Supporter of change

NN Group N.V.
Annual Report 2022

NN

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PDF/printed version

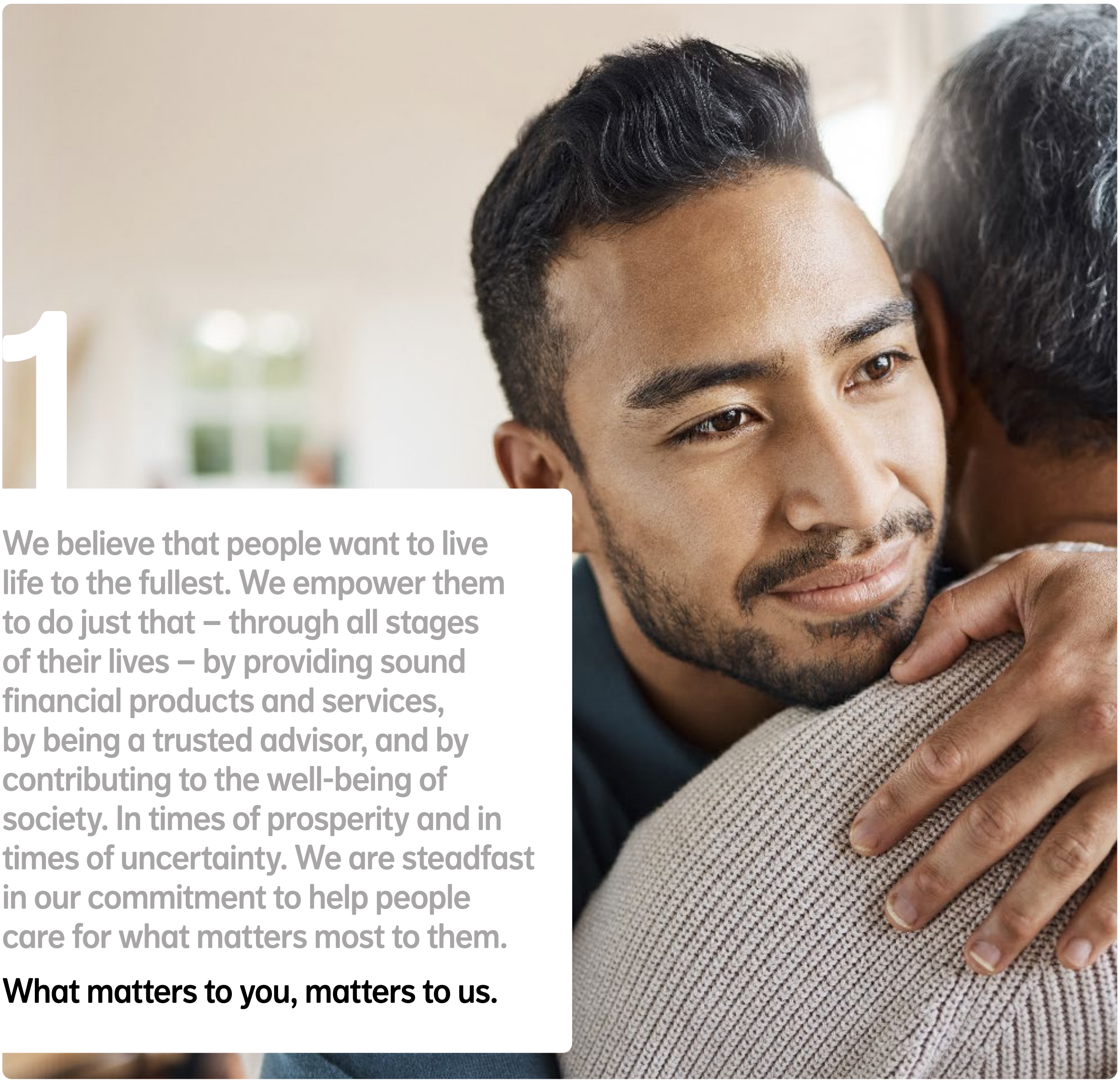
This document is the PDF/printed version of the 2022 Annual Report of NN Group N.V. and has been prepared for ease of use and does not contain ESEF information as specified in the Regulatory Technical Standards on ESEF (Delegated Regulation (EU) 2019/815).

The 2022 Annual Report was made publicly available pursuant to section 5:25c of the Dutch Financial Supervision Act (Wet op het financieel toezicht) and was filed with the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten) in European single electronic reporting format (the ESEF package). The ESEF package is available on the company's website and includes a human readable XHTML version of the 2022 Annual Report. In any case of discrepancies between this PDF/printed version and the ESEF package, the latter prevails.

Cover image - Kom maar op met dat fitte leven (Bring on that healthy life)

The cover image of our Annual Report comes from a 2022 television commercial promoting Nationale-Nederlanden health insurance in the Netherlands, as part of the campaign Supporter of change.

You matter



1

We believe that people want to live life to the fullest. We empower them to do just that – through all stages of their lives – by providing sound financial products and services, by being a trusted advisor, and by contributing to the well-being of society. In times of prosperity and in times of uncertainty. We are steadfast in our commitment to help people care for what matters most to them.

What matters to you, matters to us.

About this report

Our integrated report provides our stakeholders with an overview of NN Group's strategic and financial performance over the past year in a way that is concise, accurate and balanced.

We share information about our company, our strategy and our business performance in the sections About NN, Our operating environment, and Our strategy and performance. We show how we create value in the sections Creating value for our stakeholders and Safeguarding value creation. We also publish our financial statements and other information about NN.

The report brings this information together in a way that reflects the current economic, environmental and social context. It is prepared in accordance with Dutch law, relevant EU disclosure regulations and reporting standards.

NN Group also publishes a Solvency and Financial Condition Report, a Total Tax Contribution Report and a Community Investment Report on our website in the Investors/Financial reports section.

Visit our website for further information
www.nn-group.com

1.1 Who we are

Founded in 1845, NN is a financial services company, active in Europe and Japan. For more than 175 years, our company has merged, grown and changed, but the core of who we are has remained the same. We are committed to creating long-term value for all our stakeholders.

16,104
Employees

20m
Customers

11
Countries we operate in

Our values

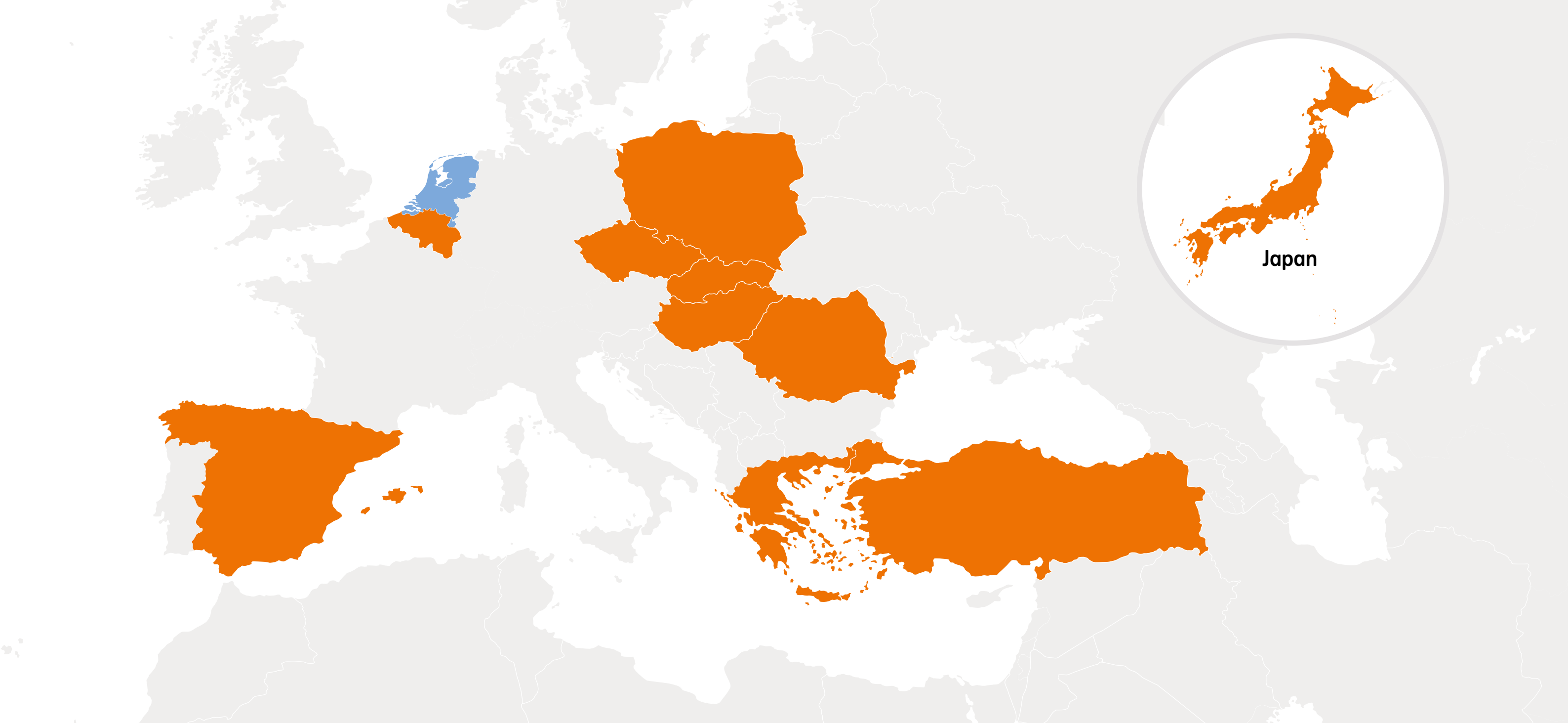
Care

Clear

Commit

Insurance, Banking

Insurance



Our year in review

Q1

- In February, Netherlands Life announced the acquisition of the life insurance subsidiary of ABN AMRO Verzekeringen, a joint venture between NN and ABN AMRO Bank. Read more on page 14.
- In March, volunteering and fundraising initiatives were launched across NN to support the people of Ukraine. Read more on page 27.

Q2

- In April, NN completed the sale of NN Investment Partners (NN IP) to Goldman Sachs Group. Read more on page 14.
- In June, the You matter leave was launched in the Netherlands, as an inclusive leave for the moments that matter, such as grieving the loss of a loved one. Read more on page 42.

Our main brands

nationale nederlanden · NN · BE FRANK · movir · OHRA Direct geregeld · woonnu · ABN AMRO Verzekeringen · azl de toekomst voor elkaar

Our products and services

Life insurance

- Group pensions
- Individual pensions
- Retail life insurance
- Japan: Corporate Life (COLI)

Non-life insurance

- Fire insurance
- Health insurance
- Individual disability and Group income
- Liability insurance
- Motor insurance
- Property and casualty
- Transport insurance

Banking

- Mortgage origination and servicing for NN Group companies and third parties
- Consumer savings and investment products

Recognition for our contribution to our Customers, People and Society

Customers

Winnaar Groene Lotus Award 2022 Woonnu
Decavi 2022 Verzekeringstrofeeën
Pensioen wegwijzer 2022

People

Top Employer Europe 2023
Bloomberg Gender-Equality Index 2022

Sustainability and ESG ratings

Dow Jones Sustainability Indexes
Sustainalytics
FTSE4Good
Sustainability Yearbook Member 2022 S&P Global
MSCI
World Benchmarking Alliance

Credit ratings

S&P
A
Financial strength
Positive
BBB+
Credit rating
Positive

Fitch
AA-
Financial strength
Stable
A+
Credit rating
Stable

Q3

- NN's first NN Diversity & Inclusion report was published in July with our mission, progress and diversity figures. Read more about our D&I activities on page 41.
- Netherlands Non-life conducted a pilot with recycling companies in September to understand how to better insure this industry. Read more on page 36.

Q4

- In November, NN presented new strategic and financial targets for 2025 that continue to reflect our commitment to long-term value creation for all stakeholders. Read more on page 43.
- NN's first Climate Action Plan published, which sets out a roadmap to reduce greenhouse gas emissions to net-zero. Read more on page 47.

1.2 A conversation with our CEO

"

Thanks to our colleagues, strong market positions, diverse business footprint and robust balance sheet, we continued to deliver a strong commercial and financial performance

David Knibbe
Chief Executive Officer

Our CEO David Knibbe reflects on a year where NN Group continued to make good progress on the execution of our strategy, despite the challenging environment.

How do you look back at 2022?

It was another extraordinary year with a lot of unexpected change, in which NN showed its agility and delivered strong results. But before going into 2022, let me start with current events. The earthquakes that struck Turkey and Syria in the first week of February 2023, claiming thousands of lives and impacting so many people across countries, shocked us all. This came against a backdrop of other developments, such as the increasing urgency of climate change and the ongoing war in Ukraine, which significantly affects people's lives next to the broader economic and geopolitical impact. These events make us even more steadfast in our purpose of helping people care for what matters most to them, which includes their own and their families' health and futures.

Turning to NN's performance in 2022: what stood out the most?

Our results for 2022 show the resilience of our business and our company's capacity to weather volatile environments. Thanks to our colleagues, strong market positions, diverse business footprint and robust balance sheet, we continued to deliver a strong commercial and financial performance. One thing that stood out for me is the resilience in new business, which underscores people's growing awareness of the need for protection, as uncertainty becomes a more present factor in daily life.

Another element that's important to me is the progress we're making on our ambition, which is to become an industry leader, known for customer engagement, our people and our role in society. We have realised improvements in several of these areas, for example we are pleased with the high level of engagement of our colleagues, expressed in an increased employee engagement score of 7.9. And for the first time, the number of women in senior management positions has reached 40%. On our Net Promoter Score we maintained our score of above or equal to market average in 8 of our 11 business units.

When it comes to our societal and environmental targets, we also took some important steps, for example through the publication of our first Climate Action Plan. In addition, we started the NN Social Innovation Fund which, with an initial EUR 5 million investment, is aimed at supporting early-stage social enterprises focused on increasing financial, physical and/or mental well-being.

In 2022 we saw inflation reach high levels and interest rates rising. How did this impact NN?

Our business model is relatively resistant to volatility: inflation risk is limited and hedged to a large extent. We have a well-diversified risk profile for our investments and insurance activities and, within our Property & Casualty portfolio, around half of our portfolio is not inflation-sensitive. We do see claims inflation impacting our non-life business, for example in the motor and disability insurance business, but are well prepared for this. At the same time, the high level of inflation has affected people's disposable income, which may lead to short-term pressure on sales in our European and Japanese businesses. However, we expect structural demand for protection products in Europe to result in sales growth over time.

Our operating capital generation (OCG), which is our main financial performance metric, increased in 2022. This was driven by a strong business performance but also supported by higher interest rates. With a full-year OCG of more than EUR 1.7 billion, we have exceeded our 2023 target of EUR 1.5 billion. Our balance sheet remains strong, with a Solvency II ratio of 197% at year-end 2022, giving us ample financial flexibility and allowing us to continue to deliver solid capital returns to shareholders.

In November, NN announced a new set of strategic and financial targets for the coming years. What was the rationale behind these new targets?

About three years ago we announced our new strategy, with a continued focus on delivering long-term value for all our stakeholders. Since then, we have made good progress on our financial and strategic targets. So it was a natural moment for us to look further ahead and present updated targets, while proceeding on our long-term strategic course.

Looking at our financial targets, we reconfirmed mid single-digit growth in OCG by 2030, as we believe that we can sustainably grow our business for the long term. In order to do this, we need to grow the underlying business, based on our strategic targets around customers, our people and society.

Starting with customers, we want to provide them with a flawless, digital and hassle-free experience, which is challenging when customers' needs can be multi-faceted. Our aim is to achieve this by offering an omnichannel environment: digital channels that are supported by proactive, personal advice when needed. When it comes to our people, we plan to retain and attract the talent we need for the future, invest in technical reskilling and upskilling, and put additional emphasis on our diversity and inclusion efforts. With regard to our role in society, climate change is clearly one of the most pressing issues of our time, and we took several steps to increase our efforts on this front, for example with our net-zero strategy.

Focusing on NN's net-zero strategy and the initiatives launched in 2022: how do you assess NN's progress in this area?

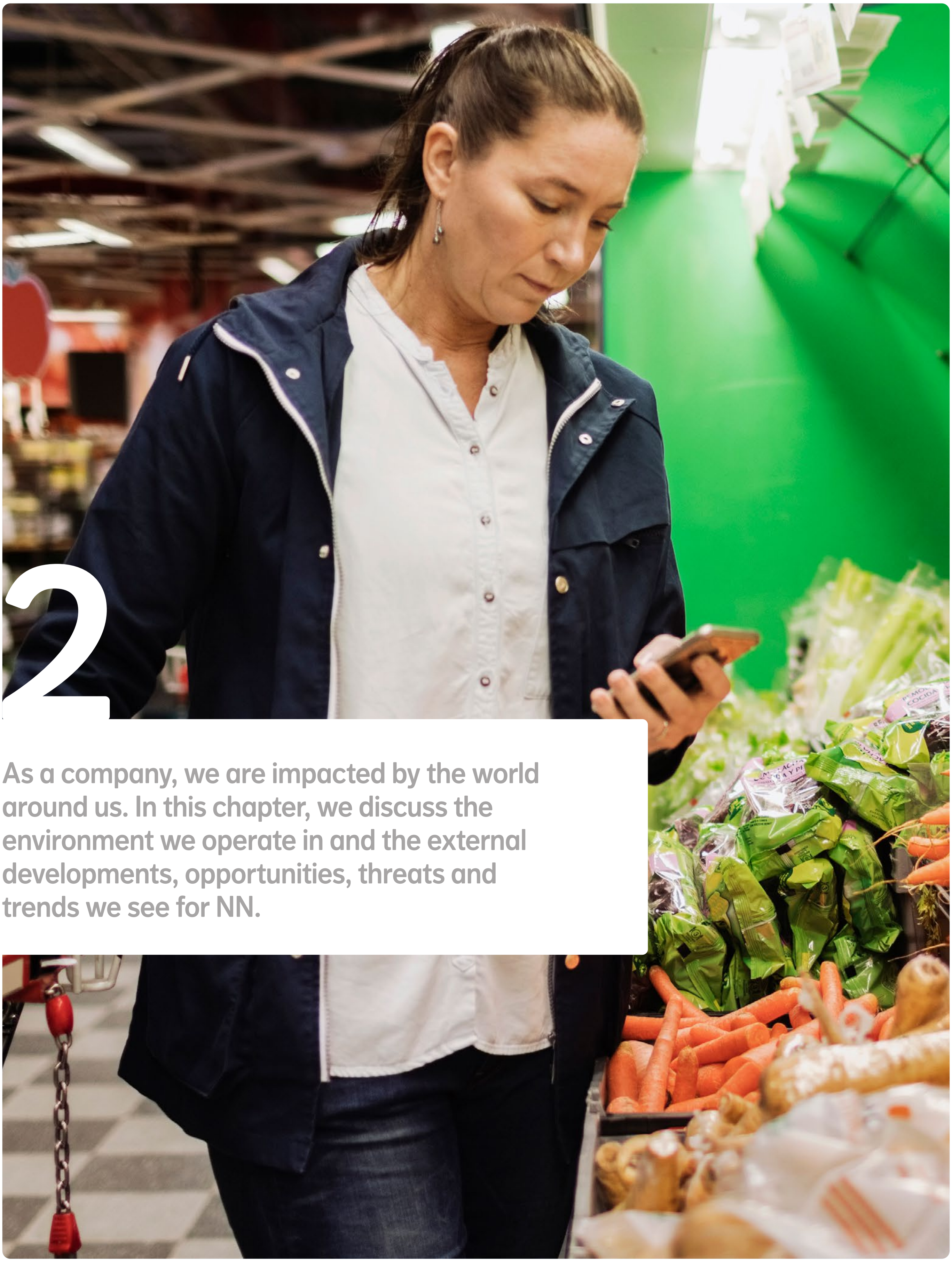
From the perspective of society in general, I think it's fair to say that progress on this front is too slow. It is going to be a challenge to reach the targets of the Paris Agreement, despite efforts in emissions reduction and new technology. There is also a lot of potential for businesses to contribute more, which goes for NN as well. Our Climate Action Plan outlines a roadmap to reduce greenhouse gas (GHG) emissions to net-zero in our operations by 2040, as well as in our investments and insurance underwriting by 2050. We are also more than doubling our investments in climate solutions, by investing an additional EUR 6 billion by 2030. And in August 2022, NN Group raised EUR 500 million through the issuance of subordinated notes to finance green and social projects. Collaboration with peers, other industries, and governments is vital, as climate change is a challenge that requires us all to join forces.

Looking ahead, what are your expectations for the operating environment in 2023, and how will NN navigate this?

It's hard to predict the future, but more uncertainty and transformation should be expected. With a history that stretches back 175 years, our company has operated in many different economic environments, which provides us with a sense of perspective, encourages us to take a long-term view, and instils a feeling of responsibility.

We want to help make sure NN, the people we serve and the societies we operate in, remain financially healthy and prosperous through the years to come. As a company, we are part of society, and our success is the outcome of the efforts of many. Our people play a key part in this, and I would like to take this opportunity to thank them for their extraordinary efforts over the past year. Despite uncertainties, they have maintained a strong commitment to serving our customers and to supporting each other. Our new Chief Financial Officer, Annemiek, joined in 2022 and I would like to thank her and my other colleagues on the Management Board for the great teamwork, and the Supervisory Board for their guidance and support. And I especially want to thank our customers and other stakeholders for their trust in our company. We remain committed to creating long-term value for all our stakeholders, and are looking toward 2023 with continued confidence.

Our operating environment



2

As a company, we are impacted by the world around us. In this chapter, we discuss the environment we operate in and the external developments, opportunities, threats and trends we see for NN.

2.1 The world around us

As an international financial services provider, we operate in a dynamic and complex environment impacted by a wide range of geopolitical, economic, social and technological developments. On the next few pages, we provide an overview of the key developments in the world around us, and how we are addressing them within our business model and strategy.

Navigating turbulent times

The recent years have shown that NN is able to deal with high levels of uncertainty. During the Covid-19 pandemic, we were able to quickly adapt, while remaining focused on supporting our customers, our people, our partners in society and other stakeholders. In the year 2022, the world was confronted with new series of challenges that were often interconnected: from the war in Ukraine and the resulting humanitarian crisis, to supply chain disruptions, high inflation and rapidly rising interest rates and tight labour markets. The current developments are impacting both the economic outlook for the coming years, and the prosperity of our customers, our people, and society at large. Market volatility is impacting our investments. At the same time, we have shown flexibility and the ability to change as we navigate these turbulent times. Furthermore, our strategy remains well aligned with long-term market trends, creating opportunities for growth.

Economic developments

The immediate economic fallout of the war in Ukraine has been significant, as reflected in high energy and food prices. The resulting rise in inflation is pressuring household budgets in many of our markets. To curb inflation, central banks have taken historic monetary tightening measures, marking the end of a prolonged period of ultralow rates. While early signs suggest these steps are helping dampen inflation, the return of higher interest rates has reverberated throughout financial markets, increasing market volatility. This could also have ramifications for governments, as they will face higher costs to service their debt. The global economic outlook remains uncertain. Although a recession scenario may be avoided, disposable incomes of households are expected to remain under pressure. As a financial services provider, we aim to support our customers navigating these uncertain times, whether it is through protection products or pension advice. We also maintain a strong balance sheet to weather the volatile environment.

Climate change and biodiversity

Climate change represents one of the biggest challenges of our time, as seen in the increased frequency and severity of extreme weather events such as floods, hurricanes and droughts. As an insurer, climate change represents a key risk through which we are exposed via both sides of our balance sheet: through our investments on the asset side and our underwriting on the liability side. At the same time, biodiversity is increasingly in focus as the loss of it can substantially weaken ecosystems and impact human life and the economy. We continue to be focused on further aligning our strategy and business activities with the challenges posed by climate change. We have set clear targets to reduce greenhouse gas emissions to net-zero in our own operations by 2040, as well as in our investments and insurance underwriting by 2050. Through our products and services, we also aim to support our customers as they navigate the transition to a low-carbon economy. In addition, we are taking initial steps to address biodiversity.

Human capital

In recent years, competition for talent has become a key concern across industries, driven in part by population ageing, a general trend towards more flexible labour markets, and elevated absenteeism rates since the Covid-19 pandemic. With many economies having full employment, it is proving increasingly difficult for companies to find and retain the people needed to drive their business forward, for example in areas like IT, compliance, risk, finance, AI and sustainability. For this reason, a shortage of human talent is among the key risks we identified. Therefore, it is our priority to invest in personal and professional development throughout our employees' careers.

Lessons from Covid-19

While the Covid-19 pandemic has gradually faded away in many parts of the world, it continues to have a significant impact on our operating environment. One of the consequences has been an increased awareness of risk and vulnerability among consumers. This has resulted in an increased demand for long-term health and protection products, especially in markets with relatively low insurance rates. In our European business, we therefore invest in further growing our protection business.

Regulatory developments

As a financial services company, we operate in a highly regulated industry. At the same time, the wider private sector faces increased requirements around transparency, which can significantly impact our businesses. For the insurance industry, this includes potential changes to the Solvency II framework, a set of capital rules, though these are still subject to negotiations among the European Union institutions. Depending on how the process runs, we currently expect the new framework to be implemented by 2026. In 2023, new reporting standards, known as IFRS 9 and IFRS 17 will come into force and are expected to have a significant impact on businesses. Other regulatory developments impacting our business include the pension reform in the Netherlands that could be approved by the Dutch parliament during 2023. Companies are also facing new regulations around sustainability, with authorities and regulators increasingly demanding greater transparency and clarity on potential risks and opportunities. Examples include the Corporate Sustainability Reporting Directive, the EU Taxonomy and the Sustainable Finance Disclosure Regulation. We welcome the move towards greater transparency and are currently readying ourselves to apply the new regulations within our own practices.

Digitalisation

Technological developments and advancements in Artificial Intelligence continue at a rapid pace, increasing consumer expectations for a seamless digital experience and providing companies with opportunities to achieve operational efficiencies. We are using digital capabilities to improve, simplify and personalise processes in areas such as sales, pricing and claims handling. Technology is also changing the way we work and interact. At the same time, the digitalisation trend is creating new technology-driven competition that could potentially disrupt our markets. Meanwhile, increased reliance on digital infrastructure results in a growing risk of cyber-attacks, with the potential for misuse of information or privacy breaches. Financial services companies possess large amounts of data, making them a prime target for attacks. For this reason, we continue to invest in our robust information security in order to provide the necessary protection against cyber threats. We also focus on education and awareness at all levels of the organisation.

Spotlight

Navigating high inflation and rising interest rates

The combination of high inflation and rising interest rates, against a backdrop of economic and geopolitical uncertainty and market volatility, is affecting all industries, including the financial sector. But first and foremost, it is affecting consumers. Household finances are under pressure due to higher prices for energy, food and other consumer goods. While wages are also increasing, disposable incomes are lower, and inflation is expected to remain at elevated levels at least in the short term. The combination of these developments is also affecting our business, not only through our core insurance and banking activities, but also in our investments. We also see an impact on the cost levels of our own operations, such as wages. We keep a close eye on our own cost base and continue to focus on expense reduction.

Overall, our business is well-positioned to deal with these developments. Higher interest rates are generally supportive for our business, and they enable us to reinvest at higher yields. Inflation risk on our balance sheet is limited and hedged to a large extent. The impact of higher inflation on our non-life business is expected to be absorbed by premium increases and additional reserving, as well as leveraging on the investments we have made in the past years in our data and underwriting capabilities. A large part of our Property & Casualty portfolio has limited sensitivity to short-term inflation. The impact of wage inflation on claims in our Group Income business is manageable, while the impact on our individual disability portfolio is limited and largely hedged. In most of our European markets, premiums can be adjusted. While we expect some pressure on sales due to lower purchasing power, we continue to see strong demand for protection products.

While inflation by itself is not having a material impact on our balance sheet, rising interest rates do have an impact, mainly resulting from the volatility in financial markets. This translated into additional volatility related to changes in mortgage spreads during the year, although this didn't reflect the underlying quality of our mortgage portfolio, which remains high. With a Solvency II ratio of 197% at the end of 2022, we continue to have a strong solvency position.

2.2 Determining our material topics

Every year we review our operating environment to identify actual and potential impacts (positive or negative) that we consider material to our company. That is, the topics across our activities and business relationships that potentially contain the greatest risks or opportunities for the economy, the environment and/or people (including impacts on human rights), and where we feel we may be able to create the most value.

We use this process, and the stakeholder engagement it involves, as valuable input when reviewing our operating environment, developing both our strategy and business opportunities, and identifying our key risks. It also helps us prioritise our focus areas for our reporting activities.

Our approach

This year we first compiled a longlist of topics, including impacts, based on desk research and analysis of internal sources, external standards, peer reports and sector trends. The impacts have been identified by using information from external and internal sources. Examples of sources concern civil society organisations, internal policies and plans on environmental, social and governance impacts, including human rights and peer analysis. We took into account actual and potential, negative and positive impacts, across our activities and business relationships. From this longlist, through internal consultation we created a shortlist of 14 topics reflecting the impact on NN Group ('outside-in impact') as well as the risks and opportunities involved.

As part of the internal consultation the impact from and on business relationships was validated and integrated in the material topics definitions, based on internal topic expert feedback. Within the internal topic expert group, representatives from the Responsible Investment and Enterprise Risk Management team are involved in assessing the impact our investment portfolio has in relation to sustainability topics. The impact from our investment portfolio is represented in the definition of our material topics.
The materiality assessment is performed at group level, taking into account the impacts from our own operations, investment portfolio and business relations.

Main changes

Below are the main changes from the 2021 Annual Report material topics:

- 'Climate change' has been incorporated in the definition of 'Sustainable Operations' and the impact of climate change is included in the definitions of 'Responsible investing' and 'Products & services with societal benefits'. This is because 'climate change' was seen as a 'trend' that we need to respond to in different areas of our business activities.
- The topic 'Supply chain management' has been added in response to the increasing importance of value chain responsibilities
- Digitalisation and digital capabilities have been incorporated into the definition of 'Customer engagement' (named 'customer experience' in 2021), as this topic was seen as a trend we need to address in terms of customer needs
- The topic 'Operational effectiveness & efficiency' was removed because it was seen as common practice
- The topic 'Accessible finance' was added in light of current economic developments and increased market volatility
- 'Customer protection & transparency' was included as a separate topic (it previously fell under 'Customer experience') because it was seen as a standalone material impact topic in the context of business and responsibility
- All other topics are similar to those in 2021, with the wording and definitions updated to better describe the impact inside-out and outside-in and fit with current trends

As a next step, we used an internal and external stakeholder survey to assess the impact of NN on the topic ('inside-out impact'). In the survey, stakeholders were asked to rate the material topics in order of relevance and importance, and the role NN should play in respect of that topic.

The following stakeholders and experts completed the survey: NN's senior leadership group; Management Board; Supervisory Board; Works Council; internal topic experts; agents and intermediaries; customers; regulators and government agencies; societal and network organisations; industry associations, experts and peers and investors and analysts.

The material topics are included in the connectivity matrix (pages 10-11) to show the relation between NN's strategic commitments, trends and developments, material topics, opportunities and risks and targets. Looking ahead we strive to enhance our impact assessment through a more detailed due diligence process, value chain insights and further exploration of the use of external databases.

The outcome of the materiality assessment was presented to the NN Purpose Council, Management Board and Supervisory Board for discussion and approval.
The Management Board and Supervisory Board approved the connectivity matrix, including the material topics and the related opportunities and risks, as part of the Annual Report approval process. Read our material topics definitions in the Material topics index on pages 320-321.

2.3 Connectivity matrix

In this overview, we show how our strategy is connected with external trends and developments, our material topics and the United Nations SDGs.

Our strategic commitments	Material topics	Opportunities for our business and society	
Customers and distribution **We see our customers as the starting point of everything we do** **Products and services** **We develop and provide attractive products and services**	3 Products and services with societal benefits 5 Customer protection and transparency 6 Customer engagement 11 Data privacy and protection 12 Accessible finance	• Leverage increased relevance of products and services that address societal issues, such as housing, pensions and income protection MC ED RD D	• Increase customers' knowledge of financial matters with guidance and financial planning tools D • Leverage increased levels of innovation by using our data and digital capabilities to enhance customer experience D • Collaborate with partners (ecosystems, platforms) D
People and organisation **We empower our colleagues to be their best**	4 Integrity, ethics and compliance 7 Sustainable operations 8 Employee attraction and retention 9 Good governance 10 Diversity and inclusion 14 Supply chain engagement	• Providing a thriving and inclusive workplace HC • Employee engagement is essential for business performance HC • Diversity is a source of creativity and contributes to innovation HC D	• Invest in training and development of talent HC RD • Leverage data and digital capabilities to improve the customer experience, internal processes and operational efficiency HC D
Financial strength **We are financially strong and seek solid long-term returns for shareholders**	2 Financial solidity	• Optimise risk/return profile of the investment portfolio MC GT ED CC RD • Creating business opportunities by adapting to a changing landscape and changing customer needs MC ED RD	• Offer cross-selling opportunities to further service customer needs HC D • Be a solid and trustworthy long-term partner MC GT ED RD
Society **We contribute to the well-being of people and the planet**	1 Responsible investing 13 Community investment	• Support communities in which we live and work MC GT ED HC D • Empowering people to improve their well-being MC GT ED CC HC RD	• Contribute to the transition to a more sustainable economy through our investments, underwriting processes, and products and services MC GT ED CC RD

Our operating environment – Connectivity matrix continued

Material topics number **read pages 321-322**

Risks for our business and society number **read pages 70-85**

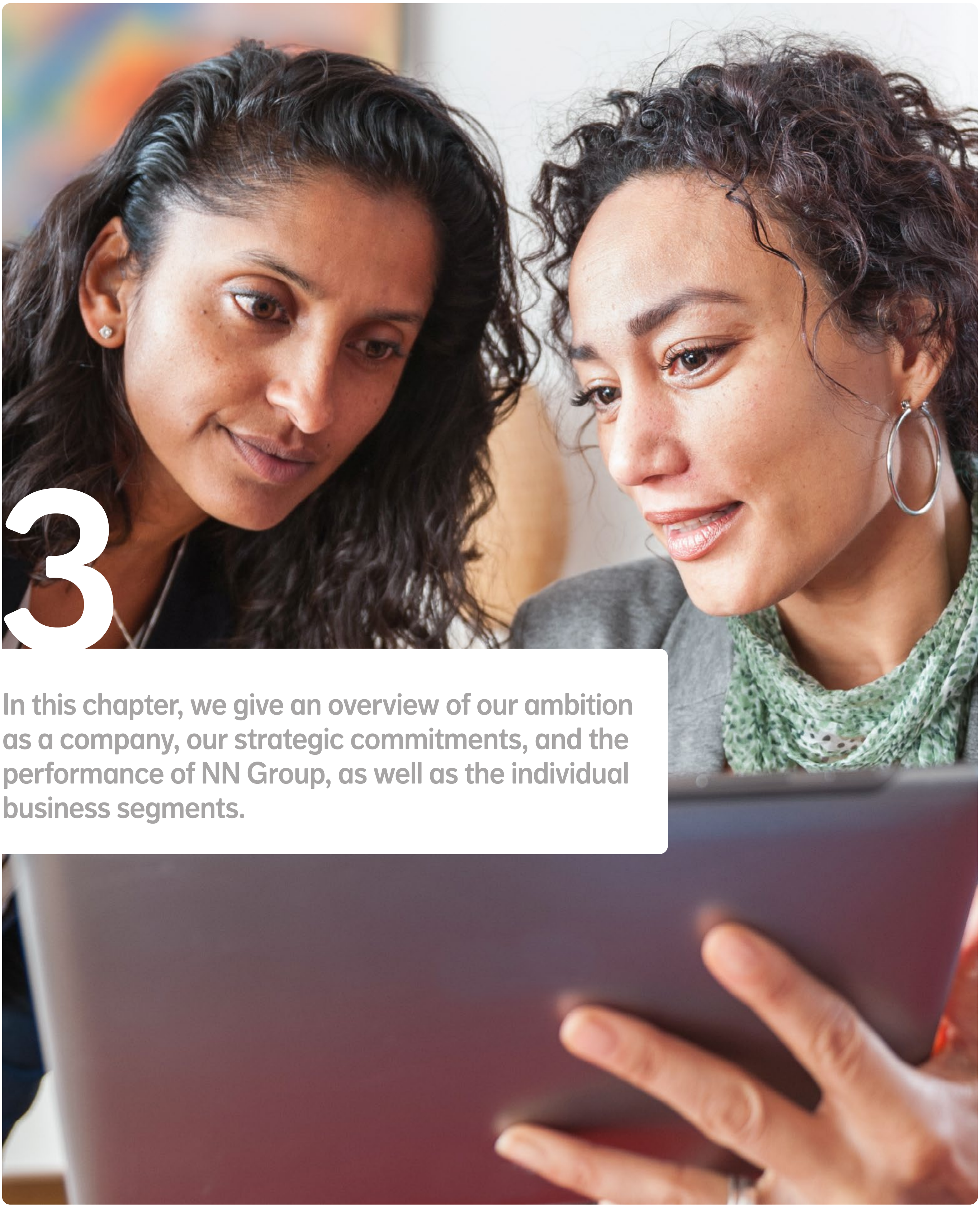
Trends and developments

- MC Multiple crises
- GT Geopolitical tension
- ED Economic developments
- CC Climate change and biodiversity
- HC Human capital
- RD Regulatory developments
- D Digitalisation

Risks for our business & society	Page reference	Our strategic commitments and targets
1 Geopolitical instability & war escalation 4 Regulatory environment 6 Cyber risk 7 Sustainable cost levels 8 IT legacy and change risk 11 Product suitability 12 Climate change	Adding value for customers **pages 34-38**	• Net Promoter Score (NPS-r) > Market average for Netherlands and International by 2025
1 Geopolitical instability & war escalation 5 Human talent 9 Change agility & capacity overload 10 Being outrun by competition	Empowering our people to be their best **pages 39-42**	• Employee engagement of ≥ 8.0 by 2025 • Women in senior management positions of ≥ 40% by 2025
1 Geopolitical instability & war escalation 2 Stagflation 3 Recession 4 Regulatory environment 7 Sustainable cost levels 12 Climate change	Creating value for investors **pages 43-46**	• Operating capital generation (OCG) of EUR 1.8 billion in 2025
1 Geopolitical instability & war escalation 2 Stagflation 3 Recession 4 Regulatory environment 12 Climate change	Creating a positive impact on society Contributing to the SDGs **pages 47-60**	• More than double investments in climate solutions by 2030 • Support the financial, physical and/or mental well-being of 1m people by 2025 • Net-zero targets for our operations by 2040, and for our proprietary investments and insurance underwriting by 2050

SDGs

Our strategy and performance



In this chapter, we give an overview of our ambition as a company, our strategic commitments, and the performance of NN Group, as well as the individual business segments.

3.1 Committed to creating long-term value

Our purpose is to help people care for what matters most to them. It reflects the kind of company we aspire to be: one that delivers long-term value for all stakeholders by considering the interests of our customers, colleagues, shareholders and society at large. We do so guided by our values: care, clear, commit; and our brand promise: You matter. Our ambition for the coming years is to be an industry leader, known for our customer engagement, talented people, and contribution to society. Our strategy outlines how we are going to achieve this and how we bring our purpose to life.

Long-term market trends

Today's world is confronted with a wide range of challenges including geopolitical tensions, an energy crisis that is driving high inflation and volatile financial markets. These developments are in many ways interconnected and likely to impact the economic outlook for the coming years, and the prosperity of our customers and society at large. Pressure on household finances will negatively impact our sales. Market volatility caused by the energy crisis and monetary actions by central banks are impacting our investments and balance sheet. At the same time, our strategy remains well aligned with long-term market trends, creating opportunities for growth. One of these long-term trends is the increased risk awareness among consumers in our international markets where insurance penetration rates are still relatively low. This risk awareness, partly triggered by the Covid-19 pandemic and the war in Ukraine, is creating additional demand for protection products in our international markets. Even with disposable incomes under pressure as a result of inflation, we anticipate this long-term demand for protection to continue. Another long-term trend is the continued shift of risk to individual households, for example in the pensions market, as governments and employers increasingly feel unable to take on these risks in an ageing society. This shift is fuelling demand for simple pension products and financial planning tools as consumers seek support navigating these changes. We also see a growing demand for products and services that support customers live more sustainable lives, as they become increasingly aware of the risks associated with climate change, and face higher energy bills. This growing demand can be met by offering products such as mortgages for energy-efficient homes and sustainable pension offerings.

Delivering on our strategy

We launched our strategy in 2020 during the Covid-19 pandemic. While the pandemic had limited direct financial impact on NN, it had a significant impact on our customers and colleagues and our markets. Despite this turbulent environment, we made good progress in the execution of our strategy, and continued to support our customers, partners, and society at large. This was largely thanks to our robust balance sheet, resilient business model and strong market positions. We achieved our 2023 financial targets ahead of plan, and made improvements on our strategic targets regarding our customers, employees and society.
Our commercial and financial performance has been strong across our businesses. And by investing in them we have created a solid foundation for long-term growth.

Our purpose

We help people care for what matters most to them

Our ambition

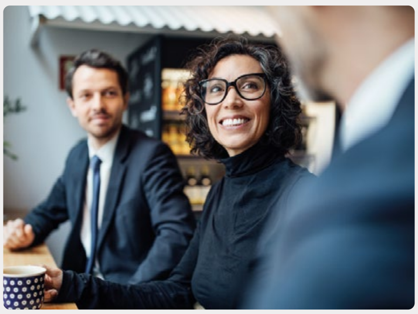
We want to be an industry leader, known for our customer engagement, talented people, and contribution to society

Our values

Care | Clear | Commit

Our brand promise

You matter



Our strategic commitments

Customers and distribution
We see our customers as the starting point of everything we do

Products and services
We develop and provide attractive products and services

People and organisation
We empower our colleagues to be their best

Financial strength
We are financially strong and seek solid long-term returns for shareholders

Society
We contribute to the well-being of people and the planet

Long-term growth

Our growth plans are based on the organic growth potential of all business segments. For our businesses in Europe and Japan we expect to grow further in the protection market, driven by the increased demand for long-term health and protection products. We also expect growth through our strong multi-distribution platforms in these markets, for example through tied agents and bank partnerships. In the Netherlands, our life business has growth potential in the defined contribution pension market in light of the changing pension landscape. Our non-life business is expected to grow through its existing broker network, absenteeism insurance and the direct channel OHRA, while further strengthening its distribution capabilities. NN Bank focuses on high-quality mortgage origination and driving customer satisfaction.

As in previous years, we continue to assess and optimise our portfolio of businesses to support our long-term organic growth ambition. In 2022, this led to the acquisition of the life insurance subsidiary of ABN AMRO Verzekeringen (AAV), a joint venture between NN Group and ABN AMRO Bank. The transaction is in line with the strategy of Netherlands Life to achieve further efficiencies by leveraging its closed book capabilities. We agreed with ABN AMRO Bank to extend our successful cooperation in AAV by five years until 2038. We also completed the acquisition of MetLife's businesses activities in Poland and Greece, further strengthening our positions in these growth markets. We finalised the sale of NN Investment Partners (NN IP) to Goldman Sachs. The transaction provided NN IP with a broader platform for growth, while it gives us greater flexibility to enhance our investment propositions to customers. NN Belgium sold a closed book life insurance portfolio to Athora Belgium, enabling it to fully focus on growing its protection and pension business.

Becoming an industry leader

To further deliver on our strategy and fulfil our ambition to become an industry leader, we announced new strategic and financial targets in November 2022. To be known for our customer engagement, we continue to invest in our digital capabilities and distribution footprint. Improving the customer experience remains a top priority. We continue to focus on further improving our products and services while developing relevant new ones. With a strong, diverse workforce of over 16,000 colleagues we are in a good position to drive our business forward. However, this also depends on our ability to attract and retain the right people, which is increasingly difficult in today's labour market. Most markets where we operate have tight labour markets with skills shortages in areas such as risk, finance, IT and more. We therefore continue to invest in learning and development, upskilling and reskilling, and being an attractive and inclusive workplace. Finally, in line with our ambition to be known for our role in society, we are stepping up efforts to contribute to the transition towards a low-carbon economy. In 2022, we set a clear roadmap to reduce greenhouse gas (GHG) emissions to net-zero in our own operations by 2040, as well as in our proprietary investments and insurance underwriting by 2050. We also remain committed to supporting our communities, with a focus on financial, and physical and mental, well-being.

Spotlight

New strategic and financial targets for 2025 and beyond

As we continue to move forward with the execution of our strategy, we presented new strategic and financial targets for the coming years at our Investor Update in November. The new targets build on our previous targets for 2023 and continue to reflect our commitment to long-term value creation for all stakeholders.

Financial targets for 2025

NN Group
EUR 1.8bn Operating capital generation (OCG) in 2025

Dividend policy
Progressive Dividend Per Share
Annual share buyback of at least EUR 250m

Free cash flow
Mid single-digit growth

Strategic targets for customers, employees and society

Net Promoter Score (NPS-r) of Netherlands and International
> Market average by 2025

Employee engagement
≥ 8.0 by 2025

Diversity: women in senior management positions
≥ 40% by 2025

Reduction in GHG[1] emissions of corporate investment portfolio
25% by 2025 **40%** by 2030

More than double investments in climate solutions
+EUR 6bn (to EUR 11bn) by 2030

Support the financial, physical and/or mental well-being through contribution to communities
1m people by 2025

1 GHG = greenhouse gas; reductions compared with portfolio financed emissions (in tCO_2 per EUR million invested at year-end 2021, reflecting underlying emissions of 2019.

3.2 Our strategic commitments and targets

To execute our strategy, we identified five strategic commitments, geared towards all relevant stakeholders. Each commitment is embedded into the strategy of our business units. Since the launch of our strategy in 2020, these commitments have steered our strategic direction and decision-making, supported by targets that enable us to monitor our progress.

Customers and distribution

Our customers are the starting point of everything we do. We engage with them to meet their real needs and to offer solutions that create long-term value. We use our digital capabilities and leverage our strong distribution footprint to further enhance our customer experience.

Key developments

NN Bank became an online distributor for our non-life products in the Netherlands, creating an opportunity to deepen our relationship with customers while offering cross-selling opportunities. We also launched a national branding campaign in the Netherlands focused on embracing change. In our international business, NN Slovakia became the majority shareholder of Finportal, one of the fastest growing distribution companies in the Slovakian financial market with more than 2,000 financial advisors and highly advanced digital solutions.

We track the satisfaction of our customers through the Net Promoter Score (NPS), which measures how likely it is that they will recommend our products and services to colleagues, friends or family. In 2022, three business units scored above market average (2021: five) and five business units scored on par with market average. The number of business units above or on par with market average has not changed compared to 2021. From 2023 onwards we will report based on an aggregated score for our Dutch and International business units, in line with our 2025 strategic target. An aggregated score will help reduce volatility and enable us to report more stable scores that better reflect our efforts throughout the year.

KPI

	Market average NPS Netherland business	Market average NPS International business
2022	on par	on par
2021	n/a	n/a
2025 target	Netherlands scores above market average	International scores above market average

Read more on pages 34-38

Products and services

We excel in developing and providing attractive products and services, and operate with efficiency, agility and speed. To continue doing so, we will make use of digital and data capabilities.

Key developments

To measure our progress for this strategic commitment, we have set various key performance indicators for the different business units. At Netherlands Life, we focus on growing the defined contribution pension business through net inflows. In 2022, the net inflows were EUR 2 billion. Netherlands Non-life reported a combined ratio of 95.8% reflecting improved Disability & Accident results partly offset by lower Property & Casualty results.

At Insurance Europe, value of new business for full-year 2022 decreased to EUR 231 million from EUR 250 million in 2021 as a result of the negative impact of discounting at higher interest rates. NN Bank and Woonnu originated EUR 8.7 billion of new mortgages in 2022, maintaining a stable market share, despite a slowing down of the Dutch housing market.

Read more on pages 34-38

People and organisation

We are committed to empowering our employees to bring our values, purpose and ambition to life for our customers. We encourage diversity of thinking, and invest in new capabilities and personal development. We nurture a culture aligned with our purpose, values and ambitions. One that supports continuous learning, collaboration and diversity of thinking. We consider all colleagues to be talents, and invest in an inclusive and inspiring environment, so that together we are optimally equipped to take our business into the future.

Key developments

We measure our progress through employee satisfaction surveys, which are conducted twice a year. In 2022, employee engagement remained high at 7.9, compared to 7.7 in 2021. The survey showed colleagues feel empowered to choose how they carry out their work, they feel connected to NN's values and experience room for professional growth. We also strengthened our efforts towards becoming a more diverse and inclusive workplace. We introduced You matter leave for colleagues in the Netherlands, a tailor-made leave to be used, for example, to mourn a loved one or to undergo gender transition treatment. NN Turkey extended maternity leave to 24 weeks, from the legal requirement of 16 weeks, and paternity leave to 3 weeks from 1 week.

KPI

	Employee engagement	Women in senior management position
2022	7.9	40%
2021	7.7	34%
2025 target	≥ 8	≥ 40

Read more on pages 39-42

Financial strength

We are committed to achieving a strong financial and commercial performance in our operating units, maintaining a strong capital position, and delivering attractive and growing capital returns to shareholders. We are focused on using our financial strength, scale and international footprint, along with efficient management of our customers' assets and our own insurance portfolios, to maintain a strong balance sheet and create solid financial returns for shareholders.

Key developments

Our operating capital generation (OCG) increased by 8% to EUR 1.7 billion. This result was despite the sale of our asset management business NN IP and the turbulence in financial markets. Our Solvency II ratio at year-end 2022 was 197%, our cash capital position EUR 2.1 billion, and with a leverage ratio of 22.9%, we continue having ample financial flexibility. We also raised EUR 500 million through the issuance of subordinated notes. It was the first issuance under NN Group's Sustainability Bond Framework, which was established in February 2022 with the aim of financing green and social projects. We are committed to ensuring resilient and growing long-term capital generation. For 2025, we have set an OCG target of EUR 1.8 billion. We remain well-positioned to achieve mid-single-digit OCG growth in the long-term.

KPI

	Operating capital generation
2022	1.7 billion
2021	EUR 1.6 billion
2025 target	EUR 1.8 billion

Read more on pages 43-46

Society

We aim to contribute to the well-being of people and the planet. We do business with the future in mind and contribute to a world where people can thrive for many generations to come.

Key developments

In December, we published our first Climate Action Plan, which sets out a clear roadmap to reduce greenhouse gas emissions to net-zero in our own operations by 2040, as well as in our proprietary investments and insurance underwriting by 2050. Together with other insurers, we launched a target-setting protocol to set science-based targets to transition our underwriting portfolios to net-zero. We also launched the Dutch Climate Action Fund to invest in projects and companies active in climate change solutions as part of our goal to more than double investments in climate solutions by contributing an additional EUR 6 billion by 2030, bringing the total to around EUR 11 billion. Our role in society is also reflected in our contribution to local communities. We aim to support the financial, physical and/or mental well-being of one million people by 2025. To work towards reaching these ambitions, we grew our community investment programme by scaling, deepening and broadening our impact.

KPI

	More than double investments in climate solutions by 2030	Support the financial, physical and/or mental well-being of 1 million people by 2025 through contribution to communities
2022	+EUR 3 billion	229k
2021	n/a	n/a
Target	2030 target: +EUR 6 billion	2025 target: 1 million people

Read more on pages 47-57

3.3 Our performance

"

Our operating capital generation was strong in 2022 and supported our solvency level in volatile markets. We are committed to providing attractive capital returns to our shareholders

Annemiek van Melick
Chief Financial Officer

We saw strong financial results and a resilient commercial performance, despite the challenging economic and geopolitical environment.

Strong operating capital generation

Our full-year operating capital generation (OCG) increased by 8% to EUR 1,711 million in 2022, from EUR 1,584 million in 2021. With this result, we exceeded our 2023 target of EUR 1.5 billion. The increase reflected the impact of higher interest rates at Netherlands Life, strong underlying business performance at Netherlands Non-Life as well as strong business performance in Europe, partly offset by the loss of fee income at NN Bank. This was achieved despite the sale of our asset management business NN Investment Partners (NN IP) in April 2022. Excluding the contribution of NN IP, OCG increased by 16% in 2022.

Resilient commercial performance

We reported a resilient commercial performance, despite the challenging economic and geopolitical environment. Value of new business increased by 0.7% to EUR 431 million from EUR 428 million in 2021, mainly driven by higher value of new business at Netherlands Life reflecting a higher volume of group pension contracts as well as a favourable impact from an increase in interest rates. At Insurance Europe, value of new business decreased as a result of the negative impact of discounting at higher interest rates, which was partly offset by a positive contribution from the acquired MetLife businesses in Poland and Greece, as well as an improved business mix.

At Japan Life the value of new business was broadly stable on a constant currency basis, reflecting continued growth in protection driven by an improved margin, which was offset by lower sales.

Netherlands Life recorded strong net inflows of EUR 2.0 billion in its defined contribution (DC) pension business. Total Assets under Management were EUR 27.8 billion versus EUR 29.9 billion at year-end 2021, as net inflows were offset by a negative market performance. NN Bank, including its sustainable mortgage label Woonnu, originated EUR 8.7 billion of new mortgages and maintained its market share in the Netherlands of around 7%.

Strong balance sheet

Our balance sheet remained strong with a Solvency II ratio of 197% at the end of 2022 compared with 213% at the end of 2021. The decrease was mainly due to adverse market impacts and capital flows to shareholders, as well as the impact of the Ultimate Forward Rate (UFR) reduction from 3.60% to 3.45%. This was partly offset by strong OCG and the net positive impact from the sale of NN IP and the acquisition of MetLife's businesses in Poland and Greece, as well as other movements including model and assumption changes. The adverse market impacts mainly reflect movements in credit spreads and negative equity valuations, partly offset by changes in interest rates. Our cash capital position was EUR 2.1 billion at the end of 2022, and with a leverage ratio of 22.9%, we continue having ample financial flexibility.

Operating result

The full-year 2022 operating result decreased to EUR 1,743 million from EUR 2,036 million in 2021, which included a total of EUR 76 million of non-recurring benefits, largely related to special dividends received by Netherlands Life. The decrease mainly reflects the sale of NN IP, the lower operating result of Netherlands Non-life, Japan Life, Banking, Insurance Europe and the segment Other, partly compensated by the higher operating result for Netherlands Life.

Result before tax

The full-year 2022 result before tax decreased to EUR 1,661 million from EUR 4,010 million in 2021. The decrease mainly reflects lower gains/losses and impairments on public equity and government bonds, lower revaluations on derivatives and real estate, while the same period last year included capital gains on the sale of public equities and government bonds as well as positive real estate revaluations. This was partly compensated by the gain on the sale of NN IP (EUR 1,062 million) and higher markets and other impacts.

Net result

The full-year 2022 net result was EUR 1,562 million compared with EUR 3,278 million in 2021. The effective tax rate for the full-year 2022 was 5.7%, mainly reflecting the tax-exempt gain on the sale of NN IP. Excluding the impact of the sale of NN IP, the effective tax rate for full- year 2022 was 15.9%, mainly reflecting tax-exempt dividends, capital gains and revaluations in the Netherlands.

Spotlight

Implementation of IFRS 9 and IFRS 17 in 2023

As of 1 January 2023, NN Group will implement IFRS 9 ‘Financial Instruments’ and IFRS 17 ‘Insurance Contracts’. Implementation is retrospective. The implementation will result in substantial changes to our accounting policies and may have significant impact on shareholders’ equity, net result, presentation and disclosures. As communicated during the Investor Update on 17 November 2022, our focus on Solvency II and operating capital generation remains unchanged. We expect implementation will have no impact on our strategy, targets or capital return. Shareholders’ equity under IFRS 9 and IFRS 17 at the 1 January 2022 transition date was significantly lower as a result of measuring insurance liabilities at current assumptions. However, with the increase of market interest rates during 2022, reported shareholders’ equity under current IFRS decreased from EUR 32,888 million at 31 December 2021 to EUR 16,005 million at 31 December 2022. Therefore, the difference in equity under IFRS 9 and IFRS 17 largely reversed in 2022, and we expect the financial impact to be limited in the current environment. We disclosed the key requirements of IFRS 9 and IFRS 17, the main decisions/choices in implementation and the key financial impact at transition at the Investor Update. For a more detailed quantitative disclosure on the impact of the transition, read more in Note 1 on page 167. NN Group will apply IFRS 9 and IFRS 17 for the first time in the results for the first half of 2023 and intends to publish comparative figures over 2022 in advance of this disclosure.

197%

Solvency II ratio

EUR 1,711m

Operating capital generation

EUR 431m

Value of new business (VNB)

Performance

NN Group[1]

Analysis of result

amounts in millions of euros	2022	2021
Netherlands Life	999	986
Netherlands Non-life	255	314
Insurance Europe	310	315
Japan Life	218	263
Banking	97	134
Other	-172	-157
Operating result, excluding Asset Management	**1,706**	**1,855**
Asset Management[2]	38	181
Operating result	**1,743**	**2,036**
Non-operating items:	-993	2,051
– of which gains/losses and impairments	-312	1,671
– of which revaluations	-1,260	485
– of which market and other impacts	578	-105
Special items	-136	-103
Acquisition intangibles and goodwill	-30	-28
Result on divestments	1,077	54
Result before tax	**1,661**	**4,010**
Taxation	95	712
Minority interests	4	19
Net result	**1,562**	**3,278**

Key figures

amounts in millions of euros	2022	2021
New sales life insurance (APE)	1,334	1,311
Value of new business	431	428
Total administrative expenses	2,210	2,280
Operating capital generation	1,711	1,584
Solvency II ratio[3]	197%	213%

1 This section includes the analysis of results and key figures of NN Group and its reporting segments. Where relevant, the results presented in this section are derived from the 2022 annual accounts. In explaining the financial results, NN Group uses operating result, administrative expenses and adjusted allocated equity (as used in the calculation of Net operating RoE for the Segment Banking only). These are Alternative Performance Measures (APMs). APMs are non-IFRS-EU measures that have a relevant IFRS-EU equivalent from which these are derived. For definitions of the APMs and explanation of their use reference is made to Note 33 'Segments' in the section 'Alternative Performance Measures (Non-GAAP measures)' in the annual accounts. That section also includes a reconciliation between the APMs and their IFRS equivalent. Furthermore, it includes definitions of other financial metrics used in this Financial developments section, including OCG.

2 Following the sale of NN IP on 11 April 2022, the FY22 numbers reported for Asset Management reflect the results for the first quarter of 2022.

3 The Solvency II ratio is not final until filed with the regulators. The Solvency II ratio for NN Group is based on the partial internal model.

3.4 Netherlands Life

“We are well-positioned to capture growth opportunities in the changing Dutch pension market

Leon van Riet
CEO Netherlands Life & Pensions

Introduction

We are the market leader in the Dutch life and pension markets, with about 40% market share in the pension market. In total we serve over 3 million customers. In addition, we have well-established relationships with pension advisors and serve more than 24,000 companies with their pension offering for their employees. We offer life insurance as well as the full spectrum of pensions solutions, from insured defined benefit (DB) and defined contribution (DC) via our NN label to Premium Pension Institution (PPI) via our specialised label, BeFrank. In addition, we offer general pension fund (APF) solutions via De Nationale as well as pension fund administration and advisory services via AZL.

Building on our leading position

Driven by our powerful customer propositions and strong relationships with distribution partners, we are well-positioned to benefit from changes in the pension market, which will take further shape following the planned reform of the Dutch pension system. The changing landscape may lead to further growth of the DC market, and an acceleration in buy-out opportunities of small- and medium-sized corporate pension funds. In addition, we continue to actively manage our in-force DB and individual life insurance portfolios by reducing costs in line with the run-off of the portfolio and increasing our customer service. These cost reductions come partly from simplifying our IT infrastructure and products, and migrating old portfolios and legacy systems into new platforms. To build on our leading market position, we aim to enhance our service offering with additional digital services, helping to increase customer

2022 highlights

- Our defined contribution pension business recorded net inflows of EUR 2 billion in 2022, and our pension intermediary satisfaction ranked first in the Dutch market.
- We acquired the life insurance subsidiary of ABN AMRO Verzekeringen, a joint venture between NN Group and ABN AMRO Bank. The transaction strengthens our position in the life insurance market in the Netherlands and is in line with our strategy to achieve further efficiencies by leveraging our existing closed book capabilities.
- As we continue to focus on simplifying our IT infrastructure, we decommissioned 30 of the more than 100 systems in operation, while 735,147 policies were transferred to future-proof target systems.

Spotlight

Digital support in times of change

If adopted by the Dutch Senate in 2023, the upcoming pension reform in the Netherlands will bring significant changes to the country's pension system. It will be contribution-based and more personal, and pension funds will no longer offer guarantees for future benefits. To help our customers navigate these changes, we have invested in digital solutions that offer them clear insights into their current and future pensions. BeFrank developed an easy-to-use tool that shows employers what they need to change in their employees' pension schemes and how it affects individual pensions. BeFrank also developed an online personal pension page where participants can choose an investment risk that suits them. Our online data and services platform, Human Capital Planner, enables advisors and employers to have fact-based conversations with their employees about their pension plans and investments. To date, 12,000 Dutch employers and 600 advisors have used it.

satisfaction and efficiency. It also creates cross-sell opportunities for our non-life and banking products. We also offer a wide range of innovative products and services, such as CO_2-neutral pension plans for corporates, as well as a range of life cycle funds with impact investing.

Financial result

Full-year 2022 operating capital generation increased to EUR 1,142 million from EUR 846 million in 2021. The increase is mainly driven by the lower net negative impact of the UFR drag and risk margin release as a result of higher interest rates, as well as positive experience variance and higher new business contribution, partly offset by a lower investment return.

The full-year 2022 operating result increased to EUR 999 million from EUR 986 million in 2021. The increase is driven by a higher technical margin and lower administrative expenses, partly offset by a lower investment margin and lower fees and premium-based revenues.

The technical margin for full-year 2022 includes higher mortality experience, partly offset by lower morbidity results. Administrative expenses decreased to EUR 465 million from EUR 473 million in 2021, mainly driven by lower staff expenses. The investment margin in 2021 included EUR 78 million of private equity and special dividends whereas 2022 did not include such dividends.

The full-year 2022 result before tax decreased to EUR 115 million compared with EUR 2,915 million in 2021. The decrease mainly reflects lower revaluations on derivatives and real estate as well as lower gains/losses and impairments on public equity and government bonds, partly offset by higher markets and other impacts and the higher operating result. New sales (APE) for the full-year 2022 increased to EUR 353 million from EUR 239 million in 2021, mainly driven by a higher volume of group pension contracts, including the renewal of several large contracts. Value of new business for the full-year 2022 was EUR 53 million compared with EUR 21 million in 2021, reflecting a higher volume of group pension contracts and favourable impact from an increase in interest rates.

Performance

Netherlands Life

Analysis of result

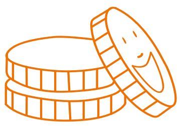
amounts in millions of euros	2022	2021
Investment margin	980	996
Fees and premium-based revenues	387	391
Technical margin	123	103
Operating income non-modelled business	0	0
Operating income	**1,490**	**1,490**
Administrative expenses	465	473
DAC amortisation and trail commissions	26	31
Total expenses	**491**	**504**
Operating result	**999**	**986**
Non-operating items:	-853	1,946
– of which gains/losses and impairments	-126	1,618
– of which revaluations	-1,373	379
– of which market and other impacts	646	-51
Special items	-32	-17
Result before tax	**115**	**2,915**
Taxation	-26	431
Minority interests	0	-4
Net result	**141**	**2,488**

Key figures

amounts in millions of euros	2022	2021
New sales life insurance (APE)	353	239
Value of new business	53	21
Administrative expenses	465	473
Operating capital generation	1,142	846
NN Life Solvency II ratio[1]	191%	219%

1 The Solvency II ratio is not final until filed with the regulators. The Solvency II ratio for NN Life is based on the partial internal model.

 # 1
Advisor Satisfaction



 # 1
Position in group pensions

~40%
Market share in group pensions

3.5 Netherlands Non-life

> Our digital transformation is driving higher customer satisfaction, while improving efficiency

Tjeerd Bosklopper
CEO Netherlands Non-life, Banking & Technology

Introduction

We are the non-life market leader in the Netherlands with a full suite of products, including motor, fire, liability, transport, travel, individual disability and accident insurance products. Our customer base includes retail, self-employed, SME and corporate customers. The segment comprises Nationale-Nederlanden Non-life; the non-life results of our joint venture ABN AMRO Verzekeringen; the brand names OHRA, Movir, Heinenoord, Zicht and HCS; and the broker results related to health insurance products. Non-life has a highly diversified distribution platform, consisting of mandated and non-mandated brokers, banks, and direct online channels and engagement platforms.

Growing profitably and sustainably

Our non-life business continues to focus on offering an intuitive, flawless customer and intermediary journey, and standardising product offerings that we then complement with relevant services. To achieve this, we are continuing to make investments in digitalisation, pricing and data, and to improve customer and broker satisfaction. We also aim to increase our profitability, through the use of data technology and further optimisation of our operations. The impact of higher inflation is expected to be absorbed by premium increases, additional reserving, as well as improvements in data and underwriting capabilities. Around half of our Property & Casualty (P&C) portfolio has limited sensitivity to short-term inflation. The impact of wage inflation on our Group Income claims is manageable, while the impact on our individual disability business is limited and largely hedged.

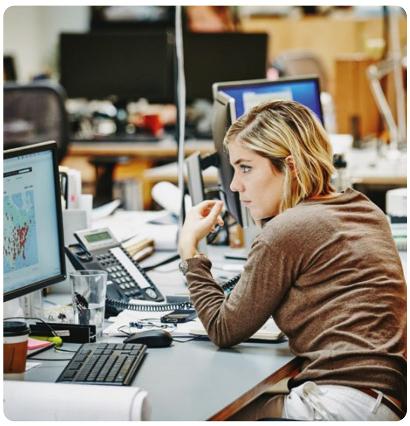
2022 highlights

- We supported our customers throughout the severe February storm in the Netherlands by providing advice on how to prevent damage to property and by increasing our customer service capacity. This enabled us to handle over 39,000 claims from retail and business customers, the vast majority of which within six months after the storm.
- We created more synergy in our offering of non-life products by establishing a collaboration with our banking business, NN Bank. This proposition will further strengthen our relationship with customers and provide them with a broader product range.
- As part of our contribution to the energy transition, we conducted a pilot with recycling companies in the Netherlands to investigate how the sector could be better insured. We plan to adopt the policy resulting from the pilot as regular policy. We also work on insuring specific climate risks and net-zero economy solutions through a team of senior acceptors. And as we increasingly shift our focus to repairing instead of replacing, we implemented our NN Herstelnetwerk (recovery network) to handle damages.

Spotlight

Supporting customers in cyber space

In our modern digital society, cyber-attacks are happening regularly and can have major consequences for both companies and consumers. To help SMEs with preventing and recovering from a cyber-attack, we offer several solutions. An example is Perfect Day, a tool that makes an inventory of a company's cyber risks through a scan and continuous monitoring. Our customers receive continuous guidance to help them get and keep their security in order. In addition, we also offer cyber insurance that protects SMEs against the high costs that can arise in all sorts of attacks, such as a ransomware attack. For consumers we offer Cyberwacht, a telephone helpline for people who experience cyber incidents. And as we want to offer consumers the opportunity to protect themselves against cybercrime, we have added our Cyberservice as a standard to our home contents insurance.



We target selective growth in the SME market, where we leverage on our existing broker network and growth in the areas of absenteeism, property and casualty insurance. We also aim to grow in the retail market through direct channel and bancassurance, and to further strengthen our distribution capabilities with the insurance brokers Heinenoord and Zicht. We continue to embed sustainability throughout our core business. As a member of the Net-Zero Insurance Alliance, we aim to transition our underwriting portfolio to net-zero greenhouse gas emissions by 2050.

Financial result

Underlying portfolio performance was strong in 2022. However, the full-year 2022 operating capital generation decreased to EUR 280 million from EUR 325 million in 2021. The results reflect the impact of the February 2022 storm in P&C and the hardening of the reinsurance market as well as the additional provisioning for the potential impact of higher inflation and for bodily injury claims. This was partly offset by favourable underwriting results, as well as a higher new business contribution and investment margin following the increase in interest rates.

The second half of 2021 reflected higher underwriting results including a positive impact from Covid-19 on the P&C lines, partly offset by the impact of the floods in the Netherlands and Belgium in July 2021. The full-year 2022 operating result of Netherlands Non-life decreased to EUR 255 million from EUR 314 million in 2021. The decrease reflects lower underwriting results in P&C, partly offset by higher underwriting results in D&A and a higher investment income. P&C results include the impact of EUR 82 million of claims (net of reinsurance) related to the storm in February 2022 and the additional provisioning for the potential impact of higher inflation and for bodily injury claims. This was partly offset by favourable claims development, whereas 2021 included EUR 44 million of claims related to the floods in the Netherlands and Belgium in July 2021 as well as a favourable claims development including a positive impact of Covid-19. Results in D&A reflect a negative impact from higher wage inflation assumptions, partly compensated by other assumption updates as well as favourable claims development, whereas 2021 included a negative impact of Covid-19. The full-year 2022 result before tax decreased to EUR 209 million from EUR 336 million in 2021, reflecting the lower operating result and lower non-operating items, partly offset by lower special items. Lower non-operating items include lower realised gains/impairments on public equity as well as government bonds and negative revaluations on real estate. Special items mainly reflect integration expenses. The combined ratio for 2022 was 95.8% compared with 93.5% in 2021.

Performance

Netherlands Non-life

Analysis of result

amounts in millions of euros	2022	2021
Earned premiums	3,576	3,617
Investment income	143	128
Other income	-5	-6
Operating income	**3,715**	**3,739**
Claims incurred, net of reinsurance	**2,480**	**2,424**
Acquisition costs	633	660
Administrative expenses	366	357
Acquisition costs and administrative expenses	**999**	**1,017**
Expenditure	**3,479**	**3,440**
Operating result insurance businesses	**236**	**299**
Operating result non-insurance businesses	19	16
Total operating result	**255**	**314**
Non-operating items:	-24	57
– of which gains/losses and impairments	-38	33
– of which revaluations	14	24
– of which market and other impacts	0	0
Special items	-22	-35
Result before tax	**209**	**336**
Taxation	47	71
Minority interests	3	16
Net result	**158**	**250**

Key figures

amounts in millions of euros	2022	2021
Gross premium income	3,774	3,798
Total administrative expenses[1]	562	496
Combined ratio:[2]	95.8%	93.5%
– of which Claims ratio[2]	67.8%	65.4%
– of which Expense ratio[2]	27.9%	28.1%
Operating capital generation	280	325

1 Including non-insurance businesses (health business and broker business).
2 Excluding non-insurance businesses (health business and broker business).

3.6 Banking

Introduction

NN Bank is a top-five retail bank in the Netherlands, helping around one million customers manage and protect their assets and income through mortgage loans, savings accounts, bank annuities, consumer lending and retail investment products. The bank also distributes NN Non-life insurance products through its direct channel. In addition, NN Bank provides administration and management services to other NN Group entities and institutional investors. NN Bank distributes its products and services through direct channels and intermediaries.

An efficient digital retail bank

NN Bank is undergoing a transformation to become a digital retail bank providing a leading customer experience and personalised services. We help our customers make conscious choices that have a positive impact on their lives and the world around them. We help our customers contribute to society by helping them make sustainable choices around living and by supporting them in managing their daily financial matters. NN Bank invests in developing digital products, propositions and customer journeys and in a secure and reliable banking platform. We digitise and automate processes for customers, intermediaries and our colleagues, and further simplify our system landscape.

Sustainability is at the heart of our strategy and through our products and services we strive for sustainable value creation for our customers, Our sustainable mortgage provider Woonnu supports consumers through the process and financing challenges of increasing the sustainability of their home. The bank's online platform Powerly provides tailored advice on how to make homes more sustainable and since its launch in 2020 has helped over 40,000 consumers.

2022 highlights

- We originated in total EUR 8.7 billion of new mortgages in 2022 and maintained our market share, despite the slowing down of the Dutch housing market.
- NN Bank issued a EUR 500 million inaugural green covered bond with a maturity of ten years and coupon of 1.87%. This was the first ever green covered bond issued by a Dutch bank. In line with our Green Bond Framework, NN Bank allocates the bond's proceeds to a loan portfolio of new and existing mortgages for energy-efficient residential buildings in the Netherlands.
- NN Bank's label Woonnu won the Groene Lotus Award, for the most progressive mortgage provider in making homes more sustainable. The jury called Woonnu 'A testing ground for home sustainability from which the industry as a whole can learn'.

Spotlight

Supporting our customers to clean the air

Improving the air quality of your home is an important factor when making homes more sustainable. For this reason NN Bank offers the Gezond wonen (Healthy Living) platform, which provides consumers with insights and tips on the air quality inside their home. After an online check – developed together with independent research organisation TNO – people receive tips to improve home ventilation.

In 2022 Gezond wonen was awarded with the Gouden Lotus Award in the category Innovation Service and the check was completed over 36,000 times, showing that in 79% of the cases, improvements are possible. Since then, we have altered the platform to Duurzaam en Gezond wonen (Sustainable and Healthy living) which now also includes a check for home energy levels and CO_2 emissions.

Financial result

Full-year 2022 operating capital generation of Banking was EUR 35 million compared with EUR 104 million in 2021, mainly reflecting a lower statutory net result and a higher increase in Risk Weighted Assets (RWA). The lower statutory net result is mainly due to lower commission income, higher total expenses and a lower interest result. The higher increase in RWA is mainly caused by a higher growth of the mortgage portfolio.

The results reflect the changing dynamics in the Dutch housing market, which started slowing down during the second half of the year. Higher interest rates were reflected in rising customer mortgage rates, which led to lower volumes of mortgage origination, including a drop in refinancing. The lower volume of mortgages transferred to the external NN Dutch Residential Mortgage Fund impacted commission income, while the higher interest rates supported an increase of the interest margin in the second half of the year.

The full-year 2022 net operating return on equity (RoE) decreased to 8.9% compared with 11.0% for 2021, reflecting a lower net operating result, partly offset by lower average equity.

The full-year 2022 operating result decreased to EUR 97 million from EUR 134 million in 2021, mainly due to higher total expenses, lower commission income and a lower interest result.

The full-year 2022 result before tax remained broadly stable at EUR 105 million as the lower operating result was largely offset by higher non-operating items.

Performance

Banking

Analysis of result

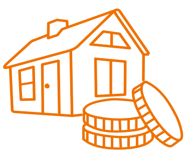
amounts in millions of euros	2022	2021
Interest result	270	280
Commission income	48	59
Total investment and other income	36	33
Operating income	**354**	**372**
Operating expenses	232	219
Regulatory levies	27	27
Addition to loan loss provision	-2	-8
Total expenses	**257**	**239**
Operating result	**97**	**134**
Non-operating items:	**9**	**-27**
– of which gains/losses and impairments	0	2
– of which market and other impacts	9	-28
Special items	-1	0
Result before tax	**105**	**106**
Taxation	27	25
Net result	**78**	**82**

Key figures

amounts in millions of euros	2022	2021
Total administrative expenses[1]	259	247
Cost/income ratio[2]	65.6%	59.0%
Net operating RoE[3]	8.9%	11.0%
CET1 ratio[4]	15.3%	17.4%
Operating capital generation	35	104

amounts in billions of euros	2022	2021
Total assets	24	24

1 Operating expenses plus regulatory levies.
2 Cost/income ratio is calculated as Operating expenses divided by Operating income.
3 Net operating RoE is calculated as the (annualised) net operating result of the segment, divided by (average) adjusted allocated equity. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)'.
4 The Common Equity Tier 1 (CET1) ratio, Total capital ratio and Risk Weighted Assets (RWA) are not final until filed with the regulators.



~7%
Market share in new mortgage production (ex refinancing)

EUR 8.7bn
Mortgage origination

3.7 Insurance Europe

Thanks to our committed colleagues and focused digital strategy, we are getting closer to our customers and support them with improved products and a better customer experience

Fabian Rupprecht
CEO International Insurance

Introduction

In Europe, we serve the needs of 13 million customers in nine countries. Almost all our businesses have been built organically, with some add-on acquisitions in recent years that have strengthened our market positions. In most markets we are among the top three life insurance companies; while in Poland, Romania and Slovakia we are the leading player in pensions. We have 5,554 talented colleagues and a diversified distribution footprint through tied agents, bancassurance partners, brokers and direct channels.

European businesses focused on growth

Our European businesses are primarily focused on protection, leveraging the increased demand for long-term health and protection products. This is a result of relatively low insurance penetration rates combined with an increasing awareness of risk and vulnerability, partly prompted by the Covid-19 pandemic and the war in Ukraine. In 2022, Insurance Europe delivered a strong performance, contributing significantly to NN Group's overall performance. Our European business generated almost 25% of NN Group's operating capital generation (OCG) and almost 55% of value of new business.

Insurance Europe remains resilient to the current macro-economic environment, high inflation and economic slowdown. We are confident about our long-term growth, driven by the implementation of our strategy and the growing performance in our markets.

2022 highlights

- In 2022, we strengthened our position by actively managing our portfolio. We completed the acquisition of MetLife's business activities in Poland and Greece. Through the acquisition, we have strengthened NN's #3 position in Poland in life insurance and in Greece to #1 insurer. We welcomed new customers and improved our distribution through bank partnerships in Poland and tied agents and brokers in Greece. In addition, NN Insurance Belgium completed the sale of a closed book life portfolio to Athora Belgium, enabling NN Insurance Belgium to focus on further growing its protection and pension business by building on its strong distribution network in the Belgian market.
- We continue to focus on our protection business, driven by increased customer demand. For example, Nationale-Nederlanden Spain partnered with Sanitas, a private health insurance provider, to launch a new protection solution for people over 55 years old. The product offers health services, such as physical and telephone consultation with specialists and preventative exams, and combines these services with protection covers, such as medical help at home. Overall, in 2022 the Gross Written Premium for our protection segment grew by 4.3%.
- We are growing our customer base via digitalisation. For example, in Romania and Poland, almost 30-40% of our customers sourced from tied agent channels are obtained digitally. In Slovakia, we became the majority shareholder of Finportal, one of the country's fastest growing distribution companies, creating new opportunities in the areas of digital solutions and customer service.

We aim to leverage and build our large customer base through further digitalisation. This involves maximising the productivity of our 9,000 agents through state-of-the-art tooling and increasing new business through the digital sourcing of customers. Through our digital transformation, we are improving our time to market and customer relevancy. For example, in Spain, we launched three customer propositions, including a new customer-focused app.

Nationale-Nederlanden Poland received the Digital Excellence of the Year award by an independent IT association, recognising its digital transformation programme which includes the development of a new customer platform and the development of customer-centric digital sales and operation processes. In parallel, we are investing in creating an inspirational and inclusive work environment for all employees as well as attracting tech talent.

Financial result

Full-year 2022 OCG increased to EUR 388 million from EUR 318 million, mainly reflecting a higher investment return following higher interest rates, a positive contribution from the acquired MetLife businesses, partly offset by lower pension fees across the region, whereas 2021 was negatively impacted by a non-recurring item in Greece.

The full-year 2022 operating result decreased to EUR 310 million from EUR 315 million in 2021, down 1.2% on a constant currency basis. This was mainly driven by a higher technical margin and investment margin as well as the acquired MetLife businesses, more than offset by lower pension fees in Slovakia and Romania, higher expenses and commissions.

The result before tax for full-year 2022 decreased to EUR 201 million from EUR 396 million in 2021, mainly due to mutual fund impairments and negative real estate revaluations mainly in Belgium, while in 2021 this included a positive result from the sale of the Bulgarian business.

Full-year 2022 new sales (APE) were EUR 709 million, broadly stable on a constant currency basis from 2021.

Value of new business for full-year 2022 decreased to EUR 231 million from EUR 250 million in 2021 as a result of the negative impact of discounting at higher interest rates. The impact of model and assumption changes and higher expenses in the region were offset by a positive contribution from the acquired MetLife businesses and an improved business mix.

Performance

Insurance Europe

Analysis of result

amounts in millions of euros	2022	2021
Investment margin	145	116
Fees and premium-based revenues	859	811
Technical margin	281	235
Operating income non-modelled business	0	1
Operating income Life Insurance	**1,286**	**1,163**
Administrative expenses	515	446
DAC amortisation and trail commissions	460	401
Expenses Life Insurance	**976**	**847**
Operating result Life Insurance	**310**	**316**
Operating result Non-life	-1	-1
Operating result	**310**	**315**
Non-operating items:	-84	48
– of which gains/losses and impairments	-92	2
– of which revaluations	13	46
– of which market and other impacts	-6	0
Special items	-39	-14
Acquisition intangibles and goodwill	-2	-7
Result on divestments	15	54
Results before tax	**201**	**396**
Taxation	55	80
Net result	**146**	**316**

Key figures

amounts in millions of euros	2022	2021
New sales life insurance (APE)	709	727
Value of new business	231	250
Total administrative expenses (Life and Non-life)	530	458
Operating capital generation	388	318

Spotlight

Supporting Ukrainian refugees

Since February 2022, the war in Ukraine has had severe humanitarian, economic and political consequences, particularly in Europe. NN has provided support to help those affected.

Extending our core offering

In the countries bordering Ukraine, we extended our core offering to provide medical care services to refugees. In Poland, we launched a programme providing free psychological help, and in Hungary and Slovakia, we opened health lines to offer medical consultations in Ukrainian. NN Romania partnered with Regina Maria Health Network to provide emergency and medical assistance.

Humanitarian aid and volunteering

Our business units have offered humanitarian aid in a variety of ways. In Belgium, Poland, the Czech Republic, Hungary, Slovakia, the Netherlands, Romania, Spain, Japan and Greece, NN made donations to humanitarian aid organisations. Several units organised fundraising initiatives and volunteer activities, such as NN colleagues welcoming refugees at train stations or collecting food, clothes and other goods. In the Czech Republic, NN partnered with a local NGO to rent and refurbish a building as a small centre to host around 20 refugees.

3.8 Japan Life

Introduction

NN has had a strong presence in Japan for the past 36 years, offering small and medium-sized enterprises (SMEs) life insurance. We serve the needs of more than 100,000 SMEs by offering financial solutions that combine protection and savings, and by growing the protection business to support SME owners and their families in the event of death or illness. We are a market leader in the high-margin protection market.

Growing protection in Japan

Our focus is on further driving growth in the protection segment. To achieve this, we are leveraging knowledge gained from our European markets around protection and applying it to the Japanese market.

We are investing in leveraging and building our customer base. For example, in 2020 we launched Kagyo-aid, a fast-growing community platform for business successors, through which we aim to increase customer interaction. The platform allows SME owners' children to connect and assist each other in preparing for a successful business takeover from their parents. This is one of the most used SME platforms in Japan at the moment, with 9,200 users at the end of 2022, and offers us the opportunity to introduce products and services in a tailored way over time. We are also investing in technology and data skills, by growing our engineering base and upskilling other employees in technical domains.

2022 highlights

- We are an SME specialist providing a specific offering to meet SME needs that goes beyond traditional insurance and increases customer engagement. For example, in 2022 we introduced automated accounting for SME owners. To help them navigate the complex accounting procedures for SME life insurance, customers and agents can now easily find documents for accounting purposes at any time and in just a few clicks. The service aims to improve the customer experience and make the accounting process easier.
- NN Life Japan is leading distribution support on protection advice. For example, we are training agents on a customer-centric approach to guiding SMEs through the business succession process. We are also developing specialised knowledge on SMEs, coupled with AI, to support improved underwriting decisions.
- We put a strong focus on data to accelerate the growth of our SME customer base. For example, we have developed a machine learning model that can predict purchasing behaviour. We are also offering cross-sell and up-sell models to our key distributors, with a 40% conversion rate.

Performance

Japan Life

Analysis of result

amounts in millions of euros	2022	2021
Investment margin	6	-12
Fees and premium-based revenues	546	610
Technical margin	14	30
Operating income	**565**	**628**
Administrative expenses	124	135
DAC amortisation and trail commissions	223	230
Total expenses	**347**	**365**
Operating result	**218**	**263**
Non-operating items:	-25	2
– of which gains/losses and impairments	-7	4
– of which revaluations	-10	-2
Special items	-3	-3
Result before tax	**190**	**262**
Taxation	53	74
Net result	**137**	**188**

Key figures

amounts in millions of euros	2022	2021
New sales life insurance (APE)	272	345
Value of new business	146	156
Administrative expenses	124	135
Operating capital generation	115	129

Financial result

Full-year 2022 operating capital generation (OCG) decreased to EUR 115 million from EUR 129 million, mainly due to the impact of a reinsurance transaction as well as lower mortality results and currency impacts, partly offset by a lower new business strain as a result of lower sales. Excluding currency effects, the full-year OCG decreased by 6.2%.

Full-year 2022 operating result decreased to EUR 218 million from EUR 263 million in 2021, mainly reflecting lower fees and premium-based revenues and a lower technical margin, partly offset by a higher investment margin, lower administrative expenses and deferred acquisition costs (DAC) amortisation and trail commissions. Excluding currency effects, the operating result decreased by 11.1%.

The result before tax for full-year 2022 decreased to EUR 190 million from EUR 262 million in 2021, reflecting the lower operating result and lower non-operating items.

New sales (APE) for full-year 2022 decreased to EUR 272 million from EUR 345 million in 2021, mainly driven by lower sales of cash value insurance products. Excluding currency effects, new sales decreased by 15.1%.

Full-year 2022 value of new business was EUR 146 million, broadly stable on a constant currency basis, reflecting continued growth in protection driven by an improved margin as a result of higher interest rates and management actions including repricing, offset by lower sales of cash value insurance products.

Spotlight

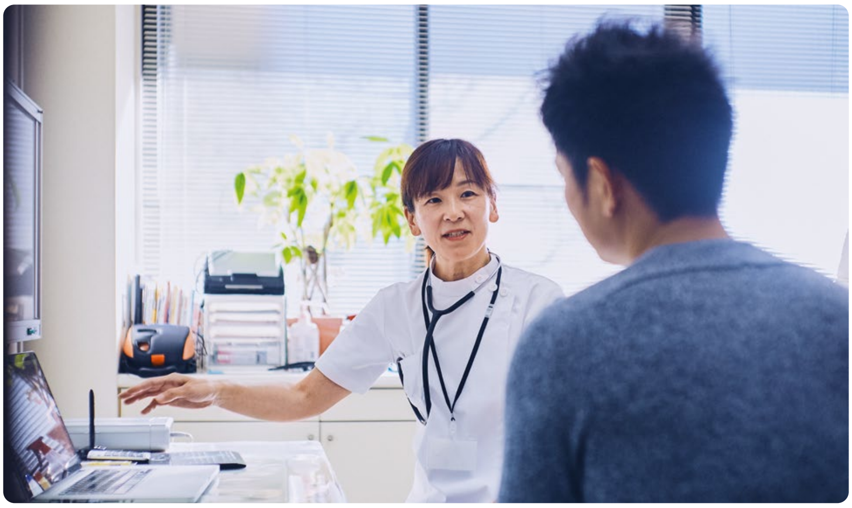
Partnership with the University of Tokyo

NN Life Japan entered into a three-year collaboration with the University of Tokyo Medical School to carry out joint research in the field of health economics. By combining the University's knowledge on economic evaluation of medical and health care projects with its research in the field of preventative intervention for health promotion using medical big data, we aim to increase our understanding of health behaviour, and develop products and services that are more in line with the lifestyles and behaviour of SME business owners.

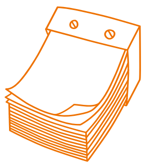
More specifically, we will work on developing health promotion services for SME managers and their employees and health promotion insurance, based on data from medical examination results combined with business-specific information, such as type of industry, company and number of people it employs.

The University of Tokyo has developed a model to predict how health-related behaviour affects long-term medical and nursing care costs, and life prognosis, and is using this to inform the financial management of insurers and the illness predictions by medical professionals.

The University has also built a health economics big database, which consists of medical fee billing data, medical examination data, and other statistical data, and is using this to evaluate medical technology and verify health programmes. In the joint research with NN Life Japan, the University of Tokyo will utilise its own prediction model and health economics big data to promote changes in health-related behaviour that contribute to the public interest.



100,000
SME customers



35+ years
Presence in Japan

3.9 Other

Introduction

The segment Other is composed of NN Re, the results of NN Group's holding company, and other results.

NN Re

NN Re is NN Group's internal reinsurer. It provides innovative reinsurance solutions to manage risks, optimise capital, support growth in business units, and safeguard stable and efficient hedging. The result of the holding includes the interest paid on hybrids and debt, interest received on loans provided to subsidiaries and on cash and liquid assets held at the holding company, and the head office expenses that are not allocated to the business segments.

Financial result

Full-year 2022 operating capital generation (OCG) was EUR -280 million compared with EUR -272 million in 2021, mainly reflecting a lower OCG of the reinsurance business due to a hardening of the reinsurance market leading to a higher risk retention and higher project expenses, partly offset by lower debt servicing expenses.

The full-year 2022 operating result of the segment Other was EUR -172 million compared with EUR -157 million in 2021, mainly due to lower other results.

The full-year 2022 holding result was EUR -164 million compared with EUR -166 million in 2021, mainly reflecting higher investment income and fees, partly offset by higher holding expenses and higher interest on hybrids and debt.

The full-year 2022 operating result of the reinsurance business was EUR 12 million compared with EUR 11 million in 2021. The operating result for 2022 includes a EUR 4 million claim related to the storm in February and a EUR 8 million claim from a legacy portfolio, while 2021 included a EUR 9 million claim from a legacy portfolio and EUR 8 million of claims related to the floods in July 2021.

Other results in 2022 were EUR -20 million compared with EUR -3 million in 2021, mainly reflecting higher expense provisioning in a legacy entity.

Performance

Other

Analysis of result

amounts in millions of euros	2022	2021
Interest on hybrids and debt[1]	-117	-108
Investment income and fees	127	103
Holding expenses	-174	-161
Amortisation of intangible assets		
Holding result	**-164**	**-166**
Operating result reinsurance business	12	11
Other results	-20	-3
Operating result	**-172**	**-157**
Non-operating items:	-17	25
– of which gains/losses and impairments	-50	12
– of which revaluations	96	39
– of which market and other impacts	-63	-26
Special items	-39	-30
Acquisition intangibles and goodwill	-28	-21
Result on divestments	1,062	
Result before tax	**805**	**-184**
Taxation	-71	-11
Minority interests	-1	
Net result	**877**	**-172**

1 Does not include interest costs on subordinated debt treated as equity.

Key figures

amounts in millions of euros	2022	2021
Total administrative expenses:	197	172
– of which reinsurance business	9	8
– of which corporate/holding	188	163
Operating capital generation	-280	-272

The full-year 2022 result before tax of the segment Other was EUR 805 million compared with EUR -184 million in 2021, mainly reflecting the EUR 1,062 million gain on the sale of NN IP, partly offset by lower non-operating items and the lower operating result.

Creating value for our stakeholders

4

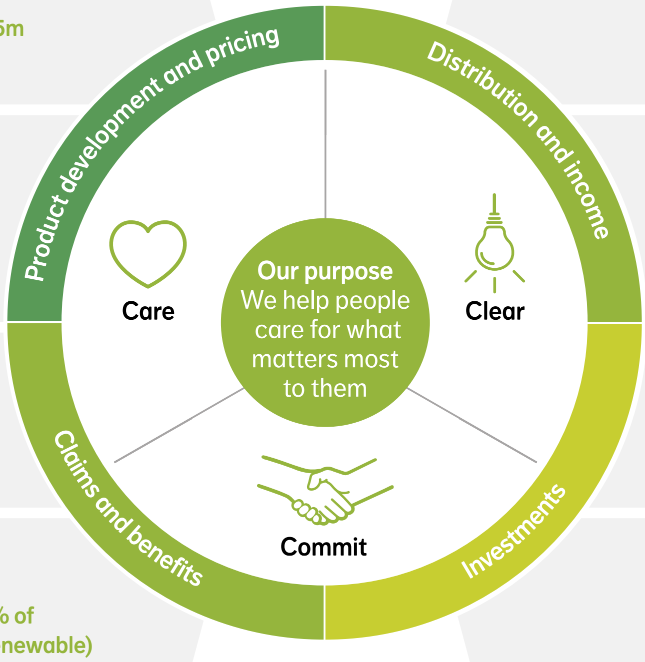
As a company, we are committed to creating long-term value for all our stakeholders. In this chapter, we give an overview of how we create value for our customers, our colleagues, investors and society at large.

4.1 How we create value

This simplified version of our business model, based on the framework developed by the Value Reporting Foundation, shows how we use the resources (shown as capital) in our organisation to create value as a result of our activities (shown as outputs and outcome).

Our key inputs

	Inputs
Financial capital	Including debt, equity, revenue and assets invested by clients • Shareholders' equity: **EUR 16bn** • Gross premium income: **EUR 13.6bn**
Human capital	Employees' skills, time and resources • Total number of employees: **16,104** • Amount spent on training and development: **EUR 15.5m**
Intellectual capital	Internal processes, systems and controls
Manufactured capital	Company's products, offices and other physical assets
Natural capital	Use of natural resources • Total energy used: **27,000 MWh (of which 61% of the electricity used was renewable)**
Social and relationship capital	Relations with customers and other stakeholders • Customers: **around 20m** • Business partners and suppliers • Other key stakeholders (e.g. regulators)



Financial capital

Human capital

Intellectual capital

Manufactured capital

Natural capital

Social and Relationship capital

The value we created in 2022

Outputs

Disciplined capital deployment
- Total dividend and interest payments to investors: **EUR 841m**
- Share buyback programme: **EUR 1bn**
- Investments in acquisitions: **EUR 562m**
- Solvency II ratio: **197%**

Wages and benefits
- Total wages, benefits and pension contributions: **EUR 1.6bn**

Inclusive and inspiring working environment
- Percenta women in senior management positions: **40%**
- Employee engagement score: **7.9**

Availability of services
- Digitising and automating processes for customers and intermediaries

Proper functioning of controls
- Incidents of fraud, conflicts of interest and unethical behaviour: **2**

Efficient operating model
- Total administrative expenses: **EUR 2,210m**

High-performing products & services
- Brand consideration: **19%**
- Net Promoter Score: **8/11 business units scoring at or above market average**

Environmental impact from own operations
- GHG emissions: **9 kilotonnes CO_2 compensated by carbon credits**

Environmental impact from investments
- Carbon footprint relating to proprietary investment portfolio: **41 tCO_2e/EURm invested**
- Investments in climate solutions: **EUR 3bn**

Returns to customers
- Pension benefits and claims paid: **EUR 13.4bn**

Responsible tax
- Total tax contribution: **EUR 2.407m**

Positive contribution to society
- Total contributions to society: **EUR 12.8m**
- Total number of people supported: **229,297**

Outcome for our stakeholders

Customers
To our customers, we offer peace of mind; our products help protect them, their families, their health and their property. We also safeguard their personal data, provide mortgages and a stable source of income in retirement.

Employees
To employees, we provide wages and other benefits. We also contribute to their pensions. In addition, we offer skills training and opportunities for career development. We provide an inspiring and inclusive place to work.

Investors
To our investors, we are committed to deliver resilient and growing long-term capital generation. To do so, we maintain a strong balance sheet and create solid financial returns by using our financial strength, scale and international footprint.

Society
We contribute to the well-being of people and the planet. We take a long-term and responsible approach to investments, working to minimise their impact on the environment. We also support the economy through taxes and payments to intermediaries and other business partners.

Contributing to the Sustainable Development Goals

1 NO POVERTY
3 GOOD HEALTH AND WELL-BEING
5 GENDER EQUALITY
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

4.2 Adding value for customers

The shop owner who wants to sustainably repair storm damage to their window display

The small business owner whose work-life balance improved after sessions with our sleep coach

A villager on a remote Greek island who could consult a doctor from their own home via our Dr Online service

The HR manager gaining data-based insights on the pension behaviour of employees, and using this data for a structural pension communication policy

Whoever they are, and wherever they are, our customers are the starting point of everything we do. We provide a broad range of financial products and services to support our 20 million customers, from students and young professionals to business owners and pensioners. We help people care for what matters most to them in the key moments in their lives, and deal with both expected and unforeseen changes. With products and services that are easy to understand and use, anytime and anywhere.

Introduction

We operate in a changing environment: people are living longer, digital technologies are rapidly evolving, and climate change is a growing concern. We help our customers to navigate this environment by providing products and services that address societal issues and their changing needs, and we use our digital capabilities to meet our customers' expectation for a seamless digital experience.

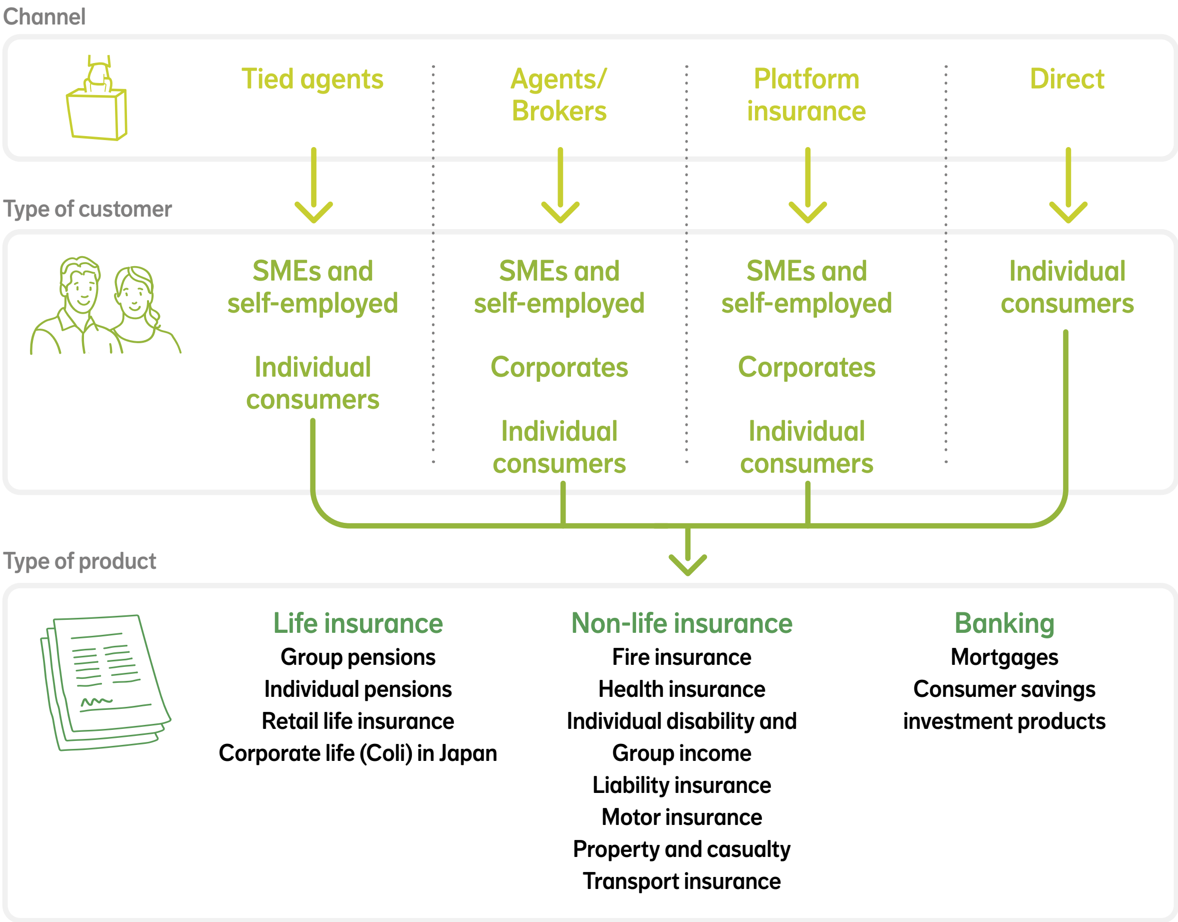
4.2.1 Improving the customer experience

Our customers reach out to us in different ways. Whether through WhatsApp to learn about coverage on their insurance, on a platform when insuring the e-bike they are buying, through our digital assistant to ask when their next pension payment is scheduled, or by phone to discuss a complex damage claim. With all our customers — individual, SME or corporate — every new interaction is a chance for us to learn more about their needs and improve how we do things.

We use artificial intelligence (AI) to optimise our insurance and banking processes, increase accuracy, and speed up our claims handling. For example, NN Life uses AI to calculate the risk on errors for each payment in their traditional individual life policies. The flagged payments get an additional (human) check to ensure we transfer the right amount to our customers' accounts. In the Netherlands we introduced Sanne, a digital assistant who operates on sophisticated AI technology and makes it easy for our customers to find answers to their questions 24/7. (Read more about how we use new technologies in the spotlight on page 36).

