximum of 2°C, and striving for 1.5°C, above pre-industrial levels.

Risks and opportunities

We are exposed to climate risks primarily through our non-life insurance policies, which cover damage caused by weather events such as windstorms or hail, and through our investment holdings in companies which may be affected by tightening regulation, technological developments and changing consumer preferences. At the same time, climate change creates opportunities for the development of new products and investments that contribute to climate change solutions for ourselves and for the clients and beneficiaries on behalf of whom we invest.

Our response

We manage our greenhouse gas emissions to mitigate the impacts of our direct operations and are a carbon-neutral company. We further improve our understanding of climate risks to provide adequate protection for our customers through our insurance products, while managing the risks posed to our investment portfolio, and using our influence and expertise to encourage investee companies to play their part in the transition to a lower-carbon economy.

We believe that collaboration is important to tackle climate change. In 2017, we strengthened our network by joining the Institutional Investors Group on Climate Change. NN Investment Partners, our asset manager, endorsed the 'Letter from Global Investors to Governments of the G7 and G20 nations' urging them to stand by the Paris Agreement, and expanded its engagement on climate risk by joining the collaborative Climate Action 100+ initiative.

To further understand and manage the risks and opportunities of climate change, it is important that the quality and availability of climate-related financial disclosures continue to improve. NN Group therefore endorsed the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) and made steps to integrate them in our own reporting.

For our response to the TCFD, refer to pages 58-61 of this Annual Review.

S3 Responsible investment

Our Responsible Investment Policy Framework sets out our vision and approach on Responsible Investment (RI), which we define as the integration of environmental, social and governance (ESG) aspects in our investment processes and ownership practices. NN Investment Partners (NN IP) formalised its commitment to Responsible Investment by signing the United Nations-supported Principles for Responsible Investment in 2008. NN IP has since made the consideration of ESG factors an integral part of its investment decisions, in the conviction that these may impact both risks and returns. For clients who want to take sustainability a step further, NN IP also offers specialised Socially Responsible Investment (SRI) strategies and tailor-made RI solutions.

For more information, please refer to the chapter on responsible investment on pages 41-44 of this Annual Review.

Our strategy and priorities

The strong foundation of our purpose, brand, values and ambition, combined with a focus on our strategic priorities, enables us to create long-term value

This is how we deliver on our ambition to be a respected company that truly matters in the lives of our stakeholders. Underpinning our strategy are four medium-term strategic priorities.

Disciplined capital allocation

Innovate our business and our industry

Agile and cost-efficient operating model

Value-added products and services

Addressing material topics, see page 19

G4 G5 | C2 C3 G5 | C2 G5 | C1 G5 S1 S2

Capital generated in excess of NN Group's capital ambition will be returned to shareholders, unless it can be used for other appropriate corporate purposes, including investments in value-creating opportunities. We continuously perform strategic assessments of each of our businesses within the NN Group portfolio.

In the Netherlands and Belgium, our focus is on successfully integrating Delta Lloyd into NN Group and extracting the envisaged synergies.

Internationally, our primary focus is on organic growth. We are also open to merger and acquisition opportunities and portfolio optimisation. Any acquisitions will be subject to strict financial and non-financial criteria to assess the attractiveness of these opportunities.

Our drive to innovate is about enhancing customer satisfaction, intuitive interaction and simultaneously driving efficiency. We continually look for new ways to meet our customers' needs and keep up with the changing dynamics of the markets. We improve our existing product portfolio, processes and services to create a digital, personal and relevant customer experience.

Going forward, we need to further accelerate our innovation efforts. For example, by embedding new ways of working within our organisation, increasing our portfolio of options, and creating new partnerships within the innovation ecosystems in which we operate.

To secure long-term growth, we invest in making our organisation more efficient and agile. Our operating model aims to further stimulate a culture of entrepreneurship and accountability, and is based on clear responsibilities, streamlined decision-making and simplified governance.

Going forward, we are executing our IT roadmap not only to support innovation, but also to increase our efficiency. Our IT roadmap is built on three pillars: speed, quality and craftsmanship.

Another element is moving to a more agile way of working by empowering colleagues and removing silos, allowing them to reduce time to market and increase customer responsiveness. Based on pilots currently running in our Insurance International businesses, we aim to implement this concept in more of our operations.

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

Going forward, we want our customer service and responsiveness to be available 24/7, through any channel customers want to engage with us.

Read more on how our strategy is being implemented across our key segments on pages 28-34 of this Annual Review.

Core skills that enable our strategy

We invest in our core skills to enable our businesses to deliver on our strategy

Multi-access distribution

Addressing material topics, see page 19

C2 C3

What we do
We are there where our customers want us to be. We operate via agents, brokers, banks and direct servicing, allowing our customers to choose how and when they interact with us. It is a personal approach, with relevant products and services delivered to customers through their preferred channel.

How this helps to create value
Each of our business units offers its own products and services via a multi-channel approach. We share knowledge, data analytics and talent-creating synergies between our different businesses.
Our scale enables us to achieve lower costs per customer and invest in digital capabilities and building new channels.

What we do differently
In the Netherlands, we are an omnichannel company offering products through our digital and offline channels, direct writers, via exclusive agreements with partners and via (mandated) brokers. We combine this with a strong brand and high brand preference, which is important in today's digital world.

Internationally, our focus is on building our bancassurance relationships as a key growing channel and increasing the productivity of our tied agents.
We significantly increased the proportion of new business sales conducted digitally with straight-through processing, introduced the concept of 100% paperless sales processes and started to issue product policies on demand in real time.
We have agreed distribution partnerships with banks across Europe and Japan, where we have been selected as preferred partner because of our product offering and customer service levels.

Advanced underwriting and use of technology

C1

What we do
Underwriting and technology usage are essential to the insurance business. Our underwriters perform a variety of roles that are needed to understand, manage and price risks. Together with our actuarial department, our underwriters determine the level of premiums that we need to charge to insure our clients. We use technology and data analytics to create personal and relevant products and services for our customers.

How this helps to create value
By using technology and data analytics to identify our customers' needs and demands, we improve our product designs. This allows us to move to a more data-driven business model, decreasing costs and increasing customer satisfaction.

What we do differently
Following the concept of our Advanced Data Analytics Lab in the Netherlands, we are building a Data Analytics and Underwriting Hub in Prague, Czech Republic, serving the international businesses. This will enhance our customer segmentation, improve our pricing and claims, and identify and grow more profitable segments.

To further drive the delivery on underwriting improvement plans in our businesses, we launched the International Underwriting Programme. With this programme, we aim to drive sustainable competitive advantage through enhanced underwriting capabilities. Furthermore, we are executing our IT roadmap to drive innovation and increase efficiency. We are investing in new technologies, such as cloud, robotics and machine learning.

Partnerships and collaboration

S2

What we do
We approach our partnerships as a means to create strategic, mutually beneficial opportunities and connections. We generate economic activity by purchasing products and services from local suppliers, in addition to regional and global suppliers. Also in our community investment activities, we work closely with charitable partners to maximise our impact. Our relationships with partners and suppliers are based on our NN values.

How this helps to create value
As a financial services company, NN Group is committed to further improving the operating performance of our business units. For example, in Japan we now have a long-term, beneficial partnership with Sumitomo Life. Its sales network of about 35,000 agents can offer their customers NN Life Japan's innovative COLI products. This partnership also contributes substantially to NN Japan Life's sales.

What we do differently
We want to be an intuitive partner for our customers when it comes to planning their financial futures. We find new ways to distribute our products via partners in and outside the financial sector.
For example, Nationale-Nederlanden Poland launched a partnership with Play, the largest telecom provider in the country, providing dedicated health products (heart and cancer insurance) through its newly launched insurance market platform, 'Play Insurance'. Play customers will be able to buy health insurance through the Play smartphone app, making NN products available to over 14 million Play customers. By forging partnerships outside the financial sector, we can drive our innovation of the customer experience in new ways.

Core skills that enable our strategy Continued

Talented and empowered employees

Addressing material topics, see page 19 E1 E2 E3 S1

What we do
NN Group is committed to maintaining a caring, healthy, diverse and respectful workplace in which people can work and thrive. NN Group's ambition to become more agile, and to place customer-driven innovation at the core of our business model, drives our efforts to empower our people and to support an entrepreneurial culture. We facilitate training, internships and assignments to provide our people with the opportunity to find out what career steps are feasible and suitable for them in the future.

How this helps to create value
Our operating model aims to further stimulate a culture of entrepreneurship and accountability within NN, and is based on clear responsibilities, streamlined decision-making and simplified governance. We pay our employees attractive salaries and benefits. We invest in our people by offering training and development. Not only to allow our people to be at their best within NN and to optimally serve our customers and other stakeholders, but also to ensure personal and professional development in the longer term. Furthermore, we strive to have a workforce that reflects the markets in which we operate.

What we do differently
Our values and our brand mantra 'You matter' are the compass for the way we attract, retain and develop our people.

Responsible business standards

G1 G2 G4 S1 S2 S4 S5

What we do
We are committed to doing business in a way that is consistent with our values, which embody responsible business conduct and corporate citizenship. The 'NN statement of Living our Values' is the foundation for all internal policies and standards. Two other corporate standards that guide us in our activities are the 'NN Group Human Rights Statement' and the 'NN Group Environmental Statement'. These statements also reflect our endorsement of international general standards and sector-specific standards, such as the UN Global Compact, the Principles for Responsible Investment and the Principles for Sustainable Insurance; all supported by the United Nations.

How this helps to create value
The statements, guidelines and standards set out our approach to different topics in our roles as an employer, an insurer, a business partner, an investor and a corporate citizen.

In our role as investor, for example, we responsibly manage our own assets, as well as those our customers entrust to us. By integrating environmental, social and governance (ESG) aspects in our investment process, we optimise the risk/return profile of our portfolios. Beyond this economic rationale, NN Group believes that the consideration of these issues is also a matter of good corporate citizenship. This means that not only the values and interests of our beneficiaries should be taken into account, but also those of the broader society.

What we do differently
All relevant standards can be linked to our values. We consider the interests of different stakeholders in the way we do business, in our role as an insurer, investor, employer and as a business partner.

Risk and capital management capabilities

G3

What we do
Risk taking is integral to the business model for insurance, asset management and banking organisations such as NN Group. Through our Risk and Capital Management practices, we seek to meet our obligations to customers and creditors, ensure the business operates in a controlled manor, manage our capital efficiently and comply with applicable laws and regulations.

How this helps to create value
NN Group is in the business of taking and pooling risks for the benefit of our customers. We operate in a systematic and disciplined way, based on agreed risk management principles. Specific risk oversight is also provided by risk management teams that have the objective of protecting NN Group's financial and capital value, and preventing the risk of businesses falling short on our customer promises and long-term business objectives.

What we do differently
Our philosophy is built on a risk control cycle and a comprehensive framework that outlines our risk appetite. We have formulated three key risk appetite statements for the areas of strategic challenges, a strong balance sheet and sound business performance. These are further detailed in nine sub-statements that are used for internal steering. We work systematically, aim for completeness and document what we do. Each risk analysis performed is shared with the responsible management.

Core skills that enable our strategy Continued

At NN Group, we perform a yearly risk assessment to identify and assess the top risks for our company

The 2017 process resulted in the following top risks for NN Group.

These top risks are not ranked in any particular order.

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

Related is the **risk of instability of the Eurozone/EU.** Instability could lead to dislocation of financial markets, failing bank systems, an uncertain business environment, recession or geo-political instability.

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

Like many other companies, NN Group may be an (in)direct target of cyber-attacks. **Cyber security threats** are difficult to manage. Data-sets and services are accumulated in the **cloud**. This generates risks caused by cyber-attacks or power outages.

As a pension provider, we address the risk of **longevity,** which currently is the largest quantifiable risk concentration. We are planning further longevity hedges to transfer part of the risk, and seek relief in the longer term by rebalancing our portfolio.

Client and product suitability refers to the risk that products do not cover clients' interests over the full lifetime against a reasonable price. A product approval and review process ensures products meet our criteria.

Just like any large organisation, we have a **risk of ineffective operations and related inefficiencies**, which can lead to slow or incorrect decision-making, a cost base that is too high, and reputational damage.

Without attracting and retaining **the right people**, the ability to effectively manage our business for sustainable success will be compromised. Good talent management is crucial to attract, retain and develop world-class talent. We invest proactively in development throughout the careers of our employees.

Integrating two large companies like NN and Delta Lloyd is by nature a complex task that comes with risks. A dedicated Integration Management Office helps to ensure a timely and well-controlled integration process.

Read more on pages 129-158 of the Financial Report (Note 50).

We invest our assets responsibly. By incorporating environmental, social and governance (ESG) aspects, we optimise the risk-return profile of our assets.

Read more on pages 41-44 of this Annual Review.

Delivering on our strategy

Netherlands

Digital, Personal, Relevant

By joining forces with Delta Lloyd, we strengthened our leading position in the Dutch market.

Our strategy in action in 2017

Disciplined capital allocation
We joined forces with Delta Lloyd, delivering on value-creating opportunities

Innovate our business and industry
In line with our strategic focus to become more digital, we introduced several new concepts and services, for example 'Bundelz', 'Gappie' and 'Brickler'

Agile and cost-efficient operating model
Increasing efficiency is at the core of our strategy

Value-added products and services
We are strengthening our distribution channels for example by supporting our distribution partners with 'Next Best Actions' to customers

The increased scale and strong market position of Netherlands enable us to improve our customer experience, drive efficiency and deliver on cross-sell ambitions.

In the Netherlands, we offer our products and services under the following brand names: Nationale-Nederlanden, Delta Lloyd, Movir, AZL, OHRA and BeFrank, as well as via our ABN AMRO Insurance joint venture and our partnership with ING. We build and capitalise on our leading market position with our 'Digital, Personal, Relevant' strategy:

- **Digital**: products and channels that customers prefer
- **Personal**: knowing and engaging with customers based on available data
- **Relevant**: offering the right solution, at the right time, to the right customers

These are the building blocks that we believe will create a consistent, omnichannel customer experience, through the offering of innovative solutions, delivered by an organisation that operates efficiently.

Our general progress in 2017

In 2017, we improved our customer experience, became more digital and introduced innovative products and services.

In Life, we offer pension solutions in both defined benefits (DB) and defined contribution (DC), with and without guarantees, delivered through efficient IT platforms. Our increase in sales of DC products, which have lower capital requirements, contributed to managing the liability risks of the Life business. The full-year operating result increased to EUR 896 million from EUR 710 million in 2016.

In Non-life, we increased our Net Promoter Score and achieved our expense targets. The full-year operating result of Non-life decreased from EUR 62 million in 2016 to EUR 30 million in 2017, mainly attributable to lower results in Disability & Accident, partly compensated by improved Property & Casualty results. We aim to improve our combined ratio to a level of 97% or lower, through a clear road map, including expense reductions (~20%), premium adjustments, portfolio rationalisation, investments in data, and strengthened underwriting capabilities.

The full-year operating result of Netherlands' banking business was EUR 124 million. The mortgage portfolio of the banking business increased to EUR 17.6 billion, and the customer savings portfolio increased by EUR 4 billion to EUR 14.1 billion.

Delivering on our strategy
Netherlands Continued

Delivering on NN Group's strategic priorities

Disciplined capital allocation

We continue to allocate capital rationally. As a first priority, we ensure that our businesses have the capital they need to realise their strategy. At the same time, we want them to keep improving their market and business positions, whether that be in terms of efficiency, growth or return on capital.

In 2017, NN Group joined forces with Delta Lloyd. Our increased scale makes us more competitive. In the Netherlands, the Nationale-Nederlanden business units will integrate the activities of Delta Lloyd Life, Non-life and Bank in its current organisations.

Innovate our business and industry

To increase its commercial strength, NN Life uses predictive analytics algorithms. Closed book operations are robotised to lower unit costs in line with the declining portfolio.

NN Non-life reduces its claims ratio in Property and Casualty (P&C) through deploying an innovative IT system. Based on big data and artificial intelligence, the system enables Non-life to scout, match and find stolen property on the internet. If the cost of claims due to theft is reduced substantially, it can lead to lower premiums for the customer.

Sparklab, Non-life's innovation lab, launched a variety of initiatives in 2017. For example, 'Bundelz' is the first prepaid car insurance for drivers who only drive occasionally, or for short distances. 'Gappie' is an app customers can use to buy on-demand car insurance when borrowing a car from family or friends.

NN Bank, together with several key partners, is actively participating in a pilot to process mortgage applications through blockchain. This pilot aims to increase process efficiency and customer satisfaction, and decrease fraud risk

Agile and cost-efficient operating model

Increasing efficiency is at the core of our 'Digital, Personal, Relevant' strategy. To realise this, NN Life is reducing the number of platforms used for administration, and has split the pension organisation into a new business domain and a services domain, to create more agility. We outsourced business and IT processes in order to bring in expertise and variabilise expenses for closed block portfolios. We are moving to straight through processes and introducing robotics to support processes in existing legacy environments.

OHRA introduced online claims filing. Since its launch, almost half of all claims have been submitted digitally, and customers now have online insight into the status of these claims. The percentage of questions concerning claim status reduced from 29% in 2016 to 16% in 2017.

By the end of 2020, the combined company intends to deliver an overall expense reduction of EUR 350 million for all business units in scope of the integration, including Belgium, Asset Management and Holding/ Corporate activities. Reductions will be realised through integration synergies, simplifying the IT landscape and moving to the cloud, variabilising/lowering fixed expenses through an agile way of working, and continuing to invest in digital capabilities.

Read more about how we are supporting employees who are directly affected by organisational changes as a result of the integration process on pages 45-47 of this Annual Review.

Value-added products and services

In line with the strategic focus to become more digital, personal and relevant, Netherlands introduced several new products, services and initiatives.

We have been further improving our online portal and app to address most customers' needs. Customers can access their personal and policy details, make changes, see documents, interact with NN and receive customer service through digital portals.

ABN AMRO Verzekeringen, the joint venture of NN Group (51%) and ABN AMRO Bank (49%), was ranked best insurer by Dutch magazine Management Team and achieved a top three position in all three categories: customer focus, product leadership and excellent implementation.

The Dutch Cyber Collective, an NN initiative supporting SMEs to reduce cybercrime, launched 'Cyberwacht', an emergency service for hacked companies. 'Cyberwacht' limits damage, investigates causes and removes malicious software.

'Brickler' is an online platform that makes buying and selling a house easier. Brickler is part of NN Bank, but is being developed outside the existing organisaton, according to the lean startup methodology.

Strategic focus for the year ahead

Going forward, our focus will remain on the integration with Delta Lloyd and unlocking the potential of the combined company. Our large customer base provides the opportunity to build a substantial online platform for financial services. The starting point is to offer our products and services through our existing channels, expanding to offerings from and via potentially third parties, in order to create new business opportunities. To take advantage of opportunities that are arising in different market spaces, we are focusing on three key innovation areas: cybersecurity, carefree retirement and vitality. Startup techniques are used to explore these new opportunities.

1.5 million 'Next Best Actions'

We are strengthening distribution channels through improved service leveraging.

For example, we provide 'Next Best Actions' (NBAs) for our customers, giving them relevant purchase or service suggestions through our online, email and call channels.

In addition, we serve our intermediaries by creating relevant NBAs in the online intermediary portal adviseur.nn.nl, for them to use when advising their clients. So if a customer calls us, for example, about car insurance, the intermediary can follow up with a relevant product extension.

These specific suggestions are based on customer profiles and behavioural data. In 2017, over 1.5 million NBAs were proposed. NBAs are continuously tested for relevance, improved and scaled.

Delivering on our strategy Continued

International Insurance

Accelerating growth and generating value

International Insurance operates in 11 countries across Europe and Japan. In Central and Eastern Europe, we are a leader in Life and Pensions. In Japan, we are a top player in corporate-owned life insurance for small- and medium-sized enterprises (SMEs).

Our strategy in action in 2017

Disciplined capital allocation
Capital is allocated to those product lines where good value of new business margins are generated

Innovate our business and industry
Significant steps were taken to develop an innovation-driven mindset across all markets

Agile and cost-efficient operating model
We are adapting our businesses for our customers and partners through new ways of working

Value-added products and services
Our focus on meeting the evolving needs of customers was strengthened through new tailor-made products and services

International Insurance has a strong, growing and profitable portfolio.

To accelerate growth, we aim to set ourselves apart in terms of the levels of engagement and service we provide to our customers. One way we are achieving this is by continually investing in new, innovative, modular protection propositions and by cross-market collaboration. Product proposition principles are developed to identify and serve customers in an increasingly personal and relevant way.

Our general progress in 2017

To strengthen our footprint in Europe and Japan, the focus in 2017 was on continuing to build bancassurance relationships and on transforming the productivity of the tied agent channel.