As we continue to optimise our processes for customers, we are looking to further improve our communications to customers. In several markets we have realised that our services are not always as easy to understand as we would want. In Belgium, the Czech Republic, Japan, Poland, Slovakia and Spain we began a plain language project, training colleagues to use plain language in their communications. We have also started rewriting websites and letters to our customers in language that is easier to understand.

Nationale-Nederlanden Poland launched a new digital platform for customers where they can clearly see information on their beneficiaries, insurance coverages and investments. The platform enables customers to manage their products themselves. It was recognised by the University of Wrocław for its clear layout, and simple, dynamic and empathetic language.



4.2.2 Helping customers address societal and environmental challenges

Climate change impacts everyone, and making environmentally friendly choices is not only good for the planet, but can also result in lower energy costs. We want our products and services to help our customers become more sustainable in their everyday life, and contribute positively to the well-being of our customers and the communities in which we operate. We have defined two key themes where we feel we can make the greatest societal impact through our products and services: Healthy Living and Sustainable Planet:

Healthy living

We want to help people to look after their financial, mental and physical well-being. Our products and services are designed to strengthen people's financial situation or help them deal with setbacks, by increasing their self-confidence in their financial future and their ability to make the right choices to succeed in work and life. We have identified two focus areas: financial well-being and mental & physical well-being.

Financial well-being

To be in a state of financial well-being, we believe it is vital that people feel in control of their financial situation. In the current financial climate, with high inflation and rising energy costs, this can be challenging. We therefore want to empower our customers to take informed, conscious financial decisions; enhance their ability to meet financial obligations; increase their confidence in their financial future; and improve their ability to succeed in work and life. Here are some recent examples: In the Netherlands, we further professionalised the Human Capital Planner (HCP), a data and services platform that enables advisors and employers to have fact-based conversations with their employees about their pension plans and investments.

We find it important that pension participants choose an investment risk that suits them. To motivate young participants (up to 35 years old) to identify their preferred investment risk, BeFrank developed a cross-media activation campaign, resulting in 2,425 young participants filling in the Profile Determiner.

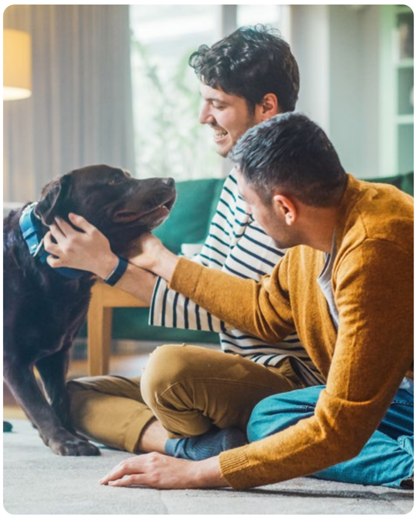
As part of our efforts to help companies with their financial well-being, NN Life Japan partnered with IT-solution provider Writeup Co. to launch a new one-stop service that enables SME owners to easily find grants and subsidies for which their company is eligible, along with the expected amounts. In addition, SME owners who are NN policyholders can receive a free online

Spotlight

How technology simplifies customers' lives

We invest in new technologies that combine smart optical character (smart OCR) and artificial intelligence (AI) to enhance and simplify our processes. Pets are important members of many families and at times they also need medical care. The OHRA pet insurance uses smart OCR technology to 'read' images of medical invoices, regardless of their design or photo quality. For OHRA customers, this means that they can submit a claim without filling in a form. The results show that our customers appreciate this innovation: the customer effort score (CES) for submitting a claim fell to 1.2 (2021: 2.4), while customer satisfaction remained stable at 9.1 in 2022, improving from 7.0 in 2021. The innovation makes us more efficient: 60% of claims are now handled without human intervention (2021: 45.2%).

To simplify their sales support system, NN Life Japan combines similar functionality and AI to convert multiple hard-copy documents, such as policy contracts and status reports, into a digital format. This enables NN agents to centrally manage insurance policies held by corporate customers, including those of other companies, and increase efficiencies.



consultation to learn more about the grants and subsidies, as well as a 10% discount on the application assistance service, should they require professional support to make the applications.

In view of recent changes in the Belgian pension system for the self-employed, NN Life Belgium launched a new pension solution for the fourth pension pillar of savings without tax benefits. This product meets the pension needs of the self-employed with investment funds and additional coverage, and compensates them for losing part of the benefits of the second pillar professional pension.

Mental and physical well-being

We aim to provide access to quality healthcare and try to help people stay socially engaged so we can contribute to them living a happy life. We also stimulate sustainable employability and the prevention of sickness, disability and non-attendance Ageing often leads to additional care needs. As part of our focus on providing a care-free retirement, Nationale-Nederlanden Spain partnered with private health insurers Sanitas to launch a new protection solution for people over 55. The product offers health services, such as physical and telephone consultations with specialists, and preventative exams, such as breast and prostate scans.

In the Netherlands we launched the platform Zorggenoot, which is designed to help customers take care of their relatives or arrange the services they need, such as homecare and advice. In 2022, Zorggenoot helped 800 care takers to arrange care for their loved ones.

This year, general absenteeism in the Netherlands rose to above 5% (NN: 3.8%), with work-related psychological complaints apparently one of the main causes of long-term absenteeism. Nationale-Nederlanden Inkomen Collectief, HCS and Movir are offering to help employers pay closer attention to their employees and take steps to reduce absenteeism through illness. Movir, for instance, offers a selection of preventative services for the self-employed to avoid being forced to stop working due to illness. These include a sleep coach and practical support in running their business.

We also support companies in providing healthcare for their employees. NN Romania signed a strategic partnership with MedLife, the largest private healthcare provider in Romania in terms of customer numbers, to develop a new corporate health insurance targeted at companies with more than 20 employees. The product is flexible and covers medical expenses for a second medical opinion and for unforeseen health problems requiring hospitalisation and surgery.

Sustainable planet

Our products and services address the environmental challenges our customers face, for example, with solutions that contribute to the transition to a low-carbon economy or by helping insure our customers against climate-related damages.

These efforts focus on two areas: shifting to a more sustainable living environment and sustainable mobility.

Sustainable living environment

We enable net-zero living by empowering our customers to make their home or business more sustainable. For instance with a mortgage from Woonnu, which rewards more sustainable living, or through Powerly, a platform offering tailored advice on how to make your home eco-friendlier.

Enabling the transition to lower the energy footprint of homes requires close collaboration with our intermediary partners. To support this, NN Bank and Woonnu developed an ESG masterclass for mortgage suppliers and advisors.

As part of our efforts to promote a more circular economy, we aim to improve the insurability of the recycling sector in the Netherlands. NN Non-life started a pilot with 65 recycling companies in the Netherlands to investigate how this sector can be better insured. Recycling companies often have difficulty taking out insurance due to a variety of factors, such as high fire-hazard risk or a remote location. Going forward, NN will use a team of senior acceptors to continue its proactive efforts on insuring specific climate risks and developing solutions for the net-zero economy.

Sustainable mobility

We support our customers in shifting to more sustainable mobility solutions. For example, through our partnership with Hello Mobility, a service to help fleet owners achieve less damages, lower costs and a more sustainable fleet by data-driven coaching of their drivers.

Because it can be complicated for SME owners to transition their car fleet to electric vehicles, we have developed Electrifleet. This service guides Dutch SMEs through the complex process of financing and transitioning to electric vehicles. It is designed primarily for city-based SMEs, who also have to deal with the challenge of upcoming no-emission zones.

4.2.3 Measuring our progress

Having a strong, well-known brand gives our customers additional reassurance about the quality of our offering and enhances our credibility. By investing in our brand, we aim to build recognition, loyalty and competitiveness. Moreover, customers are known to engage with companies they like, know and trust.

How customers view our products and services

Through customer feedback we learn about people's preferences and views, helping us know how we can modify and improve our services. We focus on a number of key metrics that we combine in what we call the Global Brand Health Monitor (GBHM). The GBHM is used to track how our brand is perceived externally, and gain insights into brand performance and development over time.

Net Promoter Score

One of the key metrics in the GBHM is the internationally recognised Net Promoter Score (NPS) system. This measures how likely it is that our customers will recommend our products and services to colleagues, friends or family. There are different sorts of NPS. The relational NPS (NPS-r) is used to measure the strength of the relationship with customers and gain insights into customer satisfaction over time. We use NPS-r to compare each NN business unit with market averages at year-end (see table). For the Netherlands, the NPS-r score refers to retail customers of Nationale-Nederlanden in life and non-life insurance.

In 2022, three business units scored above market average (Greece, Hungary and Turkey), five on a par with market average (the Netherlands, Japan, Poland, Romania and Slovakia), and three below market average (Belgium, the Czech Republic and Spain). In 2021 five business units scored above market average, and three on par with market average. The number of business units below market average has not changed. With eight business units (our Dutch unit and the majority of our international units) scoring on or above market average, we are on track for our goal of all business units scoring above market average by 2025.

From 2023 onwards, we will report based on an aggregated score for our Dutch and international business units, in line with our new 2025 strategic target on NPS-r. In every market NPS-r scores fluctuate over time, so an aggregated score will help reduce volatility and enable us to report more stable scores that better reflect our efforts.

In 2022 we increased our efforts on NPS-r. We concluded a driver study for all business units. This provided valuable insights into the main NPS-r drivers, including general image, product satisfaction and communication. In the Netherlands we have since rolled out integrated, in-depth NPS-r driver research that monitors the most important NPS-r drivers throughout the year. This is helping us identify opportunities to improve our NPS-r score, as reflected in the significantly increased NPS-r score for the Netherlands.

Our key themes in the Netherlands where we feel we can make the greatest societal impact through our products and services

Healthy living

Sustainable planet

We are committed to broadening our efforts in 2023 to understand even better what drives our NPS-r and how we can steer and steady scores across our 11 business units.

In line with the Netherlands, in 2023 the GBHM will also be executed on a quarterly basis (instead of bi-annually) for international business units to help us monitor our efforts more closely. We also plan to implement the integrated driver study for several international business units in 2023 to gain additional valuable insights. Together, these efforts should help us reach both our NPS-r target and our ultimate goal, to be known for our customer engagement.

Brand consideration

At least twice a year, we measure key brand indicators, such as brand consideration and brand preference. Brand consideration is used to measure how likely it is that potential customers consider an NN product. In 2022, the overall brand consideration score fell from 23% to 19%, mainly driven by a drop in brand consideration in the Netherlands due to fierce competition in non-life. Insurance International remained steady overall at 22%, with standouts being Romania, which rose from 51% to 55%, and Slovakia, which fell from 18% to 13%. Continuous investment in the NN brand is planned during 2023 to steady and increase our brand consideration.

NPS-r[1,2]

Business unit	2022 Result	2021 Result	2022 Market average	2021 Market average	Position
Belgium	**-22**	-18	**9**	10	below
Czech Republic	**0**	1	**17**	14	below
Greece	**30**	17	**19**	9	above
Hungary	**49**	47	**19**	26	above
Japan	**-49**	-42	**-49**	-41	on par
Netherlands	**-13**	-22	**-10**	-12	on par
Poland	**24**	28	**26**	17	on par
Romania	**54**	55	**49**	45	on par
Slovakia	**-1**	1	**0**	1	on par
Spain	**2**	9	**18**	6	below
Turkey	**59**	73	**52**	53	above

1 These scores are based on the GBHM score for Q4.
2 When measuring the number of business units scoring above market average, we maintain a reliability margin of ≤5 points.

Brand consideration

Business unit	2022 Result	2021 Result
Belgium	**5%**	3%
Czech Republic	**13%**	17%
Greece	**24%**	25%
Hungary	**23%**	23%
Japan	**10%**	11%
Netherlands	**19%**	23%
Poland	**28%**	26%
Romania	**55%**	51%
Slovakia	**13%**	18%
Spain	**10%**	14%
Turkey	**13%**	14%

4.3 Empowering our people to be their best

We, together, create a culture that is based on our values and purpose, and supports a flexible and open mindset. We believe that collaborating, investing in opportunities for growth, and a commitment to diversity of thinking lead to better results as we transform our company.

Introduction

The world of work is transforming at a fast pace. Changing customer demands and new technologies are impacting products and services, as well as employee expectations. Organisations are looking for new skills to meet future strategic goals. Employees demand more flexibility to support work-life balance, and desire connection and meaningful work. In our Human Resources (HR) activities we aim to support our businesses in dealing with these changing circumstances.

4.3.1 HR strategy and priorities

Our HR priorities are fully aligned with our company's business strategy. Our priorities for 2022 were focused on growth and change, creating a unique employee experience, and providing the foundation for organisational transformation.

4.3.2 Our NN culture

In recent years, our people and culture have enabled us to navigate uncertainty while fulfilling our purpose of helping people care for what matters most to them to life. Our employees represent more than 70 nationalities across the 11 countries where we operate. Our culture has been shaped by these different cultural backgrounds, as well as by our values that guide us in our day-to-day practices.

Our workforce

In 2022, our workforce grew by 4.3% to 16,104 people (2021: 15,417). This growth was due to acquisitions in Poland and Greece, as well as net growth in employee numbers, particularly in Netherlands Non-life, Insurance Europe, and Japan. The employee turnover rate decreased to 12.1% (2021: 12.4%).

Employee engagement

An important step in building a strong employee experience is understanding our people's perceptions, attitudes, and beliefs. With the outcomes of our bi-annual, organisation-wide employee engagement survey (Peakon), we can better understand how to improve our employees' connection to their work and our company, and how we are progressing against our goals.

Our overall engagement score in 2022 increased to 7.9 (2021: 7.7), which is equal to the current finance industry benchmark. The year-end measurement showed strong results for how employees do their work (Autonomy), how their values match those of NN (Organisational Fit), and opportunities for growth (Growth).

Although we see an improvement compared to 2021, areas for further growth are centred around whether employees understand the strategy (Strategy: 7.7; 2021: 7.5) and feel they accomplish something significant (Accomplishment: 7.7; 2021: 7.6). Process efficiency also remains an improvement area (6.8, 2021: 6.5), although employees indicate they experience steady progress.

NN way of working

Following the working from home period of the Covid-19 pandemic, we adopted the NN way of working. In this hybrid way of working model, employees choose, together with their manager and team, when and where to do their jobs, combining remote work and presence in the office. Specific attention is given to the autonomy and responsibility of teams, and to the well-being of our people.

Since the implementation in 2021, we have continuously monitored employee and manager satisfaction with the hybrid working model through regular surveys. This helps us ensure engagement remains high, and gives us the data to adjust our approach based on our employees' needs. In the Netherlands, the survey results show that our people enjoy the flexibility of activity-based working, rating their experience at 8.1. They also indicate that they feel their work-life balance is healthy (8.4). Managers indicate that productivity and efficiency have stayed stable (35%) or increased (43%). However, a challenge for managers and teams is building and maintaining connection, particularly for new joiners. To facilitate and improve relationship building and knowledge sharing within teams, we encourage our people to come to the office at least twice a week.

Well-being

We believe people can only reach their full potential if they are mentally and physically fit. Our health and well-being practices aim to create optimal working conditions, limit health risks and foster the vitality and well-being of our people. All NN entities regularly discuss health issues and relevant risk reports between the HR department and managers, as well as with organisational health and safety (OHS) departments. Internal audits and consultations by occupational health and safety specialists are carried out regularly, as well as independent verifications by external parties.

In the current economic environment, rising prices and inflation can reduce the purchasing power of consumers, including our employees. In the Netherlands, the Welfare Fund (NN Stichting Welzijnsfonds) offers colleagues help with (impending) financial problems, for example as a result of unexpected bills, illness or divorce. All applications are handled anonymously by its board, which operates independently from the company.

In 2022, NN was one of the 30 organisations who founded the Nationale Coalitie Financiële Gezondheid (National Coalition for Financial Health), committed to improving financial health among employees through providing information and webinars.

Collective Labour Agreement (CLA)

For employees in the Netherlands, we reached an agreement in June with the trade unions CNV Vakmensen, De Unie and FNV Finance for a future-driven collective

"Transformation is all about people: our people make the difference and are the fabric of our culture and company

Dailah Nihot
Chief People, Communications and Sustainability Officer

labour agreement (CLA) that lays down the agreements made regarding employee relations, performance, remuneration, personal development, vitality, and pension. The CLA applies for the period 2021-2023. New provisions in the CLA include a collective salary increase and a two-month vitality leave. This leave supports vitality and work-life balance, and is offered with 50% salary and continued pension accrual.

The new CLA includes as a pension scheme an individual defined contribution scheme. Employees were offered webinars and pension insight talks to learn more about the changes. Under the new CLA, the existing social plan remains in place. Read more on page 123.

In our international business units, we also have a collective labour agreement in Greece, where it is currently being renegotiated, and in Belgium. In our other units, we are aligned with NN Group policy and local benchmarks, and offer various other initiatives per market.

Employee representation

Our works councils facilitate employee consultation in most NN countries. The NN works councils in the business units are elected by our employees to represent and promote their interests and ensure alignment with the company's strategy.

The works councils advise management on important decisions that potentially affect employees, and provide consent on behalf of employees. In the Netherlands, the business unit works councils nominate representatives to the Central Works Council, which engages with management on issues impacting employees in the Netherlands. The European Works Council is consulted on decisions that affect employees in multiple countries. Members of the works councils are elected every three years.

4.3.3 Workforce transformation

One of the crucial steps in successfully preparing ourselves for the future is to keep our workforce up to speed with the changes in our environment. We invest in the transformation of our workforce by ensuring the skills of our people match NN's strategic needs. This means we assess the existing skills within our company, identifying those needed to meet our future strategic goals, and map potential gaps. This process is followed by targeted reskilling, upskilling, and hiring. In 2022, we implemented and concluded a new strategic workforce planning cycle for all our business units and support functions.

Digital capabilities

Digital technology is driving further transformation in the way we do business, which boosts the demand for tech and engineering skills. Therefore, we launched several dedicated recruitment projects in

Spotlight

NN Cultural Diversity Network

The NN Cultural Diversity Network is the eighth D&I employee network. It represents the voice of employees who grew up with more than one culture, and aims to encourage cultural diversity and diversity of thought.

After previously working at a company where he was the only one with a bicultural background, Mohamed Rissalah, Interim Manager IT Mandated Brokers, Retail Intermediary, NN Non-life and chair of the network's board, felt motivated to join others in 2022 in starting the network to improve the visibility of bicultural colleagues. 'Representation matters,' Mohamed explains. 'It makes people feel a sense of belonging and reassures them that they, too, can grow within the company. We should be a reflection of society.'

Mohamed wants the network to inspire and encourage colleagues about how they can contribute to cultural diversity and inclusivity. 'Often when I talk to colleagues or hiring managers, they have good intentions but also have a blind spot, a bias. I'm excited to have more of these talks and help create a spark for positive change.'

2022. Within our International Insurance businesses, a collaborative project to recruit 100+ tech specialists successfully met its target, and resulted in a set of standards and best practices that are being implemented across all international units. A similar project for the Netherlands achieved 70% of its target to hire 100 specialists.

In the area of training, 1,236 employees from International participated in the Power BI challenge to develop data and business intelligence skills, and 168 employees in the Netherlands completed the Data and AI e-learning (to date, more than 1,000 employees have completed this training).

In 2021, we launched a 'guilds' programme for the Dutch business units. The guilds support our transformation by bringing together colleagues working in the same profession with the aim of encouraging their professional growth. In 2022, we added a sixth guild, for data engineers, which includes colleagues from our Dutch and international business units.

During the year, all the guilds focused on building strong communities of practice, creating development paths for tech talent, and supporting recruitment in the guild areas. The expertise and capability that the guilds are developing will support a new way of working, focused on empowered product teams, which will be introduced in 2023.

Leadership development

Leaders play a crucial role in creating our culture, and the way we adopt, and adapt to, change within our organisation. We believe that developing the necessary skills and behaviours is achieved through experience, exposure, and education. We nourish and empower the leadership (potential) we have at all levels of the organisation by building on a tailor-made leadership development portfolio.

We developed specialised learning journeys, called LEAD programmes. The five different LEAD programmes have three main building blocks: personal development, leadership and business acumen. LEAD 1 is focused on strengthening leadership skills, and targets first time managers; LEAD 2 is about accelerating the potential of our young talent; and LEAD 3 is designed for our next generations of leaders and provides a broad picture of the company. In 2022, we designed the next part of our portfolio, the LEAD 4 programme, which is designed to boost future leadership behaviour and support our most senior leaders in driving value creation and crafting a shared future for NN. The development of LEAD 5 is scheduled for 2024.

All LEAD programmes are based on NN's strategic framework and our i-LEAD profile. This profile outlines the key behaviours we believe every colleague should embody. It is embedded in our annual People Cycle and other HR core processes. It aims to support the development of all colleagues, contribute to employee engagement, and help us to deliver on our strategy.

4.3.4 Diversity and inclusion

Diversity and inclusion (D&I) is about recognising the value that we all bring, so we can achieve more as individuals, as teams, and as a company. In 2022, we took a number of steps towards our objectives of an inclusive customer experience, diverse representation, and supporting our diverse communities. We published our first D&I report, which provides information on our mission, progress and results, and shares insights from employees. To get a better picture of cultural diversity within our

Our diversity and inclusion figures

16,104 Employees

70+ Nationalities

8 Employee networks

	Women %	Men %
Total workforce	51	49
Management positions	40	60
Senior management positions	40	60
Management Board	38	62
Supervisory Board	50	50
New hires managers	43	57

Age of employees

	%
< 30 years old	11
30-50 years old	58
> 50 years old	31

company in the Netherlands, we asked CBS (Statistics Netherlands) to carry out its Cultural Diversity Barometer. We will use the aggregated results to further improve our D&I practices.

In 2021, we appointed a dedicated recruiter to hire new colleagues who are neuro- or physically diverse. In 2022, we hired 12 people who identify as such in our Dutch business units.

NN partnered with Rotterdam Pride for the third year, co-hosting the Pride March and providing a podium for an LGBTI+ talent. We broadened our special leave to become a You matter leave, a tailor-made leave for moments that matter, for example grieving the loss of a loved one, providing care for someone, or going through a gender transition process. On World Coming Out Day, 11 October, ten of our business units raised progress flags to support the LGBTI+ community.

In all our units, D&I ambassadors created local plans based on their specific maturity D&I assessment. In 2022, an audit within International Insurance to assess the improvements found that nine business units had made 'maturity steps' up the scale. Based on the benchmark report for 2022, the ambassadors have now created recommendations for 2023.

We continue to offer D&I training, such as unconscious bias training and D&I sessions, for employees and local management boards. Ten employees of NN Life Japan were certified as unconscious bias trainers, meaning they can offer the training to their colleagues locally. NN Romania and NN Czech Republic signed local Diversity Charters, and NN Belgium signed a charter to ensure diversity of speakers at events.

We continue to invest in creating a more inclusive working environment for our people, for example by providing lactation spaces in our offices in Spain, Turkey, Poland, Japan and the Netherlands, and prayer spaces in our offices in Japan and the Netherlands. NN Hungary was awarded the Family Friendly workplace certificate, partially due to its inclusive parental leave policy that provides an additional 15+ days parental leave for fathers with a new-born baby, alongside other initiatives that support employees with families. NN Turkey extended maternity leave to 24 weeks (from the legal requirement of 16 weeks), and paternity leave to 3 weeks (from 1 week).

Gender diversity

We support the appointment, visibility and development of women within NN Group through, for example, talent development, balanced succession planning and appointments for senior management positions. To further improve and strengthen the impact of our gender diversity ambition, we extended the scope of our target to have more than 40% women in senior management positions by 2025 (2022: 40%). As of 2022, this target group includes all senior managerial positions reporting to a CEO of a business unit, in addition to the Management Board and managerial positions reporting directly to the Management Board.

We aim for minimum 40% female participation in our internal management development programmes and traineeships. We boost development opportunities for our (younger) female employees through initiatives such as the Women in Leadership Network mentoring programme in the Netherlands, and the NN Women club in Slovakia and Poland, and participation in external awards such as the Young Talent Award. NN was once again included in the Bloomberg Gender Equality Index.

Equal pay

Each year, we analyse NN Group's pay for all business units with a focus on gender equality. For 2022, the NN Group gender pay gap is 29% (2021: 36%[1]). Having more men than women in higher pay grades, and more women than men in lower pay grades, remains the main cause of this gap. Our in-depth analysis of equal pay for equal work shows similar results to 2021. For our business units in the Netherlands, Belgium, and Spain, men and women in the same job family and compensation grade, with similar years of experience and age, receive equal pay.

After some unexplained equal pay differences were revealed in the 2021 analysis, our business units in Poland and Japan initiated actions to address the gap, such as investigating underlying drivers for differences in pay, adjusting the local compensation policy and structure, and setting up a separate salary increase budget. As a result, the (unexplained) gap has reduced significantly within both business units, and is now less than 1% in Japan. Management remains committed to addressing any (unexplained) differences going forward, and to take appropriate actions to ensure equal remuneration for equal work. To further improve the balance between what men and women are paid within NN, we closely monitor the compensation packages for new hires and newly promoted women on an ongoing basis. We also take this component into consideration during the annual pay review process.

1 Figure for 2021 includes NN Investment Partners.employees

4.4 Creating value for investors

We are committed to delivering strong and sustainable returns for the capital that investors provide. We actively engage with our shareholders and bondholders, and aim to be clear and transparent in how we communicate on our strategy, financial results and operating developments, so they can make informed investment decisions.

4.4.1 Investor Update

On 17 November 2022, we hosted an Investor Update event to give an update on our strategic and financial progress, and to present new strategic and financial targets for the Group and the individual business segments. Read more on page 15. We also provided an update on our three-pillar capital framework (see next page) and an introduction to IFRS 9 and 17 and what it means for NN (see page 18).

During this event, we looked back on the years since we launched our strategy in 2020, and how we have continued to deliver on our promise of growth and attractive capital returns. We showed how we have made good progress on the strategic targets focused on our customers, employees and society, and how our commercial and financial performance has been strong across the businesses. We indicated that we are well on track to achieving our 2023 financial targets ahead of schedule, partly driven by the shift to higher yielding assets, our business transformations in Netherlands Non-life, and the positive impact of higher interest rates. By investing in our businesses, both organically and inorganically, we have created a strong foundation for long-term sustainable growth.

Today, new challenges have arisen, such as geopolitical tensions, an energy crisis driving high inflation, and volatile financial markets. This will impact the economic outlook for the coming years, as well as the prosperity of our customers and society at large. Our strategy, which is aligned with long-term market trends, will help us to support our stakeholders in times of uncertainty. Recent years have shown that NN has a resilient business model, which makes us confident that we can continue to deliver in this environment. In the Netherlands, we are building on our solid brand and market positions and generating strong cashflows, while our presence in international markets is driving growth. This combination enables us to raise our operating capital generation (OCG) target to EUR 1.8 billion in 2025

Our proposition to investors

Resilient balance sheet

Strong cashflow in the Netherlands

Profitable growth in attractive markets

Our commitment	Long-term mid single-digit growth of OCG[1]
Strategic targets	• Excellent customer experience • Engaged employees • Positive contribution to society
Financial target	OCG: **EUR 1.8bn in 2025** FCF[2]: **Mid single-digit growth**
Capital return policy	Progressive dividend per share, annual share buyback of at least EUR 250 million and additional excess capital to be returned to shareholders, unless used for value-creating opportunities.

1 OCG, defined as Own Funds generation (before eligibility) and SCR release (at 100%).
2 Free Cashflow.

from EUR 1.5 billion in 2023, supported by increased OCG targets in all segments and despite the sale of NN Investment Partners in 2022.

At our Netherlands Life business, we aim to grow our defined contribution business and will remain vigilant regarding expenses, in line with the portfolio run-off. This translates into an OCG target of EUR 1.15 billion by 2025. We are also further optimising our Dutch non-life business, which, supported by long-term GDP growth and underwriting improvements, will support us towards our target of an OCG of EUR 325 million and a combined ratio of between 93% and 95% in 2025.

At NN Bank, we continue to focus on originating attractive Dutch mortgages in an efficient manner, resulting in an OCG target of EUR 80 million by 2025. In our international businesses, we continue to invest for growth in the attractive protection markets and profitable growth in Europe and Japan. In Europe, we set an OCG target of EUR 450 million by 2025 and for Japan we aim to achieve EUR 125 million in OCG by 2025.

In light of these growth opportunities, we reconfirmed our long-term mid single-digit growth guidance for OCG from the EUR 1.6 billion reported in 2021.

4.4.2 Capital return policy

NN Group intends to pay a progressive ordinary dividend per share and execute a recurring annual share buyback of at least EUR 250 million. Additional excess capital is to be returned to shareholders unless it can be used for value-creating opportunities.

A progressive dividend means a growing dividend per share. We decide on the amount of the dividend each year depending on the circumstances at the time, but the long-term growth pattern of the annual dividend is ultimately linked to the growth of OCG. We expect long-term mid single-digit growth of OCG.

When proposing a dividend or announcing a share buyback programme, NN Group will take into account, among other things, its capital position, leverage and liquidity position, any regulatory requirements, as well as strategic considerations or expected developments in these areas.

Dividends

Dividends are paid either in cash, after deduction of withholding tax if applicable, or ordinary shares, as elected by the shareholder. Dividends paid in the form of ordinary shares will be delivered from NN Group treasury shares or issued at the expense of the share premium reserve. We intend to neutralise the dilutive effect of the stock dividend through repurchase of ordinary shares.

On 7 September 2022, NN Group paid an interim dividend of EUR 1.00 per ordinary share, which was calculated in accordance with the NN Group dividend policy. The proposed 2022 final dividend of EUR 1.79 per ordinary share plus the 2022 interim dividend of EUR 1.00 per ordinary share gives a total dividend for 2022 of EUR 2.79 per ordinary share. This represents an increase of 12% compared to the 2021 dividend per share.

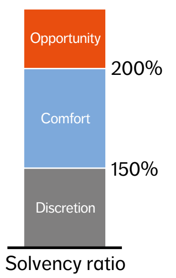
Spotlight

Our three-pillar capital framework

The three pillars of our capital framework are: our strong solvency position, our cash capital buffer at the holding company to withstand stress events in the underlying entities and to fund holding costs, as well as our leverage position supporting a single-A credit rating. At the Investor Update, we provided additional clarification on how we assess our solvency position when deciding on capital returns by adding a solvency ladder. The ladder is not mechanical, and we will also take into account the macro-economic outlook, market volatility, OCG expectations, and upcoming regulatory and model changes. We defined a comfort level as a Solvency II ratio of between 150 and 200% within which we expect to pay a progressive dividend per share and regular share buyback of up to EUR 250 million. If the solvency ratio is sustainably above the 200% level, it will provide the opportunity for additional capital returns, subject to macro-economic conditions, our solvency outlook and OCG.

Three-pillar capital framework

1 Solvency



- Approach, based on risk appetite; markets and macro-economic outlook, OCG expectations and upcoming regulatory and model changes taken into account
- In the case of a solvency ratio sustainably > 200%, opportunity for additional share buyback above EUR 250m
- Operating units managed at commercial capital target levels
- Netherlands Life managed on stable and sustainable remittances

2 Cash Capital at holding

- Cash capital held at Holding to cover at least 1-in-20 shocks of the underlying entities and to fund holding costs

3 Financial leverage

- Maintain financial leverage and fixed-cost cover ratio consistent with a Single 'A' financial strength rating

Share buybacks

On 16 February 2023, NN Group announced it would open market share buyback programme for an amount of EUR 250 million. The programme will be executed within 12 months, commencing on 1 March 2023. The share buyback will be deducted in full from Solvency II Own Funds in the first half of 2023 and is estimated to reduce NN Group's Solvency II ratio by approximately 3 percentage points. In addition to this share buyback programme, NN Group intends to repurchase shares to neutralise the dilutive effect of any stock dividends. NN Group intends to cancel any repurchased NN Group shares under the programmes unless used to cover obligations under share-based remuneration arrangements or to deliver stock dividend. NN Group reports on the progress of the share buyback programmes on its corporate website on a weekly basis.

In 2022, 22,878,210 NN Group treasury shares that had been repurchased under the share buyback programmes were cancelled.

4.4.3 Share capital

The authorised share capital of NN Group N.V. consists of ordinary shares and preference shares. Currently, only ordinary shares are issued, while a call option to acquire preference shares has been granted to the NN Group Continuity Foundation (Stichting Continuïteit NN Group). Read more on pages 115-116.

Authorised and issued capital (in EUR million)

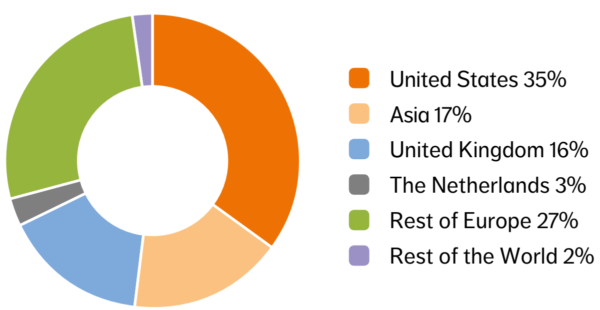
	Year-end 2022	Year-end 2021	Year-end 2020
Ordinary shares			
– authorised	**84**	84	84
– issued	**35**	38	40
Preference shares			
– authorised	**84**	84	84
– issued	**0**	0	0

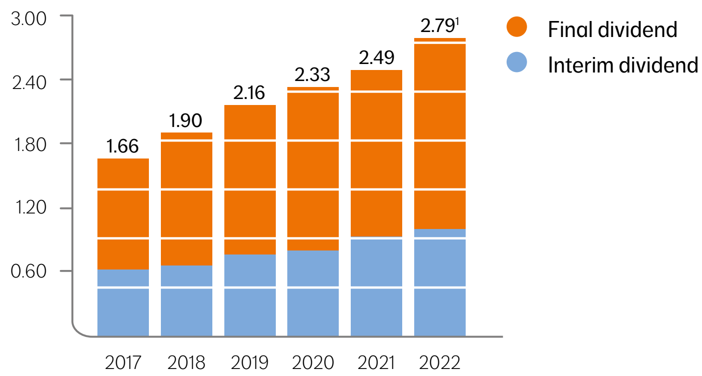
Number of shares in issue and shares outstanding in the market

	Year-end 2022	Year-end 2021	Year-end 2020
Authorised share capital (in shares)	**700,000,000**	700,000,000	700,000,000
Issued ordinary shares	**295,000,000**	317,878,210	330,278,210
Own ordinary shares held by NN Group	**13,608,384**	12,294,129	19,822,194
Outstanding ordinary shares	**281,391,616**	305,584,081	310,456,016

Shareholder by country/region

IHS Markit shareholder analysis at September 2022 (%)





1 Pro forma 2021 full-year dividend per share of EUR 2.79, comprising the 2021 interim dividend of EUR 1.00 plus the proposed 2021 final dividend of EUR 1.79.

Major shareholders

According to the Autoriteit Financiële Markten (AFM) register as at 7 March 2023, the following shareholders had an interest of 3% or more in NN Group on the notification date:

- RRJ Capital II Ltd. 9.60% (23 May 2017)
- BlackRock, Inc. 5.71% (17 August 2022)
- Norges Bank 4.85% (21 February 2023)

Please refer to the AFM register of substantial holdings and gross short positions for more details on the nature and characteristics of these interests.

4.4.4 Ratings

Credit ratings

On 18 May 2022, Standard & Poor's published a report affirming NN Group's 'A' financial strength rating and 'BBB+' credit rating with a positive outlook.

On 24 October 2022, Fitch Ratings published a report affirming NN Group's 'AA-' financial strength rating and 'A+' credit rating with a stable outlook.

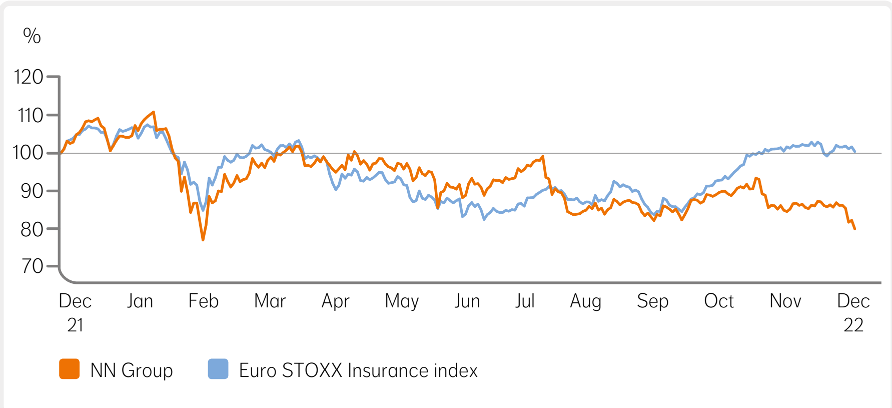
Sustainability ratings

We are rated on sustainability by specialist research agencies such as Sustainalytics, MSCI and CDP. We are also included in indices such as the Dow Jones Sustainability World Index and FTSE4Good. Read more on page 141.

We proactively inform the market of our approach and performance during one-on-one investor meetings, and by publishing and regularly updating an environmental, social and governance (ESG) presentation, which can be found on our website.

Listing

NN Group ordinary shares are listed and traded on Euronext Amsterdam under the symbol NN.



4.5 Creating a positive impact on society

We strive to contribute to the well-being of people and the planet. We do business with the future in mind and want to contribute to a world where people can thrive for generations to come. We do this by investing our assets responsibly, integrating sustainability factors into our underwriting activities, being a fair taxpayer and managing our direct environmental footprint, and through our activities in the communities where we live and work.

Introduction

We aim to create long-term value, and we have respect for people and the world we live in. Responsible investment, our role as a corporate citizen and our climate ambitions are all important factors in what we do. In these areas, 2022 was a year of milestones for NN Group. We made progress in further developing our climate ambitions, we published a Climate Action Plan and we joined the Finance for Biodiversity Foundation.

Sustainability is an integrated part of our strategy, reflected in our strategic commitments and implemented in our various roles as an insurer, pension provider and bank, but also as an investor, employer, business partner and buyer. Healthy Living, Sustainable Planet and Inclusive Economy are our key impact themes. In 2022, we introduced further guidance to support our business to structurally embed sustainability-related matters, opportunities and risks (read more on pages 79-85) and we updated our Environmental and Human Rights Statements.

4.5.1 Responsible investment

Responsible investment (RI) is an important element of NN Group's strategy. RI focuses on a range of tactics: voting, engagement, ESG integration, sustainable investments and, as a measure of last resort, restriction. Our approach is a reflection of our investment beliefs and the NN Values, as well as relevant laws, and internationally recognised norms and standards.

In April 2022, the sale of NN Investment Partners (NN IP) to Goldman Sachs Asset Management (GSAM) was finalised. Where relevant, we explain the changes this has made the scope of our RI reporting and activities in this chapter.

RI Policy framework

NN Group's RI Framework policy sets out our vision and approach. We integrate sustainability factors into our investment process, and we are an active asset owner. The policy applies to proprietary as well as client assets. In the context of the RI Framework policy, we define these assets as follows:

- Proprietary assets refer to those assets held for our own account (i.e. assets that are on the balance sheet and where we run the investment risk). It comprises the general account investment portfolio of the insurance entities, the assets of NN Bank and the holding assets of NN Group. Together it makes up approximately 80% of the IFRS balance sheet.
- Client assets refer to those assets where the policyholders bear the investment

2022 highlights

- We improved our restriction policies, and added new criteria for NN's proprietary assets around unconventional exploration and production focused on Arctic drilling and shale oil & gas. For more details, read page 83.
- We published our first Climate Action Plan, a commitment to reduce greenhouse gas (GHG) emissions to net-zero in our own operations by 2040, and in our proprietary investments and insurance underwriting by 2050. We aim to align with the Paris Agreement 1.5°C target and play our part in helping the real economy decarbonise.
- To ensure we stay informed on best practices in incorporating sustainability into investment and ownership decisions, NN Group became a signatory of the UN-supported Principles for Responsible Investment (PRI).
- NN Group signed the Finance for Biodiversity Pledge and joined the Finance for Biodiversity Foundation. Worldwide, 111 financial institutions have signed the Pledge, which is a commitment to protect and restore biodiversity through finance activities and investments.
- We set an ambitious new target for community investment: to support the financial, physical and/or mental well-being of 1 million people by 2025.
- We launched the NN Social Innovation Fund and the Dutch Climate Action Fund.

Spotlight

NN Social Innovation Fund

In December 2022, we launched the NN Social Innovation Fund. With an initial commitment to invest EUR 5 million, the fund is aimed at supporting early-stage social enterprises focused on increasing financial, physical and/or mental well-being. The first two enterprises that were selected are Quan and Socialdebt. Quan, a software developer based in The Hague (NL), aims to increase the mental well-being of 1 million people by supporting managers and teams looking to prevent burnout and enhance team performance. Socialdebt, a Rotterdam (NL) based fintech, supports young people struggling with debt and financial stress.

risk. It includes assets that are on the balance sheet: separate account assets, consisting primarily of unit-linked portfolios, as well as certain group pension business of the insurance entities in the Netherlands. But also assets that are not included on the balance sheet: our insurance and bank operations, which offer customer propositions such as defined contribution pensions and (retail) investment products. With the sale of NN IP in 2022, the assets managed for third-party clients by NN IP are no longer reported by NN Group.

Spotlight

Integrating sustainability in High Yield

Within the fixed-income universe, the high-yield segment is unique, since many issuers are not publicly owned companies. For many unlisted companies, there is limited market data including sustainability data available, or not at all. Given the lack of data and/or data quality, we use the Sustainalytics controversy score as the basis of the analysis. The benefit of using the controversy score is that it covers a large part of the universe, it enables us to compare companies across sectors, and it gives a good picture on past behaviour of a company. In addition, every High Yield issuer will provide an offering memorandum at issuance. This document gives a good indication of the historic sustainability performance. To complement this, we use different data sources to track company performance after issuance. After the research is conducted, an overall ESG score between 0 and 5 is given, where 5 is the worst. Different sources give us a good indication of the company's sustainability performance.

Since client assets is a diverse category, the implementation of the RI Framework policy may differ in places. To create more consistency throughout NN Group, we have updated the internal application guidelines of the RI Framework policy with regard to third-party managers and funds. These give guidance to business units on how to apply the minimum requirements of the RI Framework policy to assets managed by external asset managers. It also incorporates the sustainable finance disclosure regulation (SFDR) and EU Taxonomy regulations, which require additional guidance with respect to external managers and funds. The updated guideline covers manager due diligence, selection and monitoring, and periodic reviews, for both proprietary and client assets. In 2023, we will provide our business units with additional training in this area.

Governance and teams

To steer our RI efforts and help us adjust our governance in the light of the sale of NN IP, we established a new RI Committee chaired by the group Chief Investment Officer. Members include the Chief People, Communications & Sustainability Officer and the Chief Risk Officer, both members of the NN Group Management Board, and representatives of the Group RI team and Investment Risk Management.

The RI Committee advises the Management Board on updates to the NN Group RI Framework policy and the restricted list. It also oversees the process of aligning the proprietary investment portfolio to the Paris climate goals, and defines related action plans, targets and monitoring of progress. The latter was previously the role of the Paris Alignment Council, which has been dissolved, and whose responsibilities now come under the RI Committee.

Whilst the RI Committee's initial focus was on NN Group's proprietary assets, it has gradually expanded its monitoring and oversight role in relation to client assets. The responsibility to implement the RI Framework policy to client assets lies with the business units, to the extent permitted by local regulations. How the RI Committee monitors the business units will be developed further in 2023.

Given the increasing focus on sustainability-related topics and the divestment of NN IP in 2022, it was decided to expand the NN Group RI team. As of January 2023, it consists of seven ESG and RI professionals from within NN Group's Corporate Citizenship team and the NN Group Investment Office.

Integrating Environmental, Social and Governance factors

NN Group will no longer report, as previously, on the percentage of ESG-related assets under management of NN IP, as this was an NN IP metric. At the end of 2021, the target was achieved and ESG integration was in place for all asset classes of NN Group general account assets. NN Group will continue to work closely with its external managers to ensure they consistently consider ESG- and climate-related aspects in their investment processes.

Spotlight

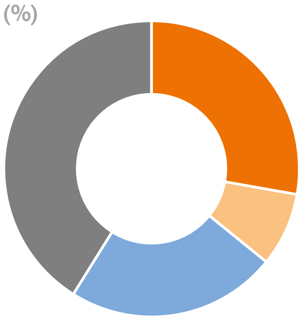
Diversity concerns at a Swiss AGM

At the AGM of a Swiss company in March 2022, we voted against the election of two members of the board of directors due to diversity concerns. We believe in boards drawing on a wide range of relevant skills, backgrounds and perspectives, and we expect companies to adhere to any quotas that have been adopted in national legislation or national best practice codes. If the percentage of female directors on the board is less than best-practice levels of 30% in European markets, NN Group will vote against the (re)appointment of the chair of the board of directors and the nomination committee chair. Only two women are active on the board of directors of the company, which is 25% of the board. There is an ongoing dialogue with the company in which we have raised this issue, and we will continue to engage with the company on their diversity policy.

50
Shareholder meetings

404
Dialogues with issuers on sustainability factors

Dialogues on sustainability factors
(%)



Spotlight

Child labour in cocoa

NN has participated in an engagement on Child labour in cocoa that began in 2019. Together with a group of over 30 institutional investors, the focus is on major cocoa and chocolate companies and three areas of engagement: child labour monitoring and remediation, access to education, and a living income for cocoa farmers. More than 40 engagement meetings have taken place. At the baseline assessment in November 2019, the overall KPI fulfilment rate for all companies combined was 43%. By the end of the engagement in August 2022, this had risen to 70%. All three focus areas improved. Nevertheless, there is still much to be done. According to UNICEF and the International Labour Organization (ILO), the number of children in child labour rose in 2021 to 160 million worldwide, most likely caused by Covid-19. We will therefore explore potential engagements to continue with this important topic.

To support relevant departments with the application and implementation of the requirements related to the due diligence, selection, monitoring, and review of external asset managers and funds, NN Group has developed an internal guideline called Guideline on application of the RI Framework policy to third-party managers and funds. Together with our largest external asset manager, we have also established an internal framework to systematically incorporate ESG factors in the investment decision-making process. The framework describes how relevant, material sustainability risks and opportunities are integrated in the research and valuations of the respective investment analysis. An example of how this works in practice can be found in the spotlight on the previous page.

Within the investment mandates agreements with GSAM/NN IP, we have established the necessary processes to ensure continued adherence to our RI Framework policy and strategies, and track progress through regular monitoring and reporting.

When selecting and reviewing the performance of external asset managers, a review is done of the manager's sustainability policies and integration processes. For example, NN Group's Guidelines for Private Equity and Real Estate explain in detail how ESG considerations are included in the manager selection and review process.

Using stewardship to influence behaviour

Voting is one of the most powerful tools of active ownership and we vote at shareholder meetings on behalf of our own and our clients' assets. NN Group has delegated the management of the proprietary equity portfolio to NN IP, who exercises NN Group's voting rights on our behalf, based on NN's voting policy, on a case-by-case basis. NN Group retains the right to provide voting instructions for individual shareholder meetings and ballot items. Over the past few years, we have reported the voting activities from NN IP, which included all the equity funds managed for third-party clients. As of reporting year 2022 we will only report on the proprietary equity portfolio of NN Group, which will cause a discrepancy in the number of meetings and agenda items.

NN Group's listed equity portfolio consists mostly of 5%+ stakes in small-to-medium-sized European companies. During 2022, we voted at 50 annual general meetings (AGMs)

Spotlight

Positive Impact Programmatic Venture

In April 2022, NN Group announced the launch of its Positive Impact Programmatic Venture (PIPV), a collaboration between NN Group and CBRE Investment Management, with an initial equity commitment of EUR 500 million. The venture will invest in Dutch sustainable and affordable residential real estate with the aim of improving energy efficiency and reducing carbon emissions.

The programme aims to make an impact on a broad range of sustainability themes. The ambition is to achieve alignment with the environmental objectives of the EU Taxonomy for all investment properties, while also focusing on providing mid-priced rental for households who do not qualify for social housing.

Spotlight

CA100+ engagement

NN Group is a signatory of Climate Action 100+ and sup ports the engagements conducted on climate-related topics. One of these engagement processes is with the oil major, Exxon Mobil. In January 2022 Exxon Mobil announced its ambition to reach net-zero GHG. The commitment solely covered operational emissions, scopes 1 and 2, which is a small portion of the emissions associated with a fossil fuel company. Exxon Mobil did not make any commitments related to its scope 3 emissions, and engagements are undergoing to stimulate the company to set targets for scope 3 emissions, given that other oil majors have already published their ambitions on this front. We continue to monitor this engagement to track the performance.

on 686 agenda items. Voting activities were focused on three main issues: board elections, alignment of executive remuneration with company strategy and integration of sustainability within company strategy. See, for example, the case concerning the Swiss company on page 48.

Through engagement with both equity and fixed income holdings, we aim to raise awareness of sustainability issues, and encourage issuers to improve their policies and practices. NN IP has conducted several engagements on different sustainability topics on our behalf, and we have also used the services of Sustainalytics Stewardship Services. A variety of topics were discussed, including climate change, deforestation, living wages and corporate governance-related issues.

During 2022, NN Group also supported several collective investor engagements, such as Climate Action 100+ and the CDP Non-Disclosure and Science-Based Target campaigns, encouraging companies to disclose information on climate risks and set long-term targets for reducing their GHG emissions. In addition, NN participated in an engagement theme delivered by Sustainalytics 'Child labour in cocoa' – see the engagement spotlight for more details. In total, we had 408 sustainability dialogues with issuers in 2022.

Currently, NN Group's engagement programme is being adapted to incorporate new focus themes for the coming years. This will reflect changes made to the NN IP programme, following the integration of their activities with GSAM, and additional initiatives that may be executed by NN Group directly. We will report on the new engagement programme in the 2023 Annual Report.

Investing sustainably

NN Group wants to play its role in addressing global sustainability challenges, such as climate change, social issues and resource scarcity. We look to make investment opportunities that offer solutions to these challenges whilst meeting our investment criteria, for example investments we have made in climate solutions and social bonds. We have a clear ambition to support the global transition towards net-zero GHG emissions by 2050, in line with efforts to limit global warming to 1.5°C. As part of this ambition, we have set a target in 2021 to increase our investments in climate solutions with an additional EUR 6 billion by 2030, taking the total investments in climate solutions to around EUR 11 billion. Since then, we have invested EUR 3 billion in climate solutions, making total holdings in climate solutions EUR 8 billion. The increase is due to, among others, investments in green bonds, improvements to the existing building stock and new renewable infrastructure investments. Read page 142 for an overview of our climate solutions investments and definitions. Furthermore, in 2022, NN has launched two new investment initiatives on climate solutions in collaboration with external managers with total commitments of EUR 625 million.

NN Group invests in social bonds, that is bonds with a positive social impact. Companies and governments issue social bonds to finance projects that contribute to society by offering social benefits to specific groups, such as the unemployed, undereducated, people with a lower income and other vulnerable groups. Examples include affordable housing and access to healthcare. All social bonds can be linked to one or more of the UN Sustainable Development Goals (SDGs).

4.5.2 Corporate Citizenship

We want to be a positive force in the lives of our customers. We believe this includes taking responsibility for contributing to the well-being of the wider society. We believe being a good corporate citizen means we want to use our resources, expertise and reach to help society achieve long-term sustainable prosperity. This includes our climate ambitions, tax contributions, commitment to making sustainable procurement decisions, and how we contribute to the well-being of the people in the communities in which we operate.

Spotlight

Dutch Climate Action Fund

In July 2022, NN Group announced the launch of the Dutch Climate Action Fund, a partnership with DIF Capital Partners. NN Group is a cornerstone investor with an initial commitment of EUR 125 million. DIF Capital Partners will manage the fund. The Dutch Climate Action Fund will invest in projects and companies active in climate change solutions and that aim to contribute to the Dutch energy transition. The fund targets investments to support the reduction of carbon emissions in the Netherlands, targeting both pioneers in their markets and investments in more traditional clean energy sectors. Potential investment areas include energy efficiency, e-mobility, energy storage and hydrogen, as well as renewable energy generation such as onshore wind and solar farms. Renewable energy generation is expected to be a catalyst for the electrification of industries, buildings and transportation, driving a significant part of emission reduction and therefore investment needs. The Dutch Climate Action Fund focuses on equity investments of up to EUR 25 million per investment.

Spotlight

Social bonds

NN Group invests in EU SURE social bonds. The SURE programme has the overarching aim of helping EU member states protect employees and the self-employed against the risk of unemployment and loss of income in the face of the widespread negative economic impacts of Covid-19. A proportion of proceeds can also be used for health-related measures. Eligible financial assistance may include grants, subsidies and other benefit schemes for businesses (including self-employed) facing significant impact on their revenues, on the condition that they maintain employment on and after receiving benefits.

It is estimated that SURE supported some 31.5 million people and 2.5 million firms in 2020, 9 million people and 800,000 firms in 2021, and 220,000 people and 10,000 firms in the first half of 2022. In 2020, about a third of the total EU workforce was supported by SURE. The policy response, including SURE, effectively prevented around 1.5 million people from becoming unemployed in 2020.

Road to net-zero

As an international financial institution, we analyse the effects of climate change on society, and as such are committed to science-based principles to secure a low-carbon future that also meets the needs of generations to come. This is why we want to become a net-zero company by 2050.

Our approach is as follows:

- Help accelerate the transition to a low-carbon economy to limit the rise in average global temperature to 1.5°C (e.g. by using a range of levers such as engagement, capital allocation to climate solutions, and phase-out and/or exclusion policies).
- Develop and offer products and services that address the environmental challenges our customers face (e.g. by developing new products and services that contribute to a low-carbon economy, or by helping insure our customers against climate-related impact).

We have developed several strategies to decarbonise our assets, liabilities and own operations. To align these better with our activities and how we are organised, we have set out our strategies from different perspectives:

- Insurance general account investments
- Banking
- Insurance underwriting
- Own operations

The challenge of becoming a net-zero company will not discourage us from taking next steps. It is our aim to do our utmost, engage and collaborate with all parties involved, and to make a positive change. For more information on our initial steps and plans of action to reduce GHG emissions, please refer to our Climate Action Plan 2022.

Commitments to sector and other agreements

We support and actively engage with a range of climate change associations and initiatives to help progress towards a low-carbon economy. NN Group signed the financial sector commitment to the Dutch Climate Agreement and the Paris-Aligned Investment Initiative (PAII) Net-Zero Asset Owner Commitment, and became a member of the Net-Zero Insurance Alliance (NZIA). These commitments help us when developing metrics, targets and action plans.

In addition, we are currently participating in several (sector) initiatives that assist us in developing methodologies and undertaking other activities that will help us realise our climate goals. For example, we participate in the PAII in order to further develop the Net-Zero Investment Framework, which helps investors align their investment portfolios with the goals of the Paris Agreement. In the Platform Carbon Accounting Financials (PCAF) we work on developing methodologies to measure the carbon footprint of our investment and insurance portfolio. We also support initiatives such as Climate Action 100+, which encourages the largest corporate GHG emitters to take necessary action on climate change.

Insurance general account investments

Decarbonising our investment portfolio is vital to achieving our net-zero goals, as it represents our material scope 3 emissions, which form the largest share of our total direct and indirect emissions. We are dependent on the actions of our investees to commit to science-based targets aligned with the Paris 1.5°C pathway. We have developed strategies for corporate investments, government bonds, mortgages and real estate, adopted a strategy for investments in climate solutions, and updated our approaches to phase-out and exclusions. We aim to further update our approach during 2023. The key dimensions of our approach are:

1. Decarbonising by investing in better climate performers
2. Engaging with issuers to guide them in their transition
3. Allocating capital to climate solutions
4. Selective divestment
5. Considering climate risks
6. Joining forces to develop best practice
7. Public policy advocacy

Corporate investments (listed equities and corporate fixed income)

We have set interim reduction reference targets for corporate investments: 25% less CO_2 emissions in 2025, and 45% in 2030, compared to the calculated emissions of the portfolio in 2021 (based on the emissions of underlying companies in 2019). We aim to reach these reference targets by implementing a strategy for portfolio alignment which focuses on achieving real economy decarbonisation. Together with NN IP, we developed a methodology to categorise the companies in the portfolio according to their alignment or potential to align to a net-zero pathway. Read more in the spotlight on page 54.

Spotlight

Unconventional oil & gas

Unconventional oil & gas exploration and production has a huge impact on the environment and is a significant source of GHG emissions. Since 2019, NN Group's RI Framework policy has defined norms-based RI criteria that resulted in the exclusion of activities in oil sands. In November 2022, NN Group adopted additional criteria for our proprietary investment portfolio around unconventional oil & gas exploration as follows:

Arctic drilling – We no longer invest in or hold companies that directly derive more than 5% of their revenues from offshore oil & gas exploration and production in the Arctic region.

Oil (tar) sands extraction – We have strengthened our existing restrictions applicable to oil sands by lowering our thresholds from 20% to 5%. This means that we will no longer invest in or hold companies that directly derive more than 5% of their revenues from oil sands extraction.

Shale oil & gas – NN Group will no longer make new investments in companies that directly derive more than 30% of their revenues from fracking/shale oil & gas. A restrictive selection process will be applied for companies that do derive their revenues from shale energy, but within the threshold of 30%. New investments are not allowed unless these companies have a credible climate transition plan in place. This will be decided on a case-by-case basis.

We have selected a 30% threshold for shale oil & gas because we believe these companies could have diversification potential. However, we believe we need to further research industry progress and its contribution to low-carbon solutions that reflect the pace needed in the transition. To ensure the effectiveness of these criteria, and that they continue to reflect climate and technological developments, we will review our policy during 2023.

For new investments, we use a best-in-class policy to allocate towards companies who are better positioned to transition to a low-carbon future. For existing investments, we seek to engage in discussions to encourage the companies in which we invest to achieve net-zero emissions. We believe this offers the best opportunity to make a real impact. If we see insufficient progress, or a lack of willingness or perspective in terms of their becoming more sustainable, we will exit these investments.

We exclude investments in companies that derive their turnover from the most harmful activities for nature and the environment, such as the extraction of oil from tar sands and the mining of thermal coal. More information can be found in the spotlight 'Unconventional oil & gas'.

During 2022, NN sold investments which are not making sufficient progress in phasing out thermal coal-related activities and companies. The selective divestments partially contributed to the further decline of our coal-exposed portfolio. At year-end 2022, the portfolio of assets (all fixed income) that is subject to our objective to phase out thermal coal by 2030, amounted to EUR 752 million. Compared to three years ago, when we adopted the strategy (2019), this was EUR 1.8 billion. We will continue to monitor the existing holdings, and engage, where feasible, to reach our objective to reduce the portfolio companies' involvement in thermal coal mining and/or coal-fired power generation downwards to 'close to zero' by 2030.

Progress on target

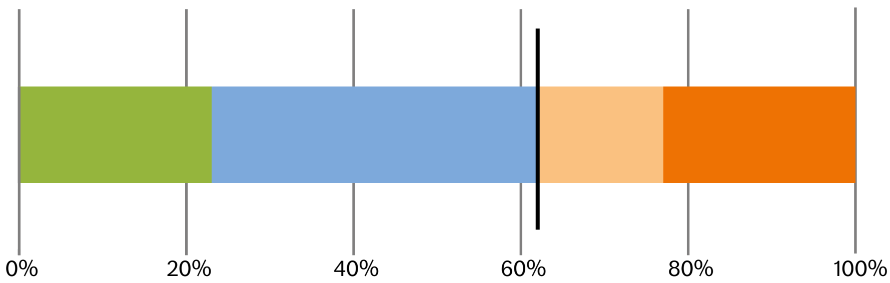
The total carbon footprint (absolute) of the corporate investment portfolio decreased to 5.665 kilotonnes CO_2e from 8.956 in the prior year. Besides decarbonisation measures across corporate issuers, the decrease is also attributable to the temporary impact of lockdown measures during the Covid pandemic. Due to a time lag in underlying emissions data from corporate issuers, this is the first time that the impact of Covid (2020) is reflected in the carbon footprint of NN's corporate investment portfolio. The carbon footprint per EUR million invested increased to 131 tonnes CO_2e per EUR million from 125 in the prior year (set as the baseline). We noticed that the volatility in enterprise value and market value during the past few years has had an impact because of the calculation method of this metric.

To steer and monitor the effectiveness of the strategy we have also set portfolio alignment objectives using the methodology as described in the spotlight on page 54. In 2022, the proportion of assets that are meeting at least 'aligning' criteria in our portfolio has increased. As a result, the 'portfolio coverage target' improved from 29% to 62%. More companies in our portfolio have stepped up their ambitions as we see reflected in an increase of Science Based Target initiative (SBTi) commitments, which contributed to an increase in the 'aligning' category refer to the chart on page 53. The 62% at year-end 2022 is above the objective that we set for 2025 (45%). For now, we have kept our portfolio coverage target unchanged, as we anticipate that underlying data sources (such as from SBTi, Climate Action 100+ Net-Zero Company Benchmark, CDP and TPI) will tighten their expectations over time.

The 'engagement threshold' stayed relatively stable versus the prior year. Based on financed emissions, 65% of companies are at least 'aligned' or subject to collective or direct engagement. Our objective is to increase this percentage to 75% by 2025. To achieve this our approach is to focus on the top 25 holdings in terms of financed emissions. We are currently evaluating our engagement plan to identify additional companies that we seek to engage with to encourage them to improve their climate ambitions and plans.

Paris alignment objectives for NN's corporate investments portfolio

Portfolio coverage target (y/e 2022) based on assets

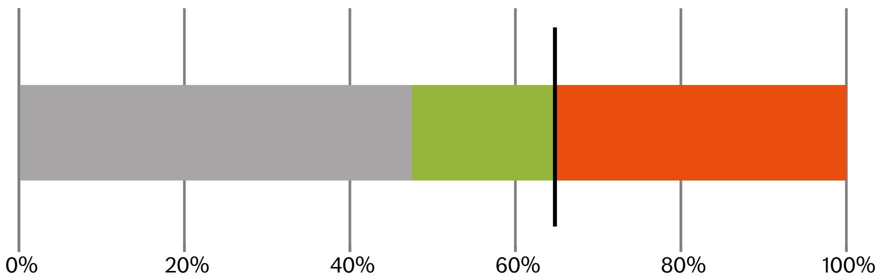


- Aligned
- Aligning
- Committed to aligning
- Not aligned or insufficient data

Proportion of assets meeting at least 'aligning' criteria
End of 2022: 62% (2021: 29%)

Note: At present, we have not identified companies in our portfolio that are 'achieving net-zero'

Engagement threshold (y/e 2022) based on financed emissions



- Engaged 47%[1]
- Aligned 17%[1]
- Rest 35%[1]

Proportion of financed emissions in sectors that either already meet net-zero 'aligned' criteria or that will be subject to direct or collective engagement actions
End of 2022: 65% (2021: 66%)

1 The missing percentage in this table is due to rounding

Government bonds

We have developed a methodology whereby we look at the climate performance of countries based on current and future-oriented criteria. For new investments, we prefer government bonds that perform better against these criteria or green bonds. Together with other investors, we strive to have more dialogue with governments about their climate ambitions and related themes, such as combating deforestation. For example, in 2022 NN Group, together with about 532 other institutional investors, signed a statement (Global Investor Statement to Governments on Climate Change 2022) that calls on governments to implement policies consistent with limiting global temperature rise to 1.5°C.

Mortgages

Our residential mortgage portfolio mainly consists of Dutch mortgages. The majority of these were issued by NN Bank. For both the NN Bank and the externally originated mortgage book, we monitor and evaluate relevant sustainability aspects periodically, and engage with the originators to make progress on sustainability. Here we also focus on the need for more data insight into environmental and social factors.

Since 2009, we have measured the carbon footprint of the NN Bank originated and/or serviced mortgage portfolio. Together with other Dutch financial institutions within PCAF, we have worked on improving the method for measuring the carbon footprint of mortgages in a more standardised and harmonised way. As a result, we have updated our methodology in 2022. Read pages 146-149 for more information on our carbon footprint of mortgages.

Real estate

We have defined ambitions to align both our directly managed real estate investments and indirect real estate investments via funds with the Paris Agreement. Energy efficiency and expansion of the use of renewable energy are central to this. For the directly managed portfolio, we are utilising the Carbon Risk Real Estate Monitor (CRREM) to measure CO_2 emissions and determine what improvement in CO_2 efficiency are needed to be on a 1.5-degree path by 2030. With regard to investments in funds, we actively aim to achieve net-zero emissions via our property managers through active engagement.

Banking

NN Bank is steering its mortgage portfolio towards becoming net-zero by 2050, or earlier, to become aligned with the Paris Agreement 1.5°C pathway. We use CRREM to model decarbonisation pathways for residential mortgages in the Netherlands and to set intermediate reference targets for GHG emissions reduction for the mortgage portfolio. Review and validation of the model is currently being performed. We expect to finalise this work in the first half of 2023.

NN Bank has defined the following areas for action:

1. Engage with and encourage NN Bank's customers to reduce their GHG emissions.
2. Develop new mortgage-specific propositions and services.
3. Leverage NN Bank's Green Bond Framework.
4. Evaluate and adjust all other products to help customers in their sustainability journey.
5. Contribute to (sector) initiatives and partnerships.

Spotlight

Paris alignment categorisation framework for corporate investments

For the corporate investment portfolio, NN Group developed a methodology, using the six alignment criteria based on the IIGCC Net-zero Investment Framework. These alignment criteria are:

1. Ambition: A long-term goal consistent with achieving global net-zero by 2050 or sooner
2. Targets: Short- and medium-term emissions reduction target (scope 1, 2 and material scope 3)
3. Emissions performance: Current emissions intensity performance
4. Disclosure: Reports on scope 1, 2 and material scope 3 emissions
5. Decarbonisation strategy: A quantified plan setting out the measures that will be deployed to deliver GHG emissions targets, proportions of revenues that are green and where relevant increases in green revenues
6. Capital allocation alignment: A clear demonstration that the capital expenditures of the company are consistent with achieving net-zero emissions by 2050

Using these six criteria, we categorise the companies in the portfolio according to their alignment or potential to align to a net-zero pathway. The categorisations are as follows:

- Achieving net-zero: Companies that have current emissions intensity performance at, or close to, net-zero emissions with an investment plan or business model expected to continue to achieve that goal over time
- Aligned to a net-zero pathway: High impact companies – meeting criteria 1-6. Low impact companies – meeting criteria 2-4
- Aligning: High impact companies – meeting 2, 4, and full or partial 5. Low impact companies – meeting criteria 2 and 4, or 3 and 4
- Committing to aligning: meeting firm commitment to net-zero by 2050
- Not aligned: no commitment to net-zero or when data is not available

Note: High impact companies are defined as those companies on the Climate Action 100+ focus list or covered via the TPI company assessment.

NN Group developed a data hierarchy to identify the current and forward-looking data sources that best fit each alignment criteria. However, data can be limited within these data sources. To bridge the data gaps, NN's external asset manager utilises research to enhance their understanding and assessment of a corporate's alignment status. NN Group expects that the methodology may change over time as data quality, coverage, and sources evolve. More information on the data hierarchy is published in the Climate Action Plan 2022.

NN Bank launched several products and services to support homeowners in making their homes more energy efficient and sustainable during the last few years, for instance Powerly and Woonnu. NN Bank also launched the Better Living platform, focusing on both sustainable and healthy living. The platform provides customers with insights into their current CO_2 footprint, tailored advice on how to make their homes more sustainable, and insight into the air quality in their home.

Insurance underwriting

The insurance industry is uniquely positioned to play an important role in supporting the transition to a net-zero emissions economy, helping reduce GHG emissions and build climate-resilient communities in line with the goals of the Paris Agreement. Here we believe our approach should be twofold:

- Decarbonisation of our underwriting portfolio
- Offering climate solutions

For the insurance industry, contributing to the decarbonisation of the economy as part of climate action is relatively new. We don't believe we can reach net-zero through underwriting alone. This is why NN Group was among the first insurers to join the Net-Zero Insurance Alliance (NZIA), whereby we commit to move our underwriting portfolios to net-zero GHG emissions by 2050.

We believe that knowledge sharing with key players in the international (re)insurance market is essential to the transition.
The NZIA target-setting protocol gives minimum requirements for target setting. NN Group will set its first intermediate targets aligned with this protocol by July 2023. More specifically, NN Group will:

- Establish science-based, company-specific targets every five years, in line with the Paris Agreement for our underwriting portfolio and starting with our non-life portfolio. Our initial intermediate target(s) will be consistent with a 1.5°C net-zero transition pathway by 2050 and will be applicable by 2030. The NZIA target-setting protocol will be the starting point for target setting.
- Publish these initial company-specific targets within six months of publication of the protocol, in July 2023 at the latest.
- Report publicly on an annual basis on progress against our intermediate targets.
- Set independent underwriting criteria and guidelines for the most GHG-intensive and GHG-emitting activities within our insurance underwriting portfolio.

We have developed the following areas for action:

1. Decarbonisation of our underwriting portfolio
2. Engagement for insurance underwriting

- Insuring climate insurance solutions

Own operations

As a financial services provider, we can have the most impact through making our investments and insurance underwriting more sustainable. However, reducing the emissions from our own business operations is also important. We therefore aim to reduce our use of natural resources, seeking green alternatives and offsetting any remaining GHG emissions. In line with our overall goal to accelerate the transition to a low-carbon economy, we aim for net-zero GHG emissions for our operations by 2040.

To achieve this, we have adopted interim reduction targets to reduce emissions by 35% in 2025 and 70% in 2030 compared to 2019 across three scopes:

- Scope 1: Natural gas and company cars
- Scope 2: District heating and electricity
- Scope 3: Business air travel

We have realised a reduction of 47% compared to 2019 for scope 1, scope 2: market-based (based on energy procurement contract) and scope 3: business air travel. With these reductions we have already achieved our reduction target of at least 35% by 2025 and are on target to reach our reduction target of at least 70% by 2030 to reach net-zero GHG emissions by 2040.

We also contribute by making sustainable choices, and by stimulating colleagues to contribute themselves as well. In 2022, we launched several initiatives around zero waste, sustainable logistics and circular refurbishments. In addition, we have increased the energy efficiency of our buildings by optimising the temperature settings, and we are able to partially close our buildings that are not in use. For our lease cars, our ambition is electrification of our lease car fleet by 2025 in the Netherlands. Employee commuting data is expected to be measured, and updated business travel guidelines are expected to be published in the course of 2023.

Global consumption and food production can have a negative impact on society and the environment, for example loss of biodiversity, climate change, and poverty. To help reduce our impact and inspire sustainable consumption, NN has adopted 100% vegan food concept in our event space. Furthermore, we introduced the 'True Price of food' to reduce our social and environmental impact. The 'True Price' shows the market price with a markup that consists of (hidden) environmental, climate and social costs. The larger the difference between the true price and the market price, the less sustainable the product.

Sustainable sourcing

NN Group is committed to making sustainable procurement decisions and we encourage our suppliers to do the same. Our decisions not only aim to meet our organisation's need for products and services, but also, through those products and services, to make a positive contribution to society and minimise our environmental impact, while addressing socio-economic issues. This is explained more fully in our Sustainable Procurement Statement, updated in 2022 and published on our website.

Our approach starts with including sustainability factors that can present risks or opportunities for NN in our procurement assessments. If these factors are material, we incorporate appropriate evaluation criteria in our sourcing processes and evaluate all costs associated with the product or service. We also challenge our suppliers to offer sustainable and innovative solutions. They are asked to register on an FSQS-NL (Financial Services Qualification System-Netherlands) supplier qualification platform (Hellios), where they provide detailed information on the policies and processes they have in place to, among other things, minimise environmental impact.

FSQS-NL is a third-party risk management and compliance platform for the financial services sector to collaborate and agree on a single standard for managing the increasing complexity of third- and fourth-party information needed to demonstrate compliance to regulators, policies and governance controls. The platform was launched in the Netherlands in 2020.

In 2022, more than 400 of our top suppliers (spend threshold EUR 100K) have registered, completed the questionnaire and uploaded supporting documentation.
Suppliers provide, for example, detailed information on the policies and processes they have in place to minimise their environmental impact.

We also have a process and governance in place for screening the integrity of the supplier through active engagement, both at onboarding and during the contract life cycle. We have included our most important standards regarding environmental and human rights issues in NN's Terms & Conditions and model contract repository, which our suppliers agree to when doing business with us. In addition, in 2021 we developed the NN Supplier Code of Conduct (SCC), which outlines our expectations regarding the policies and practices of our suppliers, in terms of the environment, human rights, diversity and inclusion, and integrity and ethics. All suppliers above a spend threshold of EUR 100K are asked to commit to our SCC. Our contract managers and procurement staff have access to the FSQS-NL platform, review the information on a yearly basis, and subsequently discus steps for improvement with suppliers where necessary.

Respecting human rights in procurement

Following a review of our human rights policies and processes across our organisation in 2020, and the update to our human rights statement in 2022, we further strengthened our approach on human rights due diligence in our procurement activities.

For many of our suppliers, we are a key client and we try to work together to drive socio-economic issues and inclusiveness through our supply chain. During the supplier qualification process, suppliers are asked to share details of their labour policy so we can be sure there are appropriate working conditions for their employees.
We also mitigate human rights risks in our supply chain by asking suppliers to disclose measures taken to exclude modern slavery and human trafficking from their own business and in their supply chain.

Responsible tax strategy

We believe a responsible approach to tax is an essential aspect of good citizenship. We manage our tax position in line with our business operations, and our position reflects our corporate strategy and takes into account relevant international guidelines, such as the OECD Guidelines for Multinational Enterprises.

Being a responsible taxpayer also means that our tax planning takes long-term considerations into account and carefully weighs up all stakeholder interests. We have a set of tax principles to which we adhere and that we communicate publicly on our website through our Tax Strategy and Principles, and the NN Group Tax Charter.

Besides the taxes NN Group pays as a taxpayer, which represent a cost for our company, we are also responsible for collecting taxes on behalf of our clients, employees and service providers, and passing them on to tax authorities. To give a clear insight into our tax contributions, since 2019 we have published a Total Tax Contribution (TTC) Report, which provides information on the taxes we paid in the countries where we operate on a country-by-country basis.

The 2022 TTC Report is available on our website and covers the financial year 2022. We are pleased that our efforts on this front have been recognised by external stakeholders, with NN being the top-scoring company in the annual Dutch Tax Transparency Benchmark for the fourth year in a row. The benchmark is published by the Dutch Association of Investors for Sustainable Development (VBDO) and provides a comparative study of Dutch listed companies' fiscal transparency.

Financial tax disclosures

The financial disclosures on corporate income taxes paid by NN Group can be found on Note 35 of the 2022 consolidated annual accounts. The same information is included in the 2022 TTC Report, but with more detailed explanations around the disclosures. In addition, the TTC Report provides information on other taxes collected and paid by NN Group as part of its operations.

NN Group's total tax contribution in 2022 amounted to EUR 2,407 million, and consisted of the corporate income taxes paid by NN Group and the total of the other taxes collected and paid by NN Group as part of its operations (including Value Added Tax, Insurance Premium Tax, payroll taxes, and withholding tax on dividends paid by NN Group). Of this total tax contribution, we paid 77% to the tax authorities in the Netherlands, and 23% to local tax authorities on behalf of our international businesses.

4.5.3 Our contribution to our communities

We believe that, with positive support, people can move from a situation with little perspective to one where they feel they matter and are able to thrive. By staying close to who we are and what we value, and focusing on themes aligned with our business and our value care, we can maximise the positive impact on people in our communities.

As part of our strategic commitment to society, we pledge to contribute 1% of our operating result before tax to our communities by 2023. With these resources, we aim to support to the financial, physical and/or mental well-being of 1 million people through community investment by 2025. We align with Business for Social Impact (B4SI) standards and use the B4SI framework to disclose our cash contributions, in-kind donations and volunteer hours (both monetised), management costs and output. For more information on the specific activities within our programme and further notes on the community investment indicators used, please read our NN Community Investment report 2022.

Overview of our contributions to society (x 1,000)	2022	2021
Cash contributions (EUR)	EUR 9.7m	6.2m
In-kind donations (monetised)	EUR 166k	62k
Volunteer hours (monetised at EUR 50 p/h)	EUR 1.5m	543m
Management costs	EUR 1.4m	1.2m
Total contributions	**EUR 12.8m**	**8.0m**
% of operating results before tax[1]	**0.7%**	**0.4%**
People supported with financial well-being	63,870	21,525
People supported with physical and mental well-being	165,409	n/a
Total people supported[2]	**229,279**	**21,525**

1 Based on 2022 results.
2 Accumulative between 2022-2025.

1 We want to be transparent on our contribution to Ukraine and therefore we have accentuated the 1,8 million for Ukraine which is part of our total cash contributions and is included in the disaggregated figures for financial, physical and mental well-being and other initiatives.

Our year at a glance

Solidarity with Ukraine

After the start of the war in Ukraine in February 2022, NN Group made donations of over EUR 1.8 million to humanitarian aid. This included instant relief in Ukraine via SHO: a joint action of Dutch Aid Organisations (Giro555) and the United Nations Refugee Agency (UNHCR), but also via local organisations in cooperation with our international business units. Many initiatives were set up with the support of colleagues and partners, from fundraisers to raising in-kind donations and volunteering activities.

Financial well-being

Together with some of our longstanding partners, and by setting up new strategic collaborations, we continued to support people with improving their financial well-being, especially in terms of economic opportunities and financial empowerment.
Cash contributions: EUR 5.8 million
Total volunteer hours: 21,396
Total people supported: 63,870

Physical and mental well-being

In 2022, we continued to put greater focus on physical and mental well-being, and in particular access to health services, if possible in the privacy of people's own homes, and addressing loneliness, as these are both themes close to our business.
Cash contributions: EUR 2.7 million
Total volunteer hours: 8,172
Total people supported: 165,409

Volunteering via NN

Our NN colleagues get the opportunity within working hours to support our non-profit partners with hands-on volunteering and fundraising activities, and through more skill-based and strategic support to strengthen their organisational capacity. Volunteering mostly takes place within our strategic themes, though 1,402 hours were outside these themes.
Total volunteer hours 30,970

In 2022, we organised our second Your Community Matters Week to deepen our involvement with our local charitable partners. We increased the number of volunteers by 63% and volunteer hours by 130% in comparison with 2021.

Colleagues participating: 2,613
NN markets: 11
Volunteer hours: 5,787
Charities supported: 42

Other initiatives

Other contributions included ad hoc donations and volunteer support to activities outside the scope of our core programmes, though nevertheless important, for example climate-related activities and disaster relief funds.
Total cash contributions: EUR 1.3 million
Total volunteer hours: 1,402

Going forward

In 2022 we set an ambitious new target for community investment: to support the financial, physical and/or mental well-being of 1 million people by 2025. Because the people we reach and impact will vary from initiative to initiative, during 2023 we will develop a more refined impact framework to enhance our accountability and transparency and, more importantly, help us maximise the impact we seek to achieve through our programme.

EUR 12.8 million
Cash contributions

30,970
Total volunteer hours

229,279
Total people supported

4.6 Contributing to the SDGs

In 2015, the UN launched the 2030 agenda for sustainable development. At its heart are the 17 Sustainable Development Goals (SDGs). These address the world's biggest global challenges, including ending poverty, improving health and education, reducing inequality and combating climate change.

We strongly believe the public and private sector should work together to help achieve these goals. We are highlighting the SDGs where we can have the biggest impact through our products and services, investments and community programmes.

In 2017, we identified our impact areas for the first time through dialogue with internal and external stakeholders. Ever since, we have continued to sharpen our focus and determine where, as a company, we can have the biggest impact.

Our key impact areas

NN has defined three key themes where we can make the most environmental and social impact concerning all our business activities and create long-term value, and which connect to the SDGs:

- Healthy living: NN's efforts to realise opportunities, manage risks and mitigate adverse impacts related to social factors including, but not limited to, rights, well-being and interests of people and communities, health, employee rights, workplace health & safety (SDGs: Good health and well-being (SDG 3) and decent work & economic growth (SDG 8))
- Sustainable planet: NN's efforts to realise opportunities, manage risks and mitigate adverse impacts related to environmental factors including, but not limited to, climate change, environmental degradation, biodiversity loss, animal welfare (SDGs: Affordable and clean energy (SDG 7), Responsible consumption and production (SDG 12), Climate action (SDG 13))
- Inclusive economy: NN's efforts to realise opportunities, manage risks and mitigate adverse impacts related to social factors including, but not limited to, inclusiveness, diversity, (in)equality (SDGs: no poverty (SDG 1), Gender equality (SDG 5) and decent work & economic growth (SDG 8))

The three impact themes are interrelated and reflected in our various roles as an insurer, pension provider and bank, but also as an investor, employer, business partner and buyer.

We believe the Sustainable Development Goals offer useful guidance to determine how we help progress the underlying goals. Although initially developed for governments, we believe the SDGs are more likely to be reached by a multi-stakeholder approach and we can play our part in furthering the SDGs.

Creating value – Sustainable Development Goals continued

Please refer to the table below for an overview of how we are striving to contribute to the SDGs and continuously improve as an organisation.

Healthy living

	Ambitions and targets	Performance 2022	Material topic
SDG 3 Good health and well-being Ensure healthy lives and promote well-being for all at all ages	Contribute to the physical and mental health of our colleagues, our customers and broader society	Contributed to keeping our colleagues safe by enabling them to work from home, and staying fit and healthy (reflected in the score of 8.3 on mental and physical well-being during the Covid-19 pandemic in regular employee survey)	Employee attraction and retention
	For 2023, we aim to contribute 1% of our operating result before tax to local communities. With these resources, we aim to support the financial, physical and/ or mental well-being of one million people by 2025	Total cash contributions: EUR 2.7 million Total volunteer hours monetised: EUR 408,000 Total people supported: 165,409	Community investment
	Continue to support our customers with solutions that help them address societal challenges related to healthy and safe living	Introduction and scaling of products and services with social added value that address issues, such as loneliness, diabetes, access to healthcare and burn-outs	Products and services with societal benefits

Sustainable planet

	Ambitions and targets	Performance 2022	Material topic
SDG 7 Affordable and clean energy Ensure access to affordable, reliable, sustainable and modern energy for all	Increase our investments in climate solutions with an additional EUR 6 billion by 2030	Increased our investments in climate solutions by EUR 3 billion. Announced two new investment commitments totalling EUR 625 million	Responsible investing
SDG 12 Sustainable consumption and production Ensure sustainable consumption and production patterns	Develop and offer products and services that address the environmental challenges our customers face (e.g. by developing new products and services that contribute to a low-carbon economy, or by helping to insure our customers against climaterelated impact)	Introduction and scaling of products and services with environmental impact like a greener housing market, sustainable living and promotion of climate-neutral transport	Products with societal benefits

Sustainable planet continued

	Ambitions and targets	Performance 2022	Material topic
SDG 13 Climate action Take urgent action to combat climate change and its impacts	Help accelerate the transition to a low-carbon economy to limit the rise in average global temperature to 1.5°C (e.g. by using a range of levers such as engagement, capital allocation to climate solutions, and phase-out and/or exclusion policies)	In 2022 we increased our investments in climate solutions by EUR 3 billion contributing to a target of EUR 6 billion additional investments by 2030	Responsible investing
	Reduce GHG emissions of our own business operations by at least 35% by 2025, and 70% by 2030 (compared to 2019)	Published Climate Action Plan outlining our steps and plans of action to reduce GHG emissions	Sustainable operations

Inclusive economy

	Ambitions and targets	Performance 2022	Material topic
SDG 1 No poverty Improving access to sustainable livelihoods, entrepreneurial opportunities and productive resources	For 2023, we aim to contribute 1% of our operating result before tax to local communities. With these resources, we aim to support the financial, physical and/or mental well-being of one million people by 2025	Total cash contributions: EUR 5.8 million Total volunteer hours (monetised): EUR 1.1 million Total people supported: 63,870	Community investment
SDG 5 Gender equality Achieve gender equality and empower all women and girls	Together increase diversity, inclusion and equality in our teams; engage everyone, and encourage them to be who they are, share their voices and drive change	Extended transition and parental leave for LGBTI+ colleagues	Diversity & inclusion
	> 40% women in senior management positions by 2025	40% women in senior management positions	Diversity & inclusion
SDG 8 Decent work and economic growth Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Employee engagement ≥ 8.0 by 2025	Employee engagement 7.9	Employee attraction and retention
	For 2023, we aim to contribute 1% of our operating result before tax to local communities. With these resources, we aim to support the financial, physical and/or mental well-being of one million people by 2025	The output reported under SDG 1 also relates to SDG 8. For more details on the exact output, please refer to the Community Investment Report, available on our website	Community investment
		Investments in EU SURE social bonds, protecting employees and the self-employed against the risk of unemployment and loss of income linked to the negative economic impacts of the Covid-19 pandemic	Responsible investing

Safeguarding value creation

5

To safeguard our business, we use our values as our compass. They guide us in our engagements with customers, colleagues, regulators and other stakeholders, and they help us drive our risk management.

Safeguarding value creation – Our values

5.1 Our values

Our values are the foundation of our culture. They serve as a compass for decision-making, guide us in all our interactions and are an integral part of our strategic framework, with the aim of creating long-term value for our stakeholders. Our values help us live up to our company's purpose, and they unite and inspire us.

Care
This means we empower people to be their best and we respect each other and the world we live in. We work hard to meet and exceed our customers' expectations. We give our employees the opportunity to develop themselves in an inspiring and healthy work environment, and we stand by people in their moments of truth. We believe that working together and diversity of thinking leads to better results. We respect human rights, promote equal opportunities and increase inclusiveness. We avoid or responsibly manage any negative impact our activities may have on people or the environment, and seek positive change in society.

Clear
This means we communicate proactively and honestly and we are accessible and open. We offer our customers trustworthy advice using understandable language. We engage in a candid dialogue and welcome feedback. We encourage our employees to be easy to approach, attentive and responsive, and to listen with genuine interest, empathy and an open mind. Clear also means that we strive to minimise complexity in everything we do.

Commit
This means we act with integrity and we do business with the future in mind. We take responsibility for our actions and deliver on our promises while complying with all applicable laws, regulations and internal policies and guidelines. We only do business with responsible, reputable and lawful parties. We value long-term objectives over short-term gains and carefully balance the interests of our stakeholders. We challenge the status quo and drive change to make a difference.

The full text of the NN statement of Living our Values can be found at www.nn-group.com.

Living our Values programme
Every NN employee, including those of subsidiaries and anyone representing NN in any capacity, is required to act in accordance with both the letter and intent of the NN statement of Living our Values. To help raise awareness, involve our colleagues and oversee how our values are being implemented, in 2014 we launched the Living our Values programme. We use various tools to measure and monitor how effective we are in living our values.

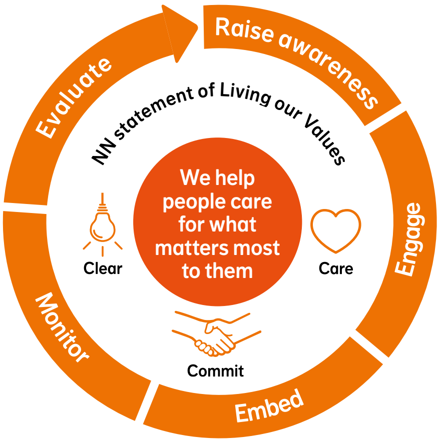
Every year, a report is made to provide management with insights into areas of attention and concern, and recommendations for improvements.

The report is first discussed in the Purpose Council and then approved by the Management Board, as the board is responsible for incorporating and maintaining the values within the company and its affiliated enterprises. The report is also shared and discussed with the Supervisory Board annually and with the Central Works Council biannually.

As advised by the Purpose Council, the 2021 Living our Values Report was shared with the Senior Leadership Group in 2022 to draw their attention to the programme's implementation, their responsibilities in embedding the values and their role in maintaining good results.

Segment	2022	2021	2020
Care 'In our team we genuinely care about our customers and treat them with respect'	**8.4**	8.2	8.4
Clear 'In our team we are easy to approach and communicate proactively and honestly'	**8.3**	8.1	8.3
Commit 'In our team we take responsibility for our actions and deliver on our promises'	**8.3**	8.1	8.3

A values-driven culture
To ensure all employees know and live the values throughout their NN careers, the values are incorporated into our HR policies and processes, They form the starting point for hiring new employees, are embedded in our i-LEAD profile and form part of our Key Talent Management process. The values, i-LEAD profile and relevant competencies are, for example, included in the selection, recruitment and development activities of the NN Group Traineeship, ensuring we attract and develop young leaders based on these behaviours. Our onboarding programme for new joiners was renewed in 2021 and also explicitly covers the NN



culture and values. The values are also the starting point in the renewed HR Framework Standard, which was launched in 2022.

Monitoring progress

We monitor the effectiveness of the Living our Values programme in our annual employee engagement survey. The Management Board and the Living our Values Project Group use the outcomes to decide where we need to focus attention. On the values questions at overall group level, the 2022 scores are slightly higher (+0.2) than in 2021.

We ask employees how connected they feel to our values. In 2022, this score rose slightly to 8.2 (2021: 8.1). In 2022, we added a new question on how confident employees are about NN Group taking action against any kind of misconduct or unethical conduct at work (2022: 8.3).

We also monitor whether employees feel there is open discussion within their team on the consistency of action taken regarding our values. Year-on-year, we have seen a steady rise in scores, from 7.3 in 2018 to 8.0 in 2022.

Given how survey results had progressed over the previous three years, in 2022 the Management Board set internal expectations for the values. In 2022, the overall scores met the expectation of 8 or above, with no business unit scoring below the 7.7 score that would require further action to be taken. The statement 'My manager consistently acts as a role model when it comes to living our NN values' scored 8.3 (2021: 8.2; 2020: 8.1), meeting the expectation that this metric scores 8 or higher. This score is consistent with the overall high appreciation employees show for management in the survey and in line with the benchmark.

Consumer perceptions

We measure the perception of our values amongst our customers and the general public through the Global Brand Health Monitor (GBHM). The 2022 year-end results show the values are strongly embedded in the NN brand. In 10 out of 11 markets, 50% or more of the NN customers (totally) agree with the fit of care, clear, commit with the NN brand, Japan being the only market that does not score above 50% (care 36%, clear 45%, commit 40%). A significant increase on values is perceived for Belgium, Czech Republic, Greece, Poland, and Spain. In 2022, various actions were taken to help local business units. For example we have elaborately discussed the branding and marketing communication plans, and provided guidance on how to embed the values into local activities and communication throughout the year.

Values week

In October 2022, we held our annual NN Values week across 11 countries. Values week provides an opportunity to engage colleagues in how we live our values. The 2022 edition was entitled Our values in action, and focused on practical ways in which we can apply the values. In the Netherlands, Values week was held as a hybrid event for the first time. Almost 1,500 colleagues (2021: 1,000) joined workshops, dialogues and presentations on business- and values-related topics. The online sessions provided International Insurance colleagues the opportunity to attend, with some 190 colleagues participating. A survey found that 78% of participants in the Netherlands felt Values week provided a good opportunity to reflect on our values, 68% felt it stimulated discussion and 99% would encourage colleagues to join the next edition.

To encourage open discussions and improve knowledge of our values, we introduced the NN Values conversation starter tool, which facilitates team conversations about the values and the role they play in the team. Since its introduction in October 2022, the tool has been used by some 25 teams, and will be further promoted in 2023.

Leading by example

Our Management Board and senior leaders are important role models in living our values. This year we asked the Management Board to use the NN values conversation starter (see above). We used the recorded conversation in an internal promotional video for the tool, which was viewed 1,083 times. We raise awareness of the importance of having an inclusive environment and mindset through dialogue sessions hosted by our senior leaders. For instance, our Chief People, Communications and Sustainability Officer hosted two sessions in our series Wo{men}talk, where she had a dialogue with experts about gender equality.

Reporting concerns

Employees should consult their manager for assistance in dealing with grey areas or if they are concerned that our values are not being met. For an urgent or sensitive decision or dilemma, and for questions about our values and the NN Code of Conduct, they can contact their compliance officer, and the Values & Code Desk of NN Group or their business. Violations of the NN statement of Living our Values and/or a breach of the NN Code of Conduct can also be reported confidentially, and anonymously, through our reporting system, Speak Up.

Evaluating our culture

We review our values regularly, and revise them if necessary, to ensure they remain relevant and aligned with stakeholder expectations around our culture. We last updated the statement in 2020.

Values and long-term value creation

NN's commitment to long-term value creation is anchored in the NN statement of Living our Values. This stresses the importance of doing business with the future in mind. Amongst other things, it states that we 'respect each other and the world we live in', 'value long-term objectives over short-term gains' and 'carefully balance the interests of our stakeholders'. The Executive Board's remuneration targets include several strategic targets related to our values and sustainability objectives. Read more on pages 125-137.

5.2 Our Code of Conduct and other policies

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Clear and effective policies are crucial to create an environment where people feel safe, respected and supported

Janet Stuijt
General Counsel

NN Code of Conduct

The NN Code of Conduct, developed in 2019, offers clear guidance on how NN employees should behave. It is directly linked with our NN Statement of Living our Values: how we interact with colleagues and customers; how we deal with information and (personal) data; how we deal with conflicts of interest, fraud, corruption and financial economic crime; how we use equipment and the internet; and how we report and deal with breaches. Every year we review and update the Code of Conduct and Manager Annex, and the underlying policies and standards.

All internal employees must formally acknowledge annually that they understand the content of the NN Code of Conduct, and can and will apply the underlying policies and standards. Formal acknowledgement has been mandatory for several years. In 2022, we achieved an acknowledgement score of 100% (excluding staff on long-term leave or sick leave). External employees and/or contingent workers receive the Code of Conduct as part of their contract.

Awareness and e-learning

Between 2019 and 2021, we launched several e-learning courses aimed at raising risk awareness around group-wide, conduct-related topics. In 2022, we added a group-wide e-learning course on Whistleblowing (Speak Up Matters), following new EU legislation that came into force in December 2021 and in line with NN's drive to create a safe work environment and culture for all employees.

We also updated and reshaped the online learning platform Conduct Matters to raise awareness on the NN Code of Conduct. The platform is now designed to better match our hybrid way of working and is accessible in Dutch and English. The NN Code of Conduct is available in all local languages.

Digital compliance dashboard

In 2022, we improved the Compliance Analytics Dashboard, which is used by (local) compliance departments within NN. The development of this dashboard is an important driver in creating a more data-driven compliance function within NN.

The dashboard shows internal and external data sources, thereby providing a detailed Key Risk Indicator overview, and enabling effective and efficient compliance monitoring on topics such as Employee Conduct & Business Culture, Sound Business Conduct and Product Suitability. Future focus will be on increasing the number of Key Risk Indicators presented in the dashboard, by adding more relevant data sources. This will enable the use of more predictive analytics.

Data from the Compliance Analytics Dashboard is also included in the strategy dashboard developed for the Management Board that contains both strategic and risk-related data metrics.

ECF Maturity Reflection

In January 2019, Group Risk and Group Compliance launched the Risk Culture Check-in, whereby all business units perform a self-assessment of the risk culture within their unit (including the independent view of local control functions) and the cooperation with head office control functions. The second Risk Culture Check-in was performed in 2020. Since 2021, the Risk Culture Check-in has been integrated with the model for the Maturity Assessment of local control functions in what is called the ECF Maturity Reflection.

As in previous years, the 2022 ECF Maturity Reflection forms the basis for constructive dialogue with NN senior management on how we manage the risk culture within the company, and where we can improve. The resulting 360-degree loop delivers content to underpin the Employee Conduct & Business Culture statement within our risk management framework. The process is led by Group Risk in close cooperation with Group Legal and Group Compliance.

Product insights

Corporate Relations, Group Legal, Group Compliance and Group Risk are together involved in the timely and adequate implementation of the extensive Sustainable Finance Disclosure Regulation (SFDR) legislation and related Insurance Distribution Directive (IDD) changes.

In close cooperation with all stakeholders, NN looks for ways to improve our products in the interests of our customers. Our digital learning platform Product Talks was developed in 2020 and enhanced in 2021 and 2022. The platform is designed to facilitate the sharing of good practices and strengthen the transparency of our products and customer return.

A digital roadmap was set up for developing innovations and dashboards to support the demand of becoming more data driven within Group Compliance. This roadmap led to the creation of an integrated data analytics platform and connected dashboards that help monitor compliance risks and assist Group Compliance in aligning with stakeholders about these risks. A separate dashboard was created giving insight in all UL Asset Managers, Funds offered on risk levels, fund returns and on the performance of funds available within NN. This dashboard is a first step in enabling us to demonstrate our fund offering is effectively managed in the best interest of our customers.

Also in 2022, Group Compliance, Group Legal and Group Risk started a deep dive into sales quality within Insurance Europe. This is a key factor in securing customer interest and providing easy-to-explain, transparent products. The deep dive aims to collect good practices that could lead to improvements in other business units.

Reporting misconduct

By living up to our values, we create a safe working environment for our colleagues and protect the reputation and integrity of our company. Not doing so may also expose NN Group and its employees to possible regulatory and/or criminal liability. Internal reporting of criminal or unethical conduct or breaches of (local and EU) law by or within NN is vital for a safe working environment in which everyone feels welcome, valued and respected. Whenever breaches of the Code of Conduct or EU legislation/law occur, NN carefully reviews and assesses whether further investigation or action is needed.

The NN Group Whistleblower Policy was updated in December 2021 to comply with the new EU Whistleblower Directive. In addition, in December 2021 the new Speak Up system was onboarded, which enables every employee and certain external parties to report, if they wish anonymously, a concern and/or breach outside regular reporting channels within NN Group. NN Group guarantees various rights, including protection from retaliation, for any employee or external party who reports a concern/breach in good faith in a work-related context, provides information, or otherwise assists in an investigation. An outline of the Whistleblower Policy can be found in the NN Code of Conduct.

In the first quarter of 2022, all NN managers were made aware of the updated Whistleblower Policy and processes, and all NN employees were informed of the changes via a mandatory e-learning, Speaking Up matters. In addition, the Whistleblower Reporting Officers, who are appointed in all NN business units and for Head Office, participated in two masterclasses in 2022 on the new rules and processes.

Cases involving disciplinary measures	2022	2021	2020	2019
Fraud-related	1	0	0	1
Unethical behaviour	1	2	6	5
Conflict of interest	0	0	0	0
Total	2	2	6	6

Whistleblower cases	2022	2021	2020	2019
Total	17[1]	1	2	4

1 From 2022 onwards, the number of whistleblower reports, as shown in the table (17), are the reports received in the new Speak Up system. These 17 reports were assessed by (local) Whistleblower Reporting Officers. In 2 out of 17 reports, Corporate Security & Investigations (CSI) carried out further investigation. In those two reports no disciplinary measures were taken. One report is still pending finalisation by CSI. The 17 topics raised ranged from unethical behaviour between colleagues and internal fraud to improper handling of confidential information.

If we look for possible trends and developments in the areas of unethical behaviour, breaches of the NN Code of Conduct and Whistleblowing, we see proportionately more reports and concerns raised on unethical behaviour between colleagues in the Dutch domain. We attribute this at least partly to increased awareness amongst staff due to internal efforts to raise awareness coupled with #MeToo and related issues receiving considerable attention in the Dutch media. Reports are recorded, and numbers are periodically reported by the Chief Compliance Officer to the Management Board and Risk Committee of the Supervisory Board.

Other incidents and concerns

For 2022, Corporate Security & Investigations were involved in 51 cases in total (2021: 41). In two cases, disciplinary measures (warning, reprimand, termination of employment or instant dismissal) were taken. Employees are informed in writing of any disciplinary measures.

Other policies

NN has policies, processes, systems and practices in place to ensure we always do business in line with our values and regulatory requirements. That means, for example, developing products and services designed with the best interests of our customers at heart, and managing our processes and the personal data of customers in line with best practice in terms of transparency, safety and security. In doing so, we demand standards from all our business units and employees that meet and often exceed regulatory requirements.

Product approval and review process (PARP) and golden rules

The demand for transparent, simple products from the financial services industry continues to grow. Customers expect value for money, transparency, and products and services that evolve with developments. Any new or modified product or service are subject to a careful PARP to ensure it is transparent and meets customers' needs.

Our Customer golden rules are an integral part of PARP: Offer fair value to customers; Explain the risks, returns and costs of our products and services; Regularly assess products, services and distribution practices; and Only work with professional and licensed distributors.

In October 2022, the EU European Insurance and Occupational Pensions Authority (EIOPA) published the regulatory toolbox, Value for Money. NN is currently implementing new specific principles from Value for money in our Product Policy, PARP templates and, where needed, dashboarding.

Data privacy

We are aware of the need to strike an appropriate balance between individual choices, privacy and social responsibility. As digitalisation continues apace, we are conscious that to safeguard the privacy of our customers it is more important than ever to secure their personal data and handle it responsibly. We do this by complying with all legislative data protection requirements, of which the EU General Data Protection Regulation (GDPR) is the most important.

In our Privacy statement we explain how we have translated the GDPR into our day-to-day operations. All employees have been requested to complete a GDPR e-learning. We foster the careful processing of (personal) data by providing repeated training and regular information on our intranet.