NN Life Japan entered into a distribution agreement with Sumitomo Life, which started selling NN Life Japan's products in April 2017 through its nationwide network of 35,000 agents. International Insurance expanded its distribution through partnerships with banks in Greece, Poland, Japan, Turkey, Czech Republic, Slovakia and Bulgaria.

Efforts to innovate and develop new protection propositions across all markets were intensified with a focus on engaging our customers through digital channels at times when it really matters. This has led to improved engagement and high Net Promoter Scores (NPS). In addition, it has allowed us to be even more efficient. This has also resulted in lower lapses and capturing maturing policyholders.

Delivering on NN Group's strategic priorities

Disciplined capital allocation

Capital is allocated to those product lines where good value of new business (VNB) margins are generated. In particular, there is strong progress in selling a greater proportion of protection business where margins remain healthy and we are introducing new compelling propositions. In the savings business, capital light products represent 88% of total sales. In addition, the capital tied up in low-return back books will be reduced.

Good financial discipline and a relentless focus on customer service and profitable growth have led to an acceleration in the scale of our businesses in Japan, Poland and across Central and Eastern Europe.

Delivering on our strategy
International Insurance Continued

We expanded the distribution of our products through new bancassurance relationships and partnership agreements. In Greece, we renewed the bancassurance agreement with Piraeus Bank.

A specific example of capital allocation and the strengthening of the company is NN Belgium's joining of forces with Delta Lloyd Belgium.

Innovate our business and industry

Innovation is also a strategic priority in International Insurance. In 2017, significant steps were taken to improve our innovation-driven mindset across all markets.

The Sparklab innovation concept, which was pioneered in the Netherlands, has now been copied in five international markets: Japan, Poland, Hungary, Spain and Turkey. The objective of Sparklab is to work on disruptive thinking where we can experiment with new ideas, test and learn quickly. Each Sparklab focuses on a different theme. For example, in Japan we are working on the SME ecosystem, in Hungary on wellness concepts that complement our current value propositions, and in Turkey on disrupting online distribution.

Sparklab Turkey partnered with the leading Turkish online loan aggregator Hesapkurdu.com. The exclusive partnership with this fintech startup gives us the opportunity to reach and serve their two million unique users online.

A non-Sparklab initiative is the creation of a data analytics and underwriting hub in Prague, Czech Republic, serving the international businesses. This will enhance customer segmentation, improve pricing and claims and help the business to identify and grow in larger, more profitable segments.

Agile and cost-efficient operating model

To facilitate agile working and cost efficiency, NN Life Japan developed and released 'Tamotsu-kun', a premium calculation app designed for iPhone/iPad. With 'Tamotsu-kun', the marketing and sales teams are able to accurately calculate the premium for a proposal anytime and anywhere. This enables them to deliver a more compelling and specific proposal for customers, and accelerate the sales process.

NN Poland developed the 'Banca IT' platform with comprehensive capabilities and products (life and non-life) for bancassurance. The platform facilitates flexible and quick time-to-market for new product launches.

NN Hungary launched a comprehensive agile transformation programme. The objective was to strengthen our capability to promptly react to the frequently changing business and legal environment. NN Hungary also launched 'Green Lane' for three single products. The project aims at a total automation of policy issuance, without any human intervention after the submission of the e-application. It was expanded to regular premium products and sales to existing clients.

Value-added products and services

Over the course of 2017, the focus on meeting the evolving needs of customers was strengthened through new tailor-made products and services. For example, Nationale-Nederlanden Spain launched 'Plan Creciente Empresas', a growing guarantee concept for the employee benefits market. It is a unit-linked product that offers the possibility of attractive returns in the long term, while limiting potential losses, thanks to an innovative financial protection system.

A few years ago, NN Romania upgraded some protection products (term, critical illness, fixed indemnity health riders) to return a percentage of the premium when no claim is made in a fixed period. This had a positive impact on customer experience at the purchase moment. In 2017, clients with fixed indemnity health riders who had made no claim in the fixed period were, for the first time, entitled to a premium return. The feature minimises the perception of some customers that an un-claimed insurance product is poor value. It is also perceived as a saving. The positive impact has been measured in the NPS for the anniversary touch point.

Strategic focus for the year ahead

To further accelerate growth and generate value, we will continue investing in new protection propositions and in bancassurance distribution, as well as in improving our underwriting capabilities, better data analytics, and in emerging capabilities such as digitalisation and organisational agility. These investments are optimised and enabled through convergent technology and platforms.

This will not only enable us to improve the overall value proposition and interact with our customers when and how they want, but also drive higher levels of customer engagement. Ultimately this will deliver a larger and happier customer base.

'Stela' – innovating our business model

NN Insurance Czech Republic and Slovakia have the ambition to become a leader of digitalisation in our sector. An important initiative to improve the customer experience is 'Stela'. This is a salesforce-based platform which offers customers real-time, individualised offerings. 'Stela' achieves this through combining a significantly upgraded broker portal, sales and lead management, and straight through processing (STP), together with underwriting improvements. In addition, it supports the decommissioning of multiple legacy systems. The platform is a cloud-based Salesforce/Vlocity solution and will change the way we sell, the way we market and the way we support our business.

Delivering on our strategy Continued

Asset Management

Increased focus on core investment capabilities

NN Investment Partners is NN Group's asset manager, with strong multi-asset and fixed-income capabilities. Our products are sold around the world.

Our strategy in action in 2017

Disciplined capital allocation
Delta Lloyd Asset Management integrated in the NN IP organisation

Innovate our business and industry
The focus is on reducing complexity and developing different innovation themes

Agile and cost-efficient operating model
Robotisation and the agile way of working have been further implemented throughout NN IP

Value-added products and services
We are committed to delivering value-added products and services that are easy to understand and meet customers' lifetime needs

NN Investment Partners (NN IP) plays an essential role in NN Group by managing the underlying assets of our insurance companies and their clients, and co-developing investment capabilities. Additionally, NN IP gathers third-party assets and provides earnings diversification.

At NN IP, we believe it is important to involve all relevant stakeholders in the design and maintenance of our products and solutions to ensure we have a competitive and attractive offering. As such, understanding client needs and consultation with existing or prospective clients are important elements in product development within NN IP. We also closely follow developments in the market and in society to continue to provide suitable products.

Our progress in 2017

NN IP's performance remained strong in our core strategies of multi-asset, emerging market debt and investment grade credit. A number of assets scored very well with 4 or 5 in Morningstar's risk rating for a three-year period. Returns for the majority of assets exceeded benchmarks.

To support the shift from defined benefit (DB) to defined contribution (DC) assets, triggered by the rapid change in composition of pension savings, NN IP developed new products and engaged with customers to advise them on these developments.

NN IP's focus is to further build on its distinctive capabilities:

- expanding the absolute return offering in our multi-asset strategies
- further developing our alternative credit capabilities in the fixed-income space
- narrowing the fund ranges in equity to focus on strategies that best align with our identity and ability to deliver high performance, while leveraging our European expertise

At the same time, environmental, social and governance (ESG) strategies are becoming increasingly important. NN IP currently manages more than EUR 10.9 billion in SRI funds and mandates.

Read more about NN Group's ESG approach on pages 41-44 of this Annual Review.

Delivering on our strategy
Asset Management Continued

At the end of 2016, De Nationale Algemeen Pensioenfonds (Nationale APF) was established with the support of NN's pension administrator, AZL. Nationale APF enables pension funds from different companies to merge in a pooled vehicle, offering attractive services and solutions with low costs through economies of scale. The focus is on medium-sized and large pension funds. At the end of 2017, Nationale APF had 6,000 participants and EUR 1 billion Assets under Management.

Delivering on NN Group's strategic priorities

Disciplined capital allocation

The activities of Delta Lloyd Asset Management (DL AM) are integrated in the NN IP organisation, which brings combined strength through additional capabilities and significant economies of scale and cost synergies. The result will be a well-diversified player with a strong position in the Dutch and Belgian markets for asset management. By leveraging the existing BlackRock Aladdin platform, the organisation can absorb this scale at limited cost.

Innovate our business and industry

Across the whole spectrum of NN IP's investment capabilities, the focus is on reducing complexity and developing a number of innovation themes. For example, investment decisions are based on a combination of fundamental analysis, behavioural analysis and 'man and machine', meaning machine rigour combined with human creativity and analysis.

This approach allows us to leverage data to make better-informed investment decisions and to spot opportunities in the market at an early stage. NN IP's impact investing fund already fully exploits behavioural analysis, and in multi-asset it is combined with both a traditional fundamental and quantitative approach.

We invested in a broad programme to improve our digital capabilities across various areas: client service, customer journeys, direct distribution and customer relationship management.

Agile and cost-efficient operating model

To facilitate agile working and cost efficiency, DL AM's assets were onboarded to NN IP's existing scalable operating platform. Substantial synergies were achieved through the creation of one platform with a high straight-through processing (STP) rate for the combined company. We expect the resulting cost synergies to be 5-10% of the 2016 combined cost base, to be realised by 2020.

Robotisation and the agile way of working have been further implemented throughout NN IP. Small IT teams work together with business teams to deliver suitable solutions. At the same time, the teams are empowered to apply innovative technologies and to continuously increase value. NN IP is robotising operational manual activities, which were initially transitioned for offshore manual execution and subsequently robotised offshore. In this way, the transition is smoothed and benefits in efficiency are obtained rapidly.

Value-added products and services

NN IP is committed to delivering value-added products and services that are easy to understand and meet customers' lifetime needs. This is why we involve relevant stakeholders in the product design processes.

An example is 'NNTFI24', an app introduced in Poland with transactional capabilities for retail investors and DC pension scheme clients. The app is connected to an online execution-only platform (similar to 'FitVermogen') through which clients can open an account and manage their investment and pension portfolio from their mobile devices.

In the Netherlands, we cooperate with independent non-profit platform Nibud for financial education and introduced 'StudieFit'. 'StudieFit' is an investment solution to fund the education of people's loved ones. The online tool is easy to use and illustrates possible investment outcomes.

In 2017, we introduced 'Alternative Credit' as a new asset class for institutional investors. To improve their financial decision-making we developed a 150+ page book on this asset class. In the book, we introduce a unique way to evaluate the various investments within this asset class.

We also explain in depth all alternative credit investments available in the market, not only the strategies we provide. Institutional investors can download this book for free on our website. We distributed the content of the book through advertorials in various institutional markets and spoke at many seminars about this topic.

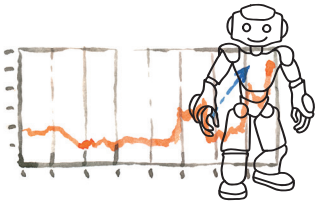
In the second half of 2017, we introduced a similar campaign on the radical changes currently occurring in the fixed-income asset class. For this campaign we again offer many different publications, such as our 'SpotLights', 'FocusPoints' and 'MindScopes', about how institutional investors can benefit from the new normal in this market.

Strategic focus for the year ahead

The acquisition of DL AM brings both scale and skills to our business. Going forward, NN IP will sharpen its focus on core investment capabilities, increase the agility of the organisation and further develop its distinctive identity. In this way, NN IP will be able to further create value for stakeholders, both third-party and NN insurance businesses.

Robo-profiling capacity

Within our Dutch online execution-only platform 'FitVermogen', robo-profiling capacity was developed. It is intended to introduce improved online investment risk profiling, with the aim of providing better service for (potential) investors. For example, with the use of computerised adaptive testing and item response theory, only relevant questions are asked through an interactive approach, instead of following a set order. The smart Q&A machine provides a direct and dynamic visual feedback loop to clients based on their answers to the profiling questions and their investment goal. This makes the client feel more understood, and creates a better customer experience. The robo-profiling is still in the pilot phase and will be further developed.



Delivering on our strategy Continued

All our businesses delivered on our strategy, building a company that truly matters in the lives of our stakeholders.

35,000

In Japan, Sumitomo Life, started selling NN Life Japan's products through its nationwide network of 35,000 agents

> **'NN has long-term experience in financial services. It treats its customers in a correct and respectful way.'**
>
> Pavel Ninov, Bulgaria

> **'I am repeating myself, but I am 200% sincere: thank you!'**
>
> Ivo De Smedt, Belgium

4,400

NN Bank supported 4,400 mortgage customers at risk of being in arrears

2m

Partner and leading Turkish online loan aggregator Hesapkurdu.com gives us the opportunity to reach their 2 million unique users online

4 or 5

The majority of NN IP assets scored very well with 4 or 5 in Morningstar's risk rating. Returns for the majority of the assets exceeded benchmarks

2017
All businesses delivered on our strategy

1,507

NN IP voted at 1,507 shareholder meetings on 18,978 agenda items and 348 resolutions put forward by shareholders

6,000

At the end of 2017, Nationale Algemeen Pensioenfonds had 6,000 participants and EUR 1 billion Assets under Management

EUR 10.9bn

Assets under Management in SRI funds and mandates; an increase of 114% compared to 2016

Creating and sharing value

Excellent customer experience

In this chapter, we describe how our business model is focused on creating long-term value for our customers.

Our commitments

Our commitments to our customers

- Be a preferred brand and a company that truly matters in the lives of our stakeholders
- Deliver value-added propositions that are easy to understand and serve our customers' lifetime needs
- Be there where our customers want us to be through our multi-access distribution approach
- Educate people about finance, raising their financial awareness through campaigns and (online) tools

Our objectives and targets

- Increase aided brand awareness
- Be recognised by general public as a 'You matter' company: a people-oriented service provider in the long-term financial planning industry
- Improve relational Net Promoter Scores (NPS)
- Increase the number of products and services with social and environmental added value[1]

How we performed in 2017

- Aided brand awareness improved compared to 2016 in most countries
- Recognised by general public as the 'You matter' company: improved in most countries compared to 2016
- Relational NPS[2] increased: +17, outperformed market average
- Awareness of customer need for value-added products and services

1 For our performance on increasing the number of products with social and environmental added value, we also refer to pages 29 and 31, and pages41-44.

2 NPS target setting varies by business unit. Measurements for asset management is conducted amongst both institutional and retail investors.

Creating value as an insurer and asset manager

Our customers entrust their money to us when purchasing our products and services. Our role is to support them in building and protecting their assets and covering their risks. The core of our business model is to help people carry risks that they cannot bear alone, providing protection for what matters most to them.

Through our risk management practices, we seek to meet our obligations to customers and creditors, manage our capital efficiently and comply with applicable laws and regulations. Our underwriters perform a variety of roles that are needed to understand, manage and price risks. We use data analytics to create personal and relevant products and services for our customers.

Meeting our customers' needs

We are committed to delivering value-added products and services that are easy to understand and meet customers' lifetime needs. We offer life insurance products to protect people against the financial risk of living a long life without sufficient means of support, or dying at an early age. In some markets, we also offer non-life products to protect the assets that matter to our customers, and savings and investment products to ensure their long-term income.

Products that we introduce or adapt are launched after careful product approval and review processes (PARP). PARP ensures, in all our markets, that transparency and customer interest remain a top priority.

Through our multi-access distribution approach, we are there where our customers want us to be.

We aim to become a more agile organisation, to deliver value for money for our customers and secure long-term growth. Our focus on customer-driven innovation drives our efforts to empower our people and to support a more entrepreneurial culture.

Truly matter in the lives of our customers

NN Group wants to be known as the 'You matter' company: a people-oriented financial services provider.

We strive to meet customers' needs throughout all stages of their lives, for which understanding their needs and interests is crucial. This is clearly expressed in our Customer Golden Rules:

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

Our Customer Golden Rules form a key component in our approach towards becoming a customer-driven company, and are an integral part of our PARP process.

Further building our brand

Our campaigns focus on understanding the deeper motivations of people in life and play an important role in becoming more relevant for customers. In 2017, we launched an international awareness campaign on social media, asking five 'big life questions' to people across nine European countries, with the aim of finding out what matters to them. The videos show that we all face the same kind of questions in life and try to find a response that best fits our personal situation. The campaign reached more than 17.5 million unique users, and had 4 million full video views and 100,000 engagements across several social platforms.

Creating and sharing value
Excellent customer experience Continued

In the second half of 2017, our central Branding team developed a brand commerce framework in close cooperation with the business units. This framework, enabled by today's digital possibilities, focuses on customers and their specific needs and interests. Through videos and photos, we share stories about customer value propositions and specific themes in life, for example, retirement. In these international campaigns, we aim to connect the NN brand with local commercial opportunities. As the framework has been codeveloped with the businesses, it enables us to create and roll out digital campaigns in a more cost efficient way.

Customer empowerment

Creating long-term value for our customers is also a matter of empowering them to improve their own financial decision-making. This includes increasing their understanding of financial concepts, offering financial planning tools, and collaborating with specialised partners.

To increase awareness of pensions in the Netherlands, we partnered with initiatives of Wijzer in Geldzaken, a stakeholder platform coordinated by the Dutch Ministry of Finance. After introducing our online service 'Pension Help' in 2016, we continued improving the tool. 'Pension Help' starts ten years before a person's retirement date, and helps users by sending them customised and relevant information step-by-step. Registered customers receive relevant information three times a year, based on their personal circumstances and situation.

We launched the 'Your Later Service' campaign via our Nationale-Nederlanden website in the Netherlands. This campaign encourages people to visit our online tools which increase awareness of their personal financial situation.

In the Netherlands, we worked together with online magazines Me-to-we, Saar Magazine and Mynd to contribute to pension-related blogposts to increase pension awareness, especially for women.

In addition to raising awareness, we consider it important that our customers find our policies and materials accessible and understandable. For example, OHRA made policies easier to read and understand though the use of icons, a clearer structure and useful examples.

Also in the Netherlands, we introduced a tool to support our brokers in their duty of care for our customers. We reached out to all brokers and customers for whom this was relevant.

In Bulgaria, we broadened our value proposition and included financial advice with our pensions and life insurance products. The advice covers five areas of financial planning: pension, investment, insurance, tax and estate planning. This is new for the Bulgarian market.

In Spain, we launched the 'Real news for real people' campaign, in which we explained financial concepts. Between June and December, we provided easy-to-understand information on financial topics and economic concepts and their potential impact on people's personal financial situations. The blog 'Seguros de tú a tú' also aims to contribute to this increased understanding.

Fitvermogen.nl, the online platform for investment funds of NN Investment Partners (NN IP), cooperated with Startpunt Geldzaken to launch a free online financial plan. Startpunt Geldzaken is a partnership of Nibud and a number of other organisations focused on financial matters. Since the introduction of the new study financing system in the Netherlands, parents and grandparents have found alternative ways to put money aside to fund their (grand) children's education. The tuition fee plan provides insight into the risks as well as the expected yield of the investment.

Linked to this is the introduction of 'StudieFit', an investment solution to fund the education of loved ones. 'StudieFit' was developed together with Nibud and includes an online tool which customers can tailor to their personal situation. It includes an online calculator that illustrates possible financial scenarios.

NN IP also introduced alternative credit as a new asset class for institutional investors. To provide investors with financial decision-making tools, a book on this asset class was published that explains all alternative credit investments available in this market. Investors can download the book for free on the NN IP website.

ForYouWoman in Spain

In Spain, Nationale-Nederlanden's tied agents started selling 'ForYouWoman'. It mainly offers insurance coverage in case of breast cancer, including several services such as second medical opinion, home help and childcare services for customers when they need it the most, as well as help with cancer prevention.

Creating and sharing value
Excellent customer experience Continued

Supporting customers in arrears

We try to be there for our customers not only when things are going well, but also during difficult times.

In 2017, NN Bank continued with a project focused on mortgage customers at risk of being in arrears. Via an early warning system, we proactively reach out to this group to offer our support. As there is no single solution to financial difficulties, we offer assistance in various ways.

Based on a customer's personal situation, we can, for example, provide a job coach or a budget coach, or restructure the mortgage contract. We helped 4,400 mortgage customers in 2017, of whom 4,113 have been restored through an adequate payment scheme. About 280 customers made use of job coaching, budget coaching or restructuring of their mortgage contract.

Delta Lloyd Foundation set up the Coalition against Debt to help low-income households get rid of their long-term debt. Together with health insurer CZ, Delta Lloyd Foundation took the initiative to work with other creditors on solutions to the increasing problem of payment arrears and debts. This is done by working together and exchanging knowledge to facilitate and promote healthy payment behaviour among customers. Creditors that participate in the coalition adhere to ten principles which prescribe an ethical way of approaching customers.

Financial inclusion

NN reaches out to people who may not have access to insurance and who could benefit from additional support. We are aware of the financial and social challenges that people may face in life. Therefore, we try to anticipate these specific needs and individual situations, and provide a positive and inclusive experience for many different groups of people.

In Romania, we offer a health insurance product that provides affordable access to private care, as health care is becoming increasingly expensive for lower- and middle-income families. The core of this new proposition is extensive care for patients and less financial worry for their families. This health care product also aims to address the long-term sustainability of Romanian public healthcare.

In Japan, we offer a life insurance product that provides critical illness coverage in case of cancer, acute cardiac infarct and stroke. It was developed to support small business owners who are unable to manage their company due to critical illness.

NN Group is involved in the Netherlands Investment Institution (NLII), which gives institutional investors the opportunity to invest in the Dutch economy, and allows entrepreneurs and SMEs to benefit from additional financing opportunities. We also have a partnership with microfinance organisation Qredits through our membership of the Dutch Association of Insurers (Verbond van Verzekeraars).

NN Group is involved with the Foundation for Sustainable Micro Pensions in Developing Countries (SDMO), through our membership of the Dutch Association of Insurers. In Ghana, SDMO supports a micro pension project which targets employees in the informal sector. They will be able to save for their pension via a defined contribution scheme. The payment of contributions and information provision is arranged via mobile phone. A license to start business was obtained from the Ghanese supervisor in 2016, and the first few thousands of clients were entered into the books in early 2017.

Additionally through our membership of the Dutch Association of Insurers, we support another SDMO project in India. SDMO work with local partner the Development of Human Action (DHAN) Foundation. DHAN Foundation developed a defined contribution scheme of which the administration and investment management is arranged by a local provider of life insurance. Participants save an average of INR 100 per month to supplement their government pension. The goal is to have 200,000 participants in 2021.

Dilemma: Long-term objectives over short-term gains

We consider digital innovation to be an important driver for our long-term success. One way of innovating our business is by launching a minimum viable product (MVP): a product that has enough features to attract early adaptors, providing us with feedback that enables us to adjust the product if necessary. To develop relevant MVPs, we define clear focus areas for innovation that fit the company's long-term strategy.

However, when introducing an MVP, the purpose is to iterate and adapt while developing, so we intentionally do not define long-term objectives or gains. This short-term approach to experimenting, which is based on trial and error, may result in a distorted view of innovation. The challenge is finding the right balance in developing MVPs while not losing sight of the long-term vision of the company. This is a dilemma jointly faced by the innovation teams and the finance and risk teams – how much capital do we invest, and how much risk are we willing to take today to help prepare our company for tomorrow's success?

Creating and sharing value
Excellent customer experience Continued

Measuring our brand and reputation

We measure how our customers value our products and services using, amongst others, the Net Promoter Score (NPS). With NPS we collect, evaluate, and act on a constant stream of customer feedback. This information drives improvements in our product portfolio and customer service, thereby helping us to become a more customer-driven company. In 2017, all of our insurance businesses maintained or improved their relationship NPS (NPS-r) scores compared with the previous year, with the exception of NN Life Hungary. Their NPS is still well above market average.

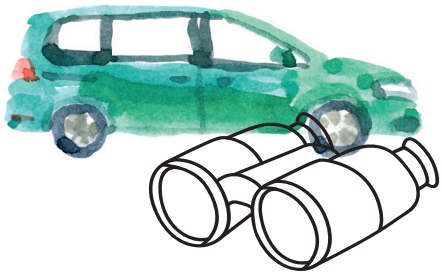
We measure NPS in all our markets, for all business lines covering banking, life insurance and pensions. Our insurance business in Japan is included in a separate study. Measurements for asset management are conducted amongst both institutional and retail investors. For institutional clients we report the overall NPS (+25).

The NN Global Brand Health Monitor tracks how our brand is perceived externally by our customers and the general public. Twice a year, we measure our main brand indicators and provide insight into the development of the brand performance. The Global Brand Health Monitor measures the brand awareness and brand preference per country, and whether customers feel we are living our values and come across as the 'You matter' company.

Dilemma: The use of data in underwriting

In recent years, the amount of available (personal) data has increased sharply as a result of technological developments and digitalisation. For our industry, the question of whether and how to make use of data is an important one. Embracing the use of data can help further improve our product offerings and increase their relevance in order to better serve our customers. However, the abundance of data may lead to new insights that could potentially lead to differentiation (in risk profile and pricing).

For example in car insurance, customers can already opt to have their driving behaviour tracked, with the incentive that careful driving can result in lower premiums. Although differentiation can bring value to certain customer groups, it also raises questions regarding the sustainability of a foundation of insurance: the principle of solidarity. Navigating carefully, in line with our values and applicable (data protection) legislation, and engaging in dialogue with stakeholders, will continue to be key as we move forward.



Net Promoter Score

Country	NPS-r compared to 2016	NPS-r compared to market average
1 Bulgaria	Improved	Above
2 Czech Republic	Improved	Above
3 Greece	Improved	Above
4 Hungary	Decreased	Above
5 Japan	Improved	Equal
6 Poland	Improved	Above
7 Romania	Improved	Above
8 Slovakia	Improved	Above
9 Spain	Unchanged	Equal
10 The Netherlands	Improved	Above
11 Turkey	Unchanged	Equal

Creating and sharing value

Attractive returns for investors

In this chapter, we describe how we remain financially strong and competitive, and create value for our investors.

Our commitments

Our commitments to shareholders

- Deliver on the Delta Lloyd transaction
- Further improve performance
- Accelerate the transformation of the business model
- Continue to allocate capital rationally

Our objectives and targets

- EUR ~350 million cost reduction[1] by 2020, reflecting cost synergies from Delta Lloyd acquisition and existing standalone cost reduction plans
- Annual earnings growth of 5-7% on average in the medium term[2]
- Over time, generate free cash available to shareholders in a range around the net operating result of the ongoing business[3]

How we performed in 2017

- Operating result growth of 29.3%[4]
- Reduced expense base of business units in scope by EUR 133 million[5]
- Net operating ROE of 10.3%[6]
- Total free cash flow of EUR 881 million[7]
- Proposing a total 2017 dividend of EUR 1.66 per share[8]

1 In total for the following units: Netherlands Life, Netherlands Non-life, Belgium, Asset Management, Banking business and Corporate/Holding entities.

2 Annual growth rate of operating result before tax of the ongoing business on average in the medium term; new targets based on 2017 operating result.

3 Net operating result of the ongoing business, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity; assuming normal markets, no material regulatory changes and no material special items other than restructuring charges.

4 Operating result before tax of the ongoing business 2017 versus 2016.

5 Administrative expense base of the business units in scope: Netherlands Life, Netherlands Non-life, Belgium, Asset Management, Banking business and Corporate/Holding entities.

6 Net operating ROE of the ongoing business in 2017.

7 Reflecting EUR 500 million capital injection into Delta Lloyd Life in 2017.

8 Representing a payout ratio of around 45% of the net operating results of the ongoing business.

Creating value as a listed company

To manage our business, we raise financial capital from equity and debt investors. Maintaining a strong balance sheet is key to absorbing market volatility and ensuring NN Group and our operating entities are sufficiently capitalised at all times.

Dividends

NN Group intends to pay an ordinary dividend in line with our medium-term financial performance and envisages an ordinary dividend payout ratio of 40-50% of the net operating result from ongoing business. NN Group intends to pay interim dividends calculated at approximately 40% of the prior year's full-year dividend. Barring unforeseen circumstances, NN Group intends to declare an interim dividend with the disclosure of our second-quarter results and to propose a final dividend at the annual general meeting of shareholders. When proposing a dividend, NN Group takes into account, among others, the capital position, leverage and liquidity position, regulatory requirements, and strategic considerations, as well as the expected developments thereof.

Dividends are paid either in cash, after deduction of withholding tax if applicable, or in ordinary shares from the share premium reserve at the election of the shareholder. We intend to neutralise the dilutive effect of the stock dividend through repurchase of ordinary shares. 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 other appropriate corporate purposes, including investments in value-creating opportunities. NN Group is committed to distributing excess capital in a form which is most appropriate and efficient for shareholders at that specific point in time, such as special dividends or share buybacks.

At the Annual General Meeting on 31 May 2018, a final dividend for 2017 will be proposed of EUR 1.04 per ordinary share. Together with the 2017 interim dividend of EUR 0.62 per ordinary share paid in September 2017, NN Group's total dividend for 2017 will be EUR 1.66 per ordinary share, which is equivalent to a dividend payout ratio of around 45% of NN Group's full-year 2017 net operating result of the ongoing business.

The Delta Lloyd transaction

On 2 February 2017, NN Group announced a recommended public cash offer to all holders of issued and outstanding ordinary shares in the capital of Delta Lloyd to acquire their shares for EUR 5.40 (cum dividend) in cash for each share, representing a total consideration of EUR 2.5 billion. On 7 April 2017, the offer was declared unconditional.

Read more about the Delta Lloyd transaction and integration on pages 10-12 of this Annual Review and pages 119-123 of the Financial Report (Note 44).

Shares issued and share buyback programme

On 24 April 2017, NN Group issued 8,749,237 ordinary shares, representing an aggregate value of EUR 255 million, to Stichting Fonds NutsOhra in exchange for the preference shares A held by Stichting Fonds NutsOhra and the perpetual subordinated loan provided to Delta Lloyd.

On 1 June 2017, NN Group allotted 5,069,969 ordinary shares, representing an aggregate value of EUR 165 million, as part of the legal merger of Delta Lloyd N.V. into NN Group Bidco B.V.

On 26 June 2017, NN Group issued 4,082,061 ordinary shares as stock dividend for payment of the 2016 final dividend, representing an aggregate value of EUR 129 million.

On 11 September 2017, NN Group issued 2,346,671 ordinary shares as stock dividend related to the 2017 interim dividend, representing an aggregate value of EUR 78 million.

To neutralise the dilutive effect of stock dividends, we repurchased in 2017 ordinary

Creating and sharing value
Attractive returns for investors Continued

shares for EUR 347 million, related to the 2015 final dividend, the 2016 final and interim dividend and the 2017 interim dividend. NN Group reported on the progress of the share buyback programme on a weekly basis on our corporate website: www.nn-group.com/investors/share-buyback-programme.htm.

In August 2017, 14,348,967 NN Group treasury shares were cancelled, which were repurchased under the share buyback programme. The total number of NN Group shares outstanding (net of 6,609,781 treasury shares) on 31 December 2017 was 334,140,561.

Debt instruments

In March 2015, NN Group established a Debt Issuance Programme which facilitates the issuance of debt instruments.

In January 2017, NN Group issued EUR 500 million of senior unsecured notes with a fixed-rate coupon of 0.875% per annum and a maturity of six years. These notes do not qualify as Own funds under Solvency II. The proceeds were used to repay EUR 476 million of non-qualifying subordinated notes of NN Group on their first call date in May 2017.

In January 2017, NN Group also issued EUR 850 million of subordinated notes with a maturity of 31 years, and first callable after 11 years, with a fixed rate coupon of 4.625% per annum until the first call date and a floating rate coupon thereafter. These subordinated notes qualify as Tier 2 capital under Solvency II. The proceeds were used to repay the EUR 823 million remaining hybrids loans outstanding with ING Group.

In June 2017, NN Group issued two senior unsecured notes with a total issue size of EUR 900 million to fully repay the EUR 900 million bridge loan used to finance the Delta Lloyd acquisition: EUR 300 million senior notes with a fixed rate coupon of 0.25% per annum and a maturity of three years and EUR 600 million senior notes with a fixed rate coupon of 1.625% per annum and a maturity of ten years.

NN Group effectively reduced debt by EUR 405 million through the Stichting Fonds NutsOhra transaction in April 2017 and by EUR 575 million on the repayment of the Delta Lloyd senior unsecured notes in November 2017.

Credit ratings

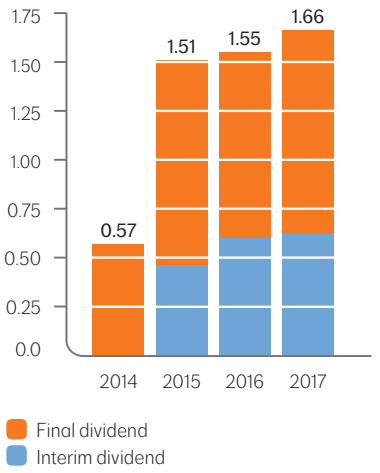
On 11 May 2017, Standard & Poor's lowered our financial strength rating by one notch to 'A' and our long-term counterparty credit rating by one notch to 'BBB+'. On 23 October 2017, Fitch affirmed our 'A+' financial strength rating and 'A' credit rating with a stable outlook. On 26 October 2017, Standard & Poor's affirmed our 'A' financial strength rating and 'BBB+' credit rating with a stable outlook.

Shareholder investment

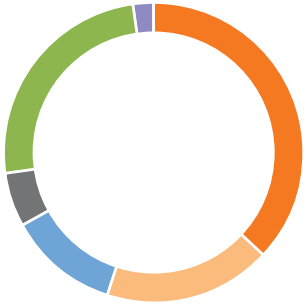
According to the AFM register as at 12 March 2018, the following shareholders have an interest of 3% or more in NN Group on the notification date: APG Asset Management N.V. (3% – 2 August 2017), BlackRock, Inc. (3.60% – 29 May 2017), RRJ Capital II Ltd. (9.6% – 23 May 2017), Norges Bank (4.91% – 2 May 2017), Thornburg Investment Management (3.03% – 7 Aug 2016), and Franklin Mutual Series Fund Inc. (3.87% – 27 May 2015). The stated percentages are the interests reported by the relevant shareholder to the AFM on the indicated dates. It is possible that the stated interests differ from the current interests of the relevant shareholder.

More information about our financial management is available in the Financial Report, and on our corporate website: www.nn-group.com/Investors.htm

Dividend per share (EUR)



Diverse shareholder base
(IPREO shareholder analysis as at 31 January 2018 (%))



United States	37
Asia	18
United Kingdom	12
The Netherlands	6
Rest of Europe	25
Rest of the World	2

Financial performance in EUR million

	2017	2016
Operating result ongoing business	1,586	1,227
Net result (after minority interests)	2,110	1,189
Net operating ROE	10.3%	8.1%
Free cash flow to the holding	881[1]	1,349

Strong balance sheet

	2017	2016
Solvency II ratio	199%	241%
Total assets in EUR billion	227	169
Shareholders' equity in EUR million	22,718	22,695
Financial leverage ratio	27.9%	20.8%

1 Including EUR 500 million capital injection into Delta Lloyd Life.

Creating and sharing value

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

We strive to manage our own assets, as well as those our customers entrust to us, in an environmentally and socially responsible way.

Our commitments

Our commitments to our stakeholders

- Integration of environmental, social and governance (ESG) factors into our investment process
- Active ownership through voting and engagement
- Exclusions, societal values and criteria
- Specialised Responsible Investment (RI) strategies and tailor-made responsible investment (RI) solutions

Our objectives and targets for 2020

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

How we performed in 2017

- Publication Stewardship Policy
- Development of investment guidance paper on Environment
- More than doubled (+114%) our Assets under Management in SRI funds and mandates to EUR 10.9 billion

NN Group's Responsible Investment (RI) Framework policy sets out our vision and approach on responsible investment, which we define as the integration of environmental, social and governance (ESG) aspects in our investment processes and ownership practices.

Our asset management company, NN Investment Partners (NN IP), formalised its commitment to RI by signing the United Nations-supported Principles for Responsible Investment (PRI) in 2008. NN IP has since made the consideration of ESG factors an integral part of the investment process in the conviction that these may impact both risks and returns. For clients who want to take sustainability a step further, NN IP offers specialised Socially Responsible Investment (SRI) strategies and tailor-made RI solutions.

Supporting ESG integration

In February 2017, NN IP established a new RI team. The team's primary goal is to drive the further development of RI at NN IP, and to support all investment teams in their ESG integration and active ownership strategies. The team consists of three professionals, and reports to the Chief Investment Officer at NN IP.

NN IP published a Stewardship Policy, which describes our approach towards our fiduciary duty to act responsibly on behalf of the end beneficiary. As an asset manager we are responsible for improving long-term value for the end beneficiary. Our Stewardship Policy is based on seven principles, and provides an overview of how we implement our commitment to stewardship. The principles relate to various aspects of stewardship including governance and exercising our voting rights.

To support the implementation of NN Group's RI Framework policy, we continued our development of investment guidance papers that address areas defined by the UN Global Compact. In 2016 we published a paper on human rights. In 2017 we added a paper on the environment.

These papers are available on our corporate website: www.nn-group.com/In-society/Responsible-investment/Responsible-investment-policy-framework.htm.

Influencing companies to take responsibility

An important part of our strategy is to earn long-term returns from the companies in which we invest. One of the most powerful tools of active ownership is well-informed proxy voting. Voting rights are exercised on behalf of: (i) the proprietary portfolio and (ii) the Dutch, Belgian and Luxembourg funds with at least EUR 100 million Assets under Management. As part of the information barriers, there are separate voting committees in place for proprietary and client assets.

During 2017, NN IP voted at 1,507 shareholder meetings (97% of total votable meetings) on 18,978 agenda items and 348 resolutions put forward by shareholders. These resolutions focus on ESG issues. We supported shareholder resolutions related to environmental and social matters in a large number of cases. We abstained from voting or voted against when these resolutions would not provide proportionate benefits to shareholders or society at large. For two examples of how we voted on environmental shareholder resolutions, please refer to the box on the next page.

Creating and sharing value
Investing responsibly Continued

Company dialogues and engagement are part of our fundamental approach to the investment process. Because of the active investment strategies of NN IP, our analysts and portfolio managers are in frequent dialogue with investee companies. These dialogues are tracked in a database. The chart on page 44 shows the breakdown between environmental, social and governance issues as a topic of discussion during our company meetings in 2017. In total, 341 dialogues were logged by our equity analysts and ESG specialists in the database. These dialogues included 52 engagements conducted by our ESG specialists, which can be individual engagements, in collaboration with other institutional investors, or supported by an external service provider. Moreover, these engagements often also have a thematic approach, for example the palm oil sector.

1,507
number of shareholder meetings at which we voted

EUR 10.9bn
AuM in SRI funds and mandates

341
number of ESG dialogues

Continued focus on climate risks

Climate change presents a material risk to many companies and we are aware of the risks this may present to our investments. As such, we are committed to play our part in addressing the issue.

As in previous years, we supported the annual Information Request that the Carbon Disclosure Project (CDP) sends to publicly listed companies worldwide. Through this request, companies are encouraged to adopt a long-term mindset, and to provide better disclosure on risks and opportunities related to climate change and water. In 2017, we also became an investor signatory of the CDP Forests programme.

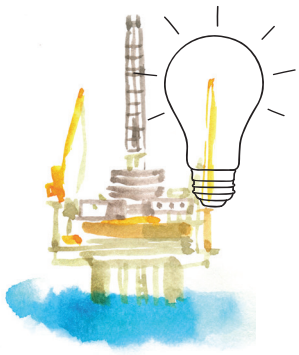
Since the beginning of 2016, NN IP has proactively engaged on climate risks with 20 large companies in the power utility sector. Through this effort, supported by Global Engagement Services (GES), one of Europe's leading engagement providers, we encourage companies to achieve a long-term carbon risk exposure reduction and improved competitiveness in a lower-carbon economy. We have had constructive dialogues with most of the companies. As an example, NN IP helped one of the largest US power utility companies to improve its two-degree scenario planning. We focused our engagement on showing that the company can do more to find a balance between short-term financial performance and long-term expectations for a switch to renewable energy production.

NN IP also engages with several companies in the power utility sector that resist changes that would challenge the current business model. In these situations, the focus is on clarifying that transparency is expected, and they need to demonstrate responsible carbon-related risk management. We decided to extend our engagement for a third and final year, so that we can bring the recommendations of the Taskforce Climate-related Financial Disclosures (TCFD) to the attention of the companies that we are engaging with.

Climate-related shareholder resolutions at oil & gas majors

We supported resolutions at the AGMs of oil and gas majors Occidental Petroleum and ExxonMobil, seeking the publication of an annual assessment of the long-term impact of climate change on their businesses. These resolutions received support of 66% and 62% at their respective AGMs. Meanwhile, the shareholder resolution filed at Royal Dutch Shell (RDS) was supported by 6% of the votes cast, and was therefore rejected by the AGM. This resolution requested that RDS sets company-wide greenhouse gas emission targets that are in line with the Paris climate agreement to keep global warming to well below 2°C. We voted 'abstain' because we believed that the resolution went too far due to the request to set targets for the emissions from the use of its products by customers (Scope 3).

However, in the remarks we made at the AGM, we expressed that RDS should improve its disclosures on the GHG emissions that are within the managerial sphere of RDS, and we continued to engage with them. Positively, RDS announced in November 2017 its ambition to halve the emissions from its operations and energy use, and those resulting from the use of its end products by 2050. In addition, it seeks to increase its spending on clean energy.