Our DPO Charter provides a mandatory framework that establishes the function of Data Protection Officer (DPO). NN Group and all its EU business units have appointed a DPO that is assigned a clear mandate and responsibilities in line with the DPO Charter and the GDPR. Our DPOs continuously monitor compliance with the GDPR and act as a point of contact for supervisory authorities and data subjects. The DPOs monitor the number of complaints and data breaches. These numbers are within an acceptable range. Specific attention has been given to the judgement of the European Court of Justice of the EU regarding the transfer of personal data to the US (Schrems II). A systematic review of all transfers outside the European Economic Area (EEA) of personal data for which we are responsible is completed. In case of such transfers, additional measures were implemented to safeguard that transferred personal data are protected according to the standards of the European Data Protection Board (EDPB). Data is vital in serving today's customers effectively. Using big data to analyse customer propositions helps us strengthen our interactions with customers, forge more intuitive partnerships and create superior tailor-made solutions.

Our data and AI analyses are focused on product/market optimalisation, process efficiency, and fraud and claim analytics. For all AI use cases, it is vital that the application is trustworthy by design. To help us ensure this, in 2020 we developed our own AI ethics framework, the NN AI Guidelines, in line with our values. These guidelines facilitate the development and use of trustworthy AI in anticipation of the implementation of future (European) AI legislation. The guidelines adhere to the seven principles of trustworthy AI, as set out in the Ethics Guidelines for Trustworthy AI developed by the High-Level Expert Group on Artificial Intelligence (set up by the European Commission).

Our AI Guidelines also enable us to deploy AI in line with the Ethical Framework of the Dutch Association of Insurers (Verbond van Verzekeraars). In addition, we have been closely monitoring, anticipating and preparing for the development of a European AI Regulation, which was published in draft form by the European Commission in April 2021.

The consequences of inadequate cybersecurity can be far-reaching for both individuals and companies. So, in addition to our focus on the (personal) data we manage and protect, we also provide cybersecurity services like Cyberwacht to consumers who have been hacked and help companies get their basic cybersecurity in order with services like Perfect Day.

Financial economic crime

For NN, combating financial economic crime (FEC) is not a mere obligation. It is a way to protect society, including our customers, against criminal activity. FEC covers the risk of money laundering, financing of terrorism and breaching applicable sanctions regimes. As a corporate citizen, NN Group takes its gatekeeper role to protect the integrity of the financial system very seriously. This commitment is reflected in our Risk Appetite Statement regarding sound business conduct and in the NN Group FEC Policy. The FEC framework sets out mandatory minimum requirements to detect and prevent FEC and is based on applicable International, European, Dutch and local laws, legislation and guidelines.

In 2022, we continued building a strong FEC framework. One important milestone was introducing the FEC reporting cycle, which enables a local FEC Compliance Officer to report directly to their FEC Responsible Board Member and local management team, and to inform NN Group Boards and the FEC Center of Expertise within Corporate Compliance on FEC issues.

The FEC report provides valuable new insights into issues and impediments. Insights that raise the level of knowledge, awareness and commitment to addressing potential FEC risks and investing where needed to close identified gaps. In the Netherlands the framework has been strengthened through a specific programme focusing on optimising and remediating the Dutch business units' overarching processes. In addition, FEC awareness and training is a key element in maintaining a robust FEC Compliance framework. A group-wide programme was therefore initiated in the Netherlands and is currently being launched within the international business units.

After almost three years of interruption due to the pandemic, we again hosted our annual NN FEC event with the active participation by our FEC Compliance Officers community to discuss, align and share local practices. Looking forward, we will continue our efforts to maintain a strong FEC framework, by implementing a group-wide training and awareness framework and standards (fit-for-purpose), executing a group-wide risk assessment, and performing deep dives where deemed necessary.

Unit-linked products in the Netherlands

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.

The Dutch insurance subsidiaries of NN Group reached out to all individual customers who purchased unit-linked products in the past ('activeren'), and continue periodically to reach out to groups of selected customers to encourage them to carefully assess their unit-linked products in order to enable them to address their personal situation and offer them the option to switch to another product or make changes to their policy free of charge. Customers are also entitled to free advice.

As of 31 December 2022, the portfolios of Dutch insurance subsidiaries of NN Group comprised less than 315,000 active unit-linked policies. In a limited number of cases (less than 1,250), Dutch insurance subsidiaries of NN Group have settled disputes with individual customers. These are tailormade 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 Note 45.

5.3 Stakeholder engagement and international commitments

NN Group engages in ongoing dialogue with stakeholders on a variety of topics, ranging from products, services and business performance to our role in society. By endorsing national and international initiatives, we underline our ambitions and join forces with other organisations to increase leverage.

Stakeholder engagement

Engagement is a vital part of our efforts to earn the trust and support of our stakeholders, and of our duty as a responsible and engaged company.
NN Group identifies stakeholders based on their potential to influence or be affected by our business. Important stakeholder groups include agents and intermediaries; regulators and government agencies; societal and network organisations; industry associations, experts and peers; investors, analysts, employees and customers.
We seek feedback from these groups on key topics that matter to them. This helps us align our business interests with the needs and expectations of relevant stakeholder groups, and is a source of information for strategy development and decision-making.
Our dialogue with stakeholders takes many forms: day-to-day interaction and regular feedback sessions with customers on our products and services; works council meetings and continued dialogue with our employees; roadshows for analysts and investors; regular contact with regulatory bodies, government agencies and other organisations (including non-governmental organisations (NGOs), trade unions and industry associations); surveys; and roundtables with policymakers, academics and peers. Going forward, we will work on a stakeholder engagement policy describing our principles and approach for our relations with stakeholders.

Engaging with public decision-makers

NN Group commits to being transparent on the core topics that it formulates positions on, and to ensure that public decision-makers are – where relevant – provided with reliable and updated information.

NN Group is registered under number 493416718971-18 at the EU transparency register (Transparency Register (europa.eu)).

To ensure compliance, discuss policy developments, and the consequences of various regulatory policies, NN is a member of various national and international organisations, such as:

- In the Netherlands: the Dutch Association of Insurers (Verbond van Verzekeraars); Dutch Banking Association (NVB); and the Confederation of Netherlands Industry and Employers (VNO-NCW)
- In Europe: the national Insurance and Pension Associations in the countries where NN is active; the Pan-European Insurance Forum (PEIF); the European Financial Services Roundtable (EFR); the European Insurance CFO Forum (CFO Forum), and the CRO Forum
- International: the World Economic Forum (WEF); and the Geneva Association

The annual total monetary contributions and expenditures to trade associations in 2022 was EUR 5.4 million. The largest contribution was to the Dutch Association of Insurers, followed by that to the Dutch Banking Association and the World Economic Forum.

In addition, NN Group has direct engagements with authorities and public decision-makers concerning regulatory and financial markets related issues by way of providing them with relevant information, wherever appropriate. NN Group does not make financial contributions to political parties in the Netherlands or elsewhere.

NN Group focuses on EU and Dutch legislative proposals or policies, such as:

- Prudential Regulation (Solvency II)
- International Financial Reporting Standards (IFRS)
- Sustainable Finance policies (Taxonomy, SFDR, CSRD)
- Insurance Distribution Directive (IDD)
- Digital Strategy (incl. Artificial Intelligence Act, Open Finance and Open Insurance, Data Protection)
- Anti-money laundering (AML)
- Pension reforms in various countries
- Labour market reforms

National and international commitments

As a company headquartered in the Netherlands, we adhere to Dutch law and the Dutch Corporate Governance Code. We observe the relevant laws and regulations of all markets in which we operate. We also adhere to relevant international standards and guidelines, including the UN Global Compact and the OECD Guidelines for Multinational Enterprises. To underline our ambitions, NN Group and/or our respective businesses have endorsed various national and international initiatives, and we are a member of various relevant international organisations. For an overview, please visit our website.

Commitment of the financial sector to the Dutch Climate Agreement

In July 2019, NN signed the commitment of the financial sector to the Dutch Climate Agreement and thereby commits to contribute to the financing of energy transition, to disclose the carbon footprint of our relevant investments and has published a Climate Action Plan in 2022 as part of this commitment. Since 2017, NN has disclosed the carbon footprint of our proprietary assets. Our 2022 measurement covers approximately 82% of our total proprietary asset portfolio, which comprises the general account investment portfolio of the insurance entities, the assets of NN Bank and the holding assets of NN Group. More detail can be found on pages 146-149. We continuously enhance our approach to address climate change into our strategy, policies and activities. Read more in the Society chapter on pages 47-57 and the Risk chapter on pages 70-84.

International Corporate Social Responsibility (ICSR) sector covenant

The ICSR covenant for the Dutch insurance sector aims to ensure that insurers identify and mitigate any potential negative environmental, social and governance (ESG) impacts through their investments. The covenant's signatories (all Dutch insurers, the government and six NGOs) pool their knowledge and experience, identify ESG risks, and initiate steps to mitigate those risks. Insurers are expected to have due diligence processes in place to address ESG risks and, where necessary, to develop, adjust and improve their policies. During the year under review, we were involved in a collective engagement process aimed at preventing further loss of biodiversity. The engagement was aimed at three large internationally operating companies, the conversation was started to prevent deforestation, and thus biodiversity loss. NN Group focused its efforts on the engagement with Danone SA. The overarching goal of this collective engagement is to contribute to halting biodiversity loss as a result of deforestation. Therefore, in the engagement Danone was asked to share their policy on deforestation at large, and their target to halt and minimise their contribution to deforestation and possibly their target on reforestation and forest conservation.

Net-Zero Insurance Alliance

In 2021, NN joined the Net-Zero Insurance Alliance (NZIA). The NZIA brings together insurers and reinsurers to play their part in accelerating the transition to net-zero emissions economies. Together with all NZIA members, NN is committing to transition its underwriting portfolio to net-zero greenhouse gas (GHG) emissions by 2050. For the NZIA, we will report a first set of company specific targets in 2023.

Task Force on Climate-related Financial Disclosures (TCFD)

We have reported on climate change since the financial year 2017 in accordance with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). This year we have integrated disclosures in our report. In the reference table on page 322 we show where we have included the TCFD recommendations structured along the four TCFD pillars: governance, strategy, risk management, and metrics and targets.

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 interaction with stakeholders. Our NN Group Human Rights Statement serves as an umbrella document and relates to various policies, such as our Human Capital policy, Responsible Investing Framework policy, and an Investment Guidance paper on Human Rights. Following a review of our human rights policies and processes across our organisation in 2020, we further strengthened our approach on human rights due diligence in our procurement activities. This includes working together with suppliers to drive socio-economic issues and inclusiveness through our supply chain. With regards to policies, suppliers are asked to share details of their labour policy so we can be sure there are appropriate working conditions for their employees. As part of our risk identification, we ask suppliers to disclose measures taken to exclude modern slavery and human trafficking from their own business and in their supply chain.

In 2022, we updated our Human Rights Statement including our commitments to human rights. We updated our policy commitments and made reference to new policies, such as the Diversity & Inclusion Statement and the Sustainable Procurement Statement. Furthermore, we expanded the sections on governance of our human rights approach, identification of human rights risks and complaints mechanism. Refer to our website for the updated statement.

We will continue to improve our human rights approach, from a policy perspective but also with regards to due diligence processes. Therefore we are taking part in the Business & Human Rights Accelerator of UN Global Compact to further develop our commitment to human rights.

Stakeholders, engagement, topics and outcomes

Stakeholder group	Engagement	Topics discussed	Outcome
Agents and intermediaries	(Advisor) survey, roundtables, webinars, (digital) visits	Market topics in general, co-creation	Stimulate good cooperation, increase financial advisor and broker satisfaction, leading to well-informed brokers and better customer advice
Customers	Survey	Material topics, customer experience	Increase customer engagement
Employees	Leadership and other (digital) conferences, surveys, works councils, unions	Values, Code of Conduct, hybrid working, engagement, climate change, Climate Action Plan	Inform and engage employees, values-driven culture
Experts and peers	Survey	Material topics, carbon accounting	Stimulate sector-wide cooperation, align methodologies
Industry associations	Correspondence, meetings reports, surveys	Sustainable finance regulation, financial inclusion	Pool knowledge and experiences
Investors, Analysts	Annual shareholders meeting, analyst calls, investor meetings, survey	Strategy, financial and operational developments, capital position, approach to sustainability	Inform and engage with analysts, shareholders and other investors
Regulators and government agencies	Correspondence, meetings	Economic and financial market developments, risk assessments, insurance regulations, pension and labour market regulation, sustainable finance, ESG	Ensure compliance with, and discussion of consequences of regulation
Societal and network organisations	Correspondence, meetings reports, surveys	Climate change, natural resources, human rights, deforestation, net-zero commitments	Exchange vision and insights, benchmarking methods

5.4 Managing our risks

Risks represent uncertainties that could impact achieving NN Group's strategic objectives and commitments. Strong risk management helps us monitor developments in our operating environment and act where necessary.

"With our resilient balance sheet and diversified risk profile, we are well-positioned to weather the uncertain macro-economic environment

Bernhard Kaufmann
Chief Risk Officer

Introduction

This section covers the following topics:

- Risk Control Cycle (paragraph 5.4.1)
- Risk Profile, with a focus on material risks as established by NN Group's Management Board (paragraph 5.4.2)
- How NN Group manages sustainability/climate risks (paragraph 5.5)

More information on how risk management responsibilities within NN Group are organised can be found in the Corporate Governance chapter on pages 105-121. Details on our financial risk profile can be found in Note 52.

5.4.1 Risk Control Cycle[1]

We manage any risks inherent to our business model and the environment in which we operate within NN Group's risk appetite and framework. Every employee has a role to play in identifying risks in their area of responsibility and managing them in a proactive way. It is important to know which risks we need to avoid and which we are prepared to take, and why; to be aware of large existing and emerging risks; and to ensure an adequate return for the risks assumed within the business.

The following risk control cycle ensures that business units and NN Group operate within our risk appetite:

1. Set business and risk objectives, leading to a risk strategy (risk appetite, policies and standards);
2. Identify and assess the risks that need to be managed;
3. Effective mitigation of risks;
4. Continuously monitor the effectiveness of mitigating measures, including reporting on risk levels.

This cycle is underpinned by a sound risk culture.

The risk control cycle supports the NN Group strategy, the Business Plan (financial control cycle) and performance management (HR cycle) that enable business units and the NN Group to meet their business objectives.

Risk Strategy

NN Group's risk appetite is the key link between the Group's strategy, capital plan and risk management in executing the business plan.

Risk Appetite Statements define qualitatively how much risk we are willing to take for each type of risk. They also describe how we want to avoid unwanted or excessive risk-taking, and aim to optimise use of capital. The statements are then translated into more detailed risk limits and tolerances, policies and standards. The specific statements are listed on the next page.

1 These disclosures are an integral part of the Consolidated Annual Accounts, and are part of the disclosures to which the audit opinion relates. This includes pages 70-74.

Managing Strategy
Risk appetite: Moderate
We actively engage in a dialogue with our stakeholders and manage our products, distribution channels and organisation, as well as key performance and risk metrics in order to:
- Create value for all our stakeholders, and contribute to the well-being of people and the planet
- Respond and adapt to emerging external challenges
- Meet our strategic targets and sustainable growth and return objectives

Human Capital Risks
Risk appetite: Moderate
We moderately accept risks in attracting, retaining and developing a competent and diverse workforce to shape and build NN Group's business

Solvency Risks
Risk appetite: Limited
We accept financial risks on our balance sheet so we can offer financial security through products for our customers as well as predictable and attractive returns for our investors. We:
- like to avoid having to raise equity capital after a 1-in-20 year event,
- only accept risks that we understand and can effectively manage,
- design and price our products in a responsible manner, and
- limit exposure to non-rewarding risks (in particular concentration, interest rate, currency and inflation risk) or risks to which we have already a high exposure (in particular longevity risk)

Liquidity Risks
Risk appetite: Limited
We want to meet our payment and collateral obligations, even when under severe liquidity stress, while also actively pursuing illiquid assets to back illiquid liabilities on our balance sheet.

Sound Business Conduct
Risk appetite: Avoid
We do not accept material breaches of applicable laws and regulations or NN Group policies and standards.

Employee Conduct & Business Culture
Risk appetite: Avoid
We actively monitor and manage employee conduct and foster a business culture demonstrating that we live the NN values.

Product Suitability
Risk appetite: Avoid
We only market products and services that add value for our customers over their expected lifetime, are in line with their preferences, and can be simply and transparently explained.

Operational Risks
Risk appetite: Moderate
We moderately accept human errors and as such failures in processes, and therefore manage to agreed tolerances.

IT Risks
Risk appetite: Limited
We limit losses arising from IT risks, and therefore we ensure our IT assets are sufficiently resilient.

Reliable Reporting
Risk appetite: Avoid
We have no appetite for material errors in external financial and non-financial reporting, and internal reports used for managerial decision-making.

Business Continuity
Risk appetite: Limited
We avoid, to the extent possible and even under severe circumstances, sustained discontinuation of business (people, offices, systems).

In 2022, NN Group introduced a new risk appetite statement for Human Capital Risks, further integrated sustainability risks into our risk appetite framework and updated other risk appetites in the light of changes in our external environment.

Risk Metrics
The Risk Appetite Statements mentioned above are implemented within the business through the use of risk metrics, as well as policies and standards:
- Risk limit – the maximum exposure to a risk management is willing to accept, and should not be breached.
- Risk tolerance – the level of exposure to a risk at which management wants to be actively informed – it serves as a trigger to review the exposure regularly and reflects an ambition level within which management wants to act in the medium term.
- Key Risk Indicators (KRIs) – used for areas where we are unable to (fully) quantify risks. KRIs measure performance, but without necessarily setting limits or tolerances, instead using subjective assessment to establish if we are acting within set risk appetites.
- Policies and standards – define objectives and requirements to ensure that processes and risks are managed consistently throughout NN Group. They are mandatory.

Metrics Strategic & Emerging risks
This is monitored through various metrics related to the Business Plan, such as progress on main strategic initiatives and deviation between actual and planned strategic targets.

Metrics Human Capital Risks
This is monitored via indicators related to employee engagement, renumeration, succession planning, as well as policies and standards on renumeration, recruiting, branding, and so forth.

Metrics (Non-)Market Risks
Relevant metrics are:
- Solvency II ratio: the ratio of Eligible Own Funds (OF) to Solvency Capital Requirement (SCR). NN Group aims to capitalise the Group and its business units adequately at all times. To ensure adequate capitalisation, units are managed to their commercial capital levels (based on the Solvency II ratio or local solvency regime) in accordance with the risk associated with the business activities.
- Solvency II ratio sensitivities: show how the NN Group OF and SCR are impacted under various scenarios as decided by NN Group Management Board (for example changes in interest rates or other financial market factors).
- Cash capital position: NN Group holds a cash capital position in the holding company to cover stress events, and fund holding company expenses and interest expenses. The cash capital position is defined as net current assets available at the holding company.

Risk Taxonomy[1]

NN Group has defined and categorised the different types of risk into a risk taxonomy, our internal 'risk dictionary':

Risk Appetite	Risk Class	Description
Managing Strategy	Emerging Risks	Newly developing or changing risks that cannot yet be fully assessed or quantified, but that could in the future affect the viability of NN Group's strategy.
	Strategic Risks	Risks arising from making poor business decisions, implementing decisions poorly, or being unable to adapt to changes in the operating environment.
Human Capital Risks	Human Capital Risks	Risks arising from being unable to attract, retain or pay competent employees.
Solvency Risks	Market Risks	Risks related to (the volatility of) financial and real estate markets.
	Counterparty Default Risks	Risks related to counterparties failing to meet contractual debt obligations.
	Non-Market Risks	Financial risks related to the products NN Group offers to customers.
Liquidity Risks	Liquidity Risks	Risks related to being unable to settle financial obligations when due.
Sound Business Conduct	Non-Financial Risks	Risks related to people, or inadequate or failed internal processes, including IT and communications systems and external events.
Employee Conduct & Business Culture		
Product Suitability		
Operational Risks		
IT Risks		
Reliable Reporting		
Business Continuity		

1 Sustainability risks are risks related to environmental, social and governance (ESG) factors (including climate change) that can cause material negative impact on NN Group's long-term performance, reputation, value, balance sheet or operations. ESG factors create strategic, financial and non-financial risks, in several areas of our taxonomy. Paragraph 5.4 explains in detail how we mitigate or manage these risks.

- Own Funds at Risk limits: NN Group has implemented limits to monitor the impact of moderate stress events in business units, and is monitoring the level of capital and financial flexibility this requires at the holding level.
- Interest Rate Risk limits: NN Group has implemented limits and tolerances for interest rate risk exposures at NN Group and business unit level.
- Bank capitalisation: the amount of capital NN Bank is required to hold as part of the Basel III framework, expressed as a capital adequacy ratio of equity that must be held as a percentage of risk-weighted assets.
- Product and underwriting limits: limits designed to manage deviations between expected and realised claims and payments, longevity risks, etc.
- Policies and standards on investment management, mandates and asset allocation, responsible investments, products and underwriting.

Metrics Liquidity Risks

Relevant metrics are:
- Required sales ratio: liquidity risks are monitored by assessing the required sales ratio between liquid assets and liquidity requirements for severe stress scenarios and different time horizons.
- A minimum buffer of immediately available liquidity (cash and committed facilities) in order to be able to meet collateral calls from derivative exposures.

Metrics Counterparty Default Risks

Concentration Risk limits: to prevent excessive concentration risk, NN Group has concentration risk limits on corporate and sovereign issuers, asset type and country of risk.

Metrics Non-financial Risks

Relevant metrics are:
- Annual loss tolerance and materiality: tolerances on potential yearly loss, reputation impact and financial reporting accuracy.
- Restricted list: designed to prevent investments in securities that are not in line with NN Group's values and/or applicable laws and regulations, as established in NN's Responsible Investment Framework.
- Various KRIs to measure whether processes are executed according to target (e.g. number of incidents, customer complaints, outage of primary systems, etc.).
- Policies and standards that define objectives and requirements around compliance, IT, operations, security and business continuity.

Risk Assessment

Risk assessments are regularly performed throughout NN Group to identify which risks we are exposed to and how relevant they are. For financial risks, NN Group's risk models are leading in risk assessments/measurement. Risks that are harder to quantify generally require professional judgement, either through qualitative risk assessments or scenario analysis.

Risk Class	Risk Assessment
Strategic & Emerging Risks	Business planning, Strategic Risk Assessment and scenario analysis, including Own Risk and Solvency Assessment (ORSA).
Human Capital Risks	Internal and external benchmarking on employer attractiveness and renumeration; strategic workforce planning.
Market Risks	Asset Liability Management (ALM) studies, Strategic Asset Allocation (SAA) and New Asset Class Assessment (NACA).
Liquidity Risks	SAA, NACA.
Counterparty Default Risks	Assessment of maximum exposure on asset class, issuer and country basis.
Non-Market Risks	Product approval and review process (PARP).
Non-Financial Risks	Detailed risk assessments on processes and projects (including aspects of IT, financial economic crime, fraud, etc.); Systematic Integrity Risk Assessment (SIRA), looking at behavioural and integrity risks, as well as the ECF Maturity Reflection, looking at risk maturity and culture).

Below we describe some of the aforementioned risk assessments in more detail.

Strategic Risk Assessment (SRA) and Own Risk and Solvency Assessment (ORSA)

NN Group, and each of its regulated (re) insurance subsidiaries, prepares an ORSA at least once a year, also covering the non-Solvency II entities, Japan and Turkey. Similar to an ORSA, NN Bank performs an Internal Capital Adequacy Assessment and Internal Liquidity Adequacy Assessment, conform with Basel III requirements.

As part of the ORSA, a Strategic Risk Assessment is performed at least annually by the Management Board of NN Group, as well as by the management of operating units. The outcomes of the Strategic Risk Assessment are key risks, which are risks that are potentially solvency-threatening or could have a significant negative impact on the achievement of one or more of the business objectives in NN Group's strategy or business plan. The ORSA includes a forward-looking overall assessment, using scenario analysis and stress testing, of whether each entity holds sufficient capital across its business planning period to withstand the potential impact of identified key risks. Impact is mainly assessed on the Solvency II capital position, but also on liquidity or operating capital generation where relevant.

NN Group also assesses the appropriateness of its Partial Internal Model, which is used to calculate the Solvency II ratio. Risk Management also prepares a separate annual report for the Management Board and the Risk Committee of the Supervisory Board on the performance and appropriateness of the Internal Model.

Stress testing can also be initiated outside the ORSA, either internally or if requested by external parties such as De Nederlandsche Bank (DNB, the Dutch Central Bank) or the European Insurance and Occupational Pensions Authority (EIOPA).

Strategic Asset Allocation (SAA)

Regulated (re)insurance entities of NN Group execute a SAA study once every three years, in which the target allocation and bandwidth are set for each asset class. The SAA study is reviewed annually, using updates for the assumptions on return, risk and feasibility, and a review of constraints and objectives.

Product approval and review process (PARP)

The PARP has been developed to enable effective design, underwriting and pricing of all insurance products, and to ensure these can be managed throughout their lifetime. The process establishes requirements regarding the product risk profile features to ensure products are aligned with NN Group's strategy. The PARP takes into account customer benefits and product suitability, expected sales volumes, value-oriented pricing metrics, and relevant policies and regulations. It also includes requirements and standards for assessing risks as per the risk categories, as well as the administration and accounting aspects of the product.

New Assets Class Assessment (NACA) and investment mandate process

NN Group maintains a NACA for approving investments in new asset classes. NN Group establishes a global list of asset classes in which NN Group entities can invest. Investments in these asset classes are governed through investment mandates given by the insurance entities to the asset manager(s).

Process Risk Assessments

Process Risk Assessments are performed periodically on all (sub-) processes by the relevant process owners, with particular attention to risks in process hand-over points, where activities change between departments and/or responsible managers. Owners annually assess what the most important non-financial risks are within their process, looking for example at aspects of IT, data quality, human error, changes to systems and processes, etc.

Risk Control

Risk Control refers to activities undertaken to ensure proper mitigating measures are designed, documented and executed such that risks are managed within defined risk limits and tolerances, as well as in line with policies and standards.

Inherent risks that are assessed as beyond the risk appetite shall be controlled to the extent they meet the relevant risk appetite statement(s).

Risk Class	Risks are mitigated/controlled through:
Emerging Risks	Scenario analysis and contingency/recovering planning.
Strategic Risks	Adjusting the strategic targets/business model to meet the changing environment, implemented through strategic initiatives/programmes. Business planning, monitoring of strategic execution and scenario analysis.
Human Capital Risks	Employee engagement surveys, strategic workforce planning, renumeration policies and succession planning.
Market Risks	Monitoring based on limits and tolerances, hedging/use of derivatives, monitoring investment mandates.
Counterparty Default Risks	Monitoring based on limits and tolerances.
Non-Market Risks	Monitoring based on limits and tolerances, PARP (external) (re)insurance.
Liquidity Risks	Monitoring based on limits and tolerances, cash management/treasury techniques.
Non-Financial Risks	• Business and key controls and control testing. • Incident management and external insurance. • Risk awareness and training. • Project risk logs and monitoring. • Business continuity management.

Through its Preparatory Crisis Plan, NN Group has determined a set of measures for early detection of and potential response to a crisis, should it occur. The aim of this Preparatory Crisis Plan is to ensure that tools, measures and processes are in place that would enable NN Group to:

- Avoid going into Recovery
- Anticipate in good time any approaching financial distress and/or potential recovery situation
- Quickly recover to an acceptable minimum solvency (and liquidity) level when faced with financial distress and/or recovery

In the Risk Profile section, we describe mitigating activities per risk type in more detail.

Risk Monitoring & Reporting

Risk monitoring helps us assess and evaluate developments in the risk profile. It determines whether risks are managed within the applicable risk appetite, related limits and tolerances, and in line with policies and standards. Results of the Risk monitoring are reported regularly to the responsible managers of departments, as well as the management and supervisory boards of both NN Group and its entities. This includes information on, for example, strategic projects, financial risk limits and developments, control effectiveness, control deficiencies and incidents, as well as second-line opinions and advice. Action is taken by management when monitoring indicates that risks are being inadequately controlled.

The Management Board and Supervisory Board of NN Group receive a quarterly Enterprise Risk Management (ERM) Report and OF/SCR Report. The ERM Report is designed to provide one consistent, holistic overview of the risks for NN Group. It compares current risk levels to our risk appetite and aims to encourage a forward-looking risk view. In the report, the different business units of NN Group report back on their risk profile in relation to their risk appetite, including a second-line opinion from Risk, Legal and Compliance. The OF/SCR Report aims to give an overview of the quarterly Solvency II capital position and developments in OF and SCR. This report also includes the Solvency II ratio sensitivities.

5.4.2 Risk profile

The Management Board of NN Group regularly assesses the key risks that might impact achieving our strategic and financial targets, using a variety of inputs including:

- External trends and material topics, as identified by our stakeholders
- Macroeconomic reports and publications from analysts, the CRO Forum (CROF, Chief Risk Officers from various large European insurers) and the World Economic Forum
- Scenario analyses and stress-testing by our investment and risk teams
- Risk self-assessments by the management of NN Group and its businesses

Spotlight

Emerging risks

Emerging risks are newly developing or changing risks that can't yet be fully assessed or quantified but that could in the future affect the viability of NN Group's strategy. There is a high degree of uncertainty as to how most of these risks could impact us, or the potential size of the impact. NN Group actively participates in CROF, where members together identify and benchmark good risk management practice and share ideas with the wider industry through publications. CROF's Emerging Risk Initiative continually scans the horizon to identify and communicate emerging risks facing the insurance industry that are expected to have a significant impact on the sector within 1-10 years.

The 2022 Strategic Risk Assessment identified 12 key risks (ranked based on relative importance):

Rank	Key Risk	Risk Class	Risk level (vs 2021)
1	Geopolitical instability & war escalation	Emerging Risks	↗
2	Stagflation*	Market & Non-Market Risks	↗
3	Recession*	Market & Non-Market Risks	↗
4	Regulatory environment	Strategic Risks	→
5	Human talent	Human Capital Risks	↗
6	Cyber risk	Non-Financial Risks	→
7	Sustainable cost levels	Strategic & Non-Market Risks	↗
8	IT legacy and change risk	Non-Financial Risks	→
9	Change agility & capacity overload	Strategic Risks	↗
10	Being outrun by competition*	Strategic Risks	→
11	Product suitability (litigation)	Non-Financial Risks	→
12	Climate change (transition)*	Emerging Risks	↗

*Risks marked with an asterisk are new in 2022, compared to 2021.

Compared to 2021, geopolitical (1), macroeconomic and market-related (2, 3, 7), labour market (5, 9) and climate change-related (12) risks have increased. Longevity and Corporate Social Responsibility were included in the 2021 list but are either no longer considered key risks or have been redefined. Geopolitical (1) and Climate change (12) are considered emerging risks. Even though they are not necessarily new, and to some extent have already materialised, in terms of both their nature and risk level they are still developing, as is the response from NN to mitigate their impact.

Geopolitical instability & war escalation

Risk of tensions and war between countries escalating that may have an impact on macroeconomic developments, volatility in financial markets, free flow of capital, interruption of primary business processes or/and supply chains (e.g. war escalating from the current war in Ukraine to wider war in Europe, or US/China tensions escalating further).

Geopolitical uncertainty is by definition an emerging risk, as it is hard to predict when tensions will develop or escalate, and what the resulting impact will be. This risk increased significantly with the Russian invasion of Ukraine on 24 February 2022. Russia is using its energy resources as leverage with Western European countries, while Western countries are providing military and financial support to Ukraine, and have installed sanctions against Russia and Belarus. The war has fuelled international tensions, leading to market volatility and significant increases in energy, food and commodity prices, and is impacting capital flows and global supply chains. The conflict has also meant growing numbers of refugees in the European countries where we operate.

NN does not have business activities in Ukraine or Russia, and our direct financial exposure to these countries is limited. However, the impact on our operating environment and on NN Group will depend on any further continuation/escalation of the conflict, which may coincide with other inflationary or recessionary developments (see key risks Stagflation and Recession). The conflict may also lead to increased tensions and pressure on solidarity between EU member states.

In addition to the Russia-Ukraine war, other geopolitical tensions are also increasing, most notably between the US and China, and around North Korea. Decoupling of supply chains and technology, as well as sanctions between countries, may lead to two separate political blocks.

So far, NN Group has experienced relatively modest impact from these adverse developments. Our solvency and liquidity positions are strong, and our asset exposures can be characterised as having low direct exposure to other financial companies, relatively high asset duration, a low duration gap, and a high allocation to highly rated European countries with relatively strong economies and sovereign currencies that are considered a safe haven in times of crisis.

NN manages its asset exposures using a system of concentration limits on sovereign and country exposures that are subject to regular review and monitoring. In addition, we closely monitor the credit quality of portfolios and deploy scenario analysis to understand our sensitivity to financial market volatility.

Stagflation

Risk of high inflation combined with high interest rates and anaemic economic growth.

and/or

Recession

Risk of central banks applying strict monetary policies to battle current inflation, leading to lowering of inflation but driving the economy into a recession (negative GDP growth, high unemployment).

The aftermath of recovery from the global pandemic period, and ramifications of the war in Ukraine may lead to a higher risk of stagflation or recession materialising. Stagflation is characterised by high inflation, higher interest rates and close-to-zero growth, while recession would mean longer-term lower inflation, but with negative economic growth and higher unemployment.

Worldwide, supply chain disruptions and labour and energy shortages affect economic growth. Euro area annual inflation was 9.2 % in December 2022. It could take years for European countries to replace Russian oil & gas supplies with alternative sources of energy, prolonging the risk of stagflation. Government measures to support households and companies, such as subsidies or a price ceiling on energy prices, could boost inflation. Central banks announced several interest rate increases in 2022 and further increases in 2023 are expected. This may lead to a reduction in economic activity and a recession.

The impact of inflationary developments or an economic downturn on NN's balance sheet and solvency position depends on the level of inflation itself, but also on how other market factors move, driven amongst other things by the response of central banks to rising inflation and market expectations of investors. The risk of structural inflation can have a direct (through operating expenses and claims) or indirect (effect on interest rates, equities, real estate, sales) impact on NN's business plans and financial position. Equities and other risky assets may perform poorly during a period of recession or stagflation. Liquidity risks may increase through collateral calls on interest rate derivatives. Inflation expectations push up bond and mortgage yields. Corporate spreads can increase, driven by a worsened economic outlook, higher debt and material costs.

NN manages market risks within risk limits and other boundaries set in various policies and standards. This ensures that the investments are well diversified and the exposure to risks for which NN Group has no or limited appetite, such as interest rate, inflation and foreign exchange risk, remains low. We reduce interest rate risk by closely matching asset and liability cash flows where markets are deep and liquid, and have set risk limits and tolerances for the remaining exposure to interest rate risk. The exposure to inflation-linked liabilities is small (<5 billion for Netherlands Life) and part of these liabilities have a cap on the maximum inflation compensation. In addition, Netherlands Life fully hedges its inflation-linked liabilities on an economic basis. NN manages its cost base and may increase product premiums where required. Our SAA aims to optimise capital generation within acceptable risk levels and other restrictions.

Regulatory environment

Risk of adverse regulatory change or increased supervisory scrutiny (e.g. more severe SII regulation, scrutiny of internal model, FEC or sustainable finance legislation), which may have a profound impact on our business model, performance or ability to work without constraint on own innovations or strategic initiatives.

Ongoing regulatory changes or topics subject to additional supervisory scrutiny could significantly impact our businesses. These might include changes to the Solvency II framework and new sustainability regulations.

Our capital position might be impacted by further changes to the Solvency II framework (e.g. the Solvency II 2020 review) or supervisory scrutiny in areas like substantiation of deferred taxes or our internal capital model. The Solvency II review is expected to have a positive impact on the NN Group SII ratio in certain areas, such as the design of the Volatility Adjustment and Risk margin. However, the legislative proposal still includes potentially negative areas for NN and the industry (e.g. the change of the extrapolation of the risk-free curve, change of the risk correction, introduction of the enhanced prudency principle, and extended powers for supervisors). Actual implementation of the changes is not expected before 2025, with a phase-in mechanism until 2032 for the new approach to the extrapolation of the risk-free curve. DNB has announced the increase of the countercyclical capital buffer (CCyB) to 1% from 23 May 2023. The CCyB is a buffer for banks introduced in the Basel III accord with the aim of increasing banks' resilience to cyclical risks by releasing the buffer when they materialise. For NN Bank, this leads to an additional capital charge of 1% for all Dutch exposures.

Regarding new sustainability regulations, a major regulatory development in this area is the EU Sustainable Action Plan, which requires significant efforts to implement. NN Group has set up a Taskforce Sustainability In Business to implement the related requirements, including the Sustainable Finance Disclosure Regulation (SFDR), nevertheless the inherent complexity presents challenges.

We follow the development of (future) regulations closely in order to take timely action. NN proactively maintains relationships with regulators and supervisors, and assesses and regularly calculates any potential impact of regulatory changes on our solvency position and risk profile.

Human talent

NN not being able to attract, retain or pay world class talent to help us achieve strategic objectives (e.g. data & AI, actuarial, IT simplification, investment strategy, legacy IT knowledge).

Digitalising our customer experience, being more agile to adjust to a faster-moving environment, new developments such as climate change and a focus on environmental matters – these all require us to keep developing our workforce and attracting new talent. Especially in the aftermath of the Covid-19 pandemic, finding and retaining talent is harder than ever.

We invest in personal and professional development throughout our employees' careers, offering people unique learning opportunities and advocating job rotation. HR introduced a global Strategic Workforce Planning framework to identify future capability requirements and take the necessary steps to meet them. Our management also embraces new ways of working and the management skills they require. We have therefore composed a new leadership profile, based on which managers are trained to manage and coach people in an agile environment.

Cyber risk

Risk of cyber-attacks, leading to misuse or loss of information, privacy breaches, discontinuity of operations, or financial or reputation loss.

Technical developments, such as the adoption of cloud services, are reshaping our business model and impacting on our operations. Moving to the cloud enables NN not only to be more flexible but also to make use of scale, knowhow and other benefits that help lower the overall IT risk profile. However, it also changes the type of IT-related risks to which NN is exposed, including risks to end-users and end-points (e.g. laptops, mobile phones and tablets). Given their pivotal role in the financial countries' infrastructure, and ownership of large amounts of payment data and/or personal information about their customers, financial services companies are a target for hackers, and potentially for cyber war strikes. The coming into force of the EU General Data Protection Regulation (GDPR) means regulatory scrutiny with regard to data leakage has also increased, in turn increasing the risk of regulatory fines if privacy-sensitive data are not managed well.

Group IT's Enterprise Security and Compliance (ESC) function leads all efforts within NN Group to enhance our information security, and provides 24/7 protection against cyber threats. Education and awareness-raising at all levels of the organisation are another important part of our security strategy. NN has an outsourcing framework in place for managing dependencies with third parties, with NN IT security principles included in outsourced contracts. We also regularly monitor the performance of third parties regarding contract requirements. We have also taken out cyber insurance, with coverage for first-loss risk and third-party damage.

Sustainable cost levels

Risk of expense levels remaining too high compared to competitors, for both the closed book (not managing cost in line with runoff of the books) and new products.

To remain competitive, it is important to ensure our revenues and cost base are well aligned for all our businesses. For example, for Netherlands Life improving IT systems and efficiency is important to keep cost levels in line with the run-off of the closed books, and to grow defined contribution (DC) business profitably. Cost levels are also relevant for our Dutch Non-life business, where we have set a combined ratio target range of 93-95%. In 2022, inflation developments lead to higher baseline costs in some areas, driven by the higher cost of procured services and lower than expected cost savings in the Netherlands.

We target future cost reductions through projects related to digitalisation, product rationalisation, creating a simpler organisation and IT simplification. We leverage scale where we have it, and employ an Agile Way of Working where it is beneficial.

IT legacy and change risk

Risk of material failures, or insufficiently managed change, in IT systems, networks or platforms, leading to higher expenses, operational losses or disruption of operations (e.g. due to full change agenda or legacy data quality issues).

While for new business, NN is introducing and embedding new technologies that help achieve our business objectives, such as cloud technology, AI and sophisticated modelling, for insurances sold in the past, simplifying and standardising the IT landscape is one of NN Group's strategic priorities. This should lower our cost base in line with the run-off of the portfolios, but also achieve a higher standard of operational excellence.

Managing and optimising the current landscape while also introducing new technologies may create risks. For example, inadequate management of the high level of change or end-to-end testing of changes, or prioritising conflicts with regular change requests.

The IT Change Board and Steering Committee of the IT Simplification Programme direct and monitor progress of the simplification roadmap and dependencies. As part of any specific migration project, assessments are made regarding the IT and/or operational risks associated with data migration and adequately addressing such risks. A change management process is followed for relevant systems and infrastructure, including steps to ensure security, such as impact analyses, testing, fall-back scenarios and post-implementation review.

Change agility & capacity overload

Risk of not delivering on (all) targets regarding our stakeholders due to undisciplined strategic execution, too ambitious targets, an overfull strategic/inorganic growth agenda or insufficient change agility within the organisation.

External economic, technological, geopolitical, regulatory, ecological, labour market and demographic developments are impacting the strategic context in which we operate at a faster pace than before. Change agility refers to the ability to effectively address new threats and opportunities as they present themselves, rapidly learn and implement new insights or practices, or even change an entire direction resourcefully within a short space of time.

Realising our strategic targets requires disciplined strategic execution to simultaneously run internal programmes to manage, simplify and transform our existing businesses, drive innovation, improve our financial returns, and reduce cost. Furthermore, we need to anticipate developments in a timely fashion if we are to remain relevant to our customers in the long run.

The Strategic Transformation Office (STO) is working to enhance NN's change agility through new business initiatives such as the participation in platforms in the areas of Carefree Retirement, Self-care, B2B Well-being and Business Continuity. Capability-building teams are in place to help maximise business impact through partnerships, resources and education around innovation. We regularly review our progress on implementing the strategy together with our largest business units. We apply strict programme and change management principles for all strategic change programmes and integration-separation programmes, and to balance available internal capacity across different targets.

Being outrun by competition

Risk of NN not being able to fight non-traditional competition (e.g. Big tech companies, Insurtech) and/or making insufficiently focused choices regarding primary distribution channels (online/ execution only or agents taking over the market).

The world in which we operate has changed in recent years. Technology, digitalisation, the shift to a platform economy and the use of data are all having a growing impact on our everyday lives. Customers expect a faster, transparent, more direct and more personalised experience, with tailored products and services offered by companies that act responsibly.

An increasing number of non-traditional competitors, such as aggregators (parties absorbing closed books), Big-tech companies and Insurtech, are starting to access insurance markets. These competitors have a high investment potential, with big players (like Meta, Alphabet, Microsoft, etc.) which could make them better positioned for future insurance markets. In response, we are accelerating our digital strategy through partnerships with start-ups and Insurtech companies, as well as through our innovation labs. Furthermore, we are performing targeted acquisitions to grow our leading role as orchestrator in the total value chain of insurance products.

Product suitability (litigation)

Risk that products fail to appropriately cover clients' interests over the full product lifetime, leading to litigation and financial claims (e.g. current unit-linked (UL) issue in the Netherlands and potential for UL issues in International).

Product suitability is essential to our relationship with customers and creating longer-term value for our stakeholders. NN's Product Policy covers product risk-related requirements, including specific requirements on product suitability.

In the Netherlands, there are ongoing legal and complaints proceedings pending where customers are making claims for compensation related to unit-linked products that were sold in the past. There is no assurance that further proceedings claiming compensation for damages will not be brought before courts and/or Kifid. When these legal claims and proceedings will conclude is uncertain. We aim to resolve individual customer complaints where possible and appropriate, which might include tailored individual settlements with policyholders. However, where necessary we defend our position in proceedings. For more information refer to Note 45.

In October 2022, EIOPA published its Methodology to assess value for money in the UL market. It outlines a common European approach on how to identify UL products that may offer poor or no value for money, and require close monitoring by national competent authorities (NCAs) to ensure risks are sufficiently identified, monitored and mitigated. It follows a top-down process based on three layers of analysis: a market-wide assessment, an enhanced product analysis, and an assessment of the product oversight and governance (POG) process and documentation.

Throughout the company, PARP and our product risk committees are in place to oversee product design and suitability, sound underwriting and claims management, and adequate pricing of all existing and new products.

Climate change (transition)

Risk of investments losing value, lower investment returns and/or actual claims and benefits paid to customers deviating adversely from expectations resulting from 1) physical risks (changes in weather patterns, temperature, hydrological conditions or natural ecosystems) and/ or 2) transitional risks (the transition to a lower carbon/green economy, which may adversely affect individual businesses, sectors or the broader economy).

Climate change can affect the asset side of our balance sheet (through investment assets decreasing in value), the liability side (financial risks related to the products that NN Group offers) and own operations (business continuity). Impact may depend on type of business (banking, life insurance, non-life insurance), portfolios, geography or other differentiating factors. NN Group owns predominantly life and pensions business, where impact of climate change impacts us mainly through transition risks on the asset side of the balance sheet.

Through our role as a large institutional investor, we are able to have a positive impact on sustainability matters, including reducing climate change. We have set strategic targets as part of our strategy (e.g. to move to a net-zero greenhouse gas emissions investment portfolio by 2050 and to dedicate EUR 11 billion in investments in climate solutions). We have also joined the newly established Net-Zero Insurance Alliance (NZIA), which supports its members in measuring and reporting on decarbonising their underwriting portfolios. We also offer and continue to develop a range of products that help customers adapt to and mitigate climate change, such as sustainable mortgages through Woonnu. And finally, our Taskforce Sustainability In Business implements regulatory requirements regarding sustainable finance. This includes a sustainability risk roadmap that aims to integrate sustainability risk management into our regular risk management practices. As part of this roadmap, but also as part of ORSA, we perform scenario analysis to further understand the impact of climate change.

5.5 Sustainability and climate change risk management

5.5.1 Integration of sustainability risks in NN's risk framework

NN Group sees sustainability and climate change as important risk management topics. Therefore, in 2022, we revised the general principles of our risk framework to structurally embed sustainability-related matters.

- Sustainability matters are opportunities, risks and adverse impacts related to environmental, social and governance (ESG) factors, including climate change, employee and human rights, anti-corruption and anti-bribery. Sustainability matters are identified based on the 'double materiality' concept: our impact on the environment and society (inside-out perspective) and how the matters impact our company (outside-in).
- Sustainability opportunities are opportunities related to ESG factors that can make a positive contribution to NN Group's strategic and financial targets, reputation or balance sheet, as well as a positive impact to environment or society.
- Sustainability risks are risks related to ESG factors that can cause material negative impact to NN Group's long-term performance, reputation, value, balance sheet or operations.
- Adverse impacts are negative impacts on ESG factors that are caused by or (in) directly linked to NN Group's activities, such as NN Group's strategy, investment decisions, underwriting and operations.

Sustainability matters are driven by the following ESG factors:

- Environmental factors: climate change, other forms of environmental degradation (e.g. air pollution, water pollution, scarcity of fresh water, land contamination, biodiversity loss and deforestation) and animal welfare, as well as corrective policy actions aimed at addressing such factors. Climate change is further divided into transitional effects resulting from the transition to a lower carbon/green economy and physical effects resulting from changes in weather patterns, temperature, hydrological conditions or natural ecosystems.
- Social factors: the rights, well-being and interests of people and communities, including human rights, (in)equality, health, inclusiveness, diversity, employee rights, labour relations, and workplace health and safety.
- Governance factors: pursuing or applying proper governance practices, among others executive leadership and, executive pay, audits, internal controls, board independence, shareholder rights, anti-corruption and anti-bribery, and also the way in which companies or entities include ESG factors in their policies and procedures.

In addition to the general principles, we have also adjusted various policies, standards, technical documents and risk charters to put more focus on sustainability-related issues. Examples include policy documents related to the Responsible Investment Framework policy and product approval and review process, the Own Risk & Solvency Assessment Standard and the Risk Management Function Charter. We have also added sustainability risks to our risk taxonomy, by mapping ESG factors to traditional risk classes to better see which factors may (co-)create which risks.

5.5.2 Our approach to identifying and assessing climate change risks

The approaches, methodologies, tools and data to qualify and quantify the (financial) impact of sustainability risks are rapidly evolving and bring with them many challenges. Some risks (e.g. modelling the impact of weather events on insured objects such as residential buildings) are already part of our regular risk management. For other areas of the underwriting portfolio (modelling of the vulnerability to reduce the carbon footprint) and certain specific asset classes, we are still exploring which approach, methodology and tooling is the most appropriate for performing further assessment, either quantitative or qualitative.

In what follows, we describe the current approach that NN is taking to further assess potential impact of climate change risks on the viability of NN Group's strategy or Solvency II balance sheet in the medium to long term.

To understand, mitigate and adapt to the potential impacts of climate change, we must first understand the physical and transition risks and opportunities most pertinent to our business activities. Therefore, we conduct qualitative and quantitative analyses of the potential impacts of climate change. We do this as a separate exercise and/or as part of NN Group's annual Own Risk & Solvency Assessment (ORSA) to evaluate how risks in the longer term may impact our Solvency II balance sheet. We use the insights gained to inform our investment strategy and help us integrate climate change issues into our insurance underwriting and risk management practices.

The biggest challenge remains quantifying the impact of climate change risks.
This is because the impact of physical and transitional risks is highly uncertain and non-linear, and is assumed to impact us in the medium to long term. The likelihood these risks will occur is not reflected in historical data and the possibility of extreme values cannot be ruled out. We are continually investigating and monitoring new developments around sophisticated forward-looking approaches and modelling, but in general our approach to sustainability risk assessment is:

1. Identify the major transitional and physical (sub-)risks.
2. Perform qualitative materiality assessments of identified physical and transitional risks.
3. Prioritise the transitional and physical risks through heatmaps and rating systems.
4. Use the findings to investigate the availability of, and/or develop, appropriate vulnerability factors.
5. Adjust (local) stress scenarios to quantify the potential impact of climate change on the balance sheet in the medium and long term.

By identifying the transitional and physical (sub)risks, our primary focus is strongly aligned with the recommendations of the Task Force on Climate related Financial Disclosures (TCFD):

- **Transitional risk drivers:** Technology, Policy, Legal, Market Sentiment and Reputational.
- **Physical risk drivers:** Acute (Tropical Cyclones, European Windstorm, River Flood, Hail, Precipitation and Wildfire) and Chronic (Sea Level Rise, Drought and Heat).

In addition, in line with the expectations of the European Insurance and Occupational Pensions Authority (EIOPA), climate change-related risks in the asset and underwriting portfolios are assessed against at least two climate change scenarios of the Intergovernmental Panel on Climate Change (IPCC), and corresponding transition pathways of the Network for Greening the Financial System (NGFS), in both cases taking into account various temperature-increase time horizons.

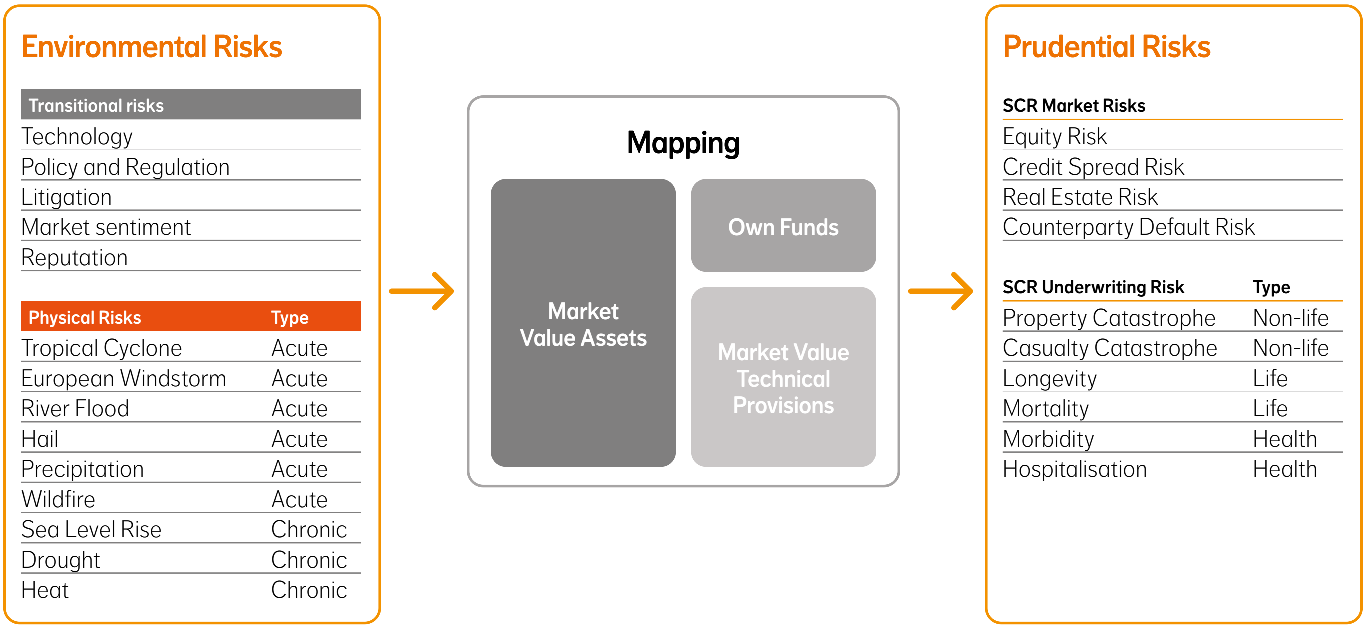
IPCC Scenarios	NGFS Pathways	Time Horizon	Temperature Increase
RCP-2.6	Orderly Pathway	2030	+ 1.3 °C
RCP-2.6	Orderly Pathway	2050	+ 1.5 °C
RCP-2.6	Orderly Pathway	2100	+ 1.5 °C
RCP-6.0	Hot House World	2030	+ 1.3 °C
RCP-6.0	Hot House World	2050	+ 1.7 °C
RCP-6.0	Hot House World	2100	+ 3.0 °C

The materiality of and time horizons over which the transitional and physical climate change risks may impact our business activities depend on the characteristics of the specific type of business (life insurance, non-life insurance and banking) and asset portfolio, as illustrated in the three examples below:

- NN Group's property & casualty (P&C) business is predominantly a one-year renewal business. Consideration of these risks in the underwriting and pricing processes will be done regularly within a one-to-three-year time horizon.
- Product development and strategy updates tend to be based on a three-to-five-year time frame.
- NN Group's investment and underwriting strategies for life and health insurance liabilities clearly need to consider the impact of climate change over a period well beyond the next five years.

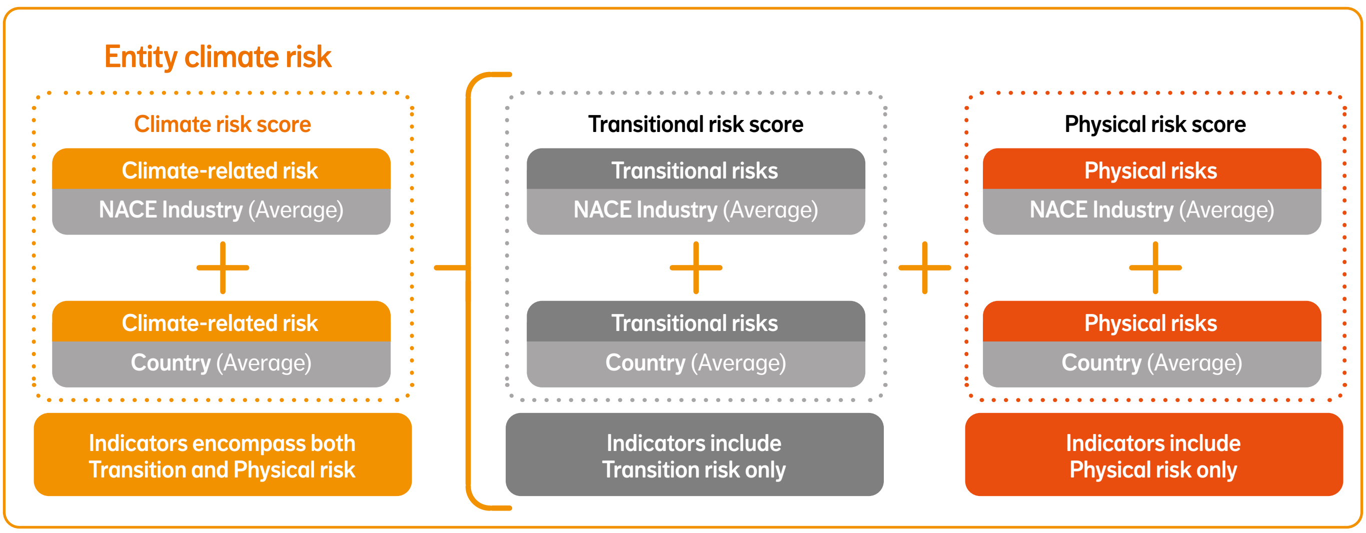
When assessing the impact of the transitional and physical risks to the asset and underwriting portfolio, we consider the industry and country-specific characteristics of an asset item or insurance product.
For example, the physical vulnerability of a (type of) asset to climate change-related weather events depends on the industry and part of the world in which it is used. Equally, the transitional vulnerability of a commercial insurance product to contribute to a net-zero economy depends on the industry sector in which the insured company operates and the regulatory environment of the country where it is domiciled.

Finally, once the corresponding vulnerability factors are determined, the potential financial impact on assets and liabilities can be assessed, including the impact on the corresponding financial indicators through the use of transmission channels. From a Solvency II perspective, this means that by stressing the balance sheet components, we can assess the potential climate change-related vulnerability of the corresponding capital (sub-)modules, and ultimately the Solvency II ratio:



The pre-screening phase initially consisted of three steps (see also diagram below):

- **Step 1:** allocate the asset items of NN Group (insurance entities only) to an industry (based on the Nomenclature of Economic Activities (NACE)) and geographical location (the country where the listed instrument/company is domiciled), based on the data of the Group Solvency II Asset Template as at year-end 2021.
- **Step 2**: arrive at transitional and physical risk scores per NACE code. Both scores are determined by taking into account the industry and country-specific characteristics of the assets allocated to the specific NACE code. To qualify these scores, we used various external sources, such as the Sustainability Accounting Standards Board (SASB), German Watch Climate Change Performance Index, World Economic Forum Transition Index and Global Facility for Disaster Reduction and Recovery (GFDRR).
- **Step 3:** determine an overall Entity Climate Risk score per NACE code, based on the average of the transitional risk and physical risk scores.



Spotlight

Ranking climate change-related vulnerability of sectors

In recent years, NN Group has run various studies and scenarios related to sustainability risks, but most were qualitative or looked into specific Solvency balance sheet items in the medium to long term. To work towards a more holistic, structured approach, and utilise available data, in the second half of 2022 we initiated a pre-screening phase for a sustainability risk assessment. This was the first step on our Sustainability Risk Roadmap, which is part of the wider Task Force Sustainability in Business, NN Group's programme to further integrate (regulatory) sustainability aspects into our organisation, business model, services and products. The sustainability risk assessment aims to qualify and quantify the vulnerability of the material balance sheet components of NN Group and its subsidiaries to sustainability risks, looking at different time horizons. Initial focus has been on climate change risks to assets, as the data to assess the transitional risks of the underwriting portfolio was not yet available.

Without considering the impact of the assets' absolute market value, the assessment showed that investments in industry sectors Agriculture, forestry and fishing; Mining and quarrying; and Electricity, gas, steam and air-conditioning supply are classified 'Moderate to Higher' and seen as the most vulnerable sectors to climate change, taking into account transitional and physical characteristics.

The pre-screening phase will be extended by the following steps:

- Step 4: get a final Entity Climate Risk Exposure Score per NACE code. For this, the financial exposure (i.e. market value of the underlying assets) must be expressed in a Financial Exposure score that can then be multiplied by the Entity Climate Risk score of the corresponding NACE code. This approach also takes into account the exposure volume of the assets, while qualifying and ranking the climate change-related vulnerability of a specific NACE code. This forms part of our 2023 Sustainability Risk Roadmap.
- Step 5: introduction of a similar approach to qualify the climate change-related vulnerability of the material underwriting liability components of NN Group's balance sheet in the medium to long term, employing a holistic approach to avoid inconsistencies in the methodologies used when assessing the transitional and physical risks for both sides of the balance sheet.

The outcomes of the pre-screening phase will be used to prioritise and select specific asset classes and underwriting business lines that can be assessed qualitatively and quantitatively in more detail as part of our sustainability roadmap. In particular, we will collect, investigate and/or develop the vulnerability factors for the transitional and physical sub-risk drivers of the most material balance sheet components, in order to quantify the (financial) impact of climate change in the capital environment of Solvency II, taking into account different IPCC scenarios, pathways and time-horizons. Based on the findings of the assessment, the (local) ORSA scenarios can if necessary be revised and adjusted.

5.5.3 How we manage and mitigate climate change risks

Given the characteristics of the majority of their underlying products and investments, the primary risk for our life & pension and banking businesses is transitional risk. Transitional risk refers to risks related to the transition to lower-carbon economies which may adversely affect individual businesses, sectors and the broader economy, thereby also having an impact on our investment portfolio and related results. Pricing and investment returns of financial assets may be influenced by factors such as public policy (e.g. carbon tax and subsidies), technological developments (with companies profiting from or negatively impacted by the transition), changing consumer preferences (e.g. for greener products) and evolving interpretations of legal frameworks. Such trends and attendant risks are likely to materialise and expose insurers to potential risks through their investment portfolios over the medium term. That said, there are also specific short-term risks, such as the impact of sudden adjustments to market sentiment around climate risks.

Transitional risks could also arise from a change in the composition of the underwriting portfolio, affected by our efforts to diminish our carbon footprint, explore initiatives to keep climate-related underwriting risks insurable, and develop sustainable products and services. Our asset and liability management could also be impacted by revised macro-economic and financial assumptions (e.g. risk-free interest rates or claims inflation).

The transition towards a low-carbon economy also creates legal challenges for both customers (liability insurance) and us as insurers. Greenwashing is an important risk to manage when it comes to making net-zero commitments, announcing targets or creating sustainable products. Regulators have indicated supervisory action will be taken against companies found to be misleading customers, investors and other stakeholders over the sustainability of their product offerings or transition plans. With complaints and lawsuits against businesses on the rise, we will be intensifying our monitoring of climate-related litigation risks against insured companies, which may have consequences regarding where we insure such companies.

Physical risk is greatest in the short term for our Dutch non-life business, with weather events caused by long-term climate changes and increases in natural catastrophes (e.g. the 2021 floods in Belgium, Germany and the Netherlands) impacting the margins of our P&C insurance products. Although this risk mainly concerns the Netherlands, we also offer a range of relevant non-life products in Belgium, Spain and Poland.

Rising temperatures, leading to increased mortality and morbidity (e.g. from prolonged and multiple heatwaves), will impact our life and income insurance liabilities. Such long-term threats are difficult to quantify, but we currently expect them to have less impact on our life and income insurance liabilities than other risks, such as changes in demographics. And from an overall risk perspective, NN has a larger exposure to longevity risk, which is partly offset by mortality risk.

Mitigating the impact of climate risks on our investments

NN Group's Responsible Investment Framework policy is designed to ensure our assets are invested responsibly. It sets out our vision and approach to integrating ESG factors into our investment process and being an active owner. The policy applies to both proprietary and client assets. Considering sustainability factors alongside traditional financial data helps us make better-informed decisions and optimise the risk-return profile of investment portfolios. Our external asset managers assess sustainability factors, including climate change, with identifying the material risks and opportunities within the investment case being an integral part of an investment process that is continuously being improved.

Our ambition is to transition our proprietary investment portfolio to net-zero greenhouse gas (GHG) emissions by 2050. We believe a strong focus on low-carbon transformation and investing in opportunities will help us manage risks associated with climate change. In aligning our proprietary investment portfolio with our climate goals we believe a single approach or target is inappropriate, and have set out to develop asset class-specific strategies and to use the guidance of the Net-Zero Investment Framework (NZIF):

- For the sovereign bonds portfolio, investments are scored against a set of current and forward-looking alignment criteria, with a preference for allocation to higher climate performing issuers and/or eligible green bonds. We will be seeking to increase dialogue with governments and, using the NZIF for guidance, have developed the NN Country Climate Score as a methodology for scoring investable countries. The Climate Change Performance Index (CCPI) ratings from Germanwatch form a key part of our proprietary scoring methodology for evaluating and comparing the climate performance of sovereign holdings. The CCPI reflects both an issuer's past performance in reducing emissions and investing in climate solutions, and forward-looking plans to deliver on climate goals.
- For the corporate investments portfolio, NN has developed a methodology to categorise companies according to their alignment, or potential to align, to a net-zero pathway. For new investments, we use a best-in-class policy to allocate to companies which are better positioned to transition to a low-carbon economy. For existing assets, we focus on stewardship and engagement to drive alignment, as we believe this has the best chance of realising real-world impacts.
- For our net-zero strategy for NN's non-listed real estate portfolio, we have defined specific net-zero commitments for both our directly managed and indirect portfolios. We have also defined the key measures to achieve our net-zero targets, one of the most important being improving energy efficiency and expanding the use of renewable energy. For our directly managed portfolio we are currently performing asset-level analysis, utilising the Carbon Risk Real Estate Monitor (CRREM) to model each building's pathways and define the necessary improvement plans. For our indirect portfolio, our main lever is engagement with the management of the funds in which we invest to increase their ambition to reach net-zero emissions.
- To grow our investments in climate solutions that support the transition, we have developed an internal framework for defining 'climate solutions investments', setting an ambition to dedicate an additional EUR 6 billion in investments towards climate solutions by 2030. Current investments in climate solutions are amongst others green bonds, energy efficient buildings and renewable infrastructure. As an initial step in classifying climate solutions investments, and in line with guidance from the IIGCC PAII, we focused on the SDG 7-related areas of energy efficiency and renewable energy. We have underpinned our definitions with external certifications, asset labels and environmental standards where possible and relevant. In setting our definitions, we have tried to align as much as possible with the EU taxonomy criteria, though it is proving a challenge to assess the extent of alignment, as this requires very detailed information often not (yet) available, and it remains uncertain what constitutes acceptable evidence for alignment.

As an example of our effor ts to transition our proprietary investment portfolio to net-zero, we measure the carbon footprint of our proprietary investments. This provides us with information on where our highest carbon risk exposure lies and is useful, for example, for engagement purposes. We consider engagement a valuable tool, as it enables us to enter into dialogue with investee companies on the risks of climate change and need to transition to a low-carbon economy.

We have environmentally focused exclusion criteria. In 2022, we updated our criteria for NN's proprietary investments around unconventional oil & gas exploration. Companies are now placed directly on our exclusion list when they derive more than 5% of their total revenues from the extraction of oil sands, or offshore oil & gas exploration or production in the Arctic region. In addition, NN will make no new investments in companies that directly derive more than 30% of their revenues from fracking/shale oil & gas. In addition, we strengthen our screening criteria for new investments within our coal phase-out policy.

Like any other market risk, risks in our asset portfolio are managed through a well-diversified portfolio, employing a range of relevant policies and standards, within acceptable risk limits and other boundaries, and with the option to reduce downside risk through hedging programmes. For concentration risk, we use concentration limits on corporate and sovereign issuers, asset type and country of risk. For liquidity risk, we assess the ratio between liquid assets and liquidity requirements. For more information on how we manage market risks, read Note 52. For a more detailed description of our Climate Change related investment ambitions, strategy and governance, including the Net-Zero Roadmap and RI Framework policy, read pages 47-57 or the Climate Action Plan on our website.

Mitigating climate risks impacting our liabilities (underwriting processes)

As mentioned, climate change-related physical risks are particularly relevant to our P&C business, as more severe and/or frequent weather events, such as windstorms, precipitation or hail, can increase claims and operational costs, and thus affect the margins of our P&C insurance products.

In line with EIOPA's objective to close existing protection gaps as much as possible, we have extended the coverage of our policies to include protection against a breach of secondary dikes. We also believe a joint approach from Dutch P&C insurers, reinsurers and environmental authorities is needed to provide additional protection against losses resulting from breaches of primary dikes. NN Non-life encourages the pursuit of risk-mitigating market solutions, through both our membership of the Dutch Association of Insurers and our intensive involvement in climate change-related topics.

Within our insurance business, we manage physical climate risks in a variety of ways. We offer and develop a range of products that help customers adapt to and mitigate climate change, such as coverage against severe weather events and defined contribution lifecycle pension products that promote sustainable lifestyles. We have also set strategic Management Board targets that integrate sustainability criteria into underwriting, with a focus on (acceptance) policies, the product approval process and management of sustainability-related risks.

Within our P&C business, NN helps customers take precautionary measures to prevent and minimise claims caused by windstorms, extreme rainfall, hail or other weather-related events driven by climate change. We monitor our claims experience and reprice or adjust policy conditions where necessary. NN's P&C portfolio is predominantly renewable on an annual basis, allowing repricing of products over the short term; though we apply such measures cautiously, as longer-term affordability for our customers remains an important consideration.

We let insights from catastrophe models guide our pricing/underwriting risk management process. For this we use external vendor models (based on meteorological modelling, reflecting observed storms and patterns) to estimate the impact and damage that would be caused by large natural catastrophes, such as windstorms and hail. To align with a medium- to long-term, forward-looking approach, and climate change-related time horizons (up to 2100), we will investigate the impact of windstorm, precipitation and hail on the property underwriting portfolio, taking into account various IPCC scenarios.

Catastrophe models are also part of the solvency and capital risk management process, with portfolio diversification and addressing tracking concentration also being key risk-mitigating steps. NN offers a broad range of non-life insurance protection options that cover against a wide variety of causes of damage and loss. Alongside our P&C products, we also offer income protection products, such as disability and accident insurance, that we expect to be less sensitive to climate change.

External reinsurance will, under certain conditions, partially mitigate potential impacts. We have a group-wide catastrophe reinsurance programme to protect against the severity and frequency of large natural catastrophes. Reinsurance covers are placed with a diverse range of strongly capitalised external reinsurers, and reduce the losses to NN Group from both large events and multiple smaller ones. Both the applicability of the external vendor models, and the reinsurance structure and cover, are reviewed annually.

The transitional risks of NN Group's underwriting portfolio will be managed intensively as a result of the commitments we make via the Net-Zero Insurance Alliance (NZIA), which brings together insurers and reinsurers to play their part in accelerating the transition to net-zero emissions economies. Through the NZIA, NN Group is committed to transitioning our underwriting portfolios to net-zero GHG emissions by 2050.

As a key part of our efforts to reach our goal of net-zero insurance underwriting, we have to start with GHG accounting of our insurance associated emissions. NN Group will apply the Partnership for Carbon Accounting Financials' (PCAF) new standard for measuring GHG emissions for our insurance underwriting portfolio. NN Group joined the PCAF Insurance Associated Emissions Working Group to help develop PCAF's first standard for measuring insurance-associated emissions. The PCAF guidelines for commercial and personal motor lines insurance were published in November 2022, and we have started making our first calculations for insurance-associated emissions for these lines of our insurance underwriting portfolio.

For more information about NN Group's climate change-related underwriting ambitions, strategy and governance, including the net-zero roadmap, read pages 47-57 or the Climate Action Plan 2022 on our website.

Managing Biodiversity and Human Rights

Although the transitional and physical factors of the Climate change-related components of the Environmental area are the first sustainability-related risk management items that were pick-up intensively, also the Nature-related components of the Environmental area and the Social and Governance areas are gaining more attention. Within NN Group, initial steps are taken to address biodiversity (part of the Nature-related component of the Environmental area) and human rights (Social area):

Addressing biodiversity: We recognise that addressing adverse impacts on the environment is not only about reducing our GHG emissions and becoming climate change resilient, but also about preserving and restoring our ecosystems, biodiversity and much more. As an insurer, we seek solutions that address biodiversity. For example, as one of the leading marine insurers in the Netherlands, NN aims to limit negative impacts to the oceans' ecosystems; not only from climate change but also from pollution and overfishing. To underscore our intentions, NN signed the Marine Insurance Statement to fight pirate fishing. Furthermore, as a responsible investor, NN Group adopts biodiversity factors under the E in our ESG integration strategy. We apply active ownership practices to encourage investee companies to adopt more responsible environmental and social practices to enforce nature positive changes. To strengthen our commitment to protect and restore nature, NN Group signed the Finance for Biodiversity Pledge and became a member of the Finance for Biodiversity Foundation in September 2022. NN Group's strategy on biodiversity will continue to evolve as data, reporting, and standardisation improve.

Addressing human rights: As a financial services provider, we are at risk of causing, contributing and/or being linked to adverse human rights impacts. By carefully analysing our business activities, customers, partners and suppliers, we identify the areas with the most human rights risks. This means that within our activities we identify the most salient human rights issues, which refers to those issues with the most severe risks to people. We have conducted reviews to identify these issues and will continue to monitor this in an ongoing process. We take into account global trends including data privacy and protection, and inclusion & diversity.

Scenario analysis and stress testing

The Solvency II supervisory framework requires insurers to hold sufficient capital to cover the losses of a 1-in-200-year event, over a one year time period. In addition, insurers consider risks beyond this one year period, as part of their ORSA, and hold a level of capital in line with their defined risk appetite. NN Group, and each of its regulated (re)insurance subsidiaries, prepares an ORSA at least once a year. This includes the outcomes of stress tests and/or scenario analyses aligned with the identified key risks.

Deploying qualitative and quantitative scenario-based analyses helps us better understand the impact of physical and transitional risks, both during the business plan period and beyond. Where possible, these analyses consider relevant short-, medium- and long-term scenarios aligned with the TCFD recommendations. We use the insights gained as further input for formulating our investment strategy and integrating climate change issues into our risk management practices.

In 2021 to 2022, NN Group and our entities performed the following scenario analyses and stress testing:

- A quantitative assessment using geographical data to assess physical (concentration) risks for NN's mortgage book and underwriting property portfolios in the Netherlands, looking at flooding events (including surface water floods caused by heavy rainfall, river floods and coastal floods) and pole rot.
- A quantitative assessment of the preparedness of corporates to deal with climate change. Investments in certain industries might lose value if companies fail to adapt to a low-carbon business model.
- A quantitative assessment of a disorderly transitional scenario, ensuing from prompt and radical global action and policies to limit global warming, that would have an impact on our assets (equity, mortgages and real estate) and that materialises over the medium-term business planning period, in line with a (2019) Prudential Regulation Authority (PRA) scenario.

We will continue to explore potential scenarios, develop more accurate parameters for quantifying the impact of climate risks and build our capabilities to make more detailed assessments per investment type. This will include a specific focus on deepening our understanding of climate-related risks and focusing on our non-life insurance portfolio by, amongst other things, using the insights gained from the UN-convened TCFD recommendations mentioned above.

Corporate governance

6

NN recognises the importance of good corporate governance. This chapter provides an overview of our governing bodies, namely our Executive Board, Management Board and Supervisory Board.

Our Management Board

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

David Knibbe
Chief Executive Officer and chair of the Executive Board and Management Board
Nationality: Dutch
Date of birth: 1971

Annemiek van Melick
Chief Financial Officer and vice-chair of the Executive Board and Management Board
Nationality: Dutch
Date of birth: 1976

Tjeerd Bosklopper
Chief Executive Officer Netherlands Non-life, Banking & Technology
Nationality: Dutch
Date of birth: 1975

Bernhard Kaufmann
Chief Risk Officer
Nationality: German
Date of birth: 1969

Dailah Nihot
Chief People, Communications, and Sustainability Officer
Nationality: Dutch
Date of birth: 1973

Leon van Riet
Chief Executive Officer Netherlands Life & Pensions
Nationality: Dutch
Date of birth: 1964

Fabian Rupprecht
Chief Executive Officer International Insurance
Nationality: Swiss, German
Date of birth: 1969

Janet Stuijt
General Counsel
Nationality: Dutch
Date of birth: 1969

Our Supervisory Board

The Supervisory Board is responsible for supervising the management of the Executive Board and the general course of affairs of NN Group and the businesses affiliated with it. The Supervisory Board assists the Executive Board with advice.

David Cole
Chair
Nationality: American, Dutch
Date of birth: 1961

Hélène Vletter-van Dort
Vice-chair
Nationality: Dutch
Date of birth: 1964

Inga Beale
Member
Nationality: British
Date of birth: 1963

Robert Jenkins
Member
Nationality: American
Date of birth: 1951

Rob Lelieveld
Member
Nationality: Dutch
Date of birth: 1962

Cecilia Reyes
Member
Nationality: Filipino, Swiss
Date of birth: 1959

Hans Schoen
Member
Nationality: Dutch
Date of birth: 1954

Pauline van der Meer Mohr
Member
Nationality: Dutch
Date of birth: 1960

6.1 Conversation with our Supervisory Board Chair

Supervisory Board Chair David Cole reflects on how NN showed overall resilience in a challenging environment.

The year 2022 was dominated by a volatile environment, affecting our operations, customer behaviour and wider society. How did NN navigate this environment?

NN responded to the war in Ukraine by looking at what it means to our employees and impacted communities to determine how we could best support them, such as in neighbouring countries where refugees have sought shelter. This was not only a reflection of how we, as an organisation, live our values, but also testament to the overall resilience of NN. The company performed well in a challenging environment, as reflected in the strong results for 2022. The rise in inflation of course has an impact, for example through higher claims, but NN is well-prepared for this type of volatility. Also, as a large investor, the quality of our investment portfolio remains very high, although we must stay alert to how macro-economic and geopolitical developments can impact our balance sheet.

How would you characterise the Supervisory Board's role during the year?

In light of the challenging circumstances, we engaged more frequently with the Management Board to receive updates on developments in financial markets and discuss how we as a company were responding to the changed reality we were facing as a company. At the same time, we tried to be as proactive as can be, asking ourselves questions like: what will our impact on society be in five to ten years? Where are the opportunities for us to play an enhanced role going forward? Are we investing enough in our business? This is how we ensure our short-term actions remain in support of our long-term goals: delivering value to all our stakeholders. To give an example, with short-term cost pressures in a time of high inflation, an organisation may be tempted to cut investments in IT capabilities. However, in the long term, such investments are essential to ensure we have the right digital capacity to serve our customers in the future. The same applies for the upcoming changes in the Dutch pension market. We're making investments to prepare for that.

What were the main focus areas?

An important focus area remains the execution of our strategy. Overall, our businesses showed a good underlying performance. For example, we are making good progress in developing our non-life business, which is delivering services that our customers appreciate, and we are becoming the supplier of choice for pensions in the Netherlands. Our businesses in Europe and Japan also had a successful year. At the same time, customer experience is an area where we can improve further. We are doing well here, but as customer needs and expectations evolve it is a task that is never finished.

Secondly, we focused on the transactions that we announced in 2020 and 2021, which in 2022 shifted to the execution phase. It takes discipline and hard work to integrate or divest a business, and we must ensure integrations and disentanglement processes are carried out comprehensively. We worked closely with management to understand these processes and this engagement continues as we monitor whether the transactions are achieving the value they intended to deliver. For example, following the divestment of NN Investment Partners, we have the benefit of having Goldman Sachs Asset Management as a responsible investment provider, but we also need to be capable of managing this relationship as well as continuing to understand the various asset classes and how they contribute to a healthier planet.

Thirdly, we focused on determining and refining the metrics on which we can determine our success in delivering long-term, sustainable value to our stakeholders. One of the key objectives was that we wanted to be clear about what the financial markets and all of our stakeholders can expect from us, also during more volatile times. This means: delivering a steady performance, an ongoing commitment to use our capital well, and return excess capital to shareholders, for example in our EUR 250 million share buyback programme. This also means continuing to provide good outcomes to our customers, excellent services to our partners and remain an employer of choice. We were closely involved in the financial and strategic planning process and we engaged actively with the Management Board to prepare for the Investor Update in November.

Climate change remained one of the most urgent topics in 2022. How do you view NN's efforts on sustainability matters?

We are pleased with how NN is engaging on the topic. We all have to take our responsibility when it comes to protecting our environment – there is no room to be complacent. There are clear signs we are making progress by taking concrete measures to address climate change, from the footprint of our own business to our investment profile, underwriting and how we engage with customers. In 2022, we increased our investments, refined our policies and further strengthened our targets. It is encouraging to see how broadly these efforts are being embraced throughout the organisation: everyone appreciates the urgency and wants to contribute. There is a massive need for change in society and we will be part of that change.

Speaking of change, there were several changes to the composition of the Supervisory Board. More recently the board also announced its intent to reappoint David Knibbe as CEO for another four years. Can you elaborate on these decisions?

Starting with David, we are pleased to reappoint him for another term. Under his leadership, NN has made good progress on the execution of its strategy while reporting a strong commercial and financial performance. This has created a solid foundation for long-term growth and sustainable value creation for all stakeholders. Together with our CFO Annemiek van Melick, who joined NN in 2022, and the wider Management Board, we are confident that under David's leadership NN will continue this successful path.

Turning to the composition of the Supervisory Board, we aim to bring together the experience and skills necessary to fulfil our responsibilities as a Supervisory Board while reflecting the profile of our organisation, its international footprint and listed status. Diversity is an important factor: not only in gender, but also in terms of educational background and nationality. We review the composition of the Supervisory Board on a regular basis to ensure it remains relevant for NN, in line with a matrix of skills and competencies. In 2022, we saw the departure of Clara Streit and Heijo Hauser, both after many years of highly appreciated service and contribution, and at the start of this year we welcomed Pauline van der Meer Mohr to the Supervisory Board. Pauline has had an extensive executive career and brings a thorough understanding of corporate governance, as well as of the relationships between business and society to our Board.

Ultimately, the Supervisory Board has a clear role within NN to maintain our responsibility towards all stakeholders and have an open dialogue. We thank the Management Board for their dedication and effective cooperation, and look forward to continuing our engagement in 2023.

6.2 Report of the Supervisory Board

The Supervisory Board is responsible for supervising the management of the Executive Board and the general course of affairs of NN Group N.V. (NN Group) and the businesses affiliated with it. The Supervisory Board also advises the Executive Board. In performing its duties, the Supervisory Board carefully considers and acts in accordance with the interests of NN Group and its affiliated businesses, taking into account the interests of all stakeholders.

More specifically the Supervisory Board supervises, advises and monitors the Executive Board with respect to amongst others (i) setting and achieving NN Group's objectives, (ii) long-term value creation by NN Group, and (iii) sustainability matters which are relevant to NN Group.

This Supervisory Board Report should be read in conjunction with the Corporate Governance section (pages 105-121) and the Remuneration Report (pages 122-138) of this Annual Report.

Profile of the Supervisory Board

The composition of the Supervisory Board is such that the members are able to act critically and independently of one another, the Executive Board and any particular interests. The Supervisory Board operates as a collegial body and the knowledge, experience and background of its individual members are considered in the context of the Supervisory Board as a whole.

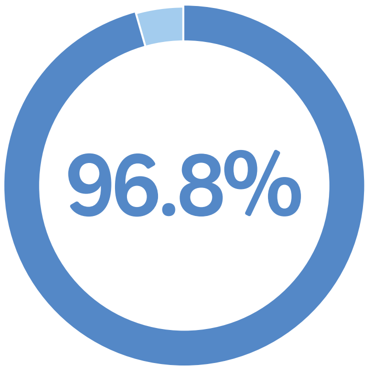
Supervisory Board facts & figures

Meetings held

7

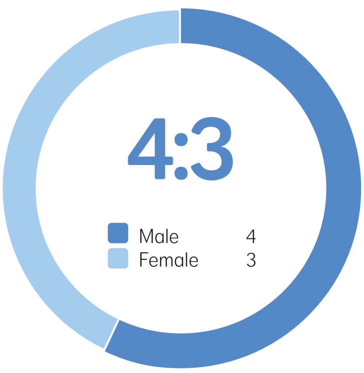
Supervisory Board meetings held in 2022

Attendance rate



Overall attendance of Supervisory Board meetings

Composition



Supervisory Board composition (after 19 May 2022)

4

Supervisory Board Committees

Education sessions

13 hours

In total, 13 hours spent on Permanent Education sessions arranged by NN Group Permanent Education attendance rate: 84%

The overall composition of the Supervisory Board is balanced by taking into account members' (a) nationalities, gender, age, experience, education and work background, (b) affinity with the nature of the businesses and culture of NN Group, and (c) executive experience, experience in complex multinationals and the political and social environment in which they operate. This ensures a wide range of relevant perspectives and opinions on NN Group, and the opportunities and challenges it faces today and will face tomorrow.

The Diversity and Skills matrix on page 93 provides an overview of the range of knowledge, experience, and backgrounds of the individual Supervisory Board members.

6.2.1 Supervisory Board meetings

The Supervisory Board met seven times in 2022. One meeting was held in Warsaw as part of the Supervisory Board's visit to NN Group's business in Poland. The average attendance rate for Supervisory Board meetings was 96.8%, demonstrating members' commitment and ability to devote sufficient time and attention to the affairs of NN Group.

In addition to the formal meetings, the Chair and other members of the Supervisory Board maintained regular contact with NN Group's Chief Executive Officer (CEO), other members of the Executive Board and Management Board, senior management, heads of staff, and business unit CEOs. In January 2022, the Supervisory Board met with the supervisory authorities. The Chair and the Central Works Council – nominated members of the Supervisory Board also met with (representatives of) the Central Works Council.

The attendance rate of the individual Supervisory Board members was as follows:

	Inga Beale	David Cole	Heijo Hauser[1]	Robert Jenkins	Rob Lelieveld	Cecilia Reyes	Hans Schoen	Clara Streit[2]	Hélène Vletter-van Dort	Overall attendance average
Supervisory Board	7/7	7/7	2/4	7/7	7/7	7/7	7/7	4/4	7/7	96.8%
Audit Committee	–	6/6	2/4	6/6	6/6	2/2	6/6	–	–	93.3%
Risk Committee	5/5	–	1/3	5/5	2/2	5/5	5/5	3/3	–	93.3%
Remuneration Committee	–	–	–	–	5/5	5/5	4/5	3/3	5/5	95%
NomGov Committee	6/6	6/6	1/3	-	3/3	–	–	–	6/6	93.3%
Combined RemCo/ No mGovCo	1/1	1/1	0/1	–	1/1	1/1	1/1	1/1	1/1	87.5%

None of the Supervisory Board members were frequently absent from meetings, and at all meetings attendance was sufficient to constitute a valid quorum.

1 Mr Hauser's term of appointment as Supervisory Board member ended at the close of the annual general meeting (AGM) on 19 May 2022. Due to personal circumstances, Mr Hauser was unfortunately absent for a few meetings held during the last part of his term.

2 Ms Streit stepped down as member of the Supervisory Board at the close of the AGM on 19 May 2022.

	Dave Cole	Hans Schoen	Robert Jenkins	Hélène Vletter-van Dort	Inga Beale	Cecilia Reyes	Rob Lelieveld	Pauline van der Meer Mohr[1]
Year of birth	1961	1954	1951	1964	1963	1959	1962	1960
Gender: Male (M) or Female (F)	M	M	M	F	F	F	M	F
Nationality	American, Dutch	Dutch	American	Dutch	British	Filipino, Swiss	Dutch	Dutch
Skills								
Management of complex multinational enterprises	●	○	●	○	●	●	○	●
International economic, regulatory and public policy issues	●	●	●	●	●	○	●	●
Labour relations, human resources and management development	●	○	○	●	●	○	●	●
Insurance	●	●	○	○	●	●	●	○
Asset management	●	○	●	○	○	●	○	○
Retail banking	●	○	○	○	○	○	○	○
Audit, finance and control[2]	●	●	●	○	○	●	●	○
Risk management	●	○	●	●	●	●	○	●
Legal affairs and corporate governance	●	○	○	●	○	○	○	●
Corporate integrity	●	○	○	●	●	○	●	●
Information technology and transformation	○	○	○	○	●	○	○	○
Marketing, in particular in the area of financial products and services	○	○	○	○	●	○	○	○
Sustainability matters	●	○	●	●	○	○	○	●

1 At the AGM of 19 May 2022, the General Meeting appointed Ms Pauline van der Meer Mohr as member of the Supervisory Board for a term of four years effective as of 1 January 2023.

2 Financial expert as defined in article 39 (1) of Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts.

● Considered an expert given previous and/or current roles (other than non-executive roles)

○ Sufficient experience and knowledge to be able to take an informed decision.

All members of the Supervisory Board are independent, as defined in the 2016 Dutch Corporate Governance Code.

Supervisory Board Committees

Four committees support the Supervisory Board: the Risk Committee, Audit Committee, Remuneration Committee and Nomination and Corporate Governance Committee. The committees are responsible for preparing matters delegated to them. The chair of each committee reports the main points of discussion and resulting recommendations to the Supervisory Board, which enables the Supervisory Board to decide on these matters. For each committee, the key inputs and underlying considerations leading to a recommendation are recorded.

Please refer to pages 98-104 of this chapter for the reports of each of the committees.

Key developments

In 2022, the Supervisory Board participated in several key developments aimed at long-term value creation for NN Group and its stakeholders.

Ongoing dialogue on implementation of the strategy and Investor Update November 2022

Throughout 2022, the Executive Board and the Management Board had a transparent and continuous dialogue with the Supervisory Board on the status of the implementation of the NN Group strategy, and challenges involved. This gave the Supervisory Board a holistic and where requested more in-depth overview of the progress on the strategic and financial targets related to the five strategic commitments (i) Customers and Distribution, (ii) Products and Services, (iii) People and Organisation, (iv) Financial Strength, and (v) Society.

The challenges extensively discussed with and monitored by the Supervisory Board concern, amongst other things, the stressed macroeconomic environment caused by a combination of continuing geopolitical instability (war in Ukraine) and post-Covid-19 developments; the significant increase in inflation rates and the resulting impact on customers, people, and society, and challenges in the operating environment experienced by business units in Central and Eastern Europe.

The Supervisory Board was pleased to observe proactive implementation by business units of remarkable humanitarian initiatives to support Ukrainian refugees, and the way NN extended its core offering to provide medical care services to refugees in the countries bordering Ukraine, as well as NN Group's commitments in this regard.

Specific attention was also paid to the progress made on strategic targets. With regards to Customer and Distribution, the Supervisory Board noted that customer engagement remains a challenge, though progress has been reported. Regarding People and Organisation, employee engagement is developing well, which is particularly important in the current tight labour market. Satisfactory progress has also been reported with regards to society in relation to, amongst others, the development of NN's first comprehensive Climate Action Plan, which sets out a net-zero roadmap covering our own operations, investments and insurance underwriting, an increase in investments in climate solutions, the integration of sustainability criteria in underwriting, further embedding of sustainability aspects in NN's operations and products & services and contributing to the local communities through charitable donations and employee volunteering.

Though overall good progress has been made on the strategy's implementation from both a strategic and financial perspective, current economic conditions present risks and challenges for NN Group in 2023 that will require continued proactive management and monitoring. Therefore, in 2023 the Supervisory Board will take more time to focus on tracking delivery on the strategic targets and the underlying business performances (including customer engagement and sustainability matters), and to ensure short-term actions remain in support of the long-term value creation for all stakeholders.

M&A

Following the M&A transactions announced in 2020 and 2021, the Executive Board and Management Board regularly updated the Supervisory Board on the status and challenges stemming from amongst others the divestment of the Belgium closed book portfolio, the integration of MetLife Poland, and MetLife Greece and Heinenoord in the Netherlands, and the divestment of NN Investment Partners (NN IP).

Throughout the year, the Supervisory Board paid specific attention to the divestment of NN IP, both from the perspective of disentanglement as well as the build-up of capabilities, such as, for example, the expansion of the Responsible Investment team within the Group. Particular attention was paid to ensuring alignment on topics such as Responsible Investing and ensuring the transaction and ongoing cooperation continues to deliver long-term value for NN Group and its stakeholders.

In addition, the Executive Board and the Management Board ensured an open dialogue with the Supervisory Board during the process leading up to the announced acquisition of the life insurance subsidiary of ABN AMRO Verzekeringen by Netherlands Life on 15 February 2022, as well as the announcement on 13 September 2022 regarding the sale of the former MetLife pension business in Poland to Generali.

These updates and dialogues enabled the Supervisory Board to advise, supervise and challenge the Executive Board and Management Board on the strategic merits of these transactions as well as, ensuring that throughout these divestment, disentanglement and integration processes the interests of all stakeholders remained an integral part of the considerations and decision-making by the respective Boards. The Supervisory Board wishes to express its appreciation for the commitment shown by everyone involved and diligence with which these processes are being executed to ensure continued long-term value creation for NN Group and all its stakeholders.

Changes in the Executive Board and Supervisory Board

On 19 May 2022, after notification to the General Meeting at the 2022 AGM of NN Group, on that same date, the Supervisory Board appointed Ms Annemiek van Melick as member of the Executive Board and Chief Financial Officer (CFO) of NN Group for a term of four years, effective from 1 July 2022. The appointment was approved by the Dutch Central Bank (DNB). As a result of the appointment, Ms Van Melick also became vice-chair of the Executive Board and Management Board for the same term. Ms Van Melick succeeded Mr Delfin Rueda who left NN Group as of 1 July 2022, after being member and vice-chair of the Executive Board and CFO of NN Group since 2014.

At the close of the 2022 AGM, Mr Heijo Hauser's term of appointment as Supervisory Board member ended and Ms Clara Streit stepped down as a Supervisory Board member.

At the 2022 AGM, the General Meeting reappointed, upon nomination of the Supervisory Board, Mr David Cole and Mr Hans Schoen as members of the Supervisory Board for another period of four years and two years respectively as of the close of the 2022 AGM. Following his reappointment, the Supervisory Board re-elected Mr Cole as Chair of the Supervisory Board. Mr Schoen has been a member of the Supervisory Board for eight years and chairs the Audit Committee. Considering the implementation of the new IFRS accounting standards, the appointment of the new CFO and the fact that Mr Hauser's term of appointment as Supervisory Board member also ended on 19 May 2022, the Supervisory Board felt it important to ensure continuity in the composition of the Supervisory Board and agreed to nominate Mr Schoen for reappointment for a period of two years. Mr Schoen was nominated for reappointment based on the enhanced recommendation right of the Central Works Council of NN Group.

At the 2022 AGM, the General Meeting also appointed Ms Pauline van der Meer Mohr as member of the Supervisory Board for a term of four years effective from 1 January 2023. Ms Van der Meer Mohr's nomination was made with the intention to further strengthen the composition of the Supervisory Board from a governance and human resources perspective. DNB approved this appointment.

Other discussion topics

Some of the important topics discussed at the Supervisory Board meetings in 2022 included (i) culture, (ii) business plan and capital plan, (iii) unit-linked products in the Netherlands, (iv) Executive Board and

Management Board assessment, and (v) the half-year and annual accounts, dividend proposals, and share buyback programmes.

In addition, the Supervisory Board:
- Actively followed developments, opportunities, and challenges in the various insurance markets, continued rise in inflation and interest rates, volatile markets, and ongoing preparations for the Dutch pension legislation revision, of which implementation has again been delayed by the Dutch Government.
- Actively followed developments and was regularly updated regarding the war in Ukraine and its (potential) impact on NN Group and its business units, employees, and customers.
- Was periodically updated by the Executive Board and Management Board on the overall and underlying commercial performance of NN Group and its affiliated businesses, the IT budget and benchmark, the IT simplification project, and engagement with stakeholders.
- Actively followed the Solvency II volatility and development.
- Discussed and/or approved NN Group's financial half-year results, including the periodic reports of Corporate Audit Services (CAS), the periodic reports of KPMG, 2022 key risks and risk appetite statement, NN Bank Funding plan 2022, and NN Group debt issuance.
- Discussed and approved both the strategic targets and financial targets announced during the Investor Update in November 2022. Strategic targets included amongst others for Customers, Employees and Society, including more than 40% women in senior management positions, reduction of financed Greenhouse gas (GHG) emissions in the corporate investment portfolio, and more than doubling the investments in climate solutions by 2030. These strategic targets are a follow-up to the strategic targets previously announced. The financial targets included amongst others (i) OCG in 2025 of EUR 1,800 million, (ii) mid-single digit growth in free cash flow, and (iii) to continue with a progressive dividend policy and an annual share buyback of at least EUR 250 million.
- Was updated on and addressed matters concerning the NN Group values and purpose, the results of the annual employee engagement survey, and the performance goals for the Executive Board and Management Board.
- Gained insight into the Key Talent Management and Succession Planning within NN Group, and discussed the succession plans of the Executive Board, Management Board and several senior leaders.
- Was updated on the dialogues with Milieudefensie, the Dutch wing of the environmental NGO Friends of the Earth, around the climate action plan and steps being taken to fulfil the commitment of the financial sector to the Dutch Climate Agreement.
- Discussed and provided input on the NN Group Climate Action Plan 2022 published on 21 December 2022.
- Addressed the main points of discussion reported on by the chair of each of the committees as further addressed below in the respective committee chapters.

Culture
NN Group's values, described in the NN statement of Living our Values, set the standard for conduct, and provide a compass for decision-making within the group and our interactions with stakeholders. The values care, clear, commit are an integral part of our strategic framework and a crucial element in our quest to become an industry leader known for customer engagement, talented people and contributing to society. In addition, the NN Code of Conduct clearly outlines minimum rules of conduct that NN Group employees must adhere to and asked to formally acknowledge annually.

Under supervision of the Supervisory Board, the Executive Board and Management Board are responsible for creating a culture aimed at long-term value creation, founded on the NN Living our Values statement and NN Code of Conduct. The Executive Board and Management Board therefore periodically report to the Supervisory Board on how the NN Living our Values statement is being put into practice within the Group, and the effectiveness of and compliance with the Code of Conduct.

The Supervisory Board was presented with the annual Living our Values Report on programme implementation 2022, which provided insight into how NN Group is living the values according to our employees, customers, and the general public, addressed potential areas of concern, and provided recommendations for improvements. The Supervisory Board encourages the proactive approach taken by NN to ensure where relevant changes are implemented in the respective internal governance documentation to ensure compliance with the new Dutch Corporate Governance Code. Measurements on the values care, clear, commit continued to score high among employees and employees feel highly connected with the NN values.

Business plan and capital plan
In January 2022, the Executive Board and Management Board presented the Supervisory Board with NN Group's business plan for 2022-2024 and capital plan for 2022-2026. Amongst other things this outlined Operating Capital Generation (OCG); the projected growth of the operating result and value of new business; capital flows; solvency development; administrative expense development and investments, including related challenges and investments linked to innovation and strategic initiatives.

Following thorough analysis and discussion (including a specific focus on expense savings and investments), the business plan 2022-2024 and capital plan 2022-2026 were approved by the Supervisory Board in January 2022. The Supervisory Board is pleased to note that the business plan was sufficiently detailed on what was needed to be able to implement the strategy, and that the key assumption risks and dependencies of the financial projections are addressed in either the business plan or regular risk assessments and reports.

Throughout the year, the Supervisory Board was regularly updated on how NN Group was performing on its business and capital plan. The Supervisory Board is satisfied with the performance reported. Topics of particular focus included:
- OCG performance during the year as KPI with a target of EUR 1,500 million in 2023, ending with full-year 2022 OCG at EUR 1,711 million.

- Solvency II volatility and the development thereof in 2022, mainly driven by OCG and asset and liability management transactions, partly offset by the combination of model changes, adverse market impact, dividend, and share buybacks.
- Digital transformation of the business and driving innovation across markets.
- Investments versus capital return.
- The impact of the rising interest and inflation rates, and market volatility.
- The key business updates, issues and successes presented by the CEO Netherlands Non-life, Banking & Technology, CEO Netherlands Life and Pensions and the CEO International Insurance on a quarterly basis.
- Steps taken by NN Group to further embrace sustainability and the inclusion of sustainability factors.

In September 2022, the Executive Board and Management Board presented the Supervisory Board with the NN Group Financial Plan 2023-2025 and Capital Plan 2023-2027. Following extensive deliberation, the Supervisory Board approved the final NN Group Financial Plan 2023-2025 and Capital Plan 2023-2027 in November 2022. During this meeting the proposed financial targets announced during the Investor Update in November 2022 were extensively discussed and challenged, taking into account the expected continued market volatility and resulting fluctuations in both the OCG and Solvency II ratio. The Supervisory Board approved the financial targets and key financial disclosures.

Unit-linked products in the Netherlands

See Note 45 in this Annual Report for a description of legal proceedings with respect to unit-linked products in the Netherlands. The Supervisory Board was periodically updated on relevant developments in the collective actions and individual legal proceedings pending against Nationale-Nederlanden.

Executive Board and Management Board assessments

The Executive Board and Management Board performance goals reflect both strategic and financial objectives to safeguard the long-term success of the business. To demonstrate commitment to our NN values care, clear, commit the Executive Board and Management Board's performances were also assessed against the NN Leadership Profile by the Supervisory Board, whose members met with the Executive Board and Management Board members individually in a series of two-on-one meetings. The outcomes of the assessments were discussed during a Supervisory Board meeting which resulted in follow-up actions. For a detailed overview of the outcome of the Executive Board's performance assessment against the financial and strategic objectives, please refer to page 127 of the Remuneration Report.