Creating and sharing value
Investing responsibly Continued

In 2017, we expanded our engagement on climate risk to the chemicals sector by joining the Climate Action 100+. This is a new, five-year investor initiative to engage with the world's largest corporate greenhouse gas emitters to curb emissions, strengthen climate-related financial disclosures and improve governance on climate change. As part of the initiative, NN IP will enter into dialogue and work with three major companies in the chemicals sector in which it invests, and support other investors in their engagement efforts in the oil and gas and mining sector. A clear engagement agenda is set for all companies in the initiative. Each year, a progress report will be made public.

The Climate Action 100+ was initiated by different regional investor climate change platforms, including the European Institutional Investor Group on Climate Change (IIGCC), in partnership with the PRI. NN Group joined the IIGCC in July 2017 to benefit from access to IIGCC's platform for knowledge sharing and collective influence.

To encourage policymakers to take action on climate change, NN IP endorsed a 'Letter from global investors to governments of the G7 and G20 nations'. This letter, signed by 400 global investors managing more than USD 22 trillion in assets, reiterates the investors' call for governments to stand by their commitments to the Paris Agreement, and put in place policy measures to achieve their nationally determined contributions with the utmost urgency.

To learn more about climate-related risks, we performed a carbon footprint analysis on a large portion of NN Group's Proprietary Assets. For more details, refer to pages 61 and 67 of this Annual Review. This analysis creates a starting point for monitoring and evaluating the investment risks associated with carbon emissions. It also helps us to prioritise our engagement efforts with the most carbon-intense sectors in our portfolio. To build our understanding of other metrics and forward-looking tools that are introduced to help assess climate-related risks (and opportunities), we joined a new working group of the IIGCC. The initial focus will be on scenario analysis.

Making a positive impact through our investments

NN IP offers a wide range of specialised SRI funds and responsible investment solutions. These products meet our customers' growing demand for products that have a positive impact on society and the environment, in addition to generating solid financial returns. The total Assets under Management in our sustainable equity and fixed income products grew by 114% to EUR 10,852 million at year-end 2017. The increase reflects market performance and net inflows, as well as the addition of the Delta Lloyd Equity Sustainable Global Fund, which is an enhanced passive equity fund with strict ESG criteria.

The NN Euro Green Bond fund was awarded the new LuxFLAG Climate Finance Label, which indicates that a fund's investments help to finance climate change initiatives. Furthermore, NN (L) Global Equity Impact Opportunities helped NN IP win the Cashcow Award for Best Provider of Impact Investments at the Dutch Investment Fair in November 2017. Cashcow is a multimedia platform for private investors in the Netherlands.

On behalf of NN Group's proprietary assets, we consider opportunities that will have a positive impact on society whilst meeting our investment criteria. Our combined investments in green bonds and renewable projects in our infrastructure debt portfolio amounted to EUR 540 million at year-end 2017. We also invest in measures that improve the energy efficiency of our own real estate investments, and use the Global Real Estate Sustainability Benchmark (GRESB) to assess the environmental and broader sustainability performance of this portfolio. In the 2017 Real Estate Assessment, NN's portfolio performed well, improving its score for the third consecutive year and outperforming the majority of the 850 GRESB participants. We also participated in the GRESB Debt Assessment for the first time: our commercial real estate loan portfolio, managed by NN IP, received a score above the benchmark average. For our GRESB scores, please refer to page 66.

Engaging on palm oil

Through its investments, NN Investment Partners is exposed to palm oil. We believe we can use our influence to improve environmental and social standards in the sector. Due to the complexity of the supply chain of palm oil, we do not think that excluding palm oil producers is beneficial at this point in time. Engagement is, in our view, a better approach, and through our engagement we will focus not only on the palm oil producers, but also on the traders, processors, food producers, and retailers. All these different companies can influence the supply chain and work towards the overall improvement of the sector and acceptance of higher standards. For our engagement approach, we have developed several objectives that focus on different stakeholders in the sector. We published an ESG perspective on this engagement to raise attention to the issue and how we act on it.

Creating and sharing value
Investing responsibly Continued

Measuring societal impact

Impact investing, an investment strategy that intends to generate a measurable, beneficial social or environmental impact alongside a financial return, is a growing form of investing. It has, however, many challenges, such as the availability of data and a common language. NN IP published various viewpoints on how to overcome these challenges, and also called on green bond issuers to report on quantitative impacts. The measurement of the impact of companies is an important aspect of both the NN Global Sustainable Opportunities and the NN Euro Green Bond fund.

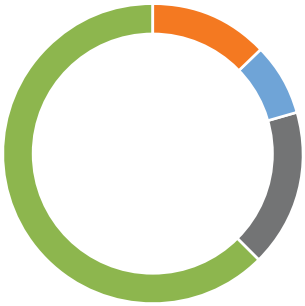
NN took part in a joint effort as part of the Sustainable Finance Platform chaired by the Dutch Central Bank (DNB), and contributed to the creation of a guidance document on SDG impact measurement. The guidance document suggests a limited number of impact indicators per SDG which can be used by investors and investee companies.

Communication on ESG to clients

NN IP plays an active role in advocating the importance of ESG integration within the investment industry. 2017 initiatives include the following:

- We contributed to a permanent education programme of the Dutch Association of Investment Analysts (VBA). NN IP shared perspectives on the value of adding green bonds and sustainable alternative credit possibilities to a matching portfolio.
- In response to the growing interest in RI propositions by Belgian investors and distributors, NN IP Belgium launched an ESG campaign during September 2017. This campaign explained the 'what, how and why' of responsible investing at NN IP.
- NN IP organised a number of events, such as the fourth annual event for Dutch insurance companies, which focused on various topical issues including the growing focus on responsible and impact investing. We also hosted several responsible investor conferences in Europe for our European institutional client base.

Company dialogues on ESG[1] (%)

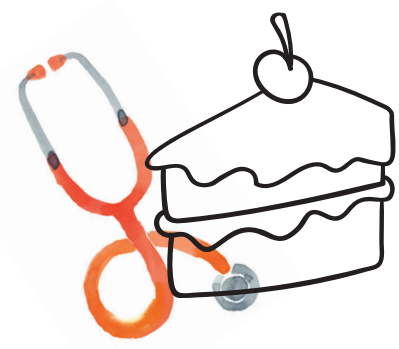


Environmental	13
Social	8
Governance	17
ESG overlapping	63

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

Dilemma: Promoting change through engagement

NN is committed to actively engaging with stakeholders and building long-term relationships with relevant parties in the communities in which we operate. As an asset manager, we want to invest based on criteria that are aligned with our values and meet the broader expectations of society. However, as stakeholders have varying views, and solutions to issues are rarely straightforward, it can be difficult to set a clear direction or strike the right balance.



For example, investing in the food manufacturing sector poses potential dilemmas as it exposes us to food and beverage companies that manufacture products containing high levels of sugar. Sugar is considered to be one of the biggest contributors to obesity, and almost all packaged foods and beverages contain this component. Companies that produce foods that contain high levels of sugar may, in the long run, be exposed to financial, regulatory and reputational risks due to the health impact of their product range.

However, we believe that excluding the sector due to its potential health impact is not the most effective approach, as many companies also play a role in advancing the sector towards more nutritious foods and beverages. Engaging with companies about product reforms, labelling and marketing may help reposition the sector over time, so it more closely aligns with our values and the expectations of our stakeholders.

Creating and sharing value

Engaged employees

In this chapter, we describe how our business model enables us to support our 15,000 colleagues by nurturing a culture where their ideas, talents and personalities matter.

Our commitments

Our commitments to our people

- Empower our employees to bring our brand promise to life for our customers
- Offer our employees an attractive, stimulating working environment
- Encourage diversity of thinking
- Invest in new critical capabilities and personal development
- Offer competitive salaries and benefits

Our objectives and targets for 2020

- Continue to strengthen employee engagement
- At least 30% women in senior management positions

How we performed in 2017

- Decrease in employee engagement from 71% to 66%
- 32% women in senior management positions
- EUR 21.4 million spent on training and development; an increase of 28% per FTE
- Human Capital Return on Investment (ROI) of 2.3[1]

1 Human Capital ROI = (operating result ongoing business + employee expenses)/employee expenses.

Integration process Delta Lloyd

HR activities in 2017 were to a large extent determined by the integration process of Delta Lloyd and NN Group in the Netherlands and Belgium. Top priorities in this regard were the selection process of senior management by mid-July 2017, the approval of the Reorganisation Framework by the members of the trade unions in September 2017, and subsequently introducing an updated and uniform Job Framework, which contributed to a fair integration process and a focus on equal opportunities.

We remain committed to supporting the employees who are directly affected by the organisational changes as a result of the integration process. To guide and help them through these challenging times, we introduced various initiatives to provide employees with training, coaching and advice. In addition, we stimulate and enable ongoing development, with a view to improve and strengthen the employability of all our employees.

Please read more details of the strategic considerations of the transaction and integration process, and the role of HR in the people integration process, on pages 10-12 of this Annual Review.

Creating value as an employer

Our operating model aims to stimulate a culture of entrepreneurship and accountability, and is based on clear responsibilities, streamlined decision-making and simplified governance.

Agility and adaptive leadership

Managing an agile organisation requires a way of thinking and leading people that facilitates change. Therefore we are developing a 'train the trainer' programme for all senior leaders, focused on nurturing an adaptive style of leadership. Its emphasis is not only on solving present issues, but also on discovering future potential. It asks our leaders to develop the ability to be vulnerable and authentic, build emotional commitment, and create a safe environment for growth and innovation.

During the annual NN Group International Leadership Conference (ILC), which targets approximately 250 of our senior leaders, workshops were conducted by Management Board members to gather input for this training programme. The programme, which is developed taking NN Group's current leadership profile into account, will be launched in 2018.

Additionally, we are developing new ways of working based on the agile philosophy. Our business units in Poland and Hungary are the first to pilot this new way of working, focused on giving people more autonomy and accountability in achieving their strategic agenda.

In 2017, we launched a global HR information system called Workday to further simplify our HR processes. This is an important step in creating a more technology-based work environment, and ensuring a clear service delivery model across countries. Workday made it possible to standardise our global HR processes, and it enables us to model our workforce according to business needs.

Creating and sharing value
Engaged employees Continued

'You matter' culture

To recruit and retain the best people within our industry, we accelerated our activities to reach our ambition to become an employer of choice. In 2017, we won awards for being a Top Employer in Spain, Poland and Turkey.

Our employee value proposition is mainly focused on inspirational leadership, a meaningful and performance-oriented environment, ample learning opportunities and a healthy work-life balance. Throughout their entire career, we want our people to experience a 'You matter' culture, which we believe is a precondition to obtaining positive employee referrals.

Building on this approach, we are gradually promoting our employer brand in our key markets by enhancing our presence on various online and social career platforms. To increase our visibility as an employer of choice in the Netherlands, we posted vlogs of employees on our career website to support and personalise our vacancies.

The recruitment strategy of attracting young people to our company takes into consideration a tightening labour market, and aims to mitigate the risks of an aging workforce. To realise this on an international scale, we developed a global traineeship programme, combining the current initiatives within NN Investment Partners, International Insurance and the Dutch NN and Delta Lloyd entities. This new programme will simplify our hiring approach, and position NN as one company to the graduate market. The programme will be launched in early 2018. Additionally, by facilitating internships for students, we stay connected to a young workforce.

Training and development

NN is committed to life-long learning and offers many options for managers and employees to develop new insights, competencies and skills. Training and development is a fundamental part of our performance management approach. In 2017, NN Group invested EUR 21.4 million in training and development.

To offer our people unique learning opportunities and to help them build valuable networks, we offer long- and short-term assignments internally, within other departments or businesses. Job rotation schemes provide additional opportunities to explore new career paths.

When appointing people in senior leadership positions, NN is a supporter of promoting from within. This policy demonstrates that there are growth paths available, and safeguards institutional knowledge by retaining our best people.

In 2017, 24 changes took place in the senior leadership group, of which 88% were internal appointments. Of all leadership appointments, 33% were women.

The promote from within policy is embedded in a structured Talent and Succession Plan that is updated annually and reviewed by the Management Board. It ensures we have the right leaders, with the right forward-looking skills, in the right positions at the right time. Special attention in succession planning is given to displaying role model behaviour in line with our values.

Leading people requires many different skills. These often improve with experience, but training and feedback helps managers to move more smoothly through the learning curve. In 2017, we continued delivering the NN leadership curriculum for first line managers, mid-careers and senior leaders. In our programmes, we encourage current and future leaders to live our values, demonstrate personal excellence, develop a deep understanding of the markets in which we operate, and enable others to perform at their potential. First steps have been taken to integrate leadership programmes across NN Group and Delta Lloyd.

At the same time, we are looking for new ways to optimise how experienced employees apply their knowledge and pass down their skills, while working side by side with younger employees. This exchange works both ways, as is reflected in our reverse mentoring programme that was introduced in 2017. The programme matches junior with senior employees to, for example, familiarise them with how to attract younger generations to the workplace.

Diversity programme at NN Investment Partners

Creating a network and inspire employees

NN Investment Partners is continuing efforts related to diversity. A dedicated community and magazine 'Added value' was launched, which aims to inspire employees. The Diversity Network was created as a space for all NN IP employees to explore the various facets of diversity, to connect and inspire each other on this topic. We continue to sponsor employee participation in several female professional and development networks as well as attendance of female leadership programmes at business schools. Currently, a recruitment game is being developed to better attract people with diverse backgrounds to our company.

Recognising performance

The performance reward of our people is based on a combination of financial, non-financial and behavioural objectives. NN continued the path of transforming traditional annual performance reviews to a more interactive process of continued performance management. A pilot of this new method for senior leaders was received positively, and in 2017, additional pilots were launched in the Netherlands and Poland.

Creating and sharing value
Engaged employees Continued

Equal opportunities and diversity

NN is an international company with a diverse business culture that combines the talents, experiences and insights of many individuals. In 2017, 48% of our total workforce were female. Of our senior leaders, 32% were female and 35% had a non-Dutch nationality.

Our aim is to further increase female leadership, better balance our cultural diversity, bring in more young talent, and build an inclusive climate with no barriers with regard to gender, religious beliefs, sexual orientation or otherwise.

In 2017, NN We was established, an internal network that promotes diversity and inclusion. NN We introduced the Collaboration Awards, an award open to all colleagues that aims to recognise initiatives and success stories of colleagues that showed inclusiveness and collaboration. In 2017, 19 teams competed for the award.

The integration of NN Group and Delta Lloyd offers opportunities to further develop the inclusiveness and diversity of the combined company. In 2017, the Young NN and Delta Lloyd networks merged to create NN Young Professionals.

Employee rights and representation

The way we consult with our people depends on local legislation and culture. In some countries, employee consultation is a legal requirement and in many European countries, it is arranged through works councils.

Our open dialogue with the work councils accommodates collective interests and facilitates the sharing of information and indirect participation by all employees.

At NN Group level, we work with a Central Works Council and a European Works Council. Delta Lloyd also has a Central Works Council. Over time the integration will lead to a unified employee representation for the combined company. Until the integration process merits a unified employee consultation structure, the current structures will remain in place. An overview of the Central Works Council members of NN Group and Delta Lloyd, and the European Works Council members of NN Group can be found on page 33 of the Financial Report.

The majority of NN Group's and Delta Lloyd's employees are covered by a collective labour agreement (CLA), or locally agreed policies. The existing CLAs, Social Plans and Pension Schemes of NN and Delta Lloyd will remain applicable to their respective employees until new plans for the combined company have been agreed with the trade unions. The negotiations will start in 2018. The new combined CLA and Social Plan will be applicable to all employees in the Netherlands and is expected to be introduced in January 2019.

Vitality and wellbeing

We strive to create a healthy work environment and support a good work-life balance. In 2017, all NN businesses launched a variety of health and vitality programmes.

In the Netherlands, we launched 'It's my Life', a programme consisting of workshops, challenges and a dedicated app. It aims to help people create a better personal lifestyle, combined with an improved work-life balance.

Other new wellbeing programmes were launched in Spain, Romania and Hungary. These programmes were aimed at the physical, mental and emotional wellbeing of our employees. The programmes included, for example, healthy breakfasts, yoga, mindfulness and different online challenges. NN Life in Japan successfully introduced an online stress test and follow up by the company doctor.

Encouraging employees to develop a long-term healthy lifestyle is a spearhead of the NN Human Resources Strategy. Most of the programmes launched in 2017 will continue in 2018.

Engagement levels

To understand how our employees feel about our company, and to get an understanding of their engagement levels, we ask their opinion and get their views through a Yearly Engagement Survey (YES). In 2017, 73% of all employees (NN and DL) completed the survey, which shows the commitment of our employees to have their voice heard and make our company an even better place to work.

In 2017, overall engagement decreased from 71% to 66%, which for a large part is a result of the on-going reorganisations and the integration process in the Netherlands and Belgium. The engagement score in the Insurance International business was 73%.

The results reflect that colleagues feel we live our values. The survey results also show our continued focus on our customers, and the need and demand to continue to invest in efficiency, collaboration and innovation. Issues such as workflow and processes have room for improvement. In the Netherlands, the company culture can be further improved. The same is true for the international businesses on collaboration and teamwork. Recognising the importance of employee engagement, NN Group will adopt a new tool and new way of measuring and tracking employee engagement in 2018.

EUR 21.4m
spent on training and development

32%
of our senior leaders were female and 35% had a non-Dutch nationality

73%
of our employees (NN and DL) completed the Yearly Engagement Survey (YES)

Creating and sharing value

Creating a positive impact for society and the communities in which we operate

In this chapter, we describe how our strategy enables us to create long-term value as a corporate citizen.

Our commitments

Our commitments to society and communities

- Invest in local communities through donations and volunteering
- Minimise our direct environmental footprint

Our objectives and targets for 2020

- Reach out to at least 100,000 young people through our NN Future Matters programme; help 11,625 households out of poverty and debt[1]
- Reduce direct CO_2 emissions by 15% (base year 2014) or approximately 3% per year

How we performed in 2017

- 37,208 young people reached through NN Future Matters programme, now at 74% of our 2020 target
- EUR 2.4 million donated to charitable organisations
- 14,099 employee volunteering hours in NN Future Matters focus areas
- 15.2% increase in direct CO_2 emissions, due to the integration of Delta Lloyd and NN; CO_2 emissions (tonnes) per FTE decreased by 10.5%

1 Delta Lloyd Foundation annual report available on 1 May 2018.

Creating value as a corporate citizen

We contribute to the society and communities in which we live and work in various ways. We generate economic activity by purchasing products and services from local, regional and global suppliers. We pay taxes to the governments in the markets in which we operate, and therefore provide revenue to fund public services. To ensure this mindset is embedded in the organisation, we have a set of tax principles to provide guidance and clarity. We also invest in our local communities through our charitable partners and volunteering efforts.

Sustainable supplier management

With an annual spend of around EUR 1 billion, our procurement activities support our business strategy. A substantial part of this investment goes towards real estate, professional services, IT, business services, marketing and communications, and facility management. Our relationship with suppliers is based on our values, and we aim to work together in a mutually beneficial way. We have a supplier qualification process and governance in place for managing sustainability, related to social, environmental and financial aspects, which is improving every year.

Managing our environmental footprint

We recognise that we have a responsibility to help protect the environment with regard to our own operations. As a financial service provider, our direct environmental impact is limited as we mainly operate in an office environment. Nevertheless, we are committed to minimising our footprint by efficiently using natural resources, by identifying and implementing green alternatives, and ultimately by compensating the remainder of our carbon footprint.

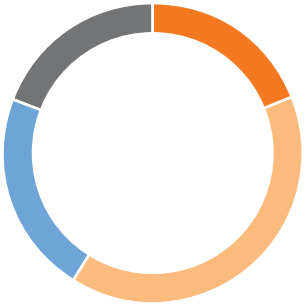
We have been carbon neutral since 2007, as we compensate our CO_2 emissions by purchasing voluntary carbon credits.

NN has a target to reduce carbon emissions covering emissions from our direct operations: emissions from energy consumed on NN sites, and emissions from our business travel (air and car). Our target is to reduce our carbon emissions by 15% by 2020 (base year: 2014). In 2017, the carbon emissions increased by 15.2% reflecting the integration of Delta Lloyd. However, CO_2 per FTE decreased by 10.5%.

It is our ambition to purchase at least 70% of our electricity from renewable resources. In addition to environmental targets related to carbon emissions, we are committed to reducing our paper consumption and waste.

Following the trend for further digitalisation, we continue to focus our sustainability initiatives on energy and business travel efficiency and paper-use reduction. We also encourage the recycling of materials inside our office buildings. NN Group's Facility Management teams work to improve the energy efficiency of our buildings. For example, in Romania, we installed temperature sensors and a smart lighting system which saves energy.