Annual accounts, dividend and share buyback programmes

During 2022, the Supervisory Board discussed and approved the 2021 annual accounts, the 2021 proposed final dividend payment, the share buyback programme for an amount of EUR 250 million that commenced on 1 March 2022, the share buyback programme for an amount of EUR 750 million that commenced on 13 April 2022 and NN Group's 2022 interim dividend.

Throughout these discussions, the Supervisory Board extensively debated NN Group's Solvency II and liquidity position, Solvency II sensitivities tolerance levels, potential adverse scenarios as shown in the ORSA analysis, particularly by the Recession and Inflation scenarios, with a view to ensuring NN Group remains prudent in its capital decisions.

The Executive Board prepared the 2022 annual accounts and discussed these with the Supervisory Board. The 2022 annual accounts will be submitted for adoption by the General Meeting at the 2023 AGM, as part of the 2022 Annual Report. NN Group will propose paying a final dividend of EUR 1.79 per ordinary share, or approximately EUR 504 million in total, based on the number of outstanding shares on 16 February 2023 (2H2022 publication date). The proposed final dividend of EUR 1.79 per ordinary share brings the total 2022 dividend to EUR 2.79 per ordinary share, which is 12% up from 2021.

Continuous learning

It is vital that Supervisory Board members are knowledgeable about how NN Group and its affiliated businesses are run, trends in the market and regulations impacting NN's business, and have the specific expertise required for the fulfilment of their duties. Supervisory Board members should proactively maintain their expertise to the required standard and, where necessary, endeavour to enhance. The Induction Programme and Permanent Education Programme for Supervisory Board members cover topics necessary to ensure members' continuous learning.

Amongst other things the Induction Programme includes meetings with Executive Board, Management Board and Supervisory Board members; management teams of the Dutch business units; and other key personnel, as well as sessions on the Solvency II framework, System of Governance, Economic Balance Sheet and Solvency Capital Requirements (including the NN Group Internal Model and use test).

The Supervisory Board members followed the 2022 NN Group Permanent Education Programme, that was developed based on the input received from the 2021 annual Supervisory Board self-assessment and requests from Supervisory Board members, Executive Board and Management Board, and staff.

In total, 13 hours of general knowledge and deep-dive sessions were arranged by NN Group. These sessions formed part of the regular Supervisory Board meetings, along with a virtual Knowledge Day also attended by the Executive Board, Management Board, management teams of the regulated Dutch business units and key personnel. A separate introductory session on unit-linked policies in the Netherlands was attended by those Supervisory Board members appointed in 2021.

The 2022 knowledge sessions covered the key developments within NN Group and the financial sector, Environmental Social and Governance developments, implementation of the new accounting regime, compliance, duty of care towards the client and strategic topics. These topics included (in alphabetical order): (i) Cloud & Cloud Security, (ii) Cyber Security & Reliability, (iii) Data & AI, (iv) Environmental Social and Governance In the Insurance Sector – Legal Risk Management, (v) IFRS 9 and 17 – Transition at 1 January 2022, (vi) Integrity Risk, (vii) Most important challenges for insurers, (viii) Paris Alignment strategy investments as part of Responsible Investing, (ix) PIM, (x) Sustainability and Supervisory Board governance, and (xi) Update Society, which covered sustainability developments, including developments in EU regulations in the area of Sustainability Finance and progress made.

In addition, the Supervisory Board visited NN Poland, where in-depth interactive sessions were held covering amongst other things (i) the Polish insurance market and NN's insurance business in Poland, (ii) NN Poland's strategy, (iii) a deep-dive on the MetLife integration, objectives, and progress, and (iv) meeting with the local management team and NN Poland talents and employees.

Aside from the Permanent Education Programme, the Supervisory Board members also met with NN Group colleagues and teams, as well as some of the function heads of NN Group's Support Functions, on specific issues and to learn more about NN Group's businesses and activities. The Supervisory Board members also participated individually in several education and knowledge sessions organised by external organisations and took advantage of the different online learning opportunities to keep themselves informed.

Self-assessment

As is customary on an annual basis, the Supervisory Board and committees evaluated their performance over the year 2022. For this reporting year the Supervisory Board agreed that the self-assessment will be focused on a few main questions including (i) How can we as a Supervisory Board improve? and (ii) Where should the Supervisory Board increase its focus for 2023 and 2024? In addition to the Supervisory Board, both the Executive Board and the Management Board provided input for the self-assessment. This approach ensured that relevant forward-looking priorities were identified.

In February 2023, the Supervisory Board had a robust dialogue on the outcomes of the 2022 self-assessment. During this dialogue, the Supervisory Board also reflected on the outcomes of the 2021 self-assessment, and the main priorities set for 2022. These included amongst others:

(i) Striking a more balanced approach between conformance and performance,
(ii) Supervising digital transformation with supporting mechanisms,
(iii) Gaining a better insight into the culture of Insurance International (which was partly attributed to the recent Covid-19 restrictions), and
(iv) Investing more in relations within the Group by organising informal meetings with management, business unit CEOs, employees, and trainees within the organisation, as soon as Covid-19 allows.

All these priorities were picked up in a structured approach, including scheduling of relevant knowledge sessions and informal meetings. More efficiency and enhancement have been gained in the Supervisory Board processes and standard practices and include amongst other ensuring sufficient time on the Supervisory Board agenda to address strategic topics and other topics identified as important by the Supervisory Board. The visit to the Polish business unit in September 2022 was a great success. The Supervisory Board gained better insight into the Polish insurance and pension markets, culture of NN Poland and met its management team and local talents.

Reflecting on the outcomes of the 2022 self-assessment, also considering the input received from the Executive Board and the Management Board, the Supervisory Board identified the following main priorities and/or actions for the year 2023:

(i) How can we as a Supervisory Board improve?
    a. The Supervisory Board members should ensure sufficient alignment and focus on the key dilemmas to be addressed.
    b. A feedback loop should be established between business unit supervisory board members and NN Group Supervisory Board members to ensure a more structured and transparent sharing of information.
    c. Monitor follow up on the self-assessment priorities during the year.
(ii) Where should the SB increase its focus for 2023 and 2024?
    a. Continued heightened attention should be paid to sustainability matters (including governance and stakeholder dialogues) and technology.
    b. As also confirmed earlier in this report under the strategy update, the Supervisory Board will focus on tracking delivering on the strategic targets, the underlying business performances (including customer engagement and sustainability matters), as well as ensuring robust discussions to ensure that short-term actions remain in support of the long-term value creation for all stakeholders.
    c. Considering the divestment of NN IP, the Supervisory Board will pay particular attention to the target operating model of investment activities and administration.
    d. Continued attention to ensure a sufficient understanding of the NN Group PIM.

The Supervisory Board is confident focusing on these main priorities and/or actions identified will support us in improving our effectiveness considering the challenges lying ahead.

6.2. Supervisory Board Committees

Risk Committee

The Risk Committee assists the Supervisory Board in performing its duties. To this end, it prepares items for discussion and decision-making by the Supervisory Board, and recommends actions in various areas, including (i) NN Group's key risks and risk appetite statements, risk strategy and policies, (ii) risk exposures resulting from the business strategies and plans of NN Group and its affiliated businesses, (iii) the design, operation and effectiveness of the risk management and internal control systems of NN Group (the Risk Control Framework), (iv) NN Group's public disclosures on risk and risk management, and (v) any Material Transactions.

The Risk Committee works closely with the Audit Committee, not only in order to avoid omissions and duplication in activities but also to give insights into the risks in the reporting of financial and non-financial results. The chair of the Risk Committee is therefore also a member of the Audit Committee, and vice versa.

Composition and attendance

The members of the Risk Committee are Ms Reyes (chair), Ms Beale, Mr Jenkins, Mr Lelieveld, and Mr Schoen. The Risk Committee met five times in 2022 with a 93.3% attendance rate. At the close of the 2022 AGM, Mr Hauser's term of appointment as Supervisory Board member ended and as a result he stepped down as member of the Risk Committee. At the close of the 2022 AGM, Ms Streit stepped down as a Supervisory Board member and therefore also as member of the Risk Committee. As per the same date, Mr Lelieveld was appointed to the Risk Committee and Ms Reyes succeeded Mr Hauser as the former chair of the Risk Committee. Mr Lelieveld attended the Risk Committee meeting in January 2022 as an observer, as did Mr Cole and Ms Vletter-van Dort in August 2022.

Other attendees were the CEO, CFO, Chief Risk Officer (CRO), General Counsel, General Manager of CAS, Head of Group Enterprise Risk Management, Chief Compliance Officer, and the external auditor (KPMG).

During 2022, the chair of the Risk Committee regularly liaised with the CRO, General Manager of CAS and Chief Compliance Officer, and met with the external auditor and relevant subject-matter experts.

Discussion topics

During its meetings, the Risk Committee discussed, amongst other things, its regular annual agenda topics: (i) the Risk Management Plan 2022, Group Legal Operational Plan 2022, Corporate Compliance Plan 2022 and NN Group Systematic Integrity Risk Assessment (NN Group SIRA), (ii) the quarterly Enterprise Risk Management reports, (iii) quarterly reporting on IT operations and security, (iv) the performance and appropriateness of NN Group's PIM, and (iv) the risk appetite statements which are foundational to the Group's risk strategy. The Risk Committee also included the war in Ukraine and the resulting geopolitical and macroeconomic impacts in the context of NN Group's ORSA as a topic in its regular annual agenda as well as the topic on Strategic Asset Allocation (SAA) and investment-related risks (from its August 2022 meeting onwards). Furthermore, the Risk Committee discussed the set-up of the investment process after the sale of NN IP to Goldman Sachs Asset Management (GSAM). The Risk Committee regularly discussed the work performed with respect to the risks related to FEC, related operational shortcomings and the progress in addressing these. These topics are addressed below in turn.

Year Plans 2022 Control Functions

The NN Group Risk Management Plan 2022 outlined the ex-ante risk priorities for 2022, taking into account NN Group's strategic direction and risk profile, the Risk Control Framework, and external developments and regulations, and is consistent with the NN Group Business Plan 2021-2023. The Risk Management function strives to keep the company safe, ensure balanced risk taking and support NN's strategy through constructive challenge and expertise. The key focus areas for 2022 to support the strategy included NN Group's solvency position, strengthening skills, capabilities, and procedures of risk management in line with the strategy related to customers and distribution, product strategy, simplification and effectiveness of support functions, sustainability matters, and IT and digital transformation. Closing the skills gap in investment risks following the sale of NN IP to GSAM as well as the fast evolving regulatory and corporate activities around sustainability matters are of paramount importance in ensuring the risk management function remains up-to-date and effective.

The Compliance Operational Plan 2022 included the planned activities supporting NN Group in reaching its overall objectives. These activities were partly derived from the NN Group SIRA 2022.

The Compliance Operational Plan safeguards an integrated oversight approach through close collaboration with Risk and Legal functions to promote multidisciplinary thinking and interaction, facilitate alignment between Group level and business units, ensure efficient use of resources and capacity, and to enable further cooperation under the Risk Control Framework. The main risks and attention areas addressed in the plan derive from the SIRAs of NN Bank, Netherlands Life and Netherlands Non-life, as well as the High-Level Risk Assessments of NN Group's international business units. They include FEC risks, product customer value risks, product mis-selling risks, product/client information risks, product maintenance risks, and outsourcing risks. The Group Compliance Function is strengthening its resources and capabilities to deliver on its operational plan.

The Group Legal Operational Plan 2022 outlined Group Legal's priorities for 2022. Group Legal provides expert legal advice and transactional and commercial support at Group and business unit level and supports the business in identifying and managing legal risks. Group Legal works closely with the business, support, and control functions to help NN Group achieve its strategic and business objectives within NN Group's risk appetite. In addition to Group Legal's regular holding, transaction, and business support, Group Legal supported the implementation of sustainable finance regulations, advised on transactions and related regulatory and pre- and post-integration processes and advised on the implementation of AI guidelines in anticipation of the EU AI Regulation and related legislation as identified priorities for 2022.

The Enterprise Risk Management report

The quarterly risk management report of NN Group to the Supervisory Board reports risks against the risk appetite of NN Group and its affiliated businesses. It covers strategic, financial, and non-financial risks (including legal and compliance risks).

The report provided updates, including measures taken and planned, on the current and forward-looking risks emanating from uncertainty in the operating environment due to a combination of geopolitical instability (Russia-Ukraine war) and post-Covid-19 developments. These are characterised by higher financial market volatility, more persistent inflation, and rapidly rising interest rates.

The high level of uncertainty in the Group's operating environment is leading to volatility in the solvency ratio, which calls for improvements in forecasting and anticipating of potential material positive or negative changes to be able to take management action. The Management Board prepared and presented the lessons learned and the resulting action plan as well as the progress in this regard on a quarterly basis to the Risk Committee. In turn the Risk Committee provided the Management Board with guidance on further improving quality, control, and oversight of three focus areas: operational, models and methodologies, and policies. The Risk Committee closely monitored progress and was pleased with the Management Board's transparency, and the actions taken, and progress made. The quarterly risk management report also included updates on the status of the ongoing monitoring and trend developments, PIM-related developments, developments around product suitability, and FEC-related risks across the Group. The report also provided insight into the status of legal claims, incident reporting and statistics and trends in whistleblower cases.

The Risk Committee periodically discussed the key strategic challenges faced by the Group's insurance and banking businesses, NN Group strategy execution, and challenges around the implementation of sustainable finance regulation. It also addressed developments regarding the balance sheet, operational and IT security risks, the NN IP divestment, the MetLife integration in Poland and Greece, risk assessments carried out (e.g. SIRA and Fraud Risk Assessments, and measures adopted to mitigate risks), customer suitability risk, and the industry-wide challenge of attracting and retaining talent in specialist areas such as data and IT, AI, and sustainability.

IT operations and security

The Risk Committee sees the reliability and security of IT and IT infrastructure as paramount and discussed developments, achievements, and risks in the field of IT and security on a quarterly basis. These included the status of current IT change projects, IT chain availability, and the cybersecurity and risk status of NN Group.

In 2022, the IT team demonstrated continued progress. The Risk Committee closely followed the main IT challenges related to the execution of the IT simplification programme, improving the availability of core systems, decreasing the number of incidents and overdue issues, improving IT control maturity, improving cybersecurity capabilities (e.g. ransomware awareness and protection), cloud security and multi-factor authentication.

During 2022, the Risk Committee observed that further progress was made on the decommissioning plans to simplify NN Group's application landscape and the IT Security Programme. The implementation of the ambitious IT simplification actions in 2022 did result in unwanted downtime and disruption in some core systems, but the Risk Committee observed that impacts were minimised, and lessons learned for future simplification rollouts were taken onboard.

To address the industry-wide challenge of attracting IT employees, the IT team worked closely with Group HR to set up an ambitious hiring programme for engineers. Despite heavy workloads and stretched personnel capacity, the Risk Committee is pleased to see that the IT team's employee engagement score remains high, pointing to high motivation amongst NN's IT staff.

The war in Ukraine

In February 2022, the war in Ukraine broke out. This, combined with higher energy and food prices and a surge in demand when Covid-19 restrictions were lifted, caused inflation to soar. Central banks across the world began raising interest rates to tame inflation, increasing the risk of recession or entrenched inflation, in turn creating the risk of reduced new business and negative impact on NN Group's balance sheet. The Risk Committee extensively discussed and monitored both the direct and indirect impacts of the war in Ukraine, actions undertaken and the significant movements in the financial markets throughout the year.

The Risk Committee requested the Management Board to provide additional severe-stress-scenario analyses regarding the (potential) impacts of the War in Ukraine on various aspects of NN Group's business, and to include the (potential) impacts of the interest rates increases and inflation expectations in its risk analyses. The Risk Committee extensively discussed the outcomes of the additional analyses and discussed how potential management actions could be further evaluated within the ORSA process.

NN Group's PIM

The PIM is used to measure, manage and report modelled risks within the Group. It consists of many components and is therefore widely employed for risk management, capital management and other business decisions such as product pricing and asset allocation.

Each year, an assessment of the performance and assessment of the PIM takes place in the first quarter. This covers all relevant information from the preceding calendar year, including all risk models that are part of NN Group's PIM used to calculate the Basic Solvency Capital Requirement (SCR).

The Risk Committee extensively discussed the outcome of this assessment on multiple occasions, which for example also takes into account results from stress testing in the ORSA and includes the key priorities for the year going forward. The Risk Committee agreed with the main conclusion of the 2021 report on the PIM's performance that, given the assumptions used and understanding of their implications, the internal model is appropriate for its intended use.

The Risk Committee also regularly discussed the major model changes submitted by the relevant business units as well as the approvals granted by DNB and terms and conditions attached to them. In 2022, NN Group obtained approval from DNB to extend the internal model to the non-life business of Vivat with attached terms and conditions.

Given the geopolitical turbulence in 2022 and its impact on the macro-economic environment, including the sharp rise in inflation and significant financial market volatility, the Risk Committee reflected on the PIM and suggested that the Management Board pay particular attention to inflation scenarios from the 1970s and 1980s, and ways to reflect on more severe scenarios in the current environment with potentially material impacts to anticipate high balance sheet volatility in addition to ORSA-type scenarios that have low occurrence high impact events in the risk management framework going forward.

NN Group's asset allocation and concentration limits monitoring

The Risk Committee reviewed and discussed the respective business units' SAAs and investment performance and risks in its regular quarterly agenda. The Group's asset allocation is the means through which NN Group increased its investment risk to enhance OCG, a stated strategic initiative in the NN Group Business Plan 2021-2023. The target increase in investment risk was achieved in 2022 and the business units' SAA is focused on continuous optimisation within a stated risk appetite. With the sale of NN IP, investment performance monitoring is important in managing the long-term partnership with the outsourced asset manager. The Risk Committee, together with the Supervisory Board, is also overseeing the transformation of the investment process and the investment function's operating model in the context of the sale of NN IP.

Audit Committee

The Audit Committee assists the Supervisory Board in the performance of its duties. To this end, the Audit Committee prepares items for discussion and decision-making by the Supervisory Board, and recommends actions in various areas, including (i) the design, operation and effectiveness of the internal risk management and control systems related to financial reporting, (ii) the integrity and quality of the financial reporting process, (iii) periodic financial reports and any ad-hoc financial information, (iv) the findings and outcomes of any audit work, by both the external auditor and CAS, NN Group's internal audit department (e.g.as contained in the quarterly and annual audit reports and yearly management letter), including the findings and observations on the key audit matters identified by the external auditor, and (v) establishing a procedure for the selection and recommendation of the (re) appointment of the external auditor by the Supervisory Board.

The Audit Committee works closely with the Risk Committee, not only to avoid omissions and duplication in its activities but also to provide insights into the risks in the reporting of financial and non-financial results. The chair of the Audit Committee is therefore also a member of the Risk Committee, and vice versa.

Composition and attendance

The members of the Audit Committee are Mr Schoen (chair), Mr Cole, Mr Jenkins, Mr Lelieveld, and Ms Reyes. The Audit Committee held six meetings during 2022 with a 93.3% attendance rate. At the close of the 2022 AGM, Mr Hauser's term of appointment as Supervisory Board member ended and therefore also as member of the Audit Committee. As per the same date, Ms Reyes was appointed as member of the Audit Committee. Ms Reyes attended the Audit Committee meetings in February and March 2022 as an observer. Ms Beale also attended the March 2022 meeting as an observer.

Other attendees were the CEO, CFO, CRO, General Counsel, General Manager of CAS, Head of Group Finance & Reporting, Head of Performance & Analytics, Head of Financial Accounting & Reporting, and the external auditor (KPMG). Subject-matter specialists also regularly attended the meetings.

During 2022, the chair of the Audit Committee regularly met with the CFO, General Manager CAS, subject-matter experts and the external auditor to discuss various topical issues.

In addition to the regular Audit Committee meetings, the Audit Committee also held closed sessions attended by the Audit Committee members, General Manager of CAS and external auditor (KPMG).

Discussion topics

The topics discussed and assessed during the Audit Committee meetings included: (i) the 2022 Audit Plans of CAS and KPMG, (ii) the quarterly reports of CAS and the CAS Annual Internal Control Report NN Group, (iii) IFRS 9 and 17 implementation, (iv) IT and cybersecurity, (v) the annual KPMG Management Letter and annual standard of internal control report of CAS, and (vi) acquisitions and divestments. These topics are addressed below in turn.

2022 Audit plans of CAS and KPMG

The Audit Committee discussed the 2022 audit plans of CAS and KPMG. The main drivers behind the CAS audit priorities for 2022 were (i) coverage requirements, (ii) strategic importance and key change initiatives, and (iii) follow-up to high-risk areas and ongoing key remediation. The key focus areas were around operations and IT excellence, data and underwriting capabilities, asset re-risking and further optimisation of client and distribution interaction and structures. IFRS 9 and 17 assurance was continued in 2022.

The 2022 KPMG audit plan also showed continued emphasis on IFRS 9 and 17, and non-financial information disclosures. Areas of focus in 2022 included (i) the impact of the war in Ukraine, (ii) NN IP as third-party service provider, (iii) other M&A-related changes, (iv) cybersecurity, (v) IT integration and transformation, (vi) assumption and model updates and (vii) developments regarding the PIM.

Quarterly reports of CAS and the CAS Annual Internal Control Report NN Group

The Audit Committee discussed CAS' findings and observations resulting from the quarterly reports of CAS. These reports include findings and observations regarding governance, risk management and internal control, focusing on significant internal control weaknesses and areas for improvement noted in ongoing audit activities, and follow-up by responsible management on agreed actions and weaknesses, which follow-up was discussed and monitored by the Audit Committee during the year.

The reports categorise the findings and observations into five areas: (i) primary processes, (ii) IT, cyber and physical security, (iii) financial risk management and reporting, (iv) the development of outstanding risks and their mitigation, and (v) the key internal developments of CAS. CAS' findings are summarised annually in the CAS Annual Internal Control Report NN Group, which also includes forward-looking considerations.

During 2022, CAS observed continued progress in control-strengthening initiatives and FEC remediation. In particular, FEC remediation progressed materially for the Dutch business units and NN Belgium. Good progress was made in integration and divestment activities. CAS further observed continued focus on 'getting the basics right' in various business cycles and supporting IT, which it considers key to improving operational excellence, controls and the effectiveness of ongoing business and finance data investments within NN Group. CAS also noted, however, that the pace of progress on remediation was being hampered by the high level of business and IT changes. The Audit Committee acknowledged the transformational challenges in the innovative and transformational nature of NN's activities to become a more data-driven company and was pleased with CAS' good discussions with the Management Board to stimulate further development.

IFRS 9 and 17 implementation

During 2022, the Audit Committee discussed the status of the IFRS 9 and 17 implementation on a quarterly basis and was pleased to note that significant progress was made during the year with ongoing hard work to remain on track. However, the IFRS 9 and 17 implementation does come with its challenges, mainly driven by the complexity of implementation, and impact on the overall data and systems landscape.

Throughout the year, both CAS and KPMG have been closely involved in the IFRS 9 and 17 implementation, each with their own areas of focus. CAS primarily on data, input and output controls, and IT; KPMG on methodology, related key design matters, early audit procedures regarding the transitional impact and the transition to business-as-usual. CAS and KPMG shared their observations separately with the various business units and NN Group programme management, and subsequently also with the Management Board and Audit Committee on a quarterly basis. The chair of the Audit Committee was himself actively involved in the IFRS 9 and 17 implementation through frequent contact with CAS, KPMG, and the implementation teams at the levels of NN Group and Netherlands Life.

IT and cybersecurity

IT and cybersecurity were extensively discussed each quarter in the Risk Committee. These meetings were attended by the General Manager of CAS and KPMG, as well as the chair and several other members of the Audit Committee. Subsequently, the chair of the Risk Committee reported any topics relevant for financial reporting, also on a quarterly basis, to the Audit Committee.

To avoid duplication, the Audit Committee therefore focused on those elements of IT and cybersecurity that (may) impact financial reporting and the security, reliability, integrity and availability of data and assets across NN Group and its affiliated business. This included discussing the IT and security section of the quarterly reports of CAS, and the link between IT developments (in particular, the IT simplification programme and the IT Control Framework) the ongoing programmes in respect of the Finance & Risk Roadmap, and the status and implementation of the IFRS 9 and 17 Programme.

KPMG Management Letter 2022

Each year, KPMG issues a management letter that contains observations on NN Group's internal control over financial reporting. The letter is based on the audit and quarterly review procedures. The KPMG Management Letter 2022 contains (i) observations and recommendations with regard to the internal control environment of NN Group, (ii) other observations, and (iii) closed/updated observations from the KPMG Management Letter 2021.

Section (i) of the management letter contains areas where structural improvements to internal controls will help drive the performance of NN Group. These relate to: unmodelled reserves IFRS and Solvency II, the valuation of certain illiquid assets (including mortgage loans and real estate), the SCR movement analysis and a number of IT topics relevant to financial reporting.

Section (ii) includes a reference to the new/additional requirements for reporting on sustainability matters, of which the most important will become effective during the year 2024, and for which KPMG's observations and recommendations are in line with NN Group's initiatives on reporting on sustainability matters.

Section (iii) includes the recommendations/actions from last year's Management Letter. All actions are either closed or have been superseded/integrated into the new actions in section (i).

In its January 2023 meeting, the Audit Committee discussed the KPMG Management Letter 2022, and the Executive Board and Management Board's response, and reflected extensively on the matters it covered. The Audit Committee discussed the magnitude of reporting on sustainability matters and the need for proper vesting of sustainability matters within NN Group, for which the Management Board has set up a clear governance. In addition, the Audit Committee reflected on KPMG's observations and recommendations with regards to unmodelled reserves IFRS and Solvency II and IT. The Audit Committee concluded that through hard work many of these items had been closed and determined to follow progress in resolving the newly integrated actions. The Audit Committee considered the management responses on KPMG's main observations highly valuable.

Acquisitions and divestments

The Audit Committee discussed in detail the acquisitions and divestments (including NN IP, MetLife Poland and Greece, and Heinenoord) and related accounting treatment and impact. Furthermore, on several occasions during 2022, the Audit Committee was informed about management actions to increase the maturity of the financial reporting processes and control environment in one of the acquired entities. The Audit Committee will continue this monitoring in 2023.

Recurring discussion items

In 2022, the Audit Committee covered a variety of other topics in its meetings. These included recurring items that the Audit Committee deals with as a matter of course, typically in relation to:

- Financial reporting: NN Group's annual accounts; interim accounts; the independence of KPMG; and financial press releases.
- Accounting and regulatory developments: Solvency II developments; IFRS and Solvency II reporting, including a second line review opinion on the Reserve Adequacy Test and on the Own Funds and the SCR as part of the NN Group Own Funds/SCR Report; internal controls on financial reporting; changes in financial reporting processes and systems; and the Finance & Risk Roadmap.
- Tax-related topics: the present position and future developments in respect of corporate income tax and any other relevant tax regulations; and NN Group's tax strategy and tax transparency developments.
- Various other topics, such as pending legal proceedings, interim dividend payment to shareholders and the share buyback programme, remuneration and evaluation of both KPMG and the General Manager of CAS, and specific financial transactions.

Throughout the year, the Audit Committee closely monitored NN Group's results in light of the major geopolitical developments and resulting impact on the macroeconomic environment, such as the sharp rise in inflation and significant financial market volatility.

Remuneration Committee

The Remuneration Committee assists the Supervisory Board in the performance of its duties. To this end, it prepares items for discussion and decision-making by the Supervisory Board, and recommends actions in various areas, including remuneration, remuneration policies and their application and compliance, and the performance targets for the Executive Board and Management Board.

Composition and attendance

The members of the Remuneration Committee are Ms Vletter-van Dort (chair), Mr Lelieveld, Ms Reyes, and Mr Schoen. At the close of the 2022 AGM, Ms Streit stepped down as a Supervisory Board member and therefore also as member of the Remuneration Committee.

The Remuneration Committee met five times in 2022 and had a 95% attendance rate. The CEO and Chief People, Communications, and Sustainability Officer also joined the Remuneration Committee meetings, unless the committee determined otherwise. The Head of Reward, or his representative, also attended. The chair and members of the Remuneration Committee were in regular contact with the Chief People, Communications, and Sustainability Officer and the Head of Reward.

In addition to the regular Remuneration Committee meetings, one combined meeting with the Nomination and Corporate Governance Committee (Combined Meeting) was held in February 2022 with an 87.5% attendance rate.

Remuneration related topics

The Remuneration Committee reviewed and evaluated the remuneration policies of NN Group as laid down in the NN Group Remuneration Framework. The NN Group Remuneration Framework and the Aligned Remuneration Plan were updated, amongst other reasons to reflect the divestment of NN IP. No further changes were required in terms of the Act on further remuneration measured for financial undertakings (Wet nadere beloningsmaatregelen financiële ondernemingen), which came into force on 1 January 2023, because the NN Group Remuneration Framework was already fully incorporating these requirements as from 2021.

The Remuneration Committee discussed the Remuneration Benchmark for the Supervisory Board, Executive Board and Management Board, which was validated based on an analysis performed by an external agency and concluded to be fit for purpose and in line with the principles as included in NN Group's remuneration policies.

The Remuneration Committee also reviewed and endorsed the updated Compensation & Benefits Regulations for the Executive Board and Management Board, the Regulation for leased cars only allowing for electric lease cars, and the Executive Board and Management Board Pension Plan, which continues to be in line with that of Dutch employees covered by the Collective Labour Agreement.

Please refer to pages 125-138 of this Annual Report for more information on the remuneration of Executive Board and Supervisory Board members.

Equal Pay

The Remuneration Committee discussed and addressed the outcomes of the analysis conducted on equal pay within NN Group, which was based on equal representation, gender pay gap and equal pay gap. The Remuneration Committee is pleased to note that the analysis showed that the NN Group-wide gender pay gap of 29% showed improvement versus 2021, due to steps taken within the various business units, especially in Japan and Poland. In Poland, additional budget was devoted to address the pay gap and in Japan the compensation policy and structure was revised. When comparing similar compensation grades and job profiles, it can be concluded that NN Group offers equal pay for equal work.

Please refer to page 124 of this Annual Report for more information on gender diversity and the outcomes of the equal pay analysis.

Executive Board and Management Board objectives

The 2022 Performance objectives for the Executive Board and Management Board were discussed and endorsed by the Remuneration Committee in January 2022. These were structured around the five strategic commitments: ((i) Customers and Distribution, (ii) Products and Services, (iii) People and Organisation, (iv) Financial Strength, and (v) Society) and focused on meeting the strategic ambition and the related 2021-2023 targets as disclosed at the Capital Markets Day held on 24 June 2020.

The Remuneration Committee paid particular attention to the Environment Governance and Societal target setting and interim targets communicated to the market and emphasised the importance of ensuring sufficient transparency and understanding in respect of the outside world. Considering the NN Group Investor Update on 17 November 2022, the Remuneration Committee started to discuss the objectives for the Executive Board and Management Board for performance year 2023 to ensure full alignment with the direction NN Group is taking going forward.

Other topics

The Remuneration Committee closely followed the Collective Labour Agreement negotiations with the unions, related challenges, and outcomes. Up until its completion, the committee had been involved in the remuneration-related aspects of the divestment of NN IP to GSAM.

A risk assessment was carried out on the NN Group Remuneration Framework and related processes. This focused on the processes designed to avoid excessive risk-taking by NN Group staff. The Remuneration Committee is pleased to note that no risks with a critical or high managed risk level were identified.

Identified Staff-related remuneration matters were reviewed and approved in line with the NN Group Remuneration Framework and governance, including the variable remuneration proposals for Identified Staff for performance year 2021, compensation adjustment proposals for the year 2022, and the 2022 Identified Staff selection.

Topics addressed during the Combined Meeting

In the Combined Meeting the Remuneration Committee and the Nomination and Corporate Governance Committee, together assessed the functioning and performance of the Executive Board members and provided input for the Management Board's performance assessment. Individual meetings with Executive Board and Management Board members formed part of these assessments. In February 2022, the combined committees also reviewed and endorsed the remuneration proposals for the Executive Board and Management Board. It was agreed that the Remuneration Committee would perform an additional assessment, which took place in August 2022.

Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee assists the Supervisory Board in the performance of its duties. To this end, it prepares items for discussion and decision-making by the Supervisory Board and recommends actions concerning areas such as the selection criteria and appointment procedures for Supervisory Board, Executive Board and Management Board members, selection criteria for Identified Staff, and talent management. Additionally, the Nomination and Corporate Governance Committee reviews the Group's overall corporate governance, including the various Boards' and Committees' charters and monitors external developments, including corporate law, regulations, and corporate governance codes, to determine whether updates or amendments are required to keep the Groups' overall governance in line with best practice.

Committee composition and attendance

The members of the Nomination and Corporate Governance Committee are Mr Cole (chair), Ms Beale, and Ms Vletter-van Dort. At the close of the 2022 AGM, Mr Hauser's term of appointment as Supervisory Board member and member of the Nomination and Corporate Governance Committee ended. As per the same date, Mr Lelieveld stepped down as member of the Nomination and Corporate Governance Committee.

The Nomination and Corporate Governance Committee met six times in 2022 and had an attendance rate of 93.3%. The CEO and the Chief People, Communications, and Sustainability Officer also joined the meetings of the Nomination and Corporate Governance Committee, unless, for specific agenda items, the committee determined otherwise. The General Counsel attended the March 2022 meeting.

Executive Management succession planning

The Nomination and Corporate Governance Committee discussed and evaluated the succession plans for the Executive Board members, Management Board members, other key staff and NN Group's talent management programme. Good succession planning supports business continuity, talent development, expectation management and engagement, and is also important given the KPI of having at least 40% women in senior management positions.

The Nomination and Corporate Governance Committee noted the good progress made, with overall good succession plans in place with a high conversion rate, demonstrating their effectiveness. A point of attention remains the number of women included in the succession plans as ready now compared with the number of ready now men, even though this aspect had received significant focus in recent years and seen good progress.

The Nomination and Corporate Governance Committee also paid particular attention to the succession pipeline in relation to the Executive Board and Management Board members, given the changing (and challenging) environment and the evolving role of the boards.

The Nomination and Governance Committee devoted significant attention to preparing for and onboarding Ms Van Melick as the new NN Group CFO during 2022.

Composition of the Supervisory Board

The rotation and succession plan for the Supervisory Board was discussed, to ensure, amongst other things that sufficient business experience, transformation experience, and sustainability-related know-how will continue to be available in the Supervisory Board, and that diversity requirements are met. Based on the outcome of the 2021 Supervisory Board self-assessment, one objective for the Nomination and Corporate Governance Committee for 2022 was to prioritise Supervisory Board succession planning.

The Nomination and Corporate Governance Committee followed an extensive process throughout 2022, supported by an external advisor to evaluate the composition of the Supervisory Board and its committees, and individual Supervisory Board member competencies and skills. The Nomination and Corporate Governance Committee made recommendations to the Supervisory Board on the composition of the Supervisory Board and its committees. In this context, the Nomination and Corporate Governance Committee prepared a discussion of the following proposals (i) to nominate Mr Cole for reappointment as member of the Supervisory Board for a period of four years and again designate him as Chair of the Supervisory Board and chair of the Nomination and Corporate Governance Committee and member of the Audit Committee, (ii) to nominate Mr Schoen for reappointment as member of the Supervisory Board for a period of two years and designate him again as chair of the Audit Committee and member of the Risk Committee and Remuneration Committee, and (iii) to nominate Ms Van der Meer Mohr for appointment as member of the Supervisory Board for a period of four years effective as from 1 January 2023 and designate her as member of the Nomination and Corporate Governance Committee and Remuneration Committee.

Considering Mr Schoen has been a Supervisory Board member for eight years and chairs the Audit Committee, the Nomination and Corporate Governance Committee proposed to nominate Mr Schoen for reappointment for a term of two years, in line with the Dutch Corporate Governance Code, given his in-depth knowledge of the insurance and pension sector and expertise in the field of financial reporting of insurance companies and pension funds, to ensure continuity in the Supervisory Board's composition in light of the appointment of the new CFO during 2022 and the pending implementation of the new IFRS accounting standards. In addition, the Central Works Council of the Company has made use of its enhanced recommendation right and has asked the Supervisory Board to nominate Mr Schoen as a person recommended by the Central Works Council.

Governance

The Nomination and Corporate Governance Committee discussed and endorsed the selection and (re)appointment processes for Supervisory Board, Executive Board and Management Board members.

As is required on an annual basis, in February 2023 the Nomination and Corporate Governance Committee reviewed and discussed compliance with the Dutch Corporate Governance Code for the financial year 2022. The Nomination and Corporate Governance Committee was further consulted in relation to the annual review of the Charters of the Executive Board, Management Board, Supervisory Board and Supervisory Board Committees, and the NN Group N.V. Decision Structure.

The Nomination and Corporate Governance Committee discussed the review carried out by NN Group Compliance on the various outside positions (other than NN Group-related positions) held by Supervisory Board and Executive Board members. This review concluded that all board members are compliant with the relevant rules and obligations, and that all Supervisory Board members have shown flexibility and commitment in fulfilling their obligations, both in terms of attendance and engagement, over recent years, noting that corporate developments meant that the number of special topic and transaction-related meetings has been elevated during this period.

Closing

In 2022, NN Group showed its resilience and continued to create value for its stakeholders, despite the volatile economic and geopolitical environment The Supervisory Board wants to thank the Executive Board, Management Board, all employees and its businesses for their continued dedication and efforts in navigating through these challenges, whilst remaining focused on creating sustainable long-term value for all stakeholders.

The Supervisory Board would like to extend its gratitude to Mr Hauser and Ms Streit for their valuable contribution over the past years and welcomes Ms Van der Meer Mohr to the Supervisory Board.

Together with the Executive Board and Management Board, the Supervisory Board looks forward to continuing to build on NN Group's solid foundations and achieve our ambition to be an industry leader, known for our customer engagement, talented people, and contribution to society. At NN Group, we help people care for what matters most to them and we are committed to continue doing business in a way that is consistent with our values: care, clear, commit.

6.3 Corporate governance

6.3.1 General

NN Group N.V. (NN Group) is a public limited company (naamloze vennootschap) incorporated under the laws of the Netherlands and has a two-tier board structure consisting of an executive board (Executive Board) and a supervisory board (Supervisory Board). NN Group also has a management board (Management Board). NN Group mandatorily applies the full large company regime.

Executive Board

Duties

The Executive Board is entrusted with the management, the strategy, operations, and risk management of NN Group under supervision of the Supervisory Board. In performing its duties, the Executive Board must carefully consider and act in accordance with the interests of NN Group and the business connected with it, taking into consideration the interests of all stakeholders of NN Group. The organisation, duties and working methods of the Executive Board are detailed in the charter of the Executive Board. This charter is available on the NN Group website.

The Executive Board is responsible for ensuring that the company has adequate internal risk management and control systems in place so that it is aware, in good time, of any material risks the company has and that these risks can be managed properly. As part of its overall responsibilities for risk management, the Executive Board is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the annual accounts in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets.
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the annual accounts in accordance with generally accepted accounting principles (International Financial Reporting Standards as endorsed by the European Union and Part 9 of Book 2 of the Dutch Civil Code).
- Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of assets that could have a material effect on the annual accounts.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As at 31 December 2022, the Executive Board consisted of the following persons:

Name	Position	Date of birth	Gender	Nationality	Appointment	Termination/ reappointment	Tenure
David Knibbe	Chair, Chief Executive Officer (CEO)	15 March 1971	Male	Dutch	1 October 2019	2023[1]	3 years
Annemiek van Melick	Vice-chair, Chief Financial Officer (CFO)	31 March 1976	Female	Dutch	1 July 2022[2]	2026[3]	<1 year

1 As announced on 16 February 2023, the Supervisory Board intends to reappoint David Knibbe as member of the Executive Board and to designate him again as Chief Executive Officer and as a result as chair of the Executive Board, after notification to the General Meeting at the annual general meeting (AGM) to be held on 2 June 2023. David Knibbe will be reappointed for a term of four years. His new term of appointment will end at the close of the AGM in 2027.

2 Annemiek van Melick joined NN Group as of 1 June 2022 as member of the Management Board. The term of appointment of Delfin Rueda as member of the Executive Board ended at the close of the AGM of NN Group on 19 May 2022. The Supervisory Board reappointed Delfin Rueda as member of the Executive Board as from the close of the AGM on 19 May 2022 up until 1 July 2022, after notification to the General Meeting of NN Group at the AGM on 19 May 2022. Delfin Rueda was again designated as CFO and as a result as vice-chair of the Executive Board for the same term. With the reappointment of Delfin Rueda, his membership and vice-chairmanship of the Management Board of the Company also continued for the same term.

3 Annemiek van Melick's term of appointment will end at the close of the AGM of NN Group in 2026.

Certain resolutions of the Executive Board require the approval of the Supervisory Board and/or general meeting of shareholders of NN Group (General Meeting). These resolutions are outlined in the articles of association of NN Group (Articles of Association), which are available on the NN Group website, and in the charter of the Executive Board.

Appointment, removal and suspension

Under the full large company regime that is mandatorily applied by NN Group, the members of the Executive Board are appointed individually by the Supervisory Board. Prior to appointing a member of the Executive Board, the Supervisory Board must notify the General Meeting of such an intended appointment.

An Executive Board member is appointed for a maximum of four years and may be reappointed for a term of not more than four years at a time.

Only the Supervisory Board may suspend or remove a member of the Executive Board. However, the Supervisory Board is only entitled to remove a member of the Executive Board after the General Meeting has been consulted on the intended removal.

Composition

The Executive Board must consist of two or more members, with the total number of members of the Executive Board determined by the Supervisory Board after consultation with the Executive Board. Guiding principles for the appointment of members and the composition of the Executive Board are provided in the profile of the Executive Board and Management Board, which includes the diversity policy for the composition of these boards. The profile including the diversity policy is available on the NN Group website.

David Knibbe was appointed to the Executive Board and designated as Chief Executive Officer (CEO) of NN Group and chair of the Executive Board and Management Board effective 1 October 2019. He is responsible for the business strategy, performance, and day-to-day operations of NN Group. Mr Knibbe has been a member of the Management Board since 7 July 2014 and served as Chief Executive Officer Netherlands. Prior to being appointed to the Management Board, Mr Knibbe served amongst other as Chief Executive Officer of ING Insurance Europe.

Mr Knibbe holds a Master's degree in monetary economics from the Erasmus University in Rotterdam (the Netherlands).

Furthermore, Mr Knibbe is member of the board and treasurer of the Confederation of Netherlands Industry and Employers (VNO-NCW), as well as member of the Federative Board VNO-NCW and MKB NL. He is also member of the board of the Johan Cruyff Foundation, member of the advisory board of JINC, member of the Hoogeschoolraad of Vereniging Trustfonds Erasmus University and member of the Geneva Association. On 26 April 2021, Mr Knibbe became member of the Pan European Insurance Forum. As from 1 July 2021, he is also member of the World Economic Forum's Alliance of CEO Climate Leaders and Governors meeting Financial Sector, and on 7 December 2021, he joined the supervisory board of Stichting Erasmus Trustfonds.

Annemiek van Melick was appointed member of the Management Board as of 1 June 2022. She was appointed member of the Executive Board and Chief Financial Officer (CFO) and as a result vice-chair of the Executive Board and Management Board effective 1 July 2022. Ms Van Melick is responsible for NN Group's finance departments and investor relations. Prior to being appointed to the Management Board, Ms Van Melick served amongst other as Chief Financial Officer at a.s.r.

Ms Van Melick holds a degree in business administration from Nyenrode Business Universiteit (the Netherlands) and a law degree from Utrecht University (the Netherlands).

Besides being member of the Management Board, Ms Van Melick is member of the supervisory board and chair of the audit committee at Royal Swinkels Family Breweries. Ms Van Melick is also member of the CFO Forum.

Delfin Rueda was appointed to the Executive Board as CFO on 1 March 2014. As from 7 July 2014, he served as vice-chair of the Executive Board. On 31 May 2018, he was reappointed as member of the Executive Board and again designated CFO of NN Group and vice-chair of the Executive Board. On 19 May 2022, he was again reappointed as member of the Executive Board and designated CFO of NN Group and vice-chair of the Executive Board up until 1 July 2022. Mr Rueda was responsible for NN Group's finance departments and investor relations. Prior to being appointed to the Management Board, Mr Rueda was amongst other member of the management board and Chief Financial Officer of ING Verzekeringen.

Mr Rueda holds a Master's degree in economic analysis and quantitative economics from the Complutense University of Madrid (Spain) and an MBA with a finance major from the Wharton School, University of Pennsylvania (USA).

Besides being member of the Executive Board until 1 July 2022, at that time Mr Rueda was also supervisory board member and chair of the audit committee of the supervisory board of Adyen N.V. and member of the supervisory committee of Alma Mundi Insurtech Fund. He also served as chair of the CFO Forum and as non-executive director of Allfunds Group Plc and Allfunds Bank S.A.U.

Remuneration
Information on the remuneration policy for members of the Executive Board and on their individual remuneration can be found in the Remuneration Report, on pages 125-138.

Management Board
Role and duties
The Management Board is entrusted with the day-to-day management and the overall strategic direction of NN Group. In performing its duties, the Management Board must carefully consider and act in accordance with the interests of NN Group and the business connected with it, taking into consideration the interests of all stakeholders of NN Group. The authority to manage NN Group is vested in the Executive Board as a whole, notwithstanding that each of the members of the Management Board is responsible and accountable to the Executive Board and within the Management Board for the specific tasks as assigned. Being comprised of the Executive Board members as well as key leaders with a divisional or functional responsibility, the Management Board allows for integral and holistic decision-making at the highest level of NN Group with functions, the businesses and Executive Board members represented. Besides providing balanced, effective, and timely decision-making, NN Group having a Management Board also provides for flexibility in terms of composition, allocation of tasks and responsibilities and required knowledge. In supervising the functioning of NN Group's corporate governance structure, including its checks and balances, the Supervisory Board pays specific attention to the dynamics and relationship between the Executive Board and the Management Board as well as the way the Management Board operates. The Supervisory Board will be provided with all the information necessary for the proper performance of this duty. In principle, members of the Management Board are present at meetings with the Supervisory Board where topics are discussed that relate to their area of responsibility. Next to that, the Supervisory Board regularly meets with the full Management Board. The organisation, role, duties and working methods of the Management Board are detailed in the charter of the Management Board, which is available on the NN Group website.

Composition, appointment, and removal
The Management Board consists of the members of the Executive Board and other such members as appointed individually by the Executive Board after consultation with the Supervisory Board. The number of members of the Management Board is determined by the Executive Board. Guiding principles for the appointment of members and the composition of the Management Board are provided in the profile of the Executive Board and Management Board which includes the diversity policy for the composition of these boards. The profile, including the diversity policy, is available on the NN Group website.

As at 31 December 2022, the Management Board consisted of the following persons:

Name	Position	Date of birth	Gender	Nationality	Appointment	Tenure
David Knibbe	Chair, Chief Executive Officer (CEO) (as of 1 October 2019)	15 March 1971	Male	Dutch	7 July 2014	8 years
Annemiek van Melick	Vice-chair, Chief Financial Officer (CFO) (as of 1 July 2022)	31 March 1976	Female	Dutch	1 June 2022	<1 year
Tjeerd Bosklopper	CEO Netherlands Non-life, Banking & Technology (as of 1 June 2020)	3 March 1975	Male	Dutch	1 September 2018	4 years
Bernhard Kaufmann	Chief Risk Officer (CRO)	19 April 1969	Male	German	1 June 2020	2 year
Dailah Nihot	Chief People, Communications, and Sustainability Officer[1]	12 June 1973	Female	Dutch	1 September 2018	4 years
Leon van Riet	CEO Netherlands Life & Pensions	2 September 1964	Male	Dutch	1 June 2020	2 year
Fabian Rupprecht	CEO International Insurance	22 December 1969	Male	Swiss and German	1 September 2018	4 years
Janet Stuijt	General Counsel	26 September 1969	Female	Dutch	1 September 2018	4 years

1 Ms Nihot's title changed from Chief Organisation & Corporate Relations to Chief People, Communications, and Sustainability Officer with effect from 1 December 2022.

The members of the Management Board may be suspended and removed by the Executive Board after consultation with the Supervisory Board.

Information about the members of the Management Board who are also members of the Executive Board, David Knibbe and Annemiek van Melick, can be found under 'Executive Board – Composition', on page 105.

Tjeerd Bosklopper was appointed CEO Netherlands Non-life, Banking & Technology as of 1 June 2020. In this role, he is responsible for the Dutch Non-life and Banking business segments, Customer & Commerce, the Strategic Transformation Office, IT, and procurement globally. Mr Bosklopper was CEO Netherlands ad interim from 17 December 2019 until 1 June 2020. Mr Bosklopper was appointed to the Management Board of NN Group as Chief Transformation Officer on 1 September 2018. Prior to being appointed to the Management Board, Mr Bosklopper was amongst other Head of Integration of Nationale-Nederlanden Netherlands and Belgium.

Mr Bosklopper holds a Master of Science in Business Information Technology from the University of Twente (the Netherlands).

Besides being member of the Management Board, Mr Bosklopper is chair of the board of the Dutch Association of Insurers (Verbond van Verzekeraars) and member of the Steering Committee of SchuldenlabNL.

Bernhard Kaufmann was appointed Chief Risk Officer (CRO) and member of the Management Board of NN Group as of 1 June 2020. In this role, he is responsible for the overall risk framework with direct responsibility for the risk management departments. He is also responsible for the Actuarial function, and reinsurance. Prior to being appointed to the Management Board, Mr Kaufmann served amongst other as Group Chief Risk Officer and Chief Risk Officer Reinsurance at Munich Re Group.

Mr Kaufmann holds a PhD (Dr. rer. nat.) in theoretical physics from the Technical University of Munich (Germany), an intermediate diploma in economics from the University of Hagen (Germany), and a diploma in theoretical physics from the Technical University of Munich (Germany).

Besides being member of the Management Board, Mr Kaufmann is member of the CRO Forum and member of the supervisory committee of Alma Mundi Insurtech Fund. As from 26 January 2022, he also participates in the CRO Roundtable of the European Central Bank.

Dailah Nihot was appointed Chief People, Communications, and Sustainability Officer and member of the Management Board as of 1 September 2018. To make the title better reflect the portfolio managed by Ms Nihot, her title was changed from Chief Organisation & Corporate Relations to Chief People, Communications, and Sustainability Officer with effect from 1 December 2022. Ms Nihot is responsible for human resources, corporate communications, sustainability, and corporate citizenship, branding and sponsorship, public and government affairs, and facility management. Prior to being appointed to the Management Board, Ms Nihot was amongst other Managing Director of Corporate Relations for NN Group.

Ms Nihot holds a Master's degree in European Studies from the University of Amsterdam (the Netherlands) and an Executive Master in Corporate Communication from the RSM Erasmus University in Rotterdam (the Netherlands).

Leon van Riet was appointed CEO Netherlands Life & Pensions and member of the Management Board of NN Group as of 1 June 2020. In this role, he is responsible for the Life and Pension businesses in the Netherlands. Prior to being appointed to the Management Board, Mr Van Riet served amongst other as CEO of Nationale-Nederlanden Non-life in the Netherlands.

Mr Van Riet holds a degree in electrical engineering from Delft University of Technology (TU Delft, the Netherlands).

Mr Van Riet is chair of the sector life insurances of the Dutch Association of Insurers (Verbond van Verzekeraars) and member of the board of Stichting Dienstverlening VoV. Mr Van Riet is also member of the supervisory board of Dutch Terrorism Claims Reinsurance Company (Nederlandse Herverzekeringsmaatschappij voor terrorismeschaden).

Fabian Rupprecht was appointed as CEO International Insurance and member of the Management Board of NN Group as of 1 September 2018. Mr Rupprecht is responsible for NN Group's insurance businesses outside the Netherlands: Insurance Europe, Japan Life and Japan Closed Block VA businesses. Prior to being appointed to the Management Board, Mr Rupprecht served amongst other as Chief Executive Officer Middle East & Africa, and Regional Chief Financial Officer and member of the regional executive committee at AXA Emerging Markets (CEE, MEA, LATAM).

Mr Rupprecht holds a Diploma in Business Administration, with majors in finance and controlling, from the WHU Otto Beisheim School of Management (Koblenz, Germany).

Janet Stuijt was appointed to the Management Board of NN Group as General Counsel as of 1 September 2018. Ms Stuijt is responsible for NN Group's legal function, compliance function and Corporate Security & Investigations and holds the position of Company Secretary. Prior to being appointed to the Management Board, Ms Stuijt was amongst others General Counsel & Head of Compliance of NN Group.

Ms Stuijt holds a Master's in Civil law, from the University of Leiden (the Netherlands).

Besides being a member of the Management Board, Ms Stuijt is member of the supervisory board of Nederlandse Spoorwegen N.V., chair of its nomination & remuneration committee and member of its risk & audit committee and Ms Stuijt is also member of the advisory board of the Master's Law & Finance of the University of Amsterdam.

Supervisory Board

Duties

The Supervisory Board is responsible for supervising the management of the Executive Board and the general course of affairs of NN Group and its businesses. The Supervisory Board may, on its own initiative, provide the Executive Board with advice and may request any information from the Executive Board that it deems appropriate. In performing its duties, the Supervisory Board must carefully consider and act in accordance with the interests of NN Group and the business connected with it, taking into consideration the relevant interests of all stakeholders of NN Group. The organisation, duties and working methods of the Supervisory Board are detailed in the charter of the Supervisory Board. The charter is available on the NN Group website.

Appointment, removal and suspension

The members of the Supervisory Board are appointed individually by the General Meeting upon nomination of the Supervisory Board. The General Meeting and the Central Works Council may recommend candidates for nomination to the Supervisory Board. The Supervisory Board must simultaneously inform the General Meeting and the Central Works Council of the nomination. The nomination must state the reasons on which it is based. The Supervisory Board is required to nominate one-third of the Supervisory Board members on the enhanced recommendation (versterkt aanbevelingsrecht) of the Central Works Council, unless the Supervisory Board objects to the recommendation on the grounds that the recommended candidate is not suitable to fulfil the duties of a member of the Supervisory Board or that the Supervisory Board will not be properly composed if the nominated candidate is appointed.

The General Meeting may reject the nomination of a Supervisory Board member by an absolute majority of the votes cast by shareholders representing at least one-third of NN Group's issued share capital. If the General Meeting resolves to reject the nomination by an absolute majority of the votes cast, but this majority does not represent at least one-third of NN Group's issued share capital, a new meeting can be convened in which the nomination can be rejected by an absolute majority of the votes cast, irrespective of the part of NN Group's issued share capital represented. If the General Meeting resolves to reject the recommendation, the Supervisory Board will then prepare a new nomination. If the General Meeting does not appoint the person nominated by the Supervisory Board and does not resolve to reject the nomination, the Supervisory Board will appoint the person nominated.

A member of the Supervisory Board is appointed for a maximum period of four years. A Supervisory Board member can be reappointed once for a term of four years. A Supervisory Board member can subsequently be reappointed again for a period of two years, which appointment can be extended by at most two years. In the event of a reappointment after an eight-year period, such reappointment shall be adequately motivated in the Supervisory Board Report. The members of the Supervisory Board retire periodically in accordance with a rotation schedule drawn up by the Supervisory Board. The rotation schedule is available on the NN Group website.

The Supervisory Board may suspend a member of the Supervisory Board. The suspension will lapse by law if NN Group has not submitted a petition to remove the suspended member of the Supervisory Board to the Enterprise Chamber of the Amsterdam Court of Appeal (Ondernemingskamer van het Gerechtshof te Amsterdam) within one month after commencement of the suspension.

The General Meeting can, by an absolute majority of votes cast, representing at least one-third of the issued share capital, resolve to abandon its trust (het vertrouwen opzeggen) in the entire Supervisory Board.

A resolution to remove the Supervisory Board for lack of confidence cannot be adopted until the Executive Board has notified the Central Works Council of the proposal for the resolution and the reasons therefore.

If the General Meeting removes the Supervisory Board members for lack of confidence, the Executive Board must request the Enterprise Chamber of the Amsterdam Court of Appeal to temporarily appoint one or more Supervisory Board members.

Composition

The Supervisory Board must consist of three or more members, with the total number of members of the Supervisory Board determined by the Supervisory Board. As at 31 December 2022, the Supervisory Board consisted of seven members, who are all independent within the meaning of best practice provision 2.1.8 of the Dutch Corporate Governance Code.

The profile of the Supervisory Board is available on the NN Group website.

David Cole was appointed to the Supervisory Board on 31 May 2018, which appointment became effective on 1 January 2019. As of the close of the AGM on 29 May 2019, he serves as Chair of the Supervisory Board. Mr Cole was reappointed on 19 May 2022. Prior to being appointed to the Supervisory Board, Mr Cole served amongst other as Chief Financial Officer and Chief Risk Officer of Swiss Re Ltd.

Mr Cole holds a Bachelor of Business Administration degree from the University of Georgia and attended the International Business Programme at the Nyenrode University.

Besides being member of the Supervisory Board, Mr Cole's positions include member of the board of directors of Vontobel Holding AG (Zürich), member of the European Financial Roundtable (EFR), chair of the supervisory board of IMC B.V and member of the board of directors of COFRA Holding AG.

Hélène Vletter-van Dort was appointed to the Supervisory Board on 6 October 2015 pursuant to the enhanced recommendation right of the Central Works Council. She was reappointed on 29 May 2019. As of the close of the AGM on 28 May 2020, Ms Vletter-van Dort serves as vice-chair of the Supervisory Board.

In addition to being member of the Supervisory Board, Ms Vletter-van Dort's positions include professor of financial law & governance at the Erasmus School of Law, chair of the board of Stichting Luchtmans and member of the supervisory board of the Netherlands Public Broadcasting (NPO). Furthermore, she holds a board position with Grotius Academie, Ivo centre for financial law and governance and stichting administratiekantoor DeeCee-Aa. Ms Vletter-van Dort is also partner of De Bestuurskamer and Adler Psychometrics. Ms Vletter-van Dort is an arbiter of the Dutch Arbitrage Institute. As from 21 April 2021, Ms Vletter-van Dort also serves as supervisory board member of Anthos Fund & Asset Management B.V. As of 1 September 2022, Ms Vletter is member of the Board of Stichting Nyenrode.

Ms Vletter-van Dort holds a Master's in Corporate and Commercial Law from the University of Leiden and a PhD from the Utrecht University, Title 'Equal treatment of shareholders when distributing price sensitive information'.

As at 31 December 2022, the Supervisory Board consisted of the following persons*

Name	Position	Date of birth	Gender	Nationality	Appointment	Termination/ reappointment	Tenure
David Cole	Chair (as of the close of the AGM on 29 May 2019)	2 October 1961	Male	Dutch and American	1 January 2019, reappointment 19 May 2022	2026	4 years
Hélène Vletter–van Dort	Vice-chair (as of the close of the AGM on 28 May 2020) (recommended by Central Works Council)	15 October 1964	Female	Dutch	6 October 2015, reappointment 29 May 2019	2023	7 years
Inga Beale	Member	15 May 1963	Female	British	20 May 2021	2025	1 years
Robert Jenkins	Member	17 January 1951	Male	American	2 February 2016, reappointment 28 May 2020	2024	7 years
Rob Lelieveld	Member (recommended by Central Works Council)	29 September 1962	Male	Dutch	1 September 2021	2025	1 year
Cecilia Reyes	Member	3 February 1959	Female	Filipino and Swiss	20 May 2021	2025	1 year
Hans Schoen	Member (recommended by Central Works Council)	2 August 1954	Male	Dutch	7 July 2014, reappointments 31 May 2018 & 19 May 2022	2024	8 years

* Mr Hauser's term of appointment as Supervisory Board member ended at the close of the AGM on 19 May 2022.

* Ms Streit stepped down as member of the Supervisory Board at the close of the AGM on 19 May 2022.

* At the AGM of 19 May 2022, the General Meeting appointed Ms Pauline van der Meer Mohr as member of the Supervisory Board for a term of four years effective as of 1 January 2023.

Inga Beale was appointed to the Supervisory Board on 20 May 2021. Prior to being appointed to the Supervisory Board, Ms Beale served amongst other as Chief Executive Officer of Lloyd's of London.

As a reinsurance underwriter, Ms Beale attained a degree equivalent insurance qualification as an Associate of the United Kingdom Chartered Insurance Institute and became Chartered in 2016. She is also a qualified Six Sigma Green Belt (2002); completed the Manager Development Course (MDC) and higher-level Business Management Course (BMC) as part of the Executive Education programme at GE's Stamford-based University in the United States.

In addition to being member of the Supervisory Board, Ms Beale is non-executive chair of the board at Mediclinic International plc and non-executive director of Crawford & Company. As from January 2022, she is also member of the Board of Willis Towers Watson.

Robert Jenkins was appointed to the Supervisory Board on 6 October 2015, which appointment became effective on 2 February 2016. He was reappointed on 28 May 2020. Since 2009, he is adjunct professor of finance at London Business School where he teaches investment management. He is also member of the CFA Institute's the Future of Finance Advisory Council. From 2014 to 2016, he was founding chair of the AQR Asset Management Institute at LBS.

Mr Jenkins holds a Master's degree in International Studies with the focus on International Economics and European Area Studies from The Johns Hopkins University.

Rob Lelieveld was appointed to the Supervisory Board on 20 May 2021, which appointment became effective 1 September 2021. He was appointed pursuant to the enhanced recommendation right of the Central Works Council. Prior to being appointed to the Supervisory Board, Mr Lelieveld amongst others chaired the managing board of EY Accountants in the Netherlands and was member of the board of directors of EY in the Netherlands.

Mr Lelieveld holds a degree in accountancy but deregistered as a chartered accountant from the register of accountants held by the Koninklijke Nederlandse Beroepsorganisatie van Accountants (NBA) when he left EY in June 2021.

In addition to being member of the Supervisory Board, Mr Lelieveld is supervisory board member and chair of the audit committee of the supervisory board of the Mauritshuis (The Hague).

Cecilia Reyes was appointed to the Supervisory Board as of 20 May 2021. Prior to being appointed to the Supervisory Board, Ms Reyes worked amongst others at Zurich Insurance Group Ltd. where she served as group Chief Investment Officer and more recently as group Chief Risk Officer. In both roles, Ms Reyes was member of the group executive committee until her retirement from the company in February 2018.

Ms Reyes holds a Bachelor of Science in Industrial Engineering from the University of Manila, an MBA in Finance from the University of Hawaii, and a PhD in finance from London Business School.

In addition to being member of the Supervisory Board, Ms Reyes serves as managing director of PIONEER Management Services GmbH, Non-Executive director of Beazley plc and member of the board of RiverStone International Jersey Limited.

Hans Schoen was appointed to the Supervisory Board as of 7 July 2014. He was reappointed on 31 May 2018 and on 19 May 2022. He is considered appointed pursuant to the enhanced recommendation right of the Central Works Council as of 12 April 2020. Prior to being appointed to the Supervisory Board, Mr Schoen worked at amongst other KPMG Accountants and was a partner as of January 1989. Until 27 April 2016, Mr Schoen served as chair of the EFRAG Insurance Accounting Working Group.

Mr Schoen holds a degree in economics and a postdoctoral degree in accountancy from the University of Amsterdam (the Netherlands). In September 2015, he received a PhD from the Vrije Universiteit (VU) Amsterdam (the Netherlands).

Pauline van der Meer Mohr was appointed to the Supervisory Board on 19 May 2022, which appointment became effective 1 January 2023. Prior to joining the Supervisory Board, Ms Van der Meer Mohr was amongst others chair of the executive board of Erasmus University of Rotterdam and chair of the Dutch Corporate Governance Code Monitoring Committee.

Ms Van der Meer Mohr holds a Master's in Advanced Dispute Resolution, University of Amsterdam and Dutch Law, Erasmus University Rotterdam.

In addition to being a member of the Supervisory Board, Ms Van der Meer Mohr is also chair of the supervisory board of ASM International N.V, non-executive director of Viatris inc. and member of the supervisory board of Koninklijke Ahold Delhaize N.V.

Heijo Hauser was appointed to the Supervisory Board as of 7 July 2014 and was reappointed on 31 May 2018. Mr Hauser's term of appointment as Supervisory Board member ended at the close of the AGM on 19 May 2022. Prior to joining the Supervisory Board, Mr Hauser was amongst other managing director of Towers Watson in Germany.

Mr Hauser holds a Master's degree in mathematics from the Ruhr University of Bochum (Germany).

Besides being member of the Supervisory Board until 19 May 2022, at that time Mr Hauser was also chair of the board of Freundeskreis Elisabeth-Hospiz e.V.

Clara Streit was appointed to the Supervisory Board on 1 June 2017. She was reappointed on 28 May 2020 and stepped down as member of the Supervisory Board at the close of the annual general meeting on 19 May 2022. Ms Streit is a former member of the supervisory board of Delta Lloyd N.V. Prior to joining the Supervisory Board, Ms Streit was amongst other senior partner at McKinsey & Company Inc. in Munich and Frankfurt.

Ms Streit holds a Master's in business administration, with majors in finance and accounting, from the University of St. Gallen (Switzerland).

In addition to being a member of the Supervisory Board until 19 May 2022, at that time Ms Streit was also a member of the board of directors of Vontobel Holding AG (Zürich) and of the supervisory board of Vonovia SE (Düsseldorf), member of the board of directors of Jerónimo Martins SGPS S.A. (Lisbon), and member of the supervisory board of Deutsche Börse AG (Frankfurt).

More information on the composition of the Supervisory Board can be found in the Report of the Supervisory Board, on page 93.

Remuneration

Information on the remuneration of the members of the Supervisory Board can be found in the Remuneration Report, on page 137.

Committees of the Supervisory Board

The Supervisory Board has established four committees: the Audit Committee, the Risk Committee, the Remuneration Committee, and the Nomination and Corporate Governance Committee.

The organisation, duties and working methods of the Supervisory Board committees are detailed in a separate charter for each committee. These charters are available on the NN Group website. Information on the duties and responsibilities of the respective committees and their composition can also be found in the Report of the Supervisory Board on pages 91-104.

6.3.2 Sustainability governance

Strategy setting

The Executive Board is responsible for the formulation and execution of the company's strategy, consistent with its position on long-term value creation. At the Investor Update event on 17 November 2022, NN has further disclosed more detailed strategic and financial targets as part of the overall strategy (read more on pages 12-16) that also include sustainability matters.

The strategy pursued by the Executive Board is supervised by the Supervisory Board. Each Supervisory Board Committee covers sustainability matters that fall within its responsibilities and area of expertise. By reporting the main points of discussion and recommendations to the Supervisory Board, an integrated approach with regard to sustainability matters at Supervisory Board level is safeguarded.

The Management Board is entrusted with the day-to-day management and overall strategic direction of NN Group. This includes the setting and achievement of the company's objectives, and any sustainability matters it deems relevant.

Within the Management Board, the Chief People, Communications, and Sustainability Officer, who reports to the CEO, has Corporate Citizenship, including sustainability, in her portfolio and is the sponsor of sustainability, climate or responsible investment-related topics discussed in the Management Board. The CRO, also a member of the Management Board, and reporting to the CEO, has day-to-day responsibility for NN Group's Risk management function.

The CRO is tasked with ensuring both the Management Board and Supervisory Board at all times are informed of and understand the material risks NN Group is exposed to, which also includes sustainability matters. The General Counsel, also a member of the Management Board, ensures that both the Management Board and Supervisory Board are informed and understand the legal and compliance risks related to sustainability matters.

The CRO is also the sponsor of the NN Group Own Risk & Solvency Assessment (ORSA), in which outcomes of scenario analyses, including climate change are evaluated on an annual basis. To ensure NN Group adheres to regulation related to sustainability matters, the NN Group Control Functions, including Risk, and Compliance, are tasked to oversee proper implementation and monitor ongoing compliance.

In addition, each of our Management Board members is responsible for promoting and integrating sustainability into their respective businesses or functions as relevant.

Sustainability matters are regularly on the agenda of the Management Board covering items such as policy changes and updates, assessments of external benchmarks and ratings, sustainability risks and opportunities, and investment restrictions. The progress on the financial and strategic targets, including the net-zero ambition, is discussed on a quarterly basis.

NN Group has the following dedicated committees around sustainability to support the strategy execution and monitoring of progress:

Strategy setting

Supervisory Board
Supervises the strategy pursued by the Executive Board

Executive Board
Is responsible for the formulation and execution of the company's strategy, which includes our net-zero ambition

Management Board
Is responsible for the company's day-to-day management and overall strategic direction. This includes the setting and achievement of the company's objectives and any sustainability matter it deems relevant.

Strategy execution and monitoring

Purpose Council
- Advisory, consultative and preparatory role
- Alignment overarching sustainability themes
- Chaired by CPCSO, includes CEO, several other Management Board members, heads of staff and BU managers

Responsible Investment Committee
- Advises Management Board on RI strategy, policies and standards, incl. net-zero investment target and restrictions
- Chaired by CIO, members include CPCSO, CRO, RI Team and IRM

Responsible Insurance Underwriting Committee[1]
- Advises Management Board on RIU strategy, incl. net-zero insurance underwriting targets
- Chaired by CEO NN Re, includes representatives Netherlands Life, Netherlands Non-life, Compliance, and Risk Management

Taskforce Sustainability in Business
- Advises Management Board and supports BUs on meeting regulatory requirements, integration of sustainability in our products and services, and capability build-up.

1 Operational in 2023.

Operational implementation

- Develop and implement sustainability policies and standards and embed it in day to day operations

Cross-functional working groups
- Ensure there is internal alignment and oversight on specific themes (e.g. net-zero strategy, biodiversity)

Taskforce Sustainability in Business workstreams
- Facilitate implementation of the Taskforce objectives

Risk management

Enterprise Risk Management (ERM) and Investment Risk Management (IRM)
- Integrates sustainability in risk framework & policies, risk management and reporting, and helps mitigate strategic, financial and non-financial risks

Purpose Council

Since 2019, NN Group has a Purpose Council, consisting of several Management Board members, heads of relevant staff departments and business representatives, which is chaired by the Chief People, Communications, and Sustainability Officer, and sponsored by the CEO. The Purpose Council supports the Management Board in steering, measuring, and reporting on purpose-related strategic targets. Performance on strategic targets is reported via a Strategy dashboard, which is evaluated in the Purpose Council and subsequently in the Management Board on a quarterly basis. The Purpose Council also performs an advisory and consultative role with regard to purpose-related areas such as sustainability matters.

Responsible Investment Committee

NN's Responsible Investment (RI) Framework policy describes our approach to integrate sustainability factors, including climate change, in our investment process. NN Group has set up an RI governance structure to facilitate multidisciplinary discussions and exchange of information between the right people at the right time. As a result of the sale of NN Investment Partners (NN IP), the group's governance for RI has been revised in 2022. The former NN ESG Policy Committee and Paris Alignment Committee have been merged into a new Responsible Investment Committee (RI Committee), which was established in 2022 and is chaired by the Group Chief Investment Officer, who reports to the CEO. Members include the Chief People, Communications, and Sustainability Officer, the CRO, and representatives from the RI team and Investment Risk Management. The RI Committee advises the Management Board on the RI strategy, policies, standards and restrictions and oversees the Responsible Investment approach of NN Group. It defines the net-zero roadmap and related action plans and targets and performs oversight and steering of the net-zero ambition for the proprietary investment portfolio. New policy proposals, such as for oil and gas, require approval of the Management Board, while asset class specific strategies for Paris Alignment require approval of the NN Group Investment Office Investment Committee. The RI Committee reports on progress and challenges at least once a year to the Management Board.

Responsible Insurance Underwriting Committee

To strengthen our net-zero strategy beyond investing we are setting up an equivalent Committee for Responsible Insurance Underwriting that will become operational in 2023. This committee will strategically oversee and steer our ambition towards net-zero insurance underwriting, develop a net-zero strategy for insurance and report to the Management Board on progress. We have set up an operational Net-Zero Insurance working group to align activities within the business units involved. This working group will advise on target setting and will help to formulate a roadmap for responsible insurance underwriting.

Strategy execution and integration in operating model

NN Group has a dedicated Corporate Citizenship department, with a Sustainability expert centre, to advise the Management Board on the implementation of the overall approach to sustainability. The experts work closely together with the different business units and functions to steer and advise on embedding sustainability matters into their business in accordance with the overall strategy. This includes our net-zero commitments, with a focus on accelerating the transition to a low-carbon economy, an RI strategy and sustainability-related strategic targets. Following the publication of NN Group's Climate Action Plan in December 2022, a dedicated working group was established to support the alignment and reporting.

Given the increasing attention to Environmental, Social, and Governance (ESG) related topics and following the divestment of NN IP in 2022, the RI capability within the Group was expanded with a dedicated RI team. This team consists of several ESG and RI professionals from within NN Group's Corporate Citizenship team and the NN Group Investment Office.

To meet regulatory requirements, to further embed sustainability in our products and services, and to build sustainability capabilities throughout the organisation, we have set up a Task Force Sustainability in Business (TFSB) for, in principle, a period of two years. With the additional dedicated resources we aim to accelerate our efforts and provide our businesses guidance and support in implementation.

The Risk, Compliance and Legal functions have dedicated resources working on sustainability matters. A key role of the Risk function is to enable, challenge and support the realisation of NN's sustainability ambition, and mitigate strategic, financial, and operational sustainability risks. The Risk management function challenges our management on the sustainability risks within the business lines and supports management in adequately mitigating these risks. Furthermore, Risk, Compliance and Legal support our business lines with implementing regulations related to sustainability matters and NN's risk framework & policies, risk management and reporting.

In 2022, NN Group Risk has established a Centre of Expertise in the area of sustainability risks, to ensure solid understanding and effective oversight of important emerging/sustainability risks. For our insurance and banking activities specifically, our business units have set up a governance suiting their respective operating models and activities. We refer to the Climate Action Plan 2022, section Ambition and governance, pages 6-9, 28 and 32.

Diversity and inclusion

NN Group aims to have an adequate and balanced composition of its boards. In order to ensure such composition at all times, several relevant selection criteria are balanced and (re)appointments to these boards are made on the basis of harmonised policies and in accordance with legal and regulatory requirements.

Although the statutory target figure regulation as previously included in the Dutch Civil Code expired on 1 January 2020, NN Group continued to (voluntarily) apply gender diversity targets for the boards in scope of the former regulation. As of 1 January 2021, NN Group aims to have a gender balance of at least 40% women and 40% men for its boards. As of 2021, NN Group also has a target to have at least 40% women in senior management positions. In 2021, these positions included the Management Board and managerial positions reporting directly to a Management Board member. To further improve and strengthen the impact of its gender diversity ambition, in 2022 NN Group extended the scope of the target to include all senior managerial positions reporting to a business unit CEO, in addition to the Management Board and managerial positions reporting directly to the Management Board.

Given the continuous (voluntary) application of ambitious gender diversity targets for its boards, and the target to have more than 40% women in senior management positions (by 2025), NN Group already complied with the requirement to set ambitious gender diversity targets as included in the act on gender diversity in boards of Dutch companies (Wet tot wijziging van Boek 2 van het Burgerlijk Wetboek in verband met het evenwichtiger maken van de verhouding tussen het aantal mannen en vrouwen in het bestuur en de raad van commissarissen van grote naamloze en besloten vennootschappen, 'the Act on gender diversity') which entered into force on 1 January 2022.

In support of the ambitious gender diversity targets, NN Group has set an action plan, that is also adopted by the (other) NN Group companies in scope of the Act on gender diversity. This action plan supports a healthy and diverse succession pool for senior management throughout the organisation, as part of our Diversity and Inclusion and Key Talent Management policy and processes. We have set out various actions on the different drivers behind our Diversity and Inclusion roadmap such as: enhanced processes, data & monitoring, visibility and networks, and mindset & awareness. Actions include amongst others:

- The 40% target must be taken into account in the succession planning and process for appointments of persons in board and senior management positions
- At least once a year Talent Review & Succession Planning sessions for senior management positions are organised
- Strive for a minimum of 50% females on shortlists for senior management positions
- A list of female talent pool is kept and participation in succession planning sessions and leadership and development programmes is ensured
- Engagement with female talent pool and increase visibility (examples: networking events, mentoring programme Women in Leadership Network, etc.)
- Performing equal pay analysis

Composition of NN Group's Executive, Management and Supervisory Boards and senior management

NN Group's aim to have a gender balance of at least 40% women and 40% men for its boards, and the fact that its Executive Board consists of only two members, require the Executive Board to consist of one female and one male. Following the appointment of Annemiek van Melick as Executive Board member and CFO of NN Group effective as from 1 July 2022, the composition of the Executive Board is 50% female and 50% male and meets this target.

For the Management Board, NN Group also aims to have a gender balance of at least 40% of both women and men. As a result of the succession of Delfin Rueda, former CFO of NN Group, by Annemiek van Melick as of 1 July 2022, the gender balance of the Management Board improved to 37.5% female and 62.5% male.

Although the act on gender diversity in boards of Dutch companies includes a statutory diversity quota of at least one-third for both women and men on supervisory boards of listed companies, NN Group aims to have a gender balance of at least 40% of both women and men for its Supervisory Board. In 2022, the composition of the Supervisory Board was 44% female and 56% male. As from 1 January 2023, this composition is 50% female and 50% male.

In future appointments of Executive, Management and Supervisory board members, NN Group will continue to consider all applicable laws and regulations and relevant selection criteria including but not limited to executive experience, experience in corporate governance of large stock-exchange listed companies, and experience in the political and social environment in which NN Group operates.

Both the profile of the Executive Board and Management Board and the profile of the Supervisory Board include a diversity policy. The guiding principles included in the profiles are taken into account when (re)appointing board members. This means, that in the selection of the members of the Executive Board and the Management Board, and in the selection of the members of the Supervisory Board, there will be a balance in terms of nationality, gender, age, experience, education and work background. In addition, there will be a balance in the affinity with the nature and culture of the business of the company and its subsidiaries.

As at 31 December 2022, 40% of senior management positions where held by women.

We believe our company is strongest when we embrace the full spectrum of humanity. Regardless of what we look like, where we come from, or who we love. That is why NN Group takes a stand for diversity, inclusion and equal opportunities for all. When people inside of our company represent the people outside our company, we can be more responsive to what they expect, want and need, also in changing circumstances. After all, change is a constant factor in our lives, also in the financial sector.

More information can be found in the Diversity and inclusion section on page 41 of this Annual Report, our NN Statement on Diversity and Inclusion, and NN Group's Diversity and Inclusion report 2021. Our Diversity and Inclusion report 2022 will be published in the course of 2023.

Conflicts of interest

No transactions were entered into in 2022 in which there were conflicts of interest with Executive Board members and/or Supervisory Board members that are of material significance to NN Group and/or to the relevant board members.

General meeting

Frequency, notice and agenda

Each year, no later than the month of June, NN Group holds its AGM. Its general purpose is to discuss the Report of the Management Board, advise on the Remuneration Report, adopt the annual accounts, release the members of the Executive Board and the members of the Supervisory Board from liability for their respective duties, appoint and reappoint members of the Supervisory Board, decide on the dividend to be declared, if applicable, and decide on other items that require shareholder approval under Dutch law. Extraordinary general meetings are held whenever the Supervisory Board or the Executive Board deems such to be necessary. In addition, one or more shareholders who jointly represent at least 10% of the issued share capital of NN Group may, on application, be authorised by the court in interlocutory proceedings of the district court to convene a general meeting.

General meetings are convened by a public notice via the NN Group website no later than on the 42nd day before the day of the general meeting. The notice includes the place and time of the meeting and the agenda items. Shareholders who, alone or jointly, represent at least 3% of the issued share capital of NN Group may request to place items on the agenda, provided that the reasons for the request are stated therein and the request is received by the chair of the Executive Board or the chair of the Supervisory Board in writing at least 60 days before the date of the general meeting.

Admission to the general meeting

Each holder of shares in the share capital of NN Group entitled to vote, and each other person entitled to attend and address the general meeting, is authorised to attend the general meeting, to address the general meeting and to exercise voting rights. For each general meeting, a statutory record date will, in accordance with Dutch law, be set on the 28th day prior to the date of the general meeting, to determine whose voting rights and rights to attend and address the general meeting are vested. Those entitled to attend and address a general meeting may be represented at a general meeting by a proxy holder authorised in writing.

The 2022 AGM of NN Group was held in hybrid form. Shareholders were able to attend in person or virtually or follow the meeting via a live webcast. Questions could be submitted in advance, as well as during the meeting in person or virtually. Voting rights could be exercised during the meeting in person or by electronic means. Shareholders could also exercise their voting rights by providing an electronic proxy with voting instructions in advance.

Voting and resolutions

Each share in the share capital of NN Group confers the right on the holder to cast one vote. At a general meeting all resolutions must be adopted by an absolute majority of the votes cast, except in those cases in which the law or the Articles of Association require a greater majority. If there is a tie in voting, the proposal concerned will be rejected.

Powers of the General Meeting

The most important powers of the General Meeting are to:

- Appoint members of the Supervisory Board upon nomination of the Supervisory Board
- Recommend persons to the Supervisory Board for nomination as a member of that board
- Abandon its trust in the Supervisory Board
- Release the members of the Executive Board and the members of the Supervisory Board from liability for their respective duties
- Advise on the Remuneration Report
- Adopt the remuneration policy for the members of the Executive Board and the remuneration policy for the members of the Supervisory Board, including the remuneration for the Supervisory Board members, upon a proposal of the Supervisory Board
- Adopt the annual accounts
- Appoint the external auditor
- Approve resolutions of the Executive Board regarding important changes in the identity or character of NN Group or its business
- Issue shares, restrict or exclude pre-emptive rights of shareholders and delegate these powers to the Executive Board, upon a proposal of the Executive Board which has been approved by the Supervisory Board
- Authorise the Executive Board to repurchase shares
- Reduce the issued share capital, upon a proposal of the Executive Board which has been approved by the Supervisory Board
- Dispose the profit remaining after the payment of dividend on any outstanding preference shares and after a decision has been taken on the addition of all or part of the profits to the reserves, upon a proposal of the Executive Board which has been approved by the Supervisory Board
- Amend the Articles of Association, upon a proposal of the Executive Board which has been approved by the Supervisory Board.

Shares and share capital

Classes of shares and NN Group Continuity Foundation

The authorised share capital of NN Group consists of ordinary shares and preference shares. Depositary receipts for shares are not issued with the cooperation of NN Group.

Currently, only ordinary shares are issued, while a call option to acquire preference shares is granted to the foundation Stichting Continuïteit NN Group (NN Group Continuity Foundation). The objectives of NN Group Continuity Foundation are to protect the interests of NN Group, the business maintained by NN Group and the entities with which NN Group forms a group and all persons involved therein, in such a way that the interests of NN Group and those businesses and all persons involved therein are protected to the best of its abilities, and by making every effort to prevent anything which may affect the independence and/or the continuity and/or the identity of NN Group and of those businesses in violation of the interests referred above. NN Group Continuity Foundation shall pursue its objectives, inter alia, by acquiring and holding preference shares in the share capital of NN Group and by enforcing the rights, in particular the voting rights, attached to those preference shares. To this end, NN Group Continuity Foundation has been granted a call option by NN Group. According to the call option agreement concluded between NN Group and NN Group Continuity Foundation, NN Group Continuity Foundation has the right to subscribe for preference shares in the share capital of NN Group, consisting of the right to subscribe for such preference shares repeatedly. This may happen each time up to a maximum corresponding with 100% of the issued share capital of NN Group in the form of ordinary shares, as outstanding immediately prior to the exercise of the subscribed rights, less one share (which equals a maximum of 50% less one share after dilution), from which maximum shall be deducted any preference shares already placed with NN Group Continuity Foundation at the time of the exercise of the subscribed rights. NN Group Continuity Foundation qualifies as a legal entity independent from NN Group, within the meaning of section 5:71, paragraph 1, subparagraph c of the Dutch Financial Supervision Act.

As at 31 December 2022, the board of NN Continuity Foundation consisted of three members who are independent from NN Group: Marc van Gelder (chair), Hessel Lindenbergh (treasurer) and Steven Perrick (secretary). Mr Lindenbergh's term ended as of 1 January 2023. Karin Bergstein was appointed as his successor as per the same date.

Issuance of shares and pre-emptive rights

The General Meeting may resolve to issue shares in the share capital of NN Group, or grant rights to subscribe for such shares, upon a proposal of the Executive Board which has been approved by the Supervisory Board. The Articles of Association provide that the General Meeting may delegate the authority to issue shares, or grant rights to subscribe for shares, to the Executive Board, upon a proposal of the Executive Board which has been approved by the Supervisory Board. If the Executive Board has been designated as the body authorised to resolve upon an issue of shares in the share capital of NN Group, the number of shares of each class concerned must be specified in such designation. Upon such designation, the duration of the designation shall be set, which shall not exceed five years. A resolution of the Executive Board to issue shares requires the approval of the Supervisory Board.

Upon the issue of new ordinary shares (or the granting of rights to subscribe for ordinary shares), each holder of ordinary shares in the share capital of NN Group has a pre-emptive right in proportion to the aggregate nominal value of his or her shareholding of ordinary shares. Holders of ordinary shares have no pre-emptive right upon (a) the issue of new ordinary shares (or the granting of rights to subscribe for ordinary shares): (i) against a payment in kind, (ii) to employees of NN Group or of a group company, or (iii) to persons exercising a previously granted right to subscribe for ordinary shares, and (b) the issue of preference shares.

Upon a proposal of the Executive Board which has been approved by the Supervisory Board, the General Meeting may resolve to limit or exclude the pre-emptive rights. According to the Articles of Association, the General Meeting may designate the Executive Board as the competent body to do so upon a proposal of the Executive Board which has been approved by the Supervisory Board. Both resolutions require a majority of at least two-thirds of the votes cast, if less than one-half of the issued share capital is represented at the general meeting. The designation to the Executive Board to resolve to limit or exclude the pre-emptive rights may be granted for a specified period of time of not more than five years and only if the Executive Board has also been designated or is simultaneously designated the authority to resolve to issue shares. A resolution of the Executive Board to limit or exclude the pre-emptive rights requires the approval of the Supervisory Board.

Designation of the Executive Board at the 2019 and 2022 annual general meetings

Share issuance in the context of issuing Contingent Convertible Securities

On 29 May 2019, the General Meeting designated the Executive Board for a term of five years, from 29 May 2019 up to and including 28 May 2024, as the competent body to resolve, subject to the approval of the Supervisory Board, on the issuance of ordinary shares in the share capital of NN Group (including the granting of rights to subscribe for ordinary shares) upon conversion of any Contingent Convertible Securities (CCS) instruments in accordance with its terms and conditions during the term of the CCS instruments.

This authority of the Executive Board is limited to a maximum of 30% of the issued share capital of NN Group as at 29 May 2019. This designation enables the Executive Board to issue CCS instruments and to set the terms and conditions for any CCS instrument, including the limitation or exclusion of pre-emptive rights, the mechanism for the conversion and the conversion price.

Share issuance and limitation of pre-emptive rights

On 19 May 2022, the General Meeting designated the Executive Board for a term of 18 months, from 19 May 2022 up to and including 18 November 2023, as the competent body to resolve, subject to the approval of the Supervisory Board, to issue ordinary shares in the share capital of NN Group and to grant rights to subscribe for such shares, and to limit or exclude the pre-emptive rights of existing shareholders with respect to such issue of ordinary shares in the share capital of NN Group and such granting of rights to subscribe for ordinary shares.

The authority of the Executive Board is limited to a maximum of 10% of the issued share capital of NN Group as at 19 May 2022.

Rights issue

On 19 May 2022, the General Meeting designated the Executive Board for a term of 18 months, from 19 May 2022 up to and including 18 November 2023, as the competent body to resolve, subject to the approval of the Supervisory Board, to issue ordinary shares in the share capital of NN Group and to grant rights to subscribe for ordinary shares by way of a rights issue. This authority of the Executive Board is limited to a maximum of 20% of the issued share capital of NN Group as at 19 May 2022.

This authority to issue shares may be used for any purpose, including but not limited to safeguarding or conserving the capital position of NN Group and mergers or acquisitions.

Acquisition of own shares

NN Group may acquire fully paid-up shares in its own share capital for no consideration (om niet) or if: (a) NN Group's shareholder's equity less the payment required to make the acquisition does not fall below the sum of called-up and paid-in share capital and any statutory reserves, and (b) the nominal value of the shares which NN Group acquires, holds or holds as pledge, or which are held by a subsidiary, does not exceed half of the issued share capital. The acquisition of its own shares by NN Group for consideration requires authorisation by the General Meeting. The authorisation is not required for the acquisition of shares for employees of NN Group or of a group company under a scheme applicable to such employees. The Executive Board may resolve, subject to the approval of the Supervisory Board, to alienate the shares acquired by NN Group in its own share capital. The resolution of the Executive Board to acquire shares in its own share capital for consideration requires the prior approval of the Supervisory Board. No voting rights may be exercised in the general meeting with respect to any share or depositary receipt for such share held by

NN Group or by a subsidiary, and no payments will be made on shares which NN Group holds in its own share capital. On 19 May 2022, the General Meeting authorised the Executive Board for a term of 18 months, from 19 May 2022 up to and including 18 November 2023, to acquire in the name of NN Group, subject to the approval of the Supervisory Board, fully paid-up ordinary shares in the share capital of NN Group. This authorisation is subject to the condition that following such acquisition the par value of the ordinary shares in the share capital of NN Group which are held by NN Group or for which NN Group holds a right of pledge, or which are held by its subsidiaries for their own account, shall not exceed 10% of the issued share capital of NN Group as at 19 May 2022. Shares may be acquired on the stock exchange or otherwise, at a price not less than the par value of the ordinary shares in the share capital of NN Group and not higher than 110% of the highest market price of the shares on Euronext Amsterdam on the date of the acquisition or on the preceding day of stock market trading.

Cancellation of own shares
Group by cancellation of ordinary shares held by NN Group in its own share capital up to a maximum of 20% of the issued share capital of NN Group as at 19 May 2022. The cancellation may be executed in one or more tranches. The number of ordinary shares to be cancelled shall be determined by the Executive Board. Capital reduction shall take place with due observance of the applicable statutory provisions and the articles of association of NN Group.

Transfer of shares and transfer restrictions
The transfer of ordinary shares in the share capital of NN Group included in the Statutory Giro System must take place in accordance with the provisions of the Dutch Securities Giro Act (Wet giraal effectenverkeer). The transfer of shares in the share capital of NN Group not included in the Statutory Giro System requires an instrument intended for that purpose. To become effective, NN Group has to acknowledge the transfer, unless NN Group itself is a party to the transfer. The Articles of Association do not restrict the transfer of ordinary shares in the share capital of NN Group, while the transfer of preference shares in the share capital of NN Group requires the prior approval of the Executive Board. NN Group is not aware of the existence of any agreement pursuant to which the transfer of ordinary shares in the share capital of NN Group is restricted.

Significant shareholdings
Substantial shareholdings, gross and net short positions
Under the Dutch Financial Supervision Act, each legal and natural person having a substantial holding or gross short position in relation to the issued share capital and/or voting rights of NN Group that reaches, exceeds or falls below any one of the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%, must immediately give written notice to the Dutch Authority for Financial Markets. These notifications will be made public via the Register substantial holdings and gross short positions (Register substantiële deelnemingen en bruto short posities) of the Dutch Authority for Financial Markets.

Pursuant to EU regulation No 236/2012, each legal and natural person holding a net short position representing 0.2% of the issued share capital of NN Group must report this position and any subsequent increase by 0.1% to the Dutch Authority for Financial Markets. Each net short position equal to 0.5% of the issued share capital of NN Group and any subsequent increase of that position by 0.1% will be made public via the short selling register of the Dutch Authority for Financial Markets.

In 2022, no legal or natural person held at least 10% of the shares in NN Group, therefore NN Group did not enter into any transaction with any such person.

Information on shareholders with an (indirect) holding and/or gross short position of 3% or more can be found in the Annual Report on page 46 and is deemed to be incorporated by reference herein.

Dutch Corporate Governance Code
NN Group is subject to the Dutch Corporate Governance Code (Code). The application of the Code by NN Group during the financial year 2022 is described in the publication Application of the Dutch Corporate Governance Code by NN Group, dated 8 March 2023, which is available on the website of NN Group. This publication is to be read in conjunction with this chapter and is deemed to be incorporated by reference herein. The Code is available on the website of the Dutch Corporate Governance Code Monitoring Committee (www.mccg.nl).

VNO-NCW Tax Governance Code
NN Group endorsed the VNO-NCW Tax Governance Code and reports on the application of its principles on page 56 under Responsible tax strategy and in our more comprehensive 2022 Total Tax Contribution Report on our website.

Articles of Association
The General Meeting may pass a resolution to amend the Articles of Association with an absolute majority of the votes cast, but only on a proposal of the Executive Board, which has been approved by the Supervisory Board. NN Group's Articles of Association were last amended on 28 May 2020.

Change of Control
NN Group is not party to any material agreement that takes effect, alters or terminates upon a change of control of NN Group following a takeover bid as referred to in article 5:70 of the Dutch Financial Supervision Act, other than a revolving credit facility agreement entered into with a syndicate of lenders. The revolving credit facility agreement includes a change of control provision which entitles the lenders to cancel the commitment under the facility and declare any outstanding amounts under the facility immediately due and payable.

The assignment contracts with the members of the Executive Board provide for severance payments, which are to become due in case of termination of the contract in connection with a public bid as defined in article 5:70 of the Dutch Financial Supervision Act. Severance payments to the members of the Executive Board are limited to a maximum of one year's fixed salary, in line with the Code and the Dutch Financial Supervision Act.

External auditor
The external auditor is appointed by the General Meeting upon nomination of the Supervisory Board, after recommendation by the Audit Committee. On 28 May 2015, the General Meeting appointed KPMG Accountants N.V. (KPMG) as the external auditor of NN Group for the financial years

2016 through 2019. On 29 May 2019, KPMG was reappointed as the external auditor of NN Group for the financial years 2020 through 2022. On 19 May 2022, KPMG was further reappointed as external auditor of NN Group for the financial years 2023 through 2025.

The external auditor may be questioned at the AGM in relation to its audit opinion on the annual accounts. The external auditor will therefore attend and be entitled to address this meeting. In 2022, the external auditor attended the AGM and during this meeting, he answered questions from shareholders. The external auditor also attended the meetings of the Audit Committee and the Risk Committee of the Supervisory Board in 2022, as well as the part of the meeting of the Supervisory Board in which the 2021 Annual Accounts were approved.

More information on NN Group's policy on external auditor independence is available on the website of NN Group (NN Group – Our company – Corporate governance – Auditor information (nn-group.com)

6.3.3 Risk Governance[1]

Our risk governance follows the three lines of defence concept, which outlines the decision-making, execution and oversight responsibilities for NN Group's risk management. This structure has been embedded at both Head Office and business unit level.

The three lines of defence defines three risk management levels, each with distinct roles, decision authorities, execution responsibilities, and oversight responsibilities. This concept helps to ensure that risks are managed in line with the risk appetite as approved by the Supervisory Board and cascaded throughout NN Group.

First line of defence: Executive Board, Management Board, other management

The first lines of defence are the CEO of NN Group and the CEOs of the Business Units, as well as their Management Board members that collectively make business decisions, with primary accountability for the performance, sales, operations, investments, compliance, and related risks. They are also responsible, both on the executive as well as process level of the organisation, for properly managing risks on a daily basis.

More information on the Executive Board, Management Board and the Supervisory Board and its committees, including their risk management responsibilities, can be found earlier in this chapter.

Three lines of defence

First line of defence

**Executive Board
Management Boards
Other managers**

- Make business decisions
- Accountable for financial performance, sales, operations, investments
- Sell products that reflect local needs and thus know their customers and are well-positioned to act in both the customers' and NN Group's best interest
- Accountable for risk taking

Second line of defence

Risk, Actuarial, Legal and Compliance teams

- Support management in their decision-making and risk/return trade-offs
- Countervailing power to prevent risk concentrations and unwanted/ excessive risk taking
- Developing policies for their specific risk and control area
- Encouraging, challenging, and monitoring sound risk management throughout NN
- Escalation power in relation to business activities that are judged to present unacceptable risks to NN Group

Third line of defence

Corporate Audit Services

- Provides independent assurance on the effectiveness of NN Group's business and support processes, including governance, quality of risk management and quality of internal controls
- Assesses first line of defence activities as well as second line of defence activities

1 These disclosures are an integral part of the Consolidated Annual Accounts, and are part of the disclosures to which the audit opinion relates. This includes pages 118-121.

NN Group gives direction towards business units around risk taking via the Risk Policy Framework and Risk Appetite Framework. NN Group's Risk Policy Framework ensures that all risks are managed consistently and that NN Group as a whole aims to operate within the set risk appetite and related risk limits and tolerances. The policies and minimum standards focus on risk measurement, risk management and risk governance. Policies and standards have to be approved by the Management Board. Any potential waivers to NN Group policies or standards require delegated approval of the NN Group CRO or General Counsel.

Business units may independently perform all activities that are consistent with the strategy of NN Group and the approved (three year) business plan (Business Plan) as long as these are consistent and compliant with the internal risk management and control frameworks, applicable laws and regulations, applicable collective agreements, NN Group's risk appetite, NN activities are not under the decision-making authority of the Management Board. Each business unit is expected to operate transparently and must provide all relevant information to the relevant Management Board members and Support Function Head(s) at Head Office.

The business unit CEOs are responsible for:

- Execution of the strategy and the financial performance, of business and operational activities, in their respective area, as well as the related risks,
- Ensuring that the business operates in compliance with laws and regulations, NN Group policies and standards and internal controls,
- Fulfilling their statutory responsibilities,
- Operating a sound internal risk and control system and operating in accordance with NN Group's values,
- The viability of the corresponding business unit in the long term,

Regular oversight interaction between Head Office and business units takes place with respect to, amongst others, product approval, mandate approval, risk limit setting, risk reporting, ORSA, policy setting and implementation monitoring, model and assumption review and validation. These interactions cover all types of risks, both financial and non-financial risks.

Ad-hoc interactions also take place when a business unit proposes a material business initiative for which any Management Board member has the right to initiate a risk review. A risk review can also be initiated to investigate a significant incident or unexpected significant adverse business performance. A risk review is an in-depth risk analysis of the object in scope concluded with a risk opinion and advice when and where relevant.

Second line of defence: Key Functions Risk Management, Compliance, Actuarial and the Legal Function

Risk Management Function

Within the Management Board, the CRO is entrusted with the day-to-day execution of the Risk Management Function, while the Legal Function and Compliance Function fall within the responsibility of the General Counsel.

The NN Group CRO steers an independent risk organisation which supports the first line in their decision-making with sufficient countervailing power to prevent excessive risk taking. The NN Group CRO is also responsible for the organisation of Group Risk at Head Office level. Each business unit has its own CRO, who reports hierarchically to the business unit CEO, and has a functional line to the NN Group CRO. The NN Group CRO must ensure that both the Management Board, including the members of the Executive Board, and the Supervisory Board are at all times informed of and understand the material risks to which NN Group is exposed.

Responsibilities of the Risk Management Function include:

- Setting of and monitoring compliance with NN Group's overall risk policies issued by the Risk Management Function.
- Formulating NN Group's risk management strategy and ensuring that it is implemented throughout NN Group.
- Supervising the operation of NN Group's risk management and business control systems.
- Reporting on NN Group's risks, as well as the processes and internal controls.
- Making risk management decisions with regards to matters which may have an impact on the financial results of NN Group or its reputation, without limiting the responsibility of each individual member of the Management Board in relation to risk management.
- Sharing best practices across NN Group.

Group Risk supports the NN Group CRO in the execution of his duties and responsibilities. To ensure solid understanding, oversight, and support to the international business units, the NN Group CRO is supported by four teams:

- CRO International: performing Risk oversight activities across international entities of NN Group.
- Enterprise Risk Management: supporting risk governance and frameworks, internal and external risk reporting, as well as performing risk management activities around strategic, emerging, operational and IT risks.
- Risk Models & Analytics: takes care of the coordination, implementation and operation of NN Group's Partial Internal Model, as well as Model Validation.
- ALM & Investment Risk Management team provides support and risk management activities in the areas of financial risks, as well as Solvency II risk modelling of market and counterparty default risks.

Model Validation

Model Validation aims to ensure that NN Group's models are fit for their intended use and is part of the Risk Management Function. For this purpose, Model Validation carries out validations of risk and valuation models, in particular those related to Solvency II. Models are typically developed within first line teams, or within the second line risk team, separate from Model Validation. Any changes to models that have an impact larger than certain pre-set materiality thresholds require approval from either the NN Group CRO, NN Group CFO or the NN Group Management Board.

Model Validation performs validation on reliability of models at different stages during their life cycle: at initiation, prior to approval, when the model has been redeveloped or modified, and on a regular basis (based on a planning discussed and agreed with the Model Development departments). The validation process covers a mix of developmental evidence assessment, process verification and outcome analysis.

The validation cycle determines the maximum period between two model validations, which can be up to five years. This means that each model in scope will be independently validated at least once within the validation cycle. Model Validation can also start validating before the due date, for example following specific portfolio/market developments or regulatory changes. Materiality of a model is determined based on quantitative and qualitative criteria. Quantitative criteria relate to, amongst others, a percentage of Market Value of Liabilities/Assets, or Solvency Capital Requirement. Qualitative criteria cover model complexity, strategic importance and other factors. Models with a higher materiality are validated more frequently. Depending on materiality of the model, as well as the severity of findings resulting from a model validation, models receive a validation opinion. Models with severe findings require remediation actions by management, such as further adjustments of the model.

Compliance Function and Legal Function

The General Counsel steers an independent compliance and an independent legal organisation which supports the first line in their decision-making with sufficient countervailing power to prevent excessive risk taking. The General Counsel is responsible for the organisation of Group Legal at Head Office level. At the business unit level, management establishes and maintains a Legal Function and appoints a Head of Legal. The Head of Legal in principle reports hierarchically to the business unit CEO. The Heads of Legal have a functional reporting line to the General Counsel. The General Counsel must ensure that both the Management Board, including the members of the Executive Board, and the Supervisory Board are at all times informed of and understand the material legal and compliance risks to which NN Group is exposed.

To effectively manage business conduct risk, NN Group has an independent Compliance Function headed by a Chief Compliance Officer who is the Key Function Holder for Compliance and who has a direct reporting line to the General Counsel and member of the Management Board. The Compliance Function is positioned independently from the business it supervises. This independent position is, amongst others, warranted by independent reporting, unrestricted access to senior management as well as structural, periodic meetings of the Chief Compliance Officer with the NN Group CEO and the chair of the Risk Committee of the Supervisory Board.

NN Group is committed to upholding its reputation and integrity through compliance with applicable laws, regulations, and ethical standards in each of the markets in which the company 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 Function Charter is to help businesses effectively manage their compliance risks. This document is available for download on the NN Group corporate website.

Within NN Group's broader risk framework, the purpose of the Compliance Function is to:

- Understand and advocate rules, regulations, and laws for the effective management of risks in scope of the Compliance Function.
- Proactively work with and advise the business to manage business conduct and product suitability risk throughout our products' life cycle and our business' activities to meet stakeholder expectations.
- Develop and enhance tools to strengthen the three lines of defence to detect, communicate, manage and to report on business conduct risks.
- Support NN Group's strategy by establishing clear roles and responsibilities to help embed good compliance practices throughout the business by using a risk-based approach to align business outcomes with NN Group's risk appetite.
- Deepen the culture of compliance by partnering with the business to increase the culture of trust, accountability, transparency, and integrity in evaluating, managing and in reporting on business conduct risk.
- Developing and maintaining a framework to support the first line in adhering to material laws and regulations in scope of the function as described in the Compliance Function Charter, which is aligned with NN Group's Risk & Control framework.
- Monitor that management and employees act in accordance with NN Group's policies and standards as well as relevant material laws and regulation, in scope of the function.

At the business unit level, management establishes and maintains a Compliance Function and appoints a Head of Compliance. The Head of Compliance in principle reports hierarchically to the business unit CEO. The Heads of Compliance have a functional reporting line to the Chief Compliance Officer.

Actuarial Function

The Actuarial Function reports hierarchically to the NN Group CRO and has in addition a functional reporting line to the NN Group CFO. This is to ensure consistency with related Finance processes. The primary objective of the Actuarial Function is to ensure that technical provisions (under Solvency II and IFRS) are reliable and adequate, and as such that NN Group is able to meet its obligations towards policyholders and to protect NN Group from loss or reputational damage. The Actuarial Function operates within the context of NN Group's broader Risk Management System. Within this system, the role of the Actuarial Function is to:

- Understand and advocate the rules, regulations and laws for effective management of the calculation process of technical provisions, covering elements such as data quality, assumption setting, models and methods, as well as underwriting and reinsurance arrangements; proactively advise the business to manage the risk of unreliable and inadequate technical provisions.
- Inform management and the Supervisory Board on its opinion on the adequacy and the reliability of the technical provisions, the adequacy of reinsurance arrangements and the underwriting policy at least on an annual basis through the Actuarial Function Report.
- Develop and enhance tools to strengthen the three lines of defence to detect, communicate, manage and to report on risks related to unreliable or inadequate technical provisions.
- Support NN Group's strategy by establishing clear roles and responsibilities to help embed good (actuarial) practices throughout the organisation by using a risk-based approach aligned with NN Group's risk appetite.
- Strengthen the culture of professional risk management by challenging management and experts to increase the culture of trust, accountability, transparency, and integrity in evaluating, managing of and reporting on risks to unreliable or inadequate technical provisions.
- Provide a second line opinion when first line business initiatives can materially impact the risk profile of a business unit or NN Group and/or provide additional assurance for presented key first line risk-related information.

Third line of defence: Corporate Audit Services

Corporate Audit Services NN Group (CAS), the internal audit department within NN Group, is an independent assurance function and its responsibilities are established by the Executive Board, pre-discussed with the Audit Committee of the Supervisory Board and approved by the Supervisory Board. CAS provides independent assurance on the effectiveness of NN Group's business and support processes, including governance, quality of risk management and quality of internal controls.

CAS keeps in close contact with home and local supervisors and regulators as well as with the external auditor via regular meetings in which current (audit) issues are discussed, as well as internal and external developments and their impact on NN Group and CAS. CAS also provides information like risk assessments and relevant (audit) reports. The General Manager and staff of CAS are authorised to:

- Obtain without delay, from General Managers within NN Group, information on any significant incident concerning NN Group's operations including but not limited to security, reputation and/or compliance with regulations and procedures.
- Obtain without delay, from responsible managers within NN Group, a copy of all letters and reports received from external review agencies (e.g. external auditor, supervisors, regulators and other agencies providing assurance-related services).
- Have free, full, unrestricted and unfettered access, at any time deemed appropriate, to all NN Group departments, offices, activities, books, accounts, records, files, information. CAS must respect the confidentiality of (personal) information acquired.
- Require all NN Group staff and business management to supply such information and explanations, as may be needed for the performance of assessments, within a reasonable period of time.
- Allocate resources, set frequencies, select subjects, determine scope of work and apply appropriate techniques required to accomplish the CAS's objectives.
- Obtain the necessary assistance of personnel in various departments/offices of NN Group where CAS performs audits, as well as other specialised/professional services where considered necessary from within or outside NN Group. CAS should exercise its authority with the minimum possible disruption to the day-to-day activities of the area being assessed.
- In compliance with the Code, the Executive Board is responsible for the role and functioning of CAS, supervised by the Supervisory Board, supported by the Audit Committee of the Supervisory Board. The General Manager of CAS is accountable to the NN Group CEO and functionally (independent) to the chair of the Audit Committee of the Supervisory Board. On a day-to-day basis the General Manager of CAS reports to the NN Group CEO.

System of governance evaluation in 2022

In 2022, various elements of NN Group's System of Governance have been reviewed and – where appropriate – improvements have been implemented. In addition, a System of Governance review, as required under Solvency II, has been initiated by the Management Board and will be completed in 2023. The review is based, amongst others, on self-assessments by each Key Function on its compliance with requirements and on its operational effectiveness, as well as on a self-assessment by each business unit on the effectiveness of their local System of Risk Management and Internal Control (challenged by the Risk Management and Compliance Key Functions).

Corporate Governance Statement

This chapter, including parts of this Annual Report incorporated by reference, together with the separate publication 'Application of the Dutch Corporate Governance Code by NN Group', dated 8 March 2023, which is available on the NN Group website, also serves as the corporate governance statement referred to in section 2a of the Decree contents of the management report (Besluit inhoud bestuursverslag).

6.4 Remuneration Report

6.4.1 Opening statement

As chair of the Remuneration Committee, I am pleased to present NN Group's 2022 Remuneration Report. In this opening statement, I will summarise the main developments during the year and other relevant topics of importance to NN Group and its stakeholders.

Societal and business context

The year 2022 was turbulent. NN Group announced the completion of the sale of its asset manager NN Investment Partners to Goldman Sachs Group and agreed a new collective labour agreement with Dutch trade unions in June 2022. It was also the year where we returned to the offices and spent time to find the optimal balance between working from home and connecting with each other at the office. At the same time the world is faced with the impact of several (geopolitical) developments, such as the ongoing conflict in Ukraine, the rise in inflation and the related costs of living crisis, as well as significant volatility in financial markets, and the devastating earthquakes in Turkey and Syria in February 2023. Despite all these developments and the deep effects they have on people's lives and society at large, the impact on NN Group's business performance so far has been relatively limited. The Remuneration Committee took these developments into account when making remuneration-related decisions throughout 2022, balancing the interests of and supporting a positive change for various stakeholders.

Relevant leadership changes

During the course of 2022, several leadership changes took place. As of 1 July 2022, Annemiek van Melick was appointed as member of the Executive Board and Chief Financial Officer (CFO) of NN Group, in addition to her membership of the Management Board, to which she was appointed as of 1 June 2022. As of 1 July 2022, she also serves as vice-chair of the Executive Board and Management Board. We are pleased to have found a strong successor for Delfin Rueda. All details of her appointment were already published on NN Group's corporate website, and her remuneration package will be further detailed in this 2022 Remuneration Report.

On behalf of the Remuneration Committee, I welcome Pauline van der Meer Mohr as new member of the Supervisory Board as from 1 January 2023. She was appointed as Supervisory Board member of NN Group at the annual general meeting held on 19 May 2022. Pauline has also been appointed as member of both the Remuneration Committee and the Nomination and Corporate Governance Committee.

Stakeholder consultation sessions

The Remuneration Committee engages in regular dialogue with our shareholders and other stakeholders. On behalf of the Remuneration Committee, I have engaged in an extensive stakeholder consultation to understand their perspectives and views. Input was obtained from investors, a proxy advisor, a shareholder representative body, our Central Works Council and representatives of Dutch trade unions. As suggested during the 2022 annual general meeting, I also spoke with NN Group trainees. During the consultation sessions, a wide range of topics were addressed. The Remuneration Committee is committed to continuing these stakeholder consultation sessions on a recurring basis.

We were pleased with the General Meeting's positive advice on the 2021 Remuneration Report at the 2022 annual general meeting. The proposal was adopted with 93.15% of the votes granted in favour, slightly below the previous years' support level. We understand that this is partially related to increasing expectations around transparency and alignment with evolving market standards and we aim to continue to improve the content of the Remuneration Report each year to meet these expectations.

Linking the NN Group strategy to performance objectives and remuneration

High on the agenda for many stakeholders is a clear link between the financial and non-financial or strategic ambitions underpinning the company's strategy, the performance objectives of the Executive Board members and their remuneration awards. The Remuneration Committee has a strong belief that the performance objectives and remuneration of Executive Board members should indeed be linked to the overall long-term strategy of NN Group, and more specifically to our strategic commitments in the area of our customers and distribution, products and services, our people, society, in combination with the aim to remain financially strong and seek solid long-term value creation for shareholders and other stakeholders. As outlined in the remainder of this Remuneration Report, we have developed a clear framework for translating the strategy into objectives that underpin the annual variable remuneration awards.

Targets related to sustainability matters have formed part of the objectives of our Executive Board members and were linked to their variable remuneration for many years already. In line with our ambition to achieve net-zero emissions across the business by 2050, the Supervisory Board has set performance objectives for the Executive Board that are aligned with the interim targets to reduce greenhouse gas (GHG) emissions of our corporate investment portfolio and increase investments in climate solutions. In addition, a Paris Alignment Strategy was developed for the mortgage portfolio, and our ambition level for responsible investing as an asset owner was substantiated with measurable targets.

Also when preparing the 2023 performance objectives, the Remuneration Committee ensured alignment by reviewing and updating the Board performance objectives in light of the overall long-term strategy of NN Group, which was communicated during the Investor Update in November 2022.

2023 Performance objectives

In January 2023, the Supervisory Board agreed on the performance objectives as applicable for the Executive Board members for the coming year. In determining the 2023 objectives, the Supervisory Board aims to continuously increase ambition levels and meet the 2025 strategic targets as communicated during the Investor Update.

In comparison with 2022, additional focus will be given to, amongst others, supporting a solid investment capability build-up, initiatives related to digital data and technology, investing in climate solutions and reducing the GHG emissions of our own offices and business air travel.

The Remuneration Committee has focused on further raising the bar on objectives related to sustainability matters for the Executive Board in 2023, by setting more explicit climate-related objectives. For 2023, we will continue to take action to reduce GHG emissions of the proprietary corporate and sovereign investments, mortgages and real estate portfolios. A biodiversity impact study on the proprietary assets will be conducted in 2023, and we have set targets to ensure that we are on track to reach at least EUR 11 billion of investments in climate solutions by 2030. In line with NN Group's aim to reduce the GHG emissions of its own facilities, offices and business air travel, a performance objective for the members of the Executive Board has been set to reduce the direct GHG emissions by at least 25% in 2023 (versus 2019).

Quality of disclosures on performance objectives

Stakeholders indicate that they find it increasingly important to understand the logic and measurements in relation to performance objectives and encourage transparency thereof in the Remuneration report. We have made further steps this year to provide clear, concise and useful information in relation to the performance of the members of the Executive Board against 2022 financial and strategic objectives. The disclosures on performance objectives will remain a focus area in the coming years.

Collective labour agreement

Trade unions CNV Vakmensen, De Unie and FNV Finance have agreed a new collective labour agreement with NN. The new collective labour agreement applies to almost 8,000 employees who work at NN under a Dutch contract and came into effect on 1 July 2022. The Remuneration Committee closely followed the collective labour agreement negotiations with the unions and the related challenges.

In addition to agreements on a collective wage increase, the social plan and the introduction of vitality leave, agreements have also been made with regard to a new pension scheme. As from 1 October 2022, under the newly agreed pension scheme, NN employees under a Dutch contract will accrue pension under a defined contribution plan with BeFrank, one of NN Group's subsidiaries. With this new scheme, the trade unions and NN Group have agreed on a future-proof pension scheme, which is in line with the upcoming reform of the Dutch pension system. NN Group offers colleagues a scheme that is more individual, but where the premium is used more efficiently when comparing with the current scheme. The scheme as introduced to NN Group's employees under a Dutch contract is in line with pension schemes that NN Group offers to its customers.

On behalf of the Remuneration Committee, I would like to thank all stakeholders who shared their views and provided recommendations during our valuable conversations, and I am looking forward to seeing our shareholders at the upcoming 2023 annual general meeting.

H.M. (Hélène) Vletter-van Dort
Chair of the Remuneration Committee

Introduction

This Remuneration Report describes NN Group's remuneration policy and methodology. Furthermore, details are provided on the remuneration of the Supervisory Board and the Executive Board. This report is divided into the following subsections:
6.4.2 Remuneration in general
6.4.3 Remuneration of the Executive Board
6.4.4 Remuneration of the Supervisory Board

Reference is made to Note 49 'Key management personnel compensation' in the Consolidated annual accounts for more information on the remuneration of the Executive Board, Management Board and Supervisory Board, including loans and advances provided to the members of these Boards. This Remuneration Report serves as the report referred to in article 2:135b of the Dutch Civil Code and Best Practice Provision 3.4.1 of the Dutch Corporate Governance Code. The information provided in this Remuneration Report is based on the current remuneration policies of NN Group as applicable in 2022.

6.4.2 Remuneration in general

NN Group has an overall remuneration policy, as described in the NN Group Remuneration Framework, which sets out guidelines and principles for all country and business unit remuneration policies within NN Group. NN Group aims to apply a clear and transparent remuneration policy that is adequate to attract and retain expert leaders, senior staff and other highly qualified employees. The NN Group strategy sets out our goals and how we will achieve them through our shared purpose, our ambition and our five strategic commitments. These strategic commitments are embedded in the remuneration policies within NN Group. The remuneration policy is also designed to support NN Group's employees to act with integrity and to carefully balance the interests of our stakeholders. It supports doing business with the future in mind, and aims to focus on creating long-term value for all stakeholders.

At the same time, NN Group is conscious about its role in society, which is considered and embedded in the remuneration policies and practices as applicable to NN Group employees. These policies promote robust, balanced and effective risk management, including risk management of sustainability risks (such as environment, society, governance and employee-related matters) in the integration thereof in the risk management system and procedures. This will amongst others be supported by performance objective setting processes.

NN Group's remuneration policy for executives and senior staff is based on a total compensation approach, and is benchmarked on a regular basis with relevant national and international peers, both within the financial sector and outside the financial sector. Clear financial and non-financial performance objectives are set which are aligned with the overall strategy of NN Group, both in the short term and the long term, to ensure that remuneration is properly linked to individual, team and NN Group performance.
The remuneration policy supports a focus on the company's long-term interests and the interests of its customers and various stakeholders by ensuring that, by linking remuneration to the company's long-term objectives, that staff are not encouraged, via remuneration, to take excessive risk.
In addition, the remuneration policy ensures that NN Group complies with all the relevant (inter)national regulations on remuneration as relevant to our business, such as the Act on further remuneration measures for financial undertakings (Wet nadere beloningsmaatregelen financiële ondernemingen) that entered into force per 1 January 2023.

Gender equality contributes to an inclusive working environment by ensuring equal opportunities, working conditions and equal pay for equal work. NN Group constantly strives to promote and achieve equal pay for equal work, or work of equal value, for all employees, as this is a key component of supporting equal opportunities for all genders.

To this end, NN Group has implemented remuneration policies that do not differentiate for gender. This means that, in principle, all aspects of NN Group's remuneration policies and processes are aimed to be gender neutral, such as the determination of salary levels for our employees and the process in relation to setting the award and pay-out levels for variable remuneration.

NN Group's pay is analysed annually with a focus on gender equality. When comparing similar compensation grades and job profiles, it can be concluded that we offer equal pay for equal work. We are proud to be once again included in the Bloomberg Gender Equality Index, given that equal pay & gender pay parity are topics that are taken into account in the Bloomberg assessment.

More information on our actions and efforts in relation to gender diversity, and the key findings resulting from our latest equal pay analysis can be found on page 42 (header: Equal pay). Equal pay will remain under continuous attention, as we believe equal pay is a key component of supporting equal opportunities for everyone. Together, we will continue on our path of building and fostering a diverse, inclusive, healthy and safe workplace for all colleagues.

With respect to performance year 2022, the total number of staff of NN Group eligible for variable remuneration is 5,596. The total approved variable remuneration budget is EUR 35.9 million, which will be paid in March or April 2023. In 2022, seven persons employed within NN Group received a total remuneration of more than EUR 1 million. For this calculation, the individual base salary, awarded variable remuneration and, where applicable, life course savings schemes, individual saving allowances and pension contributions were included.

6.4.3 Remuneration of the Executive Board

The Executive Board members have an assignment contract (in Dutch: overeenkomst van opdracht) with NN Group N.V. David Knibbe was appointed as member and chair of the Executive Board and CEO of NN Group by the Supervisory Board as of 1 October 2019, after notification to the General Meeting of NN Group at an extraordinary general meeting (EGM) on 26 September 2019. The term of appointment of David Knibbe will end at the close of the annual general meeting of NN Group to be held on 2 June 2023. The Supervisory Board intends to reappoint David Knibbe as member of the Executive Board and to designate him again as CEO and chair of the Executive Board for a term of four years. The reappointment will be effective after notification to the General Meeting at the AGM.

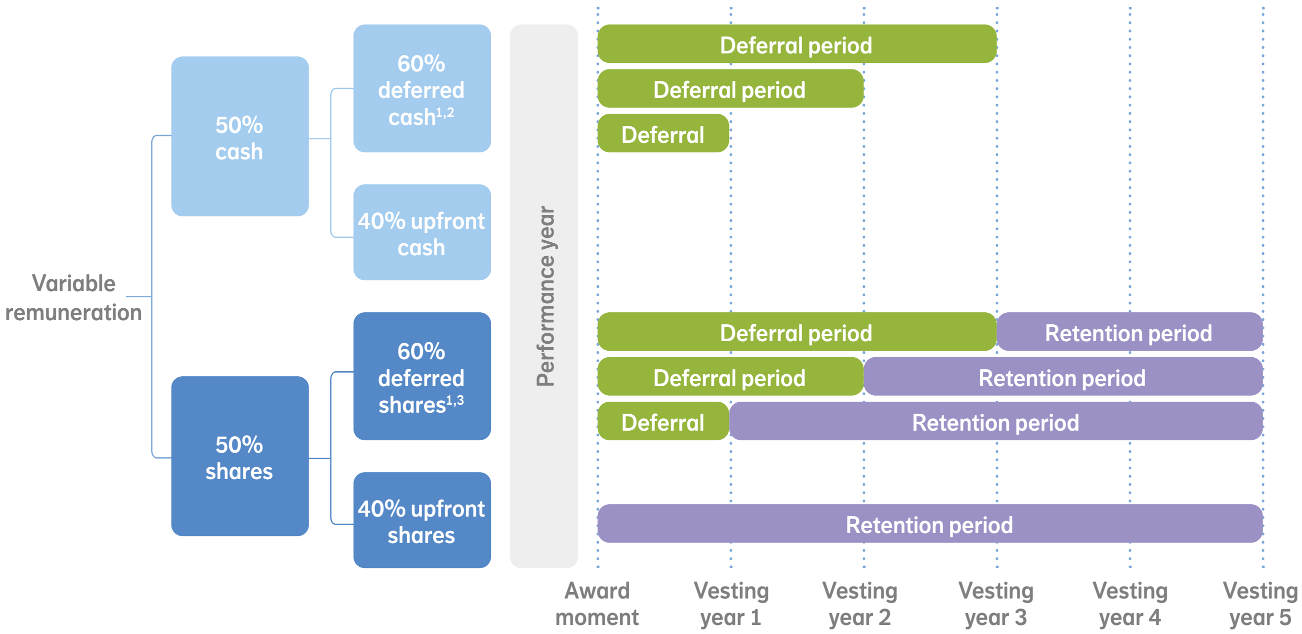
Annemiek van Melick was appointed as a member of the Management Board on 1 June 2022. She was appointed as Chief Financial Officer (CFO) and vice-chair of the Executive Board and Management Board on 1 July 2022. Her term of appointment will end at the close of the annual general meeting of NN Group in 2026. Executive Board members can be reappointed by the Supervisory Board for consecutive periods of up to four years after notification to the General Meeting of NN Group.

The remuneration policy for the Executive Board members was adopted by the General Meeting on 28 May 2020, effective as from 1 January 2020. The data presented in this report relates to remuneration awarded to the Executive Board members in respect of the whole of 2022. The 2022 total remuneration as provided to the members of the Executive Board is in line with the applicable remuneration policy. The Supervisory Board has not applied any deviation or derogation from the remuneration policy of the Executive Board.

The remuneration of the Executive Board members consists of a combination of fixed remuneration ('base salary'; of which 80% is paid in cash and 20% in shares) and base salary allowances, variable remuneration (of which 50% is paid in cash and 50% in shares), pension arrangements and other emoluments as described below. To support the long-term value creation, a retention period of five years starting from the date of award is applicable to all share awards. The detailed composition of the Executive Board remuneration is illustrated below.

Composition EB remuneration

Remuneration elements	Portion		Split	Awarded	Retention period
Base salary in cash	80%				
Base salary in shares	20%				5 years
Total base salary	**100%**				
Variable remuneration	Min	0%	50% in cash	60% deferred	
	Target	16%		40% upfront	
	Max	20%	50% in shares	60% deferred	5 years
				40% upfront	5 years
Total direct remuneration	**Min**	**100%**			
	Target	**116%**			
	Max	**120%**			



1 One-third of the deferred cash and deferred shares awards vest each year.
2 Subject to 'Hold-Back and Claw-Back' clauses and leaver provisions during the deferral period up to the third anniversary award moment.
3 Subject to 'Hold-Back and Claw-Back' clauses and leaver provisions during the deferral period. Subsequently, the retention period applies until the 5th anniversary award moment.

The total compensation of the Executive Board members is benchmarked on a regular basis against market data that includes peers both inside and outside the financial sector in the Netherlands and abroad. The peers are selected with reference to asset base, market capitalisation, revenue and number of employees. For 2022, the peer group consists of ABN AMRO Bank, Achmea, Aegon, Ageas, Akzo Nobel, Aviva, CNP Assurances, Koninklijke DSM, Legal & General Group, Munich Re, Rabobank, Randstad, Swiss Life Holding, Talanx and Wolters Kluwer. NN Group has worked with this consistent peer group since the current remuneration policies of NN Group came into force on 1 January 2020. For the benchmark to be performed in 2023, the Supervisory Board has decided to include Hannover Rueck Se as a replacement for CNP Assurances, given the acquisition of CNP Assurances by Banque Postale.

In line with the remuneration policy as adopted by the General Meeting on 28 May 2020, the Supervisory Board aims to set the remuneration levels below market median. If, based on the annual benchmark, the remuneration level is not in line with the approved policy, appropriate measures will be considered. The Supervisory Board also takes into account all stakeholders' interests, including social context, before finalising executive pay levels.

Only in the event of an involuntary exit (e.g. a mutual agreement at NN Group's initiative where the Executive Board member has been requested to leave), Executive Board members are eligible to an exit arrangement limited to a maximum of one year base salary. Exit arrangements will in no way qualify as reward for failure (within the meaning of the applicable regulatory requirements).

Executive Board base salary

The Executive Board base salary is based on the remuneration policy of the Executive Board, which aims at retaining highly qualified leaders and positioning the Executive Board total direct compensation (i.e. the total of the base salary and variable remuneration) below the market median. Aligned with this remuneration policy, the Supervisory Board evaluates the remuneration of the Executive Board members each year in comparison with the remuneration at NN Group's peer companies. The Supervisory Board also consults external experts to provide relevant benchmark insights.

During 2022, the Supervisory Board performed an assessment of the Executive Board's remuneration, taking into account, among others, the position compared to the market, internal pay relativities and the interests and opinions of stakeholders. Consideration has been given to related remuneration developments for the wider workforce, including the Dutch collective labour agreement, that provided for collective and individual merit increase opportunities over the past years.
David Knibbe's remuneration package has not been increased since his appointment as of 1 October 2019. The Supervisory Board concluded that David Knibbe has consistently shown strong leadership and performance in his role as CEO over the past few years and intends to reappoint David Knibbe as member of the Executive Board and to designate him again as CEO and chair of the Executive Board for a term of four years. Based on the outcome of the overall assessment, and balancing the interests of all stakeholders, the Supervisory Board has decided to increase David Knibbe's base salary with 9%, with effect from 1 September 2022. His new base salary amounts to EUR 1,934,750 gross. The increased remuneration package continues to be positioned well below the market median and continues to be in line with the requirements resulting from the Executive Board Remuneration Policy. During the decision-making process, a scenario analysis has been performed and taken into consideration by the Supervisory Board. The base salary of Annemiek van

Melick has already been published on the corporate website in light of her appointment as Executive Board member as per 1 July 2022 and amounts EUR 1,311,000 gross.

Executive Board variable remuneration

The remuneration policy for the Executive Board members combines the short- and long-term variable components into one structure. This structure supports both long-term value creation and short-term company objectives. Performance objectives reflect NN Group's medium-term strategic priorities as communicated to the market and as such contribute to the long-term strategy of NN Group. Variable remuneration is based on both the financial and non-financial or strategic performance of the individual and the company. The Supervisory Board annually determines the performance objectives at the start of the performance year and defines the relevant 'at target' level. Following the performance year, the Supervisory Board determines the extent to which the financial performance objectives are met based on the full-year financial results. The extent to which non-financial or strategic performance objectives are met is also assessed by the Supervisory Board.

The emphasis on long-term performance indicators within the variable component of the compensation package is realised by means of deferral of 60% of the total variable remuneration. Furthermore, an annual re-evaluation by the Supervisory Board takes place with the option to hold back (i.e. prevent from ever vesting) and/or claw back vested and paid variable remuneration. The Supervisory Board has the authority to reclaim any variable remuneration allocated to an Executive Board member based on inaccurate data and/or behaviour that led to significant harm to the company. In addition, the Supervisory Board has the authority to adjust variable remuneration in the event that the application of the predetermined performance criteria would result in an undesired outcome.

The maximum variable remuneration of the Executive Board members for performance year 2015 onwards has been capped at 20% of the base salary and the on target level of the annual variable remuneration has been set at 16% of the base salary. This is in line with the requirements of the Dutch regulatory regime as applicable to NN Group.

Additionally, the short-term component of variable remuneration (the so called 'Upfront Portion') is 40% of the total variable remuneration and is equally divided between an award in cash and an award in stock. The Deferred Portion is also equally divided between an award in deferred cash and an award in deferred stock. Both the deferred cash and the deferred stock awards are subject to a tiered vesting on the first, second and third anniversary of the grant date (one-third per annum). Similar to the shares awarded as fixed remuneration, a retention period of five years starting from the date of award is applicable to all stock awards (both upfront and deferred), with the exception that part of the stock will be withheld at the relevant date of vesting to cover any income tax liability arising from the vested share award (withhold-to-cover). In addition to the general principles described above, more specific details on the 2022 variable remuneration of the Executive Board members are provided below.

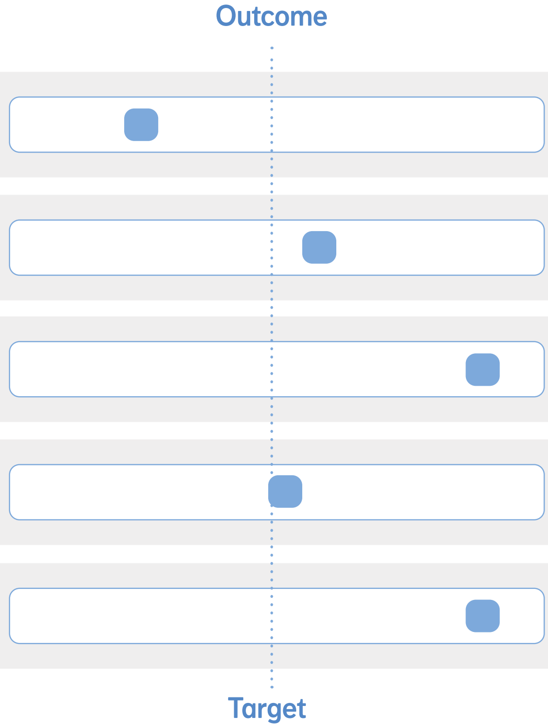
Performance for the year 2022 was assessed based on a number of objectives, as outlined in the paragraph below. Estimated risks and capital adequacy were also taken into account when determining the award of variable remuneration.

Performance objectives of the Executive Board members

The performance of the Executive Board members is assessed annually against their financial and non-financial or strategic objectives as set by the company's Supervisory Board. When determining the objectives for a specific performance year, the Supervisory Board takes into account the medium-term financial, as well as the non-financial or strategic company targets which contribute to the long-term strategy of NN Group. When determining the relative weighting between the financial and non-financial or strategic performance objectives, the Supervisory Board takes into account the requirements of the Dutch regulatory regime as applicable to NN Group and the Executive Board remuneration policy in place since 2020. At the end of the year, the Supervisory Board executes a performance assessment to determine to what extent the objectives have been met. The Supervisory Board is supported by various departments, such as Finance, Corporate Development, Business Strategy, Compliance, Corporate Relations, Risk and HR, to provide relevant input.

The ambition of our company describes what we want to achieve in the years to come. We want to be an industry leader, known for our customer engagement, talented people, and contribution to society. All our different business entities are expected to contribute to the delivery of our ambition. To realise this ambition, five strategic commitments have been identified and the performance objectives of the Executive Board members were structured around these commitments. The table on the following page shows the weightings for each strategic commitment and the extent to which the 2022 performance objectives of the Executive Board for that commitment have been achieved by showing the outcome in relation to the target level.

	Weighting CEO	Weighting CFO
Customers and distribution We see our customers as the starting point of everything we do	20%	20%
Products and services We develop and provide attractive products and services	10%	25%
People and organisation We empower our colleagues to be their best	15%	15%
Financial strength We are financially strong and seek long-term returns for shareholders	40%	25%
Society We contribute to the well-being of people and the planet	15%	15%
	100%	100%



More detailed information on the outcome of the performance objectives of the Executive Board members per strategic commitment is provided in the overview on the following pages.

Customers and distribution
We see our customers as the starting point of everything we do

Weighting		Target
CEO	CFO	
20%	20%	

Key objectives and achievements:

i. At least 8 of 11 insurance business units scoring above market average on NPS-r

- One of the key metrics of the NN Global Brand Health Monitor (GBHM) is the internationally recognised NPS system.
- 8 of the 11 Dutch and International businesses scored on or above market average Net Promoter Score (NPS-r), of which 3 markets scoring above market average.
- A positive trend is being observed and efforts are made to effectively steer and steady the NPS-r scores towards achieving the 2025 target of International and Dutch business units scoring above market average on NPS-r.

ii. Brand consideration of ≥ 25% for the Netherlands, for Insurance International and for NN Group

- At least twice a year, NN measures key brand indicators, such as brand consideration and brand preference. Brand consideration is used to measure how likely it is that potential customers consider purchasing an NN product.
- In 2022, despite significant efforts, the overall brand consideration score fell from 23% to 20%, mainly as a result of a drop in brand consideration in the Netherlands due to fierce competition in Non-Life. Insurance International remained steady overall at 22%.
- Continuous investment in the NN brand is planned during 2023 to steady and increase the brand consideration.

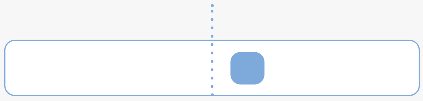
Products and services

We develop and provide attractive products and services

Weighting

CEO	CFO
10%	25%

Target



Key objectives and achievements:

i. Netherlands Life: expand Defined Contributions capabilities

- The total net flows into Defined Contribution pension business in Netherlands Life were above target because of a successful commercial season, while retention was above the ambition level.
- New business also exceeded ambition levels.

ii. Netherlands Non-life: implement 2025 strategy, measured by implementation milestones of the key strategic programmes

- Outperformance is shown on implementing the 2025 strategy for Netherlands Non-Life, including milestone achievement on almost all key strategic initiatives.
- Progress has been made in the execution, benefit tracking and realisation of all key strategic initiatives within Netherlands Non-Life in the area of digitalisation, pricing and data and customer intermediary journeys.

iii. NN Bank: implement strategy, measured by total gross amount of mortgages originated by NN Bank and Woonnu, and by implementation milestones of the key strategic programmes

- Despite the slowing down of the Dutch housing market, NN Bank and Woonnu maintained a stable market share.
- Mainly as a result of relevant external developments, the mortgage origination was below target.
- The overall implementation of several strategic milestones is on track and progress is made in the area of data, technology and streamlining processes with a positive impact on the Banking products and services, as well as customer experience.

iv. Insurance Europe: continue to shift to protection products for higher customer relevancy and margins, and continue to invest in our main banking partnerships

- The Gross Written Premiums on risk protection for Insurance Europe increased, which was driven by most business units.
- The value of new business (VNB) decreased, mainly reflecting lower value of new business at Insurance Europe as a result of the negative impact of discounting at higher interest rates.

v. Japan: continued focus on COLI protection, measured by VNB of COLI protection products

- The full-year 2022 value of new business (VNB) was broadly stable on a constant currency basis.
- This reflects an improved margin offset by lower sales of cash value insurance products.

vi. Product performance reviews executed on a quarterly basis to ensure they continue to add value to our customers

- The number of full-year product reviews (open/closed book) was achieved for 2022 and is stable in comparison with 2021.
- The number of product adaptations introduced in favour of customers in 2022 is significantly higher than in 2021.

People and organisation

We empower our colleagues to be their best

Weighting	
CEO	CFO
15%	15%

Target

Key objectives and achievements:

i. Employee engagement of ≥ 7.7 for NN Group for each of the MB members

- The November 2022 employee engagement survey (82% participation rate) resulted in a score of 7.9.
- Strong results for how employees do their work (Autonomy), how their values match those of NN (Organisational Fit), and opportunities for growth (Growth).

ii. Women in senior management positions ≥ 38%

- At the end of 2022, 40% of senior management positions in NN Group were held by women.

iii. People Cycle and meaningful conversations including usage on NN Competencies: >90% of the employees have a completed 2021 Year-end review conversation and 2022 Goal Setting

- The Year-end review of 2021 scored a 100% (rounded) and the 2022 Goal Setting scored 91.9%.

iv. Management and execution of workforce transformation activities to transform workforce on Digital Skills/User Experience in the Netherlands, Insurance International and Group Support Functions

- All international business units overachieved the 2022 objective to up/reskill 25% of the workforce while in the Dutch Business units and Group Support Functions some units did not meet the ambition level.

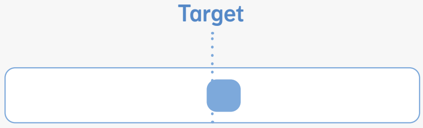
v. Execute the end-to-end excellence programme according to the overall plan, collectively realising the qualitative simplification objectives and initiatives of the programme as scheduled for 2022

- The overall end-to-end excellence programme is going as expected.
- Additional improvements and savings have been realised in 2022 versus ambition levels in various departments.

Financial strength

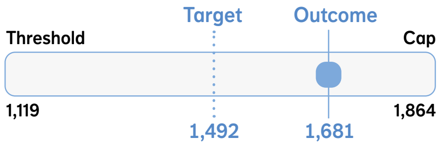
We are financially strong and seek solid long-term returns for shareholders

Weighting	
CEO	CFO
40%	25%



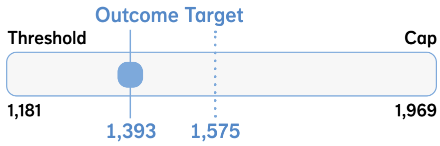
Key objectives and achievements:

i. Solvency II operating capital generation (in EUR million)



- The Operating Capital Generation (OCG) target defined for the members of the Executive Board in January 2022, as well as the outcome for OCG of EUR 1,681 million are both measured excluding the OCG of the Asset Management segment which was sold in April 2022. This explains the difference between the OCG outcome in this section and the OCG of NN Group as reported in the full-year 2022 disclosures (EUR 1,711 million).
- OCG exceeded target, reflecting the impact of higher interest rates and a strong business performance of Netherlands Life and Insurance Europe.

ii. Free cash flow to the holding (in EUR million)



- The free cash flow to the holding reflects remittances from subsidiaries as well as other holding company cash flows. The free cash flow to the holding ended below target, mainly due to lower remittances from several subsidiaries.
- Note that free cash flow is adjusted for the issuance of EUR 500 million subordinated notes by the Holding, the proceeds of which were used to provide an intercompany loan of EUR 500 million to NN Life, which NN Life used to redeem an external legacy Tier 2 debt in August 2022.

iii. Demonstrate through NN's control framework that the business operates within NN's Risk Appetite and where not, initiate necessary remediation measures

- The annual risk control framework cycle is running as planned.
- The position relative to risk appetite was made transparent, and relevant remediation actions were initiated.
- NN is materially within relevant financial risk limits.

iv. Implementation of IFRS 17, including four quarterly parallel runs, to be completed in 2022 to be on schedule for external reporting from 2023

- In the course of 2022, four parallel runs were performed by business units and Group functions to test readiness.
- The first business plan was delivered on IFRS 17 basis, which was used as input for the Investor Update in November 2022.

v. Department budgets for Control Functions (CFO only)

For the CFO, additional consideration was given to the budget discipline of the Finance department. This objective has been met.

Society

We contribute to the well-being of people and the planet

Weighting

CEO	CFO
15%	15%

Target

Key objectives and achievements:

i. Contribute to asset-class specific Paris Alignment Strategies for the proprietary asset portfolio and increase allocation in green assets, in line with Climate Action Plan. Develop Paris Alignment Strategy for mortgages in the asset portfolio. Substantiate our ambition level for responsible investing as asset owner with measurable targets

- NN Group CEO has been actively involved in the public debate to elaborate on NN Group's commitment to the Paris Alignment strategy, for example in Dutch media.
- Detailed disclosures around the Paris Alignment strategies for different asset categories were included in the NN Climate Action Plan, which was published in December 2022.
- NN Group publicly became a signatory and collaborating member of Finance for Biodiversity, committing to restore and protect biodiversity through financing and investments.
- NN Group signed the Global Investor Statement to Governments on Climate Change 2022, a call on governments to implement policies consistent with limiting global temperature rise to 1.5°C.
- NN Group became a signatory of the UN Principles for Responsible Investment (PRI) in 2022.
- NN Bank defined areas for action and developed a model to monitor the mortgage portfolio in line with net-zero carbonisation pathways.
- NN Group has set an ambition in 2021 to increase the investments in climate solutions with an additional EUR 6 billion by 2030, taking the total investments in climate solutions to around EUR 11 billion. Since then, two new investment commitments have been announced, totalling EUR 625 million.

ii. Integrate sustainability criteria in underwriting with focus on (acceptance) policies, product approval process, and risk management for sustainability-related risks. Work on action plan to align insurance activities, policies and target setting with commitment and timelines of Net-Zero Insurance Alliance

- The key regulatory changes (IDD/SFDR/EUT) are implemented as planned.
- The Net-Zero Insurance Alliance (NZIA) target setting protocol has been finalised and published.
- Sustainability aspects were embedded in risk and actuarial function charters and risk processes.

iii Develop action plans per country to reduce the GHG emissions of our facilities/offices and business travel by at least 35% in 2025 and at least 70% in 2030 (versus 2019) (CEO only)

- A new lease car policy was implemented in 2022 to realise NN's ambition to have a fossil free car fleet by 2025.
- Activities have been started to update and implement the business travel guidelines in the course of 2023.

iv. Further embed sustainability aspects in our operations (e.g. procurement, facility management) and products & services with focus to address societal and environmental challenges

- The NN Group Sustainable Procurement Statement was updated in 2022 and published on the corporate website.
- Good progress has been made in making sustainable procurement decisions and encouraging suppliers to do the same in various ways. This includes embedding sustainability factors in the procurement assessments and supplier commitment to the Financial Services Qualification System-Netherlands (FSQS-NL) and supplier integrity screening through active engagement.
- Efforts have been made to embed sustainability aspects in products and services to address societal and environmental challenges. Examples include: a successful pilot with 65 recycling Dutch companies to investigate how this sector can be better insured and certain risks are now part of the regular underwriting mandate in NN's fire insurance product. In addition, extra coverage was added on the environmental hazard insurance for cleaning up damaged solar panel particles scattered by fire or storm.
- Ongoing continuous efforts and investments are made, such as investigating the opportunities to insure new technologies such as light electric vehicles, wooden housing and energy capture and storage systems.

v. Contribute 0.6% of the operating result to our communities, including cash donations, hours of volunteering and management costs

- 0.73% of the operating result was contributed to our communities in 2022, as further detailed on page 56.
- NN Group's total contributions to communities reached EUR 12.8 million in 2022, including more than 30,900 hours of volunteering, more than EUR 9.7 million in cash donations and supporting around 229,000 people.

2022 Variable Remuneration award

The Supervisory Board concluded that the Executive Board showed strong leadership throughout the year 2022, a year challenged by several economic and geopolitical uncertainties. The overall outcome on the objectives related to the Financial Strength commitment was slightly above target. The overall outcome in relation to the non-financial objectives is also positive, with the overall score of the objectives related to the Customer and Distribution commitment being below target, while the other non-financial objectives related to the Products and Services, People and Organisation and Society commitments being above target.

On the basis of the assessment of the Supervisory Board, the overall performance of the Executive Board was in line with expectations. The Supervisory Board concluded to award David Knibbe a variable remuneration of 97.2% of target (2021: 115% of target), which is EUR 284,329, Annemiek van Melick in her capacity of vice-chair of the Executive Board and CFO a variable remuneration of 100.1% of target, which is EUR 104,880, and Delfin Rueda a variable remuneration of 96.4% of target (2021: 115% of target), which is EUR 109,572. In 2022, there was no hold back applied to unvested deferred variable remuneration nor was claw back applied to paid or vested variable remuneration for any of the Executive Board members.

Executive Board pension arrangements

The pension arrangement for the Executive Board members is the same as the pension arrangement that is applicable to all staff of NN Group in the Netherlands and as of 1 October 2022 comprises an individual defined contribution (IDC) plan up to the annual tax limit (EUR 114.866 for the year 2022) and a taxable individual savings allowance on pensionable fixed remuneration exceeding the tax limit.

The table on the next page provides details on the amount of contribution that was paid by NN Group to the pension arrangement of the Executive Board members.

Executive Board other emoluments

The Executive Board members were eligible for a range of other emoluments, which may include health care insurance, life cycle saving scheme, transportation, external tax advice and expat allowances. In line with the re appointment of Delfin Rueda up and until 30 June 2022, and the appointment of Annemiek van Melick as new Chief Financial Officer, NN Group and Delfin Rueda reached agreement regarding the terms and conditions for the termination of his commission contract, which was installed at the initial public offering of NN Group in 2014. In accordance with the applicable remuneration policy for NN Group Executive Board members and honoring the contractual agreement between NN Group and Delfin Rueda, NN Group has observed a notice period of six months following 30 June 2022, as well as an entitlement to a severance payment that equals an annual base salary, which will be paid in 2023. The severance payment also includes any mandatory payments as required under Dutch law and is in line with remuneration requirements that follow from Dutch law. The deferred awards granted to Delfin Rueda will not accelerate and will continue to vest on the original vesting dates as per the plan rules and all applicable regulations and legislation. The mandatory retention period of five years after awarding the shares (both as part of base salary and variable remuneration) will continue to apply.

The Executive Board members were also able to obtain banking and insurance services from NN Group in the ordinary course of business and on terms that apply to all employees of NN Group in the Netherlands. As at 31 December 2022, the Executive Board members did not have loans outstanding with NN Group regulated entities. No guarantees or advanced payments were granted to the Executive Board members. The table on the following page provides details on the amount of emoluments that was paid by NN Group to the benefit of the Executive Board members.

Remuneration of the Executive Board members (in EUR 1,000 and gross)

	David Knibbe		Annemiek van Melick		Delfin Rueda[4]	
	2022	2021	**2022**	2021	**2022**	2021
Base salary in cash	1,463	1,420	524		568	1,137
Base salary in shares	366	355	131		142	284
Total base salary	**1,829**	**1,775**	**655**		**710**	**1,421**
Variable remuneration	284	327	105		110	261
Total direct remuneration	**2,113**	**2,102**	**760**		**820**	**1,682**
Employer contribution to pension fund	25	24	12		12	24
Individual savings allowance[1]	399	387	139		152	305
Other emoluments	107	122	191[3]		113	228
Employer cost social security[2]	78	72	29		31	59
Relative proportion base salary versus variable remuneration	86.5%/ 13.5%	84.5%/ 15.5%	86.2%/ 13.8%		86.6%/ 13.4%	84.5%/ 15.5%

1 The individual saving allowance scheme is applicable for both the Executive Board and staff of NN Group in the Netherlands.

2 The employer social security contributions do not impact the overall remuneration received by Executive Board members.

3 Annemiek van Melick has been granted a cash sign-on award of EUR 175,000 as part of her commission contract. This was offered for a combination of reasons, including the specific position and market value of Annemiek van Melick, given the special circumstances of her transition and commencement of employment with NN Group.

4 In line with the reappointment of Delfin Rueda up and until 30 June 2022, his Executive Board membership ended as of this date. His 2022 remuneration in the capacity of CFO of NN Group is shown in the table above. With due observance of the applicable notice period, Delfin Rueda's contract ended on 31 December 2022.

The total remuneration as disclosed in the table above (for 2022: EUR 5.0 million) includes all variable remuneration related to the performance year 2022. Under IFRS-EU, certain components of variable remuneration are not recognised in the profit and loss account directly, but are allocated over the vesting period of the award. The comparable amount recognised in staff expenses in 2022 and therefore included in 'Total expenses' in 2022, relating to the fixed expenses of 2022 and the vesting of variable remuneration of 2022 and earlier performance years, is EUR 5.1 million.

2022 Variable remuneration of the Executive Board members (in EUR 1,000 and gross)

	Upfront cash paid	Deferred cash granted	Upfront shares granted	Deferred shares granted	**Total**
David Knibbe	57	85	57	85	**284**
Annemiek van Melick	21	31	21	31	**105**
Delfin Rueda	22	33	22	33	**110**

Long-term incentives awarded in previous years and in 2022 to the Executive Board members

The Executive Board members receive deferred cash and upfront and deferred share awards under NN Group's Aligned Remuneration Plan (ARP). The table on the following page provides a summary of the number of NN Group shares awarded and vested for the Executive Board members during 2022 under the ARP.

Overview of number of NN Group shares awarded and vested for the Executive Board members during 2022

	Plan	Award Date	Outstanding and unvested per 1 January 2022	Awarded during 2022	Vested during 2022	Outstanding and unvested per 31 December 2022	Vesting Price in euros
David Knibbe	Deferred Shares Plan	18 March 2019	1,237		1,237		44.04
	Deferred shares plan	16 March 2020	2,293		1,146	1,147	44.82
	Deferred Shares Plan	15 March 2021	2,352		784	1,568	42.36
	Deferred Shares Plan	14 March 2022		1,936		1,936	42.40
	Upfront Shares Plan	14 March 2022		1,291	1,291		42.40
Delfin Rueda	Deferred Shares Plan	18 March 2019	709		709		44.04
	Deferred Shares Plan	16 March 2020	1,586		793	793	44.82
	Deferred Shares Plan	15 March 2021	2,052		684	1,368	42.36
	Deferred Shares Plan	14 March 2022		1,550		1,550	42.40
	Upfront Shares Plan	14 March 2022		1,033	1,033		42.40

The table below shows a summary of the (vested) NN Group shares held by the Executive Board members on 31 December 2022 (including the shares vested during 2022) and 31 December 2021. The total of shares is broken down into shares that may be sold (free) and shares that remain subject to the retention period (restricted). The shares are either awarded as part of base salary or variable remuneration.

NN Group shares held by the Executive Board members

	2022 total	2021 total	**2022 free**	2021 free	**2022 restricted**	2021 restricted
David Knibbe	46,410	39,340	18,437	15,514	27,973	23,826
Annemiek van Melick	2,036				2,036	

NN Group is dedicated to align the interests of the members of the Executive Board with those of the company and its shareholders. This is realised through various ways, including awarding 50% of the variable remuneration in NN Group shares and applying a five-year retention period as from the award date, during which period the shares cannot be sold. Furthermore, 20% of the base salary of the Executive Board members is delivered in the form of NN Group shares, again with a mandatory retention period of five years as from the award date. This way, the Executive Board members build up a substantial interest in NN Group shares, without introducing formalised share ownership guidelines. As at 31 December 2022, the total value of the shares, based on the year-end share price, equals 11 months of the gross base salary held by the Chief Executive Officer and 1 month of the gross base salary held by the Chief Financial Officer.

Remuneration of the Executive Board members, company performance and average employee remuneration (amounts in EUR 1,000 and gross)

	2022	2021	2020	2019	2018
Executive Board remuneration					
Total direct remuneration David Knibbe	2,113	2,102	2,059	515	
Total direct remuneration Lard Friese[1]				1,061	1,970
Total direct remuneration Annemiek van Melick	760				
Total direct remuneration Delfin Rueda[2]	820	1,682	1,669	1,705	1,586
Company performance					
Operating capital generation	1,711	1,584	993	1,349	
Operating result	1,743	2,036	1,889	1,794	1,626
Solvency II ratio	197%	213%	210%	224%	230%
Average remuneration					
Average employee remuneration	84.3	88.9	90.3	88.6	85.1
Pay ratio	32:1	30:1	30:1	26:1	29:1

1 Lard Friese stepped down as member and chair of the Executive Board and CEO of NN Group as of 12 August 2019. His remuneration in the capacity of CEO of NN Group is shown in the table above.
2 Delfin Rueda stepped down as member of the Executive Board and CFO of NN Group as of 1 July 2022. His remuneration in the capacity of CFO of NN Group is shown in the table above.

Pay ratio

The pay ratio compares the total CEO compensation and the remuneration of all staff ('Pay ratio') as stated in the Dutch Corporate Governance Code. For the CEO, the total remuneration used in the pay ratio is the total remuneration as disclosed in the Remuneration Report. For the staff members, the total remuneration used in the pay ratio is the total remuneration as disclosed in the Consolidated annual accounts Note 28 'Staff expenses', combined with the staff expenses paid to employees of NN Investment Partners BV. In order to provide a meaningful comparison, the total remuneration of the staff population excludes the remuneration of the CEO of NN Group.

NN Group aims to align with the pay ratio calculation method as prescribed in the Dutch Corporate Governance Code. In December 2022, the Corporate Governance Code Monitoring Committee has published the updated Dutch Corporate Governance Code, which has led to an adjusted pay ratio calculation method. Compared with previous years, the new pay ratio calculation excludes external staff costs and includes all variable remuneration related to the performance year. In this report this new methodology has been applied to create a comparable basis. The pay ratio is influenced by many factors, such as developments in the composition of our business (such as the divestment of NNIP, acquiring Heinenoord and MetLife in Poland and Greece). Corporate activity has led to an altered composition of our workforce, and the average employee remuneration in 2023 has decreased in comparison with previous years.

The Supervisory Board considers trends in the pay ratio in its assessment of the compensation of the members of the Executive Board, while Human Resources closely monitors the pay ratio.

6.4.4 Remuneration of the Supervisory Board

As at 31 December 2022, the Supervisory Board was comprised of the following members: Mr Cole, Ms Beale, Mr Jenkins, Mr Lelieveld, Ms Reyes, Mr Schoen and Ms Vletter-van Dort. More information on the composition of the Supervisory Board and its Committees can be found in the Report of the Supervisory Board, on pages 93-106. The 2022 total remuneration as paid to each of the members of the Supervisory Board is in line with the Supervisory Board Remuneration Policy.

NN Group does not grant variable remuneration, shares, or options to the Supervisory Board members. This ensures the independence of the Supervisory Board and is in line with the Dutch Corporate Governance Code. Supervisory Board members may obtain banking and insurance services from NN Group in the ordinary course of business and on terms that are customary in the sector. As at 31 December 2022, the Supervisory Board members did not have loans outstanding with NN Group regulated entities. No guarantees or advanced payments were granted to Supervisory Board members.

In line with market practice, a distinction is made between chair, vice-chair, and other Supervisory Board members. A fixed annual expense allowance is payable to cover all out-of-pocket expenses. Travel and lodging expenses in relation to meetings are paid by NN Group.

The remuneration for the members of the Supervisory Board (in EUR)

	Chair	Vice-chair	Member
Fixed Annual fee Supervisory Board	110,000	72,500	65,000
Fixed annual fee for position in Committee	17,000	n/a[1]	13,500
Fixed annual expense allowance to cover out-of-pocket expenses (travel and lodging will be paid)	9,000	9,000	9,000

1 There are no Vice-chair positions in Supervisory Board Committees.

Fees and allowances of Supervisory Board members[1]

	Fixed annual fees		Total fixed gross expense allowance		VAT[2]		Total	
In EUR and gross	**2022**	2021	**2022**	2021	**2022**[2]	2021	**2022**	2021
D.A. (David) Cole (Chair)[3]	140,500	140,500	9,000	9,000	n/a	7,849	149,500	149,500
H.M. (Hélène) Vletter-van Dort (Vice-chair)	103,000	103,000	9,000	9,000	n/a	5,880	112,000	112,000
I.K. (Inga) Beale	92,000	56,615	9,000	5,538	n/a	n/a	101,000	62,153
H.J.G. (Heijo) Hauser[4]	41,923	109,000	3,462	9,000	n/a	6,195	45,385	118,000
R.W. (Robert) Jenkins	92,000	92,000	9,000	9,000	n/a	5,303	101,000	101,000
R.J.W. (Rob) Lelieveld	105,537	38,542	9,000	3,000	n/a	n/a	114,537	41,542
C.G. (Cecilia) Reyes[3]	102,508	56,615	9,000	5,538	n/a	n/a	111,508	62,153
J.W. (Hans) Schoen	109,000	109,000	9,000	9,000	n/a	6,195	118,000	118,000
C.C.F.T. (Clara) Streit[5]	35,385	92,000	3,462	9,000	n/a	5,303	38,847	101,000

1 This table shows the fixed fees and expense allowances for the members of the Supervisory Board of NN Group for 2022 and 2021. In addition, Mr Hauser was appointed as Supervisory Board member of Nationale-Nederlanden Schadeverzekering Maatschappij N.V. and NN Non-life Insurance N.V. as from 21 January 2020 and NN Re Netherlands N.V. as from 1 March 2020. Mr Schoen was appointed as Supervisory Board member of Nationale-Nederlanden Levensverzekering Maatschappij N.V. as from 21 January 2020 and Nationale-Nederlanden ABN AMRO Verzekeringen Holding B.V., ABN AMRO Levensverzekering N.V. and ABN AMRO Schadeverzekering N.V. as from 15 September 2021. Mr Hauser stepped down as member of the Supervisory Board of Nationale-Nederlanden Schadeverzekering Maatschappij N.V., NN Non-life Insurance N.V. and NN Re Netherlands N.V. as per 19 May 2022. Ms Beale succeeded Mr Hauser as Supervisory Board member of Nationale-Nederlanden Schadeverzekering Maatschappij N.V. and NN Non-life Insurance N.V. as from 8 June 2022 and Mr Lelieveld succeeded Mr Hauser as Supervisory Board member of NN Re Netherlands N.V. as from 14 June 2022. In 2022, the total fees for these roles were EUR 102,747, which are not included in the table above.

2 The Dutch State secretary has issued a new VAT policy stating that a Supervisory Board member does not qualify as a VAT-taxable person. This confirms the decision by the European Court of Justice of 13 June 2019. Since 2021, VAT is no longer invoiced from the Supervisory Board members to NN regulated entities.

3 Mandatory Swiss social security and occupational disability contributions in relation to the NN Group Supervisory Board fees are due for Mr Cole and for Ms Reyes on the basis of specific local requirements as applicable to the Supervisory Board members. The mandatory employer contributions in relation to 2022 that are made to relevant Swiss local institutions amount to EUR 18,315 for Mr Cole and EUR 8,504 for Ms Reyes. The relevant employee contributions are fully borne by Mr Cole and Ms Reyes themselves, and the Supervisory Board members are not compensated for that in any way.

4 At the close of the 2022 annual general meeting on 19 May 2022, Mr Hauser's term of appointment as NN Group Supervisory Board member ended.

5 At the close of the annual general meeting on 19 May 2022, Ms Streit stepped down as member of the NN Group Supervisory Board.

6.5 Conformity statement

The Executive Board is required to prepare the annual accounts and the Report of the management board (bestuursverslag) of NN Group N.V. for each financial year in accordance with applicable Dutch law and the International Financial Reporting Standards (IFRS) as endorsed by the European Union.

As required by section 5:25c paragraph 2(c) of the Dutch Financial Supervision Act, each of the signatories hereby confirms that to the best of his knowledge:

- The NN Group N.V. 2022 annual accounts, as referred to in section 2:361 of the Dutch Civil Code including the relevant additional information as referred to in section 2:392 paragraph 1 of the Dutch Civil Code, give a true and fair view of the assets, liabilities, financial position and profit or loss of NN Group N.V. and the enterprises included in the consolidation taken as a whole.
- The NN Group N.V. 2022 Report of the management board (bestuursverslag), as referred to in section 2:391 of the Dutch Civil Code, gives a true and fair view of the position at the balance sheet date, and the development and performance of the business during the 2022 financial year of NN Group N.V. and the enterprises included in the consolidation taken as a whole, together with a description of the principal risks NN Group N.V. is confronted with.

With reference to best practice provision 1.4.3(i), (iii) and (iv) of the Dutch Corporate Governance Code, the Executive Board hereby confirms that, to the best of its knowledge:

- The NN Group N.V.'s description of its risk management organisation and framework as described in the Report of the management board (bestuursverslag) including Note 52 'Risk management' to the Consolidated annual accounts provides sufficient insights into any material failings in the effectiveness of the internal risk management and control systems,
- Based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis.
- The NN Group N.V. 2022 Report of the management board (bestuursverslag) includes those material risks and uncertainties that are relevant to the expectation of NN Group N.V.'s continuity for the period of 12 months after the preparation of the report.

The Executive Board of NN Group N.V. assessed the effectiveness of the internal control over financial reporting during 2022. Based on the Executive Board's assessment, with reference to best practice provision 1.4.3(ii) of the Dutch Corporate Governance Code, the Executive Board of NN Group N.V. concluded that the risk management and control systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies.

The Hague, 8 March 2023

David Knibbe
CEO, Chair of the Executive Board

Annemiek van Melick
CFO, Vice-chair of the Executive Board

7 Facts and figures

7.1 Key strategic and financial indicators

Key financial indicators (in EUR million)

	2022	2021	2020
Operating result	1,743	2,036	1,889
Net result (after minority interests)	1,562	3,278	1,904
Operating capital generation	1,711	1,584	993
Solvency II ratio[1]	197%	213%	210%
Value of new business	431	428	266
Dividend (per ordinary share, in EUR)	2.79[2]	2.49	2.33
NN Group share price (last trading day of the year, in EUR)	38.16	47.61	35.53

1 As from 2020, NN Bank is included.
2 Pro-forma 2022 full-year dividend proposal per share of EUR 2.79, comprising the 2022 interim dividend of EUR 1.00 plus the proposed 2022 final dividend of EUR 1.79.

Key strategic indicators

	2022	2021	2020
Customer engagement and brand consideration			
– insurance business units scoring above market average NPS	3/11	5/11	4/11
– brand consideration	19%	23%	21%
Employee engagement score	7.9	7.7	7.9
– participation in the engagement survey[3]	82%	83%	82%
Women in senior management positions[4]	40%	34%	33%
Additional investments in climate solutions by 2030 (EUR billion)	3		
Contributions to our communities (x EUR 1,000)[5]	12,804	8,000	4,704

3 Employee engagement score and the percentage of participation consists of internal and external employees.
4 In 2020, the target group for this indicator was adjusted to Management Board and Management Board minus one managerial position (instead of the composition of our Senior Leaders Group).
5 Hours of volunteering, in-kind giving (both monetised) and management costs have been included as of 2021, in line with B4SI standards.

Sustainability indices and ratings

	2022	2021	2020
Indices			
Dow Jones Sustainability Index (out of 100)	80 (Included)	80 (Included)	84 (Included)
FTSE4Good	Included	Included	Included
Bloomberg Gender-Equality Index	Included	Included	Included
Ratings and benchmarks			
Sustainalytics[6]	14.7/100 (low risk)	15.2/100 (low risk)	18.6/100 (low risk)
MSCI	AA	AA	AA
ISS ESG research	C+	C+	C+
CDP (Carbon Disclosure Project)	B	B	A-
World Benchmarking Alliance financial system benchmark[7]	8th position		
Transparency Benchmark Netherlands[8]		60%	

6 Sustainalytics provides ESG Risk Ratings scoring companies on their ESG risks from negligible (0-10), low (10-20), medium (20-30), high (30-40) to severe risk (40-100).
7 The World Benchmarking Alliance financial system benchmark assessment takes place once every two years. The 2022 assessment ranked NN Group 8th out of 395 financial institutions and 2nd in the Insurance Sector.
8 The Transparency Benchmark takes place every two years. The 2021 score of 60% represents a 68th position out of 236 companies.

Responsible investment indicators

	2022	2021	2020
Voting			
Shareholders meetings where we voted[1]	50	3,307	3,053
– as % of total votable meetings	100%	97%	98%
Agenda items on which we voted	686	35,985	35,015
How we voted on agenda items (%)			
– for	89%	83%	82%
– against	10%	15%	16%
– abstain/other	1%	2%	2%
Countries where we voted	11	61	60
Shareholder resolutions on which we voted by topic	3	568	683
– environmental	1	68	57
– social	0	112	151
– governance	2	388	475
GRESB Real Estate Assessment scores[2]			
Private real estate – portfolio average (vs. benchmark average)	86 (78)	87 (78)	83 (70)

1 Decrease due to the sale of NN Investment Partners.
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.

Investments in climate solutions (in EUR million)

	2022	2021
Renewable energy investments	792	567
- of which: Infrastructure equity	250	44
- of which: Infrastructure debt	542	523
Certified green buildings[3]	5,198	3,817
- of which: Equity investments	4,454	3,236
- of which: Debt investments	744	581
Green bonds	2,113	637
Other	64	41
Total	**8,167**	**5,062**

3 Buildings within NN's non-listed real estate portfolio; the residential mortgage portfolio of NN Group not covered in this category.

To support our Paris Alignment strategy, NN Group has developed an internal framework to define 'climate solutions investments' as part of its proprietary investments portfolio. We have defined climate solutions as investments in economic activities that contribute substantially to climate change mitigation or adaptation.

As a step in classifying climate solutions investments, and in line with guidance from the IIGCC Paris Aligned Investment Initiative, we focused on SDG 7-related areas of energy efficiency and renewable energy. Furthermore, we supported our definitions with external certifications, asset labels, and environmental standards where possible and relevant. Our definitions are as follows including our specification of valuations:

- Green bonds: the green bonds we invest in meet the minimum standards specified in the ICMA's Green Bonds Principles and the Climate Bonds Initiative Taxonomy and Standards. Furthermore, to qualify as a green investment, it also has to meet additional criteria to confirm the actual 'greenness' of the projects and the issuer. Valuation of the green bonds is on nominal values.
- Renewable energy infrastructure: Investments in projects (equity/debt) for renewable energy infrastructure in solar PV, offshore and onshore wind. Valuation for Infrastructure equity is market values and for Infrastructure debt outstanding loan balances.
- Certified green buildings: within our real estate portfolio (equity/debt), our definition is limited to assets with an Energy Performance Certificate (EPC) of class A, or if EPC is not available a high level of building certification (BREAAM or HQE certification of at least 'Excellent', or LEED or DGNB of at least 'Gold'). Valuation for Certified green buildings is for equity investments on market value and for debt investments outstanding loan balances.
- Other: Investments that do not fall into any of the categories above, including investments in unlisted entities. For example, impact private equity funds that target and report on clearly defined climate impact KPIs, or funds that have a broader ESG focus, but where clean and renewable energy projects account for a substantial part of the fund's total assets. Valuation for other is market value.

Human capital indicators

	2022	2021	2020
Workforce (end of year)[1]			
Total full-time equivalents (FTEs)	15,667	15,168	14,942
Total number of employees (headcount)	16,104	15,417	15,118
– Netherlands Life	2,210	2,152	2,261
– Netherlands Non-life	4,407	3,668	3,182
– Banking	1,035	971	947
– Insurance Europe	5,554	4,698	4,740
– Japan Life	972	888	883
– Asset Management		952	975
– Other	1,926	2,088	2,130
Part-time employees	19.3%	17.0%	16.0%
Temporary employees	6.7%	6.0%	6.0%
Average years of service	11.8	12.1	12.3
Male/female ratio	49/51	52/48	52/48
Male/female ratio managers	60/40	63/37	63/37
Male/female ratio in senior management group[2]	60/40	66/34	67/33
Well-being and engagement			
Sick leave	3.8%	3.3%	3.1%
Engagement score	7.9	7.7	7.9
Participation in engagement survey[3]	82%	83%	82%
Grievances on labour practices	8	6	12
Employee participation			
Employees covered by Collective Labour Agreement (CLA)	66.6%	71%	75%
Employees represented by an employee representative body	85.5%	84.8%	84%
Formal meetings held with employee representative bodies	203	200	188
Talent development			
Total spending on training and development (in EUR million)	15.5	14.7	12.9
Spending/average FTE[4] (in EUR)	982	959	874
Human capital return on investment[5] (in EUR)	2.4	2.5	2.4
Employees with completed standard performance process	97.6%	96.7%	92.8%

1 Figures do not include NN's share in Heinenoord.
2 In 2020, the target group for this indicator was adjusted to Management Board and Management Board minus one managerial position (instead of the composition of our Senior Leaders Group).
3 Employee engagement score and the percentage of participation consists of internal and external employees.
4 The average FTE used for this calculation is higher than both the 2022 FTE and the 2021 FTE. This is because the 2021 FTE did not contain the FTE of Heinenoord, Qare and Metlife Greece, which were included as of January 2022. The 2022 FTE is lower than the FTE of January mainly because of the divestment of NNIP.
5 Human capital ROI is calculated as: (operating result + employee expenses)/employee expenses.

Human capital indicators continued

	2022	2021	2020
Employee turnover			
New hires	2,912	1,963	1,768
Employee turnover	12.1%	12.4%	10.2%
– voluntary employee turnover	8.2%	6.9%	5.3%
– involuntary employee turnover	3.9%	5.5%	4.9%
Open positions filled by internal candidates	25.6%	27.6%	36.2%
Whistleblower cases	17	1	2
– of which investigated by Corporate Security & Investigations[1]	2	1	1
Other incidents and concerns	51	41	66
Measures taken, related to:	2	2	6
– fraud (and alleged fraud)	1	0	0
– unethical behaviour	1	2	6
– conflict of interest	0	0	0
Employee compensation			
Total employee wages and benefits (in EUR million)	1,561	1,607	1,608
Ratio of CEO compensation to the average employee compensation[2]	32:1	30:1	30:1

1 From 2022 onwards, the number of whistleblower reports, as shown in the table (17), are the reports received in the new Speak Up system. These 17 reports were assessed by (local) Whistleblower Reporting Officers. Within these 17 reports, in 2 reports Corporate Security & Investigations (CSI) carried out further investigation. In those two reports no disciplinary measures were taken. One report is still pending for finalisation by CSI. The 17 topics raised ranged from unethical behaviour between colleagues and internal fraud to improper handling of confidential information.

2 NN Group aims to align with the pay ratio calculation method as prescribed by the Dutch Monitoring Commission Corporate Governance. This has led to an adjusted pay ratio calculation method. Compared with previous years, the new pay ratio calculation includes external staff costs for Dutch hourly workers. This method has been applied for all previous years to create a comparable basis. For more information, refer to the Remuneration Report on page 122.

Community investment indicators

	2022	2021	2020
Total number of people supported [3]	229,279	21,525	15,834
Total contribution to our communities (x EUR 1,000)	12,804	8,000	–
% of operating result before tax	0.7	0.4	–

3 As of 2022, we have changed the method of accounting for the total number of people supported in line with our new target for community investment. In 2022, we include both people supported on their financial well-being as well as people supported on their physical and/or mental well-being. In earlier years, we only accounted for people supported on financial well-being. The increase in people supported concerns the increase on financial well-being to 63,870 people and physical and/or mental well-being: 165,409.

Facts and figures – Key strategic and financial indicators continued

Environmental indicators

	2022	2021	2020
Emissions category (in kilotonnes)			
Grand total GHG emissions (includes market-based scope 2)[1]	9	9	10
Grand total GHG emissions (includes location-based scope 2)[1]	13	14	17
Total GHG emissions for target monitoring	9	9	10
Total scope 1 and market-based scope 2 emissions	7	9	9
Total scope 1 and location-based scope 2 emissions	10	13	16
Scope 1	4	4	5
Operational road travel[2]	3	3	3
Natural gas	0.4	1	1
Scope 2: Market-based[3]	3	5	5
Electricity	3	4	4
District heating	1	1	1
Scope 2: Location-based[4]	7	9	11
Electricity	6	8	10
District heating	1	1	1
Scope 3[5]	2	0.5	1
Business travel (only air)	2	0.5	1
GHG emissions (tonnes)/FTE	0.6	0.6	0.7
GHG emissions offset[6]	9	8	13
Energy consumption			
Total energy consumption (mWh x 1000)	28	36	39
Non-renewable electricity	7	10	9
Renewable electricity	11	13	16
– renewable electricity as % of total electricity	61%	57%	63%
Natural gas	2	5	7
District heating	8	8	8
Paper			
Total paper use (tonnes)	196	238	188
– sustainable paper	80	132	94
– sustainable paper as % of total paper	41%	55%	50%
Waste			
Total waste (tonnes)[7]	261	285	449
– recycled waste	168	207	172
– recycled waste as % of total waste	64%	73%	38%

1 The years 2020 and 2021 have been recalculated based on the divestment of our asset manager NN IP (in line with our base year policy), inclusion of all buildings where we reside in and improvements in data quality.
2 Consists of company and lease cars. Values have changed based on data quality and availability where we use the fuel-based method and otherwise the distance-based method aligned with the GHG protocol. 4 out of 11 countries report only on business travel whereas the remaining countries report on both private and business travel.
3 Based on the type of electricity that NN has chosen to purchase and includes electricity used by cars.
4 Based on the average emission factors of the local grid and includes electricity used by cars.
5 We acknowledge the existence of scope 3 emissions that are currently not reported due to data availability and reliability and are aiming to include them in the upcoming years.
6 Current emissions in scope for offsetting include scope 1, scope 2: market-based and scope 3 business air travel. The amount offset is not adjusted based on past recalculations
7 Excluding Czech Republic. For 2022, no information on waste was available for Belgium.

7.2 Carbon footprint proprietary assets

To meet NN Group's climate objectives, we measure the greenhouse gas (GHG) emissions of our activities. This includes the direct emissions of our own operations (read more in the table on page 145) and the indirect emissions associated with our investment portfolios.

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

Scope

In this analysis of our carbon footprint, we look at the proprietary assets. The definition of proprietary assets refers to the assets held for our own account, i.e. assets that are on the balance sheet and where we run the investment risk. The proprietary asset portfolio comprises of the general account investment portfolio of the insurance entities and the assets of NN Bank (primarily residential mortgages) and of the holding companies within NN Group. Together, the proprietary assets comprise approximately 80% of the IFRS balance sheet.

Not included in this carbon footprint analysis are the separate account assets of the insurance entities that are on the balance sheet. For these assets, the policyholders bear the investment risk. These separate account assets consist of primarily unit-linked portfolios as well as certain group pension business in the Netherlands.

Furthermore, our insurance and bank operations also offer customer propositions such as defined contribution pensions, and (retail) investment products. These assets managed for third parties are not included on the balance sheet, and are not part of this carbon footprint analysis.

Breakdown of assessed assets

Carbon footprint of NN Group's proprietary assets[1]

	2022	2021
Assessed Assets under Management (in EUR billion)	**139**	**162**
Government bonds	46	68
Corporate investments	28	34
Residential mortgages	53	52
Real estate investments	11	9
Carbon footprint (tonnes CO_2e/EUR million invested)	**41**	**56**
Government bonds	30	60
Corporate investments	131	125
Residential mortgages[1]	10	11
Real estate[2]	2	3
Total Carbon emissions (kilotonnes CO_2e)	**5.665**	**8.956**
Government bonds	1.404	4.081
Corporate investments	3.725	4.272
Residential mortgages[1]	515	581
Real estate	22	22
Other metrics (for specific asset categories only)		
Weighted average carbon intensity (tonnes CO_2e/EUR million of revenue)	**112**	**103**
Government bonds	30	40
Corporate investments	247	229
Carbon intensity per m² (tonnes CO_2e/m²)		
Residential mortgages	25	27

1 In 2022, NN Group changed the estimation for mortgages. 2021 figures have been changed retrospectively, refer to the table 'Carbon emission figures mortgages' in the section on mortgages.
2 2021 figures have been changed retrospectively to include all assessed funds.

Asset categories

The December 2022 analysis includes the following asset categories; government bonds, corporate investments, residential mortgages, and real estate investments. Taken together the total proprietary assets that have been assessed is EUR 139 billion. This represents approximately 82% of the proprietary asset portfolio on our balance sheet. Refer to the 'Scope' section above for how we define proprietary assets. The (proprietary) asset types that were not included in this carbon footprint analysis primarily include cash, derivatives, asset-backed securities, non-corporate loans, and private equity.

Methodology changes

In our methodology, we aim to be consistent with internationally recognised standards, such as the GHG Protocol and the 'Global GHG Accounting and Reporting Standard for the Financial Industry' from the Platform Carbon Accounting Financials (PCAF). The PCAF is a sector-led initiative that aims to develop a standard that enables financial institutions to measure carbon emissions consistently.

In 2022, we updated our methodology and data sources for residential mortgages. The comparative figures for 2021 have been restated for the changes in our methodology and data sources to ensure comparability. We have not yet made changes to our methodology for government bonds to align with the new global PCAF methodology due to the late publication in the year (published on 14 December 2022), but we plan to do so next year.

Carbon footprint measurement and reporting remains an area for ongoing development. As such data improvements and refinements of our methodology may affect our carbon footprint analysis in future years. As an active member of the PCAF, we help to advance industry standards and harmonisation of both measuring and reporting financed emissions.

Carbon footprint of corporate investments

We account for the scope 1 and 2 emissions of corporates, retrieved from external data provider ISS Ethix-Climate Solutions. In line with PCAF methodology, NN's financed emissions for corporates is based on our investment value relative to the issuer's enterprise value. The coverage or the percentage of (assessed) portfolio assets for which emissions and financial data were available is 91%. However, the data availability differs between security types. At present, the data availability is the lowest for corporate loans, but represents a relatively small portion of the corporate investments' portfolio. For the assessed portfolio assets where no data is available, we assumed carbon footprint and intensity to be in line with the portfolio average.

The total carbon footprint (absolute) of the corporate investment portfolio decreased to 5.665 kilotonnes CO_2e from 8.956 in the prior year. Besides decarbonisation measures across corporate issuers, the decrease is also attributable to the temporary impact of lockdown measures during the Covid pandemic. Due to a time lag in underlying emissions data from corporate issuers, this is the first time that the impact of Covid (2020) is reflected in the carbon footprint of NN's corporate investment portfolio. The carbon footprint per EUR million invested increased to 131 tonnes $C0_2e$ per EUR million from 125 in the prior year. We noticed that the volatility in enterprise value and market value during the past few years has had an impact because of the calculation method of this metric.

The highest emitting sectors in our portfolio are Utilities and Basic Materials. Combined, these sectors account for 60% of the corporate portfolio's carbon footprint, whereas in terms of portfolio weight, they only account for 16% of the corporate portfolio. In the utilities sector, we are implementing a phase-out strategy for thermal coal exposed corporate bond investments which will reduce the carbon intensity of our sector exposure over time.

Limitations and next steps

The analysis helps us to understand carbon and climate change-related risks, identifying the high-carbon securities in our investment portfolio. It also helps to inform our engagement with investee companies. However, there are limitations with respect to the quality and availability of emissions data, especially for private companies and for scope 3. Furthermore, carbon footprint provides a snapshot of today's emissions, but is limited in what it can say about how companies are making the transition to a low-carbon economy. In our investment process, we therefore capture broader ESG assessments and analyses of companies including forward-looking climate strategies.

Carbon footprint of government bonds

We account for the emissions directly caused by governments' own activity (scope 1 and 2) as well as emissions from government financing in other sectors within a country (scope 3). NN calculates the amount of carbon emissions (using data provided by ISS-Ethix) that we financed as an investor based on how much of the country's debt we own, relative to the total debt outstanding of the country. For intensity, the same approach is applied as for corporate issuers, but instead of revenues we use gross domestic product (GDP).

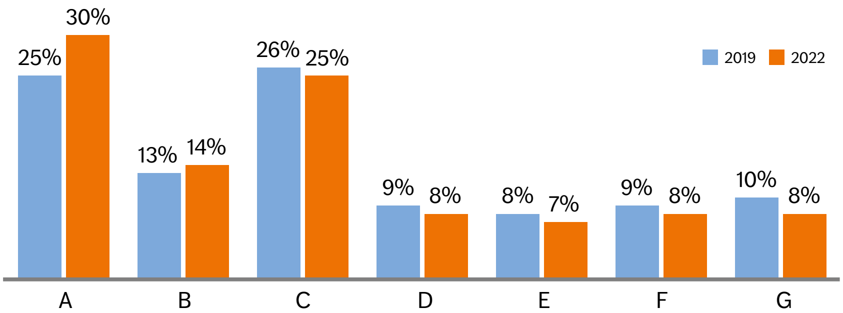
The results show that carbon footprint and intensity for government bonds declined. As well as for the corporate investment portfolio, lags in sovereign emissions data and so Covid-related impacts are for the first time seen in the carbon footprint of NN's holdings of government bonds.

Within the portfolio, the Netherlands and Germany have the highest number of financed emissions. This is in line with our relatively large portfolio allocations to Eurozone countries.

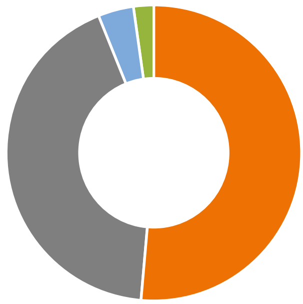
Limitations and next steps

In December 2022, the global PCAF published a new methodology for carbon calculations of government bonds in December 2022. We will work to change our methodology and bring our reporting in line with these PCAF recommendations for next year's reporting. Given the large weight of government bonds in our portfolio, the change in methodology is expected to significantly impact the reported carbon footprint figures.

NN Portfolio: Energy label distribution
(based on number of houses)



NN Portfolio: Basis of label choice



Carbon footprint of mortgages

In our 2022 carbon footprint analysis, we included the total number of Dutch mortgages originated and/or serviced by NN Bank, as represented on the NN Group balance sheet. This amounted to 232,755 homes, with a total value of EUR 53.4 billion. NN also has approximately EUR 6.4 billion of residential mortgages on the balance sheet from external mortgage originators which are not included in this analysis.

We account for the scope 1 and 2 emissions of each house (i.e. the natural gas used to heat the house + the purchased electricity by the occupant of the house = the energy consumed by the building occupant). In 2022, we updated our carbon footprint methodology and data sources. We measure the carbon footprint of every house based on energy label, floor space, building type and corresponding emission factor. Our previous methodology was based on estimated building energy consumption per energy label and average emissions factors specific to the respective energy source.

The new methodology has been aligned with participants in the PCAF NL Mortgages working group, which worked on instructions and principles for consistent carbon measurement. These instructions and principles draw on data from public data sources. The new method, combined with better data availability, achieves a PCAF data quality score 3 (scale from 1-5, with 1 being the highest quality) whereas the previous method had a quality score of 5. By improving the monitoring of household CO_2 emissions, we can bring the outcomes closer to the actual emitted emissions. We have adjusted last year's reported financed emissions to ensure comparability.

The energy label remains an important data input for the methodology. The chart below shows the energy label distribution of NN's mortgage portfolio. Compared to three years ago (2019), the share of label A in our portfolio increased from 25% to 30%, label B increased from 13% to 14%, label C declined from 26% to 25%, labels D, E, F and G (taken together) declined from 36% to 32%.

As shown in the pie chart, about 52% of the houses in our mortgage portfolio have a definitive energy label. If no definitive energy label is available, we matched the addresses with a provisional energy label, as this currently is the best estimate available. For the rest of the mortgage portfolio we looked at the building year of the property. Based on the building year and the corresponding building standards at that time, an energy label can be assumed. For a small number of properties (2%), we could not make a match at all due to missing information.

Emissions are attributed to NN Group according to the loan-to-value (LTV) ratio. The LTV used is the current loan-to-original-market-value ratio, which is the net outstanding mortgage amount divided by

Summary carbon footprint figures mortgages

Year	Total emissions before attribution (kilotonnes CO_2e)	Attribution factor	Total financed carbon emissions (kilotonnes CO_2e)	Carbon intensity per EUR million	Carbon intensity per m²	Data quality indicator (based on PCAF)
2021 (old method)	918	57%	539	10	n.a.	5
2021 (restated)	834	71%	581	11	27.4	3
2022	770	68%	515	10	25.2	3

the original property value. If these original values are not available, the latest available property value will be used as denominator. We also take into account the latest available market value when improvements have been made to the property.

Emissions were previously attributed to the current loan-to-indexed-market-value ratio. However, our new approach is more aligned with the global PCAF Standard, which recommends using the original property value to dampen the volatility that an LTV attribution approach brings in the financed emission figures.

Carbon emissions over 2021 were recalculated based on the changes to our methodology. This resulted in a difference compared to our previous report, in which we reported total financed carbon emissions of 539 kilotonnes CO_2e and carbon intensity of 10 tonnes CO_2e per EUR million. The restated financed carbon emissions over 2021 are 581 kilotonnes CO_2e and carbon intensity of 11 tonnes CO_2e per EUR million. The difference is mainly explained by our use of original market values in the attribution factor instead of indexed market values used previously. The restated total carbon emissions of 834 kilotonnes CO_2e are 9% lower compared to the old methodology figure of 918 kilotonnes CO_2e due to the methodology change.

In 2022, using the new methodology, the total carbon emissions amounted to 770 kilotonnes CO_2e. This translates into an emission intensity of 10 tonnes CO_2e per EUR million. Compared to 2021 (restated figures), the decline is mainly due to a lower attribution factor and lower emission factors, which improved by 7% in 2022 as energy production became more sustainable.

Furthermore, to align with CRREM, SBTi and the 1.5°C pathway, we also calculated the CO_2e per square metre, which NN will use going forward for target-setting and to monitor progress towards our net-zero ambition. We used data from the Dutch Land Registry (Kadaster) to convert the current emissions to this metric. For 2022, this figure is 25.2 $kgCO_2/m^2$, which is an improvement of 7% compared to the 2021 figure of 27.4 $kgCO_2/m^2$.

Limitations and next steps

The method we used is based on theoretical average consumption data and not on actual consumption data. The PCAF prefers that institutions work with actual consumption data. This can ensure that a PCAF data quality score of 1 can be achieved. The Dutch financial institutions that are part of the PCAF – including NN – are presently exploring ways to obtain actual consumption data.

Carbon footprint of real estate investments

Our reporting covers scope 1 and 2 emissions of the total non-listed real estate investment portfolio which consists of the direct engine over which we have direct ownership and the indirect engine that consists of funds over which we have indirect control. NN requires all its real estate asset managers to participate in the GRESB Real Estate assessment, and as such we gather the emissions data from GRESB. The total amount for which we were able to assess emissions was EUR 10.5 billion, or approximately 99.8% of the total non-listed real estate investment portfolio. The remaining non-assessed assets represent indirect or fund investments that did not report to GRESB. Non-disclosure in GRESB may occur due to a grace period for first-year reporting or no reporting due to wind down.

The assessed amount over 2021 were recalculated to also include the funds that did not report scope 1 and 2 emissions. This led to an increase in assessed assets under management (in EUR billion) for real estate from 7 to 9 and for the total assessed assets under management from 161 to 162.

For the calculation of the carbon footprint of our real estate investments portfolio, we attribute a real estate fund's annual emissions based on NN's share in the fund. To determine this attribution factor, we use the outstanding investment amounts (Net Asset Value or NAV) for the numerator and Gross Asset Value (GAV) of the funds, as reported to us by our real estate managers, for the denominator. All investment amounts, fund values and emissions are based on the most recent available data which is trailing by one year and are per year-end 2021.

The resulting portfolio emissions amounted to 21,570 tonnes of CO_2e, or 2 tonnes of CO_2e per EUR million invested.

Limitations and next steps

In the carbon footprint analysis of our real estate investment portfolio, three scopes are relevant. Scope 1 and 2 emissions are under the control of the owner of the buildings (i.e. the landlord). The owners have the ability to introduce and implement operating and/or environmental policies and measures. However, in some cases the energy contracts are held directly by the tenants. In that case, the energy consumption of the tenants falls under scope 3 where the owner or landlord has no 'operational control'. Considering that the energy consumption of tenants is dominant in the overall energy consumption of a building, scope 3 is especially important for real estate but not all fund managers have access to this information yet. As a consequence, in our emission scope, we have initially included scope 1 and 2 and aim to include scope 3 in the future when reporting develops further.

For NN Group's non-listed real estate portfolio, we use the Global ESG Benchmark for Real Assets (GRESB) as the primary tool to assess and monitor the sustainability performance of our real estate portfolios. We require all real estate and fund managers to report in GRESB Real Estate Assessment. In the 2022 assessment, 99.9% of NN's portfolio of directly owned buildings, joint ventures and funds was measured in the reporting tool. The NN portfolio had a (value-weighted) score of 86 (on a scale of 1 to 100), well above the European non-listed real estate benchmark average of 78. Furthermore, for the fifth consecutive year our directly managed real estate portfolio received a 5-star rating, GRESB's highest rating and recognition as an industry leader.

7.3 EU Taxonomy disclosures

EU Taxonomy disclosures

In order to meet the EU's climate and energy targets for 2030 and to reach the objectives of the European Green Deal for the EU to be climate neutral by 2050, it is important to direct investments towards sustainable projects and activities. To achieve this, the EU has created the EU Taxonomy, a common language and a clear definition of what is sustainable and a classification system for sustainable economic activities.

The EU Taxonomy Regulation requires NN Group to disclose information, such as the proportion of total assets exposed to taxonomy-eligible and non-eligible economic activities, as well as the proportion of taxonomy-eligible and taxonomy non-eligible non-life insurance economic activities. Eligible economic activities are those economic activities that are in scope of the EU Taxonomy. For economic activities to be aligned with the EU Taxonomy, it needs to be substantiated that those activities substantially contribute to any of the Taxonomy's environmental objectives (currently these focus on climate change mitigation and climate change adaptation). In addition, these activities should do no significant harm to any of the other EU Taxonomy environmental objectives, while respecting minimum social safeguards. NN Group discloses taxonomy-eligibility in this section of the Annual Report; it is required to disclose taxonomy-alignment in the Annual Report from 2023 onwards.

NN Group's strategy includes a commitment to accelerate the transition to a low-carbon economy across business activities. NN Group has a commitment to reduce Greenhouse Gas (GHG) emissions to net-zero by 2050, in line with efforts to limit global warming to 1.5°C. To help achieve this, NN Group set an ambition in 2021 to more than double investments in climate solutions by an additional EUR 6 billion by 2030, taking the total investments in climate solutions to around EUR 11 billion. In setting its own climate solution definitions, NN Group considers, and where possible includes, the EU Taxonomy alignment criteria. Furthermore, in October 2021, NN Group joined the Net-Zero Insurance Alliance, through which it will be working on further developing metrics and targets. NN Group intends to report a first set of company specific targets in 2023 (read more on page 68).

The quantitative and qualitative taxonomy-eligibility information presented in this chapter is disclosed on a best effort basis and considered to be the first step towards reporting on taxonomy-alignment in the 2023 Annual Report. Externally reported taxonomy-alignment data from non-financial companies is expected to become available this year and NN Group is working on solutions to collect and process this data for its own taxonomy-alignment reporting.

Investments

This is the second year that NN Group reports on taxonomy-eligibility. NN Group calculated eligibility using internally available information for mortgage loans and used estimates for other investments for which there is no externally reported eligibility data available. The estimated eligibility is reported voluntarily and is therefore not part of the mandatory taxonomy-eligibility disclosures. Exposures to derivatives and non-NFRD companies cannot be eligible and are excluded from the numerator of the eligibility percentage. Exposures to central governments, central banks and supranational issuers (sovereign entities) are excluded from both the numerator and the denominator of the eligibility percentage.

	2022			2021		
	Monetary amount (in EUR million)	Proportion in covered assets	Proportion in total assets	Monetary amount (in EUR million)	Proportion in covered assets	Proportion in total assets
Investments that are directed at funding, or are associated with taxonomy-eligible activities						
– loans secured by mortgages and loans related to savings mortgages	55,961	39%	27%	64,947	38%	25%
– other investments (voluntary disclosure)	13,809	10%	7%	14,785	9%	6%
Investments that are directed at funding, or are associated with taxonomy non-eligible activities	52,876	37%	25%	62,774	36%	25%
Exposure to derivatives	2,452	2%	1%	6,374	4%	2%
Exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU	16,668	12%	8%	23,583	14%	9%
Total covered assets	**141,765**	**100%**	**67%**	**172,462**	**100%**	**67%**
Exposures to central governments, central banks and supranational issuers	45,270		22%	65,914		26%
Other assets	23,473		11%	17,606		7%
Total assets	**210,508**		**100%**	**255,982**		**100%**

Note: Total assets in this table differs from Total assets in the balance sheet in the 2022 Annual Accounts as loans in this table are included at fair value, whereas loans are included in the balance sheet at amortised cost. The difference between amortised cost and fair value is disclosed in Note 52 to the 2022 Annual Accounts.

Based on the information currently available, the table above reflects the proportion of assets that are taxonomy eligible. Further explanation on data sources and associated limitations is presented below.

Investments – mandatory disclosure
There were no significant changes in the mandatory (39%) and voluntary (10%) taxonomy eligibility percentages compared to last year.

The mandatory disclosure relates to our exposure to retail mortgage loans. This exposure relates to providing retail customers with mortgage loans which can be linked to real estate economic activities in the EU Taxonomy.

Investments – voluntary disclosure
To supplement the mandatory disclosure, NN Group voluntarily discloses eligibility for its real estate exposure based on internal data and for its exposure to companies subject to the Non-Financial Reporting Directive (NFRD) based on estimates provided by NN Group's external data provider. The non-eligible proportion of these exposures is included in 'Investments that are directed at funding, or are associated with taxonomy non-eligible activities'.

NN Group has obtained data from its external data provider for all assets where the data provider has taxonomy data available. For investment funds where look-through information is available from the data provider, NN Group calculated the eligibility of the fund based on the weighted average exposure to taxonomy eligible economic activities of the investments in the fund. The remaining exposure in these funds is presented as taxonomy non-eligible. The data obtained from the data provider does consider multiple economic activities but is still an estimate and is not based on externally reported information.

For direct investments subject to the EU taxonomy assessment where the data provider had no eligibility information available, NN Group assessed eligibility based on the NACE codes of the issuer. The EU Taxonomy includes NACE codes in the description of economic activities. If the NACE code of the issuers for the remaining exposures matches those included in the EU Taxonomy, these are considered taxonomy eligible; exposures for which the NACE code of the issuer does not match to the EU taxonomy are considered taxonomy non-eligible.

An inherent limitation in these approaches is that the NACE code of the issuer is binary and does therefore not reflect an issuer's multiple economic activities.

Furthermore, limited data is available both internally and from data providers on whether investee undertakings are subject to Art 19a/29a of the NFRD. NN Group has estimated its exposure to non-NFRD issuers in its direct investments based on the country of incorporation and on whether the exposure relates to non-central governments, foundations and counterparties active in the human health and social work sector. For investment funds, NN Group has not used look-through information regarding the exposure to non-NFRD issuers and decided to consider these all as NFRD issuers, as specific official guidance of the European Commission on this is not (yet) available. Hence, these were subject to the eligibility assessment and are presented either as eligible or non-eligible. Data availability is expected to improve in the coming years when reported eligibility and alignment data has increased.

At this moment, NN Group has no counterparty information available to disclose information on the identification and eligibility of gas & nuclear activities as described in the EU Taxonomy.

Non-life underwriting
The scope of the current EU Taxonomy related activities covered by the underwriting disclosures relate to non-life insurance and reinsurance activities consisting of the underwriting of climate-related perils. Based on the Solvency II Lines of Business in scope, NN Group first identified the Lines of Business containing policies with terms related to the treatment of 'climate perils' in view of Appendix A to Annex II to the Climate Delegated Act in order to be taxonomy-eligible. Secondly, NN Group selected the Solvency II Lines of Business for which one or more climate-related perils are priced separately.

The table below shows the climate-related policy terms that are used in the underlying products of the Solvency II Lines of Business, which have a direct correlation with weather-related events, such as windstorms and mainly refer to properties, vehicles and personal belongings.

Applicable Solvency II Lines of Business

	Climate-related policy terms	Use of climate-related margin	Type of climate-related peril
Medical expense	No	No	Not applicable
Income protection	No	No	Not applicable
Workers' compensation	No	No	Not applicable
Motor vehicle liability	No	No	Not applicable
Other motor	Yes	No	Not applicable
Marine, aviation and transport	Yes	No	Not applicable
Fire and other damage to property	Yes	Yes	Windstorm
Assistance	Yes	No	Not applicable

Climate-related perils are only priced separately by using a climate-related margin for windstorms covered by the underlying products of Solvency II Line of Business Fire and other damage to property. The quantification of the EU Taxonomy on climate-related peril level (i.e. only windstorms) and on product level is shown in the table below.

The table shows that the premium priced for windstorms, being the only climate-related peril priced separately, was EUR 57 million in 2022, representing 2% of the total Non-life insurance and reinsurance premiums. The total premium for products containing specific climate-related terms was EUR 1,665 million in 2022, being 44% of the total Non-life insurance and reinsurance premiums.

As different interpretations of the regulations in the EU Taxonomy are observed in the market, NN Group discloses the indicators on Line of Business level in addition to the indicators on climate-related peril level.

NN Group monitors whether (more) climate-related perils of the possible products involved should be priced separately on an annual basis, taking into account the (expected) loss developments due to the impact of climate change.

Insurance underwriting

	2022				2021			
	On climate-related peril level		On line of business level (products with climate-related peril included in policy)		On climate-related peril level		On line of business level (products with climate-related peril included in policy)	
	Absolute premium (in EUR millions)	Proportion of premiums	Absolute premiums	Proportion of premiums	Absolute premiums	Proportion of premiums	Absolute premiums	Proportion of premiums
Non-life insurance and reinsurance underwriting taxonomy-eligible activities	57	2%	1,665	44%	59	2%	1,693	45%
Non-life insurance and reinsurance underwriting taxonomy non-eligible activities	3,717	98%	2,109	56%	3,740	98%	2,106	55%
Total Non-life insurance and reinsurance underwriting activities	3,774	100%	3,774	100%	3,799	100%	3,799	100%

Note: The total Non-life insurance and reinsurance premium amount in this table relates to the Netherlands Non-life segment. The difference with Gross premiums written in Note 22 to the Annual Accounts relates to non-life premiums in certain international businesses.

7.4 Assurance report of the independent auditor

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Assurance report of the independent auditor

To: the General Meeting of Shareholders and the Supervisory Board of NN Group N.V.

Our conclusion

We have reviewed the non-financial information in the accompanying annual report for 2022 of NN Group N.V. ('the Group') based in Amsterdam and headquartered in The Hague ('non-financial information in the annual report'). A review is aimed at obtaining a limited level of assurance.

Based on the procedures performed nothing has come to our attention that causes us to believe that the non-financial information does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to non-financial information; and
- the thereto related events and achievements in 2022,

in accordance with the reporting criteria as included in the 'Reporting criteria' section of our report.

The non-financial information in the annual report comprises a representation of the policy of the Group with regard to sustainability and the thereto related business operations, events and achievements during the year. NN Group N.V. is the parent company of a group of entities. The annual report incorporates the consolidated information of this group of entities to the extent as specified in 'About this Report' in the annual report.

The non-financial information in the annual report in scope of our review consists of the non-financial information in the sections '1 About NN', '2 Our operating environment', '3 Our strategy and performance', '4 Creating value for our stakeholders', '5 Safeguarding value creation', '7 Facts and figures' (with the exclusion of the section 'EU Taxonomy Disclosures') and '9.1 Our approach to reporting'.

Basis for our conclusion

We have performed our review of the sustainability information in accordance with Dutch law, including Dutch Standard 3810N 'Assurance-opdrachten inzake maatschappelijke verslagen' (Assurance engagements relating to sustainability reports) which is a specified Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000 'Assurance engagements other than audits or reviews of historical financial information'. Our responsibilities under this standard are further described in the 'Our responsibilities for the review of the sustainability 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

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

Reporting Criteria

The non-financial information is prepared in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards) and in accordance with the applied supplemental reporting criteria as disclosed in section '9.1 Our approach to reporting' in the annual report. The GRI Standards used are listed in the GRI Content Index as published on the company's website.

The absence of an established practice on which to draw, to evaluate and measure sustainability information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Consequently, the sustainability information needs to be read and understood together with the reporting criteria used.

Materiality

Based on our professional judgement we determined materiality levels for each relevant part of the sustainability information and for the sustainability information as a whole. When evaluating our materiality levels, we have taken into account quantitative and qualitative considerations as well as the relevance of information for both stakeholders and the company.

Limitations to the scope of our review

The non-financial information in the annual report includes prospective information such as ambitions, strategy, plans, expectations and estimates. Inherent to prospective information, 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 in the annual report.

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

Our conclusion is not modified in respect of these matters.

Responsibilities of the Executive Board and the Supervisory Board for the non-financial information in the annual report

The Executive Board is responsible for the preparation of reliable and adequate non-financial information in the annual report in accordance with the reporting criteria as included in the section '9.1 Approach to reporting' of the annual report, including the identification of stakeholders and the definition of material matters (see the section 'Determining material topics' of the annual report).

The Executive Board is also responsible for selecting and applying the reporting criteria and for determining that these reporting criteria are suitable for the legitimate information needs of stakeholders, taking into account applicable law and regulations related to reporting.

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The choices made by the Executive Board regarding the scope of the non-financial information in the annual report and the reporting policy are summarised in the section '9.1 Our approach to reporting' of the annual report.

Furthermore, the Executive Board is also responsible for such internal control as it determines is necessary to enable the preparation of the non-financial information in the annual report that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the Group's non-financial information reporting process.

Our responsibilities for the review of the non-financial information

Our responsibility is to plan and perform our review 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 vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review engagements with a limited level of assurance is therefore substantially less than the assurance obtained in an audit.

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, Regulations for 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 other relevant legal and regulatory requirements.