Energy consumption (%)



Creating and sharing value
Positively impacting society and communities Continued

To encourage our people to drive cleaner, NN increased the number of electric cars in the NN car pool. We installed additional charging stations at our offices in the Netherlands and facilitate the installation of a charging station at an employee's home when they choose an electric car. In the Netherlands, NN participated in the 'Low Car Diet' competition, which aims to make employees more conscious of their travel choices. NN now participates in a car-sharing project to promote carpooling amongst our people.

Responsible tax strategy

Good tax management is a responsibility of any company. NN Group does not make use of tax havens or tax-avoiding structures. While executing our tax strategy, we take our set of tax principles and applicable law into account. This is also the reference when choosing business partners or when structuring transactions.

NN Group shares our tax strategy with our stakeholders, including the tax authorities. We seek to develop good, open working relationships with tax authorities. In the Netherlands, this is based on the 'horizontal monitoring' principle. More information on how NN Group entails this principle, as well as a description of the function, roles and responsibilities of the NN Group Tax department, is included in the NN Group Tax Charter, which will be available on our corporate website.

The focus of NN Group's Tax department in 2017 was on integrating the Delta Lloyd activities with regard to the NN tax standards and procedures, and on the tax reporting lines. To create a future-proof tax department, a roadmap was designed for the years 2018-2020. Targets include set-up and improvement of the tax control framework on operational taxes, a more proactive management of tax risks within the businesses, and further enhancing tax transparency towards stakeholders. This roadmap was discussed with the Audit Committee of the Supervisory Board as part of the regular review of NN Group's tax strategy and risks.

We provide an overview of corporate income tax on a country-by-country basis. Besides corporate income tax, NN Group also paid taxes resulting from operations such as value added tax (VAT), insurance premium tax and wage tax in 2017. These taxes are collected on behalf of NN Group or on behalf of customers and employees. The majority of the operational taxes are paid to the Dutch Treasury. In 2017, NN Group paid EUR 1,255 million in wage taxes, of which NN contributed EUR 403 million in Dutch social premiums and employment taxes on behalf of our employees and EUR 852 million on behalf of our clients. NN Group paid VAT of EUR 33 million and insurance premium tax of EUR 217 million in 2017 to the Dutch Treasury.

In 2017, new Base Erosion and Profit Shifting (BEPS) reporting requirements came into effect. NN was able to timely deliver all necessary information to the responsible tax authorities.

Financial tax disclosures

The income tax charge of EUR 392 million in 2017 represents an effective tax rate of 15.5% (2016: 18.7%). The effective tax rate in 2017 was lower than the weighted average statutory tax rate of 24.6% mainly caused by tax exempt income and certain prior year adjustments. More information on the effective tax rate is available on pages 98-100 of the Financial Report (Note 33).

The income tax paid is reflected in the consolidated statement of cash flows in the Financial Report and amounted to EUR 124 million in 2017 (2016: EUR 197 million). The lower income tax paid in relation to the income tax charge reflects differences between accounting and tax rules, as well as tax losses and tax credit carry-forwards. We further provide details of both the tax charge and the tax paid per reporting segment and per country.

Refer to pages 95-98 of the Financial Report for a full country-by-country report (Note 32).

Community investment

NN Future Matters is NN Group's overarching community investment programme. It aims to empower people and support them in growing their economic opportunities. The programme specifically targets 10- to 25-year-olds and underserved groups. In 2017, we reached out to 37,208 youngsters.

As a result of the joining of forces of NN Group and Delta Lloyd, in the Netherlands NN's community investment programme NN Future Matters and the Delta Lloyd Foundation work closely together to increase financial wellbeing in our communities. In 2017, steps were taken to prepare for the integration of NN and Delta Lloyd's community investment activities. This process will continue in 2018.

Since 2014, we have gradually targeted our overall charitable giving towards the NN Future Matters focus areas. In 2017, 82% of our total charitable donations of EUR 2.4 million went to NN Future Matters related target areas.

Impact measurement

The Social Innovation Relay (SIR) is a global competition that challenges students to develop an innovative business concept that addresses a social need. NN employees act as mentors for the students. Based on the Theory of Change methodology, researchers at the Impact Centre Erasmus surveyed students at three different points during their participation.

After participating in SIR, students demonstrated improved skills and competences, such as entrepreneurial intention, communication and creativity skills, entrepreneurial behaviour and social awareness.

'The overall experience broadened my perspective and taught me valuable lessons that I think will be essential to me as I progress in life.'

Student testimonial

Creating and sharing value
Positively impacting society and communities Continued

We focus our efforts, resources and expertise on three complementary target areas: promoting financial empowerment, creating economic opportunities and alleviating financial distress. These three themes align with both our purpose and with the knowledge and expertise of our employees, and have been proven to positively impact communities. With the involvement of international and local partners, the programme aims to be both globally consistent and locally relevant.

Promoting financial empowerment

By supporting people to develop financial knowledge, we help them foster a secure and stable financial future. Responsible financial behaviour is often best developed at an early age, so many of our initiatives are focused on young people. During the 2017 Money Week in the Netherlands, NN colleagues gave a total of 299 guest lectures in primary schools, teaching 7,500 children about money and financial risk scenarios.

Creating economic opportunities

By helping young people develop useful skills, we believe we help them increase their opportunities in the labour market. In cooperation with JINC, a Dutch not-for-profit organisation, our colleagues provide job training to young people who may lack specific role models or a supportive network.

Through Stichting FutureNL we joined Expedition micro:bit to support students to become familiar with coding and programming, as these skills are increasingly important in schools and in today's job market. Each participating school received a 'Digi-klooikoffer' with 30 micro:bit computers. Besides a financial contribution, 38 volunteers from NN Group provided guest lectures at 19 schools.

Another way of creating economic opportunities is by encouraging entrepreneurship. In 2017, the Social Innovation Relay (SIR) again took place as the flagship programme of the NN Group and Junior Achievement Europe partnership. The SIR is a global competition that challenges secondary school students to develop an innovative business concept that addresses a social need. A total of 14,232 students participated in 10 countries.

The NN Future Matters scholarship programme is a collaboration between NN and EP-Nuffic. With a particular focus on students who are the first in their families to go on to higher education, this programme gives students from 11 selected countries the opportunity to complete a Master's programme in the Netherlands. The students are matched with an NN mentor, who supports them during the year.

Alleviating financial distress

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

For example, in the Netherlands, we partner with the LINDA.foundation, a charity that helps families in financial distress. In 2017, we organised several initiatives with colleagues and suppliers to raise funds. Our customers are also involved in the LINDA.foundation through our credit card that donates EUR 0.10 for each transaction to the LINDA.foundation.

In Japan, NN Life made a donation for every charity runner who completed the NaHa marathon. The donation supports an effort to provide educational support to children living in foster homes in Okinawa and is part of our local corporate citizenship programme, 'Mirai no Shacho' (Future CEO).

In Romania, the 'Hai la gradinita!' project aims to bring children in the poorest communities to preschool. With OvidiuRo's assistance, we provide children with access to kindergarten and age-appropriate education materials.

To celebrate the third anniversary of NN Future Matters in 2017, and to provide NN countries with the opportunity to further strengthen their structural partnerships with local charities in line with NN Future Matters, we made additional donations that totalled EUR 160,000 to local charities in 11 of the markets in which we operate.

Other good causes

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

From Debt to Opportunities

The Delta Lloyd Foundation works with various local partners to advance financial literacy and ultimately improve people's financial security. With the From Debt to Opportunities programme, the foundation aims to achieve a 15% reduction in poverty caused by long-term debt. The goal is to reach 11,625 households by 2020. The foundation collaborates with the Amsterdam University of Applied Sciences to research the impact and effect of all initiatives within the programme. In 2017, the foundation supported 28 local projects. Besides financial support, 305 employees volunteered 4,556 hours.

14,099
employee volunteering hours in NN Future Matters focus areas

EUR 2.4m
donations to charitable organisations

37,208
young people reached through NN Future Matters programme

18
NN Future Matters scholarship students

Creating and sharing value

NN Group endorses the Sustainable Development Goals that were adopted by world leaders and came into force in 2016

As the Sustainable Development Goals (SDGs) address the world's largest societal challenges, such as poverty, climate, health care and education, we believe that the public and private sector should work together to help achieve these goals.

To better understand and implement the SDGs, we have been cooperating with peers and other stakeholders. Following the 2016 report 'Building Highways to SDG Investing' to which NN contributed, we engaged with a group of companies on the development of metrics for the SDGs in 2017.

This working group, an initiative of the Sustainable Finance Platform chaired by the Dutch Central Bank (DNB), developed the publication 'SDG impact indicators: A guide for investors and companies' that was launched in October 2017.

Focusing our efforts

To further refine our approach to the SDGs, in early 2017, we invited a group of 20 stakeholders to engage in a conversation on our potential impact on the SDGs, and how these relate to our strategy. The dialogue, which was attended by government representatives, regulators, investors, NGOs, academics and peers, was hosted by Dorothee van Vredenburch, Chief Change and Organisation of NN Group and member of our Management Board.

As a financial services company with a purpose to help people secure their financial futures, we learned that SDG 8 (Decent work and economic growth) and SDG 12 (Responsible consumption and production) resonate most with our stakeholders when they look at our core activities.

SDG 1 (No poverty) and SDG 4 (Quality education) can be addressed through our insurance products and services, and community investment activities.

Regarding our investment activities, we discussed that different investment instruments, such as ESG integration, dialogue and engagement, and impact investing, can be linked to additional SDGs, more specifically SDG 3 (Good health and well-being) and SDG 7 (Affordable and clean energy). Refer to the illustration on the next page for more information on our impact.

After additional internal alignment, these focus areas were validated by our Management Board and Supervisory Board in November 2017. Although we will focus on the SDGs mentioned above, we will link to more SDGs through our activites and performance. These can relate to our supply chain, our own operations, our business activities and/or our community investment activities.

Impact investing at NN Investment Partners

NN Investment Partners (NN IP) developed a pragmatic method to judge the contribution of investee companies. The impact-driven strategy is focused on companies that directly address social challenges alongside making a financial return. It is benchmark-unaware, meaning the portfolio is constructed without reference to any index or other benchmark.

NN IP's impact themes, Diminish stress on ecosystems, Health and well-being, and Fulfilment of lives, form the starting point of the investment process. Using our proprietary database, we identify stocks that have a material exposure to these themes. The next step is to look at intentionality.

Impact companies make a positive contribution to society by their business product or operating model. Once we have our universe of preferred impact stocks, we create a portfolio of 35 to 60 names diversified across our impact themes.

This method allows NN IP to measure the exposure of investee companies to the SDGs and therefore the investment opportunities in the SDGs. Our two specific impact equity funds currently hold EUR 631 million Assets under Management (AuM).

Furthermore, NN IP offers a green bond fund that holds EUR 173 million AuM. The NN Euro Green Bond fund was awarded the new LuxFLAG Climate Finance Label, which indicates that a fund's investments help to finance climate change initiatives.

Outreach and cooperation

In the spirit of SDG 17 (Partnerships for the goals), we engage with various stakeholders on raising awareness of and making progress in reaching the global goals. For example, NN participates in the SDG Young Professional Network of the Confederation of Netherlands Industry and Employers (VNO-NCW). Furthermore, we sponsor a series of three SDG masterclasses initiated and organised by the Dutch Association of Investors for Sustainable Development (VBDO). NN hosted the second masterclass in January 2018, on 'Integrating SDGs in day-to-day investment management'. Representatives from NN IP, IUCN and Amundi presented during this well-attended meeting.

Going forward

In the coming years, we will track the progress we make in addressing the SDGs, in particular the goals we focus on. As the SDGs are set for 2030, we seek to improve our performance and the way we measure our progress every year.

Creating and sharing value
Contribution to the Sustainable Development Goals Continued

Our focus

As an insurance and asset management company with a purpose to help people secure their financial futures, SDG 8 (Decent work and economic growth) and SDG 12 (Responsible consumption and production) resonate most with our core activities.

SDG 8
Decent Work and Economic Growth

- Employee engagement of 66% measured via yearly engagement survey
- Spending around EUR 1 billion on procurement globally
- Offering specialised SRI funds and mandates that often use a best-in-class approach (EUR 10.9 billion in AuM)
- Reaching out to 37,208 young people in 2017 to create economic and labour market opportunities through NN Future Matters

SDG 12
Responsible Consumption and Production

- Reducing our CO_2 emissions per FTE by 10.5% and purchasing 69% electricity from renewable sources in 2017
- Embedding ESG aspects in our procurement activities (EUR 1 billion)
- Providing car insurances Fairzekering and VOOROP in the Netherlands which reward drivers who drive safely and promote safe driving behaviour, which can also lead to lower carbon emissions
- Integrating ESG factors in our investment process and decision-making (EUR 246 billion in AuM)

Additional SDGs we address through our business and community investment activities

SDG 1 (No poverty) and SDG 4 (Quality education) can be addressed through our insurance products and services, and community investment activities.

SDG 1
No Poverty

- Investing EUR 0.9 million by Delta Lloyd Foundation to alleviate poverty. Aiming to impact 11,625 low-income households in the Netherlands by 2020
- Providing EUR 2.4 million donations to charitable organisations (in total)
- Providing access to financial services, a.o. through SDMO micro-pension project from Association of Insurers

SDG 4
Quality Education

- Spending EUR 21.4 million on training and development of our employees
- Providing scholarships to 18 students from 11 countries as part of NN Future Matters, our global community investment programme

Regarding our investment activities, different investment instruments, such as ESG integration, dialogue and engagement, and impact investing, can be linked to additional SDGs, more specifically SDG 3 (Good health and well-being) and SDG 7 (Affordable and clean energy).

SDG 3
Good Health and Well-being

- Products and services with social added value that promote good health and well-being for customers (a.o. cancer treatment in Spain, Poland)
- Contributing to the financial well-being of our customers and consumers, including awareness raising on pensions of 261,739 people in The Netherlands

SDG 7
Affordable and Clean Energy

- Purchasing 69% electricity from renewable sources in 2017
- NN is carbon neutral by offsetting our remaining carbon emissions through the purchase of 25 kt. voluntary CO_2 credits
- Insuring renewable energy projects thereby contributing to the generation of sustainable energy for households
- Investing EUR 356 million of own assets in direct renewable infrastructure projects and green bonds used for renewable energy

Governance and compliance

NN Group has a two-tier board structure

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

Supervisory Board

The Supervisory Board is responsible for advising and supervising the Executive Board, the general course of affairs of NN Group and the businesses connected with it.

More information about the Supervisory Board is available in the Report of the Supervisory Board, pages 10-17 of the Financial Report.

Executive Board

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

Management Board

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

More information about corporate governance is available in the 'Corporate governance' chapter, pages 18-27 of the Financial Report.

The interests of NN Group and our stakeholders

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

Read more information on the governance relating to our corporate citizenship approach at www.nn-group.com/In-society/Governance-memberships-and-endorsements.htm.

Dutch Corporate Governance Code

In 2017, the revised Dutch Corporate Governance Code was embedded in Dutch law. As a result, NN Group is obliged to report on our compliance with the principles and best practice provisions as laid down therein with respect to the financial year 2017. NN Group fully complies with the revised Code. A booklet on NN Group's application of the Code is available for download on the NN Group corporate website. More information is available in 'Promoting a culture of long-term value creation' in the 'Our culture' chapter on pages 13-16.

Read more www.nn-group.com/who-we-are/corporate-governance.htm.

NN Group Compliance Charter & Framework

NN Group is committed to upholding our reputation and integrity through compliance with applicable laws, regulations and ethical standards in each of the markets in which it operates. All employees are expected to adhere to these laws, regulations and ethical standards, and management is responsible for ensuring such compliance. Compliance is therefore an essential ingredient of good corporate governance. The purpose of the NN Group 'Compliance Charter and Framework', which was renewed in June 2015, is to help businesses effectively manage their compliance risks. This document is available for download on the NN Group corporate website. Note that a new version of the document is expected over the course of 2018, following the implementation of NN's Effective Control Framework.

Read more www.nn-group.com/who-we-are/corporate-governance.htm.

Our Management Board

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

Executive Board

Lard Friese (1962)
Chief Executive Officer

Appointed: 2014 Reappointed: 2017
Nationality: Dutch

Lard Friese was appointed member and vice-chair of the Executive Board of NN Group on 1 March 2014, and Chief Executive Officer (CEO) and chair of the Management Board and Executive Board on 7 July 2014. He was reappointed on 1 June 2017. Previously he was appointed to the Management Board of ING Insurance as from 3 November 2011. Lard is responsible for the strategy, performance and day-to-day operations of NN. He has been with the company since 2008 and has experience in the financial services industry dating from 1988, most recently with NN Insurance Eurasia and Nationale-Nederlanden.

Delfin Rueda (1964)
Chief Financial Officer

Appointed: 2014 Nationality: Spanish

Delfin Rueda was appointed to the Executive Board as Chief Financial Officer (CFO) on 1 March 2014 and member of the Management Board on 7 July 2014. Previously he was CFO and member of the Management Board ING Insurance Eurasia N.V. since 2012. Delfin is responsible for NN's finance departments and investor relations. He has experience in the financial services industry dating from 1993, most recently with Atradius. Prior to joining ING in 2012, he was Chief Financial and Risk Officer and member of the Management Board at Atradius. He has also held leadership positions at J.P. Morgan, UBS and Andersen Consulting.

Management Board

David Knibbe (1971)
Chief Executive Officer Netherlands

Appointed: 2014 Nationality: Dutch

David Knibbe was appointed to the Management Board on 7 July 2014. On 1 September 2014, he was appointed CEO of Netherlands. In this role, David is responsible for NN's insurance and banking business in the Netherlands and is leading the integration of NN and Delta Lloyd. He has experience in the financial services industry dating from 1997, most recently with NN Group. He has held management positions at ING Bank, ING Piraeus in Greece, NN Investment Partners and Nationale-Nederlanden. David Knibbe is chair of the Dutch Association of Insurers.

Dorothee van Vredenburch (1964)
Chief Change and Organisation

Appointed: 2014 Nationality: Dutch

Dorothee van Vredenburch was appointed to the Management Board of NN Group as Chief Change and Organisation (CCO) on 7 July 2014. Dorothee is responsible for NN's human resources, communications and sustainability. She joined the company in 2009 as managing director of Corporate Communications and Affairs of ING Group. She has experience in the financial services industry dating from 1987, starting as an investment banker. She has held leadership positions at Citigate First Financial, amongst others.

Jan-Hendrik Erasmus (1980)
Chief Risk Officer

Appointed: 2016
Nationality: South African and British

Jan-Hendrik Erasmus was appointed to the Management Board on 1 September 2016 and as Chief Risk Officer of NN Group on 1 October 2016. He is also responsible for IT globally. Previously, he was a Partner in Oliver Wyman's Financial Services business, and held leadership positions in Oliver Wyman, Lucida plc and Prudential plc. Jan-Hendrik has experience in the financial services industry dating from 2003, across insurance, risk and investment management in the UK and internationally.

Robin Spencer (1970)
Chief Executive Officer International Insurance

Appointed: 2015 Nationality: British

Robin Spencer was appointed to the Management Board on 1 August 2014 and as CEO International Insurance on 1 September 2014. He is responsible for NN's Insurance Europe, Japan Life, Japan Closed Block VA and NN Re businesses. Robin was previously Chief Executive Officer of Aviva UK & Ireland General Insurance. He has experience in the financial services industry dating from 1995, across life, non-life and asset management in the UK and internationally.

Robin Spencer will step down as CEO of International Insurance and member of the Management Board of NN Group effective 1 June 2018.

Satish Bapat (1966)
Chief Executive Officer NN Investment Partners

Appointed: 2017 Nationality: Dutch

Satish Bapat was appointed CEO of NN Investment Partners and member of the Management Board of NN Group as of 1 April 2017. From 2013 to 2017, he held the position of CEO of NN Life Japan. He has experience in the financial services industry dating from 2006, both within and outside the Netherlands. Satish has held leadership positions at, amongst others, ING Investment Management, Robeco and ABN AMRO.

Stan Beckers (1952)
Chief Executive Officer NN Investment Partners

Stepped down: 1 April 2017
Nationality: Belgian

Stan Beckers joined NN Group as CEO of NN Investment Partners on 1 July 2013. After 38 years in the financial services industry, he retired on 1 April 2017.