Our review included among others the following procedures:

- we performed an analysis of the external environment and obtaining an understanding of relevant societal themes and issues, and the characteristics of the company;
- we evaluated the appropriateness of the reporting criteria used, their consistent application and related disclosures in the non-financial information in the annual report. This includes the evaluation of the results of stakeholder dialogue and the reasonableness of estimates made by the management;
- we obtained through inquiries a general understanding of the control environment, processes and information systems relevant to the preparation of the non-financial information, but not to obtain assurance evidence about their implementation or their operating effectiveness;
- we identified areas of the non-financial information in the annual report where a material misstatement, whether due to fraud or error, are most likely to occur, designing and performing assurance procedures responsive to these areas, and obtaining assurance information that is sufficient and appropriate to provide a basis for our conclusion. These procedures included, among others:
    - interviewing management and relevant staff at corporate level responsible for the strategy, policy and results;

- interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information;
- obtaining assurance information that the non-financial information in the annual report reconciles with underlying records of the company;
- reviewing, on a limited test basis, relevant internal and external documentation; and
- performing an analytical review of the data and trends;

- we evaluated the presentation, structure and content of the non-financial information in the annual report; and
- we considered whether the non-financial information in the annual report as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We have communicated with the Executive Board and the Supervisory Board on the planned scope and timing of our review and shared significant findings from our review.

Amstelveen, 8 March 2023

KPMG Accountants N.V.

D. Korf RA

8 Annual accounts

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For certain disclosures in the sections 'Managing our risks' and 'Corporate Governance' in chapter 5 and 6 of this Annual Report it is indicated in a footnote that those disclosures are an integral part of the Consolidated Annual Accounts, and are part of the disclosures to which the audit opinion relates.

Consolidated balance sheet

Amounts in millions of euros, unless stated otherwise

Consolidated balance sheet

As at 31 December	notes	2022	2021
Assets			
Cash and cash equivalents	3	6,670	6,929
Financial assets at fair value through profit or loss:	4		
– investments for risk of policyholders		34,562	39,261
– non-trading derivatives		2,452	6,419
– designated as at fair value through profit or loss		681	991
Available-for-sale investments	5	81,610	107,883
Loans	6	68,044	68,200
Reinsurance contracts	18	1,019	954
Associates and joint ventures	7	6,556	6,919
Real estate investments	8	2,754	2,719
Property and equipment	9	399	414
Intangible assets	10	1,624	1,129
Deferred acquisition costs	11	1,858	1,893
Assets held for sale	12		4,121
Deferred tax assets	35	904	47
Other assets	13	7,977	3,706
Total assets		**217,110**	**251,585**
Equity			
Shareholders' equity (parent)		16,005	32,888
Minority interests		63	266
Undated subordinated notes		1,764	1,764
Total equity	14	**17,832**	**34,918**
Liabilities			
Subordinated debt	15	2,334	2,356
Debt securities issued	16	1,694	2,292
Other borrowed funds	17	11,118	7,301
Insurance and investment contracts	18	156,378	168,812
Customer deposits and other funds on deposit	19	16,235	15,945
Financial liabilities at fair value through profit or loss:	20		
– non-trading derivatives		6,462	1,904
Liabilities held for sale	12		3,464
Deferred tax liabilities	35	423	4,817
Other liabilities	21	4,634	9,776
Total liabilities		**199,278**	**216,667**
Total equity and liabilities		**217,110**	**251,585**

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

Consolidated profit and loss account

Consolidated profit and loss account

For the period ended 31 December	notes		2022		2021
Gross premium income	22		13,641		14,312
Investment income	23		3,641		5,805
Result on disposals of group companies and businesses			15		53
– gross fee and commission income		545		427	
– fee and commission expenses		-183		-122	
Net fee and commission income:	24		362		305
Valuation results on non-trading derivatives	25		-1,539		-702
Foreign currency results			766		672
Share of result from associates and joint ventures	7		269		899
Other income			176		89
Total income			**17,331**		**21,433**
– gross underwriting expenditure		9,361		20,022	
– investment result for risk of policyholders		5,517		-4,201	
– reinsurance recoveries		-1,216		-1,045	
Underwriting expenditure:	26		13,662		14,776
Amortisation of intangible assets and other impairments	27		33		33
Staff expenses	28		1,533		1,429
Interest expenses	29		612		521
Other operating expenses	30		929		842
Total expenses			**16,769**		**17,601**
Result before tax from continuing operations			**562**		**3,832**
Taxation	35		85		669
Net result from continuing operations			**477**		**3,163**
Net result from discontinued operations			28		135
Net result from disposal of discontinued operations			1,061		–
Net result from discontinued operations	31		**1,089**		**135**
Net result from continuing and discontinued operations			**1,566**		**3,298**

Net result from continuing and discontinued operations

For the period ended 31 December	2022	2021
Net result from continuing and discontinued operations attributable to:		
Shareholders of the parent	1,562	3,278
Minority interests	4	20
Net result from continuing and discontinued operations	**1,566**	**3,298**

Net result from continuing operations

For the period ended 31 December	2022	2021
Net result from continuing operations attributable to:		
Shareholders of the parent	475	3,151
Minority interests	2	12
Net result from continuing operations	**477**	**3,163**

Net result from discontinued operations

For the period ended 31 December	2022	2021
Net result from discontinued operations attributable to:		
Shareholders of the parent	1,087	127
Minority interests	2	8
Net result from discontinued operations	**1,089**	**135**

Earnings per ordinary share from continuing and discontinued operations

For the period ended 31 December and amounts in euros per ordinary share	2022	2021
Earnings per ordinary share from continuing and discontinued operations		
Basic earnings from continuing and discontinued operations	5.09	10.42
Diluted earnings from continuing and discontinued operations	5.09	10.41

Earnings per ordinary share from continuing operations

For the period ended 31 December and amounts in euros per ordinary share	2022	2021
Earnings per ordinary share from continuing operations		
Basic earnings from continuing operations	1.41	10.01
Diluted earnings from continuing operations	1.41	10.00

Earnings per ordinary share from discontinued operations

For the period ended 31 December and amounts in euros per ordinary share	2022	2021
Earnings per ordinary share from discontinued operations		
Basic earnings from discontinued operations	3.68	0.41
Diluted earnings from discontinued operations	3.68	0.41

Reference is made to Note 32 'Earnings per ordinary share' for the disclosure on the Earnings per ordinary share.

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income

For the period ended 31 December		2022		2021
Net result from continuing and discontinued operations		**1,566**		**3,298**
– unrealised revaluations available-for-sale investments and other	-15,705		-3,099	
– realised gains/losses transferred to the profit and loss account	112		-1,431	
– changes in cash flow hedge reserve	-5,942		-3,383	
– deferred interest credited to policyholders	4,986		1,861	
– share of other comprehensive income of associates and joint ventures	9		-2	
– exchange rate differences	-164		-66	
Items that may be reclassified subsequently to the profit and loss account:		-16,704		-6,120
– remeasurement of the net defined benefit asset/liability	68		19	
– unrealised revaluations property in own use	3			
Items that will not be reclassified to the profit and loss account:		71		19
Total other comprehensive income		**-16,633**		**-6,101**
Total comprehensive income		**-15,067**		**-2,803**
Comprehensive income attributable to:				
Shareholders of the parent		-15,014		-2,825
Minority interests		-53		22
Total comprehensive income		**-15,067**		**-2,803**

Reference is made to Note 35 'Taxation' for the disclosure on the income tax effects on each component of comprehensive income.

Consolidated statement of cash flows

Consolidated statement of cash flows

For the period ended 31 December	2022	2021
Result before tax[1]	1,660	4,010
Adjusted for:		
– depreciation and amortisation	146	150
– deferred acquisition costs and value of business acquired	7	-39
– underwriting expenditure (change in insurance liabilities)	-1,555	-384
– realised results and impairments of available-for-sale investments	267	-1,667
– other	54	-601
Taxation paid (received)	-145	-397
Changes in:		
– non-trading derivatives	424	2,204
– other financial assets at fair value through profit or loss	241	384
– loans	-889	-252
– other assets	-3,920	614
– customer deposits and other funds on deposit	200	48
– financial liabilities at fair value through profit or loss – non-trading derivatives	343	-589
– other liabilities	-5,015	-6,075
Net cash flow from operating activities	**-8,182**	**-2,594**
Investments and advances:		
– group companies, net of cash acquired	-547	-314
– available-for-sale investments	-24,702	-26,753
– loans	-5,339	-9,038
– associates and joint ventures	-766	-719
– real estate investments	-136	-156
– property and equipment	-38	-47
– investments for risk of policyholders	-9,270	-9,006
– other investments	-69	-51
Disposals and redemptions:		
– group companies	1,508	72
– available-for-sale investments	30,909	29,271
– loans	4,257	5,771
– associates and joint ventures	971	156
– real estate investments	100	124
– property and equipment	4	8
– investments for risk of policyholders	9,193	8,835
– other investments		21
Net cash flow from investing activities	**6,075**	**-1,826**
Proceeds from subordinated debt	494	
Repayments of subordinated debt	-500	
Proceeds from debt securities issued		597
Repayments of debt securities issued	-600	
Proceeds from other borrowed funds	10,091	1,751
Repayments of other borrowed funds	-5,716	-2,021
Dividend paid	-536	-445
Purchase/sale of treasury shares	-1,391	-545
Coupon on undated subordinated notes	-78	-78
Net cash flow from financing activities	**1,764**	**-741**
Net cash flow[2]	**-343**	**-5,161**

1 Includes result before tax from continuing operations of EUR 562 million (2021: EUR 3,832 million) and result before tax from discontinued operations of EUR 1,098 million (2021: EUR 178 million). Result after tax from discontinued operations is EUR 1,089 million (2021: EUR 135 million). Reference is made to Note 31 'Discontinued operations'.

2 Reference is made to Note 3 'Cash and cash equivalents'.

Included in Net cash flow from operating activities

For the period ended 31 December	2022	2021
Interest received	3,922	4,172
Interest paid	-592	-634
Dividend received	605	524

Cash and cash equivalents

For the period ended 31 December	2022	2021
Cash and cash equivalents at beginning of the year	7,155	12,390
Net cash flow	-343	-5,161
Effect of exchange rate changes on cash and cash equivalents	-142	-74
Cash and cash equivalents at the end of the year	**6,670**	**7,155**

Consolidated statement of changes in equity

Consolidated statement of changes in equity (2022)

	Share capital	Share premium	Reserves	Total Shareholders' equity (parent)	Minority interest	Undated subordinated notes	Total equity
Balance at 1 January 2022	**38**	**12,575**	**20,275**	**32,888**	**266**	**1,764**	**34,918**
Unrealised revaluations available-for-sale investments and other			-15,648	-15,648	-57		-15,705
Realised gains/losses transferred to the profit and loss account			112	112			112
Changes in cash flow hedge reserve			-5,942	-5,942			-5,942
Deferred interest credited to policyholders			4,986	4,986			4,986
Share of other comprehensive income of associates and joint ventures			9	9			9
Exchange rate differences			-164	-164			-164
Remeasurement of the net defined benefit asset/liability			68	68			68
Unrealised revaluations property in own use			3	3			3
Total amount recognised directly in equity (Other comprehensive income)	**–**	**–**	**-16,576**	**-16,576**	**-57**	**–**	**-16,633**
Net result from continuing and discontinued operations			1,562	1,562	4		1,566
Total comprehensive income	**–**	**–**	**-15,014**	**-15,014**	**-53**	**–**	**-15,067**
Changes in share capital	-3	3		-			-
Dividend			-413	-413	-122		-535
Purchase/sale of treasury shares			-1,392	-1,392			-1,392
Employee stock option and share plans			-6	-6			-6
Coupon on undated subordinated notes			-58	-58			-58
Changes in the composition of the group and other changes				**–**	**-28**		**-28**
Balance at 31 December 2022	**35**	**12,578**	**3,392**	**16,005**	**63**	**1,764**	**17,832**

Consolidated statement of changes in equity (2021)

	Share capital	Share premium	Reserves	Total Shareholders' equity (parent)	Minority interest	Undated subordinated notes	Total equity
Balance at 1 January 2021	**39**	**12,574**	**24,118**	**36,731**	**277**	**1,764**	**38,772**
Unrealised revaluations available-for-sale investments and other			-3,101	-3,101	2		-3,099
Realised gains/losses transferred to the profit and loss account			-1,431	-1,431			-1,431
Changes in cash flow hedge reserve			-3,383	-3,383			-3,383
Deferred interest credited to policyholders			1,861	1,861			1,861
Share of other comprehensive income of associates and joint ventures			-2	-2			-2
Exchange rate differences			-66	-66			-66
Remeasurement of the net defined benefit asset/liability			19	19			19
Total amount recognised directly in equity (Other comprehensive income)	**–**	**–**	**-6,103**	**-6,103**	**2**	**–**	**-6,101**
Net result from continuing and discontinued operations			3,278	3,278	20		3,298
Total comprehensive income	**–**	**–**	**-2,825**	**-2,825**	**22**	**–**	**-2,803**
Changes in share capital	-1	1	–	–			–
Dividend			-412	-412	-33		-445
Purchase/sale of treasury shares			-545	-545			-545
Employee stock option and share plans			-2	-2			-2
Coupon on undated subordinated notes			-59	-59			-59
Balance at 31 December 2021	**38**	**12,575**	**20,275**	**32,888**	**266**	**1,764**	**34,918**

1 Accounting policies

Basis of preparation

NN Group N.V. (NN Group) is a public limited liability company (naamloze vennootschap) incorporated under Dutch law. NN Group has its official seat in Amsterdam, the Netherlands and its office address in The Hague, the Netherlands. NN Group is recorded in the Commercial Register no. 52387534. The principal activities of NN Group are described in the section 'About NN'. Amounts in the annual accounts are in millions of euros, unless stated otherwise.

NN Group prepares its Consolidated annual accounts in accordance with International Financial Reporting Standards as endorsed by the European Union (IFRS-EU) and Part 9 of Book 2 of the Dutch Civil Code. In the Consolidated annual accounts, the term IFRS-EU is used to refer to these standards, including the decisions NN Group made with regard to the options available under IFRS-EU. IFRS-EU provides a number of options in accounting policies. The key areas, in which IFRS-EU allows accounting policy choices and the related NN Group accounting policy, are summarised as follows:

- Under IFRS 4, an insurer may continue to apply its existing pre-IFRS accounting policies for insurance contracts, provided that certain minimum requirements are met. Upon adoption of IFRS in 2005, NN Group decided to continue the then existing accounting principles for insurance contracts. NN Group operates in different countries and the accounting principles for insurance contracts follow local practice in these countries. For NN Group's businesses in the Netherlands, NN Group for example applies accounting standards generally accepted in the Netherlands (Dutch GAAP) for its insurance liabilities. Changes in those local accounting standards (including Dutch GAAP) subsequent to the adoption of IFRS-EU are considered for adoption on a case-by-case basis. If adopted, the impact thereof is accounted for as a change in accounting policy under IFRS-EU.
- NN Group's accounting policy for real estate investments is fair value, with changes in the fair value reflected immediately in the Consolidated profit and loss account.
- NN Group's accounting policy for property in own use is fair value, with changes in the fair value reflected, after tax, in the 'Revaluation reserve' in 'Other comprehensive income' (equity). A net negative revaluation on individual properties is reflected immediately in the Consolidated profit and loss account.

NN Group applies fair value hedge accounting to portfolio hedges of interest rate risk (macro hedging) under the EU 'carve out' of IFRS-EU.

NN Group's accounting policies under IFRS-EU and its decision on the options available are included below. Except for the options included above, the principles are IFRS-EU and do not include other significant accounting policy choices made by NN Group. The accounting policies that are most significant to NN Group are included in the section 'Critical accounting policies and significant judgements'.

The preparation of the Consolidated annual accounts requires the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of the assets and liabilities and the amounts of the contingent liabilities at the balance sheet date, as well as reported income and expenses for the year. The actual outcome may differ from these estimates.

Upcoming changes in IFRS-EU

Upcoming changes in IFRS-EU that are the most relevant for NN Group relate to IFRS 9 'Financial Instruments' and IFRS 17 'Insurance Contracts'.

IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' was issued in 2014. IFRS 9 replaces most of IAS 39 'Financial Instruments: Recognition and Measurement' and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Main features of IFRS 9

The classification and measurement of financial assets under IFRS 9 depends on NN Group's business model and the instrument's contractual cash flow characteristics. This results in financial assets being recognised at amortised cost, at fair value through other comprehensive income (equity) or at fair value through profit or loss. In many instances, the classification and measurement under IFRS 9 is similar to IAS 39, although changes in classification occur. For equity securities accounted for at fair value through other comprehensive income, realised gains and losses are no longer recognised in the profit and loss account but reclassified within equity and impairments are also no longer recognised. The classification and measurement of financial liabilities remains unchanged.

The recognition and measurement of impairment under IFRS 9 is intended to be more forward-looking than under IAS 39. The impairment requirements of IFRS 9 apply to all financial assets measured at amortised cost and at fair value through other comprehensive income, except for equity securities. Initially, a provision is required for expected credit losses resulting from default events that are expected within the next twelve months. In the event of a significant increase in credit risk, a provision is required for expected credit losses resulting from all possible default events over the expected life of the financial assets.

1 Accounting policies continued

The hedge accounting requirements of IFRS 9 aim to simplify hedge accounting. IFRS 9 includes the option to continue applying IAS 39 for hedge accounting.

Effective date of IFRS 9 and comparative information

IFRS 9 is effective as of 2018. However, for entities with activities that are predominantly connected with insurance, amongst which NN Group qualifies, there is a temporary exemption to align the effective date with that of IFRS 17, i.e. 1 January 2023. NN Group applies this temporary exemption. Usage of this exemption requires certain additional disclosures on whether financial assets that remain accounted for under IAS 39 meet the definition of 'solely payments of principal and interest on the principal amount outstanding' in IFRS 9 as well as additional information on the credit rating of such assets and whether such assets are 'low credit risk'. In this context, 'low credit risk' is equivalent to 'investment grade' as defined by ratings agencies (generally a rating of BBB- or better). These additional disclosures are included in Note 36 'Fair value of financial assets and liabilities' and in Note 52 'Risk management' in the 2022 Annual Accounts of NN Group. Certain subsidiaries within NN Group (mainly NN Bank) do not qualify for the temporary exemption. Therefore, the financial information of these entities is based on IFRS 9 in the statutory IFRS reporting of these entities, but not in the consolidated financial reporting of NN Group. The impact of applying IFRS 9 for these entities is not significant to NN Group. NN Group does not have associates or joint ventures for which IFRS 9 has a significant impact. IFRS 9 includes an option to restate the comparative information for the financial year 2022, except for assets that have been disposed of in 2022. IFRS 17 includes an option to apply a 'classification overlay approach' for assets of entities of which the activities are predominantly connected with insurance, amongst which NN Group qualifies. Based on this overlay approach in IFRS 17, also the comparative information for assets that are or will be disposed of in 2022 may be restated. NN Group intends to apply both options, which is expected to result in comparative information for 2022 as if IFRS 9 had always been applied. As a result, the transition date for IFRS 9 for NN Group is 1 January 2022.

NN Group's implementation of IFRS 9

For **classification and measurement**, NN Group intends to align the accounting for financial assets under IFRS 9 as much as possible to the accounting for insurance liabilities under IFRS 17. As a result, NN Group accounts for financial assets of the insurance operations at fair value through other comprehensive income (equity) where allowed under IFRS 9. This mainly impacts the accounting for (mortgage) loans in the insurance operations (currently accounted for at amortised cost). Accounting for (mortgage) loans in the banking operations remains unchanged at amortised cost. Measurement of investments in equity securities will remain unchanged at fair value through OCI, but realised gains and losses and impairments will no longer be recognised in the profit and loss account.

For **hedge accounting**, NN Group continues applying the hedge accounting requirements in IAS 39.

IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' was issued in 2017 and revised in 2020. IFRS 17 covers the recognition and measurement, presentation and disclosure of insurance contracts and replaces the current IFRS 4. IFRS 17 fundamentally changes the accounting for insurance liabilities and deferred acquisition costs (DAC) for all insurance companies, including NN Group and its subsidiaries. IFRS 17 is endorsed in the EU and is effective as of 1 January 2023.

Main features of IFRS 17

The main features of IFRS 17 are:

- Measurement of the insurance liabilities in the balance sheet at current fulfilment value, being the sum of the present value of estimated future cash flows and a risk adjustment.
- Remeasurement of the current fulfilment value every reporting period using current assumptions and discount rates.
- A Contractual Service Margin (CSM) is recognised in the balance sheet, which is equal to the unearned expected profit in a group of insurance contracts at issue date and which is subsequently recognised in the profit and loss account over the remaining duration of the group of contracts. Losses on onerous contracts are recognised immediately in the profit and loss account.
- Insurance contracts are aggregated per CSM group under IFRS 17. A CSM group consists of contracts within the same portfolio, the same profitability bucket and issued in the same annual period. Contracts are in the same portfolio if these are managed together and have similar risks. NN Group uses three profitability buckets: onerous contracts, contracts that have no possibility of becoming onerous and remaining contracts. Contract issued in the same annual period are referred to as an annual cohort.
- Certain changes in the insurance liability are adjusted against the CSM and thereby recognised in the profit and loss account over the remaining duration of the group of contracts.

1 Accounting policies continued

- The effect of changes in discount rates is, depending on the choice made per portfolio of insurance contracts, recognised either in the profit and loss account or in Other Comprehensive Income (OCI) in equity. When recognised in OCI, the effect of these changes is recognised in the profit and loss account over the duration of the portfolio.
- The presentation of the balance sheet, profit and loss account, other primary statements and the disclosures in the notes will change fundamentally. The profit and loss account will have a margin-type of presentation (with insurance result, investment result and other result). Premium income will no longer be used to determine revenue under the General Measurement Model and the Variable Fee Approach.
- IFRS 17 is implemented retrospectively with amendment of comparative figures.

Key measurement differences between IFRS 17 and NN Group's current IFRS accounting

The main differences for measuring the insurance liability between the requirements in IFRS 17 and the currently applicable IFRS 4 relate to the following:

- IFRS 17 requires insurance liabilities to be measured using current best estimate assumptions and current market data for all actuarial and financial assumptions. IFRS 4 allows the use of locked-in assumptions that are set at issue of the policies, in combination with a reserve adequacy test at current assumptions.
- The insurance liability under IFRS 17 includes an explicit risk adjustment for non-financial risk and an explicit contractual service margin, representing the unamortised part of the updated profit margin. These elements are not explicitly recognised under IFRS 4.
- IFRS 17 allows certain changes in assumptions to be absorbed in the contractual service margin or in other comprehensive income in equity. Under IFRS 4, changes in assumptions are, to the extent relevant, recognised in the profit and loss account.
- In applying IFRS 4, directly attributable acquisition costs (Deferred Acquisition Costs, DAC) and the Value Of Business Acquired (VOBA) are recognised as assets which are amortised in the profit and loss account over time. In applying IFRS 17, DAC and VOBA are (implicitly) accounted for as part of the insurance liability.
- Deferred interest credited to policyholders is no longer separately accounted for but is (implicitly) part of the insurance liability under IFRS 17.

Key measurement differences between IFRS 17 and Solvency II

Both IFRS 17 and Solvency II require insurance liabilities to be measured on the basis of the net present value of the best estimate of future expected cash flows and an explicit allowance for non-financial risk. There are however significant differences in the following areas:

- In Solvency II, the initial margin in the premium over the insurance liability is recognised immediately in Own Funds. In IFRS 17, such initial margin (when positive) is recognised as contractual service margin (CSM) in the insurance liability and amortised and adjusted over time.
- In Solvency II the discount rate is prescribed by the prudential regulator, whereas the discount rate under IFRS 17 is set by NN Group taking into account the specific characteristics of NN Group's portfolios.
- In Solvency II the cost of capital rate and the level of diversification in determining the risk adjustment is prescribed by the regulator, whereas under IFRS 17 these are set by NN Group taking into account the specific characteristics of NN Group's portfolios.
- There are differences in the best estimate of future cash flows, for example, caused by different requirements for contract boundaries in Solvency II and IFRS 17.

NN Group's implementation of IFRS 17

IFRS 17 allows certain accounting policy choices and requires judgement in setting certain assumptions. The most important choices and assumptions that are relevant to NN Group are set out below.

- NN Group applies each of the three **accounting models** in IFRS 17. The General Measurement Model (GMM) is the default model and is applied to traditional life insurance portfolios. The Variable Fee Approach (VFA) is applied to most unit-linked portfolios, except for unit linked acquired in a business combination for which the guarantees were in the money at the acquisition date. The Premium Allocation Approach (PAA) is applied to the P&C contracts in Netherlands Non-life with a coverage period of 12 months or less.
- NN Group determines per portfolio of insurance contracts whether changes in financial assumptions are reflected in other comprehensive income (**the 'OCI option'**) or directly in the profit and loss account. For contracts accounted for under the GMM and PAA, in principle the OCI option is used, unless accounting for the impact of changes in financial assumptions directly in the profit and loss account resolves accounting mismatches or is otherwise preferred. For contracts accounted for under the VFA, the OCI option is, in principle, not applied.
- For the **level of aggregation**, under the EU-endorsed version of IFRS 17 (IFRS-EU), certain specific insurance contracts may be aggregated on the level of a profitability group within a portfolio and do not need to be further disaggregated by the year in which these contracts were issued ('annual cohorts'). NN Group does not currently apply this IFRS-EU exemption.
- **Estimates of future cash flows** reflect mortality rate assumptions that are derived from recent credible national mortality tables published by relevant actuarial or statistical bodies; where needed, these tables are adjusted so as to reflect NN Group's experience of its own portfolio. Lapse rates are set by major product line based on NN Group's own experience. Estimates of future cash flows include NN Group's projection of future expenses to the extent that these relate to the fulfilment of contracts.
- **Discount rates** to discount the expected future fulfilment cash flows are determined using a liquid risk free curve to which an illiquidity premium is added. For the Euro currency, the most prominent currency within the group, the risk-free curve is based on the swap rate and includes a last liquid point (LLP) of 30 years and a long-term forward rate (LTFR) of 3.35%. The illiquidity premium is derived from NN Group's own asset portfolio, where the asset yield is adjusted for expected and unexpected credit losses.

1 Accounting policies continued

- The **risk adjustment** for non-financial risk is determined using the Cost of Capital methodology based on the Solvency II internal model or standard formula, depending on the entity within the Group. The risk adjustment reflects diversification with market risks within the entity and diversification with other entities within NN Group ('Group diversification'). The Cost of Capital rate represents NN Group's view on the compensation required for bearing risk; the rate used at 1 January 2022 in the fulfilment value of insurance liabilities was 4%.
- NN Group uses each of the **transition approaches** in IFRS 17. In the modified retrospective transition approach, NN Group uses mainly the modifications for historical cash flows and the historical release of the risk adjustment. The modified retrospective approach is applied for certain portfolios in the Insurance Europe segment. In the fair value transition approach, the contractual service margin is determined by reference to the fair value of insurance liabilities. Fair value is determined similar to fulfilment value, except that no group diversification is reflected in the risk adjustment, the cost of capital rate in the risk adjustment is set at 6% and expenses also include non-directly attributable expenses. The fair value transition approach is applied to most portfolios in Netherlands Life.

Impact of IFRS 9 and IFRS 17 on NN Group

NN Group implements IFRS 17 together with IFRS 9. The implementation of IFRS 9 and IFRS 17 will result in significant changes to NN Group's accounting policies and may have a significant impact on total equity, net result, presentation and disclosures. Total equity under IFRS 9 and IFRS 17 was significantly lower at the 1 January 2022 transition date as a result of the measurement of insurance liabilities at current assumptions (including a current discount rate).

The table below provides a reconciliation between total equity at 31 December 2021 in the current balance sheet to total equity in the preliminary balance sheet at 1 January 2022 (the 'Transition date') after implementation of IFRS 9 and IFRS 17.

The impact is preliminary and reflects the status at the date of these Annual Accounts. The final impact may deviate from the below and will be included in the 2023 Annual Accounts.

Impact of IFRS 9 and IFRS 17 on Total equity

31 December 2021/1 January 2022	Share capital and premium	Revaluation reserves	Other reserves	Minority interest	Undated subordinated notes	Total equity
Total equity as reported at 31 December 2021	**12,613**	**14,422**	**5,853**	**266**	**1,764**	**34,918**
Impact (net of tax) of IFRS 9:						
- Loans to Fair value through OCI		2,607	38			2,645
- Available-for-sale to Fair value through profit or loss		-680	680			
- Impairments		-511	489			-22
Impact (net of tax) of IFRS 17:						
- Remeasurement of (re)insurance liabilities		-4,658	-9,229			-13,887
Impact (net of tax) on minority interest				-22		-22
Preliminary Total equity at 1 January 2022	**12,613**	**11,180**	**-2,169**	**244**	**1,764**	**23,632**

The decrease in equity at the transition date mainly reflects the remeasurement of insurance liabilities to current discount rates and other current assumptions. Under the IFRS accounting policies applied by NN Group to date, only the revaluation of assets is recognised in equity, whilst the offsetting effect of revaluation on insurance liabilities is not recognised. Under IFRS 9 and IFRS 17 the revaluation on both assets and liabilities will be recognised in equity. Shareholders' equity under IFRS 9 and IFRS 17 at the 1 January 2022 transition date was significantly lower as a result of the measurement of insurance liabilities at current assumptions. However, with the increase of market interest rates during 2022, the reported shareholders' equity under current IFRS decreased from EUR 32,888 million at 31 December 2021 to EUR 16,005 million at 31 December 2022, and, therefore, the difference with shareholders' equity under IFRS 9 and IFRS 17 largely reversed in 2022.

The table below provides a reconciliation between the carrying amounts at 31 December 2021 in the current balance sheet to the amounts in the preliminary balance sheet at 1 January 2022 after implementation of IFRS 9 and IFRS 17.

1 Accounting policies continued

Reconciliaton of balance sheet

Balance sheet item - current balance sheet IAS 39 and IFRS 4	Reported amount	IFRS 9 1. Remeasurement	IFRS 9 2. Reclassification	IFRS 17 3. Reclassification	IFRS 17 4. Remeasurement	Adjusted amount	Preliminary balance sheet item - with IFRS 9 and IFRS 17
Cash and cash equivalents	6,929					6,929	Cash and cash equivalents
Available-for-sale investments	107,883	49,279	-7,212			149,950	Investments at FV through OCI
Loans	68,200	-45,880		-944		21,376	Investments at cost
Financial assets designated at fair value through profit or loss	991	123	46,473			47,587	Investments at fair value through profit or loss
Real estate investments	2,719					2,719	Investments in real estate
Associates and joint ventures	6,919					6,919	Investment in associates and joint ventures
Investments for risk of policyholders	39,261		-39,261				
					125	125	Insurance contracts
Reinsurance contracts	954				-247	707	Reinsurance contracts
Non-trading derivatives	6,419					6,419	Derivatives
Property and equipment	414					414	Property and equipment
Intangible assets	1,129			-197		932	Intangible assets
Deferred acquisition costs	1,893			-1,893			
Deferred tax assets	47	-60			44	31	Deferred tax assets
Other assets	3,706			-506		3,200	Other assets
Assets held for sale	4,121				14	4,135	Assets held for sale
Total assets	**251,585**	**3,462**	**–**	**-3,540**	**-64**	**251,443**	**Total assets**
Insurance and investment contracts	168,812			-1,863	15,631	182,580	Insurance contracts
					325	325	Reinsurance contracts
					2,698	2,698	Investment contracts
Debt securities issued	2,292					2,292	Debt securities issued
Subordinated debt	2,356					2,356	Subordinated debt
Other borrowed funds	7,301					7,301	Other borrowed funds
Customer deposits and other funds on deposit	15,945					15,945	Customer deposits
Non-trading derivatives	1,904					1,904	Derivatives
Deferred tax liabilities	4,817	839			-4,875	781	Deferred tax liabilities
Other liabilities	9,776			-1,677		8,099	Other liabilities
Liabilities held for sale	3,464				66	3,530	Liabilities held for sale
Total liabilities	**216,667**	**839**	**–**	**-3,540**	**13,845**	**227,811**	**Total liabilities**
Total equity	**34,918**	**2,623**	**–**	**–**	**-13,909**	**23,632**	**Total equity**

The references in the columns above are explained as follows:
1. Loans held by insurance entities within NN Group are remeasured from amortised cost to fair value and mostly presented and measured as Investments at fair value through OCI; these are subject to an expected credit loss provision.
2. Available-for-sale investments that do not qualify for measurement at fair value through OCI are presented as Investments at fair value through profit or loss. Investments for risk of policyholders are presented as Investments at fair value through profit or loss.
3. DAC (deferred acquisition costs), VOBA (value of business acquired), policy loans and insurance receivables and payables are derecognised and form part of the liability for insurance contracts
4. Measurement differences on (re)insurance assets and liabilities; Reinsurance and Investment contracts are presented separately

1 Accounting policies continued

Further details on Insurance contracts under IFRS 17 are presented below:

Insurance contract by component

Insurance contracts (IFRS 17) by component	1 January 2022
Premium Allocation Approach (PAA)	2,872
General Measurement Model and Variable Fee Approach:	
- Estimates of the present value of future cash flows	170,499
- Risk Adjustment	2,857
- Contractual Service Margin (CSM)	
- determined retrospectively	1,098
- determined under the modified retrospective approach	1,194
- determined under the fair value approach	3,935
Total Insurance contracts	**182,455**
Insurance contracts, presented as assets	125
Insurance contracts, presented as liabilities	182,580
Total Insurance contracts	**182,455**

Approximately 90% of the Total insurance contracts was determined using the fair value transition approach.

NN Group intends to continue using Operating result as an Alternative Performance Measure. The definition of Operating result will be amended to reflect the impact of IFRS 9 and IFRS 17. NN Group also intends to continue using the financial leverage ratio. The current leverage ratio is based on equity excluding the revaluation on (only) assets; NN Group also intends to amend the leverage ratio by including net revaluations and CSM.

The implementation of IFRS 9 and IFRS 17 will not impact NN Group's Own Funds and the Solvency Capital Requirement under Solvency II, nor its Operating Capital Generation (OCG).

Changes in presentation

The presentation of, and certain terms used in, the Consolidated balance sheet, Consolidated profit and loss account, Consolidated statement of cash flows, Consolidated statement of changes in equity and the notes was changed to provide additional and more relevant information or (for changes in comparative information) to better align with the current period presentation. The impact of these changes is explained in the respective notes when significant.

Critical accounting policies and significant judgements

NN Group has identified the accounting policies that are most critical to its business operations and to the understanding of its results. These critical accounting policies are those which involve the most complex or subjective judgements and assumptions and relate to insurance contracts, acquisition accounting, deferred acquisition costs, the determination of the fair value of real estate and financial assets and liabilities and impairments. In each case, the determination of these items is fundamental to the financial condition and results of operations and requires management to make complex judgements based on information and financial data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgements as to future events and are subject to change, as the use of different assumptions or data could produce significantly different results. All valuation techniques used are subject to internal review and approval. For further details on the application of these accounting policies, reference is made to the applicable notes to the Consolidated annual accounts and the information below.

Reference is made to Note 52 'Risk management' for a sensitivity analysis of certain assumptions as mentioned below.

1 Accounting policies continued

Acquisition accounting, goodwill and other intangible assets

NN Group's acquisitions are accounted for using the acquisition method of accounting. The consideration for each acquisition is measured at the aggregate of the fair value (at the date of acquisition) of assets acquired, liabilities incurred or assumed and equity instruments issued in exchange for control of the acquiree. Assets acquired include intangible assets such as brand names, client relationships and distribution channels. Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Goodwill, being the positive difference between the cost of the acquisition (including assumed debt) and NN Group's interest in the fair value of the acquired assets, liabilities and contingent liabilities as at the date of acquisition, is capitalised as an intangible asset. In case there is a negative difference between the cost of the acquisition (including assumed debt) and NN Group's interest in the fair value of the acquired assets, liabilities and contingent liabilities as at the date of acquisition, this is referred to as negative goodwill and is recognised in profit and loss in the reporting period the acquisition is finalised. Acquisition-related costs are recognised in the profit and loss account as incurred and presented in the profit and loss account as 'Other operating expenses'.

The initial accounting for the fair value of the net assets of the companies acquired during the year may be determined only provisionally as the determination of the fair value can be complex and the time between the acquisition and the preparation of the annual accounts can be limited. The initial accounting shall be completed within a year after acquisition.

Valuation techniques are subjective in nature and significant judgement is involved in establishing the fair value for certain financial assets and liabilities. Valuation techniques involve various assumptions. The use of different valuation techniques and assumptions could produce significantly different estimates of the fair value.

Goodwill is allocated to cash generating units (reporting units) for the purpose of impairment testing of goodwill and other intangible assets. These cash generating units (reporting units) represent the lowest level at which goodwill is monitored for internal management purposes, which is generally the segment level. This test is performed annually or more frequently if there are indicators of impairment. Under the impairment tests, the carrying value of the cash generating units (reporting units including goodwill) is compared to its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The identification of cash generating units and impairments is an inherently uncertain process involving various assumptions and factors, including expected future cash flows, discount rates, etc. Estimates and assumptions are based on management's judgement and other information available. Significantly different results can occur as circumstances change and additional information becomes known.

Insurance liabilities and deferred acquisition costs (DAC)

The determination of insurance liabilities and DAC is an inherently uncertain process, involving assumptions about factors such as social, economic and demographic trends, inflation, investment returns, policyholder behaviour, court decisions, changes in laws and other factors and, in the life insurance business, assumptions concerning mortality and morbidity trends. Specifically, assumptions that could have a significant impact on financial results include interest rates, mortality, morbidity, property and casualty claims, investment yields on equity and real estate and foreign currency exchange rates.

Insurance liabilities also include the impact of minimum guarantees which are contained within certain products. This impact is dependent upon the difference between the potential minimum benefits payable and the total account balance, expected mortality and surrender rates. The determination of the potential minimum benefits payable also involves the use of assumptions about factors such as inflation, investment returns, policyholder behaviour, mortality and morbidity trends and other factors.

The use of different assumptions could have a significant effect on insurance liabilities, DAC and underwriting expenditure. Changes in assumptions may lead to changes in insurance liabilities over time.

The adequacy of the insurance liabilities, net of DAC, is evaluated each reporting period by each business unit for the business originated in that business unit. The test involves comparing the established insurance liability with current best estimate actuarial assumptions. The use of different assumptions in this test could lead to a different outcome.

Fair value of real estate

Real estate investments are reported at fair value. The fair value of real estate investments is based on regular appraisals by external, qualified valuers. The fair value is established using valuation methods such as comparable market transactions, capitalisation of income methods or discounted cash flow calculations. The underlying assumption used in the valuation is that the properties are let or sold to third parties based on the actual letting status. The discounted cash flow analysis and capitalisation of income method are based on calculations of the future rental income in accordance with the terms in existing leases and estimations of the rental values for new leases when leases expire and incentives like rent-free periods. The cash flows are discounted using market-based interest rates that appropriately reflect the risk characteristics of real estate investments.

1 Accounting policies continued

Reference is made to Note 37 'Fair value of non-financial assets' for more disclosure on fair value of real estate investments at the balance sheet date.

The use of different assumptions and techniques could produce significantly different valuations.

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is based on unadjusted quoted market prices at the balance sheet date where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available, market prices may be obtained from external market vendors, brokers or market makers. In general, positions are valued taking the bid price for a long position and the offer price for a short position. In some cases, positions are marked at mid-market prices.

When markets are less liquid there may be a range of prices for the same security from different price sources; selecting the most appropriate price requires judgement and could result in different estimates of the fair value.

For certain financial assets and liabilities quoted market prices are not available. For these financial assets and liabilities, fair value is determined using valuation techniques, based on market conditions existing at each balance sheet date. These valuation techniques range from discounting of cash flows to valuation models, where relevant pricing factors including the market price of underlying reference instruments, market parameters (volatilities, correlations and credit ratings) and customer behaviour are taken into account.

Valuation techniques are subjective in nature and significant judgement is involved in establishing the fair value for certain financial assets and liabilities. Valuation techniques involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of the fair value.

Reference is made to Note 36 'Fair value of financial assets and liabilities' for more disclosure on fair value of financial assets and liabilities at the balance sheet date.

Impairments

All debt and equity securities and loans (other than those carried at fair value through profit or loss) are subject to impairment testing every reporting period. The carrying value is reviewed in order to determine whether an impairment loss has been incurred. Evaluation for impairment includes both quantitative and qualitative considerations. For debt securities, such considerations include actual and estimated incurred credit losses indicated by payment default, market data on (estimated) incurred losses and other current evidence that the issuer may be unlikely to pay amounts when due. Equity securities are impaired when management believes that, based on a significant or prolonged decline of the fair value below the acquisition price, there is sufficient reason to believe that the acquisition cost may not be recovered. 'Significant' and 'prolonged' are interpreted on a case-by-case basis for specific equity securities. Generally, 25% and six months are used as triggers. Upon impairment of available-for-sale debt and equity securities, the full difference between the (acquisition) cost and fair value is removed from equity and recognised in net result. Impairments on debt securities may be reversed if there is a decrease in the amount of the impairment which can be objectively related to an observable event after the impairment. Impairments on equity securities cannot be reversed.

The identification of impairments is an inherently uncertain process involving various assumptions and factors, including financial condition of the counterparty, expected future cash flows, statistical loss data, discount rates, observable market prices, etc. Estimates and assumptions are based on management's judgement and other information available. Significantly different results can occur as circumstances change and additional information becomes known.

General accounting policies

Consolidation

NN Group comprises NN Group N.V. and all its subsidiaries. The Consolidated annual accounts of NN Group comprise the accounts of NN Group N.V. and all entities over which NN Group has control. NN Group has control over an entity when NN Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The assessment of control is based on the substance of the relationship between NN Group and the entity and considers existing and potential voting rights that are substantive. For a right to be substantive, the holder must have the practical ability to exercise that right.

For interests in investment entities, the existence of control is determined taking into account both NN Group's financial interests for own risk and its role as asset manager. Financial interests for risk of policyholders are not taken into account when the policyholders decide on the investment allocations of their insurance policies (i.e. the policyholder has the 'power') and assume all risks and benefits of these investments (i.e. the policyholder assumes the variable returns).

1 Accounting policies continued

The results of the operations and the net assets of subsidiaries are included in the profit and loss account and the balance sheet from the date control is obtained until the date control is lost. Minority interests are initially measured at their proportionate share of the subsidiaries' identifiable net assets at the date of acquisition. On disposal, the difference between the sales proceeds, net of directly attributable transaction costs, and the net assets is included in net result.

A subsidiary which NN Group has agreed to sell but is still legally owned by NN Group may still be controlled by NN Group at the balance sheet date and, therefore, still be included in the consolidation. Such a subsidiary may be presented as held for sale if certain conditions are met.

All intercompany transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Where necessary, the accounting policies used by subsidiaries are changed to ensure consistency with NN Group policies. In general, the reporting dates of subsidiaries are the same as the reporting date of NN Group N.V.

A list of principal subsidiaries is included in Note 34 'Principal subsidiaries and geographical information'.

Foreign currency translation

Functional and presentation currency

Items included in the annual accounts of each NN Group entity are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Consolidated annual accounts are presented in euros, which is NN Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Exchange rate differences resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as part of qualifying cash flow hedges or qualifying net investment hedges.

Exchange rate differences on non-monetary items, measured at fair value through profit or loss, are reported as part of the 'Fair value gain or loss'. Exchange rate differences on non-monetary items measured at fair value through other comprehensive income (equity) are included in the 'Revaluation reserve' in equity.

Exchange rate differences in the profit and loss account are generally included in 'Foreign currency results and net trading income'. Exchange rate differences relating to the disposal of available-for-sale debt and equity securities are considered to be an inherent part of the capital gains and losses recognised in 'Investment income'. As mentioned below in Group companies, on disposal of group companies, any exchange rate difference deferred in equity is recognised in the profit and loss account in 'Result on disposals of group companies'.

Group companies

The results and financial positions of all group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities included in each balance sheet are translated at the closing rate at the date of that balance sheet
- Income and expenses included in each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions)
- All resulting exchange rate differences are recognised in a separate component of equity in 'Currency translation reserve'

On consolidation, exchange rate differences arising from the translation of a monetary item that forms part of the net investment in a foreign operation and of borrowings and other instruments designated as hedges of such investments are taken to shareholders' equity. When a foreign operation is sold the corresponding exchange rate differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the balance sheet date.

Recognition and derecognition of financial instruments

Financial assets and liabilities are generally (de)recognised at trade date, which is the date on which NN Group commits to purchase or sell the asset. Loans and receivables are recognised at settlement date, which is the date on which NN Group receives or delivers the asset.

1 Accounting policies continued

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where NN Group has transferred substantially all risks and rewards of ownership. If NN Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset.

Realised gains and losses on investments are determined as the difference between the sales proceeds and (amortised) cost. For equity securities, the cost is determined using a weighted average per portfolio. For debt securities, the cost is determined by specific identification (generally FIFO).

Fair value of financial assets and liabilities

The fair values of financial instruments are based on unadjusted quoted market prices at the balance sheet date where available. The quoted market price used for financial assets held by NN Group is the current bid price; the quoted market price used for financial liabilities is the current offer price.

The fair values of financial instruments that are not traded in an active market are determined using valuation techniques, based on market conditions existing at each balance sheet date. An active market for the financial instrument is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Assessing whether a market is active requires judgement, considering factors specific to the financial instrument.

Reference is made to Note 36 'Fair value of financial assets and liabilities' for the basis of determination of the fair value of financial instruments.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when NN Group has a current legally enforceable right to set off the recognised amounts and intends to either settle on a net basis or to realise the asset and settle the liability at the same time.

Impairments of financial assets

NN Group assesses periodically and at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, but before the balance sheet date, (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the specific case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. 'Significant' and 'prolonged' are interpreted on a case-by-case basis for specific equity securities; generally, 25% and six months are used as triggers.

In certain circumstances NN Group may grant borrowers postponement and/or reduction of loan principal and/or interest payments for a temporary period of time to maximise collection opportunities and, if possible, avoid default, foreclosure or repossession. When such postponement and/or reduction of loan principal and/or interest payments is executed based on credit concerns it is also referred to as 'forbearance'. In general, forbearance represents an impairment trigger under IFRS-EU. In such cases, the net present value of the postponement and/or reduction of loan principal and/or interest payments is taken into account in the determination of the appropriate level of loan loss provisioning as described below. If the forbearance results in a substantial modification of the terms of the loan, the original loan is derecognised and a new loan is recognised at its fair value at the modification date.

In determining the impairment loss, expected future cash flows are estimated on the basis of the contractual cash flows of the assets in the portfolio. NN Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and then individually or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss on an asset carried at amortised cost has occurred, the amount of the loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying value of the asset is reduced through the use of an allowance account (loan loss provisions) and the amount of the loss is recognised in the profit and loss account in 'Investment income'. If the asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. When a loan is uncollectable, it is written off against the related loan loss provision. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

1 Accounting policies continued

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the provision. The amount of the reversal is recognised in the profit and loss account.

If there is objective evidence that an impairment loss on available-for-sale debt and equity investments has occurred, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in net result – is removed from equity and recognised in the profit and loss account.

Impairment losses recognised on equity instruments can never be reversed. If, in a subsequent period, the impairment loss on a loan or a debt instrument classified as available-for-sale reverses, which can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the profit and loss account.

Maximum credit risk exposure

The maximum credit risk exposure for items on the balance sheet is generally the carrying value for the relevant financial assets. For the off-balance sheet items, the maximum credit exposure is the maximum amount that could be required to be paid. Reference is made to Note 44 'Contingent liabilities and commitments' for these off-balance sheet items. Collateral received is not taken into account when determining the maximum credit risk exposure. The manner in which NN Group manages credit risk and determines credit risk exposures is explained in Note 52 'Risk management'.

Leases

The leases entered into by NN Group as a lessee are primarily operating leases. At inception of a contract, NN Group assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The net present value of operating lease commitments is recognised on the balance sheet as a 'right of use asset' under Property and equipment or Real estate investments and a lease liability is recognised under Other liabilities. NN Group does not recognise a right of use asset and a lease liability for short-term leases that have a lease term of 12 months or less and for leases of low value assets. The lease payments associated with these leases are recognised as an expense.

Taxation

Income tax on the result for the year comprises current and deferred tax. Income tax is generally recognised in the profit and loss account, but is recognised directly in equity if the tax relates to items that are recognised directly in equity.

Current tax consists of the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the balance sheet. Deferred tax is determined using tax rates (and laws) applicable in the jurisdictions in which NN Group is liable to taxation, that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses carried forward where it is probable that future taxable profits will be available against which the temporary differences can be used. Unrecognised deferred tax assets are reassessed periodically and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by NN Group and it is probable that the difference will not reverse in the foreseeable future. The tax effects of income tax losses available for carry forward are recognised as an asset where it is probable that future taxable profits will be available against which these losses can be used.

Offsetting deferred tax assets with deferred tax liabilities is allowed as long as there is a legally enforceable right to offset current tax assets against current tax liabilities together with the intention to do so and the deferred taxes relate to income taxes levied by the same taxation authority on the same entity or on the same fiscal unity.

1 Accounting policies continued

Employee benefits

Defined benefit pension plans

The net defined benefit asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the fair value of the plan assets less the present value of the defined benefit obligation at the balance sheet date. Plan assets are measured at fair value at the balance sheet date. For determining the pension expense, the expected return on plan assets is determined using a high quality corporate bond rate identical to the discount rate used in determining the defined benefit obligation.

Defined contribution pension plans

For defined contribution plans, NN Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. NN Group has no further payment obligations once the contributions have been paid. The contributions are recognised as staff expenses in the profit and loss account when they are due.

Other post-employment obligations

Some NN Group companies provide post-employment benefits to certain employees and former employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

Share-based payments

Share-based payment expenses are recognised as staff expenses over the vesting period. A corresponding increase in equity is recognised for equity-settled share-based payment transactions. The fair value of equity-settled share-based payment transactions is measured at the grant date. For cash-settled share-based payment transactions, a liability is recognised at fair value; this fair value is remeasured at every balance sheet date.

Interest income and expenses

Interest income and expenses are recognised in the profit and loss account using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts throughout the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying value of the financial asset or financial liability. When calculating the effective interest rate, NN Group estimates cash flows considering all contractual terms of the financial instrument (for example prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income and expenses from non-trading derivatives are classified as interest income and interest expenses in the profit and loss account, except for interest income/expense on derivatives for which no hedge accounting is applied. The latter is classified in 'Valuation results on non-trading derivatives', together with the changes in the (clean) fair value of these derivatives.

Fiduciary activities

NN Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions when conducting asset management activities. The assets and income arising thereof are excluded from these annual accounts, as they are not assets or income of NN Group. Fees received acting as trustee and in other fiduciary capacities are recognised as income.

Statement of cash flows

The Consolidated statement of cash flows is prepared in accordance with the indirect method, classifying cash flows as cash flows from operating, investing and financing activities. In the net cash flow from operating activities, the result before tax is adjusted for those items in the profit and loss account and changes in balance sheet items, which do not result in actual cash flows during the year.

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition. Investments qualify as a cash equivalent if they are readily convertible into a known amount of cash and are not subject to significant risk of changes in value.

Cash flows arising from foreign currency transactions are translated into the functional currency using the exchange rates at the date of the cash flows.

1 Accounting policies continued

The difference between the net cash flow in accordance with the statement of cash flows and the change in 'Cash and cash equivalents' in the balance sheet is due to exchange rate differences and is accounted for separately as part of the reconciliation of the net cash flow and the balance sheet change in 'Cash and cash equivalents'.

Cash flows arising from the issue of mortgage loans held in the banking operations are recognised under Net cash flows from operating activities, whereas cash flows related to mortgage loans held as investment in the insurance operations are recognised under Net cash flow from investing activities.

Cash flows on collateral related to derivatives (presented in the balance sheet in Other assets and Other liabilities) is presented in the Consolidated statement of cash flows as part of Net cash flow from operating activities, consistent with the cash flows of the related derivatives.

Accounting policies for specific items

Financial assets and liabilities at fair value through profit or loss (Notes 4 and 20)

A financial asset or liability is classified as at fair value through profit or loss if it is acquired principally for the purpose of selling in the short-term or if designated by management as such. Management will make this designation only if this eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis.

Transaction costs on initial recognition are expensed as incurred. Interest income from debt securities and loans and receivables classified as at fair value through profit or loss is recognised in the profit and loss account using the effective interest method. Dividend income from equity instruments classified as at fair value through profit or loss is recognised in the profit and loss account when the dividend has been declared.

Investments for risk of policyholders

Investments for risk of policyholders are investments against insurance liabilities for which all changes in the fair value of invested assets are offset by similar changes in insurance liabilities. Investments for risk of policyholders are recognised at fair value; changes in fair value are recognised in the profit and loss account.

Derivatives and hedge accounting

Derivatives are recognised at fair value. Derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. NN Group designates certain derivatives as hedges of highly probable future cash flows attributable to a recognised asset or liability or a forecast transaction (cash flow hedge), hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge), or hedges of a net investment in a foreign operation. Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the hedge transaction NN Group documents the relationship between hedging instruments and hedged items, its risk management objectives, together with the methods selected to assess hedge effectiveness. In addition, NN Group documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of the hedged items. NN Group applies fair value hedge accounting to portfolio hedges of interest rate risk (macro hedging) under the EU 'carve out' of IFRS-EU. The EU 'carve-out' macro hedging enables a group of derivatives (or proportions) to be viewed in combination and jointly designated as the hedging instrument and removes some of the limitations in fair value hedge accounting relating to hedging deposits and under-hedging strategies. Under the IFRS-EU 'carve-out', hedge accounting may be applied to deposits and ineffectiveness only arises when the revised estimate of the amount of cash flows in scheduled time buckets falls below the designated amount of that bucket.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income (equity) in 'Cash flow hedge reserve'. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. Amounts accumulated in equity are recycled to the profit and loss account in the periods in which the hedged item affects Net result. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss previously reported in equity is transferred immediately to the profit and loss account.

1 Accounting policies continued

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the profit and loss account, together with fair value adjustments to the hedged item attributable to the hedged risk. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative adjustment of the hedged item is, in the case of interest bearing instruments, amortised through the profit and loss account over the remaining term of the original hedge or recognised directly when the hedged item is derecognised. For non-interest bearing instruments, the cumulative adjustment of the hedged item is recognised in the profit and loss account only when the hedged item is derecognised.

Net investment hedges

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income (equity) and the gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. Gains and losses in equity are included in the profit and loss account when the foreign operation is disposed.

Non-trading derivatives that do not qualify for hedge accounting

Derivatives that are used by NN Group as part of its risk management strategies, that do not qualify for hedge accounting under NN Group's accounting policies, are presented as non-trading derivatives. Non-trading derivatives are measured at fair value with changes in the fair value taken to 'Valuation results on non-trading derivatives' in the profit and loss account.

Certain derivatives embedded in other contracts are measured as separate derivatives if:
- Their economic characteristics and risks are not closely related to those of the host contract
- The host contract is not carried at fair value through profit or loss
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative (unless the embedded derivative meets the definition of an insurance contract)

These embedded derivatives are measured at fair value with changes in fair value recognised in the profit and loss account. An assessment is carried out when NN Group first becomes party to the contract. A reassessment is carried out only when there is a change in the terms of the contract that significantly modifies the expected cash flows.

Available-for-sale investments (Note 5)

Available-for-sale financial assets include available-for-sale debt securities and available-for-sale equity securities. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. For available-for-sale debt securities, the difference between cost and redemption value is amortised. Interest income is recognised using the effective interest method. Available-for-sale financial assets are subsequently measured at fair value. Interest income from debt securities classified as available-for-sale is recognised in the profit and loss account in 'Investment income'. Dividend income from equity instruments classified as available-for-sale is recognised in the profit and loss account in 'Investment income' when the dividend has been declared.

Unrealised gains and losses arising from changes in the fair value are recognised in other comprehensive income (equity). On disposal, the related accumulated fair value adjustments are included in the profit and loss account as 'Investment income'. For impairments of available-for-sale financial assets reference is made to the section 'Impairments of financial assets'.

Loans (Note 6)

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest income from loans is recognised in the profit and loss account in 'Investment income' using the effective interest method.

Associates and joint ventures (Note 7)

Associates are all entities over which NN Group has significant influence but not control. Significant influence generally results from a shareholding of 20% or more of the voting rights, but also the ability to participate in the financial and operating policies through situations including, but not limited to, one or more of the following:
- Representation on the board of directors
- Participation in the policy-making process
- Interchange of managerial personnel

Joint ventures are all entities in which NN Group has joint control.

1 Accounting policies continued

Associates and joint ventures are initially recognised at cost (including goodwill) and subsequently accounted for using the equity method of accounting. Subsequently, NN Group's share of profits or losses is recognised in the profit and loss account and its share of changes in reserves is recognised in other comprehensive income (equity).

The cumulative changes are adjusted against the carrying value of the investment. When NN Group's share of losses in an associate or joint venture equals or exceeds the book value of the associate or joint venture, NN Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains and losses on transactions between NN Group and its associates and joint ventures are eliminated to the extent of NN Group's interest. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies of NN Group. The reporting dates of all significant associates and joint ventures are consistent with the reporting date of NN Group.

For interests in investment entities the existence of significant influence is determined taking into account both NN Group's financial interests for own risk and its role as asset manager.

Associates include interests in real estate funds and private equity funds. The underlying assets of both the real estate and the private equity funds are measured at fair value through profit or loss (i.e. no revaluations in other comprehensive income). The fair value of underlying real estate in real estate funds is determined as set out below for Real estate investments. The fair value of underlying private equity investments in private equity funds is generally based on a forward-looking market approach. This approach uses a combination of company financials and quoted market multiples. In the absence of quoted prices in an active market, fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects, price, earnings comparisons and by reference to market valuations for similar entities quoted in an active market. Valuations of private equity investments are mainly based on an 'adjusted multiple of earnings' methodology on the following basis:

- Earnings: reported earnings are adjusted for non-recurring items, such as restructuring expenses, for significant corporate actions and, in exceptional cases, for run-rate adjustments to arrive at maintainable earnings. The most common measure is earnings before interest, tax, depreciation and amortisation (EBITDA). Earnings used are usually management forecasts for the current year, unless data from management accounts for the 12 months preceding the reporting period or the latest audited annual accounts provide a more reliable estimate of maintainable earnings.
- Earnings multiples: earnings multiples are derived from comparable listed companies or relevant market transaction multiples for companies in the same industry and, where possible, with a similar business model and profile in terms of size, products, services and customers, growth rates and geographic focus. Adjustments are made for differences in the relative performance in the group of comparable companies.
- Adjustments: a marketability or liquidity discount is applied based on factors such as alignment with management and other investors and NN Group's investment rights in the deal structure.

Real estate investments (Note 8)

Real estate investments under construction are included in 'Real estate investments'. Real estate investments are held for long-term rental yields and are not occupied by NN Group. Real estate investments are initially measured at cost, including transaction cost and are subsequently measured at fair value. Changes in the carrying value resulting from revaluations are recognised in the profit and loss account. On disposal the difference between the sales proceeds and carrying value is recognised in the profit and loss account. The fair value of real estate investments is based on regular appraisals by independent qualified valuers. For each reporting period every property is valued by an external valuer. Market transactions and disposals made by NN Group are monitored as part of the validation procedures to test the valuations. Valuations performed earlier in the year are updated if necessary to reflect the situation at the year-end. All real estate investments are appraised externally at least annually.

The fair value represents the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and willing seller in an at-arm's-length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion. The fair value is based on appraisals using valuation methods such as comparable market transactions, capitalisation of income methods or discounted cash flow calculations. The underlying assumption used in the valuation is that the properties are let or sold to third parties based on the actual letting status. The discounted cash flow analysis and capitalisation of income method are based on calculations of the future rental income in accordance with the terms in existing leases and estimations of the rental values for new leases when leases expire and incentives like rent-free periods. The cash flows are discounted using market-based interest rates that reflect appropriately the risk characteristics of real estate. The valuation of real estate investments takes (expected) vacancies into account. Occupancy rates differ significantly from investment to investment. For real estate investments held through (minority shares in) real estate investment funds, the valuations are performed under the responsibility of the funds' asset manager.

1 Accounting policies continued

Subsequent expenditures are recognised as part of the asset's carrying value only when it is probable that future economic benefits associated with the item will flow to NN Group and the cost of an item can be measured reliably. All other repairs and maintenance costs are recognised immediately in the profit and loss account. Borrowing costs on real estate investments under construction are capitalised until completion.

Property and equipment (Note 9)

Land and buildings held for own use are stated at fair value at the balance sheet date. Increases in the carrying value are recognised in other comprehensive income (equity). Decreases in the carrying value that offset previous increases of the same asset are charged against other comprehensive income (equity); all other decreases are recognised in the profit and loss account. Increases that reverse a revaluation decrease on the same asset previously recognised in net result are recognised in the profit and loss account. Depreciation is recognised based on the fair value and the estimated useful life (in general 20–50 years). On disposal, the related revaluation reserve in equity is transferred within equity to 'Retained earnings'.

The fair value of land and buildings is based on regular appraisals by independent, qualified valuers or internally, similar to appraisals of real estate investments. All significant holdings of land and buildings are appraised at least annually. Subsequent expenditure is included in the asset's carrying value when it is probable that future economic benefits associated with the item will flow to NN Group and the cost of the item can be measured reliably.

Equipment is stated at cost less accumulated depreciation and any impairment losses. The estimated useful lives are generally as follows: two to five years for data processing equipment and four to ten years for fixtures and fittings. Expenditure incurred on maintenance and repairs is recognised in the profit and loss account as incurred. Expenditure incurred on major improvements is capitalised and depreciated. The difference between the proceeds on disposal and net carrying value is recognised in the profit and loss account in 'Other income'.

Methods of depreciation and amortisation

Items of property and equipment are depreciated, intangible assets with finite useful lives are amortised. The carrying values of the assets are depreciated/amortised on a straight-line basis over the estimated useful lives. Methods of depreciation and amortisation, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets (Note 10)

Goodwill

NN Group's acquisitions are accounted for using the acquisition method of accounting. The consideration for each acquisition is measured at the aggregate of the fair value (at the date of acquisition) of assets given, liabilities incurred or assumed and equity instruments issued in exchange for control of the acquiree. Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Goodwill, being the positive difference between the cost of the acquisition (including assumed debt) and NN Group's interest in the fair value of the acquired assets, liabilities and contingent liabilities as at the date of acquisition, is capitalised as an intangible asset. Negative goodwill is recognised immediately in the profit and loss account as income. The results of the operations of the acquired companies are included in the profit and loss account from the date control is obtained.

Where a business combination is achieved in stages, NN Group's previously held interests in the assets and liabilities of the acquired entity are remeasured to fair value at the acquisition date (i.e. the date NN Group obtains control) and the resulting gain or loss, if any, is recognised in the profit and loss account. Amounts arising from interests in the acquiree before the acquisition date that have previously been recognised in other comprehensive income (equity) are reclassified to the profit and loss account, where such treatment would be appropriate if that interest were disposed of.

Acquisition-related costs are recognised in the profit and loss account as incurred and presented in the profit and loss account as 'Other operating expenses'.

Until 2009, before IFRS 3 'Business Combinations' was revised, the accounting of previously held interests in the assets and liabilities of the acquired entity were not remeasured at the acquisition date and the acquisition-related costs were considered to be part of the total consideration. Goodwill is only capitalised on acquisitions after the implementation date of IFRS-EU (1 January 2004). Accounting for acquisitions before that date has not been restated; goodwill and internally generated intangibles on these acquisitions were recognised directly in shareholders' equity.

The initial accounting for the fair value of the net assets of the companies acquired during the year may be determined only provisionally as the determination of the fair value can be complex and the time between the acquisition and the preparation of the annual accounts can be limited. The initial accounting shall be completed within a year after acquisition.

1 Accounting policies continued

Goodwill is allocated to cash generating units (reporting units) for the purpose of impairment testing. These cash generating units (reporting units) represent the lowest level at which goodwill is monitored for internal management purposes, which is generally the segment level. This test is performed annually or more frequently if there are indicators of impairment. Under the impairment tests, the carrying value of the cash generating units (reporting units including goodwill) is compared to its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

Computer software

Computer software that has been purchased or generated internally for own use is stated at cost less amortisation and any impairment losses. The expected useful life of computer software will generally not exceed three years. Amortisation is included in 'Other operating expenses'.

Value of business acquired (VOBA)

VOBA is an asset that represents the present value of estimated net cash flows embedded in the insurance contracts of an acquired company, which exists at the time the company was acquired. It represents the difference between the fair value of insurance liabilities and their carrying value. VOBA is amortised in a similar manner to the amortisation of the deferred acquisition costs as described in the section 'Deferred acquisition costs'.

Other intangible assets

Other intangible assets include brand names, client relationships and distribution channels. These assets are stated at cost less amortisation and any impairment losses. The expected useful life is between 2 and 17 years.

Impairment

Impairment reviews with respect to goodwill and intangible assets are performed at least annually and more frequently if events indicate that impairments may have occurred. Goodwill is tested for impairment by comparing the carrying value of the cash generating unit (reporting unit) to which the goodwill was allocated to the best estimate of the recoverable amount of that cash generating unit (reporting unit). The carrying value is determined as the IFRS-EU net asset value including goodwill and acquisition intangibles. The recoverable amount is estimated as the higher of fair value less cost to sell and value in use. Several methodologies are applied to arrive at the best estimate of the recoverable amount. A cash generating unit (reporting unit) is the lowest level at which goodwill is monitored. Other intangible assets are tested for impairment by comparing the carrying value with the best estimate of the recoverable amount of the individual intangible asset.

Deferred acquisition costs (Note 11)

Deferred acquisition costs (DAC) represent costs of acquiring insurance and investment contracts that are deferred and amortised. The deferred costs, all of which vary with (and are primarily related to) the production of new and renewal business, consist principally of commissions, certain underwriting and contract issuance expenses and certain agency expenses.

For traditional life insurance contracts, certain types of flexible life insurance contracts and non-life contracts, DAC is amortised over the premium payment period in proportion to the premium revenue recognised.

For other types of flexible life insurance contracts DAC is amortised over the lives of the policies in relation to the emergence of estimated profits. Amortisation is adjusted when estimates of current or future profits, to be realised from a group of products, are revised.

DAC amortisation is included in the Underwriting expenditure in the profit and loss account.

DAC is evaluated for recoverability at issue. Subsequently it is tested on a regular basis together with the life insurance liabilities. The test for recoverability is described in the section 'Insurance and investment contracts, reinsurance contracts'.

For certain products DAC is adjusted for the impact of unrealised results on allocated investments through equity.

Assets and liabilities held for sale (Note 12)

Assets and liabilities of a business are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This is only the case when the sale is highly probable, the business is available for immediate sale in its present condition and management is committed to the sale, which is expected to occur within one year from the date of classification as held for sale. Classification into or out of held for sale does not result in restating comparative amounts in the balance sheet.

1 Accounting policies continued

Subordinated debt, debt securities issued and other borrowed funds (Notes 15, 16 and 17)

Subordinated debt, debt securities issued and other borrowed funds are recognised initially at their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between proceeds, net of transaction costs and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

If NN Group purchases its own debt, it is derecognised from the balance sheet and the difference between the carrying value of the liability and the consideration paid is recognised in the profit and loss account.

Financial liabilities include only instruments of which the terms and conditions represent a contractual obligation to pay interest and/or principal. Instruments that are similar in substance, but of which the terms and conditions do not include a contractual obligation to pay interest and principal, are classified as equity.

Insurance and investment contracts, reinsurance contracts (Note 18)

Insurance liabilities are established in accordance with IFRS 4 'Insurance Contracts'. Under IFRS 4, an insurer may continue its existing pre-IFRS accounting policies for insurance contracts, provided that certain minimum requirements are met. Upon adoption of IFRS-EU in 2005, NN Group decided to continue the then existing accounting principles for insurance contracts under IFRS-EU. NN Group operates in many different countries and the accounting principles for insurance contracts follow local practice in these countries. For NN Group's businesses in the Netherlands, NN Group applies accounting standards generally accepted in the Netherlands (Dutch GAAP) for its insurance contracts. Changes in those local accounting standards (including Dutch GAAP) subsequent to the adoption of IFRS-EU are considered for adoption on a case-by-case basis. If adopted, the impact thereof is accounted for as a change in accounting policies under IFRS-EU.

In addition, for certain specific products or components thereof, NN Group applies the option in IFRS 4 to measure (components of) insurance liabilities using market-consistent interest rates and other current estimates and assumptions. This relates mainly to certain guarantees embedded in insurance contracts in Japan.

Insurance contracts

Insurance policies which bear significant insurance risk and/or contain discretionary participation features (including investment contracts with discretionary participation features) are presented as insurance contracts. Insurance liabilities represent estimates of future pay-outs that will be required for life and non-life insurance claims, including expenses relating to such claims. For some insurance contracts the measurement reflects current market assumptions. Unless indicated otherwise below, changes in the insurance liabilities are recognised in the profit and loss account.

Life insurance liabilities

The life insurance liabilities are generally calculated on the basis of a prudent prospective actuarial method. Specific methodologies may differ between business units as they may reflect local regulatory requirements and local practices for specific product features in the local markets.

Insurance liabilities on traditional life policies are calculated using various assumptions, including assumptions on mortality, morbidity, expenses, investment returns and surrenders. Assumptions for insurance liabilities for traditional life insurance contracts, including traditional whole-life and term-life insurance contracts, are based on best estimate assumptions including margins for adverse deviations. Generally, these assumptions are set initially at the policy issue date and remain constant throughout the life of the policy. For the insurance liabilities that were taken over in the Delta Lloyd acquisition, these assumptions are set as at the date of acquisition, 1 April 2017.

Insurance liabilities for universal life, variable life and annuity contracts, unit-linked contracts, etc. are generally set equal to the balance that accrues to the benefit of the policyholders.

Certain contracts contain minimum (interest) guarantees on the amounts payable upon death and/or maturity. The insurance liabilities include the impact of these minimum (interest) guarantees, taking into account the difference between the potential minimum benefit payable and the total account balance, expected mortality and surrender rates.

Unamortised interest rate rebates on periodic and single premium contracts are deducted from the life insurance contract liabilities. Interest rate rebates granted during the year are amortised in conformity with the anticipated recovery pattern and are recognised in the profit and loss account.

1 Accounting policies continued

Liabilities for unearned premiums and unexpired insurance risks

The liabilities are calculated in proportion to the unexpired periods of risk. For insurance policies covering a risk increasing during the term of the policy at premium rates independent of age, this risk is taken into account when determining the liability. Further liabilities are formed to cover claims under unexpired insurance contracts, which may exceed the unearned premiums and the premiums due in respect of these contracts.

Claims liabilities

Claims liabilities are calculated either on a case-by-case basis or by approximation on the basis of experience. Liabilities have also been recognised for claims incurred but not reported (IBNR) and for future claims handling expenses. IBNR liabilities are set to recognise the estimated cost of losses that have occurred but which have not yet been notified to NN Group. The adequacy of the claims liabilities is evaluated each year using standard actuarial techniques.

Deferred interest credited to policyholders

For insurance contracts and investment contracts with discretionary participation features, 'Deferred interest credited to policyholders' is recognised for the full amount of the unrealised revaluations on allocated investments. Upon realisation, the 'Deferred interest credited to policyholders' regarding unrealised revaluations is reversed and a deferred profit sharing amount is recognised for the share of realised results on allocated investments that is expected to be shared with policyholders. The amount of deferred profit sharing is reduced by the actual allocation to individual policyholders. The change in the amount of 'Deferred interest credited to policyholders' on unrealised revaluations (net of tax) is recognised in the 'Revaluation reserve' in other comprehensive income (equity).

Liabilities for life insurance for risk of policyholders

Liabilities for life insurance for risk of policyholders are generally shown at the balance sheet value of the related investments.

Reinsurance contracts

Reinsurance premiums, commissions and claim settlements, as well as the reinsurance element of insurance contracts are accounted for in the same way as the original contracts for which the reinsurance was concluded. If the reinsurers are unable to meet their obligations, NN Group remains liable to its policyholders for the portion reinsured. Consequently, provisions are recognised for receivables on reinsurance contracts which are deemed uncollectable. Both reinsurance premiums and reinsurance recoveries are included in 'Underwriting expenditure' in the profit and loss account.

Adequacy test

The adequacy of the insurance liabilities is evaluated at each reporting period by each business unit for the business originated in that business unit. The test involves comparing the established insurance liability (gross of reinsurance and net of DAC and VOBA) to a liability based on current best estimate actuarial assumptions. The assumed investment returns are a combination of the run-off of current portfolio yields on existing assets and reinvestment rates in relation to maturing assets and anticipated new premiums, as a result, (part of) the revaluation reserve in shareholders equity is taken into account in assessing the adequacy of insurance liabilities.

If, for any business unit, the established insurance liability is lower than the liability based on current best estimate actuarial assumptions the shortfall is recognised immediately in the profit and loss account.

If the insurance liabilities are determined to be more than adequate no reduction in the insurance liabilities is recognised.

Investment contracts

Insurance policies without discretionary participation features which do not bear significant insurance risk are presented as Investment contracts. Investment contract liabilities are determined at amortised cost, using the effective interest method (including certain initial acquisition expenses), or at fair value.

Other liabilities (Note 21)

Provisions

Other liabilities include reorganisation provisions, litigation provisions and other provisions. Reorganisation provisions include employee termination benefits when NN Group is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Provisions are discounted when the effect of the time value of money is significant, using a before tax discount rate. The determination of provisions is an inherently uncertain process involving estimates regarding amounts and timing of cash flows.

1 Accounting policies continued

Gross premium income (Note 22)

Premiums from insurance policies are recognised as income when due from the policyholder. Receipts under investment contracts are not recognised as gross premium income; instead, deposit accounting is applied. When applying deposit accounting, the amounts contributed by policyholders are recognised as direct increases in the provision for investment contracts, not as premium income and payments are deducted directly from the provision.

Net fee and commission income (Note 24)

Fees and commissions are generally recognised as the service is provided. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts as the service is provided. Asset management fees related to investment funds and investment contract fees are recognised on a pro-rata basis over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Earnings per ordinary share (Note 32)

Earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares outstanding. In calculating the weighted average number of ordinary shares outstanding, own shares held by group companies are deducted from the total number of ordinary shares in issue.

Changes in the number of ordinary shares outstanding without a corresponding change in resources are taken into account, including if these changes occurred after the reporting date but before the annual accounts are authorised for issue.

Diluted earnings per share data are computed as if all convertible instruments outstanding at the year-end were exercised at the beginning of the period. It is also assumed that NN Group uses the assumed proceeds received to buy its own shares against the average market price in the financial year. The net increase in the number of shares resulting from the exercise is added to the average number of shares used to calculate diluted earnings per share.

Segments and Principal subsidiaries and geographical information (Notes 33 and 34)

A segment is a distinguishable component of NN Group, engaged in providing products or services, subject to risks and returns that are different from those of other segments. A geographical area is a distinguishable component of NN Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. The geographical analysis is based on the location of the business unit from which the transactions are originated.

2 The war in Ukraine

In February 2022, the Russian military build-up on the border of Ukraine escalated tensions between Russia and Ukraine. At the date of this report, Russian troops continue to invade Ukraine and millions of Ukrainians have fled their homes. NN Group does not have business activities in Ukraine or Russia, and NN Group's direct financial exposure to these countries is limited. However, the Russian military actions and the resulting sanctions have adversely affected the global economy and financial markets. Any possible further escalation thereof, might have further adverse impact on the global economy and financial markets and, therefore, NN Group's financial results. More detailed information is provided in Note 52 'Risk management'.

3 Cash and cash equivalents

Cash and cash equivalents

	2022	2021
Cash and bank balances	4,148	4,203
Money market funds	1,744	1,965
Short-term deposits	778	761
Cash and cash equivalents	**6,670**	**6,929**
Cash and cash equivalents classified as assets held for sale		226
Cash and cash equivalents at the end of the year	**6,670**	**7,155**

As at 31 December 2022, NN Group held EUR 2,183 million (2021: EUR 1,325 million) at central banks.

NN Group invests in several types of money market funds, some qualifying as cash equivalents and some as investments. Short-term investments in money market funds are presented as cash equivalents only if these are highly liquid and quoted in an active market and have low investment risk.

3 Cash and cash equivalents continued

Changes in Cash and cash equivalents

	2022	2021
Cash and cash equivalents at beginning of the year	7,155	12,390
Net cash flow	-343	-5,161
Effect of exchange rate changes on cash and cash equivalents	-142	-74
Cash and cash equivalents at the end of the year	**6,670**	**7,155**

The change in market interest rates in 2022 significantly impacted cash collateral amounts paid and received as well as other assets and liabilities which are components of the net cash flow. Consequently, the net cash flow for 2022 increased by EUR 4,818 million to EUR -343 million.

4 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss

	2022	2021
Investments for risk of policyholders	34,562	39,261
Non-trading derivatives	2,452	6,419
Designated as at fair value through profit or loss	681	991
Financial assets at fair value through profit or loss	**37,695**	**46,671**

Investments for risk of policyholders

	2022	2021
Equity securities	31,687	37,010
Debt securities	1,758	1,368
Loans and receivables	1,117	883
Investments for risk of policyholders	**34,562**	**39,261**

Investments in investment funds (with underlying investments in debt and equity securities, real estate and derivatives) are included in equity securities.

Non-trading derivatives

	2022	2021
Derivatives used in:		
– fair value hedges	62	29
– cash flow hedges	256	4,622
– hedges of net investments in foreign operations	23	
Other non-trading derivatives	2,111	1,768
Non-trading derivatives	**2,452**	**6,419**

The fair value of derivatives was impacted significantly in 2022 by the change (increase) in market interest rates. This change in market interest rates also significantly impacted other balance sheet items, including Available-for-sale investments and Other liabilities – Cash collateral amounts received as well as other liabilities in the consolidated statement of cash flows.

Other non-trading derivatives includes derivatives for which no hedge accounting is applied.

Designated as at fair value through profit or loss

	2022	2021
Equity securities	371	415
Debt securities	27	28
Money market funds	283	548
Designated as at fair value through profit or loss	**681**	**991**

5 Available-for-sale investments

Available-for-sale investments

	2022	2021
Equity securities:		
– shares in NN Group managed investment funds		2,459
– shares in third-party managed investment funds	7,370	3,970
– other	3,645	5,537
Equity securities	**11,015**	**11,966**
Debt securities	70,595	95,917
Available-for-sale investments	**81,610**	**107,883**

Since the transfer of the NN Investment Partners (NN IP) activities to Goldman Sachs has been finalised in April 2022 the amount of shares in NN Group managed investment funds as at 31 December 2022 is nil and all shares of the investment funds are managed by third-parties as of April 2022. Reference is made to Note 46 'Companies and businesses acquired and divested'.

Changes in Available-for-sale investments

	Equity securities		Debt securities		Total	
	2022	2021	2022	2021	2022	2021
Available-for-sale investments – opening balance	11,966	11,299	95,917	106,876	107,883	118,175
Additions	2,339	2,375	22,363	24,378	24,702	26,753
Amortisation			-222	-379	-222	-379
Transfers and reclassifications	132			-2	132	-2
Changes in unrealised revaluations	-1,157	1,093	-19,226	-5,462	-20,383	-4,369
Impairments	-735	-44	-24		-759	-44
Disposals and redemptions	-1,473	-2,797	-29,436	-26,474	-30,909	-29,271
Changes in the composition of the group and other changes	3	-6	1,680	-3,111	1,683	-3,117
Exchange rate differences	-60	46	-457	91	-517	137
Available-for-sale investments – closing balance	**11,015**	**11,966**	**70,595**	**95,917**	**81,610**	**107,883**

Changes in composition of the group and other changes includes in 2022 the impact of the acquisition of MetLife's businesses in Poland and Greece.

NN Group's total exposure to debt securities is included in the following balance sheet lines:

Total exposure to debt securities

	2022	2021
Available-for-sale investments	70,595	95,917
Loans	145	281
Available-for-sale investments and loans	**70,740**	**96,198**
Investments for risk of policyholders	1,758	1,368
Designated as at fair value through profit or loss	27	28
Financial assets at fair value through profit or loss	**1,785**	**1,396**
Total exposure to debt securities	**72,525**	**97,594**

NN Group's total exposure to debt securities (excluding debt securities presented as held for sale) is included in 'Available-for-sale investments' and 'Loans' is specified as follows by type of exposure:

5 Available-for-sale investments continued

Debt securities by type

	Available-for-sale investments		Loans		Total	
	2022	2021	2022	2021	2022	2021
Government bonds	43,432	61,587			43,432	61,587
Corporate bonds	16,203	20,427			16,203	20,427
Financial institutions and Covered bonds	7,930	10,454			7,930	10,454
Bond portfolio (excluding ABS)	**67,565**	**92,468**	**–**	**–**	**67,565**	**92,468**
US RMBS	420	464			420	464
Non-US RMBS	2,039	2,107	74	198	2,113	2,305
CDO/CLO	479	444			479	444
Other ABS	92	434	71	83	163	517
ABS portfolio	**3,030**	**3,449**	**145**	**281**	**3,175**	**3,730**
Debt securities – Available-for-sale investments and Loans	**70,595**	**95,917**	**145**	**281**	**70,740**	**96,198**

For more details, reference is made to Note 52 'Risk management'.

Available-for-sale equity securities

	2022	2021
Listed	3,633	5,579
Unlisted	7,382	6,387
Available-for-sale equity securities	**11,015**	**11,966**

6 Loans

Loans

	2022	2021
Loans secured by mortgages	59,899	59,283
Loans related to savings mortgages	1,293	1,426
Loans to or guaranteed by public authorities	1,379	1,478
Asset-backed securities	145	281
Policy loans	753	937
Other loans	4,710	4,954
Loans – before loan loss provisions	**68,179**	**68,359**
Loan loss provisions	-135	-159
Loans	**68,044**	**68,200**

Changes in Loans secured by mortgages

	2022	2021
Loans secured by mortgages – opening balance	59,283	55,310
Additions/origination	8,195	10,509
Amortisation	-109	-160
Redemption	-4,807	-5,231
Disposals	-673	-686
Fair value changes recognised on hedged items	-1,947	-453
Changes in the composition of the group and other changes	-43	-6
Loans secured by mortgages – closing balance	**59,899**	**59,283**

NN Group has sold mortgage loans to securitisation entities that, in turn, issued notes to investors that are collateralised by the purchased assets. These mortgage loans continue to be recognised on NN Group's balance sheet as NN Group retained all or substantially all of the risks and rewards of the mortgage loans. Reference is made to Note 47 'Structured entities'.

6 Loans continued

Changes in Loan loss provisions

	2022	2021
Loan loss provisions – opening balance	159	182
Write-offs	-50	-7
Increase/decrease in loan loss provisions	35	-13
Changes in the composition of the group and other changes	-9	-3
Loan loss provisions – closing balance	**135**	**159**

7 Associates and joint ventures

Associates and joint ventures (2022)

2022	Interest held	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
Vesteda Residential Fund FGR	24%	1,771	9,403	2,100	-7	-1
CBRE Dutch Office Fund FGR	19%	364	2,693	733	-84	83
Macquarie European Infrastructure Debt Fund	48%	360	757			
Rivage Euro Debt Infrastructure 3	34%	297	870	2		
Lazora S.I.I. S.A.	22%	241	1,636	545	122	40
CBRE Dutch Residential Fund FGR	8%	238	3,301	139	125	40
Ardstone Residential Income Fund	33%	226	892	203	54	10
CBRE Retail Industrial Fund Iberica FGR	50%	221	986	544	63	17
NRP Nordic Logistic Fund SA	42%	201	509	32	10	5
CBRE UK Property Fund PAIF	10%	174	1,697	19	-85	13
CBRE Dutch Retail Fund FGR	20%	170	1,181	342	-8	43
Healthcare Activos SOCIMI S.A.	38%	164	784	350	42	11
Dutch Student and Young Professional Housing fund FGR	49%	143	372	82	39	3
Dutch Urban Living Venture FGR	45%	142	469	157	-5	10
Allee center Kft	50%	117	259	25	24	14
Hayfin Amber GP S.A R.L.	100%	106	185	79		
Fiumaranuova s.r.l.	50%	105	216	7	12	9
Parcom Buy-Out Fund V CV	21%	88	534	114	173	5
The Fizz Student Housing Fund SCS	50%	88	259	82	7	6
Robeco Bedrijfsleningen FGR	26%	81	314	0	12	1
Delta Mainlog Holding GmbH & Co. KG	50%	79	164	7	-21	2
Octopus Commercial Real Estate Debt Fund III LP	46%	78	190	21		
Rivage Hopitaux Publics Euro	34%	75	249	30		
DPE Deutschland III (Parallel) GmbH & Co	17%	74	554	110	-11	9
Parquest Capital II B FPCI	29%	71	251	8		7
Prime Ventures V C.V.	20%	69	378	27	8	4
Boccaccio - Closed-end Real Estate Mutual Investment Fund	50%	69	193	55	5	8
NL Boompjes Property 5 C.V.	50%	68	141	4	11	1
Rivage Euro Debt Infrastructure High Return 2	34%	62	183			
CBRE Property Fund Central and Eastern Europe FGR	50%	59	163	46	18	8
CBRE Dutch Retail Fund II FGR	10%	57	585	11	-50	11
Other		498				
Associates and joint ventures		**6,556**				

The above associates and joint ventures mainly consist of non-listed investment entities investing in real estate and private equity.

Significant influence exists for certain associates in which the interest held is below 20%, based on the combination of NN Group's financial interest for own risk and other arrangements, such as participation in the relevant boards.

NN Group holds associates over which it cannot exercise control despite holding more than 50% of the share capital. For this reason, these are classified as associates and are not consolidated.

7 Associates and joint ventures continued

Other includes EUR 413 million of associates and joint ventures with an individual balance sheet value of less than EUR 50 million and EUR 85 million of receivables from associates and joint ventures.

The amounts presented in the table above could differ from the individual annual accounts of the associates due to the fact that the individual amounts have been brought in line with NN Group's accounting principles.

The reporting dates of all significant associates and joint ventures are consistent with the reporting date of NN Group.

The associates and joint ventures of NN Group are subject to legal and regulatory restrictions regarding the amount of dividends that can be paid to NN Group. These restrictions are, for example, dependent on the laws in the country of incorporation for declaring dividends or as a result of minimum capital requirements imposed by industry regulators in the countries in which the associates and joint ventures operate. In addition, the associates and joint ventures also consider other factors in determining the appropriate levels of equity needed. These factors and limitations include, but are not limited to, rating agency and regulatory views, which can change over time.

Associates and joint ventures (2021)

2021	Interest held	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
Vesteda Residential Fund FGR	24%	1,840	9,464	1,909	1,588	132
CBRE Dutch Office Fund FGR	19%	402	2,883	721	279	68
CBRE European Industrial Fund FGR	27%	322	1,729	544	343	39
CBRE Dutch Residential Fund FGR	8%	235	3,075	134	413	34
Rivage Euro Debt Infrastructure 3	34%	226	665	2		
CBRE Retail Industrial Fund Iberica FGR	50%	223	520	73	43	26
NRP Nordic Logistic Fund SA	42%	222	532	3	100	5
Lazora S.I.I. S.A.	22%	212	1,542	583	72	43
CBRE UK Property Fund PAIF	10%	201	1,992	16	306	2
CBRE Dutch Retail Fund FGR	20%	185	1,298	384	-9	37
Ardstone Residential Income Fund	45%	178	540	147	28	1
Dutch Urban Living Venture FGR	45%	152	447	112	53	5
Macquarie European Infrastructure Debt Fund	77%	152	198	1		
DPE Deutschland III (Parallel) GmbH & Co	17%	149	970	88	289	3
Achmea Dutch Health Care Property Fund	23%	128	580	15	47	8
Dutch Student and Young Professional Housing fund FGR	49%	127	339	80	30	5
Allee center Kft	50%	124	275	27	14	11
Robeco Bedrijfsleningen FGR	26%	112	432	1	51	5
Fiumaranuova s.r.l.	50%	110	229	9	13	10
Parcom Buy-Out Fund V CV	21%	107	584	81	127	6
Siresa House S.L.	49%	98	484	282	61	54
Delta Mainlog Holding GmbH & Co. KG	50%	96	192	1	70	2
The Fizz Student Housing Fund SCS	50%	91	259	74	20	6
Boccaccio - Closed-end Real Estate Mutual Investment Fund	50%	79	189	31	11	4
Parquest Capital II B FPCI	26%	78	308	14		8
Parcom Buy Out Fund IV B.V.	100%	68	80	12	54	23
CBRE Dutch Retail Fund II FGR	10%	65	667	15	-10	13
NL Boompjes Property 5 C.V.	50%	65	133	4	14	3
Rivage Hopitaux Publics Euro	34%	61	178			
CBRE Property Fund Central and Eastern Europe FGR	50%	59	163	44	14	8
Prime Ventures V C.V.	19%	57	306		3	4
Siresa House 2 S.L.	49%	55	199	86	11	8
DPE Deutschland II B GmbH & Co KG	37%	52	182	40	3	
Other		588				
Associates and joint ventures		**6,919**				

7 Associates and joint ventures continued

Changes in Associates and joint ventures

	2022	2021
Associates and joint ventures – opening balance	6,919	5,673
Additions	766	719
Transfers to/from available-for-sale investments	-130	
Share in changes in equity (Revaluations)	11	
Share of result	269	899
Dividends received	-276	-223
Disposals	-971	-156
Exchange rate differences	-32	7
Associates and joint ventures – closing balance	**6,556**	**6,919**

8 Real estate investments

Changes in Real estate investments

	2022	2021
Real estate investments – opening balance	2,719	2,444
Additions	136	156
Transfers to/from property in own use	10	
Transfers to/from other assets	-3	2
Fair value gains/losses	-8	241
Disposals	-100	-124
Real estate investments – closing balance	**2,754**	**2,719**

The total amount of rental income recognised in the profit and loss account for the year ended 31 December 2022 is EUR 169 million (2021: EUR 161 million). The Real estate investments include properties that are leased (ground lease). At 31 December 2022, the corresponding right of use assets amount to EUR 45 million (2021: EUR 38 million).

The total amount of direct operating expenses (including repairs and maintenance) in relation to real estate investments recognised in rental income for the year ended 31 December 2022 is EUR 60 million (2021: EUR 57 million).

Real estate investments by year of most recent appraisal

	2022	2021
Most recent appraisal in current year	100%	100%
	100%	**100%**

NN Group's total exposure to real estate is included in the following balance sheet lines:

Real estate exposure

	2022	2021
Real estate investments	2,754	2,719
Available-for-sale investments	2,909	2,415
Associates and joint ventures	4,915	5,612
Property and equipment - property in own use	97	71
Real estate exposure	**10,675**	**10,817**

Furthermore, the exposure is impacted by third-party interests, leverage in funds and off-balance commitments. Reference is made to Note 52 'Risk management'.

9 Property and equipment

Property and equipment

	2022	2021
Property in own use	97	71
Equipment	100	101
Property and equipment owned	**197**	**172**
Right of use assets	202	242
Property and equipment total	**399**	**414**

Changes in Property in own use

	2022	2021
Property in own use – opening balance	71	74
Additions	1	
Transfers to/from real estate investments	-10	
Revaluations	5	-1
Disposals	-1	-2
Depreciation	-2	-2
Changes in the composition of the group and other changes	33	2
Property in own use – closing balance	**97**	**71**
Gross carrying value	142	118
Accumulated depreciation, revaluations and (reversal of) impairments	-45	-47
Net carrying value	**97**	**71**
Revaluation surplus – opening balance	11	12
Revaluation in year	5	-1
Revaluation surplus – closing balance	**16**	**11**

Changes in Equipment

	Data processing equipment		Fixtures and fittings and other equipment		Total	
	2022	2021	2022	2021	2022	2021
Equipment – opening balance	33	26	68	67	101	93
Additions	16	26	21	20	37	46
Disposals	-3	-6		-1	-3	-7
Depreciation	-15	-13	-19	-16	-34	-29
Exchange rate differences	-1			-2	-1	-2
Equipment – closing balance	**30**	**33**	**70**	**68**	**100**	**101**
Gross carrying value	179	167	267	246	446	413
Accumulated depreciation	-149	-134	-197	-178	-346	-312
Net carrying value	**30**	**33**	**70**	**68**	**100**	**101**

9 Property and equipment continued

Changes in Right of use assets

	2022	Property 2021	2022	Equipment 2021	2022	Total 2021
Right of use assets – opening balance	220	257	22	24	242	281
Additions	5	21	11	10	16	31
Disposals	-5	-5	-5	-1	-10	-6
Depreciation	-33	-42	-10	-11	-43	-53
Changes in the composition of the group and other changes	2	-8	1		3	-8
Exchange rate differences	-6	-3			-6	-3
Right of use assets – closing balance	**183**	**220**	**19**	**22**	**202**	**242**
Gross carrying value	343	346	65	58	408	404
Accumulated depreciation	-160	-126	-46	-36	-206	-162
Net carrying value	**183**	**220**	**19**	**22**	**202**	**242**

10 Intangible assets

Intangible assets (2022)

2022	Goodwill	Value of business acquired	Software	Other	Total
Intangible assets – opening balance	549	196	75	309	1,129
Additions	324		43	32	399
Amortisation		-41	-36	-33	-110
Changes in the composition of the group and other changes		185	6	16	207
Exchange rate differences	-2	3	-2		-1
Intangible assets – closing balance	**871**	**343**	**86**	**324**	**1,624**
Gross carrying value	1,844	497	968	832	4,141
Accumulated amortisation		-154	-816	-460	-1,430
Accumulated impairments	-973		-66	-48	-1,087
Net carrying value	**871**	**343**	**86**	**324**	**1,624**

Additions to Goodwill and Changes in the composition of the group and other changes in 2022 mainly relate to acquisition of MetLife Poland and Greece. Reference is made to Note 46 'Companies and businesses acquired and divested'.

Intangible assets (2021)

2021	Goodwill	Value of business acquired	Software	Other	Total
Intangible assets – opening balance	533	210	87	233	1,063
Additions	334		37	13	384
Amortisation		-17	-33	-33	-83
Disposals			-1	-8	-9
Changes in the composition of the group and other changes	-311		-13	104	-220
Exchange rate differences	-7	3	-2		-6
Intangible assets – closing balance	**549**	**196**	**75**	**309**	**1,129**
Gross carrying value	1,522	309	921	784	3,536
Accumulated amortisation		-113	-780	-427	-1,320
Accumulated impairments	-973		-66	-48	-1,087
Net carrying value	**549**	**196**	**75**	**309**	**1,129**

10 Intangible assets continued

Additions to Goodwill in 2021 mainly relate to the acquisition of Heinenoord. Reference is made to Note 46 'Companies and businesses acquired and divested'. Changes in composition of the group and other changes includes the impact of the classification of the asset management activities as held for sale.

Other intangible assets include the intangibles recognised upon the acquisition of Met Life Greece, Heinenoord, VIVAT Non-life and the remaining part of the intangibles recognised in 2017 on the acquisition of Delta Lloyd. Changes in composition of the group and other changes in 2021 mainly relate to the acquisition of Heinenoord. Reference is made to Note 46 'Companies and businesses acquired and divested'. The acquisition intangibles comprise:

- Brand names – with an average expected remaining useful life at the acquisition date of approximately 10 years
- Client relationships – with an average expected remaining useful life at the acquisition date of approximately 10 years
- Distribution channels/agreements – with an average expected remaining useful life at the acquisition date of approximately 18 years

Amortisation of software and other intangible assets is included in the profit and loss account in 'Other operating expenses' and 'Amortisation of intangible assets and other impairments', respectively.

Goodwill by cash generating unit (reporting unit)

	2022	2021
Netherlands Non-life	462	424
Insurance Europe	347	63
Bank	62	62
Goodwill	**871**	**549**

Reference is made to Note 46 'Companies and businesses acquired and divested'.

Goodwill impairment

Goodwill is tested for impairment at the lowest level at which it is monitored for internal management purposes. This level is defined as the cash generating unit (reporting unit) as set out above. Goodwill is tested for impairment by comparing the carrying value of the cash generating unit (reporting unit) to the best estimate of the recoverable amount of that cash generating unit (reporting unit). The carrying value is determined as the IFRS-EU book value including goodwill and certain acquisition intangibles. The recoverable amount is estimated as the higher of fair value less cost to sell and value in use. Several methodologies are applied to arrive at the best estimate of the recoverable amount.

The identification of impairment is an inherently uncertain process involving various assumptions and factors. Estimates and assumptions (including unobservable Level 3 inputs) are based on management's judgement and other information available.

For the goodwill recognised there is a significant excess of recoverable amount over book value for the cash generating units (reporting units) to which goodwill is allocated.

In 2022 and 2021, there was no impairment of goodwill.

11 Deferred acquisition costs

Changes in Deferred acquisition costs

	Life insurance		Non-life insurance		Total	
	2022	2021	2022	2021	2022	2021
Deferred acquisition costs – opening balance	1,807	1,781	86	90	1,893	1,871
Capitalised expenses	441	447	629	656	1,070	1,103
Amortisation and unlocking	-400	-384	-636	-662	-1,036	-1,046
Changes in the composition of the group and other changes	1	-2	2	2	3	–
Exchange rate differences	-72	-35			-72	-35
Deferred acquisition costs – closing balance	**1,777**	**1,807**	**81**	**86**	**1,858**	**1,893**

12 Assets and liabilities held for sale

Disposal groups (and groups of non-current assets) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This is only the case when the sale is highly probable and the disposal group (or group of assets) is available for immediate sale in its present condition; management must be committed to the sale, which is expected to occur within one year from the date of classification as held for sale.

Upon classification as held for sale, the carrying amount of the disposal group (or group of assets) is compared to their fair value less cost to sell. If the fair value less cost to sell is lower than the carrying value, this expected loss is recognised through a reduction of the carrying value of any goodwill related to the disposal group or the carrying value of certain other non-current non-financial assets to the extent that the carrying value of those assets exceeds their fair value. Any excess of the expected loss over the reduction of the carrying amount of these relevant assets is not recognised upon classification as held for sale, but is recognised as part of the result on disposal if and when a divestment transaction occurs.

Classification into or out of held for sale does not result in restating comparative amounts in the balance sheet.

When a group of assets that is classified as held for sale or is sold also represents a major line of business or geographical area, the disposal group is classified as discontinued operations. In the Consolidated profit and loss account, the result after tax from discontinued operations is reported separately from income and expenses from continuing operations. The information for comparative years is adjusted accordingly. Reference is made to Note 31 'Discontinued operations'.

As at 31 December 2021 assets and liabilities held for sale relate to NN Group's asset management activities executed by NN Investment Partners (NN IP) and a closed book life insurance portfolio in NN Belgium.

Assets held for sale

	2022	2021
Cash and cash equivalents		226
Available-for-sale investments		3,117
Loans		64
Reinsurance contracts		1
Property and equipment		12
Intangible assets		345
Other assets		356
Total assets	**–**	**4,121**

Liabilities held for sale

	2022	2021
Insurance and investment contracts		3,115
Other liabilities		349
Total liabilities	**–**	**3,464**

Reference is made to Note 46 'Companies acquired and companies divested'.

12 Assets and liabilities held for sale continued

In 2021, Intangible assets under Assets held for sale includes EUR 311 million goodwill that relates to asset management. For businesses classified as held for sale, the related goodwill is no longer evaluated at the level of the reporting unit to which it was allocated in the regular goodwill impairment test. Instead, it is reviewed as part of the valuation of the disposal unit that is presented as held for sale. This goodwill was recovered through the sale above book value.

The fair value hierarchy of financial assets and liabilities (measured at fair value and measured at amortised cost), which are presented as held for sale is included below. The fair value hierarchy consists of three levels, depending upon whether fair values were determined based on quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have a more than insignificant impact on the fair value of the instrument (Level 3). Reference is made to Note 36 'Fair value of financial assets and liabilities' for more details on the methods applied in determining fair values.

Methods applied in determining the fair value of financial assets and liabilities at fair value – held for sale (2021)

2021	Level 1	Level 2	Level 3	Total
Available-for-sale investments	2,492	625		3,117
Financial assets	**2,492**	**625**	**–**	**3,117**

13 Other assets

Other assets

	2022	2021
Insurance and reinsurance receivables	681	634
Income tax receivables	366	141
Accrued interest and rents	1,237	1,307
Other accrued assets	172	131
Cash collateral amounts paid	5,001	803
Other	520	690
Other assets	**7,977**	**3,706**

Cash collateral amounts paid relate to collateralised derivatives. The increase is a result of the increase in fair value of outstanding collateralised derivatives following an increase in market interest rates.

Insurance and reinsurance receivables

	2022	2021
Receivables on account of direct insurance from:		
– policyholders	424	434
– intermediaries	144	139
Reinsurance receivables	113	61
Insurance and reinsurance receivables	**681**	**634**

The allowance for uncollectable insurance and reinsurance receivables amounts to EUR 38 million as at 31 December 2022 (2021: EUR 33 million). The receivable is presented net of this allowance.

14 Equity

Total equity

	2022	2021
Share capital	35	38
Share premium	12,578	12,575
Revaluation reserve	-2,134	14,422
Currency translation reserve	-300	-181
Net defined benefit asset/liability remeasurement reserve	-51	-119
Other reserves	5,877	6,153
Shareholders' equity (parent)	**16,005**	**32,888**
Minority interests	63	266
Undated subordinated notes	1,764	1,764
Total equity	**17,832**	**34,918**

14 Equity continued

Changes in Equity (2022)

2022	Share capital	Share premium	Reserves	Total shareholders' equity (parent)
Equity – opening balance	38	12,575	20,275	32,888
Total amount recognised directly in equity (Other comprehensive income)			-16,576	-16,576
Net result for the period			1,562	1,562
Changes in share capital	-3	3		–
Dividend			-413	-413
Purchase/sale of treasury shares			-1,392	-1,392
Employee stock option and share plans			-6	-6
Coupon on undated subordinated notes			-58	-58
Equity – closing balance	**35**	**12,578**	**3,392**	**16,005**

Purchase/sale of treasury shares (2022)

In 2022, 32,439,329 ordinary shares for a total amount of EUR 1,393 million were repurchased under an open market share buyback programme, including repurchases to neutralise the dilutive effect of stock dividends. Treasury shares for an amount of EUR 6 million were delivered under Employee share plans. The repurchased shares are held by NN Group and the amount was deducted from Other reserves (Purchase/sale of treasury shares).

In 2022, 22,878,210 NN Group treasury shares were cancelled.

As at 31 December 2022, 13,608,384 treasury shares were held by NN Group.

Coupon paid on undated subordinated notes (2022)

The undated subordinated notes have optional annual coupon payments in June and July. The annual coupons resulted in a deduction of EUR 58 million (net of tax) from equity.

Changes in Equity (2021)

2021	Share capital	Share premium	Reserves	Total shareholders' equity (parent)
Equity – opening balance	39	12,574	24,118	36,731
Total amount recognised directly in equity (Other comprehensive income)			-6,103	-6,103
Net result for the period			3,278	3,278
Changes in share capital	-1	1		–
Dividend			-412	-412
Purchase/sale of treasury shares			-545	-545
Employee stock option and share plans			-2	-2
Coupon on undated subordinated notes			-59	-59
Equity – closing balance	**38**	**12,575**	**20,275**	**32,888**

Purchase/sale of treasury shares (2021)

In 2021, 12,828,981 ordinary shares for a total amount of EUR 550 million were repurchased under an open market share buyback programme, including repurchases to neutralise the dilutive effect of stock dividends. Treasury shares for an amount of EUR 5 million were delivered under Employee share plans. The repurchased shares are held by NN Group and the amount was deducted from Other reserves (Purchase/sale of treasury shares).

In 2021, 12,400,000 NN Group treasury shares were cancelled.

As at 31 December 2021, 12,294,129 treasury shares were held by NN Group.

Coupon paid on undated subordinated notes (2021)

The undated subordinated notes have optional annual coupon payments in June and July. The annual coupons resulted in a deduction of EUR 59 million (net of tax) from equity.

14 Equity continued

Shareholders' equity (parent)

Share capital

	Ordinary shares (in number)		Ordinary shares (amounts in millions of euros)	
	2022	2021	2022	2021
Authorised share capital	700,000,000	700,000,000	84	84
Unissued share capital	405,000,000	382,121,790	49	46
Issued share capital	**295,000,000**	**317,878,210**	**35**	**38**

Ordinary shares

The authorised ordinary share capital consists of 700,000,000 ordinary shares with a par value of EUR 0.12 per share. At 31 December 2022 issued and fully paid ordinary share capital consists of 295,000,000 ordinary shares with a par value of EUR 0.12 per share.

Distributable reserves

NN Group N.V. is subject to legal restrictions regarding the amount of dividends it can pay to its shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up insofar as NN Group N.V. equity exceeds the amount equal to total shareholders' equity less the paid-up and called share capital and less the reserves required pursuant to law or the Articles of Association. In case of negative balances for individual reserves legally to be retained, no distributions can be made out of retained earnings to the level of these negative amounts.

In addition, NN Group's ability to pay dividends is dependent on the dividend payment ability of its subsidiaries, associates and joint ventures. NN Group is legally required to create a non-distributable reserve insofar profits of its subsidiaries, associates and joint ventures are subject to dividend payment restrictions. Such restrictions may among others be of a similar nature as the restrictions which apply to NN Group.

Legally distributable reserves, determined in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code, from NN Group's subsidiaries, associates and joint ventures are as follows:

Distributable reserves based on the Dutch Civil Code

	2022	2022	2021	2021
Total shareholders' equity		16,005		32,888
– share capital	35		38	
– non-distributable reserves	3,980		16,951	
Total non-distributable part of shareholders' equity:		4,015		16,989
Distributable reserves based on the Dutch Civil Code		**11,990**		**15,899**

Reference is made to Note 6 'Equity' in the Parent company annual accounts.

The Dutch supervisory rules and regulations stemming from the Dutch Financial Supervision Act (Wet op het financieel toezicht) provide a second restriction on the possibility to distribute dividends. Total freely distributable reserves is the minimum of freely distributable capital on the basis of solvency requirements and freely distributable capital on the basis of capital protection.

Freely distributable reserves

	2022	2022	2021	2021
Solvency requirement under the Financial Supervision Act	9,040		9,840	
Reserves available for financial supervision purposes	17,904		20,927	
Total freely distributable reserves on the basis of solvency requirements		8,864		11,087
Total freely distributable reserves on the basis of the Dutch Civil Code		11,990		15,899
Total freely distributable reserves (lower of the values above)		**8,864**		**11,087**

Reference is made to Note 53 'Capital and liquidity management' for more information on solvency requirements.

14 Equity continued

Other restrictions

There are other restrictions to the ability of subsidiaries, associates and joint ventures to distribute reserves to NN Group as a result of minimum capital requirements that are imposed by industry regulators in the countries in which the group companies operate. Reference is made to Note 53 'Capital and liquidity management' for the minimum capital requirements.

In addition to the legal and regulatory restrictions on distributing dividends from subsidiaries, associates and joint ventures to NN Group there are various other considerations and limitations that are taken into account in determining the appropriate levels of equity in the Group's subsidiaries, associates and joint ventures. These considerations and limitations include, but are not restricted to, rating agency and regulatory views, which can change over time; it is not possible to disclose a reliable quantification of these limitations.

Without prejudice to the authority of the Executive Board to allocate profits to reserves and to the fact that the ordinary shares are the most junior securities issued by NN Group, no specific dividend payment restrictions with respect to ordinary shares exist.

Furthermore, NN Group is subject to legal restrictions with respect to repayment of nominal share capital to holders of ordinary shares. Nominal share capital may be repaid to the holders of ordinary shares pursuant to an amendment of NN Group's Articles of Association whereby the ordinary shares are written down. Pursuant to the Dutch Civil Code, capital may only be repaid if none of NN Group's creditors opposes such a repayment within two months following the announcement of a resolution to that effect.

Preference shares

As at 31 December 2022, none of the preference shares had been issued. The authorised number of preference shares is 700,000,000 shares.

Changes in Revaluation reserve (2022)

2022	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Revaluation reserve – opening balance	9	5,576	8,837	14,422
Unrealised revaluations	3	-15,738		-15,735
Realised gains/losses transferred to the profit and loss account		112		112
Changes in cash flow hedge reserve			-5,942	-5,942
Deferred interest credited to policyholders		4,986		4,986
Changes in the composition of the group and other changes		24		24
Revaluation reserve – closing balance	**12**	**-5,040**	**2,895**	**-2,133**

Changes in Revaluation reserve (2021)

2021	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Revaluation reserve – opening balance	9	8,239	12,220	20,468
Unrealised revaluations		-3,093		-3,093
Realised gains/losses transferred to the profit and loss account		-1,431		-1,431
Changes in cash flow hedge reserve			-3,383	-3,383
Deferred interest credited to policyholders		1,861		1,861
Revaluation reserve – closing balance	**9**	**5,576**	**8,837**	**14,422**

Deferred interest credited to policyholders reflects the change in the deferred profit sharing liabilities (net of deferred tax). Reference is made to Note 18 'Insurance and investment contracts, reinsurance contracts'.

Changes in Currency translation reserve

	2022	2021
Currency translation reserve – opening balance	-181	-97
Unrealised revaluations after taxation	45	-18
Exchange rate differences for the period	-164	-66
Currency translation reserve – closing balance	**-300**	**-181**

Unrealised revaluations relate to changes in the value of hedging instruments that are designated as net investment hedges.

14 Equity continued

Changes in Other reserves (2022)

2022	Retained earnings	Share of associates reserve	Total
Other reserves – opening balance	4,042	2,111	6,153
Net result for the period	1,562		1,562
Transfers to/from share of associates reserve	198	-198	–
Dividend	-413		-413
Purchase/sale of treasury shares	-1,392		-1,392
Employee stock option and share plans	-6		-6
Coupon on subordinated notes	-58		-58
Changes in the composition of the group and other changes	31		31
Other reserves – closing balance	**3,964**	**1,913**	**5,877**

Changes in Other reserves (2021)

2021	Retained earnings	Share of associates reserve	Total
Other reserves – opening balance	2,473	1,412	3,885
Net result for the period	3,278		3,278
Transfers to/from share of associates reserve	-699	699	–
Dividend	-412		-412
Purchase/sale of treasury shares	-545		-545
Employee stock option and share plans	-2		-2
Coupon on subordinated notes	-59		-59
Changes in the composition of the group and other changes	8		8
Other reserves – closing balance	**4,042**	**2,111**	**6,153**

Dividends

	2022	2021
Dividend distributed from Other reserves:		
Dividend paid in cash (interim current year)	162	160
Dividend paid in cash (final previous year)	252	252
Stock dividend (interim current year)	131	128
Stock dividend (final previous year)	218	202
Total dividend	**763**	**742**

Interim dividend 2022

In September 2022, NN Group paid an interim dividend of EUR 1.00 per ordinary share, or approximately EUR 294 million in total based on the current number of outstanding shares (net of treasury shares). The interim dividend was paid either in cash, after deduction of withholding tax if applicable, or in ordinary shares, at the election of the shareholders. Dividends paid in the form of ordinary shares were delivered from NN Group treasury shares. To neutralise the dilutive effect of the stock dividend, NN Group repurchases ordinary shares for an amount equivalent to the value of the stock dividend. The cash dividend was distributed out of Other reserves.

Proposed final dividend 2022

At the annual general meeting on 2 June 2023, a final dividend will be proposed of EUR 1.79 per ordinary share, or approximately EUR 504 million in total based on the current number of outstanding shares. The final dividend will be paid either in cash, after deduction of withholding tax if applicable, or in ordinary shares, at the election of the shareholders. Dividends paid in the form of ordinary shares will be delivered from NN Group treasury shares or issued at the expense of the share premium reserve. To neutralise the dilutive effect of the stock dividend, NN Group will repurchase ordinary shares for an amount equivalent to the stock dividend. The final dividend is subject to adoption by the General Meeting at the annual general meeting to be held on 2 June 2023.

14 Equity continued

Interim dividend 2021

In September 2021 NN Group paid an interim dividend of EUR 0.93 per ordinary share, or approximately EUR 287 million in total. The interim dividend was paid either in cash, after deduction of withholding tax if applicable, or in ordinary shares, at the election of the shareholders. Dividends paid in the form of ordinary shares have been delivered from NN Group treasury shares. To neutralise the dilutive effect of the stock dividend, NN Group repurchases ordinary shares for an amount equivalent to the stock dividend.

Final dividend 2021

On 19 May 2022, the General Meeting adopted the proposed final dividend of EUR 1.56 per ordinary share, or approximately EUR 476 million in total based on the current number of outstanding shares (net of treasury shares). Together with the 2021 interim dividend of EUR 0.93 per ordinary share paid in September 2021, NN Group's total dividend for 2021 was EUR 2.49 per ordinary share. The final dividend was paid in cash, after deduction of withholding tax if applicable, or ordinary shares, at the election of the shareholder. Dividends paid in the form of ordinary shares were delivered from NN Group treasury shares. To neutralise the dilutive effect of the stock dividend, NN Group repurchases ordinary shares for an amount equivalent to the value of the stock dividend. The cash dividend was distributed out of Other reserves.

Appropriation of result

The result is appropriated pursuant to Article 34 of the Articles of Association of NN Group N.V., of which the relevant provisions state that the appropriation of result shall be determined by the General Meeting, on the proposal of the Executive Board, as approved by the Supervisory Board. It is proposed to add the 2022 net result less the (interim and final) cash dividends to the retained earnings.

Minority interest

NN Group owns 51% of the shares of ABN AMRO Verzekeringen Holding B.V. (ABN AMRO Verzekeringen). ABN AMRO Verzekeringen's principal place of business is Zwolle, the Netherlands. ABN AMRO Verzekeringen is fully consolidated by NN Group, with a minority interest recognised of 49%.

The minority interest decreased by EUR 153 million following the acquisition by NN Group of the minority interest in ABN AMRO Life from ABN AMRO Verzekeringen in July 2022. The difference of EUR 30 million between the payment and the reduction of the minority interest was recognised in Other reserves. Reference is made to Note 46 'Companies and businesses acquired and divested'.

At 31 December 2022, the minority interest relating to ABN AMRO Verzekeringen recognised in equity was EUR 55 million (2021: EUR 245 million).

Summarised information ABN AMRO Verzekeringen[1]

	2022[2]	2021
Total assets	378	4,566
Total liabilities	266	4,065
Total income	294	502
Total expenses	288	470
Net result recognised in period	5	23
Other comprehensive income recognised in period	-75	7
Dividends paid	250	59

1 All on 100% basis.
2 2022 excludes ABN AMRO Life. Reference is made to Note 46 'Companies and businesses acquired and divested'.

Undated subordinated notes

In July 2014, NN Group N.V. issued fixed to floating rate undated subordinated notes with a par value of EUR 1,000 million. The notes are undated, but are callable after 11.5 years and every quarter thereafter (subject to regulatory approval). The coupon is fixed at 4.5% per annum for the first 11.5 years and will be floating thereafter. As these notes are undated and include optional deferral of interest at the discretion of NN Group, these are classified under IFRS-EU as equity. Coupon payments are distributed out of equity if and when paid or contractually due. The discount to the par value and certain issue costs were deducted from equity at issue, resulting in a balance sheet value equal to the net proceeds of EUR 986 million.

In June 2014, fixed to floating rate undated subordinated notes with a par value of EUR 750 million were originally issued by Delta Lloyd which are classified as equity under IFRS-EU. The notes are undated, but are callable as from 13 June 2024 and every quarter thereafter (subject to regulatory approval). The coupon is fixed at 4.375% per annum until 13 June 2024 and will be floating thereafter. Coupon payments are distributed out of equity if and when paid or contractually due. These notes were recognised upon acquisition of Delta Lloyd for an amount of EUR 778 million.

15 Subordinated debt

				Notional amount		Balance sheet value	
Interest rate	**Year of issue**	**Due date**	**First call date**	**2022**	**2021**	**2022**	**2021**
4.625%	2014	8 April 2044	8 April 2024	1,000	1,000	997	995
4.625%	2017	13 January 2048	13 January 2028	850	850	843	841
5.250%	2022	1 March 2043	30 August 2032	500		494	
9.000%	2017	29 August 2042	29 August 2022		500		520
Subordinated debt						**2,334**	**2,356**

The above subordinated debt instruments have been issued to raise hybrid capital. Under IFRS-EU these debt instruments are classified as liabilities. They are considered capital for regulatory purposes. All subordinated debt is euro denominated.

In August 2022, NN Group issued EUR 500 million of subordinated notes. This was the first issuance under NN Group's Sustainability Bond Framework, which was established in February 2022 with the aim to finance green and social projects. The EUR 500 million subordinated notes have a maturity of 20.5 years and are first callable after 10 years, subject to redemption conditions. The coupon is fixed at 5.25% per annum until the first reset date on 1 March 2033 and will be floating thereafter. The subordinated notes qualify as Tier 2 regulatory capital under Solvency II.

The outstanding EUR 500 million 9.0% Fixed to Floating Rate Subordinated Notes due 2042 were redeemed early on their first call date, 29 August 2022.

16 Debt securities issued

Debt securities issued

				Notional amount		Balance sheet value	
Interest rate	**Year of issue**	**Due date**	**First call date**	**2022**	**2021**	**2022**	**2021**
1.000%	2015	18 March 2022	Not applicable		600		600
0.875%	2017	13 January 2023	13 January 2023	500	500	500	499
1.625%	2017	1 June 2027	1 March 2027	600	600	597	596
0.875%	2021	23 November 2031	23 May 2031	600	600	597	597
Debt securities issued						**1,694**	**2,292**

The outstanding EUR 600 million 1.000% fixed rate senior unsecured bond, due 18 March 2022, was redeemed on the due date.

NN Group repaid the outstanding EUR 500 million 0.875% fixed rate unsecured senior notes that matured on 13 January 2023.

17 Other borrowed funds

Other borrowed funds

	2022	**2021**
Credit institutions	5,078	578
Other	6,040	6,723
Other borrowed funds	**11,118**	**7,301**

Other borrowed funds includes the funding of the consolidated securitisation programmes as disclosed in Note 47 'Structured entities' and repo transactions used for liquidity management purposes.

During 2022, NN Bank issued EUR 0.5 billion bonds under its Covered Bond Programme, backed by Dutch prime residential mortgage loans (2021: EUR 0.5 billion).

18 Insurance and investment contracts, reinsurance contracts

Insurance and investment contracts, reinsurance contracts

	Liabilities net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	2022	2021	2022	2021	2022	2021
Non-participating life policy liabilities	52,773	55,364	470	475	53,243	55,839
Participating life policy liabilities	55,846	54,739	105	98	55,951	54,837
Investment contracts with discretionary participation features	3,044	3,222			3,044	3,222
Liabilities for (deferred) profit sharing and rebates	778	7,305			778	7,305
Life insurance liabilities excluding liabilities for risk of policyholders	**112,441**	**120,630**	**575**	**573**	**113,016**	**121,203**
Liabilities for life insurance for risk of policyholders	32,227	37,499	32	32	32,259	37,531
Investment contract with discretionary participation features for risk of policyholders	217	259			217	259
Life insurance liabilities	**144,885**	**158,388**	**607**	**605**	**145,492**	**158,993**
Liabilities for unearned premiums and unexpired risks	**392**	**406**	**16**	**19**	**408**	**425**
Reported claims liabilities	5,094	4,940	280	265	5,374	5,205
Claims incurred but not reported (IBNR)	1,764	1,722	116	65	1,880	1,787
Claims liabilities	**6,858**	**6,662**	**396**	**330**	**7,254**	**6,992**
Insurance liabilities and investment contracts with discretionary participation features	**152,135**	**165,456**	**1,019**	**954**	**153,154**	**166,410**
Investment contracts	1,167	953			1,167	953
Investment contracts for risk of policyholders	2,057	1,449			2,057	1,449
Investment contracts liabilities	**3,224**	**2,402**			**3,224**	**2,402**
Insurance and investment contracts, reinsurance contracts	**155,359**	**167,858**	**1,019**	**954**	**156,378**	**168,812**

The liabilities for insurance and investment contracts are presented gross in the balance sheet as 'Insurance and investment contracts'. The related reinsurance is presented as 'Reinsurance contracts' under Assets in the balance sheet.

Deferred interest credited to policyholders is included in the 'Liabilities for (deferred) profit sharing and rebates' and amounts to EUR 455 million as at 31 December 2022 (2021: EUR 7,148 million).

18 Insurance and investment contracts, reinsurance contracts continued

Changes in Life insurance liabilities (2022)

2022	Net life insurance liabilities[1]	Net liabilities for risk of policyholders[2]	Reinsurance contracts	Life insurance liabilities
Life insurance liabilities – opening balance	120,630	37,758	605	158,993
Deferred interest credited to policyholders	-6,694			-6,694
Current year liabilities	4,070	2,792	1,125	7,987
Prior years liabilities:				
– benefit payments to policyholders	-7,562	-2,671	-1,097	-11,330
– interest accrual and changes in fair value of liabilities	2,077		1	2,078
– valuation changes for risk of policyholders		-5,522		-5,522
– effect of changes in discount rate assumptions	-6			-6
– effect of changes in other assumptions	-420	-25		-445
Changes in the composition of the group and other changes	1,605	304	7	1,916
Exchange rate differences	-1,259	-192	-34	-1,485
Life insurance liabilities – closing balance	**112,441**	**32,444**	**607**	**145,492**

1 Net of reinsurance and liabilities for risk of policyholders.
2 Net of reinsurance.

Changes in composition of the group and other changes in 2022 includes the impact of the acquisition of MetLife Poland and Greece.

Changes in Life insurance liabilities (2021)

2021	Net life insurance liabilities[1]	Net liabilities for risk of policyholders[2]	Reinsurance contracts	Life insurance liabilities
Life insurance liabilities – opening balance	126,842	33,532	717	161,091
Deferred interest credited to policyholders	-2,381			-2,381
Current year liabilities	4,567	2,971	1,082	8,620
Prior years liabilities:				
– benefit payments to policyholders	-7,495	-2,525	-809	-10,829
– interest accrual and changes in fair value of liabilities	2,135		3	2,138
– valuation changes for risk of policyholders		4,201		4,201
– effect of changes in discount rate assumptions	-15		-4	-19
– effect of changes in other assumptions	-94	-22		-116
Changes in the composition of the group and other changes	-2,316	-339	-373	-3,028
Exchange rate differences	-613	-60	-11	-684
Life insurance liabilities – closing balance	**120,630**	**37,758**	**605**	**158,993**

1 Net of reinsurance and liabilities for risk of policyholders.
2 Net of reinsurance.

Changes in composition of the group and other changes in 2021 includes the impact of the classification of a closed book life insurance portfolio in NN Belgium as held for sale.

Where discounting is used in the calculation of life insurance liabilities, the discount rate for the main units in the Netherlands was in a range of 1.0% to 4.0% (2021: 1.0% to 4.0%). The range of discount rates in the international entities was -1.0% to 6.0% (2021: -1.0% to 6.0%).

18 Insurance and investment contracts, reinsurance contracts continued

Longevity reinsurance

In May 2020, NN Group entered into three reinsurance agreements to reinsure the full longevity risk associated with in total approximately EUR 13.5 billion of pension liabilities in NN Group in the Netherlands. This reinsurance reduces NN Group's exposure to longevity risk and, consequently, the required capital under Solvency II. The three reinsurance agreements are similar in nature but are agreed with three different assuming reinsurers, Canada Life, Munich Re and Swiss Re. The risk transfer has been effective as of 1 January 2020 and will continue until the relevant portfolio has run off.

The premium payable to the assuming reinsurers is fixed and includes a margin of approximately EUR 456 million over the current best estimate of benefits payable under the related portfolios. This margin, which represents a cost of reinsurance to NN Group, is recognised in the profit and loss account over the duration of the reinsurance. An amount of EUR 26 million was recognised in Underwriting expenditure in the profit and loss account in 2022. An amount of approximately EUR 378 million (undiscounted) remains to be recognised in future periods.

In December 2021, NN Group entered into a fourth reinsurance agreement to reinsure the full longevity risk associated with in total approximately EUR 4 billion of pension liabilities in NN Group in the Netherlands. This reinsurance reduces NN Group's exposure to longevity risk and, consequently, the required capital under Solvency II. The fourth reinsurance agreement is similar in nature to the first three contracts but is agreed with a different reinsurer, RGA. The risk transfer for the fourth contract is effective as of 31 December 2021. The risk transfer will continue until the relevant portfolio has run off.

The premium payable to the assuming reinsurer is fixed and includes a margin of approximately EUR 140 million over the current best estimate of benefits payable under the related portfolios. This margin, which represents a cost of reinsurance to NN Group, is recognised in the profit and loss account over the duration of the reinsurance. An amount of EUR 5 million was recognised in Underwriting expenditure in the profit and loss account in 2022. An amount of approximately EUR 135 million (undiscounted) remains to be recognised in future periods.

Changes in Liabilities for unearned premiums and unexpired risks

	Liabilities net of reinsurance		Reinsurance contracts		Liabilities for unearned premiums and unexpired risk	
	2022	2021	2022	2021	2022	2021
Liabilities for unearned premiums and unexpired risks – opening balance	406	443	19	16	425	459
Premiums written	3,639	3,648	212	221	3,851	3,869
Premiums earned during the year	-3,648	-3,681	-215	-218	-3,863	-3,899
Changes in the composition of the group and other changes	-5	-4			-5	-4
Liabilities for unearned premiums and unexpired risks – closing balance	**392**	**406**	**16**	**19**	**408**	**425**

18 Insurance and investment contracts, reinsurance contracts continued

Changes in Claims liabilities

	Liabilities net of reinsurance		Reinsurance contracts		Claims liabilities	
	2022	2021	2022	2021	2022	2021
Claims liabilities – opening balance	6,662	6,540	330	330	6,992	6,870
Additions:						
– for the current year	2,435	2,347	115	60	2,550	2,407
– for prior years	-44	-28	-2	-18	-46	-46
– interest accrual of liabilities	55	58			55	58
Additions	**2,446**	**2,377**	**113**	**42**	**2,559**	**2,419**
Claim settlements and claim settlement costs:						
– for the current year	-882	-859	-7	-9	-889	-868
– for prior years	-1,368	-1,396	-40	-33	-1,408	-1,429
Claim settlements and claim settlement cost	**-2,250**	**-2,255**	**-47**	**-42**	**-2,297**	**-2,297**
Claims liabilities – closing balance	**6,858**	**6,662**	**396**	**330**	**7,254**	**6,992**

Where discounting is used in the calculation of the claims liabilities the rate is within the range of 0.0% to 4.0% (2021: -1.0% to 4.0%).

Changes in Investment contracts

	2022	2021
Investment contracts – opening balance	2,402	2,252
Current year liabilities	416	276
Prior years liabilities:		
– payments to contract holders	-280	-266
– interest accrual	9	8
– valuation changes investments	-292	132
Changes in the composition of the group and other changes	969	
Investment contracts – closing balance	**3,224**	**2,402**

18 Insurance and investment contracts, reinsurance contracts continued

Gross claims development table

										Accident year	
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimate of cumulative claims											
At the end of accident year	2,789	2,669	2,546	2,709	2,602	2,837	2,640	2,674	2,443	2,597	
1 year later	2,874	2,687	2,596	2,721	2,598	2,792	2,648	2,569	2,378		
2 years later	2,839	2,661	2,615	2,699	2,539	2,795	2,664	2,565			
3 years later	2,814	2,680	2,611	2,715	2,555	2,817	2,675				
4 years later	2,778	2,656	2,577	2,658	2,538	2,788					
5 years later	2,762	2,655	2,569	2,694	2,542						
6 years later	2,769	2,670	2,587	2,691							
7 years later	2,772	2,630	2,584								
8 years later	2,775	2,630									
9 years later	2,779										
Estimate of cumulative claims	**2,779**	**2,630**	**2,584**	**2,691**	**2,542**	**2,788**	**2,675**	**2,565**	**2,378**	**2,597**	**26,229**
Cumulative payments	-2,545	-2,384	-2,260	-2,339	-2,095	-2,166	-1,961	-1,699	-1,418	-889	-19,756
	234	**246**	**324**	**352**	**447**	**622**	**714**	**866**	**960**	**1,708**	**6,473**
Effect of discounting	-19	-18	-24	-22	-26	-36	-42	-28	-29	-44	-288
Liabilities recognised	**215**	**228**	**300**	**330**	**421**	**586**	**672**	**838**	**931**	**1,664**	**6,185**
Liabilities relating to accident years prior to 2013											1,069
Gross claims											**7,254**

To the extent that the assuming reinsurers are unable to meet their obligations, NN Group is liable to its policyholders for the portion reinsured. Consequently, provisions are made for receivables on reinsurance contracts if and when they are deemed uncollectable.

As at 31 December 2022, the total reinsurance exposure including reinsurance contracts and receivables from reinsurers (presented in Note 13 'Other assets') amounts to EUR 1,132 million (2021: EUR 1,015 million).

19 Customer deposits and other funds on deposit

Customer deposits and other funds on deposit

	2022	2021
Savings	7,627	7,364
Bank annuities	8,608	8,577
Corporate deposits		4
Customer deposits and other funds on deposit	**16,235**	**15,945**

Customers have not entrusted any funds to NN Group on terms other than those prevailing in the normal course of business. All customer deposits and other funds on deposit are interest bearing.

Changes in Customer deposits and other funds on deposit

	2022	2021
Customer deposits and other funds on deposit – opening balance	15,945	15,803
Deposits received	3,842	4,826
Withdrawals	-3,527	-4,656
Amortisation	-25	-28
Customer deposits and other funds on deposit – closing balance	**16,235**	**15,945**

20 Financial liabilities at fair value through profit or loss

Non-trading derivatives

	2022	2021
Derivatives used in:		
– fair value hedges		4
– cash flow hedges	3,242	904
– hedges of net investments in foreign operations		10
Other non-trading derivatives	3,220	986
Non-trading derivatives	**6,462**	**1,904**

Other non-trading derivatives includes derivatives for which no hedge accounting is applied. Reference is made to Note 38 'Derivatives and hedge accounting'.

21 Other liabilities

Other liabilities

	2022	2021
Income tax payable	82	65
Net defined benefit liability	40	138
Other post-employment benefits	4	6
Other staff-related liabilities	78	93
Other taxation and social security contributions	175	161
Deposits from reinsurers	55	63
Lease liabilities	255	294
Accrued interest	243	182
Costs payable	336	309
Amounts payable to policyholders	830	802
Provisions	199	137
Amounts to be settled	1,013	1,213
Cash collateral amounts received	681	5,330
Other	643	983
Other liabilities	**4,634**	**9,776**

Other staff-related liabilities include provisions for vacation leave, variable compensation, jubilee and disability/illness.

Cash collateral amounts received relate to collateralised derivatives. The decrease is a result of the decrease in fair value of outstanding collateralised derivatives following an increase in market interest rates.

Other mainly relates to year-end accruals in the normal course of business.

Net defined benefit liability

	2022	2021
Fair value of plan assets	69	79
Defined benefit obligation	109	217
Net defined benefit liability recognised in the balance sheet (funded status)	**40**	**138**

21 Other liabilities continued

Changes in Provisions

	2022	2021
Provisions – opening balance	137	158
Additions	61	69
Releases	-22	-12
Charges	-38	-74
Changes in the composition of the group and other changes	62	-3
Exchange rate differences	-1	-1
Provisions – closing balance	**199**	**137**

Provisions relate to reorganisation provisions, litigation provisions and other provisions.

Reorganisation provisions were recognised for operations in the Netherlands for the cost of workforce reductions. Additions to the reorganisation provision were recognised in 2022 and 2021 due to additional initiatives announced during the year. During 2022 EUR 31 million was charged to the reorganisation provision for the cost of workforce reductions (2021: EUR 66 million).

22 Gross premium income

Gross premium income

	2022	2021
Gross premium income from life insurance policies	9,790	10,443
Gross premium income from non-life insurance policies	3,851	3,869
Gross premium income	**13,641**	**14,312**

Gross premium income is presented before deduction of reinsurance and retrocession premiums. Gross premium income excludes premium received for investment contracts, for which deposit accounting is applied.

Premiums written – net of reinsurance

		Life		Non-life		Total
	2022	2021	2022	2021	2022	2021
Direct gross premiums written	9,745	10,411	3,847	3,864	13,592	14,275
Reinsurance assumed gross premiums written	45	32	4	5	49	37
Gross premiums written	**9,790**	**10,443**	**3,851**	**3,869**	**13,641**	**14,312**
Reinsurance ceded	-1,342	-1,304	-212	-221	-1,554	-1,525
Premiums written net of reinsurance	**8,448**	**9,139**	**3,639**	**3,648**	**12,087**	**12,787**

Non-life premiums earned – net of reinsurance

	2022	2021
Direct gross premiums earned	3,859	3,894
Reinsurance assumed gross premiums earned	4	5
Gross premiums earned	**3,863**	**3,899**
Reinsurance ceded	-215	-218
Non-life premiums earned – net of reinsurance	**3,648**	**3,681**

Reinsurance ceded is included in Underwriting expenditure. Reference is made to Note 26 'Underwriting expenditure'.

23 Investment income

Investment income

	2022	2021
Interest income from investments in debt securities	1,757	1,739
Interest income from loans	1,546	1,531
Interest income from investments in debt securities and loans	**3,303**	**3,270**
Realised gains/losses on disposal of available-for-sale debt securities	112	569
Impairments of available-for-sale debt securities	-24	
Realised gains/losses and impairments of available-for-sale debt securities	**88**	**569**
Realised gains/losses on disposal of available-for-sale equity securities	380	1,141
Impairments of available-for-sale equity securities	-735	-44
Realised gains/losses and impairments of available-for-sale equity securities	**-355**	**1,097**
Interest income on non-trading derivatives	210	210
Changes in loan loss provisions	-35	13
Income from real estate investments	109	104
Dividend income	329	301
Change in fair value of real estate investments	-8	241
Investment income	**3,641**	**5,805**

Impairments on investments by segment

	2022	2021
Netherlands Life	-587	-39
Netherlands Non-life	-43	-1
Insurance Europe	-71	-4
Japan Life	-6	
Other	-52	
Impairments on investments	**-759**	**-44**

24 Net fee and commission income

Net fee and commission income

	2022	2021
Asset management fees	292	288
Insurance brokerage and advisory fees	182	153
Other	71	-14
Gross fee and commission income	**545**	**427**
Asset management fees	94	34
Commission expenses and other	89	88
Fee and commission expenses	**183**	**122**
Net fee and commission income	**362**	**305**

25 Valuation results on non-trading derivatives

Valuation results on non-trading derivatives

	2022	2021
Change in fair value of derivatives relating to:		
– fair value hedges	1,701	481
– cash flow hedges (ineffective portion)	-75	-10
– other non-trading derivatives	-1,454	-716
Net result on non-trading derivatives	**172**	**-245**
Change in fair value of assets and liabilities (hedged items)	-1,692	-486
Valuation results on assets and liabilities designated as at fair value through profit or loss	-19	29
Valuation results on non-trading derivatives	**-1,539**	**-702**

Included in 'Valuation results on non-trading derivatives' are the fair value movements on derivatives used to economically hedge exposures, but for which no hedge accounting is applied. These derivatives hedge exposures in insurance contract liabilities and foreign exchange exposures in the investment portfolio. The fair value movements on the derivatives are influenced by changes in the market conditions, such as share prices, interest rates and currency exchange rates. The change in fair value of the derivatives is partly offset by changes in insurance contract liabilities, which are included in 'Underwriting expenditure' and partly offset by foreign currency results. Reference is made to Note 26 'Underwriting expenditure' and the line Foreign currency results in the consolidated profit and loss account.

Valuation results on non-trading derivatives are reflected in the Consolidated statement of cash flows in the section 'Result before tax', in the line item 'Adjusted for: other'.

Reference is made to Note 38 'Derivatives and hedge accounting'.

26 Underwriting expenditure

Underwriting expenditure

	2022	2021
Gross underwriting expenditure:		
– before effect of investment result for risk of policyholders	14,878	15,821
– effect of investment result for risk of policyholders	-5,517	4,201
Gross underwriting expenditure	**9,361**	**20,022**
Investment result for risk of policyholders	5,517	-4,201
Reinsurance recoveries	-1,216	-1,045
Underwriting expenditure	**13,662**	**14,776**

The investment income and valuation results regarding investments for risk of policyholders is EUR -5,517 million (2021: EUR 4,201 million). This amount is recognised in 'Underwriting expenditure'. As a result, it is shown together with the equal amount of related change in insurance liabilities for risk of policyholders.

26 Underwriting expenditure continued

Underwriting expenditure by class

	2022	2021
Expenditure from life underwriting:		
– reinsurance and retrocession premiums	1,342	1,304
– gross benefits	11,203	11,044
– reinsurance recoveries	-1,162	-991
– change in life insurance liabilities	-1,769	-509
– costs of acquiring insurance business	515	470
– other underwriting expenditure	220	194
– profit sharing and rebates	72	62
Expenditure from life underwriting	**10,421**	**11,574**
Expenditure from non-life underwriting:		
– reinsurance and retrocession premiums	213	221
– gross claims	2,233	2,260
– reinsurance recoveries	-54	-54
– changes in the liabilities for unearned premiums	-10	-33
– changes in claims liabilities	196	122
– costs of acquiring insurance business	689	712
– other underwriting expenditure	-36	-35
Expenditure from non-life underwriting	**3,231**	**3,193**
Expenditure from investment contracts:		
– costs of acquiring investment contracts	1	1
– other changes in investment contract liabilities	9	8
Expenditure from investment contracts	**10**	**9**
Underwriting expenditure	**13,662**	**14,776**

Profit sharing and rebates

	2022	2021
Distributions on account of interest or underwriting results	36	7
Bonuses added to policies	36	55
Profit sharing and rebates	**72**	**62**

The total costs of acquiring insurance business (life and non-life) and investment contracts amounted to EUR 1,205 million (2021: EUR 1,183 million). This includes amortisation and unlocking of DAC of EUR 1,036 million (2021: EUR 1,046 million) and the net amount of commissions paid of EUR 1,239 million (2021: EUR 1,240 million) and commissions capitalised in DAC of EUR 1,070 million (2021: EUR 1,103 million).

The total amount of commission paid and commission payable amounted to EUR 1,417 million (2021: EUR 1,418 million). This includes the commissions recognised in 'costs of acquiring insurance business' of EUR 1,239 million (2021: EUR 1,240 million) referred to above and commissions recognised in 'other underwriting expenditure' of EUR 178 million (2021: EUR 178 million). Other underwriting expenditure also includes reinsurance commissions received of EUR 90 million (2021: EUR 89 million).

26 Underwriting expenditure continued

As set out in the section 'Accounting policies for specific items – Insurance and investment contracts, reinsurance contracts', NN Group applies, for certain specific products or components thereof, the option in IFRS 4 to measure (components of) the liabilities for insurance contracts using market-consistent interest rates and other current estimates and assumptions. This relates mainly to certain guarantees embedded in insurance contracts in Japan. The impact of these market-consistent assumptions is reflected in 'Underwriting expenditure – change in life insurance liabilities'.

This impact is largely offset by the impact of related hedging derivatives. As disclosed in Note 25 'Valuation results on non-trading derivatives', the valuation results on non-trading derivatives include the fair value movements on derivatives used to economically hedge exposures, but for which no hedge accounting is applied. For insurance operations, these derivatives hedge mainly exposures in Insurance contract liabilities. The fair value movements on the derivatives are influenced by changes in the market conditions, such as stock prices, interest rates and currency exchange rates. The change in fair value of the derivatives is partly offset by changes in insurance contract liabilities, which are included in 'Underwriting expenditure'.

27 Amortisation of intangible assets and other impairments

Amortisation of intangible assets and other impairments

	2022	2021
Other impairments and reversals of other impairments	**–**	**–**
Amortisation of other intangible assets	33	33
Amortisation of intangible assets and other impairments	**33**	**33**

Impairment on debt securities, equity securities and loans are included in Note 23 'Investment income'.

28 Staff expenses

Staff expenses

	2022	2021
Salaries	892	813
Variable salaries	39	38
Pension costs	113	117
Social security costs	138	123
Share-based compensation arrangements	5	6
External staff costs	287	272
Education	15	14
Other staff costs	44	46
Staff expenses	**1,533**	**1,429**

Pension costs

	2022	2021
Current service cost	7	9
Past service cost	-8	
Net interest cost	-8	-7
Defined benefit plans	**-9**	**2**
Defined contribution plans	122	115
Pension costs	**113**	**117**

Defined contribution plans

Certain group companies sponsor defined contribution pension plans. The assets of all NN Group's defined contribution plans are held in independently administered funds. Contributions are generally determined as a percentage of pay. These plans do not give rise to balance sheet provisions, other than relating to short-term timing differences included in 'Other assets' or 'Other liabilities'.

28 Staff expenses continued

Number of employees

Reference is made to Note 34 'Principal subsidiaries and geographical information' for information on the average number of employees.

Remuneration of Executive Board, Management Board and Supervisory Board

Reference is made to Note 49 'Key management personnel compensation'.

Share plans

NN Group has granted shares to a number of senior executives (members of the Management Board, general managers and other officers nominated by the Management Board). The purpose of the share schemes is to attract, retain and motivate senior executives and staff.

Share awards comprise upfront shares and deferred shares. The entitlement to the deferred shares is granted conditionally. If the participant remains in employment for an uninterrupted period between the grant date and the vesting date, the entitlement becomes unconditional. A retention period applies from the moment of vesting these awards (five years for Management Board and one year for Identified Staff).

Share awards

Changes in Share awards outstanding

	Share awards (in number)		Weighted average grant date fair value (in euros)	
	2022	2021	2022	2021
Share awards outstanding – opening balance	410,383	454,738	33.64	29.29
Granted	132,048	271,322	42.93	40.48
Vested	-348,175	-279,522	34.53	33.13
Forfeited	-7,371	-36,155	36.46	34.12
Share awards outstanding – closing balance	**186,885**	**410,383**	**38.41**	**33.64**

In 2022, 13,764 (2021: 35,645) share awards on NN Group shares were granted to the members of the Executive and Management Board. In 2022, 118,284 (2021: 235,677) share awards on NN Group shares were granted to senior management and other employees. In 2022, the outstanding share awards (209,423) related to NN IP employees vested as part of the divestment of NN IP.

As at 31 December 2022, the share awards on NN Group shares consist of 178,482 (2021: 383,942) share awards relating to equity-settled share-based payment arrangements and 8,403 (2021: 26,441) share awards relating to cash-settled share-based payment arrangements.

The fair value of share awards granted is allocated over the vesting period of the share awards as an expense under staff expenses.

As at 31 December 2022, total unrecognised compensation costs related to share awards amount to EUR 3 million (2021: EUR 7 million).

These costs are expected to be recognised over a weighted average period of 1.4 years (2021: 1.3 years).

29 Interest expenses

Interest expenses

	2022	2021
Interest expenses on non-trading derivatives	273	238
Other interest expenses	339	283
Interest expenses	**612**	**521**

In 2022, total interest income and total interest expenses for items not valued at fair value through profit or loss were EUR 3,303 million (2021: EUR 3,270 million) and EUR 339 million (2021: EUR 283 million) respectively.

Interest income and expenses are included in the following profit and loss account lines.

Total net interest income

	2022	2021
Investment income	3,513	3,480
Interest expenses on non-trading derivatives	-273	-238
Other interest expenses	-339	-283
Total net interest income	**2,901**	**2,959**

30 Other operating expenses

Other operating expenses

	2022	2021
Depreciation of property and equipment	77	79
Amortisation of software	36	33
Computer costs	289	281
Office expenses	71	60
Travel and accommodation expenses	11	3
Advertising and public relations	85	66
External advisory fees	237	211
Addition/(releases) of provisions for reorganisation and relocations	27	31
Other	96	78
Other operating expenses	**929**	**842**

31 Discontinued operations

As of 2021, NN Group's asset management activities executed by NN Investment Partners (NN IP) are classified as discontinued operations. Reference is made to Note 46 'Companies and businesses acquired and divested'.

Net result from discontinued operations consists of the net result (after tax) of the businesses classified as discontinued operations and is presented separately in the profit and loss account for both 2022 and 2021. No gain or loss has been recognised in the profit and loss account upon the classification as held for sale and discontinued operations.

Net result from discontinued operations

	2022	2021
Total income	110	482
Total expenses	74	304
Net result from disposal of discontinued operations	1,062	
Result before tax from discontinued operations	**1,098**	**178**
Taxation	9	43
Net result from discontinued operations	**1,089**	**135**

The activities of NN IP were reported in the segment Asset Management before these were classified as discontinued operations and held for sale. The segment Asset Management ceased to exist in 2021, following the classification as discontinued operations, as all activities previously included in this segment are now discontinued operations. The sale of NN IP was completed in April 2022. Reference is made to Note 46 'Companies and businesses acquired and divested'.

Net cash flow from discontinued operations

	2022	2021
Operating cash flow	94	95
Investing cash flow	-2	-10
Financing cash flow		-4
Net cash flow from discontinued operations	**92**	**81**

32 Earnings per ordinary share

Earnings per ordinary share shows earnings per share amounts for profit or loss attributable to shareholders of the parent. Earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares outstanding. In calculating the weighted average number of ordinary shares outstanding, own shares held by group companies are deducted from the total number of ordinary shares in issue.

Changes in the number of ordinary shares outstanding without a corresponding change in resources are taken into account, including if these changes occurred after the reporting date but before the annual accounts are authorised for issue.

Diluted earnings per share is calculated as if the share plans had been exercised at the beginning of the period and assuming that the cash received from exercised share plans and warrants was used to buy own shares against the average market price during the period. The net increase in the number of shares resulting from exercising share plans and warrants is added to the average number of shares used for the calculation of diluted earnings per share.

Earnings per ordinary share from continuing and discontinued operations

	Amounts (in millions of euros)		Weighted average number of ordinary shares (in millions)		Per ordinary share (in euros)	
	2022	2021	2022	2021	2022	2021
Net result from continuing and discontinued operations	1,562	3,278				
Coupon on undated subordinated notes	-58	-59				
Basic earnings from continuing and discontinued operations	**1,504**	**3,219**	**295.5**	**308.9**	**5.09**	**10.42**
Dilutive instruments:						
– Share plans			0.2	0.4		
Dilutive instruments			**0.2**	**0.4**		
Diluted earnings from continuing and discontinued operations	**1,504**	**3,219**	**295.7**	**309.3**	**5.09**	**10.41**

Earnings per ordinary share from continuing operations

	Amounts (in millions of euros)		Weighted average number of ordinary shares (in millions)		Per ordinary share (in euros)	
	2022	2021	2022	2021	2022	2021
Net result from continuing operations	475	3,151				
Coupon on undated subordinated notes	-58	-59				
Basic earnings from continuing operations	**417**	**3,092**	**295.5**	**308.9**	**1.41**	**10.01**
Dilutive instruments:						
– Share plans			0.2	0.4		
Dilutive instruments			**0.2**	**0.4**		
Diluted earnings from continuing operations	**417**	**3,092**	**295.7**	**309.3**	**1.41**	**10.00**

Earnings per ordinary share from discontinued operations

	Amounts (in millions of euros)		Weighted average number of ordinary shares (in millions)		Per ordinary share (in euros)	
	2022	2021	2022	2021	2022	2021
Net result from discontinued operations	1,087	127				
Basic earnings from discontinued operations	**1,087**	**127**	**295.5**	**308.9**	**3.68**	**0.41**
Dilutive instruments:						
– Share plans			0.2	0.4		
Dilutive instruments			**0.2**	**0.4**		
Diluted earnings from discontinued operations	**1,087**	**127**	**295.7**	**309.3**	**3.68**	**0.41**

33 Segments

The reporting segments for NN Group, based on the internal reporting structure, are as follows:

- Netherlands Life (Group life and individual life insurance products in the Netherlands)
- Netherlands Non-life (Non-life insurance in the Netherlands including disability and accident, fire, motor and transport insurance)
- Insurance Europe (Life insurance, pension products and to a small extent non-life insurance and retirement services in Central and Rest of Europe)
- Japan Life (Life insurance primarily Corporate Owned Life Insurance (COLI) business)
- Banking
- Other (Operating segments that have been aggregated due to their respective size; including Japan Closed Block VA (Closed block single premium variable annuity individual life insurance portfolio in Japan, including the internally reinsured minimum guarantee risk, which has been closed to new business and which is being managed in run-off), reinsurance and items related to capital management and the head office)

As disclosed in Note 31 'Discontinued operations' as of 2021 the segment Asset Management ceased to exist. As a result, the result from the Asset management activities is presented separately from the results of the remaining segments.

The Executive Board and the Management Board set the performance targets and approve and monitor the budgets prepared by the reporting segments. The segments formulate strategic, commercial and financial policies in conformity with the strategy and performance targets set by the Executive Board and the Management Board.

The accounting policies of the segments are the same as those described in Note 1 'Accounting policies'. Transfer prices for inter-segment transactions are set at arm's length. Corporate expenses are allocated to segments based on time spent by head office personnel, the relative number of staff, or on the basis of income and/or assets of the segment. Intercompany loans that qualify as equity instruments under IFRS-EU are presented in the segment reporting as debt; related coupon payments are presented as income and expenses in the respective segments.

Operating result (before tax) is used by NN Group to evaluate the financial performance of its segments.

The operating result for the life insurance business is analysed through a margin analysis, which includes the investment margin, fees and premium-based revenues and the technical margin. Disclosures on comparative years also reflect the impact of current year's divestments. Operating result as presented below is an Alternative Performance Measure (non-GAAP financial measure) and is not a measure of financial performance under IFRS-EU. Because it is not determined in accordance with IFRS-EU, operating result as presented by NN Group may not be comparable to other similarly titled measures of performance of other companies. The net result on transactions between segments is eliminated in the net result of the relevant segment. Operating result is calculated as explained below in the section Alternative Performance Measures.

33 Segments continued

Segments (2022)

2022	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Banking	Other	Total
Investment margin	980		145	6			1,131
Fees and premium-based revenues	387		859	546			1,792
Technical margin	123		281	14			418
Operating income	**1,490**	**–**	**1,286**	**565**	**–**	**–**	**3,342**
Administrative expenses	465		515	124			1,104
DAC amortisation and trail commissions	26		460	223			710
Expenses	**491**	**–**	**976**	**347**	**–**	**–**	**1,814**
Operating result non-life		255	-1				254
Operating result banking					97		97
Operating result other						-172	-172
Operating result from continuing operations	**999**	**255**	**309**	**218**	**97**	**-172**	**1,706**
Non-operating items from continuing operations:							
– gains/losses and impairments	-126	-38	-92	-7		-50	-312
– revaluations	-1,373	14	13	-10		96	-1,260
– market and other impacts	646		-6	-8	9	-63	578
Special items before tax	-32	-22	-39	-3	-1	-39	-136
Acquisition intangibles and goodwill			-2			-28	-30
Result on divestments			15				15
Result before tax from continuing operations	**115**	**209**	**201**	**190**	**105**	**-258**	**562**
Taxation	-26	47	55	53	27	-71	85
Minority interests		3				-1	2
Net result from continuing operations	**141**	**158**	**146**	**137**	**78**	**-186**	**474**
Net result from discontinued operations						1,088	1,088
Net result	**141**	**158**	**146**	**137**	**78**	**902**	**1,562**

Special items in 2022 mainly reflect integration and IFRS 9 and IFRS 17 project expenses.

.

33 Segments continued

Operating result (2022)

2022	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Banking	Other and eliminations	Total
Operating result from continuing operations	999	255	310	218	97	-172	1,706
Operating result from discontinued operations						38	38
Operating result	**999**	**255**	**310**	**218**	**97**	**-134**	**1,743**

Result before tax (2022)

2022	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Banking	Other and eliminations	Total
Result before tax from continuing operations	115	209	201	190	105	-258	562
Result before tax from discontinued operations						1,098	1,098
Result before tax	**115**	**209**	**201**	**190**	**105**	**842**	**1,662**

Segments (2021)

2021	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Banking	Other	Total
Investment margin	996		116	-12			1,100
Fees and premium-based revenues	391		811	610			1,812
Technical margin	103		235	30			368
Operating income non-modelled life business			1				1
Operating income	**1,490**	**–**	**1,163**	**628**	**–**	**–**	**3,281**
Administrative expenses	473		446	135			1,054
DAC amortisation and trail commissions	31		401	230			662
Expenses	**504**	**–**	**847**	**365**	**–**	**–**	**1,716**
Operating result non-life		314	-1				313
Operating result banking					134		134
Operating result other						-157	-157
Operating result from continuing operations	**986**	**314**	**315**	**263**	**134**	**-157**	**1,855**
Non-operating items from continuing operations:							
– gains/losses and impairments	1,618	33	2	4	2	12	1,671
– revaluations	379	24	46	-2		39	485
– market and other impacts	-51				-28	-26	-105
Special items before tax	-17	-35	-14	-3		-30	-99
Acquisition intangibles and goodwill			-7			-21	-28
Result on divestments			54				54
Result before tax from continuing operations	**2,915**	**336**	**396**	**262**	**106**	**-184**	**3,832**
Taxation	431	71	80	74	25	-11	669
Minority interests	-4	16					12
Net result from continuing operations	**2,488**	**250**	**316**	**188**	**82**	**-172**	**3,151**
Net result from discontinued operations						127	127
Net result	**2,488**	**250**	**316**	**188**	**82**	**-45**	**3,278**

33 Segments continued

Special items in 2021 mainly reflect integration expenses and other project related expenses such as the implementation of IFRS 17.

Operating result (2021)

2021	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Banking	Other and eliminations	Total
Operating result from continuing operations	986	314	315	263	134	-157	1,855
Operating result from discontinued operations						181	181
Operating result	**986**	**314**	**315**	**263**	**134**	**24**	**2,036**

Result before tax (2021)

2021	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Banking	Other and eliminations	Total
Result before tax from continuing operations	2,915	336	396	262	106	-184	3,832
Result before tax from discontinued operations						178	178
Result before tax	**2,915**	**336**	**396**	**262**	**106**	**-6**	**4,010**

Gross premium income and investment income by segment (2022)

2022	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Banking	Other	Total
Gross premium income	3,569	3,774	3,247	3,006		45	13,641
Investment income	2,410	149	344	177	609	-48	3,641

Gross premium income and investment income by segment (2021)

2021	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Banking	Other	Total
Gross premium income	3,972	3,798	3,127	3,381		34	14,312
Investment income	4,382	213	429	182	613	-14	5,805

Interest income and interest expenses by segment (2022)

2022	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Banking	Other	Total
Interest income	2,135	171	422	182	607	-4	3,513
Interest expenses	-291	-29	-13	-3	-303	27	-612
Interest income and interest expenses	**1,844**	**142**	**409**	**179**	**304**	**23**	**2,901**

Interest income and interest expenses by segment (2021)

2021	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Banking	Other	Total
Interest income	2,201	147	389	176	603	-36	3,480
Interest expenses	-222	-19	-21	-4	-298	42	-522
Interest income and interest expenses	**1,979**	**128**	**368**	**172**	**305**	**6**	**2,958**

33 Segments continued

Total assets and Total liabilities by segment

	Total assets 2022	Total liabilities 2022	Total assets 2021	Total liabilities 2021
Netherlands Life	134,035	121,722	158,579	131,056
Netherlands Non-life	9,743	8,833	10,011	8,389
Insurance Europe	27,039	24,886	30,837	28,063
Japan Life	19,179	17,674	21,527	19,205
Banking	23,969	23,181	24,194	23,347
Other (Including held for sale)	33,048	15,211	53,018	17,678
Total	**247,013**	**211,507**	**298,166**	**227,738**
Eliminations	-29,903	-12,229	-46,581	-11,071
Total assets and Total liabilities	**217,110**	**199,278**	**251,585**	**216,667**

Alternative Performance Measures (Non-GAAP measures)

NN Group uses three Alternative Performance Measures (APMs, also referred to as Non-GAAP measures) in its external financial reporting: Operating result, Adjusted allocated equity and Administrative expenses.

Operating result

Operating result (before tax) is used by NN Group to evaluate the financial performance of its segments. Each segment's operating result is calculated by adjusting the reported result before tax for the following items:

- Non-operating items: related to (general account) investments that are held for own risk (net of policyholder profit sharing):
  - Gains/losses and impairments: realised gains and losses as well as impairments on financial assets that are classified as Available-for-sale and debt securities that are classified as loans. These investments include debt and equity securities (including fixed income and equity funds), private equity (< 20% ownership), real estate funds and loans quoted in active markets.
  - Revaluations: revaluations on assets marked-to-market through the Consolidated profit and loss account. These investments include private equity (associates), real estate (property and associates), derivatives unrelated to product hedging programmes (i.e. interest rate swaps, foreign exchange hedges) and direct equity hedges.
  - Market & other impacts: these impacts mainly include movements in the liability for guarantees on separate account pension contracts and unit-linked guarantee provisions in the Netherlands and related hedges, the accounting volatility related to the reinsurance of minimum guaranteed benefits of Japan Closed Block VA and the changes in valuation of certain inflation linked liabilities and related derivatives.
- Special items: items of income or expense before tax that are significant and arise from events or transactions that are clearly distinct from the ordinary business activities and therefore are not expected to recur frequently or regularly. This includes, for example, restructuring expenses, rebranding costs, results related to early redemption of debt, and gains/losses from employee pension plan amendments or curtailments.
- Acquisition intangibles and goodwill: At the acquisition date, all assets and liabilities (including investments, loans and funding liabilities) were remeasured to fair value. Acquisition related intangible assets (mainly brand names, distribution agreements and client relationships) were recognised and will be amortised through the profit and loss account over their useful life. Goodwill on acquisition was also recognised; goodwill is not amortised but tested annually for impairment. Any amortisation and goodwill impairment is recognised in the line 'Amortisation of acquisition intangibles and other impairments'.
- Result on divestments: Result before tax related to divested operations.

The operating result for the life insurance business is analysed through a margin analysis, which includes the investment margin, fees and premium-based revenues and the technical margin. Investment margin is defined as the investment income (on the investments for the account of NN Group) minus interest credited to policyholders and investment expenses. Technical margin includes the difference between costs charged and claim related revenues (such as risk premiums, surrenders and reserve releases) and incurred claims. Disclosures on comparative years also reflect the impact of current year's divestments. Operating result as presented below is an Alternative Performance Measure (non-GAAP financial measure) and is not a measure of financial performance under IFRS-EU. Because it is not determined in accordance with IFRS-EU, operating result as presented by NN Group may not be comparable to other similarly titled measures of performance of other companies. The net result on transactions between segments is eliminated in the net result of the relevant segment.

33 Segments continued

Adjusted allocated equity

NN Group evaluates the efficiency of the operational deployment of its equity of its banking operations by calculating Return On Equity (ROE). The net operating ROE is calculated using Net operating result in the numerator and average Adjusted allocated equity in the denominator. Net operating result of NN Group is the Net operating result, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity. Adjusted allocated equity is derived from IFRS equity by adjusting for:

- Revaluation reserves
- Undated subordinated notes classified as equity under IFRS
- Goodwill and Intangible assets recognised as a result of the Delta Lloyd acquisition

Allocated equity per segment represents the part of equity that is economically deployed by the segments. This allocation does not impact equity in total for NN Group. Adjusted allocated equity is an Alternative Performance Measure that is not a measure under IFRS-EU. Adjusted allocated equity as applied by NN Group may not be comparable to other similarly titled measures of other companies. Adjusted allocated equity is reconciled to IFRS Total equity as follows:

Adjusted allocated equity

	2022	2021
IFRS Total equity	17,832	34,918
Revaluation reserves, Goodwill and Intangible assets recognised upon acquisitions	1,890	-14,925
Undated subordinated notes	-1,764	-1,764
Adjusted allocated equity excluding Japan Closed Block VA	**17,959**	**18,229**

Administrative expenses

NN Group monitors the level of expenses and assesses cost savings through the Administrative expenses. Administrative expenses are the expenses included in operating result, unless already included in the technical margin or the investment margin in the margin analysis of the operating result.

Administrative expenses

	2022	2021
Staff expenses	1,533	1,429
Other operating expenses	929	842
IFRS operating expenses	**2,462**	**2,271**
Presented in non-operating items (including special items)	-144	-112
Presented in the Technical margin (claims handling expenses)	-147	-123
Presented in the Investment margin (investment expenses)	-34	-56
Administrative expenses continuing operations	**2,137**	**1,980**

Administrative expenses are calculated as the total of IFRS Staff expenses and IFRS Other operating expenses, adjusted for expenses already recognised in the technical margin and the investment margin and for expenses that are not included in operating result (non-operating expenses and special items). From the total administrative expenses of EUR 2,137 million (2021: EUR 1,980 million), EUR 1,104 million (2021: EUR 1,055 million) relates to the segments Netherlands Life, Insurance Europe Life and Japan Life. The remainder of EUR 1,033 million (2021: EUR 925 million) is included in the operating result non-life, banking and other.

33 Segments continued

In addition, NN Group discloses a number of other metrics (that are not defined in IFRS and/or not defined in regulatory capital legislation). As these are not derived from comparable metrics under IFRS, these cannot be reconciled to an IFRS equivalent. These include the following:

- Operating Capital Generation (OCG): NN Group analyses the change in the excess of Solvency II Own Funds over the Solvency Capital Requirement (SCR) in the following components: Operating Capital Generation, Market variance, Capital flows and Other. Operating Capital Generation is the movement in the Solvency II surplus (Own Funds before eligibility over SCR at 100%) in the period due to operating items, including the impact of new business, expected investment returns in excess of the unwind of liabilities, release of the risk margin, operating variances, non-life underwriting result, contribution of non-Solvency II entities and holding expenses and debt costs and the change in the SCR. It excludes economic variances, economic assumption changes and non-operating expenses.
- Annual Premium Equivalent (APE): the total of the IFRS annual recurring premiums and 10% of the IFRS single premiums received in a given period
- Combined ratio: the sum of the claims ratio (claims incurred, net of reinsurance, excluding unwind of interest accrual, divided by net earned premiums) and the expense ratio (sum of acquisition costs and administrative expenses, divided by net earned premiums)
- Financial leverage ratio: the percentage of financial leverage in the total of financial leverage and equity
- Fixed cost coverage ratio: the ability of Earnings Before Interest and Tax (EBIT) to cover funding costs on financial leverage; calculated on a last 12-months basis
- Free cash flow: the change in the cash capital position at the holding company over the period, excluding acquisitions and capital transactions with shareholders and debtholders
- Cash capital position at the holding company: net current assets available at the holding company
- Net interest margin (NIM): interest result of the banking operations divided by the average total interest bearing assets of the banking operations
- Net operating ROE– Segment banking only: the (annualised) net operating result of the banking operations, divided by (average) adjusted allocated equity of the banking operations
- Value of New Business (VNB): the additional economic value created through writing new business during the period

34 Principal subsidiaries and geographical information

The table below provides additional information on principal subsidiaries, the nature of the main activities and employees by country. Information on guarantees issued by NN Group N.V. to subsidiaries under article 403 of Book 2 of the Dutch Civil Code is filed with the Chamber of Commerce.

Principal subsidiaries and geographical information (2022)

Name of principal subsidiaries / Country	Main activity	Average number of employees[1]	Total income	Total assets	Result before tax	Taxation[2]	Income tax paid
Nationale-Nederlanden Levensverzekering Maatschappij N.V.	Life insurance						
Nationale-Nederlanden Bank N.V.	Banking						
Nationale-Nederlanden Schadeverzekering Maatschappij N.V.	General insurance						
REI Investment I B.V.	Real estate						
NN Re (Netherlands) N.V.	Reinsurance						
ABN AMRO Levensverzekering N.V.	Life insurance						
The Netherlands		**8,746**	**10,187**	**168,243**	**8**	**-95**	**-20**
NN Life Insurance Company, Ltd.	Life insurance						
Japan		**937**	**3,159**	**18,436**	**317**	**90**	**73**
NN Insurance Belgium nv	Life insurance						
Belgium		**659**	**998**	**11,281**	**70**	**17**	**-51**
Nationale Nederlanden Vida, Compania de Seguros y Reaseguros. S.A.	Life insurance						
Nationale Nederlanden Generales, Compania de Seguros y Reaseguros, S.A.	General insurance						
Spain		**554**	**704**	**4,794**	**22**	**4**	**1**
Nationale-Nederlanden Towarzystwo Ubezpieczeń na Życie S.A.	Life insurance						
Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A.	Pensions						
Poland		**1,125**	**583**	**3,198**	**58**	**16**	**59**
NN Hellenic Life Insurance Co. S.A.	Life insurance						
Greece		**500**	**765**	**4,155**	**23**	**7**	
NN Životní pojišťovna N.V. (pobočka pro Českou republiku)	Life insurance						
Czech Republic		**668**	**219**	**1,327**	**12**	**3**	**42**
NN Biztosító Zártkörûen Mûködõ Részvénytársaság	Life insurance						
Hungary		**446**	**253**	**1,148**	**4**	**3**	**3**
NN Asigurari de Viata S.A.	Life insurance						
Romania		**488**	**249**	**989**	**34**	**6**	**7**
NN Životná poisťovna, a.s.	Life insurance						
Slovak Republic		**361**	**164**	**749**	**12**	**3**	**15**
Germany		**5**	**-1**	**541**	**-2**	**-3**	**3**
France		**4**	**21**	**1,116**	**13**	**31**	**11**
Italy		**3**	**3**	**266**	**3**	**-1**	
Denmark			**15**	**215**	**13**	**3**	
United Kingdom		**7**	**-9**	**606**	**-19**	**2**	**1**
Turkey		**197**	**19**	**40**	**-5**	**-1**	
Ireland							**1**
Singapore		**16**					
Mexico		**1**	**1**	**5**	**-1**		
United States		**7**					
Switzerland		**2**					
Argentina		**2**	**1**	**1**			
Uruguay		**1**					
Total		**14,729**	**17,331**	**217,110**	**562**	**85**	**145**

1 The average number of employees is on a full-time equivalent basis.
2 Taxation is the taxation amount charged to the profit and loss account.

34 Principal subsidiaries and geographical information continued

Principal subsidiaries and geographical information (2021)

Name of principal subsidiaries / Country	Main activity	Average number of employees[1]	Total income	Total assets	Result before tax	Taxation[2]	Income tax paid
Nationale-Nederlanden Levensverzekering Maatschappij N.V.	Life insurance						
Nationale-Nederlanden Bank N.V.	Banking						
Nationale-Nederlanden Schadeverzekering Maatschappij N.V.	General insurance						
REI Investment I B.V.	Real estate						
NN Re (Netherlands) N.V.	Reinsurance						
ABN AMRO Levensverzekering N.V.	Life insurance						
The Netherlands		**9,144**	**13,643**	**196,434**	**2,875**	**459**	**247**
NN Life Insurance Company, Ltd.	Life insurance						
Japan		**915**	**3,549**	**21,642**	**253**	**71**	**55**
NN Insurance Belgium nv	Life insurance						
Belgium		**673**	**1,093**	**16,129**	**106**	**21**	**57**
Nationale Nederlanden Vida, Compania de Seguros y Reaseguros. S.A.	Life insurance						
Nationale Nederlanden Generales, Compania de Seguros y Reaseguros, S.A.	General insurance						
Spain		**535**	**748**	**5,166**	**53**	**13**	**3**
Nationale-Nederlanden Towarzystwo Ubezpieczeń na Życie S.A.	Life insurance						
Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A.	Pensions						
Poland		**1,032**	**485**	**2,230**	**66**	**16**	**-3**
NN Hellenic Life Insurance Co. S.A.	Life insurance						
Greece		**413**	**579**	**2,386**	**23**	**10**	
NN Životní pojišťovna N.V. (pobočka pro Českou republiku)	Life insurance						
Czech Republic		**671**	**226**	**1,479**	**27**	**6**	**21**
NN Biztosító Zártkörûen Mûködõ Részvénytársaság	Life insurance						
Hungary		**404**	**298**	**1,390**	**9**	**3**	**3**
NN Asigurari de Viata S.A.	Life insurance						
Romania		**471**	**257**	**1,106**	**49**	**8**	**7**
Slovak Republic		**334**	**186**	**859**	**34**	**8**	**6**
Germany		**9**	**102**	**392**	**131**	**20**	**2**
France		**8**	**129**	**1,255**	**119**	**29**	**8**
Italy		**6**	**13**	**278**	**13**	**-8**	**2**
Denmark			**45**	**196**	**43**	**7**	
United Kingdom		**13**	**31**	**595**	**33**	**1**	**2**
Bulgaria		**66**	**16**		**3**		
Turkey		**250**	**32**	**43**	**-4**	**1**	
Ireland						**4**	**-16**
Singapore		**31**					**2**
Mexico		**1**		**4**	**-1**		
United States		**13**					
Switzerland		**4**					**1**
Argentina		**2**		**1**			
Uruguay		**2**					
Total		**14,997**	**21,433**	**251,585**	**3,832**	**669**	**397**

1 The average number of employees is on a full-time equivalent basis.
2 Taxation is the taxation amount charged to the profit and loss account.

35 Taxation

Deferred tax (2022)

	Net liability 2021	Changes through equity	Changes through net result	Changes in the composition of the group and other changes	Exchange rate differences	Net liability 2022
Investments	3,271	-4,865	-126	74	-7	-1,653
Real estate investments	1,172		-10			1,162
Financial assets and liabilities at fair value through profit or loss	29		-22	-2		5
Deferred acquisition costs	460		-6	31	-19	466
Fiscal reserves	91		-91			-
Depreciation	18		-2	5	-1	20
Insurance liabilities	-3,273	1,703	358	-96	-9	-1,317
Cash flow hedges	3,069	-2,063				1,006
Pension and post-employment benefits	20	24	4	-1	1	48
Other provisions	-27		-4		2	-29
Receivables	17		-4		-3	10
Loans	28		-3			25
Unused tax losses carried forward	-81		-48	-2		-131
Other	-24	14	-24	-60	1	-93
Net Deferred tax liability (asset)	**4,770**	**-5,187**	**22**	**-51**	**-35**	**-481**
Presented in the balance sheet as:						
Deferred tax liabilities	4,817					423
Deferred tax assets	-47					-904
Net Deferred tax liability (asset)	**4,770**					**-481**

Deferred tax (2021)

	Net liability 2020	Changes through equity	Changes through net result	Changes in the composition of the group and other changes	Exchange rate differences	Net liability 2021
Investments	4,638	-1,230	-39	-89	-9	3,271
Real estate investments	926		248	-2		1,172
Financial assets and liabilities at fair value through profit or loss	22		7			29
Deferred acquisition costs	439		9	22	-10	460
Fiscal reserves	12		79			91
Depreciation	21		-2		-1	18
Insurance liabilities	-3,778	530	-108	87	-4	-3,273
Cash flow hedges	4,073	-1,004				3,069
Pension and post-employment benefits	5	4	-1	11	1	20
Other provisions	-54		19	7	1	-27
Receivables	12		1	5	-1	17
Loans	-87		3	112		28
Unused tax losses carried forward	-77		-6	2		-81
Other	104	-6	-20	-101	-1	-24
Net Deferred tax liability (asset)	**6,256**	**-1,706**	**190**	**54**	**-24**	**4,770**
Presented in the balance sheet as:						
Deferred tax liabilities	6,329					4,817
Deferred tax assets	-73					-47
Net Deferred tax liability (asset)	**6,256**					**4,770**

35 Taxation continued

Deferred tax on unused tax losses carried forward

	2022	2021
Total unused tax losses carried forward	716	511
Unused tax losses carried forward not recognised as a deferred tax asset	-196	-184
Unused tax losses carried forward recognised as a deferred tax asset	**520**	**327**
Average tax rate	25.1%	24.8%
Deferred tax asset	**131**	**81**

Tax losses carried forward will expire as follows as at 31 December:

Total unused tax losses carried forward analysed by term of expiration

	No deferred tax asset recognised		Deferred tax asset recognised	
	2022	2021	2022	2021
Within 1 year	4	12		
More than 1 year but less than 5 years	49	34	9	14
More than 5 years but less than 10 years	7	3		
Unlimited	136	135	511	313
Total unused tax losses carried forward	**196**	**184**	**520**	**327**

Deferred tax assets are recognised for temporary deductible differences, for tax losses carried forward and unused tax credits only to the extent that realisation of the related tax benefit is probable.

Taxation on result

	2022	2021
Current tax	64	480
Deferred tax	21	189
Taxation on result	**85**	**669**

NN Group N.V., together with certain of its subsidiaries, is a part of a fiscal unity for Dutch income tax purposes. The members of the fiscal unity are jointly and severally liable for any income taxes payable by the Dutch fiscal unity.

Reference is made to Note 34 'Principal subsidiaries and geographical information' for more information on the taxation per country.

Reconciliation of the weighted average statutory tax rate to NN Group's effective tax rate

	2022	2021
Result before tax from continuing operations	562	3,832
Weighted average statutory tax rate	25.3%	24.9%
Weighted average statutory tax amount	**142**	**954**
Participation exemption	-125	-319
Other income not subject to tax and other	-14	-11
Expenses not deductible for tax purposes	30	13
Impact on deferred tax from change in tax rates		7
Deferred tax benefit for previously unrecognised amounts	-3	-9
Tax for non-recognised losses	3	2
Write-off/reversal of deferred tax assets	-3	1
Adjustments to prior periods	55	31
Effective tax amount	**85**	**669**
Effective tax rate	**15.2%**	**17.5%**

35 Taxation continued

In 2022, the effective tax rate for continuing operations of 15.2% was lower than the weighted average statutory tax rate of 25.3%. This was mainly a result of tax exempt results of associates and participations. This was partly offset by a tax expense following a reassessment of prior year tax liabilities.

In 2021, the effective tax rate of 17.5% was lower than the weighted average statutory tax rate of 24.9%. This was mainly a result of tax exempt results of associates and participations.

Taxation on components of other comprehensive income

	2022	2021
Unrealised revaluations available-for-sale investments and other	5,127	1,189
Realised gains/losses transferred to the profit and loss account	-153	235
Changes in cash flow hedge reserve	2,063	1,004
Deferred interest credited to policyholders	-1,703	-530
Remeasurement of the net defined benefit asset/liability	-24	-5
Income tax	**5,310**	**1,893**

36 Fair value of financial assets and liabilities

The following table presents the estimated fair value of NN Group's financial assets and liabilities. Certain balance sheet items are not included in the table, as they do not meet the definition of a financial asset or liability. The aggregation of the fair value presented below does not represent, and should not be construed as representing, the underlying value of NN Group.

Fair value of financial assets and liabilities

	Estimated fair value		Balance sheet value	
	2022	2021	2022	2021
Financial assets				
Cash and cash equivalents	6,670	6,929	6,670	6,929
Financial assets at fair value through profit or loss:				
– investments for risk of policyholders	34,562	39,261	34,562	39,261
– non-trading derivatives	2,452	6,419	2,452	6,419
– designated as at fair value through profit or loss	681	991	681	991
Available-for-sale investments	81,610	107,883	81,610	107,883
Loans	61,442	72,597	68,044	68,200
Total financial assets	**187,417**	**234,080**	**194,019**	**229,683**
Financial liabilities				
Subordinated debt	2,287	2,624	2,334	2,356
Debt securities issued	1,498	2,351	1,694	2,292
Other borrowed funds	10,683	7,364	11,118	7,301
Investment contracts with discretionary participation features for risk of policyholders	217	259	217	259
Investment contracts for risk of company	1,083	976	1,167	953
Investment contracts for risk of policyholders	2,057	1,449	2,057	1,449
Customer deposits and other funds on deposit	15,619	16,460	16,235	15,945
Financial liabilities at fair value through profit or loss:				
– non-trading derivatives	6,462	1,904	6,462	1,904
Total financial liabilities	**39,906**	**33,387**	**41,284**	**32,459**

For the other financial assets and financial liabilities not included in the table above, including short-term receivables and payables, the carrying amount is a reasonable approximation of fair value.

36 Fair value of financial assets and liabilities continued

Reference is made to Note 1 'Accounting policies' for the upcoming changes as a result of IFRS 9 'Financial instruments'. One of the requirements in IFRS 9 is to assess whether investments in debt securities and loans meet the definition of 'Solely Payments of Principal and Interest', also referred to as 'SPPI assets'. SPPI assets are financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (as defined in IFRS 9), excluding assets that are held for trading and/or that are managed and whose performance is evaluated on a fair value basis. The table below provides a split of the fair value of financial assets into three categories: SPPI assessment applicable under IFRS 9 and conditions met (SPPI compliant assets), SPPI assessment applicable under IFRS 9 and conditions not met (SPPI non-compliant assets), and SPPI assessment not applicable. Whilst IFRS 9 becomes effective for NN Group on the same date as IFRS 17, the information in the table below is based on the assets held, and business models in place.

Fair value of financial assets - SPPI assessment

	SPPI compliant assets		SPPI non-compliant assets		SPPI assessment not applicable	
	2022	2021	2022	2021	2022	2021
Cash and cash equivalents					6,670	6,929
Financial assets at fair value through profit or loss:						
– investments for risk of policyholders					34,562	39,261
– non-trading derivatives					2,452	6,419
– designated as at fair value through profit or loss					681	991
Available-for-sale investments	69,861	94,940	5,091	4,842	6,659	8,101
Loans	60,751	71,576	45	62	645	959
Financial assets	**130,612**	**166,516**	**5,136**	**4,904**	**51,669**	**62,660**

The estimated fair value represents the price at which an orderly transaction to sell the financial asset or to transfer the financial liability would take place between market participants at the balance sheet date (exit price). The fair value of financial assets and liabilities is based on unadjusted quoted market prices, where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available market prices are obtained from independent market vendors, brokers or market makers. Because substantial trading markets do not exist for all financial instruments, various techniques have been developed to estimate the approximate fair value of financial assets and liabilities that are not actively traded. The fair value presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of the future fair value.

The following methods and assumptions were used by NN Group to estimate the fair value of the financial instruments:

Cash and cash equivalents

Cash and cash equivalents are recognised at their nominal value which approximates the fair value.

Financial assets and liabilities at fair value through profit or loss

Derivatives

Derivative contracts can either be exchange-traded or over the counter (OTC). The fair value of exchange-traded derivatives is determined using quoted market prices in an active market and those derivatives are classified in Level 1 of the fair value hierarchy. For those instruments that are not actively traded, the fair value is estimated based on valuation techniques. OTC derivatives and derivatives trading in an inactive market are valued using valuation techniques because quoted market prices in an active market are not available for such instruments. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instruments. The principal techniques used to value these instruments are based on discounted cash flows, Black-Scholes option models and Monte Carlo simulation. These valuation models calculate the present value of expected future cash flows, based on 'no arbitrage' principles. These models are commonly used in the financial industry. Inputs to valuation models are determined from observable market data where possible. Certain inputs may not be observable in the market directly, but can be determined from observable prices via valuation model calibration procedures. The inputs used include prices available from exchanges, dealers, brokers or providers of pricing, yield curves, credit spreads, default rates, recovery rates, dividend rates, volatility of underlying interest rates, equity prices and foreign currency exchange rates. These inputs are determined with reference to quoted prices, recently executed trades, independent market quotes and consensus data, where available.

36 Fair value of financial assets and liabilities continued

Available-for-sale investments

Equity securities

The fair value of publicly traded equity securities is determined using quoted market prices when available. Where no quoted market prices are available, fair value is determined based on quoted prices for similar securities or other valuation techniques. The fair value of private equity is based on quoted market prices, if available. In the absence of quoted prices in an active market, fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects, price, earnings comparisons and revenue multiples and by reference to market valuations for similar entities quoted in an active market.

Debt securities

The fair value for debt securities is based on quoted market prices, where available. Quoted market prices may be obtained from an exchange, dealer, broker, industry group, pricing service or regulatory service. If quoted prices in an active market are not available, fair value is based on an analysis of available market inputs, which may include values obtained from one or more pricing services or by a valuation technique that discounts expected future cash flows using market interest rate curves, referenced credit spreads, maturity of the investment and estimated prepayment rates where applicable.

Loans

For loans and advances that are repriced frequently and have had no significant changes in credit risk, carrying values represent a reasonable estimate of the fair value. The fair value of other loans is estimated by discounting expected future cash flows using a discount rate that reflects credit risk, liquidity and other current market conditions. The fair value of mortgage loans is estimated by taking into account prepayment behaviour. Loans with similar characteristics are aggregated for calculation purposes.

Subordinated debt and debt securities issued

The fair value of subordinated debt and debt securities issued is estimated using discounted cash flows based on interest rates and credit spreads that apply to similar instruments.

Other borrowed funds

The fair value of other borrowed funds is generally based on quoted market prices or, if not available, on estimated prices by discounting expected future cash flows using a current market interest rate and credit spreads applicable to the yield, credit quality and maturity.

Investment contracts

For investment contracts for risk of the company, the fair value has been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. For investment contracts for risk of policyholders, the fair value generally equals the fair value of the underlying assets. For other investment-type contracts, the fair value is estimated based on the cash surrender values.

Customer deposits and other funds on deposit

The carrying values of customer deposits and other funds on deposit with no stated maturity approximate their fair value. The fair values of deposits with stated maturities have been estimated based on discounting future cash flows using a discount rate that reflects credit risk, liquidity and other current market conditions.

36 Fair value of financial assets and liabilities continued

Financial assets and liabilities at fair value

The fair value of the financial instruments carried at fair value was determined as follows:

Methods applied in determining the fair value of financial assets and liabilities at fair value (2022)

2022	Level 1	Level 2	Level 3	Total
Financial assets				
Investments for risk of policyholders	33,593	359	610	34,562
Non-trading derivatives	130	2,322		2,452
Financial assets designated as at fair value through profit or loss	491	190		681
Available-for-sale investments	49,405	26,784	5,421	81,610
Financial assets	**83,619**	**29,655**	**6,031**	**119,305**
Financial liabilities				
Investment contracts with discretionary participation features for risk of policyholders		217		217
Investment contracts (for contracts at fair value)	2,057			2,057
Non-trading derivatives	3	6,440	19	6,462
Financial liabilities	**2,060**	**6,657**	**19**	**8,736**

Methods applied in determining the fair value of financial assets and liabilities at fair value (2021)

2021	Level 1	Level 2	Level 3	Total
Financial assets				
Investments for risk of policyholders	38,092	444	725	39,261
Non-trading derivatives	30	6,381	8	6,419
Financial assets designated as at fair value through profit or loss	823	168		991
Available-for-sale investments	69,336	34,656	3,891	107,883
Financial assets	**108,281**	**41,649**	**4,624**	**154,554**
Financial liabilities				
Investment contracts with discretionary participation features for risk of policyholders		259		259
Investment contracts (for contracts at fair value)	1,449			1,449
Non-trading derivatives	30	1,851	23	1,904
Financial liabilities	**1,479**	**2,110**	**23**	**3,612**

NN Group has categorised its financial instruments that are either measured in the balance sheet at fair value or for which the fair value is disclosed, into a three level hierarchy based on the priority of the inputs to the valuation. The fair value hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to valuation techniques supported by unobservable inputs. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide reliable pricing information on an ongoing basis.

The fair value hierarchy consists of three levels, depending on whether the fair value is determined based on (unadjusted) quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have a more than insignificant impact on the fair value of the instrument (Level 3). Financial assets in Level 3 include, for example, illiquid debt securities, complex OTC and credit derivatives, certain complex loans (for which current market information about similar assets to use as observable, corroborated data for all significant inputs into a valuation model is not available), mortgage loans and consumer lending, private equity instruments and investments in real estate funds.

Observable inputs reflect market data obtained from independent sources. Unobservable inputs are inputs which are based on NN Group's own assumptions about the factors that market participants would use in pricing an asset or liability, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default rates and recovery rates, prepayment rates and certain credit spreads. Transfers into and transfers out of levels in the fair value hierarchy are recognised on the date of the event or change of circumstances that caused the transfer.

36 Fair value of financial assets and liabilities continued

Level 1 – (Unadjusted) Quoted prices in active markets

This category includes financial instruments whose fair value is determined directly by reference to published quotes in an active market that NN Group can access. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions with sufficient frequency and volume to provide reliable pricing information on an ongoing basis.

Level 2 – Valuation technique supported by observable inputs

This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model), where inputs in the model are taken from an active market or are observable. If certain inputs in the model are unobservable the instrument is still classified in this category, provided that the impact of those unobservable inputs elements on the overall valuation is insignificant. Included in this category are items whose value is derived from quoted prices of similar instruments, but for which the prices are modified based on other market observable external data and items whose value is derived from quoted prices but for which there was insufficient evidence of an active market.

Level 3 – Valuation technique supported by unobservable inputs

This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model) for which more than an insignificant part of the inputs in terms of the overall valuation are not market observable. This category also includes financial assets and liabilities whose fair value is determined by reference to price quotes but for which the market is considered inactive. An instrument is classified in its entirety as Level 3 if a significant portion of the instrument's fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an orderly transaction would likely occur can be derived.

Changes in Level 3 financial assets (2022)

2022	Investments for risk of policyholders	Non-trading derivatives	Available-for-sale investments	Total
Level 3 Financial assets – opening balance	725	8	3,891	4,624
Amounts recognised in the profit and loss account	-83	-8	-21	-112
Revaluations recognised in other comprehensive income (equity)			-3	-3
Purchase			1,625	1,625
Sale	-32		-174	-206
Maturity/settlement			-2	-2
Other transfers and reclassifications			130	130
Exchange rate differences			-25	-25
Level 3 Financial assets – closing balance	**610**	**–**	**5,421**	**6,031**

Changes in Level 3 financial assets (2021)

2021	Investments for risk of policyholders	Non-trading derivatives	Available-for-sale investments	Total
Level 3 Financial assets – opening balance	787	22	2,680	3,489
Amounts recognised in the profit and loss account	-41	-14	-18	-73
Revaluations recognised in other comprehensive income (equity)			388	388
Purchase			1,097	1,097
Sale	-21		-50	-71
Maturity/settlement			-116	-116
Transfers into Level 3			11	11
Transfers out of Level 3			-120	-120
Exchange rate differences			19	19
Level 3 Financial assets – closing balance	**725**	**8**	**3,891**	**4,624**

36 Fair value of financial assets and liabilities continued

Changes in Level 3 financial liabilities (2022)

2022	Non-trading derivatives
Level 3 Financial liabilities – opening balance	23
Amounts recognised in the profit and loss account	-4
Level 3 Financial liabilities – closing balance	**19**

Changes in Level 3 financial liabilities (2021)

2021	Non-trading derivatives
Level 3 Financial liabilities – opening balance	42
Amounts recognised in the profit and loss account	-19
Level 3 Financial liabilities – closing balance	**23**

Level 3 – Amounts recognised in the profit and loss account during the year (2022)

2022	Held at balance sheet date	Derecognised during the period	Total
Financial assets			
Investments for risk of policyholders	-83		-83
Non-trading derivatives	-8		-8
Available-for-sale investments	-21		-21
Financial assets	**-112**	**–**	**-112**
Financial liabilities			
Non-trading derivatives	-4		-4
Financial liabilities	**-4**	**–**	**-4**

Level 3 – Amounts recognised in the profit and loss account during the year (2021)

2021	Held at balance sheet date	Derecognised during the period	Total
Financial assets			
Investments for risk of policyholders	-41		-41
Non-trading derivatives	-14		-14
Available-for-sale investments	-18		-18
Financial assets	**-73**	**–**	**-73**
Financial liabilities			
Non-trading derivatives	-19		-19
Financial liabilities	**-19**	**–**	**-19**

Level 3 Financial assets at fair value

Financial assets measured at fair value in the balance sheet as at 31 December 2022 of EUR 119,305 million (2021: EUR 154,554 million) include an amount of EUR 6,031 million (5.1%) that is classified as Level 3 (2021: EUR 4,625 million (3.0%)). Changes in Level 3 are disclosed above in the table 'Level 3 Financial assets'.

36 Fair value of financial assets and liabilities continued

Financial assets in Level 3 include both assets for which the fair value was determined using valuation techniques that incorporate unobservable inputs and assets for which the fair value was determined using quoted prices, but for which the market was not actively trading at or around the balance sheet date. Unobservable inputs are inputs which are based on NN Group's own assumptions about the factors that market participants would use in pricing an asset, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default rates and recovery rates, prepayment rates and certain credit spreads. Fair values that are determined using valuation techniques using unobservable inputs are sensitive to the inputs used. Fair values that are determined using quoted prices are not sensitive to unobservable inputs, as the valuation is based on unadjusted external price quotes. These are classified in Level 3 as a result of the illiquidity in the relevant market, but are not significantly sensitive to NN Group's own unobservable inputs.

Unrealised gains and losses that relate to 'Level 3 Financial assets' are included in the profit and loss account as follows:

- Those relating to Investments for risk of policyholders are included in 'Underwriting expenditure'
- Those relating to Non-trading derivatives are included in 'Valuation results on non-trading derivatives'
- Those relating to financial assets designated as at fair value through profit or loss are included in 'Valuation results on non-trading derivatives – Valuation results on assets and liabilities designated as at fair value through profit or loss (excluding trading)'

Unrealised gains and losses that relate to available-for-sale investments are recognised in other comprehensive income (equity) and included in reserves in 'Unrealised revaluations available-for-sale investments and other'.

Investments for risk of policyholders

Investments for risk of policyholders classified as 'Level 3 Financial assets' amounted EUR 610 million as at 31 December 2022 (2021: EUR 725 million). Net result is unaffected when reasonable possible alternative assumptions would have been used in measuring these investments.

Non-trading derivatives

Non-trading derivatives classified as 'Level 3 Financial assets' are mainly used to hedge the fair value risk of the mortgage loan portfolio at NN Bank. These derivatives classified as Level 3 amounted nil as at 31 December 2022 (2021: EUR 8 million).

Available-for-sale investments

The available-for-sale investments classified as 'Level 3 Financial assets' amounted EUR 5,421 million as at 31 December 2022 (2021: EUR 3,891 million) mainly consists of investments in debt securities and shares in real estate investment funds and private equity investment funds of which the fair value is determined using (unadjusted) quoted prices in inactive markets for the securities or quoted prices obtained from the asset managers of the funds. It is estimated that a 10% change in valuation of these investments would have no significant impact on net result but would increase or reduce shareholders' equity by EUR 542 million (2021: EUR 389 million), being approximately 3.4% (before tax) (2021: 1.1% (before tax)), of total equity.

Level 3 Financial liabilities at fair value

Non-trading derivatives

The total amount of financial liabilities classified as Level 3 at 31 December 2022 of EUR 19 million (2021: EUR 23 million) relates to non-trading derivative positions. In 2022, nil (2021: EUR 9 million) relates to derivatives used to hedge the interest rate risk associated with the funding position of NN Bank. EUR 19 million (2021: EUR 12 million) relates to longevity hedges closed by NN Group. It is estimated that a 5% increase in mortality assumptions for these longevity hedges reduces result and equity before tax by EUR 5 million (2021: EUR 13 million) and a 5% decrease in mortality assumptions increases result and equity before tax by EUR 7 million (2021: EUR 17 million).

36 Fair value of financial assets and liabilities continued

Financial assets and liabilities at amortised cost

The fair value of the financial instruments carried at amortised cost in the balance sheet (where fair value is disclosed) was determined as follows:

Methods applied in determining the fair value of financial assets and liabilities at amortised cost (2022)

2022	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	6,669		1	6,670
Loans	20	3,018	58,404	61,442
Financial assets	**6,689**	**3,018**	**58,405**	**68,112**
Financial liabilities				
Subordinated debt	2,287			2,287
Debt securities issued	1,498			1,498
Other borrowed funds	5,596	5,087		10,683
Investment contracts for risk of company	317		766	1,083
Customer deposits and other funds on deposit	10,309	5,310		15,619
Financial liabilities	**20,007**	**10,397**	**766**	**31,170**

Methods applied in determining the fair value of financial assets and liabilities at amortised cost (2021)

2021	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	6,929			6,929
Loans	4	3,832	68,761	72,597
Financial assets	**6,933**	**3,832**	**68,761**	**79,526**
Financial liabilities				
Subordinated debt	2,624			2,624
Debt securities issued	2,351			2,351
Other borrowed funds	6,372	941	51	7,364
Investment contracts for risk of company	49		927	976
Customer deposits and other funds on deposit	9,980	6,480		16,460
Financial liabilities	**21,376**	**7,421**	**978**	**29,775**

37 Fair value of non-financial assets

The following table presents the estimated fair value of NN Group's non-financial assets that are measured at fair value in the balance sheet. Reference is made to Note 1 'Accounting policies' in the sections 'Real estate investments' and 'Property and equipment' for the methods and assumptions used by NN Group to estimate the fair value of the non-financial assets.

Fair value of non-financial assets

	Estimated fair value		Balance sheet value	
	2022	**2021**	**2022**	**2021**
Real estate investments	2,754	2,719	2,754	2,719
Property in own use	97	71	97	71
Fair value of non-financial assets	**2,851**	**2,790**	**2,851**	**2,790**

The fair value of the non-financial assets were determined as follows:

Methods applied in determining the fair value of non-financial assets at fair value (2022)

2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Real estate investments			2,754	2,754
Property in own use			97	97
Non-financial assets	**–**	**–**	**2,851**	**2,851**

Methods applied in determining the fair value of non-financial assets at fair value (2021)

2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Real estate investments			2,719	2,719
Property in own use			71	71
Non-financial assets	**–**	**–**	**2,790**	**2,790**

Changes in Level 3 non-financial assets (2022)

2022	**Real estate investments**	**Property in own use**
Level 3 non-financial assets – opening balance	2,719	71
Amounts recognised in the profit and loss account during the year	-8	-2
Purchase	136	1
Revaluation recognised in equity during the year		3
Sale	-100	-1
Changes in the composition of the group and other changes	7	25
Level 3 non-financial assets – closing balance	**2,754**	**97**

Changes in Level 3 non-financial assets (2021)

2021	**Real estate investments**	**Property in own use**
Level 3 non-financial assets – opening balance	2,444	74
Amounts recognised in the profit and loss account during the year	241	-2
Purchase	156	
Sale	-124	-2
Changes in the composition of the group and other changes	2	1
Level 3 non-financial assets – closing balance	**2,719**	**71**

37 Fair value of non-financial assets continued

Level 3 – Amounts recognised in the profit and loss account during the year on non-financial assets (2022)

2022	Held at balance sheet date	Derecognised during the year	Total
Real estate investments	-8		-8
Property in own use		-2	-2
Level 3 Amounts recognised in the profit and loss account during the year on non-financial assets	**-8**	**-2**	**-10**

Level 3 – Amounts recognised in the profit and loss account during the year on non-financial assets (2021)

2021	Held at balance sheet date	Derecognised during the year	Total
Real estate investments	241		241
Property in own use	-2		-2
Level 3 Amounts recognised in the profit and loss account during the year on non-financial assets	**239**	**–**	**239**

Real estate investments and Property in own use

Valuation methodology

The fair value of real estate is based on regular appraisals by independent, qualified valuers. The fair value is established using valuation methods that take into account recent comparable market transactions (CMT), capitalisation of income (CI) methods and/or discounted cash flow (DCF) calculations.

The underlying assumption used in the valuation is that the properties are let or sold to third parties based on the actual letting status. Future rental income is taken into account in accordance with the terms in existing leases, (expected) vacancies, estimations of the rental values for new leases when leases expire and incentives like rent-free periods. These estimated cash flows are discounted using market-based discount rates that reflect appropriately the risk characteristics of the real estate investments.

37 Fair value of non-financial assets continued

Key assumptions

Key assumptions in the valuation of real estate include the estimated current rental value per square metre, the estimated future rental value per square metre (ERV), the net initial yield and the vacancy rate. These assumptions were in the following ranges:

Significant assumptions

	Fair value	Valuation technique	Current rent/m²	ERV/m²	Net initial yield %	Vacancy %	Average lease term in years
The Netherlands							
Office	169	DCF	333–342	364–406	3.52–3.54	1.26	7.4
Residential	64	DCF	218.1	245.0	4.5	4.5	
Residential	4	Residual approach					
Industrial	172	DCF	49–52	54–64	3.23–3.63		3.7
Retail	12	DCF	139.2	202.1	4.5	35.1	8.2
Ground positions	2	Residual approach					
IPUC	97	Residual approach					
Germany							
Retail	258	DCF	192–321	173–322	4.26–4.48	6.6	4.7
Industrial	258	DCF	48–96	60–97	3.9–4.5	2.0	6.2
France							
Residential	228	DCF	286–429	225–353	3.66–4.86	1.9	2.0
Industrial	339	DCF	46–73	46–73	3.86–4.78		5.1
Spain							
Retail	246	DCF	225–233	195–256	6.41–8.48	5.0	3.6
Industrial	124	DCF	0–45	30–45	0.82–6.56	40.2	1.7
Italy							
Retail	219	DCF	161–760	170–780	0.9–7.51	2.0	5.9
Industrial	37	DCF	52	55	4.6		1.4
Denmark							
Industrial	83	DCF	112–165	142–195	4.72–5		10.4
Residential	122	DCF	271	271	3.9		
Belgium							
Retail	116	DCF	82–365	103–324	5.45–6.86	3.6	2.9
Industrial	34	DCF	45	48	4.6		0.7
Residential	25	DCF	189	188			26.2
Office	18	DCF	315	194	5.0	23.0	0.5
Poland							
Retail	82	DCF	154	157	8.2	5.0	3.3
Real estate under construction and other	–						
Total real estate	**2,709**						

37 Fair value of non-financial assets continued

Sensitivities

Significant increases (decreases) in the estimated rental value and rent growth in isolation would result in a significantly higher (lower) fair value of the real estate investments. Significant increases (decreases) in the long-term vacancy rate and discount rate in isolation would result in a significantly lower (higher) fair value of the real estate investments.

During 2022, the number of transactions in relevant real estate markets has decreased, resulting in larger uncertainties around the inputs to the valuations and, therefore, increased uncertainty in the fair value of real estate investments.

38 Derivatives and hedge accounting

Use of derivatives and hedge accounting

NN Group uses derivatives for effective portfolio management and the management of its asset and liability portfolios. The objective of economic hedging is to enter into positions with an opposite risk profile to an identified exposure to reduce that exposure.

The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and whether the hedge qualifies under the IFRS-EU hedge accounting rules. Derivatives that qualify for hedge accounting under IFRS-EU are classified and reported in accordance with the nature of the hedged item and the type of IFRS-EU hedge model that is applicable. The three models applicable under IFRS-EU are: cash flow hedge accounting, fair value hedge accounting and net investment hedge accounting. The company's detailed accounting policies for these three hedge models are set out in Note 1 'Accounting policies' in the section on 'Accounting policies for specific items'.

To qualify for hedge accounting under IFRS-EU, strict criteria must be met. Certain hedges that are economically effective from a risk management perspective do not qualify for hedge accounting under IFRS-EU. The fair value changes of derivatives relating to such non-qualifying hedges are taken to the profit and loss account. However, in certain cases, NN Group mitigates the profit and loss account volatility by designating hedged assets and liabilities at fair value through profit or loss. If hedge accounting is applied under IFRS-EU, it is possible that a hedge relationship no longer qualifies for hedge accounting and hedge accounting cannot be continued, even if the hedge remains economically effective. As a result, the volatility arising from undertaking economic hedging in the profit and loss account may be higher than would be expected from an economic point of view.

With respect to exchange rate and interest rate derivative contracts, the notional or contractual amount of these instruments is indicative of the nominal value of transactions outstanding at the balance sheet date; however, they do not represent amounts at risk.

In 2017, NN Group entered into a longevity hedge, based on a general index of Dutch mortality. The maximum pay-out of the hedge amounts to EUR 100 million, payable after 20 years. The hedge is financed by annual premium payments to the counterparty. The longevity hedge is accounted for as derivative. The hedge reduces the impact of longevity trend scenarios implying more improvement in life expectancy. The regulator gave approval to include the effects of this specific hedge on the SCR. The purpose of the hedge is to reduce the longevity risk.

Cash flow hedge accounting

NN Group's hedge accounting consists mainly of cash flow hedge accounting. NN Group's cash flow hedges principally consist of Euribor based (forward) interest rate swaps and cross-currency interest rate swaps that are used to protect against its exposure to variability in future interest cash flows on assets and liabilities that bear interest at variable rates or are expected to be refunded or reinvested in the future. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio of financial assets and liabilities, based on contractual terms and other relevant factors including estimates of prepayments and defaults.

Gains and losses on the effective portions of derivatives designated under cash flow hedge accounting are recognised in Shareholders' equity. Interest income and expenses on these derivatives are recognised in the profit and loss account consistent with the manner in which the forecast cash flows affect Net result. The gains and losses on ineffective portions of such derivatives are recognised immediately in the profit and loss account.

For the year ended 31 December 2022, NN Group recognised EUR -5,942 million (2021: EUR -3,383 million) in equity as effective fair value changes on derivatives under cash flow hedge accounting. The balance of the cash flow hedge reserve in equity as at 31 December 2022 is EUR 3,901 million (2021: EUR 11,906 million) gross and EUR 2,895 million (2021: EUR 8,837 million) after deferred tax. This cash flow hedge reserve will fluctuate with the fair value of the underlying derivatives and will be reflected in the profit and loss account under Interest income/expenses over the remaining term of the underlying hedged items. The cash flow hedge reserve relates to a large number of derivatives and hedged items with varying maturities up to 48 years with the largest concentrations in the range 1 year to 13 years. Accounting ineffectiveness on derivatives designated under cash flow hedge accounting resulted in EUR 75 million loss (2021: EUR 10 million loss) which was recognised in the profit and loss account.

38 Derivatives and hedge accounting continued

As at 31 December 2022, the fair value of outstanding derivatives designated under cash flow hedge accounting was EUR -2,986 million (2021: EUR 3,718 million), presented in the balance sheet as EUR 256 million (2021: EUR 4,622 million) positive fair value under assets and EUR 3,242 million (2021: EUR 904 million) negative fair value under liabilities.

As at 31 December 2022 and 2021, there were no non-derivatives designated as hedging instruments for cash flow hedge accounting purposes.

Included in 'Interest income and Interest expenses on non-trading derivatives' is EUR 137 million (2021: EUR 164 million) and EUR 127 million (2021: EUR 98 million), respectively, relating to derivatives used in cash flow hedges.

Fair value hedge accounting

NN Group's fair value hedges principally consist of interest rate swaps and cross-currency interest rate swaps that are used to protect against changes in the fair value of fixed-rate instruments due to movements in market interest rates.