Our Management Board Continued

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Left to right
Satish Bapat
Robin Spencer
David Knibbe

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Left to right
Dorothee van Vredenburch
Lard Friese

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Left to right
Delfin Rueda
Jan-Hendrik Erasmus

Stakeholder engagement and our international commitments

To earn trust and support, NN Group maintains an open and continuous dialogue with our stakeholders about various topics and issues

These topics include our products and services, our business performance, and our role in society. We do this across all levels of the organisation, and from NN Group to business unit levels.

NN Group identifies stakeholders based on their relevance to NN Group. Parties are regarded as stakeholders when they have the potential to influence or be influenced by our business. We consider employees, customers, shareholders, business partners and society at large (including regulators and societal organisations) our important stakeholder groups. We seek feedback from them on different topics in order to learn which issues they consider important. This input is used in defining our strategy and in our decision-making processes, and tells us how we can best align the interests of our business with the needs and expectations of our various stakeholder groups.

The instruments to conduct this dialogue include regular interactions and feedback sessions for customers on our products and services, roundtable sessions with policymakers, academics and peers, works council meetings and continued dialogue with our employees, frequent bilateral contact with regulatory and government authorities and societal organisations (including non-governmental organisations, labour unions and industry organisations), and briefing sessions and roadshows for journalists, analysts and investors.

In 2017, we organised two specific multi-stakeholder dialogues, one on the Sustainable Development Goals and one on materiality. Furthermore, we were confronted with various developments, issues and challenges. These were brought to our attention by and/or discussed with different stakeholders. Please find a non-exhaustive overview of the key topics discussed with different stakeholders on the next page.

International commitments and endorsements

As a company based in the Netherlands, we adhere to Dutch law and the Dutch Corporate Governance Code (read more on page 19 of the Financial Report). We observe the laws and regulations in the markets where we operate.

We adhere to international standards and guidelines, including the UN Global Compact and the OECD Guidelines for Multinational Enterprises.

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

- Principles for Sustainable Insurance
- Principles for Responsible Investment
- Carbon Disclosure Project
- Recommendations of the Taskforce Climate-related Financial Disclosures

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

- UN Global Compact
- United Nations Environment Programme Finance Initiative (UNEP FI)
- International Corporate Governance Network (ICGN)
- Institutional Investors Group on Climate Change (IIGCC)

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

Our approach to human rights

Respect for human rights is an integral part of our values as confirmed in the 'NN statement of Living our Values'. The principles contained in the UN Guiding Principles for Business and Human Rights guide us in implementing human rights in our business activities and interactions with stakeholders. The principles make a clear reference to internationally accepted standards, such as the UN 'Universal Declaration of Human Rights'.

In early 2017, we published an overarching corporate human rights statement, the 'NN Group Human Rights Statement'. This statement, endorsed by the Management Board, underlines our commitment to human rights. NN Group seeks to meet our responsibility to respect human rights in our role towards employees, suppliers, clients, investments and the communities in which we operate.

The 'NN Group Human Rights Statement' serves as an umbrella document and relates to various policies and related due diligence. Examples of such internal policies are our Human Capital policy, Procurement policy and our Responsible Investment Policy Framework. To provide our stakeholders, including investors and NGOs, with more insight and to guide our analysts in their assessment, we published the 'Investor Guidance paper on Human Rights'. We aim to publish an additional Investor Guidance paper on labour rights in 2018.

Stakeholder engagement and our international commitments Continued

Stakeholder groups, topics discussed, outcome

Stakeholder group	Engagement	Frequency	Topics discussed	Outcome
Customers (retail)	Client panel, NPS survey, Global Brand Health Monitor	Continuously	Products and services, customer service, complaint management	Improve products and customer processes, achieve greater customer satisfaction.
Customers (institutional)	Client survey, client event, roundtables	Continuously	Legislative changes, customer satisfaction	Product and process improvements. To be a solid, professional and sustainable pension provider/investor. Provide information on responsible investing.
Financial advisors, brokers, agents	Training, products and services	Continuously	Products and services	Stimulate good cooperation to achieve greater satisfaction among financial advisors, ultimately leading to customer satisfaction.
Shareholders, analysts, investors	Annual shareholders meeting, quarterly analyst calls, roadshow meetings	Regularly	Strategy, financial and operational developments, capital position	Align, inform and engage shareholders, analysts and investors during the year.
Employees	Townhall meetings, Hello You surveys, works councils, unions, International Leadership Conference	Continuously	Values, engagement, Code of conduct, reorganisation, integration process	Ensure employees are engaged and well informed. Monitor employee perceptions.
Investee companies	Voting at shareholder meetings, dialogues with company management, engagement	Regularly	Climate change, human rights, landgrabbing, palm oil, data privacy, disclosures	Promote value through consistent and transparent voting behaviour. Obtain better disclosures. Improve decision-making, including environmental, social and governance aspects.
Regulators, government bodies	Physical meetings, regular reporting, information exchange	Regularly	Economic and financial market developments, risk assessments, regulation	Ensure compliance with and discuss impact of regulations.
Non-governmental organisations (NGOs)	Correspondence, meetings, reports, benchmarks	Regularly	Sustainable development, human rights, controversial weapons, benchmarking methods	Share knowledge, reach mutual understanding and work on an IMVO covenant for the insurance sector.

Stakeholder engagement and international commitments
Taskforce on Climate-related Financial Disclosure

Our response to the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD).

In June 2017, the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) issued its final recommendations on climate-related financial disclosures. NN Group endorsed these recommendations. This section provides our response and is structured along the four pillars of the TCFD framework: governance, strategy, risk management, and metrics and targets

Governance

The NN Group Executive Board ensures that the company has adequate internal risk-management and control systems in place so that it is aware of any material risks run by our company and that these risks can be managed properly. Each year, the Executive Board defines the company's risk appetite and tolerance statements. This is ratified by the Supervisory Board. For more detail on risk management, refer to pages 129-158 of the Financial Report.

The Executive Board's responsibilities also include the formulation of the company's strategy in line with its view on long-term value creation. Any non-financial aspects relevant to the company (or the chain within which it operates), such as environmental, social and governance (ESG) matters, are taken into account. The Supervisory Board supervises the policy pursued by the Executive Board, whilst the Management Board is entrusted with the day-to-day management and the overall strategic direction of our company. These responsibilities are laid out in the charters of these Boards as published on our corporate website.

Within the Management Board, the Chief Change and Organisation (CCO) has corporate citizenship, including sustainability, in her portfolio. Additionally, all members of the Management Board play a role in integrating sustainability in their respective businesses or functions where relevant. To steer and advise the Management Board on the implementation of the overall corporate citizenship strategy, we have a dedicated Corporate Citizenship team within the Corporate Relations department of NN Group. This team works closely with the different NN businesses and functions.

ESG-related governance within our investment activities

Climate change is an ESG factor that we believe has the potential to materially impact the performance of investment portfolios. The consideration of ESG is part of all the investment processes, and governed by our Responsible Investment (RI) Framework policy.

At NN Investment Partners (NN IP), the executive team provides strategic direction and oversees the implementation of the RI Framework policy in the investment processes. The executive team receives input from NN IP's ESG Committee. The committee is chaired by the Chief Investment Officer and comprises the Responsible Investment team and senior representatives from NN IP's various business segments and NN Group. Besides advising NN IP's executive team on its positioning on responsible investing, the ESG Committee has a mandatory advisory role on NN Group RI-related policies and the restricted list towards the Management Board of NN Group.

To support all investment teams in the integration of ESG within the investment process, and to further drive the development of responsible investing and engagement, NN IP has a RI team consisting of three specialists. This team reports directly to the Chief Investment Officer of NN IP.

Climate change dialogue

In 2017, a multi-disciplined working group, called the Climate Change Dialogue, was set up to align our reporting with the TCFD framework. Relevant disciplines represented are: risk management, finance, legal, insurance, reinsurance, investment and corporate citizenship. The group convened to discuss a gap analysis of current reporting with the TCFD framework and a qualitative mapping of risks and opportunities.

In February 2018, the findings and recommendations for further alignment were discussed and validated by the Management Board. The ongoing role of the Climate Change Dialogue was confirmed, and this working group will continue to advise the Management Board on climate risk analysis, climate-related business opportunities and external developments in this area.

Strategy

Climate change is a complex subject that contains significant areas of uncertainty, particularly when considering long-term horizons. The ways in which businesses might be impacted by climate change are also diverse. To align with the TCFD framework, we mapped the potential risks (and opportunities) of climate change on our business according to the categorisation: transition and physical risks.

Transition risks

Transition risks are financial risks related to the emerging lower-carbon economy. In the December 2015 Paris Agreement, governments around the world committed to the goal of keeping the increase in average global temperature to well below 2°C and pursuing efforts to limit it to below 1.5°C. Staying below a 2°C threshold would require a significant shift in the trajectory of greenhouse gas (GHG) emissions. The longer it takes for GHG emissions to begin to meaningfully decline, the faster the speed of the transition required. Government action to reduce GHG emissions through policy and regulations could impact profitability of companies, particularly in carbon-intensive sectors.

The global transition to a lower-carbon economy might impact the asset side of our balance sheet through our investments. This is the case when the pricing of financial assets does not fully reflect the risk of different transition pathways. Besides public policy, a potential re-pricing of financial assets could be influenced by factors such as technological developments and changing consumer preferences. Whilst these risks may be more mid to long term, our investments might also be exposed to short-term risks such as a sudden change in market sentiment around climate risks, for example, for specific industries in which we invest.

Stakeholder engagement and international commitments
Taskforce on Climate-related Financial Disclosure Continued

To gain insight into transition risks, NN Group performed a comprehensive carbon footprint analysis of a large part of our balance sheet assets. Due to the high allocations to Eurozone government bonds and diversification within the corporate fixed income and equity portfolios, the exposure to the highest emitting sectors in our portfolio is relatively limited. Although approach and methodologies differ, this was also shown by a study published by the Dutch regulator, the Dutch Central Bank (DNB), in October 2017, in which NN participated. Dutch insurers have around 4.5% of their total balance sheet assets invested in carbon-intensive sectors. Nonetheless, it remains difficult to predict how the transition to a lower-carbon economy could impact the investments as there could be cross-over effects to other sectors.

Transition risks might also impact some of our revenues when we fail to adjust product propositions to sustainability requirements. Furthermore, negative feedback from government, media and society, for example, on meeting our societal objectives to contribute to the transition to a lower-carbon economy, could impact our reputation.

Finally, the transition might confront corporates in some instances with new legal or future regulatory challenges and associated fines for shortfalls in their responsibilities to the broader environment or society. Such climate change-related litigation remains an emerging and evolving area, making it difficult to assess. Given the relative size of NN's general liability insurance portfolio to corporate clients, we currently foresee risks in this area to be low. However, we will monitor developments.

Physical risks

Physical risks relate to the physical consequences of climate change. They could be event-driven, such as increased severity and frequency of severe weather events (e.g. hurricanes and floods), or they could relate to longer-term shifts in climate patterns (e.g. sustained higher temperatures) that might cause a rise in sea level or chronic heat waves.

These risks are particularly relevant to our non-life insurance business, where weather events such as windstorms or hail result in higher expenditures (claims and operational costs), influencing the margins of our property & casualty (P&C) insurance products. Our non-life insurance business is predominantly located in the Netherlands.

The Royal Netherlands Meteorological Institute (KNMI) developed long-term weather scenarios in 2015 that indicate that the prevalence of weather conditions such as hail and rainfall and related losses will increase in the following decades. Note that P&C is predominantly a one-year renewal business, making it possible to adjust our risk models and define premiums (or introduce excess) that fit to predicted possible losses. Also, external reinsurance will under certain conditions partially mitigate potential impacts.

Customer trust and satisfaction issues can negatively impact our revenues. For example, flood risk is not covered in most P&C products, such as building and contents insurance in the Netherlands. This is also the case for NN Group. Faced with large damages, customer satisfaction could be affected when our customers are unaware of uninsured risks. Such aspects may occasionally lead to reviews of national risk management approaches, such as in the UK, where a national flood risk pool has been established for high risk areas. At this moment, there is not such a pool in the Netherlands, but the topic is regularly discussed amongst stakeholders.

Customer satisfaction could also be affected should insurers have to charge customers higher insurance premiums, making affordability an issue. NN Group acknowledges the importance of trust and customer satisfaction for the insurance industry, focusing on clearly informing our customers, and being transparent about coverage, alongside helping to initiate adaption or resilience in a changing environment. We will therefore focus on actions to raise awareness on climate change among all our stakeholders.

Physical risks might also impact our investment portfolio. For example, a severe windstorm or flood in Europe that damages the buildings underlying our real estate portfolio could result in asset impairments. Extreme natural catastrophes can cause economic damage, potentially indirectly impacting financial markets through the real economy. These risks are mostly relevant for our life insurance investment portfolio given the long-term horizon of the liabilities.

Prolonged and multiple periods of heat waves and other consequences of rising temperatures may result in increased morbidity and mortality, thereby impacting our life and income insurance liabilities.

Although it is challenging to predict long-term threats, we currently foresee that it should have less impact on our life and income insurance liabilities than other threats, such as changes in demographics or pandemics.

As a financial services provider NN Group relies heavily on reliable data and efficient IT infrastructure for an uninterrupted and effective service to customers. In the case of severe climate conditions leading to flooding in our data centres, services to customers might be severely impacted. Non-financial criteria are therefore important considerations when choosing new locations for our data centres.

Climate-related opportunities

Besides risks, the energy transition could also bring opportunities for companies across sectors and industries, for example, in the area of energy efficiency and green infrastructure solutions for climate change mitigation or adaption. The latter area could provide a particularly good fit for insurance investors. The bond market is seen as having the potential to finance the large-scale investments that are needed in the transition to a lower-carbon and climate change-resilient economy.

Helping our customers adapt to climate change or supporting them in opportunities related to energy transition could generate new sources of revenue. For example, within the insurance business we offer insurance in the area of renewable energy. Delta Lloyd insured its first Dutch wind farm in 2008; we are now the largest Dutch insurer of offshore wind farms. We insure both the construction phase of a wind farm and the operational phase when the wind turbines start operating.

Within our asset management business, we are seeing increased client demand for investment strategies that offer positive societal impact in addition to financial return. Over the past two years, NN IP expanded its range of products with a specific sustainable focus. For more detail, refer to page 43.

Stakeholder engagement and international commitments
Taskforce on Climate-related Financial Disclosure Continued

Finally, proactively addressing climate change could positively influence our reputation, resulting in improved quality and sustainability of earnings. At NN Group, we want to help our customers secure their financial futures. We can support our customers' resilience to climate change through insurance products and prevention measures. Furthermore, we can support the green economy with both insurance and investment products and services.

Resilience of our strategy

In our insurance business, we explicitly consider large catastrophic losses in economic capital modelling to ensure NN Group is resilient to such extreme scenarios. The Solvency II supervisory framework requires that insurers hold sufficient capital to cover the losses of a 1-in-200-year event, over a 1-year time period. In addition, insurers also consider risks beyond this one-year time period as part of their Own Risk and Solvency Assessment (ORSA), and hold a level of capital that is in line with their defined risk appetite.

NN Group, and each of our regulated (re)insurance subsidiaries, prepares an ORSA at least once a year. In 2017, Nationale-Nederlanden Non-life (NN Non-life) modelled the financial impact of an extreme windstorm in Europe combined with the collapse of some major reinsurers and an economic crash. This scenario was amongst the stress test scenarios initiated by the Dutch regulator, the Dutch Central Bank (DNB), in 2017. We used this scenario to test how our reinsurance agreements will protect us from significant effects on our balance sheet.

For this scenario, we anticipate a negative financial impact for NN Non-life. Our management discussions defined additional mitigating measures that we deem appropriate to manage the risk of this scenario. During 2017, we revisited and adjusted existing reinsurance contracts on catastrophe risk, taking into account the combined NN and Delta Lloyd organisation and corresponding risk appetite and risk levels. Other measures include preventive action to reduce claims through more proactive communication with clients, as well as better data analytics to determine potential concentration risks related to catastrophe risk and re-underwrite if needed.

Risk management

Integration of climate factors into risk management policy framework

As part of NN Group's control framework, all business units consider social and environmental risks, supported by a comprehensive policy framework. Our policies set out our minimum standards for risk management and internal control in the relevant area within the group.

Other policies that make reference to climate factors include the RI Framework policy. This policy is supported by more detailed guidance, position papers, awareness raising, and training for areas identified as high risk. This includes, for example, our 'Investment Guidance paper on the Environment', which illustrates due diligence processes we apply, and highlights relevant standards and principles to promote best practices and avoid negative impact of companies in which we invest.

The Procurement policy governs our approach to manage and control business operations risks, non-financial and reputation risks in our supply chain. Suppliers are asked to provide detailed information on their policies regarding human rights, environmental care, labour rights, anti-bribery and corruption. Our procurement employees are trained to integrate sustainability aspects into the supplier qualification process.

The Business Continuity Management policy defines the procedures to determine and assess risks, including the requirement to perform a risk/threat assessment every year, and manage the consequences of those risks. These procedures mitigate financial, non-financial and reputation damage caused by long-term disruption of critical business activities after a disaster, natural or otherwise.

Processes to manage climate risks within investments

We believe that the consideration of ESG factors, next to traditional financial data, helps to make more informed decisions and optimise the risk-return profile of investment portfolios. At NN IP, assessing the materiality of ESG factors, such as climate change, is an integral part of the investment process where the analysts identify material risks and opportunities within the investment case. In doing so, they make use of information from ESG data/research providers, amongst which Sustainalytics, MSCI, Bloomberg and ISS-Ethix Climate Solutions.

In addition to analysing individual investment-level risks, we also perform analysis at a portfolio level to better understand the potential risks related to climate change. In 2017, we conducted a carbon footprint analysis for a large portion of NN Group's proprietary assets. We published the results and insights on our website, and updated the footprint and intensity numbers at year-end 2017 (refer to section on Metrics and targets). We find the analysis particularly useful to prioritise our engagement efforts with the most carbon-intense sectors in our portfolio.

We consider active stewardship to be one of the most important tools to manage climate risks. We believe it is a responsibility for us as long-term investors. Through voting, we support shareholder resolutions related to climate risk, disclosure and performance. Furthermore, we engage in-depth with investee companies to address the risks associated with climate change. For more detail refer to pages 41-44.

Processes to manage climate risks within insurance underwriting

Within our P&C insurance business, the physical risks of climate change are managed through the use of catastrophe risk modelling in underwriting, risk assessments and required capital calculations. Our non-life insurance business and NN Re work closely together to share knowledge, insights and experience, and to ensure a consistent approach and understanding of the risks. We use external vendor models, which rely on meteorological modelling and historical storms, to estimate the impact and damage caused by large natural catastrophes such as windstorms. These models are part of the Solvency II Partial Internal Model of NN Group.

Stakeholder engagement and international commitments
Taskforce on Climate-related Financial Disclosure Continued

Short-term contracts and portfolio diversification are other key risk-mitigating actions. NN offers a broad range of non-life insurance products that provide protection against damage and loss from a wide range of causes. The portfolio can be categorised as (i) income/accident, comprising disability and accident (D&A) and travel insurance, and (ii) property and casualty (P&C) products, comprising fire (also known as property insurance), motor and transport insurance, and other insurances. Our non-life products are primarily in the Netherlands. The business segment Netherlands Non-life accounted for 2% of NN Group's operating result before tax of the ongoing business, and 21% of gross premium income in 2017.

Through our reinsurance programme, we reinsurance ourselves against natural catastrophes. Finally, the management of climate risks is informed by regulatory capital requirements, which require the adequacy of capital for the risks we are exposed to.

Metrics and targets

Own direct operations

NN Group is committed to reducing the environmental impact of our own operations. We have set quantitative targets to reduce our GHG emissions and consumption of scarce resources. Please see pages 48-49.

Investments

To inform and monitor our exposure to carbon risks within our investment portfolio, we updated our Carbon Footprint Disclosure at year-end 2017. In 2017, the assessed Assets under Management (AuM) increased to EUR 103 billion due to the addition of Delta Lloyd's assets. The measurement, which represented 56% of NN's total Proprietary Assets, shows a decrease in portfolio carbon footprint (273 tCO_2e/EURm invested vs 309 tCO_2e/EURm invested). We also calculated the weighted average carbon intensity, which is the main metric recommended by the TCFD.

This metric remained stable at 231 tCO_2/EURm of revenue, although the intensity of Corporate Bonds somewhat increased whilst Equity decreased. For more detail, refer to page 67. Due to various limitations related to quality and availability of data, and the fact that it provides a snapshot of emissions at one particular point in time, we have not yet used the results of the carbon footprint analysis to set targets. However, we are looking at ways to make environmental or carbon criteria a more explicit consideration in the management of our portfolio.

NN seeks to increase our investments in those activities that are needed to support the transition to a lower-carbon economy. In 2017, we signed new debt investments in an offshore wind farm in Germany and a solar park in Spain. During the year, we added Delta Lloyd assets, which also include infrastructure investments in wind and solar. Upon completion the projects in the total renewable energy portfolio will have the capacity to provide electricity for around 800,000 households. Green bonds provide another way to invest in climate friendly activities and support the energy transition. At year-end 2017, our combined investments in renewable infrastructure and green bonds held on behalf of NN's proprietary assets amounted to EUR 540 million.

We continue to invest in measures that increase the energy-efficiency of our real estate investments. To assess the environmental and broader sustainability performance of our portfolio, we use GRESB, a leading global standard for assessing real estate's ESG performance. In the 2017 Real Estate Assessment, NN's portfolio performed well, improving its score for the third consecutive year and outperforming the majority of the 850 GRESB participants. We also participated in the GRESB Debt Assessment for the first time. Our commercial real estate loan portfolio, managed by NN IP, received a score above benchmark average. For our GRESB scores, please refer to page 66.

For our asset management clients, NN IP offers a wide range of specialised SRI funds and responsible investment solutions. These products meet the growing demand for products that generate good financial returns alongside care for society and the environment. Our objective is to continue to grow assets in SRI funds and mandates and expand the product offering. At year-end, the AuM in our sustainable equity and fixed income products amounted to EUR 10.9 billion. This was an increase of 114% versus the prior year.

Insurance

Property insurance is impacted by climate risks, as buildings and their contents are exposed to natural catastrophes including storms, hail or impacts of rainfall. Some metrics we use to assess the future performance of our property insurance business on catastrophe or climate risks are the Probable Maximum Loss (PML) and the mitigation of risk.

The PML is the estimated maximum amount likely to be claimed under (re)insurance policies as a result of a catastrophic event. For example, the event could be a windstorm, flood or other disaster that has a given probability of occurrence over a defined time period. The PML is identified using postal codes and assumes the normal functioning of protective features of the buildings.

NN Group estimates the PML for catastrophic events using its Partial Internal Model. The NN Group Partial Internal Model applies external vendor models to assess the impact of relevant natural disasters on the actual NN portfolio. Windstorms are considered to be the main natural peril for the NN portfolio. The 1-in-200-year probability of occurrence is the starting point for the decision-making process on purchasing reinsurance covers. Reinsurance covers are placed with strongly capitalised external reinsurers. These covers reduce both the losses to NN Group from large events as well as multiple smaller events. Both the applicability of the external vendor models as well as the reinsurance structure and cover are reviewed annually at renewal.

Next steps

This is the first year that NN Group has incorporated the TCFD recommendations in the Annual Report. Whilst we tried to provide a complete response, there are still next steps needed to fully report in line with the recommendations. This mostly concerns the impact on the strategy and financial planning in the short, medium and long term, where a climate-related scenario analysis could help to provide additional insights. NN is currently exploring the possibilities to perform such an analysis for our investments. Furthermore, we will investigate other climate change-related risk and opportunities metrics and embed them in the relevant businesses.

Our approach to reporting

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

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

We aim to strengthen our integrated reporting every year. Elements such as our value creation model and our materiality matrix are again included in the Annual Review. The same applies for our performance data regarding responsible investment, human capital, community investment and environmental footprint. This review therefore aligns relevant information about our strategy, governance systems, performance and future prospects in a way that reflects the economic, environmental and social contexts in which we operate.

NN Group also publishes a Solvency and Financial Condition Report (SFCR), which includes public quantitative and qualitative disclosures on Solvency II. The SFCR is published on NN Group's corporate website in the Investors/Annual Report section.

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

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

Reporting profile

This is NN Group's fourth Annual Report since our separation from ING Group and becoming a publicly listed company on 2 July 2014. It is published on 15 March 2018. We report annually, on a calendar year basis (1 January – 31 December).

Reporting process

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

Relevant topics were selected for the 2017 Annual Report, more specifically the Annual Review, through a materiality assessment using internal and external research and other sources. In addition, a dialogue session was held with internal and external stakeholders to help steer our focus.
For more information, see page 19.

We aim to provide transparency and enhance the reliability of the reported content for our stakeholders. Therefore, our external auditor, KPMG, provided limited assurance on the non-financial information in the Annual Review. We provide evidence to our external auditor to support the statements we make in this report. The non-financial information in scope of the assurance engagement of KPMG is defined as related to the material topics: customer centricity, innovation, digital transformation and data privacy, transparency and business ethics, risk management, responsible tax practices, diversity and inclusion, employee engagement, human capital development, financial and economic empowerment, sustainable products and services, responsible investment, human rights and climate change. The non-financial information is included on the following pages of the Annual Review: About NN (pages 2-16), Our operating environment (pages 19-23), Our strategy (pages 24-34), Creating and sharing value (pages 35-52), Governance (pages 56-61), Facts and figures (pages 65-69). Please refer to pages 70-73 of this report for KPMG's Assurance report.

Boundary and scope of the data in the Annual Review

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

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

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

We sourced the Human Resources (HR) data directly from the HR data analytics department. The financial data reported in this review has been fully sourced and aligned with NN Group's 2017 Financial Report.

The acquisition of Delta Lloyd (see pages 10-12) had an impact on our scope. All 2016 numbers are for NN Group standalone. The 2017 numbers include Delta Lloyd since 1 April 2017. The acquisition did not change our corporate citizenship ambition, strategy, definitions and reported data.

Reporting guidelines

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

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

Going forward

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

Facts and figures

Consolidated balance sheet

As at 31 December

Amounts in millions of euros, unless stated otherwise	notes	2017	2016
Assets			
Cash and cash equivalents	2	9,383	8,634
Financial assets at fair value through profit or loss:	3		
– investments for risk of policyholders		33,508	30,711
– non-trading derivatives		5,116	4,421
– designated as at fair value through profit or loss		934	873
Available-for-sale investments	4	104,982	79,767
Loans	5	56,343	33,920
Reinsurance contracts	17	880	231
Associates and joint ventures	6	3,450	2,698
Real estate investments	7	3,582	2,028
Property and equipment	8	150	86
Intangible assets	9	1,841	342
Deferred acquisition costs	10	1,691	1,631
Assets held for sale	11		6
Deferred tax assets	33	125	35
Other assets	12	5,077	3,117
Total assets		**227,062**	**168,500**
Equity			
Shareholders' equity (parent)		22,718	22,695
Minority interests		317	12
Undated subordinated notes		1,764	986
Total equity	13	**24,799**	**23,693**
Liabilities			
Subordinated debt	14	2,468	2,288
Debt securities issued	15	1,988	598
Other borrowed funds	16	7,991	7,646
Insurance and investment contracts	17	163,639	115,708
Customer deposits and other funds on deposit	18	14,434	10,224
Financial liabilities at fair value through profit or loss:	19		
– non-trading derivatives		2,305	2,008
Liabilities held for sale	11		2
Deferred tax liabilities	33	1,830	2,979
Other liabilities	20	7,608	3,354
Total liabilities		**202,263**	**144,807**
Total equity and liabilities		**227,062**	**168,500**

Amounts for 2016 have been restated for the change in NN Group's accounting policy for the Reserve Adequacy Test. Reference is made to Note 1 'Accounting policies' for more details.

References relate to the notes starting with Note 1 'Accounting policies' of the Financial Report. These form an integral part of the Consolidated annual accounts.

Facts and figures Continued

Consolidated profit and loss account
For the year ended 31 December

	notes	2017	2017	2016	2016
Gross premium income	21		12,060		9,424
Investment income	22		5,275		3,801
Result on disposals of group companies			-150		-114
– gross fee and commission income		1,187		936	
– fee and commission expenses		-382		-340	
Net fee and commission income	23		805		596
Valuation results on non-trading derivatives	24		-513		14
Foreign currency results and net trading income			-138		-90
Share of result from associates and joint ventures	6		399		377
Other income			78		60
Total income			**17,816**		**14,068**
– gross underwriting expenditure		14,140		11,590	
– investment result for risk of policyholders		-1,622		-1,156	
– reinsurance recoveries		-187		-116	
Underwriting expenditure	25		12,331		10,318
Intangible amortisation and other impairments	26		118		19
Staff expenses	27		1,517		1,174
Interest expenses	28		335		345
Other operating expenses	29		991		749
Total expenses			**15,292**		**12,605**
Result before tax			**2,524**		**1,463**
Taxation	33		392		273
Net result			**2,132**		**1,190**

Amounts for 2016 have been restated for the changed classification of interest income/expense on derivatives for which no hedge accounting is applied. Reference is made to Note 1 'Accounting policies' for more details.

Key financial and non-financial indicators

Financial indicators (in EUR million)

	2017	2016	2015
Operating result ongoing business	1,586	1,227	1,435
Net result (after minority interests)	2,110	1,189	1,565
Net Operating ROE	10.3%	8.1%	10.8%
Solvency II ratio	199%	241%	239%
Value of new business	345	214	202
Assets under Management (end of period, in EUR billion)	246	195	187
Dividend proposal (per ordinary share, in EUR)	1.66	1.55	1.51
NN Group share price (COB 31 December 2017, in EUR)	36.12	32.20	32.55

Key non-financial indicators

	2017	2016	2015
Customer satisfaction and loyalty			
– insurance business units using NPS	100%	100%	100%
– insurance business units scoring on/above level previous year	91%	95%	n.a.
– insurance business units scoring on/above market average	100%	n.a.	95%
Countries/business units offering tools improving financial decision-making (#)	13	13	13
Assets under Management in SRI funds or mandates (end of period – in EUR million)	10,852	5,062	4,509
– as part of the total Assets under Management	4.4%	2.6%	2.4%
Employee engagement score	66%	71%	73%
– participation in the engagement survey	73%	86%	84%
Total donations to charitable organisations (x EUR 1,000)[1]	2,400	1,500	1,500

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

Sustainability ratings

	2017	2016	2015
Sustainalytics (position/# insurance companies)	3/145 (Leader)	13/151 (Outperformer)	13/149 (Outperformer)
Oekom	C (Prime)	C (Prime)	C (Prime)
Carbon Disclosure Project	C	B	95C
Dow Jones Sustainability Index (out of 100)	80 (Included)	77	68
FTSE4Good	Included	Included	Included
Dutch Transparency Benchmark (out of 200)	183	176	157

Key financial and non-financial indicators Continued

Customer-related indicators (in EUR million)

	2017	2016	2015
Total claims and benefits paid	15,772	11,681	14,225
New sales life insurance (APE)	1,791	1,386	1,295
Gross premium income	12,060	9,424	9,205

Responsible investment indicators (in EUR million)

	2017	2016	2015
Assets under Management in SRI funds and mandates (end of period)	10,852	5,062	4,509
– as part of total Assets under Management NN Investment Partners	4.4%	2.6%	2.4%
Funds			
– NN Duurzaam Aandelen Fonds	734	679	682
– NN (L) European Sustainable Equity Fund	308	91	148
– NN (L) Global Sustainable Equity Fund	1,717	673	544
– NN Global Sustainable Opportunities Fund	263	265	–
– NN (L) Global Equity Impact Opportunities	368	–	–
– Delta Lloyd Equity Sustainable Global Fund	2,942	–	–
– NN (L) Euro Sustainable Credit (excluding Financials)	679	587	471
– NN (L) Euro Sustainable Credit (including Financials)	117	96	85
– NN (L) Euro Green Bond Fund	173	61	–
– NN (L) Patrimonial Balanced European Sustainable	234	102	–
Subtotal	7,534	2,554	1,930
Mandates			
– Sustainable Fixed Income Mandates	1,319	1,038	1,548
– European Sustainable Equity Mandates	387	349	333
– Global Sustainable Equity Mandates	1,612	1,121	699
Subtotal	3,318	2,508	2,580
Total	10,852	5,062	4,509
Voting			
Shareholders meetings where we voted (#)[1]	1,507	1,437	2,013
– as % of total votable meetings	97%	94%	96%
Agenda items on which we voted (#)	18,978	18,335	26,580
How we voted on agenda items (%)			
– for	89.6%	90.1%	89.7%
– against	10.1%	9.6%	10.2%
– abstain	0.3%	0.3%	0.3%
Countries where we voted (#)	54	51	52
Shareholder resolutions on which we voted by topic	348	347	532
– environmental	56	54	67
– social	74	73	98
– governance	218	220	367
GRESB Real Estate and Debt Assessment scores[2]			
Private real estate – portfolio average (vs. benchmark average)	74 (61)	72 (59)	66 (55)
Commercial real estate debt – portfolio average (vs. peer average)	68 (55)	–	–

1 Excludes voting related to Delta Lloyd assets.

2 NN calculates the GRESB scores on a value-weighted basis, and compares these to the relevant benchmark average. Scores are on a scale of 1 to 100. The real estate portfolios are part of NN Group's proprietary assets.

Key financial and non-financial indicators Continued

Carbon footprint of NN Group's proprietary assets

	2017	2016
Assessed Assets under Management (in EUR billion)	103	81
Fixed income	99	78
Equity	4	3
Carbon footprint (tCO_2e/EUR million invested)	273	309
Fixed income	278	316
Equity	120	146
Weighted average carbon intensity (tCO_2e/EUR million of revenue)	231	232
Government Bonds	233	232
Corporate Bonds	276	238
Equity	171	260

In the context of an investment portfolio, a carbon footprint measures the amount of greenhouse gas (GHG) emissions and intensity associated with the underlying portfolio holdings. The footprint is measured in carbon dioxide equivalents (CO_2e).

Scope of our carbon footprint disclosure

The carbon footprint of NN Group's proprietary fixed income and listed equity holdings was measured as per 31 December 2017, and is based on the latest carbon dioxide emissions data for governments and companies available to us.

In 2017, the assessed AuM increased to EUR 103 billion due to the addition of Delta Lloyd's assets. This represents 56% of NN Group's total proprietary assets. The main asset categories that were not in scope of this carbon footprint analysis included mortgages, real estate, private equity, derivatives and cash.

The fixed income holdings that we assessed included government bonds and corporate fixed income securities. The Corporate Fixed Income portfolio comprised mainly corporate bonds, but also asset-backed securities and loans (although the data availability on these two asset categories was limited).

The analysis is based on scope 1 and 2 emissions data provided by ISS-Ethix Climate Solutions, a leading global provider of investment climate data. The coverage, or the percentage of (assessed) portfolio assets for which (actual or estimated) emissions data was available, is: 82%.

The methodology for the footprint measurement remained the same as last year. More detail on how we calculated the metrics can be found in NN's Carbon Footprint Disclosure report of August 2017, published on the NN Group website.

Key financial and non-financial indicators Continued

Human capital indicators

	2017	2016	2015
Workforce (end of year)			
Total full-time equivalents (FTEs)	14,853	11,545	11,643
Total number of employees (headcount)	15,406	11,995	12,105
– Netherlands Life	2,924	2,162	2,183
– Netherlands Non-life	2,157	935	901
– Insurance Europe	4,847	4,254	4,228
– Japan	868	775	697
– Asset Management	1,165	1,098	1,191
– Other	3,445	2,771	2,905
Part-time employees	22.0%	15.8%	16.1%
Temporary employees	5.8%	5.9%	5.8%
Average years of service	11.8	n.r.	n.r.
Male/female ratio	52/48	52/48	53/47
Male/female ratio managers	65/35	66/34	66/34
Male/female ratio Senior Leaders Group	68/32	80/20	82/18
Wellbeing and engagement			
Sick leave[1]	3.3%	2.4%	2.8%
Engagement score	66%	71%	73%
Participation in engagement survey	73%	86%	84%
Employee participation			
Employees covered by Collective Labour Agreement (CLA)	75.1%	70.1%	70.9%
Employees represented by an employee representative body	87%	n.r.	n.r.
Formal meetings held with employee representative bodies (#)	127	n.r.	n.r.
Complaints[1]			
Grievances on labour practices (#)[2]	10	12	5
Total incidents of fraud involving employees (#)	8	1	2
Talent development			
Total spending on training and development (in EUR million)	21.4	13.7	13.0
Spending/average FTE	1.441	1,111	1,094
Human capital return on investment[3]	2.3	2.3	2.5
Employees with completed standard performance process (2016/2017)	91.8%	98.4%	87%
Employee turnover			
New hires (#)	1,521	1,358	1,651
Employee turnover	14.9%	10.2%	10.4%
– voluntary employee turnover	7.8%	5.8%	5.2%
– involuntary employee turnover	7.2%	4.4%	5.2%
Redundancies[4] (#)	902	n.r.	n.r.
Open positions filled by internal candidates	26.8%	29.2%	25.4%
Employee compensation			
Total employee wages and benefits (in EUR million)	1,496	1,160	1,159
Ratio of CEO compensation to the average employee compensation[5]	29:1	n.r.	n.r.

1 Netherlands only; this counts for more than 60% of the total organisation.

2 This number covers data of the Dutch business of NN only. It does not include the complaints received in relation to the integration process of Delta Lloyd and Nationale-Nederlanden, given the specific nature of these complaints.

3 Human capital ROI is calculated as: (operating result ongoing business + employee expenses)/employee expenses.

4 The scope of the number of redundancies differs from the involuntary employee turnover ratio, as it is limited to (actively) managed involuntary terminations, not including i.e. people leaving because of death, or end of their fixed term contract.

5 For more information, refer to the Remuneration report on pages 28-32 of the Financial Report.

n.r. indicates not reported.

Key financial and non-financial indicators Continued

Community investment indicators

	2017	2016	2015
Total donations to charitable organisations (x EUR 1,000)[1]	2,400	1,500	1,500
Of which donations from corporate foundations (country/name)			
The Netherlands/Together for Society	218	182	293
The Netherlands/Delta Lloyd Foundation	850		
Hungary/NN Foundation for Children's Health	–	9	33
Romania/Foundation for Life	11	29	137
Total hours of volunteering work (in Future Matters focus areas)	14,099	5,685	5,593
Total number of young people reached through NN Future Matters programme[2]	37,208	27,529	9,069

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

2 Numbers reached include partnership with JA and EP-Nuffic, the Future Matters anniversary donations and main Dutch programmes (excluding the From Debt to opportunites programme).

Environmental indicators

	2017	2016	2015
CO_2 emissions of our direct operations			
% of CO_2 emissions offset annually	100%	100%	100%
CO_2 emissions (kilotonnes)[1]	25	22	27
CO_2 emissions from energy consumed on NN sites	11	9	12
– of which electricity	6	6	6
– of which natural gas	3	2	3
– of which district heating	2	1	3
CO_2 emissions from air travel	4	4	6
CO_2 emissions from car travel	10	9	8
CO_2 emissions (tonnes)/FTE	1.7	1.9	2.3
Business travel			
Air travel (km x 1 million)	22	24	25
Car travel (km x 1 million)[2]	56	45	45
Energy consumption			
Total energy consumption (MWh x 1,000)	59	37	55
Electricity	11	12	12
Renewable electricity	24	10	19
– Renewable electricity as % of total electricity	69%	45%	61%
Natural gas	13	11	13
District heating[3]	11	5	11
Paper			
Total paper use (kg)	776,380	830,409	872,996
– Sustainable paper (i.e FSC) (kg)	678,418	693,580	730,277
– Sustainable paper as % of total paper	87%	84%	84%
Waste			
Total waste (kg)	389,517	471,162	573,875
– Recycled waste (kg)	320,897	215,325	152,053
– Recycled waste as % of total waste	82%	46%	26%

1 The increase in total CO_2 emissions is a result of the integration of NN and Delta Lloyd.

2 The comparative figure for 2015 has been restated according to new data.

3 Decrease in 2016 mainly caused by a reduction of office space in the Netherlands.

Assurance report of the independent auditor

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

Our conclusion

We have reviewed the Non-Financial Information in the Annual Review 2017 (hereafter: the Non-Financial Information) of NN Group N.V. (hereafter: NN Group) based in Amsterdam and headquartered in The Hague. A review is aimed at obtaining a limited level of assurance.

Based on our procedures performed, nothing has come to our attention that causes us to believe that the Non-Financial Information is not prepared, in all material respects, in accordance with the GRI Standards and the applied supplemental reporting criteria as described in 'Our approach to reporting' on page 62.

The scope of our review of the Non-Financial Information is defined on page 62 of the Annual Review.

Basis for our conclusion

We have performed our review on the Non-Financial Information in accordance with Dutch law, including Dutch Standard 3810N: 'Assurance-opdrachten inzake maatschappelijke verslagen' (Assurance engagements relating to sustainability reports).

This review engagement is aimed at obtaining limited assurance. Our responsibilities under this standard are further described in the 'Our responsibilities for the review of the Non-Financial Information' section of our report.

We are independent of NN Group N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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

Our key review matter

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

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

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Assurance report of the independent auditor Continued

KPMG

Acquisition of Delta Lloyd

Description

In 2017, NN Group acquired Delta Lloyd. As NN Group incorporated Delta Lloyd's information fully into the 2017 Annual Review, this resulted in potential challenges in the reporting. These related amongst others to judgement required to balance the narrative information in the Annual Review on the combination and to the consolidation of the non-financial indicators, including possible differences in definitions, scope and methodologies. The integration of information from NN Group and Delta Lloyd was therefore a significant area for our procedures.

Our response

To evaluate whether the narrative information on the combination was sufficiently included in the 2017 Annual Review, our assurance procedures included, amongst others, obtaining an understanding of the principles that NN Group applied to collect and document information regarding the subsequent integration process as the basis for preparing the Annual Review. We assessed proper inclusion of the insights of interviewed staff regarding the integration process. Finally, we performed an overall assessment of the section in the Annual Review regarding the Delta Lloyd transaction and integration based on the evidence obtained to determine whether this section of the Annual Review presents a balanced overall picture of NN Group's (non-financial) performance over the year.

Regarding the possible differences in definitions, scope and methodologies, our procedures per indicator started with an evaluation of the possible risks related to possible differences in definitions, scope and methodologies between standalone NN Group and Delta Lloyd figures. We noted that most of the indicators were either measured at consolidated group level at year-end or reported on separately, lowering the risk of material misstatement due to differences in definition, scope and methodology. We have also evaluated whether sufficient disclosures are added to the Annual Review to explain the deviations in consolidated figures other than by referring to the integration with Delta Lloyd as a single cause for deviations.

Our observation

Based on our procedures performed it appears that the section in the Annual Review regarding the Delta Lloyd acquisition and integration sufficiently reflects both positive and negative aspects of the integration process. Additionally, based on our procedures performed, it appears that the reported consolidated figures per indicator are calculated using the same definitions, scope and methodologies, and that sufficient explanation is included in the Annual Review regarding outcomes per indicator.

Unexamined prospective information

The Non-Financial Information includes prospective information such as ambitions, strategy, plans, expectations and estimates and risk assessments. Inherently the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the Non-Financial Information.

Unreviewed references to external sources

The references to external sources or websites in the Non-Financial Information are not part of the Non-Financial Information itself as reviewed by us. We therefore do not provide assurance on this information.

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Assurance report of the independent auditor Continued

Consistency of the non-financial information included in other parts of the Annual Review

In addition to the Non-Financial Information and our assurance report thereon, the Annual Review contains other information.

Based on the following procedures performed, we conclude that the other information included in other parts of the Annual Review is consistent with the Non-Financial Information and does not contain material misstatements.

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

The scope of the procedures performed is substantially less than the scope of those performed in our review of the Non-Financial Information.

Responsibilities of the Executive Board and Supervisory Board for the Non-Financial Information

The Executive Board of NN Group is responsible for the preparation of the Non-Financial Information in accordance with the GRI Standards and the applied supplemental reporting criteria as disclosed in 'Our approach to reporting' on page 62, including the identification of stakeholders and the definition of material matters. The choices made by the Executive Board regarding the scope of the Non-Financial Information and the reporting policy are summarised in 'Our approach to reporting' of the Annual Review. The Executive Board is also responsible for such internal control as it determines is necessary to enable the preparation of the Non-Financial Information that is free from material misstatement, whether due to fraud or error.

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

Our responsibilities for the review of the Non-Financial Information

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

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and are less extensive than a reasonable assurance engagement. The level of assurance obtained in limited assurance engagements is therefore substantially less than the level of assurance obtained in an audit engagement.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the Non-Financial Information. The materiality affects the nature, timing and extent of our review procedures and the evaluation of the effect of identified misstatements on our conclusion.

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Assurance report of the independent auditor Continued

We apply the 'Nadere Voorschriften Kwaliteitssystemen' (Regulations on quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our review engagement included, among others, the following procedures:

- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of the organisation.
- Identifying areas of the non-financial where material misstatements, whether due to fraud or error, are likely to arise, designing and performing assurance procedures responsive to those areas, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our conclusion;
- Developing an understanding of internal controls relevant to the assurance engagement in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of the company's internal control;
- Evaluating the appropriateness of the reporting criteria used and their consistent application, including the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by management and related disclosures in the Non-Financial Information;
- Interviewing relevant staff at corporate level responsible for the non-financial strategy and policy;
- Interviewing relevant staff responsible for providing the Non-Financial Information, carrying out internal control procedures on the data and consolidating the data in the Annual Review related to the indicators;
- An analytical review of data and trends;
- Reviewing relevant internal and external documentation, on a limited test basis, in order to determine the reliability of the Non-Financial Information.
- Evaluating the overall presentation, structure and content of the Non-Financial Information, including the disclosures, and evaluating whether the Non-Financial Information represents the underlying transactions and events free from material misstatement.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the review and significant findings, including any significant findings in internal control that we identify during our review.

Amstelveen, 14 March 2018

KPMG Accountants N.V.

P.A.M. de Wit RA

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Glossary

Agile	The agile way of working is a methodology whereby people of different expertise and teams are given autonomy and work together towards a common goal. The goal of agile is faster product and service delivery. NN is investing in becoming more agile to secure long-term growth.	AR p. 24, 29, 31, 33, 45
App	An application; typically a small, specialised programme downloaded onto mobile devices. Apps support NN Group's ability to provide a quick, easy, confidential customer experience across digital channels.	AR p. 25, 29, 33
Assets under Management in SRI funds and mandates	Assets under Management in SRI funds and mandates are assets that are managed with a specific focus on sustainability. This includes our Socially Responsible Investing (SRI) funds and mandates.	AR p. 7, 41, 65, 66
Brand awareness	The extent to which consumers are familiar with the distinctive qualities or image of NN; the recognisability of the NN Brand in the general public.	AR p. 35, 38
Carbon footprint	The total amount of greenhouse gases produced to directly and indirectly support ongoing activities, usually expressed in equivalent tonnes of carbon dioxide (CO_2).	AR p. 43, 48, 59, 60, 61, 67
CDP	Carbon Disclosure Project. A global disclosure system for companies, cities, states and regions to manage their environmental impacts and for investors or purchasers to access environmental information for use in financial decisions.	AR p. 42, 56, 65
Central Works Council	The Central Works Council (CWC) is an entity required by the Dutch Works Council Act of 2013. It is a standing works council formed by representatives from eight Dutch work councils. The CWC is informed or consulted about important NN Group developments in the Netherlands and international developments to the extent that Dutch interests are influenced.	AR p. 47 FR p. 33
Climate Action 100+	A five-year initiative led by investors to engage with the world's largest corporate greenhouse gas emitters to improve governance on climate change, curb emissions and strengthen climate-related financial disclosures.	AR p. 23, 43
COLI	Corporate-owned life insurance	AR p. 4, 25, 30
Corporate governance	The way in which a company is governed and how it deals with the various interests of its customers, shareholders, employees, business partners and society at large.	AR p. 15 FR p. 18-27
Credit rating	Credit ratings, as assigned by rating agencies (such as Standard & Poor's and Fitch), are indicators of the likelihood of timely and complete repayment of interest and instalments of fixed income securities.	AR p. 40
Data privacy	Data privacy, also called data protection or information privacy, is the aspect of information technology that deals with the ability of NN Group to protect the personal data of its customers and other stakeholders.	AR p. 19, 21
DHAN	Development of Human Action Foundation. The Foundation works to make significant changes in the livelihoods of the poor through innovative themes and institutions.	AR p. 37
Diversity and inclusion	NN Group's approach to diversity includes hiring people of various race, ethnicity, gender, age, sexual orientation, physical abilities and personal philosophies, as well as creating an inclusive culture and diversity of thought – one that welcomes, acknowledges, respects, challenges and benefits from our differences.	AR p. 19, 45-47

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FR Financial Report

Glossary Continued

Digitalisation	The process of adopting and integrating digital technologies and solutions by an industry or organisation. Digitalisation brings opportunities for NN to broaden and deepen product offerings and increase partnerships with insurtech startups.	AR p. 17, 18, 20, 21, 31, 38, 48
Dutch Cyber Collective	The Dutch Cyber Collective, an initiative of Nationale-Nederlanden, is an overarching Dutch association committed to effectively reducing cybercrime for Dutch SMEs.	AR p. 21, 29
Emerging (market) economies	An emerging market economy describes a nation's economy that is progressing toward becoming more advanced, usually by means of rapid growth and industrialisation. These countries experience an expanding role both in the world economy and on the political frontier.	AR p. 17, 32
Employee engagement	Employee engagement is a property of the relationship between an organisation and its employees, measured by NN Group through the YES employee survey.	AR p. 3, 7, 9, 15, 16, 19, 45, 47, 52
Employee Value Proposition	The Employee Value Proposition (EVP) represents what our employees experience and benefit from during their employment period within NN and what we expect from them. It is the rational and emotional articulation of the tangible benefits employees receive as a result of working for the NN Group. The EVP highlights the attractive factors in NN for the labour market.	AR p. 14, 46
Environmental footprint	The effect that NN Group has on the environment, for example the amount of natural resources used and the amount of waste produced in direct operations.	AR p. 6, 48, 62
Environmental, social and governance (ESG) factors	ESG factors are a subset of non-financial performance indicators which include sustainable, ethical and corporate governance issues such as managing the company's carbon footprint and ensuring there are systems in place to ensure accountability.	AR p. 22, 23, 26, 27, 32, 41, 42, 58
Euronext Amsterdam	A conglomerate of the former entities: Amsterdam Stock Exchange, Brussels Stock Exchange and Paris Stock Exchange. Located in Amsterdam, the Netherlands.	AR p. 78
European Works Council	The European Works Council (EWC) is a standing works council body as required by the 2009 European Works Council Directive 2009/38 of the European Commission. The EWC is formed by chosen employee representatives of all eleven European countries where NN Group is active. EWC-members are informed about transnational matters twice a year.	AR p. 47 FR p. 33
Financial sector oath or promise	Ethics statement introduced in early 2013 for employees in the Dutch financial sector, along with the introduction of a social charter and update of the Banking Code. The oath or promise applies not only to employees of banks but also to employees of other financial enterprises, including insurance companies, investment firms and financial service providers. By taking the oath or promise, employees proclaim that they are bound by the Code of Conduct attached to the oath or promise for the ethical and careful practice of their profession.	AR p. 7
Fintech	A line of business based on using software to provide financial services. Financial technology companies are generally providers of new solutions which demonstrate an incremental or radical innovation development of applications, processes, products or business models in the financial services industry.	AR p. 9, 31
General Data Protection Regulation (GDPR)	Regulation by which the European Parliament, the Council of the European Union and the European Commission intend to strengthen and unify data protection for all individuals within the European Union.	AR p. 18, 21

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Glossary Continued

Global Real Estate Sustainability Benchmark (GRESB)	GRESB is an industry-driven organisation committed to assessing the sustainability performance of real assets globally, including real estate portfolios. On behalf of close to 60 institutional investors, GRESB Real Estate has assessed almost 1,000 property companies and funds globally.	AR p. 43, 61, 66
Global Reporting Initiative (GRI)	The Global Reporting Initiative is an international independent standards organisation that helps businesses, governments and other organisations understand and communicate their impacts on issues such as climate change, human rights and corruption.	AR p. ifc, 19, 51, 62
Green alternatives	Choices that NN Group makes with regards to energy, resource use and waste management that serve to protect the environment more so than traditional options.	AR p. 48
ICE	Impact Centre Erasmus – A centre for scientific knowledge and skills aimed at gaining traction with a diverse group of organisations on the realisation of their social ambitions. (Paraphrased from Dutch from their website.)	AR p. 49
ICGN	International Corporate Governance Network – in place to influence policy by providing a reliable source of investor opinion on governance and stewardship.	AR p. 56
Information barriers	The ethical barriers between different divisions of a financial (or other) institution to avoid conflict of interest. Also historically known as 'Chinese Walls'.	AR p. 41
Institutional investors	Entities which pool money to purchase securities, real property and other investment assets or originate loans. Institutional investors include banks, insurance companies, pension funds, hedge funds, investment advisors and endowments.	AR p. 5, 23, 33, 36, 37, 42, 56
Integrated reporting	A process founded on integrated thinking that results in a periodic integrated report by NN Group about value creation over time and related communications regarding aspects of value creation.	AR p. ifc, 62
International Integrated Reporting Council (IIRC)	A global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. The coalition is promoting communication about value creation as the next step in the evolution of corporate reporting.	AR p. ifc
Internet of Things	A network of devices that can connect to the internet and to each other, allowing the devices to be controlled remotely and data to be transferred. The Internet of Things is among the technologies expected to spur a transformation of the financial services industry.	AR p. 18, 21
Junior Achievement Europe	Junior Achievement Europe is Europe's largest provider of education programmes for entrepreneurship, work readiness and financial literacy.	AR p. 50
KiFiD	The Dutch institute for consumer complaints about the financial services industry (Klachteninstituut Financiële Dienstverlening).	FR p. 118
Longevity	Length or duration of life.	AR p. 27
Materiality matrix	The materiality matrix presents the developments and topics which are important to our business and the relevance of these to our external stakeholders.	AR p. 19, 62
Net Promoter Score (NPS)	A management tool that can be used to gauge the loyalty of a firm's customer relationships. It serves as an alternative to traditional customer satisfaction research.	AR p. 3, 7, 28, 30, 31, 35, 38, 65
NGO (Non-Governmental Organisation)	An organisation that is neither a part of a government nor a conventional for-profit business. Usually set up by citizens, NGOs may be funded by governments, foundations, businesses, or private persons.	AR p. 19, 56, 57
NLII	Netherlands Investment Institution – established to enable institutional investors such as pension funds and insurers to invest directly in the Dutch economy.	AR p. 37

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Glossary Continued

NN Future Matters	Future Matters is the global community investment programme for NN Group. It aims to empower people in the markets where we operate to improve their financial wellbeing, and to support them in growing their economic opportunies.	AR p. 7, 9, 48-50, 52, 69
NN Group Compliance Charter & Framework	A policy set in place by NN Group to help businesses to effectively manage their compliance risks.	AR p. 53
Ordinary share	An equity instrument that is subordinated to all other classes of equity instruments. Ordinary shares participate in the net profit for the financial year after other types of shares such as preference shares.	AR p. 9, 39, 65
Partial Internal Model	A method of calculating the Solvency Capital Requirement (SCR) that combines a standard formula and an approved, internally developed internal model. NN Group's Partial Internal Model was approved by the Dutch regulator (DNB) in December 2015.	AR p. 6, 10, 60, 61
Product Approval and Redesign Process (PARP)	The Product Approval and Redesign Process (PARP) refers to the assessment of a product in relation to its customer suitability, financial and non-financial risks and profitability. The PARP is conducted when NN Group introduces a new product, changes the characteristics of an existing product or reviews a product. This is to ensure that our products are acceptable for our company, our customers and our society in general.	AR p. 22, 35
Qredits	Qredits – A microfinancing organisation assisting entrepreneurs with loans, mentoring and e-learning.	AR p. 37
Remuneration	Reward to NN Group's employees in the form of salary or compensation, either fixed or variable, including benefits.	AR p. 68 FR p. 28-32
Report of the management board	The NN Group N.V. 2017 Report of the management board (Bestuursverslag), as referred to in section 2:391 of the Dutch Civil Code. Specific chapters to be mentioned in this matter are the Annual Review and the following chapters in the Financial Report: the Financial Developments, the Report of the Supervisory Board, Corporate Governance, the Remuneration Report, the Report of the Executive Board on internal control over financial reporting and the Statements Dutch Financial Supervision Act and Dutch Corporate Governance Code.	AR FR
Responsible Investment (RI) Framework policy	The Responsible Investment (RI) Framework policy sets out NN Group's vision, approach and key principles on responsible investment. NN Group defines RI as the systematic integration of relevant ESG factors into investment decision-making and active ownership practices.	AR p. 9, 23, 41, 56
Retail investors	An individual who purchases securities for his or her own personal account rather than for an organisation.	AR p. 5, 33, 35, 38
Robotisation	The automation of a system or process by use of robotic devices.	AR p. 32, 33
SDMO	Sustainable Micro Pensions in Developing Countries organisation – joint initiative of the Association of Insurers and the Pension Federation in the Netherlands with support of the Dutch Ministry of Foreign Affairs.	AR p. 37, 52
Settlement Date	The date on which a trade must be settled and the buyer must make payment. On 2 July 2014, ING Group offered part of its shares in the share capital of NN Group to the public and the shares in the capital of NN Group were listed on Euronext Amsterdam. Settlement Date of the offering was 7 July 2014.	FR p. 18-23, 26, 50, 119
SME	Small- and medium-sized enterprise.	AR p. 4, 29, 30, 31, 37
Sparklab	NN's innovation labs.	AR p. 9, 20, 29, 31

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Glossary Continued

Social Innovation Relay	The Social Innovation Relay is an initiative of Junior Achievement supported by NN Group. It works to inspire secondary school students to develop innovative business concepts that address social challenges.	AR p. 49, 50
Socially Responsible Investment (SRI) funds	Socially Responsible Investment (SRI) funds are specialised sustainable investment products which cater to the increasing demand for products that not only generate good financial returns, but are also good for society and the environment.	AR p. 3, 7, 9, 23, 32, 34, 41-43, 52, 61, 65
Solvency II ratio	Measurement of NN Group's capital position, calculated as the ratio of Own Funds (OF) to the Solvency Capital Requirement (SCR) based on NN Group's approved Partial Internal Model.	AR p. ifc, 4, 6, 9, 10, 18, 22, 40, 60, 62
SPVA	Single premium variable annuity	AR p. 5
Stakeholders	The groups and individuals who, directly or indirectly, influence – or are influenced by – the attainment of the company's objectives, such as shareholders and other lenders, employees, suppliers, customers and civil society.	AR p. 2, 3, 8, 9, 11, 13, 15, 17, 19, 22, 23, 24, 26, 32, 33, 34, 35, 38, 41, 43, 44, 49, 51, 53, 56, 59, 62
Sustainable Development Goals (SDGs)	The Sustainable Development Goals (SDGs), otherwise known as the Global Goals, are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.	AR p. 44, 51, 52
Taskforce Climate-related Financial Disclosures (TCFD)	The Financial Stability Board launched the industry-led Task Force on Climate-related Financial Disclosures (TCFD) to develop recommendations on climate-related financial disclosures. The Task Force published its final recommendations in June 2017.	AR p. 23, 42, 58, 61
UN Global Compact	The United Nations Global Compact is an initiative of the United Nations to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. It is a principle-based framework for business, stating ten principles in the areas of human rights, labour, environment and anti-corruption.	AR p. 26, 41, 56, 62
Value creation model	An operating model which focuses on how NN Group can create revenue which exceeds expenses which results in a profit, or value, to the stakeholders.	AR p. 2, 15, 62
YES	The Yearly Engagement Survey (YES) is a questionnaire measuring how NN Group's brand and values are experienced by our employees, how our leaders live up to the high standards we set and how we fulfil our employee value proposition as an organisation. The results reflect employee engagement expressed as a percentage score.	AR p. 14, 15, 47

AR Annual Review
FR Financial Report

Contact and legal information

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

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

Visit our website

Further information can be found online by visiting our website www.nn-group.com/annual-report

Disclaimer
NN Group's 2017 Annual Report consists of two documents: the 2017 Annual Review and the 2017 Financial Report. More information – for example the GRI Index Table and SFCR – are available on the corporate website in the Investors/Annual report section.

Certain of the statements in this 2017 Annual Report are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in NN Group's core markets, (2) changes in performance of financial markets, including developing markets, (3) consequences of a potential (partial) breakup of the euro or European Union countries leaving the European Union, (4) changes in the availability of, and costs associated with, sources of liquidity as well as conditions in the credit markets generally, (5) the frequency and severity of insured loss events, (6) changes affecting mortality and morbidity levels and trends, (7) changes affecting persistency levels, (8) changes affecting interest rate levels, (9) changes affecting currency exchange rates, (10) changes in investor, customer and policyholder behaviour, (11) changes in general competitive factors, (12) changes in laws and regulations and the interpretation and application thereof, (13) changes in the policies and actions of governments and/or regulatory authorities, (14) conclusions with regard to accounting assumptions and methodologies, (15) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (16) changes in credit and financial strength ratings, (17) NN Group's ability to achieve projected operational synergies, (18) catastrophes and terrorist-related events, (19) adverse developments in legal and other proceedings and the other risks and uncertainties detailed in the Risk Factors section contained in recent public disclosures made by NN Group and/or related to NN Group.

Any forward-looking statements made by or on behalf of NN Group in this Annual Report speak only as of the date they are made, and, NN Group assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason.

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