Gains and losses on derivatives designated under fair value hedge accounting are recognised in the profit and loss account. The effective portion of the fair value change on the hedged item is also recognised in the profit and loss account. As a result, only the net accounting ineffectiveness has an impact on the net result.

For the year ended 31 December 2022, NN Group recognised EUR 1,701 million (2021: EUR 481 million) of fair value changes on derivatives designated under fair value hedge accounting in the profit and loss account. This amount was offset by EUR -1,692 million (2021: EUR -486 million) fair value changes recognised on hedged items. This resulted in EUR 9 million income (2021: EUR 5 million loss) net accounting ineffectiveness recognised in the profit and loss account. As at 31 December 2022, the fair value of outstanding derivatives designated under fair value hedge accounting was EUR 62 million (2021: EUR 25 million), presented in the balance sheet as EUR 62 million (2021: EUR 29 million) positive fair value under assets and EUR 0 million (2021: EUR 4 million) negative fair value under liabilities.

NN Group applies fair value hedge accounting for portfolio hedges of interest rate risk (macro hedging) under the EU 'carve out' of IFRS-EU. The EU 'carve-out' for macro hedging enables a group of derivatives (or proportions) to be viewed in combination and jointly designated as the hedging instrument and removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies. Under the IFRS-EU 'carve-out', hedge accounting may be applied to core deposits and ineffectiveness only arises when the revised estimate of the amount of cash flows in scheduled time buckets falls below the designated amount of that bucket. NN Group applies the IFRS-EU 'carve-out' to hedge the interest rate risk of mortgage loans. The hedging activities are designated under a portfolio fair value hedge on the mortgages, under IFRS-EU.

39 Assets by contractual maturity

Amounts presented in these tables by contractual maturity are the amounts as presented in the balance sheet.

Assets by contractual maturity (2022)

2022	Less than 1 month[1]	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
Assets							
Cash and cash equivalents	6,636	34					6,670
Financial assets at fair value through profit or loss:							
– investments for risk of policyholders[2]						34,562	34,562
– non-trading derivatives	71	242	77	147	1,915		2,452
– designated as at fair value through profit or loss	286		25	1		369	681
Available-for-sale investments	2,147	1,785	4,475	16,541	45,647	11,015	81,610
Loans	229	289	1,254	5,950	60,324	-2	68,044
Reinsurance contracts	30	37	194	139	584	35	1,019
Intangible assets	2	26	70	266	381	879	1,624
Deferred acquisition costs	48	26	118	396	1,256	14	1,858
Deferred tax assets		2	48	29	779	46	904
Other assets	5,880	831	539	147	511	69	7,977
Remaining assets (for which maturities are not applicable)[3]						9,709	9,709
Total assets	**15,329**	**3,272**	**6,800**	**23,616**	**111,397**	**56,696**	**217,110**

1 Includes assets on demand.
2 Investments for risk of policyholders are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of NN Group.
3 Included in remaining assets for which maturities are not applicable are Property and equipment, Real estate investments and Associates and joint ventures. Due to their nature remaining assets consist mainly of assets expected to be recovered after more than 12 months.

Assets by contractual maturity (2021)

2021	Less than 1 month[1]	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
Assets							
Cash and cash equivalents	4,268	2,661					6,929
Financial assets at fair value through profit or loss:							
– investments for risk of policyholders[2]						39,261	39,261
– non-trading derivatives	5	98	84	108	6,124		6,419
– designated as at fair value through profit or loss	552			28		411	991
Available-for-sale investments	1,747	2,576	6,086	20,787	64,721	11,966	107,883
Loans	20	301	1,447	6,451	59,992	-11	68,200
Reinsurance contracts	25	32	130	137	596	34	954
Intangible assets	5	15	49	198	309	553	1,129
Deferred acquisition costs	53	26	111	309	1,392	2	1,893
Assets held for sale			4,121				4,121
Deferred tax assets	-13		1	1	24	34	47
Other assets	1,935	794	548	156	271	2	3,706
Remaining assets (for which maturities are not applicable)[3]						10,052	10,052
Total assets	**8,597**	**6,503**	**12,577**	**28,175**	**133,429**	**62,304**	**251,585**

1 Includes assets on demand.
2 Investments for risk of policyholders are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of NN Group.
3 Included in remaining assets for which maturities are not applicable are Property and equipment, Real estate investments and Associates and joint ventures. Due to their nature, remaining assets consist mainly of assets expected to be recovered after more than 12 months.

40 Liabilities by maturity

The tables below include all financial liabilities by maturity based on contractual, undiscounted cash flows. Furthermore, the undiscounted future coupon interest on financial liabilities payable is included in a separate line and in the relevant maturity bucket. Derivative liabilities are included on a net basis if cash flows are settled net. For other derivative liabilities, the contractual gross cash flow payable is included.

Non-financial liabilities, including insurance and investment contracts, are included based on a breakdown of the (discounted) balance sheet amounts by expected maturity. Reference is made to the Liquidity risk paragraph in Note 52 'Risk management' for a description on how liquidity risk is managed.

Liabilities by maturity (2022)

2022	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Adjustment[1]	Total
Liabilities								
Subordinated debt[2]				1,000	1,350		-16	2,334
Debt securities issued	500			600	600		-6	1,694
Other borrowed funds	1,261	1,807	2,688	2,002	3,360			11,118
Customer deposits and other funds on deposit	10,427	151	584	2,215	2,858			16,235
Financial liabilities at fair value through profit or loss:								
– non-trading derivatives	5	66	166	1,120	6,513		-1,408	6,462
Financial liabilities	**12,193**	**2,024**	**3,438**	**6,937**	**14,681**	**–**	**-1,430**	**37,843**
Insurance and investment contracts	771	1,033	3,608	15,027	102,105	33,833	1	156,378
Deferred tax liabilities	5	8	-18	51	446	-69		423
Other liabilities	2,976	675	163	193	580	48	-1	4,634
Non-financial liabilities	**3,752**	**1,716**	**3,753**	**15,271**	**103,131**	**33,812**	**–**	**161,435**
Total liabilities	**15,945**	**3,740**	**7,191**	**22,208**	**117,812**	**33,812**	**-1,430**	**199,278**
Coupon interest due on financial liabilities	21	34	152	762	2,242			3,211

1 This column reconciles the contractual undiscounted cash flow on financial liabilities to the balance sheet values. The adjustments mainly relate to valuation differences, the impact of discounting and, for derivatives, to the fact that the contractual cash flows are presented on a gross basis (unless the cash flows are actually settled net).
2 Subordinated debt maturities are presented based on the first call date. For the legal date of maturity reference is made to Note 15 'Subordinated debt'.

40 Liabilities by maturity continued

Liabilities by maturity (2021)

2021	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Adjustment[1]	Total
Liabilities								
Subordinated debt[2]			500	1,000	850		6	2,356
Debt securities issued		600		500	1,200		-8	2,292
Other borrowed funds	55	675	385	2,805	3,381			7,301
Customer deposits and other funds on deposit	10,113	150	602	2,168	2,912			15,945
Financial liabilities at fair value through profit or loss:								
– non-trading derivatives	30	125	307	1,154	8,328		-8,040	1,904
Financial liabilities	**10,198**	**1,550**	**1,794**	**7,627**	**16,671**	**–**	**-8,042**	**29,798**
Insurance and investment contracts	821	1,187	3,961	16,796	108,051	37,996		168,812
Liabilities held for sale			3,464					3,464
Deferred tax liabilities	4	6	-14	58	4,459	304		4,817
Other liabilities	7,853	495	516	287	633	-8		9,776
Non-financial liabilities	**8,678**	**1,688**	**7,927**	**17,141**	**113,143**	**38,292**	**–**	**186,869**
Total liabilities	**18,876**	**3,238**	**9,721**	**24,768**	**129,814**	**38,292**	**-8,042**	**216,667**
Coupon interest due on financial liabilities	15	25	102	660	1,924			2,726

1 This column reconciles the contractual undiscounted cash flow on financial liabilities to the balance sheet values. The adjustments mainly relate to the impact of discounting and, for derivatives, to the fact that the contractual cash flows are presented on a gross basis (unless the cash flows are actually settled net).

2 Subordinated debt maturities are presented based on the first call date. For the legal date of maturity reference is made to Note 15 'Subordinated debt'.

41 Assets not freely disposable

Assets not freely disposable of EUR 118 million (2021: EUR 136 million) relates to the mandatory reserve deposit at De Nederlandsche Bank and cash balances held at BNG Bank regarding the structured entities Arena NHG, Hypenn RMBS entities and the Covered Bond companies.

Assets relating to securities lending are disclosed in Note 42 'Transferred, but not derecognised financial assets'. Assets in securitisation programmes originated by NN Bank are disclosed in Note 47 'Structured entities'.

42 Transferred, but not derecognised financial assets

The majority of NN Group's financial assets that have been transferred, but do not qualify for derecognition, are debt instruments used in securities lending. NN Group retains substantially all risks and rewards of those transferred assets. The assets are transferred in return for cash collateral or other financial assets. Non-cash collateral is not recognised in the balance sheet. Cash collateral is recognised as an asset and an offsetting liability is established for the same amount as NN Group is obligated to return this amount upon termination of the lending arrangement.

Transfer of financial assets not qualifying for derecognition

	2022	2021
Transferred assets at carrying value		
Available-for-sale investments	8,703	17,761
Associated liabilities at carrying value		
Other borrowed funds	250	580

The table above does not include assets transferred to consolidated securitisation entities, as these related assets are not transferred from a consolidated perspective. Reference is made to Note 47 'Structured entities'.

43 Offsetting of financial assets and liabilities

The following tables include information about rights to offset and the related arrangements. The amounts included consist of all recognised financial instruments that are presented net in the balance sheet under the IFRS-EU offsetting requirements (legal right to offset and intention to settle on a net basis) and amounts presented gross in the balance sheet but subject to enforceable master netting arrangements or similar arrangement.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements (2022)

2022					Related amounts not offset in the balance sheet		
Balance sheet line item	Financial instrument	Gross financial assets	Gross financial liabilities offset in the balance sheet	Net financial assets in the balance sheet	Financial instruments	Cash and financial instruments collateral	Net amount
Non-trading derivatives	Derivatives	2,405		2,405	-1,642	-735	28
Financial assets at fair value through profit or loss		**2,405**	**–**	**2,405**	**-1,642**	**-735**	**28**
Other items where offsetting is applied in the balance sheet		**158**	**–**	**158**	**-110**	**-48**	**–**
Total financial assets		**2,563**	**–**	**2,563**	**-1,752**	**-783**	**28**

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements (2021)

2021					Related amounts not offset in the balance sheet		
Balance sheet line item	Financial instrument	Gross financial assets	Gross financial liabilities offset in the balance sheet	Net financial assets in the balance sheet	Financial instruments	Cash and financial instruments collateral	Net amount
Non-trading derivatives	Derivatives	6,411		6,411	-1,152	-5,231	28
Financial assets at fair value through profit or loss		**6,411**	**–**	**6,411**	**-1,152**	**-5,231**	**28**
Other items where offsetting is applied in the balance sheet		**127**	**–**	**127**	**-56**	**-70**	**1**
Total financial assets		**6,538**	**–**	**6,538**	**-1,208**	**-5,301**	**29**

43 Offsetting of financial assets and liabilities continued

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements (2022)

2022					Related amounts not offset in the balance sheet		
Balance sheet line item	Financial instrument	Gross financial liabilities	Gross financial assets offset in the balance sheet	Net financial liabilities in the balance sheet	Financial instruments	Cash and financial instruments collateral	Net amount
Non-trading derivatives	Derivatives	6,321		6,321	-1,643	-4,610	68
Financial liabilities at fair value through profit or loss		**6,321**	**–**	**6,321**	**-1,643**	**-4,610**	**68**
Other items where offsetting is applied in the balance sheet		**4,291**		**4,291**	**-110**	**-4,129**	**52**
Total financial liabilities		**10,612**	**–**	**10,612**	**-1,753**	**-8,739**	**120**

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements (2021)

2021					Related amounts not offset in the balance sheet		
Balance sheet line item	Financial instrument	Gross financial liabilities	Gross financial assets offset in the balance sheet	Net financial liabilities in the balance sheet	Financial instruments	Cash and financial instruments collateral	Net amount
Non-trading derivatives	Derivatives	1,679		1,679	-1,152	-495	32
Financial liabilities at fair value through profit or loss		**1,679**	**–**	**1,679**	**-1,152**	**-495**	**32**
Other items where offsetting is applied in the balance sheet		**58**		**58**	**-56**	**-2**	**–**
Total financial liabilities		**1,737**	**–**	**1,737**	**-1,208**	**-497**	**32**

44 Contingent liabilities and commitments

In the normal course of business (excluding investment commitments) NN Group is party to activities whose risks are not reflected in whole or in part in the Consolidated annual accounts. In response to the needs of its customers, NN Group offers financial products related to loans. These products include traditional off-balance sheet credit-related financial instruments.

Contingent liabilities and commitments (2022)

2022	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
Commitments	669	1,255	2,601	225	18	63	4,831
Guarantees			18	3			21
Contingent liabilities and commitments	**669**	**1,255**	**2,619**	**228**	**18**	**63**	**4,852**

Contingent liabilities and commitments (2021)

2021	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
Commitments	505	989	2,132	244	21	343	4,234
Guarantees			20	1			21
Contingent liabilities and commitments	**505**	**989**	**2,152**	**245**	**21**	**343**	**4,255**

Next to this NN Group has committed amounts to investments of EUR 4,310 million (2021: 3,713 million) where it is uncertain when those amounts will be invested.

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44 Contingent liabilities and commitments continued

NN Group has issued certain guarantees, other than those included in 'Insurance contracts', which are expected to expire without being drawn on and therefore does not necessarily represent future net cash outflows. In addition to the items included in 'Contingent liabilities', NN Group has issued guarantees as a participant in collective arrangements of national industry bodies and as a participant in government required collective guarantee schemes which apply in different countries.

ING Group

During 2016, ING Group, NN Group's former parent company, sold its remaining stake in NN Group. Therefore, ING Group has ceased to be a related party of NN Group in the course of 2016. The following agreements with ING Group are still relevant:

Master claim agreement

In 2012, ING Groep N.V., Voya Financial Inc. (formerly ING U.S., Inc.) and ING Insurance Eurasia N.V. entered into a master claim agreement to (a) allocate existing claims between these three parties and (b) agree on criteria for how to allocate future claims between the three parties. The master claim agreement contains further details on claim handling, conduct of litigation and dispute resolution.

Indemnification and allocation agreement

ING Groep N.V. and NN Group N.V. have entered into an indemnification and allocation agreement, in which ING Group has agreed to indemnify NN Group for certain liabilities that relate to the business of or control over certain (former) U.S. and Latin American subsidiaries of NN Group in the period until 30 September 2013 or, if the relevant subsidiary was divested by NN Group after 30 September 2013, such later date of divestment. These liabilities mainly include contingent liabilities that may arise as a result of the initial public offering of ING U.S. (such as prospectus liability), the sales of the Latin American businesses (such as claims under warranties and other buyer protection clauses) and the liabilities for the claims concerning the performance of certain interest-sensitive products that were sold by a former subsidiary of NN Group in Mexico.

Other agreements

In connection with the initial public offering of NN Group N.V., ING Groep N.V. entered in 2014 into several other agreements with NN Group N.V. which are currently, partly or wholly, in force, such as a joinder agreement, an equity administration agreement and a Risk Management Programme (RMP) indemnity agreement. In 2015, NN Group N.V. and ING Groep N.V. entered into an agreement providing amongst others for allocation between them of insurance payments under the public offering securities insurance taken out by ING Groep N.V. with respect to the IPO of NN Group N.V.

45 Legal proceedings

General

NN Group is involved in litigation and arbitration proceedings in the Netherlands and in a number of foreign jurisdictions, involving claims by and against NN Group which arise in the ordinary course of its business, including in connection with its activities as insurer, lender, seller, broker-dealer, underwriter, issuer of securities and investor and its position as employer and taxpayer. In certain of such proceedings, very large or indeterminate amounts are sought, including punitive and other damages. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, NN Group believes that some of the proceedings set out below may have, or have in the recent past had, a significant effect on the financial condition, profitability or reputation of NN Group.

Because of the geographic spread of its business, NN Group may be subject to tax audits in numerous jurisdictions at any point in time. Although NN Group believes that it has adequately provided for its tax positions, the ultimate outcome of these audits may result in liabilities that are different from the amounts recognised.

Unit-linked products in the Netherlands

Since the end of 2006, unit-linked products (commonly referred to in Dutch as 'beleggingsverzekeringen') have received negative attention in the Dutch media, from the Dutch Parliament, the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten) and consumer protection organisations. Costs of unit-linked products sold in the past are perceived as too high and Dutch insurers are in general being accused of being less transparent in their offering of such unit-linked products. On 29 April 2015, the European Court of Justice issued its judgment on preliminary questions submitted by the District Court in Rotterdam, upon request of parties, including Nationale-Nederlanden, to obtain clarity on principal legal questions with respect to cost transparency in relation to unit-linked products. The main preliminary question considered by the European Court of Justice was whether European law permits the application of information requirements based on general principles of Dutch law that extend beyond information requirements as explicitly prescribed by laws and regulations in force at the time the policy was written. The European Court of Justice ruled that the information requirements prescribed by the applicable European directive may be extended by additional information requirements included in national law, provided that these requirements are necessary for a policyholder to understand the essential characteristics of the commitment and are clear, accurate and foreseeable. Dutch courts will need to take the interpretation of the European Court of Justice into account in relevant proceedings.

45 Legal proceedings continued

In 2013 Woekerpolis.nl and in 2017 Consumentenbond and Wakkerpolis, all associations representing the interests of policyholders of Nationale-Nederlanden, individually initiated so-called 'collective proceedings' against Nationale-Nederlanden. These claims are all based on similar grounds and have been rejected by Nationale-Nederlanden and Nationale-Nederlanden defends itself in these legal proceedings.

Woekerpolis.nl requested the District Court in Rotterdam to declare that Nationale-Nederlanden sold products which are defective in various respects. Woekerpolis.nl alleges that Nationale-Nederlanden failed to meet the required level of transparency regarding, cost charges and other product characteristics, failed to warn policyholders of certain product related risks, such as considerable stock depreciations, the inability to realise the projected final policy value, unrealistic capital projections due to differences in geometric versus arithmetic returns and that certain general terms and conditions regarding costs were unfair. On 19 July 2017, the District Court in Rotterdam rejected all claims of Woekerpolis.nl and ruled that Nationale-Nederlanden has generally provided sufficient information on costs and deductions. Woekerpolis.nl has lodged an appeal with the Court of Appeal in The Hague against the judgment of the District Court in Rotterdam. On 23 February 2021, the Court of Appeal in The Hague rendered an interim judgment submitting preliminary questions to the Dutch Supreme Court to obtain clarity on the interpretation of certain principle questions of law that are relevant in disputes concerning unit-linked policies. The questions concern the relationship between the specific Dutch regulations applicable to insurers regarding the provision of (pre)contractual information, and Dutch civil law and the impact thereon by European law. On 11 February 2022, the Supreme Court answered the questions of law submitted to it by the Court of Appeal in The Hague. The Supreme Court primarily considers that Dutch civil law is applicable to the legal relationship between insurer and policyholder. It is up to lower courts to decide whether Dutch civil law entails obligations to provide information in addition to the obligations arising from specific regulations and, if so, which obligations. The Supreme Court holds that if the lower courts were to decide that additional information obligations apply, such obligations must satisfy the criteria formulated by the European Court of Justice in the abovementioned judgment of 2015. This means that the courts have to judge whether these information obligations 1) pertain to information that is clear and accurate, 2) are necessary for a proper understanding of the essential characteristics of the unit-linked policy, and 3) enable the insurer to identify with sufficient foreseeability the additional information that must be provided and that the policyholder may expect. (Only) in case any potential obligation to provide additional information satisfies the aforementioned criteria, the policyholder can claim legal protection before the court. The judgment has no direct consequences for customers with a unit-linked policy. The Court of Appeal in The Hague resumed the collective proceedings between Woekerpolis.nl and Nationale-Nederlanden. Under Dutch law, judgments rendered by lower (including appellate) courts have no legal status as precedent and only bind parties in the respective legal proceedings. The Court of Appeal in The Hague is to independently asses all facts, circumstances, arguments, claims and counter arguments brought forward in the collective proceedings between Woekerpolis.nl and Nationale-Nederlanden. A judgment in appeal is expected in the first half of 2023. Any final judgment by the Court of Appeal is subject to cassation proceedings at the Dutch Supreme Court.

Consumentenbond alleges that Nationale-Nederlanden failed to adequately inform policyholders on cost charges, deductions for life insurance cover and the leverage and capital consumption effect and that Nationale-Nederlanden provided misleading capital projections. Consumentenbond requested the District Court in Rotterdam to order a recalculation of certain types of unit-linked insurance products and to declare that Nationale-Nederlanden is liable for any damage caused by a lack of information and misleading capital projections. On 29 July 2020, the District Court in Rotterdam rejected all claims of Consumentenbond. The court ruled that Nationale-Nederlanden has provided sufficient information on the effect of costs and deductions for life insurance cover included in the gross premium, leading to consensus between parties ('wilsovereenstemming') on these costs and deductions and on the manner in which these costs components are set off during the term of the insurance. Consumentenbond has lodged an appeal with the Court of Appeal in The Hague against the judgment of the District Court. The appeal proceedings commenced on 29 June 2021 and are expected to resume in due course after a deferral in anticipation of the judgment in the preliminary proceedings before the Supreme Court mentioned above.

Wakkerpolis' and several individual policyholders' claims primarily concentrate on the recovery of initial costs for policyholders, claiming that there is no contractual basis for settling these initial costs. In an interim judgment rendered on 22 April 2020, the District Court in Rotterdam in principle dismissed Wakkerpolis' most important claim to recalculate unit-linked insurance policies without initial costs for policies taken out after 1 July 1994. In its final judgment (in first instance) of 20 July 2022, the District Court in Rotterdam considered that for policies taken out after 1 July 1994, Nationale-Nederlanden has generally complied with its information obligations towards its policyholders, leading to consensus between parties on initial costs. Only with respect to policies taken out before 1 July 1994, the District Court in Rotterdam concluded that Nationale-Nederlanden did not (fully) comply with its information obligations and, therefore, a contractual basis for settling initial costs is absent. Nationale-Nederlanden has to recalculate these policies, as if the initial costs were never incurred, unless consensus between parties on initial costs can otherwise be established. For premium policies taken out between 1 July 1994 and 1 August 1999 that were surrendered early or converted into a paid-up policy, the District Court in Rotterdam ruled that settlement of initial costs upon surrender or conversion was allowed, but that Nationale-Nederlanden should apply a settlement period of five years instead of a settlement period of five to ten years, if that is more favourable for the policyholder. For policies taken out in the period 1 August 1999 onwards, the District Court in Rotterdam found that Nationale-Nederlanden sufficiently informed policyholders of the consequences of early surrender or conversion into a paid-up policy for the value of the policy. Wakkerpolis lodged an appeal against the judgment of 20 July 2022. Although the judgment is largely in line with Nationale-Nederlanden's views, Nationale-Nederlanden disagrees with the District Court in Rotterdam on a number of points and will lodge a cross appeal. In the context of the ongoing proceedings against Nationale-Nederlanden, Nationale-Nederlanden does not disclose further details on the (potential) financial impact of this judgment.

45 Legal proceedings continued

There has been for some time and there continues to be political, regulatory and public attention focused on the unit-linked issue in general. Elements of unit-linked policies are being challenged or may be challenged on multiple legal grounds in current and future legal proceedings. There is a risk that one or more of those legal challenges will succeed. Customers of NN Group's Dutch insurance subsidiaries have claimed, among others, that (a) the investment risk, costs charged or the deductions was or were not, or not sufficiently, made clear to the customer, (b) the product costs charged on initial sale and on an ongoing basis were so high that the expected return on investment was not realistically achievable, (c) the product sold to the customer contained specific risks that were not, or not sufficiently, made clear to the customer (such as the leverage capital consumption risk) or was not suited to the customer's personal circumstances, (d) the insurer owed the customer a duty of care which the insurer has breached, (e) the insurer failed to warn of the risk of not realising the projected policy values and/or that these projected policy values were incorrect, (f) the policy conditions were unfair, or (g) the costs charged or the deductions had no contractual basis. These claims may be based on general standards of contract or securities law, such as reasonableness and fairness, error, duty of care, or standards for proper customer treatment or due diligence, such as relating to the fairness of terms in consumer contracts and may be made by customers, or on behalf of customers, holding active policies or whose policies have lapsed, matured or been surrendered. There is no assurance that further proceedings for damages based on aforementioned legal grounds or other grounds will not be brought. The timing of reaching any finality in last instance on these pending legal claims and proceedings is uncertain and such uncertainty is likely to continue for some time.

Rulings or announcements made by courts or decision-making bodies or actions taken by regulators or governmental authorities against NN Group's Dutch insurance subsidiaries or other Dutch insurance companies in respect of unit-linked products, or settlements or any other actions to the benefit of customers (including product improvements or repairs) by other Dutch insurance companies towards consumers, consumer protection organisations, regulatory or governmental authorities or other decision-making bodies in respect of the unit-linked products, may affect the (legal) position of NN Group's Dutch insurance subsidiaries and may force such subsidiaries to take (financial) measures that could have a substantial impact on the financial condition, results of operations, solvency or reputation of NN Group and its subsidiaries. As a result of the public and political attention the unit-linked issue has received, it is also possible that sector-wide measures may be imposed by governmental authorities or regulators in relation to unit-linked products in the Netherlands. The impact on NN Group's Dutch insurance subsidiaries of rulings made by courts or decision-making bodies, actions taken by regulators or governmental bodies against other Dutch insurance companies in respect of unit-linked products, or settlements or any other actions to the benefit of customers (including product improvements or repairs), may be determined not only by market share but also by portfolio composition, product features, terms and conditions and other factors. Adverse decisions or the occurrence of any of the developments as described above could result in outcomes materially different than if NN Group's Dutch insurance subsidiaries or its products had been judged or negotiated solely on their own merits.

The book of policies of NN Group's Dutch insurance subsidiaries dates back many years, and in some cases several decades. Over time, the regulatory requirements and expectations of various stakeholders, including customers, regulators and the public at large, as well as standards and market practice, have developed and changed, increasing customer protection. As a result, policyholders and consumer protection organisations have initiated and may in the future initiate proceedings against NN Group's Dutch insurance subsidiaries alleging that products sold in the past fail to meet current requirements and expectations. In any such proceedings, it cannot be excluded that the relevant court, regulator, governmental authority or other decision-making body will apply current norms, requirements, expectations, standards and market practices on laws and regulations to products sold, issued or advised on by NN Group's Dutch insurance subsidiaries.

Although the financial consequences of any of these factors or a combination thereof could be substantial for the Dutch insurance business of NN Group and, as a result, may have a material adverse effect on NN Group's business, reputation, revenues, results of operations, solvency, financial condition and prospects, it is not possible to reliably estimate or quantify NN Group's overall exposures at this time.

Dispute on reinsurance agreement

NN Group had reinsured with another insurance company part of the exposure on certain insured pension obligations. The counterparty acknowledged the existence of a reinsurance arrangement, but disputed the applicability of fundamental aspects of the reinsurance agreement. NN Group started legal proceedings in 2019. A provision was recognised in 2019. In 2021, both parties agreed on a settlement. As a result, the reinsurance was cancelled and a settlement amount was received. The net positive impact of the settlement was recognised in 2021.

Argentina

On 10 April 2019, NN Group filed a claim with the International Centre for Settlement of Investment Disputes (ICSID) under the Bilateral Investment Treaty between Argentina and the Netherlands, in order to resolve a dispute with the Argentine Republic. The dispute relates to the nationalisation of Orígenes – NN Group's former pension fund manager in Argentina - by the Argentine Government in 2008. These proceedings may last for several years. As the case is still pending, it is unclear at this stage whether and to what extent any compensation will be granted to NN Group and therefore no compensation has been recognised.

46 Companies and businesses acquired and divested

Acquisitions (2022)

MetLife's businesses in Poland and Greece

In July 2021, NN Group announced it had reached agreement to acquire 100% of MetLife's businesses in Poland and Greece as part of the strategy to strengthen NN Group's position in these growth markets. The acquisition was completed in the first half of 2022: Greece in January 2022 and Poland in April 2022. The amounts in the acquisition balance sheets are as follows:

Acquisition accounting amounts for the MetLife transaction

	MetLife Greece	MetLife Poland	Total
Consideration paid	**-123**	**-427**	**-550**
Investments	1,823	940	2,763
Other assets	123	68	191
Insurance liabilities	1,846	928	2,774
Other liabilities	49	59	108
New intangible assets	22	187	209
Fair value of net assets acquired	**73**	**208**	**281**
Goodwill	**50**	**219**	**269**

The amount of revenue and profit of Metlife Greece and Poland since acquisition date and if the acquisition date had been at the start of 2022 are not significant.

ABN AMRO Levensverzekering

In February 2022 NN Group, ABN AMRO Bank and their joint venture ABN AMRO Verzekeringen announced that they had reached an agreement to sell the life insurance subsidiary of ABN AMRO Verzekeringen to Nationale-Nederlanden Levensverzekering Maatschappij N.V. (NN Life). This transaction was completed in July 2022. ABN AMRO Verzekeringen is a joint venture between NN Group (51%) and ABN AMRO Bank (49%). The life insurance subsidiary of ABN AMRO Verzekeringen was already consolidated by NN Group and, therefore, this transaction did not have significant impact on NN Group.

Acquisitions (2021)

Heinenoord

In July 2021, NN Group announced that it had reached an agreement to acquire a 70% stake in Dutch insurance broker and service provider Heinenoord, for a total consideration of EUR 179 million. In addition, NN Group refinanced the outstanding debt granted to Heinenoord for an amount of EUR 129 million. Furthermore, the agreement includes a put option and call option structure on the remaining 30% of shares. The put option can be exercised as from 1 January 2024 and the call option can be exercised by NN as from 1 January 2025. The acquisition closed in October 2021 and was accounted for in 2021. Heinenoord is consolidated 100% by NN Group; a liability was recognised for the estimated remaining price to be paid under the put option of EUR 85 million, which was subsequently remeasured to EUR 53 million at 31 December 2022. Intangible assets for the brand name and customer relationships were recognised for an amount of EUR 120 million. In addition, goodwill was recognised for an amount of EUR 310 million. There are no other assets and liabilities in the balance sheet of Heinenoord that are significant to NN Group. Heinenoord is included in the segment Netherlands Non-life.

Divestments (2022)

NN IP

In August 2021, NN Group announced that it had reached an agreement to sell its asset management activities executed by NN Investment Partners (NN IP) to Goldman Sachs for total cash proceeds of EUR 1.7 billion closed in April 2022 resulting in a gain of EUR 1,062 million.

Following the announced disposal, the asset management activities were classified as Held for sale in 2021. Reference is made to Note 12 'Assets and liabilities held for sale'. The results from NN IP and the divestment result are presented as Result from discontinued operations. Reference is made to Note 31 'Discontinued operations'.

Closed book portfolio NN Belgium

In November 2021, NN Group's subsidiary NN Insurance Belgium sold a closed book life portfolio to Athora Belgium. The closed book portfolio, comprising life insurance policies that are no longer being sold, reflected approximately EUR 3.3 billion of assets and liabilities. The transaction was completed on 4 October 2022.

Following the announced disposal, the closed book life portfolio was classified as Held for sale. Therefore, the assets and liabilities of the closed book life portfolio were presented in 'Assets held for sale' and 'Liabilities held for sale' in the balance sheet in 2021. Reference is made to Note 12 'Assets and liabilities held for sale'.

46 Companies and businesses acquired and divested continued

Divestments (2021)

Bulgaria

In February 2021, NN Group announced that it has reached an agreement with KBC Group N.V. (KBC) to sell its Bulgarian operations for a total consideration of EUR 78 million to KBC's Bulgarian insurance business DZI. The transaction closed in July 2021. The sale did not have a significant impact on the net result, equity or the Solvency II ratio of NN Group.

47 Structured entities

NN Group's activities involve transactions with structured entities in the normal course of business. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed through contractual arrangements. NN Group's involvement in these entities varies and includes both debt financing and equity financing of these entities as well as other relationships. Based on its accounting policies, as disclosed in Note 1 'Accounting policies', NN Group establishes whether these involvements result in no significant influence, significant influence, joint control or control over the structured entity.

The structured entities over which NN Group can exercise control are consolidated. NN Group may provide support to these consolidated structured entities as and when appropriate, however, this is fully reflected in the Consolidated annual accounts of NN Group as all assets and liabilities of these entities are included in the Consolidated balance sheet and off-balance sheet commitments are disclosed.

NN Group's activities involving structured entities are explained below in the following categories:
- Consolidated NN Group originated liquidity management securitisation and covered bond programmes
- Investments – NN Group managed investment funds
- Investments – Third-party managed structured entities

Consolidated NN Group originated liquidity management securitisation and covered bond programmes

Mortgage loans issued are partly funded by issuing residential mortgage-backed securities under NN Group's Dutch residential mortgage-backed securities programmes (Hypenn and Arena) and covered bonds. The mortgage loans transferred to these securitisation vehicles continue to be recognised in the balance sheet of NN Group. Total amounts of mortgage loans securitised (notes issued) and notes held by third parties as at 31 December is as follows:

Mortgage loans securitised

		Related mortgage loans		RMBS issued and held by third parties	
	Maturity year	**2022**	**2021**	**2022**	**2021**
Hypenn RMBS I	2024	1,048	1,169		
Hypenn RMBS VI			503		333
Hypenn RMBS VII	2026	1,302	1,563		
NN Conditional Pass-Through Covered Bond Company	2024-2039		2,925		2,587
Soft Bullet Covered Bonds	2024-2041	5,819	1,900	4,826	1,742
Total		**8,169**	**8,060**	**4,826**	**4,662**

NN Group companies hold the remaining notes.

NN Group managed investment funds

NN Group originates investment funds. NN Group may hold investments in these funds for its own account through the general account investment portfolio of the insurance operations. Other investments in these funds may be held for the risk of policyholders or by third parties. For the majority of these funds, NN Group also acts as the fund manager. NN Group considers both NN Group's financial interests for own risk and its role as asset manager to establish whether control exists and whether the fund is consolidated. In general, NN Group maintains a minority interest in these funds and NN Group receives a fixed fee over assets under management, at arm's length basis, for its asset management activities. These funds are generally not consolidated by NN Group. Financial interests for risk of policyholders are not taken into account when the policyholders decide on the investment allocations of their insurance policies (i.e. the policyholder has the 'power') and assume all risks and benefits on these investments (i.e. the policyholder assumes the variable returns).

Reference is made to Note 5 'Available-for-sale investments' in which investments in equity securities are specified by NN Group managed investment funds and Third-party managed investment funds. The maximum exposure to loss for NN Group is equal to the reported carrying value of the investment recognised in the balance sheet of NN Group.

47 Structured entities continued

Third-party managed structured entities

As part of its investment activities, NN Group invests both in debt and equity instruments of structured entities originated by third parties.

Most of the investments in debt instruments of third-party managed structured entities relate to Asset-backed securities (ABS), classified as loans. Reference is made to Note 5 'Available-for-sale investments' where the ABS portfolio is disclosed.

The majority of the investments in equity instruments of third-party managed structured entities relate to interests in investment funds that are not originated or managed by NN Group. Reference is made to Note 5 'Available-for-sale investments' in which investments in equity securities are specified by NN Group managed investment funds and Third-party managed investment funds.

NN Group has significant influence for some of its real estate investment funds as disclosed in Note 7 'Associates and joint ventures'.

The maximum exposure to loss for NN Group is equal to the reported carrying value of the investment recognised in the balance sheet of NN Group.

48 Related parties

In the normal course of business, NN Group enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Related parties of NN Group include, among others, associates, joint ventures, key management personnel and close family members and the defined benefit and defined contribution plans. Transactions between related parties have taken place on an arm's length basis and include distribution agreements, sourcing and procurement agreements, human resources-related arrangements, and rendering and receiving of services.

There are no significant provisions for doubtful debts or individually significant bad debt expenses recognised on outstanding balances with related parties.

NN Group identifies the following (groups of) related party transactions:

Transactions with key management personnel

Transactions with members of NN Group's Executive Board, Management Board and Supervisory Board and close family members are considered to be transactions with key management personnel. Reference is made to Note 49 'Key management personnel compensation' for more information on these transactions.

Transactions with consolidated entities

Entities over which NN Group can exercise control are considered to be related parties of NN Group. These entities are consolidated by NN Group. Transactions with or between entities controlled by NN Group are eliminated in the Consolidated annual accounts. More information on the NN Group originated liquidity management securitisation programmes is disclosed in Note 47 'Structured entities'.

Transactions with associates and joint ventures

Associates and joint ventures of NN Group are related parties of NN Group. The transactions with associates and joint ventures can be summarised as follows:

Transactions with associates and joint ventures

	2022	2021
Assets	85	210
Income	5	8

Transactions with post-employment benefit plans

Entities administering or executing post-employment benefit plans of the employees of NN Group are considered to be related parties of NN Group. This relates to NN Group's pensions funds, i.e. the ING Group DB pension fund (joint with ING Bank), the Stichting Pensioenfonds Delta Lloyd, the NN CDC pension fund and BeFrank in the Netherlands and Instelling voor Bedrijfspensioenvoorziening Delta Lloyd Life OFP in Belgium. For more information on the post-employment benefit plans, reference is made to Note 28 'Staff expenses'.

48 Related parties continued

Transactions with other related parties

Investment funds

Other related parties include NN Group managed investment funds. Reference is made to Note 47 'Structured entities' for more information.

Pension entities

NN Group operates several pension entities in the Netherlands, including BeFrank PPI N.V. and De Nationale Algemeen Pensioenfonds. For these entities, all asset management and other services are provided by NN Group entities on an arm's length basis. NN Group has no financial interest in the pension schemes that are executed by these entities. These entities are considered related parties.

49 Key management personnel compensation

Transactions with key management personnel (Executive Board, Management Board and Supervisory Board) are transactions with related parties. These transactions are disclosed in more detail as required by Part 9 Book 2 of the Dutch Civil Code in sections II and III in the remuneration report in the financial report. These sections of the remuneration report are therefore part of the annual accounts.

2022

Executive Board and Management Board (2022)

Amounts in thousands of euros	Executive Board	Management Board	Total
Fixed compensation:			
– base salary (cash)	2,555	3,820	6,375
– base salary (fixed shares)	639	955	1,594
– pension costs[1]	49	151	200
– individual saving allowance[1]	690	950	1,640
Variable compensation:			
– upfront cash	100	151	251
– upfront shares	100	151	251
– deferred cash	150	227	377
– deferred shares	150	227	377
Fixed and variable compensation	**4,433**	**6,632**	**11,065**
Other benefits	411	294	705
Employer cost social security[3]	138	260	398
Total compensation	**4,982**	**7,186**	**12,168**

1 The pension costs consist of an amount of employer contribution (EUR 200 thousand) and an individual savings allowance (EUR 1,640 thousand), which is 23.3% of the amount of base salary above EUR 114,866.
2 Annemiek van Melick was appointed Chief Financial Officer and Member of the Executive Board NN Group on 1 July 2022, succeeding Delfin Rueda, who as he stepped down on 1 July 2022.
3 The employer cost social security does not impact the overall remuneration received by the Executive Board and Management Board members.

In the table above, 'Executive Board' refers to the two members of the Executive Board as at 31 December 2022. The two members of the Executive Board are also members of the Management Board. In the table above, 'Management Board' refers to the six members of the Management Board as at 31 December 2022, i.e. those members that are not also member of the Executive Board. In the table above 'Total' refers to all members of the Management Board during 2022.

Remuneration of the members of the Executive Board and the Management Board is recognised in the profit and loss account in 'Staff expenses' as part of 'Total expenses'. The total remuneration as disclosed in the table above (for 2022: EUR 12.2 million) includes all variable remuneration related to the performance year 2022. Under IFRS-EU, certain components of variable remuneration are not recognised in the profit and loss account directly, but are allocated over the vesting period of the award. The comparable amount recognised in staff expenses in 2022 and therefore included in 'Total expenses' in 2022, relating to the fixed expenses of 2022 and the vesting of variable remuneration of 2022 and earlier performance years, is EUR 12.9 million.

As at 31 December 2022, members of the Executive Board and Management Board held a total of 186,891 NN Group N.V. shares.

In 2022, 13,764 share awards on NN Group N.V. (both deferred and upfront) were granted to the Executive Board and Management Board.

49 Key management personnel compensation continued

Supervisory Board (2022)

Amounts in thousands of euros	Supervisory Board
Fixed fees	822
Expense allowances	70
Compensation Supervisory Board	**892**

As at 31 December 2022, members of the Supervisory Board held no NN Group N.V. shares.

Loans and advances to members of the Management Board (2022)

Amounts in thousands of euros	Amount outstanding 31 December	Average interest rate	Repayments
Management Board members	223	1.90%	178
Loans and advances	**223**		**178**

As at 31 December 2022, no loans and advances were provided to members of the Executive Board and Supervisory Board.

2021

Executive Board and Management Board (2021)

Amounts in thousands of euros	Executive Board	Management Board[3]	Total
Fixed compensation:			
– base salary (cash)	2,557	3,947	6,504
– base salary (fixed shares)	639	889	1,528
– pension costs[1]	49	162	211
– individual saving allowance[1]	692	953	1,645
Variable compensation:			
– upfront cash	118	206	324
– upfront shares	118	206	324
– deferred cash	176	241	417
– deferred shares	176	309	485
Other[2]		67	67
Fixed and variable compensation	**4,525**	**6,980**	**11,505**
Other benefits	350	322	672
Employer cost social security[4]	131	270	401
Total compensation	**5,006**	**7,572**	**12,578**

1 The pension costs consist of an amount of employer contribution (EUR 211 thousand) and an individual savings allowance (EUR 1,645 thousand), which is 23.3% of the amount of base salary above EUR 112,189.
2 For the NN Investment Partners business, 50% of deferred awards are made in a deferred investment in funds managed by the business instead of awarding deferred cash. In this way, alignment of interests is achieved between staff working in the NN Investment Partners business and the clients who invest in funds managed by that business.
3 Satish Bapat was appointed to the Management Board as CEO NN Investment Partners on 1 April 2017 and stepped down on 19 August 2021.
4 The employer cost social security does not impact the overall remuneration received by the Executive Board and Management Board members.

In the table above, 'Executive Board' refers to the two members of the Executive Board as at 31 December 2021. The two members of the Executive Board were also members of the Management Board. In the table above, 'Management Board' refers to the six members of the Management Board as at 31 December 2021, i.e. those members who were not also member of the Executive Board. In the table above 'Total' refers to all members of the Management Board during 2021.

49 Key management personnel compensation continued

Remuneration of the members of the Executive Board and the Management Board is recognised in the profit and loss account in 'Staff expenses' as part of 'Total expenses'. The total remuneration as disclosed in the table above (for 2021: EUR 12.6 million) includes all variable remuneration related to the performance year 2021. Under IFRS-EU, certain components of variable remuneration are not recognised in the profit and loss account directly, but are allocated over the vesting period of the award. The comparable amount recognised in staff expenses in 2021 and therefore included in 'Total expenses' in 2021, relating to the fixed expenses of 2021 and the vesting of variable remuneration of 2021 and earlier performance years, is EUR 13.4 million.

As at 31 December 2021, members of the Executive Board and Management Board held a total of 166,577 NN Group N.V. shares.

In 2021, 35,645 share awards on NN Group N.V. (both deferred and upfront) were granted to the Executive Board and Management Board.

Supervisory Board (2021)

Amounts in thousands of euros	Supervisory Board
Fixed fees	831
Expense allowances	71
Compensation Supervisory Board	**902**

The above mentioned amounts include VAT of EUR 37 thousand for 2021. NN Group does not provide for any pension arrangement, termination arrangements (including termination or retirement benefits) or variable remuneration, for members of the Supervisory Board.

As at 31 December 2021, members of the Supervisory Board held no NN Group N.V. shares.

Loans and advances to members of the Executive Board and Management Board (2021)

A mounts in thousands of euros	Amount outstanding 31 December	Average interest rate	Repayments
Executive Board members		5.28%	320
Management Board members	401	1.77%	74
Loans and advances	**401**		**394**

As at 31 December 2021, no loans and advances were provided to members of the Supervisory Board.

50 Fees of auditors

Fees of auditors

	2022	2021
Audit fees	17	18
Audit related fees	10	4
Fees of auditors	**27**	**22**

Fees as disclosed above relate to the network of the NN Group's auditors and are the amounts related to the respective years, i.e. on an accrual basis (excluding VAT).

The audit related fees include mainly fees related to the implementation of IFRS 9 and IFRS 17 and the audit procedures on the 2022 comparatives, as well as services in relation to prospectuses, internal control reports provided to external parties and reporting to regulators.

Auditor fees are included in 'External advisory fees' as part of Other operating expenses.

51 Subsequent events

Share buyback

On 16 February, NN Group announced that it will execute an open market share buyback programme for an amount of EUR 250 million. The programme will be executed within 12 months and commenced on 1 March 2023. NN Group intends to cancel any repurchased NN Group shares under the programmes unless used to cover obligations under share-based remuneration arrangements or to deliver stock dividend.

52 Risk management

This note explains details with regard to the risk profile of NN Group. For certain disclosures in the sections 'Managing our risks' and 'Corporate Governance' in chapters 5 and 6 of this Annual Report it is indicated in a footnote that those disclosures are an integral part of the Consolidated Annual Accounts and are part of the disclosures to which the audit opinion relates.

Topics described in this section include:

- Partial Internal Model (PIM) (including assumptions and limitations)
- Solvency Capital Requirement of NN Group
- Risk profile, risk mitigation of and risk measurement of the main types of risks: Market risk, Counterparty default risk, Liquidity risk and Non-market risk

1. Partial Internal Model (PIM)

The Solvency Capital Requirement (SCR) is calculated based on the actual NN Group risk exposure. Under Solvency II, the SCR is the capital required to ensure that the (re)insurance company will be able to meet its obligations over the next 12 months with a probability of at least 99.5%. The risk-based framework for calculating Solvency Capital Requirements at NN Group is a combination of an Internal Model (IM) and Standard Formula (SF) components, the so-called Partial Internal Model (PIM). The major Dutch insurance entities use an internal model for modelling SCR for the Market, Counterparty default, Business and Insurance risks. The determined SCR is used for both local reporting and group consolidation purposes. For the EU-based international insurance businesses and smaller insurance undertakings in the Netherlands, NN Group uses the Solvency II Standard Formula to calculate the SCR for local reporting and for Group consolidation. The capital requirement for Operational risk is based on the Standard Formula approach across the Group.

The non-insurance businesses (e.g. Pension Funds, NN Bank) and international insurance undertakings not based in the EU (e.g. Japan, Turkey) are consolidated in the group SCR based on the local applicable (sectoral) capital requirements. The Solvency II concept of Equivalence is granted to capital frameworks that are deemed to have similarity with the Solvency II framework and/or principles and as such can be relied-upon to assess capital requirements, at NN Group this applies to Japan. The total group SCR is obtained from the Internal Model and Standard Formula capital requirements using EIOPA's integration technique 3.

52 Risk management continued

The choice for a Partial Internal Model is based on the conviction that an Internal Model in general better reflects the risk profile of the major Dutch insurance entities and has additional benefits for risk management purposes, whilst the Standard Formula adequately captures the risk profile of the international businesses and smaller Dutch entities:

- An Internal Model approach can better reflect the specific assets and therefore the Market risk in the portfolio of Dutch businesses e.g., sovereign and other credit spread risks.
- The approach used for most significant Non-market risks within the Life businesses such as longevity (trend uncertainty) and expense risk (closed block treatment) and within the Non-Life business can be better tailored to NN Group's specific portfolio characteristics. Diversifications effects inherent to the business model can be captured in a more adequate way.
- Variable Annuity risks in a portfolio of NN Re are not adequately addressed by the Standard Formula, while the Internal Model captures the integrated Market risks and hedging programmes more accurately.
- The granularity of the PIM and close alignment of the modelling techniques and parameters to NN's risk management approach also means that it can support a wide range of business decisions.

2. Assumptions and limitations

2.1 Risk-free rate and Volatility Adjustment (VOLA):

The assumptions used to determine the risk-free curve are important, as this curve is used for discounting future cashflows and to calculate market value of liabilities. For liabilities, NN Group uses the methodology prescribed by EIOPA for the risk-free rate including the Credit Risk Adjustment (CRA) and the Ultimate Forwards Rate (UFR). Where appropriate, the risk-free rate is adjusted with the VOLA for the calculation of Own Funds.

2.2 Valuation assumptions – replicating portfolios:

For SCR calculations, NN Group uses replicating portfolio techniques to represent the insurance product-related cash flows, options and guarantees by means of standard financial instruments. The replications are used to determine and revalue insurance liabilities under a large number of Monte Carlo scenarios.

2.3 Diversification and correlation assumptions:

As for any integrated financial services provider offering a variety of products across different business segments and geographic regions, and investing into wide range of assets, diversification is key to NN Group's business model. The resulting diversification reflects the fact that not all potential worst-case losses are likely to materialise at the same time. The Internal Model takes diversification effects into account when aggregating required capitals for different risk types as well as at Group level. Diversification benefits result from diversification across regions, Business Units and risk categories.

Where possible, correlation parameters are derived through statistical analysis based on historical data. In case historical data or other portfolio-specific observations are insufficient or not available, correlations are set by expert judgement via an established, well-defined and controlled process. Similar to other risk models, correlations and expert judgements are also monitored for appropriateness given availability of more recent data, and are subject to regular development, validation and regulatory oversight. Based on these correlations, industry-standard aggregation approaches such as Gaussian copula and VaR–CoVaR approach are used to determine the dependency structure of quantifiable risks.

2.4 Model limitations

NN Group's Partial Internal Model (PIM) resulted from managing a balancing between (1) an easy-to-communicate methodology and (2) efficient calculations with appropriate accuracy and granularity in the underlying risks. Despite several limitations stemming from this, the PIM is considered to be adequate to assess NN Group's risk profile and to determine Solvency Capital Requirements.

As a result of the granular modelling approach and the wide variety of NN Group's assets and liabilities, the PIM is more complex than the Standard Formula.

Inherent model limitations of the PIM are related to the calibration of 1-in-200-year stress event for a full spectrum of Market and Non-market risks, which are based on making use of limited historical data. Limitations also relate to the overall aim of determining forward-looking distributions of risk factors under stress based on historical data as well as the use of modelling assumptions and expert judgements.

Risks that cannot be directly modelled in the same way as Market risk or Insurance risk, for example Strategic, Reputational and Model risks, and also Emerging risks are managed through qualitative risk assessments. In addition, and as part of the ORSA, NN Group holistically assesses its risk exposure to both quantifiable and non-quantifiable risks in order to also outline the mitigating actions as required.

52 Risk management continued

The components of NN Group's PIM for Market and Counterparty default risk and the models for risk aggregation and replication have been developed centrally by Group Risk, and thus carry an Inherent risk that the developed models include aspects which might be less appropriate for individual entities. On a regular basis the Business Units perform 'Fit For Local Use' assessments. Models also undergo regular reviews and monitoring, under agreed governance, and in addition, model validations are performed by independent model validation department. Such reviews could result in additional monitoring and/or locally calculated and further centrally processed adjustments.

The Risk Management Function informs the Management Board and Supervisory Board on an annual basis on the performance of the Internal Model.

3. Solvency II 2020 review

EIOPA's Opinion on the Solvency II review to the European Commission (EC) was published on 17 December 2020. The Opinion consists of a proposed package of measures and will be used as input for the European Commission to draft a legislative proposal which will be discussed with the European Council and European Parliament in the coming years.

On 22 September 2021, the European Commission published as part of the Solvency II 2020 Review the proposed Level I texts (Directive) and insights in the upcoming Level II (Delegated Acts) regulations. Since this proposal mainly contains details on the Solvency II Directive, full detailed specifications of Delegated Acts are not yet clear. Furthermore, this EC proposal forms the basis for the upcoming political process, which can take several quarters and can lead to further changes in the proposals. The EC advice is on many items broadly in line with the earlier EIOPA proposal published in December 2020. However, some noteworthy changes in the EC advice can be summarised as follows:

- Interest rate curve: The implementation of the alternative extrapolation methodology used for the valuation of (long) insurance cash-flows will lead to a higher valuation of liabilities. The phasing-in of this negative impact will follow a simpler phasing-in mechanism and the initial impact on the Solvency II ratio is expected to be smaller compared to the original EIOPA proposals.
- Risk margin: The EC proposes to lower the cost-of-capital rate from 6% to 5%. Furthermore, it is proposed to remove the floor in the so called 'lambda approach' that was part of the EIOPA advice. These changes will lower the valuation of the risk margin. The exact details will be part of the Level II regulations, but the EC already included in its communication that these changes are considered.
- VOLA and Enhanced Prudency Principle: The entity specific liquidity haircut for volatility adjustment is not included in the proposals of the EC. This will increase the effectiveness of the VOLA compared to the EIOPA advice and it impacts the Enhanced Prudency Principle.

The resulting updated legislation is currently expected to be implemented at the earliest in 2026.

4. Solvency Capital Requirement

4.1 Solvency II ratio of NN Group

The following table shows the NN Group Solvency II ratio as at 31 December 2022 and 31 December 2021, respectively.

Solvency II ratio of NN Group

	2022	2021
Eligible Own Funds	17,822	20,927
Solvency Capital Requirement	9,040	9,840
NN Group Solvency II ratio (Eligible Own Funds/SCR)	197%	213%

The Solvency Capital Requirement is based on NN Group's Partial Internal Model. This comprises Internal Model calculation for all risks, except for Operational risk for NN Life, NN Non-life, NN Re and the main holding companies owned by NN Group N.V. and Standard Formula calculation for ABN AMRO Life and ABN AMRO Non-life, NN Insurance Services and the European international insurance entities of NN Group. SCR for Operational risk is calculated using the Standard Formula for all Solvency II entities. The capital requirements of non-Solvency II entities, in particular NN Life Japan, Pension Funds, and NN Bank were calculated using local sectoral rules.

52 Risk management continued

4.2 Solvency Capital Requirement

The following table shows the NN Group Solvency Capital Requirement as at 31 December 2022 and 31 December 2021, respectively.

Solvency Capital Requirements

	2022	2021
Market risk	6,724	7,397
Counterparty default risk	163	200
Non-market risk	5,070	5,903
Total BSCR (before diversification)	**11,957**	**13,500**
Diversification	-3,065	-3,603
Total BSCR (after diversification)	**8,892**	**9,897**
Operational risk	560	711
LACDT	-1,867	-2,225
TCLI		116
Voluntary Prudency Margin	116	
Other	-24	7
Solvency II entities SCR	**7,677**	**8,506**
Non-Solvency II entities	1,363	1,334
Total SCR	**9,040**	**9,840**

The Solvency II total Basic Solvency Capital Requirements (total BSCR after diversification) includes both the PIM businesses' BSCR and the Standard Formula businesses' BSCR. This figure also reflects the diversification benefits between the Business Units using Internal Model and a Standard Formula.

The general developments of the Basic SCR:
- Lower Market risk SCR (mainly due to higher volatility in the financial markets, which led to a decrease in the main standalone market risks, and decrease in the equity portfolio)
- Lower Counterparty default risk SCR (mainly driven by mortgage portfolio changes at NN Belgium)
- Lower Non-market risk SCR (mainly driven by a sharp increase in interest rates partially offset by higher inflation rates and a decrease in the Ultimate Forward Rate)
- Decrease in diversification (mainly reflecting higher interest rates and lower equity exposure)

The breakdown of the Market and Non-market risk SCR in specific risk types and explanations for the most important changes in the risk profile and Basic Solvency Capital Requirement over the year 2022 are presented in the next sections.

SCR for Operational risk decreased mainly due to lower levels of technical provisions driven by higher interest rates. The offsetting effect of Loss Absorbing Capacity of Deferred Taxes (LACDT) decreased mainly due to a lower effective tax rate. We refer to Chapter • **Managing our risks** for more details on how we manage non-financial/operational risks.

Prior to the approval by DNB of inclusion of the former VIVAT Non-life portfolio into the PIM scope, NN Non-life calculated the SCR for the merged entity using the NN Group PIM including a Transitional Capital Lock-In (TCLI). The TCLI at the end of 2021 was EUR 116 million reflecting the impact of reporting the former VIVAT Non-life business on the Solvency II Standard Formula versus the NN Group PIM. Following the approval by DNB in 2Q 2022, the TCLI was released both for NN Group and NN Non-Life.

In addition, following discussions between DNB and NN Group on various aspects of the Internal Model, NN Group agreed with DNB to assume a Voluntary Prudency Margin (VPM) as of 2Q 2022. The level of the VPM is set at EUR 116 million.

In the above table, 'Other' includes loss-absorbing capacity of technical provisions (LACTP) and capital for non-modelled Solvency II entities.

Solvency Capital Requirement for non-Solvency II entities includes mainly NN Life Japan, Pension Funds, and NN Bank. The capital requirements for the non-Solvency II entities increased mainly due to the increase in the target capital for NN Bank partially offset by the divestment of NN Investment Partners in April 2022.

52 Risk management continued

4.3 Solvency II ratio sensitivities

Along with the Solvency II Capital Requirement, NN Group regularly calculates the sensitivities of the Solvency II ratio under various scenarios, by assessing the changes for both Eligible Own Funds and SCR. The Solvency II ratio sensitivities are primarily designed to support the NN Group Management Board and the Risk Management functions in having a forward-looking view on the risks to solvency of the company, and to analyse the impacts of market or other events. The sensitivities are selected to reflect plausible, realistic scenarios that could materialise within the foreseeable future and are not calibrated on a pre-defined confidence interval or time horizon.

The effect on the Solvency II ratio is calculated based on applying an instantaneous stress on the balance sheet, and on ceteris paribus basis. For all insurance entities including NN Life Japan, the after stress Own Funds are calculated for each of the sensitivity scenarios; the SCR impacts are recalculated for BSCR and Operational risk SCR. LACDT is recalculated keeping the LACDT percentage fixed. 'Other' SCR components including the LACTP are kept constant.

The Solvency II sensitivities are disclosed for the main Market risks in the below sections.

Main types of risks

In the next sections the main risks associated with NN Group's business are discussed. Each risk type is analysed through the risk profile, risk mitigation and risk measurement. For Market and Non-market risks more detailed quantification of risk exposures are provided.

5. Market risk

Market risk comprises the risks related to the impact of changes in various financial markets indicators on NN Group's balance sheet. Market risks are taken in pursuit of returns for the benefit of customers and shareholders. Accordingly, risk and return consideration and optimisation are paramount for both policyholder and shareholder. In general, Market risks are managed through a well-diversified portfolio under a number of relevant policies within clearly defined and monitored limits. NN Group reduces downside risk through various hedging programmes, in particular risks for which NN Group has no or only a limited appetite, such as Interest rate, Inflation, and Foreign exchange risks. NN Group also integrates Environmental, Social, and Governance (ESG) factors in the investment decision-making framework (see section Facts and Figures). Impact from in particular, climate change may become more relevant over time for so-called transitional risk, where the value of NN Group's asset investments may be impacted. This potential impact is currently in the process of being assessed.

In managing our assets, we apply the prudent person principle, which means that we only invest in assets and instruments whose risks we properly identify, measure, monitor, manage, control and report and take into account in the assessment of our overall solvency needs.

Market risk capital requirements

	2022	2021
Interest rate risk	440	1,455
Equity risk	2,436	3,474
Credit spread risk	3,332	4,725
Real estate risk	2,098	2,124
Foreign exchange risk	620	730
Inflation risk	270	135
Basis risk	58	74
Diversification market risk	-2,530	-5,320
Market risk	**6,724**	**7,397**

In 2022, the Market risk SCR decreased from EUR 7,397 million to EUR 6,724 million, mainly driven by lower equity markets as well as the sale of equities and reduction of the NN Group equity book exposure. The decrease of standalone Interest rate risk SCR and Spread risk SCR due to lower asset valuation driven by higher interest rates is largely offset by lower diversification after aggregation with other Market risk SCR's. Diversification within Market risk decreased as Real estate risk SCR became more dominant, as a result of decreased Interest rate risk SCR, Credit spread risk SCR and Equity risk SCR.

The table below sets out NN Group's market value of assets for each asset class as at the end of 2022 and 2021. The values in these tables may differ from those included in the consolidated IFRS balance sheet as derivatives are excluded from this overview and furthermore due to classification and valuation differences to reflect a risk management view.

52 Risk management continued

Investment assets

	Market value 2022	% of total 2022	Market value 2021	% of total 2021
Fixed income	**139,893**	**83%**	**163,876**	**83%**
Government bonds and loans	42,276	25%	63,126	32%
Financial bonds and loans	8,125	5%	10,063	5%
Corporate bonds and loans	23,065	14%	26,838	13%
Asset-backed securities	3,225	2%	3,850	2%
Mortgages[1]	62,066	36%	58,499	30%
Other retail loans	1,136	1%	1,500	1%
Non-fixed income	**20,698**	**12%**	**22,512**	**11%**
Common & preferred stock[2]	3,654	2%	5,830	3%
Private equity	182	0%	1,215	1%
Real estate[3]	12,887	8%	12,492	6%
Mutual funds (money market funds excluded)[4]	3,975	2%	2,975	1%
Money market instruments (money market funds included)[5]	**9,295**	**5%**	**11,455**	**6%**
Total investments	**169,886**	**100%**	**197,843**	**100%**

1 Mortgages are on amortised cost value. The mortgage value on the consolidated IFRS balance sheet differs from the value in the current table due to the acquisition premium of mortgages and the inclusion of mortgages underlying the mortgage structure vehicles.
2 All preference shares are included in 'common & preferred stock', even when preference shares are modelled as bonds.
3 The real estate values exclude the real estate forward commitments, since NN Group has no price risk related to them.
4 Fixed income mutual funds are included in mutual funds.
5 Money market mutual funds and commercial papers are included in the Money market instruments.

Total investment assets have decreased from EUR 197,843 million at the end of 2021 to EUR 169,886 million at the end of 2022. The decrease is mainly due to a lower NN Group valuation of the fixed income investments subsequent to higher yield curves. Main developments in the NN Group risk profile in 2022 reflect the strategy of NN Group to maintain a relatively conservative investment portfolio to ensure a resilient balance sheet: exposures in high yielding corporate bonds and mortgage loans are currently close to target.

5.1 Interest rate risk

Interest rate risk is defined as the possibility of decrease in the Solvency II Own Funds due to adverse changes in the level or shape of the risk-free interest rate curve used for discounting assets and liabilities cash flows. Exposure to Interest rate risk arises from asset or liability positions that are sensitive to changes in this risk-free interest rate curve.

5.1.1 Risk profile

The Interest rate risk SCR of NN Group decreased from EUR 1,455 million in 2021 to EUR 440 million in 2022. The decrease is mainly driven by the sharp increase in the interest rates and changes in the shape of the interest rate curve. In addition, widening of spreads for assets and mortgages led to lower asset valuation and further decrease in the Interest rate risk SCR. This was partly offset by an increase of the VOLA by 16bps, from 3bps to 19bps at the end of 2022. The decrease of Interest rate risk SCR is the main driver of the decrease of the diversification across Market risks.

5.1.2 Risk mitigation

The Interest rate SCR indicates to what extent assets and liabilities are matched on a Solvency II basis. The majority of NN Group liability cash flows are predictable and stable, since exposure to policyholder behaviour and profit-sharing mechanisms is very limited. To manage Interest rate risk, NN Group applies cash flow matching on economic basis. Until year 30, where markets for fixed income instruments are sufficiently deep and liquid, best estimate liability cash flows (excluding risk margin) are closely matched with government bonds, corporate bonds, mortgages and loans. Cash flows after 30 years are partially hedged on a duration basis with long-term government bonds and interest rate swaps, due to price and illiquidity of markets.

NN Group has implemented limits and tolerances for Interest rate risk exposures at NN Group level as well as for relevant Business Units.

We continuously monitor and work on mitigating solutions for our new business and products, such as a development of defined contribution pension products in the Netherlands and a shift towards protection products in our markets in general.

52 Risk management continued

5.1.3 Risk measurement

For the purpose of discounting EUR-denominated asset cash flows, NN Group uses market swap curves to value assets. For the asset cash flows denominated in other currencies, the relevant swap or government curve is used for that specific currency.

For the purpose of discounting the EUR-denominated liability cash flows NN Group uses a swap curve less Credit Risk Adjustment (CRA) plus VOLA in line with definitions under the Solvency II. For the liability cash flows denominated in other currencies, the relevant swap or government curve is used where this curve is also lowered by the Credit Risk Adjustment and adding the VOLA specific for each currency. In line with Solvency II regulations, NN Group extrapolates the EUR swap curve starting from the Last Liquid Point (LLP) onwards to the Ultimate Forward Rate for each relevant currency in its portfolio. The LLP used for EUR is 20 years. As such, the sensitivity of SCR for Interest rate risk primarily depends on the level of cash flow matching between assets and liabilities up to the 20-year point, and the difference between the swap curve and the curve extrapolated to the UFR for longer cash flows.

The sensitivity of the Solvency II ratio to changes in interest rates is monitored on a quarterly basis. The table below presents the Eligible Own Funds, SCR, and Solvency II ratio sensitivities to various changes in interest rates.

Solvency II Ratio sensitivities for interest rate comprise the following set of shocks, each of them is calculated independently as a standalone scenario: a parallel up and a parallel down shifts of the discount curve, and a steepening scenario for the interest rates used to discount asset cash flows after the LLP.

Solvency II ratio sensitivities: Interest rate risk at 31 December 2022

2022	Own Funds impact	SCR impact	Solvency II ratio impact
Interest rate: Parallel shock +50 bps	-219	-145	1%
Interest rate: Parallel shock -50 bps	290	224	-2%
Interest rate: 10 bps steepening between 20y-30y	-242	39	-4%

Solvency II ratio sensitivities: Interest rate risk at 31 December 2021

2021	Own Funds impact	SCR impact	Solvency II ratio impact
Interest rate: Parallel shock +50 bps	-624	-101	-4%
Interest rate: Parallel shock -50 bps	803	153	5%
Interest rate: 10 bps steepening between 20y-30y	-580	96	-8%

Changes in the Solvency II ratio sensitivities to interest rates are primarily driven by increased interest rates in combination with the changes in the Interest rate risk profile.

Under the parallel shock scenarios, the base risk-free interest rate curves for each currency are shocked by +/-50 bps for all tenors up until the LLP. The other components of the basic risk-free interest rate curve – namely UFR, Credit Risk Adjustment, VOLA and extrapolation technique towards UFR remain unchanged. The asset interest rate curves are shocked with the parallel shocks for all tenors.

In the interest rate steepening scenario, the EUR asset valuation curve is shocked after the LLP (the LLP for EUR is set at 20 years under Solvency II). The steepening is applied for interest rate curve tenors between 20 and 30 years (a linear increase from 0 to 10 bps of 1bp per tenor). After the 30 years point, the shift in the interest rate curve remains constant at 10bps. As the EIOPA risk-free curve is extrapolated after the LLP, the steepening sensitivity only affects the asset discount curve.

5.2 Equity risk

Equity risk is defined as the possibility of decrease Solvency II Own Funds due to adverse changes in the level of equity market prices. Exposure to Equity risk arises from direct or indirect asset or liability positions, including equity derivatives such as futures and options, that are sensitive to equity prices.

5.2.1 Risk profile

The table below sets out the market value of NN Group's equity assets as at the 31 December 2022 and 2021, respectively.

52 Risk management continued

Equity assets

	2022	2021
Common & preferred stock	3,654	5,830
Private equity	182	1,215
Mutual funds (money market funds are excluded, fixed income mutual funds are included)	3,975	2,975
Total	**7,811**	**10,020**

NN Group is mostly exposed to public listed equity but also invests in private equity funds and equity exposures through mutual funds. The direct equity exposure is spread mainly across the Netherlands (32% in 2022 compared with 25% in 2021) and remaining exposure in other countries, predominantly in core EU countries (52% in 2022 compared with 54% in 2021, including The Netherlands). Note that mutual funds are classified as equity in the table above but include predominantly fixed income funds. In case economic conditions deteriorate, investments into equities might lose value. About 34% of NN Group's common equities are invested in defensive sectors, which are less sensitive to economic downturn. 2023 estimates for equity values have already been priced; more downward revisions might be expected if economic growth forecasts decline. Valuations gains are not expected before end of 2023.

As shown in the 'Market risk capital requirements' table above, the Equity risk SCR of NN Group decreased from EUR 3,474 million in 2021 to EUR 2,436 million in 2022 mainly driven by lower equity markets as well as the sale of equities.

5.2.2 Risk mitigation

Exposure to equities provides additional diversification and upside return potential in the asset portfolio of an insurance company with long-term illiquid liabilities. The Concentration risk on individual issuers is mitigated by having issuer risk limits in place in investment mandates as well as at NN Group level. There is no natural hedge for Equity risk on the liability side of the balance sheet. NN Group has the possibility to protect the downside risk of the equity portfolio by selling equity or buying put options.

5.2.3 Risk measurement

The sensitivity of the Solvency II ratio to changes in the value of equity is monitored on a quarterly basis. This scenario estimates the impact of an instantaneous shock of -25% applied to the value of direct equity and equity mutual funds. Derivatives like equity options or equity forwards which have equity as underlying are also revalued using the same shock applied to the underlying equities or equity indices.

The table below presents the Eligible Own Funds, SCR and Solvency II ratio sensitivity to a downward shock in equity prices at 31 December 2022 and 2021.

Solvency II ratio sensitivities: Equity risk

	Own Funds impact		SCR impact		Solvency II ratio impact	
	2022	2021	2022	2021	2022	2021
Equity Downward shock -25%	-1,464	-1,840	-326	-489	-9%	-9%

5.3 Credit spread risk

Credit spread risk is defined as the possibility of a decrease in Solvency II Own Funds due to adverse movements in the credit spreads of fixed income assets. The credit spread widening (or narrowing) reflects market supply and demand, rating migration of the issuer and changes in expectation of default. Changes in liquidity and other risk premiums that are relevant to specific assets can play a role in the value changes as well.

In the calculation of the SCR for the Partial Internal Model entities, NN Group assumes no change to the VOLA on the liability side of the balance sheet after a shock-event, but instead reflects the illiquidity of liabilities in the asset shocks to ensure appropriate Solvency Capital Requirements. This approach ensures appropriate risk incentives and is approved by DNB. NN Group also shocks all government bonds and its mortgage portfolio in the calculation of Credit spread risk capital requirements for the Partial Internal Model entities.

The main asset classes in scope of the Credit spread risk module for Partial Internal Model entities are government and corporate bonds, mortgages and loans.

For the calculation of the SCR for Credit spread risk of the Standard Formula insurance entities, the main asset classes in scope are corporate bonds and loans.

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5.3.1 Risk profile

As shown in the 'Market risk capital requirements' table, the Credit spread risk SCR of NN Group decreased from EUR 4,725 million in 2021 to EUR 3,332 million in 2022. This decrease is mainly driven by a sharp increase in interest rates, widening of asset and mortgage spreads, an increase of mortgage cash flow duration due to lower prepayment rates, and refinement of the Credit spread SCR modelling.

The government securities market value delta can mostly be explained by valuation changes (60%). Transactions and redemptions count for 40% of the decrease. The corporate securities market value delta is explained by valuation (50%) and transactions (50%).

The table below shows the market value of NN Group's fixed-income bonds which are subject to Credit spread risk SCR by type of issuer as at 31 December 2022 and 31 December 2021, respectively.

Fixed-income bonds and loans by type of issuer

	Market value		Percentage	
	2022	2021	2022	2021
Sovereign	42,275	63,126	55%	61%
Manufacturing	6,432	8,022	8%	8%
Finance and Insurance	8,125	10,063	11%	9%
Asset-backed securities	3,225	3,850	4%	4%
Utilities	2,463	2,928	3%	3%
Transportation and Warehousing	2,261	2,947	3%	3%
Information	1,841	2,365	3%	2%
Real Estate and Rental and Leasing	2,146	2,070	2%	2%
Other	7,923	8,506	11%	8%
Total	**76,691**	**103,877**	**100%**	**100%**

52 Risk management continued

Market value government bond and loans exposures (2022)

The table below sets out the market value of NN Group's assets invested in government bonds and loans by country and maturity.

			Market value of government bond and loans in 2022 by number of years to maturity[4]								
2022	Rating[1]	Domestic exposure[2]	0-1	1-2	2-3	3-5	5-10	10-20	20-30	30+	Total 2022
Japan	A+	100%	790	460	468	727	1,909	2,190	1,626	676	8,846
France	AA	0%	76	25	28	123	253	1,886	676	2,926	5,993
Germany	AAA	0%	49	326	18	187	1,301	2,043	344	207	4,475
Belgium	AA-	25%	31	5	11	71	453	1,951	949	609	4,080
Netherlands	AAA	99%	551		142	16	418	2,427	47	9	3,610
Austria	AA+	0%	6	171		512	3	307	582	1,030	2,611
Spain	A-	27%		74	104	65	600	1,140	463	60	2,506
United States	AAA	0%			1			223	1,498		1,722
Multilateral[3]	AAA	0%	18	63	5	156	275	772	315	21	1,625
Finland	AA+	0%	7		146	3	65	611	170		1,002
Italy	BBB	0%	71	16	14	131	467	229	40	27	995
Other[5] – Above Investment Grade			275	294	300	560	1,467	616	526	45	4,083
Other[5] – Below Investment Grade			137	43	64	146	171	145	22		728
Total			**2,011**	**1,477**	**1,301**	**2,697**	**7,382**	**14,540**	**7,258**	**5,610**	**42,276**

1 NN Group uses the second-best rating across Fitch, Moody's and S&P to determine the credit rating label of its bonds.
2 Percentage of the bonds held in the local unit, e.g., percentage of Dutch bonds held by entities registered in the Netherlands.
3 Includes EIB, ECB, EFSF, EU and ESM.
4 Based on legal maturity date.
5 Investment Grade reflects a rating of BBB- or higher; Below Investment Grade reflects a rating below BBB-.

Market value government bond and loans exposures (2021)

			Market value of government bond and loans in 2021 by number of years to maturity[4]								
2021	Rating[1]	Domestic exposure[2]	0-1	1-2	2-3	3-5	5-10	10-20	20-30	30+	Total 2021
France	AA	0%	47	68	52	129	212	3,881	750	5,290	10,429
Japan	A+	98%	644	461	503	889	1,919	2,571	1,682	737	9,406
Belgium	AA-	35%	401	243	37	173	790	3,723	1,218	950	7,535
Germany	AAA	0%	30	95	488	140	1,977	3,030	733	396	6,889
Netherlands	AAA	99%	45	618		210	404	2,339	2,034	13	5,663
Austria	AA+	0%	171	11	190	517	737	1,303	1,048	2,012	5,989
Spain	A-	26%	24	15	136	155	420	1,999	648	59	3,456
Multilateral[3]	AAA	0%	194	48	135	175	202	969	732	15	2,470
United States	AAA	0%	1			1		282	2,085		2,369
Italy	BBB	0%	43	101	35	50	745	283	11		1,268
Finland	AA+	0%	5	3		166	82		981		1,237
Other[5] – Above Investment Grade			551	180	258	899	2,029	1,139	462	20	5,538
Other[5] – Below Investment Grade			107	119	141	144	208	139	19		877
Total			**2,263**	**1,962**	**1,975**	**3,648**	**9,725**	**21,658**	**12,403**	**9,492**	**63,126**

1 NN Group uses the second-best rating across Fitch, Moody's and S&P to determine the credit rating label of its bonds.
2 Percentage of the bonds held in the local unit, e.g., percentage of Dutch bonds held by entities registered in the Netherlands.
3 Includes EIB, ECB, EFSF, EU and ESM.
4 Based on legal maturity date.
5 Investment Grade reflects a rating of BBB or higher; Below Investment Grade reflects a rating below BBB.

52% (or EUR 22 billion) of NN Group total sovereign debt exposure is invested in AAA and AA rated eurozone countries in 2022 as compared to 60% in 2021. Of the EUR 22 billion core eurozone government bonds and loans held by NN Group, 76% will mature after year 10 and 35% after year 20 in 2022 while those for 2021 were EUR 38 billion, 78% and 40% respectively. With regard to Central and Eastern Europe, the government bond exposures are mainly domestically held. In the Partial Internal Model, all government bonds contribute to Credit spread risk, including those rated AAA. The tables below show the market value of non-government fixed-income securities (excluding mortgages and derivatives) by rating and maturity.

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Market value non-government bond securities and loans (2022)

	Market value of non-government bond securities and loans in 2022 by number of years to maturity								
2022	**0-1**	**1-2**	**2-3**	**3-5**	**5-10**	**10-20**	**20-30**	**30+**	**Total 2022**
AAA	150	231	307	424	279	996	1,070	1,597	5,054
AA	267	115	190	587	449	271	174	128	2,181
A	1,095	1,104	1,294	2,174	3,055	1,051	718	498	10,989
BBB	1,288	2,053	1,176	2,338	2,903	1,481	693	84	12,016
BB	317	192	417	660	937	21	49		2,593
B and below	57	118	198	449	234	12			1,068
No rating available	208	72	5	116	81		3	29	514
Total	**3,382**	**3,885**	**3,587**	**6,748**	**7,938**	**3,832**	**2,707**	**2,336**	**34,415**

Market value non-government bond securities and loans (2021)

	Market value of non-government bond securities and loans in 2021 by number of years to maturity								
2021	**0-1**	**1-2**	**2-3**	**3-5**	**5-10**	**10-20**	**20-30**	**30+**	**Total 2021**
AAA	153	201	257	597	352	1,017	1,365	2,097	6,039
AA	507	358	139	540	663	569	241	173	3,190
A	1,270	1,543	1,210	2,691	3,468	1,204	810	614	12,810
BBB	1,204	1,650	2,113	2,602	3,260	1,781	1,050	118	13,778
BB	271	242	282	777	1,253	51	31	30	2,937
B and below	126	262	219	661	500	21			1,789
No rating available	138	3			4			63	208
Total	**3,669**	**4,259**	**4,220**	**7,868**	**9,500**	**4,643**	**3,497**	**3,095**	**40,751**

The table below shows NN Group's holdings of loans and other debt securities as at 31 December 2022 and 31 December 2021, respectively.

Market value all loans and other debt securities (per credit rating)

	2022	**2021**
AAA	16,054	22,479
AA	17,675	30,545
A	23,430	27,772
BBB	14,547	17,181
BB	3,217	3,868
B and below	1,254	1,824
No rating available	377	70
Mortgages[1]	62,066	58,499
Other Retail Loans	1,273	1,638
Total	**139,893**	**163,876**

1 Mortgages refer to all mortgages using the same criteria and is aligned with the Mortgages figure in Investment assets above.

5.3.2 Mortgages

The required capital for mortgages within entities under the Partial Internal Model is calculated in the credit spread risk module while the required capital for mortgages within entities under Standard Formula is calculated in the counterparty default risk module. The credit spread risk module within the Partial Internal Model captures the behaviour of Own Funds when the valuation of mortgages changes with market mortgage rates, while the counterparty default risk module within Standard Formula captures the behaviour of Own Funds as a result of unexpected loss or default of mortgages.

The Loan-to-Value (LTV) for residential mortgages (which is based on the net average loan to property indexed value) at NN Life, the Banking business, NN Non-life and NN Belgium stood at 53%, 53%, 59% and 54% respectively at the end of 2022 while those were 59%, 57%, 65% and 60% respectively at the end of December 2021. The average LTV for NN Group portfolio is 54% 2022 (59% in 2021). The migration towards lower LTV bucket is due to the house price increase in 2022 (11.9%).

52 Risk management continued

The inherent credit risk of mortgages is backed primarily by means of the underlying property, but also through the inclusion of mortgages guaranteed by the Nationale Hypotheek Garantie (NHG) and other secondary covers like savings, investments and life insurance policies. Mortgages with NHG accounted for 24%, 31%, 18% and 28% at NN Life, the Banking business, NN Non-life, and NN Belgium respectively at the end of 2022 and 26%, 32%, 20% and 28% at NN Life, the Banking business, NN Non-life and NN Belgium respectively at the end of 2021. The relative NHG coverage is decreasing in the portfolios mostly due to the high house prices, so overall less mortgages are eligible for NHG coverage.

Loan-to-Value on mortgage loans[1]

	2022	2021
NHG	27%	28%
LTV <= 80%	69%	65%
LTV 80%-90%	3%	5%
LTV 90%-100%	1%	1%
LTV > 100%	0%	1%
Total NN Group	**100%**	**100%**

1 Risk figures and parameters do not include third party originated mortgages and collateralised mortgages although they are on the balance sheet of NN Group.

The mortgage portfolio is under regular review to ensure troubled assets are identified early and managed properly. The loan is categorised as a non-performing loan (NPL) if the loan is 90 days past due, or the client was in default the previous month, and the minimum holding period (MHP) is active or the loan is classified as Unlikely To Pay (UTP) by the problem loans department.

The main criterion for lifting the default status will be that no arrears greater than EUR 250 occurred during the Minimum Holding Period (MHP). For defaulted clients that are classified as 'distressed restructuring', the MHP is 12 months. For all other defaulted clients, the MHP is 3 months.

The impact of the recent geopolitical developments and increasing inflation are limited on the creditworthiness of the portfolio. Combined with low levels of unemployment, the outstanding non-performing loans decreased in 2022. Provisions decreased due to sharply increasing house prices between 2021-Q3 and 2022-Q3 (+11.9%) (Q4 figures are unavailable per 2022 year-end, hence Q3 figures are used and based on CBS) and a decrease in non-performing loans. This decrease is partly offset by a EUR 2.2 million management overlay related to high levels of inflation and sharply increasing mortgage interest rates.

The net exposure decreased after deduction of capped collaterals and guarantees because of an increase in the house price. The NHG guarantee value slightly increased because calculation of the guarantee value was aligned with the NHG terms.

Credit quality: NN Group mortgage portfolio, outstanding[1,2,5]

	Life business		Banking business		Other[3]		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Performing mortgage loans that are not past due	26,316	25,285	21,117	20,322	5,255	5,304	52,688	50,911
Performing mortgage loans that are past due	111	128	127	161	18	24	256	313
Non-performing mortgage Loans[4]	85	77	99	104	13	12	197	193
Total	**26,512**	**25,490**	**21,343**	**20,587**	**5,286**	**5,340**	**53,141**	**51,417**
Provisions for performing mortgage loans	1	2	2	2	1	1	4	5
Provisions for non-performing mortgage loans	4	5	1	1			5	6
Total[4]	**5**	**7**	**3**	**3**	**1**	**1**	**9**	**11**

1 The total value for Mortgages is different in this table vs. Investment Assets Table because of exclusion of mortgage not managed by NN Bank of EUR 7,318 million in 2022 (2021: EUR 6,188 million).
2 Amounts are excluding partial transfer of mortgages and DRMF.
3 'Other' column includes numbers for the Non-life entities, Belgium business and other small entities.
4 The non-performing loans include 'unlikely to pay' mortgage loans, which may not be past due.
5 From 2022 the carrying value includes the accrued interest, past due amount, and deduction of construction deposits.

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Collateral on mortgage loans[1,5]

	Life business		Banking business		Other[3]		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Carrying value[2]	26,512	25,490	21,343	20,587	5,286	5,340	53,141	51,417
Indexed value of real estate	58,286	49,536	47,885	41,478	10,717	9,685	116,888	100,699
Savings held[6]	1,144	985	1,462	1,408	76	75	2,682	2,468
NHG guarantee value[4]	5,600	5,480	5,518	5,328	1,117	1,113	12,235	11,921
Total cover value + including NHG guarantee capped at carrying value	26,500	25,474	21,335	20,576	5,285	5,337	53,120	51,387
Net exposure	**12**	**16**	**8**	**11**	**1**	**3**	**21**	**30**

1 The total value for Mortgages is different in this table vs. Investment Assets Table because of exclusion of mortgage not managed by NN Bank of EUR 7,318 million in 2022 (2021: EUR 6,188 million) .
2 Amounts are excluding partial transfer of mortgages and DRMF.
3 'Other' column includes numbers for the Non-life entities, Belgium business and other small entities.
4 The NHG guarantee value follows an annuity scheme and is corrected for the 10% own risk (on the granted NHG claim).
5 From 2022 the carrying value includes the accrued interest, past due amount, and deduction of construction deposits.
6 Savings held includes life policies.

5.3.3 Risk mitigation

Our mortgages are subject to strict underwriting criteria and are well collateralised. NN Group has Concentration risk limits for individual issuers which depend on the credit quality of the issuer. These limits ensure that large risk concentrations are avoided. In order to diversify the Credit spread risk further, NN Group has increased its investments in non-listed assets.

5.3.4 Risk measurement

The sensitivity of the Solvency II ratio to changes in credit spreads is monitored on a quarterly basis. The table below presents the Eligible Own Funds, SCR and Solvency II ratio sensitivities to various changes in credit spreads.

Solvency II ratio sensitivities: Credit spread risk at 31 December 2022

2022	Own Funds impact	SCR impact	Solvency II ratio impact
Credit spread: Parallel shock for AAA-rated government bonds +50 bps	-343	43	-5%
Credit spread: Parallel shock for AA and lower-rated government bonds +50 bps	-417	64	-6%
Credit spread: Parallel shock spreads corporates +50 bps	291	-111	6%
Credit spread: Parallel shock spreads mortgages +50 bps	-880	22	-10%

Solvency II ratio sensitivities: Credit spread risk at 31 December 2021

2021	Own Funds impact	SCR impact	Solvency II ratio impact
Credit spread: Parallel shock for AAA-rated government bonds +50 bps	-628	89	-8%
Credit spread: Parallel shock for AA and lower-rated government bonds +50 bps	-938	120	-12%
Credit spread: Parallel shock spreads corporates +50 bps	697	-209	12%
Credit spread: Parallel shock spreads mortgages +50 bps	-1,075	31	-12%

Solvency II ratio sensitivities to credit spreads decreased primarily due to increased interest rates resulting in lower asset exposure. For the mortgage spreads sensitivity this was partially offset by increase in the mortgage exposure.

NN Group has exposure to government, corporate and financial debt and is exposed to spread changes for these instruments. Furthermore, the VOLA in the valuation of liabilities introduces an offset to the valuation changes on the asset side (except for the mortgages).
The Solvency II sensitivities for spread changes cover four possible scenarios – spread widening for AAA rated government bonds, spread widening for non-AAA rated government bonds, spread widening for corporates and spread widening for mortgages. For all scenarios, a parallel widening of the respective spread curves of +50bps is assumed. There is a corresponding translation of the spread widening on asset valuations on the VOLA according to EIOPA's reference portfolio in each of the scenarios.

Government bond shocks are applied to the following asset classes: government bonds and loans, government-linked instruments (sub-sovereigns and supranational). Corporate spread shocks are applied to the following asset classes: corporate bonds (financials and non-financials), covered bonds, subordinated bonds, asset-backed securities and loans. Mortgages are subject to spread shocks in a separate scenario.

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NN Group's sensitivity to credit spread changes is mainly driven by the difference between NN's investment portfolio and the EIOPA reference portfolio. The reference portfolio represents the weights of an average European insurers' portfolio to different fixed income assets and is used to determine the level of the VOLA to be applied for the valuation of liabilities. Asset spread changes impact the level of the VOLA and therefore also the valuation of liabilities, and thus provide an offset to asset valuation changes. NN Group is exposed to widening in government bond spreads due to a higher exposure to well rated government debt compared with the reference portfolio. At the same time, the exposure to widening of credit spreads on corporate bonds has a positive impact on the ratio due to a lower exposure of NN Group to these asset classes compared with the reference portfolio. Mortgages spread widening has a negative impact on the Solvency II ratio, as mortgages are not part of the reference portfolio.

5.4 Real estate risk

Real estate risk is defined as the possibility of decrease in Solvency II Own Funds due to adverse changes in the value of real estate. Exposure to Real estate risk arises mainly from holding direct real estate properties or positions in real estate mutual funds. With the long-term nature of the liabilities of NN Group, illiquid assets such as real estate play an important role in the asset allocation.

5.4.1 Risk profile

NN Group's real estate exposure (excluding forward commitments) increased mainly due to new investments, from EUR 12,492 million at the end of 2021 to EUR 12,887 million at the end of 2022. The real estate exposure is mainly present in the portfolios of NN Life, NN Non-life and NN Belgium Life.

NN Group has various categories of real estate: investments in real estate funds and joint-ventures, real estate directly owned and investments in buildings occupied by NN Group. Several of the real estate funds, in which NN Group participates, include leverage and therefore the actual real estate exposure is larger than NN Group's value of participation in real estate funds. The real estate portfolio is held for the long-term and is illiquid. Furthermore, there are no hedge instruments available in the market to effectively reduce the impact of market volatility.

Rental income is increasing with inflation and occupancy rates in 2022 are close to 100%. Indexation of prices has kept up with inflation in a large portion of our portfolio. Real estate valuations, because of the evidencing that is required, have a lag to market developments and tend to show prolonged negative movement in case of economic downturn. As such, continued pressure on real estate valuations is expected in 2023.

The table below sets out NN Group's real estate exposure per region as at 31 December 2022 and 2021, respectively.

Real estate assets per region

	2022	2021
Western Europe	58%	60%
Southern Europe	18%	17%
Nordics	8%	7%
Central and Eastern Europe	5%	5%
UK and Ireland	11%	11%
Other	0%	0%
Total	**100%**	**100%**

Real estate exposure is mainly concentrated in Western Europe. Main underlying types are residential real estate (38%) and industrial real estate (30%). Retail and office real estate represents respectively 17% and 10% of NN total real estate exposure.

As shown in the 'Market risk capital requirements' table, the Real estate risk SCR of NN Group decreased from EUR 2,124 million in 2021 to EUR 2,098 million in 2022 primarily due to modelling refinements partially offset by an increase in the real estate exposure.

5.4.2 Risk mitigation

Exposure to real estate provides for additional diversification for the asset portfolio. The Concentration risk on individual assets is limited under the relevant investment mandates. Real estate portfolio is also well diversified across European countries and sectors.

5.4.3 Risk measurement

The sensitivity of the Solvency II ratio to changes in the value of real estate is monitored on a quarterly basis. This scenario estimates the impact of an instantaneous shock of -10% to the value of direct real estate exposures and real estate within mutual funds.

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The table below presents the Eligible Own Funds, SCR and Solvency II ratio sensitivity to a downward shock in the value of real estate at 31 December 2022 and 2021.

Solvency II ratio sensitivities: Real estate risk

	Own Funds impact		SCR impact		Solvency II ratio impact	
	2022	2021	2022	2021	2022	2021
Real estate Downward shock -10%	-1,057	-921	-78	-58	-10%	-8%

Solvency II ratio sensitivity to changes in the value of real estate increased due to an increase in proportion of real estate investments in the total portfolio.

5.5 Foreign exchange risk

Foreign exchange (FX) risk measures the impact of losses related to changes in currency exchange rates.

5.5.1 Risk profile

FX transaction risk can occur on a local entity level, while FX translation risk can occur when non-Euro entities are consolidated at the level of NN Group and show a risk in regard to NN Group's reporting currency, the Euro.

The SCR for Foreign exchange risk decreased from EUR 730 million in 2021 to EUR 620 million in 2022. This is mainly due to a decrease in equity markets and widening of the asset spread for the non-EUR denominated bonds which decreased the valuation.

5.5.2 Risk mitigation

The FX risk at the local entity level is mitigated by limiting investment to the non-local currency assets or by hedging through FX forwards and cross currency swaps.

5.6 Inflation risk

Inflation risk is defined as the risk of adverse changes in inflation that result into a decrease in Solvency II Own Funds. Inflation risk is calculated for the Dutch entities applying the Partial Internal Model for the SCR calculation.

5.6.1 Risk profile

The SCR for Inflation risk increased to EUR 270 million from EUR 135 million at the end of 2021. The increase is primarily driven by an increase in the expected inflation rates. Inflation risk is limited and hedged to a large extent with inflation-linked swaps or bonds, which are exposed to lower inflation rates. Furthermore, with the long-term nature of the liabilities, the effect of the short-term inflation changes on NN Group remains limited.

5.6.2 Risk mitigation

The Inflation risk is managed through the use of inflation swaps and investments in inflation bonds. In particular, the exposure to inflation linked liabilities is limited and hedged.

5.7 Basis risk

The SCR Basis risk is defined as a risk that the underlying asset or liability behaves differently than the underlying hedge instrument, which results in the loss in the Solvency II balance sheet.

5.7.1 Risk profile

The SCR for Basis risk decreased from EUR 74 million in 2021 to EUR 58 million in 2022, mostly due to a decrease in the hedge equity exposure within the separate account business in the Netherlands.

5.7.2 Risk mitigation

The Basis risk is mitigated by fund mapping of the underlying funds to risk factors, and also by constant monitoring of the fund performance compared to the benchmark.

5.8 Concentration risk

For the Standard Formula entities there is an additional SCR for Concentration risk calculated under Standard Formula, which is defined as the risk of loss in the Basic Own Funds as a result of the default of an issuer in which NN Group has a concentrated investment position.

5.8.1 Risk profile

The SCR for Concentration risk remained at nil in 2022.

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5.8.2 Risk mitigation

This Concentration risk is mitigated by Concentration risk limits aiming to have a well-diversified portfolio with Credit risk concentrations in any particular issuer within the NN Group risk appetite.

5.9 Market risks within separate account businesses

The separate account businesses are those in which the policyholder bears the majority of the Market and Credit risk. NN Group's earnings from the separate account businesses are primarily driven by fee income. However, in the case of variable annuities and the guaranteed separate account pension business in the Netherlands, NN Group retains risk associated with the guarantees provided to its policyholders. Businesses in this separate account category are (i) the group pension business in the Netherlands for which guarantees are provided and (ii) other separate account business, primarily the unit-linked business and variable annuities (VA).

5.9.1 Separate account guaranteed group pension business in NN Life

Risk profile

In the Dutch separate account guaranteed group pension portfolio, investments are held in separate accounts on behalf of the sponsor employer who concluded their contract with a Business Unit of NN Group. Regardless of actual returns on these investments, pension benefits for the beneficiaries are guaranteed under the contract. The value of the provided guarantee is sensitive to interest rates, movements in the underlying funds and the volatility of those funds.

The Assets under management for NN Life's portfolio decreased from EUR 2.9 billion as at 31 December 2021 to EUR 2.4 billion as at 31 December 2022 mainly driven by higher interest rate. In general, the materiality of the separate account business within NN Group has reduced in the past few years due to the run-off of the portfolio.

Risk mitigation

NN Group currently hedges the value of the guarantees it provided under group pension contracts in the Netherlands. For the purpose of hedging, the exposure under such guarantees is discounted at the swap curve without the extrapolation to the UFR. The hedge programme includes interest rate swaps and equity futures. Upon contract renewal, NN Group offers policyholders defined contribution products with investments in portfolios that NN Group can more easily hedge, thus reducing the risk to NN Group.

5.9.2 Other separate account businesses

Risk profile

The other separate account business primarily consists of unit-linked insurance policies and variable annuity (VA) portfolios. Unit-linked insurance policies provide policyholders with selected fund returns combined with an insurance cover. The Investment risk is borne by the policyholder, although there are some unit-linked products where NN Group has provided guarantees on the performance of specific underlying funds. Unit-linked products without guarantees do not expose NN Group to Market risk, except to the extent that the present value of future fees is affected by market movements of the underlying policyholder funds. The variable annuities in the Japan Closed Block VA and VA Europe business consist of guaranteed minimum accumulation benefit products, guaranteed minimum death benefit products and guaranteed minimum withdrawal benefit products.

Risk mitigation

The Market risks of the unit-linked and other separate account business are managed by the design of the product. Currently, NN Group does not hedge the Market risks related to the present value of future fee income derived from this business (with the exception of the Japan Closed Block VA). For the Japan Closed Block VA business and European VA business NN Group has hedging programmes in place targeting Equity, Interest rate, Credit spread, and FX risk as well as Volatility risk.

Risk measurement

NN Group determines Eligible Own Funds for the Market and Credit risks of the separate account business through modelling the risks of the fee income and the guarantees including the impact of the hedge programmes.

6 Counterparty default risk

Counterparty default risk is the risk of loss due to default or deterioration in the credit standing of the counterparties and debtors (including reinsurers) of NN Group. The SCR for Counterparty default risk is primarily based on the issuer's probability of default (PD) and the loss-given-default (LGD) of each individual position taking into account diversification across these positions.

The Counterparty default risk module also covers any Credit risk exposures which are not covered in the Credit spread risk sub-module.

52 Risk management continued

6.1 Risk profile

As shown in the 'Solvency Capital Requirements' table above, the Counterparty default risk SCR of NN Group decreased from EUR 200 million at the end of 2021 to EUR 163 million at the end of 2022, driven primarily by the lower market value of the mortgage portfolio in NN Belgium. In the Partial Internal Model the mortgages do not get the capital charge under the Counterparty default risk and are under Credit spread risk SCR sub module for these Business Units.

6.2 Risk mitigation

NN Group uses different Credit risk mitigation techniques. For over the counter derivatives, the exchange of collateral under the International Swaps and Derivatives Associations contracts accompanied with Credit Support Annexes is an important example of risk mitigation. Other forms of Credit risk mitigation include reinsurance collateral exchange. For cash and money market funds, limits per counterparty are put in place.

6.3 Risk measurement

The Counterparty default risk (CDR) module comprises two sub-modules:

- CDR Type I: applicable to exposures which might not be diversified and where the counterparty is likely to be (externally) rated, e.g., reinsurance contracts, derivatives and money market exposures. The underlying model is the Ter Berg model (which was also the basis for Standard Formula calibration under Solvency II).
- CDR Type II: applicable to exposures that are usually (well) diversified and where the counterparty is likely to be unrated, like retail loans, but also other forms of term lending not covered in Type I

The capital charges for CDR Type I and CDR Type II exposures are calculated separately and subsequently aggregated.

7 Liquidity risk

Liquidity risk is the risk that one of NN Group's entities does not have sufficient liquid assets to meet its financial obligations when they become due and payable, at reasonable cost and in a timely manner. Liquidity in this context is the availability of funds, or certainty that funds will be available without significant losses, to honour all commitments when due. NN Group manages Liquidity risk via a Liquidity risk framework: ensuring that – even after shock – NN Group's businesses can meet immediate obligations. Liquidity stress events can be caused by a market-wide event or an idiosyncratic NN Group specific event. These events can be short-term or long-term and can both occur on a local, regional or global scale.

Subsidiaries that trade derivatives are responsible for maintaining sufficient liquidity levels to meet their collateral requirements. For this purpose, liquidity buffers are set to ensure sufficient liquidity is available in an adverse scenario and to ensure the liquidity thresholds are being met.

7.1 Risk profile

Liquidity risk covers three areas of attention. Operational liquidity risk is the risk that funds are unavailable to meet financial obligations when due. Market liquidity risk, is the risk that an asset cannot be sold on short-term without significant losses. Funding risk is the risk related to not being able to refinance maturing debt instruments and may lead to higher funding costs. The connection between Market and Operational liquidity risk stems from the fact that when payments are due and not enough cash is available, investment positions need to be converted into cash. If market liquidity is low or an adverse market movement took place in this situation, this could lead to a loss.

In 2022, liquidity risk has increased due to the rise in interest rates, leading to additional collateral requirements on NN Group's interest rate derivatives portfolio. In case of a significant increase of interest rates, NN Group is exposed to the risk of having to sell assets which contribute to capital generation or to the hedging of liability cash flows. NN Group has a robust liquidity risk management framework in place to manage this risk. A minimum buffer of immediately available liquidity (cash and committed facilities) is maintained. Repos, Group cash capital and the Revolving Credit Facility at Group can further support the liquidity position if needed.

52 Risk management continued

7.2 Risk mitigation

NN Group aims to match day-to-day cash in- and outflows and at the same time wants to be able to have sufficient cash in case of a liquidity stress event. NN Group holds a minimum buffer of cash which is immediately available in order to be able to meet collateral calls from derivatives exposures in the case of significant market movements. Furthermore, NN Group has a wide range of options to generate additional liquidity if necessary, amongst which committed repo facilities which are available at all times and a revolving credit facility NN Group Liquidity Management Principles defines three levels of Liquidity Management:

- Short-term liquidity (including operational liquidity) management covers the day-to-day cash requirements under normal business conditions
- Long-term liquidity management considers business conditions, in which Market liquidity risk materialises
- Stress liquidity management looks at the company's ability to respond to a potential crisis situation

7.3 Risk measurement

NN Group Liquidity Risk Management Standard measures Liquidity risk in a stress event through the gap between liquidity needs and liquidity sources compared to available liquid assets for sale. This is calculated for different time horizons and different levels of availability of liquidity sources. Liquidity risk is not part of NN Group's Partial Internal Model.

8 Non-market risk

Within the SCR Partial Internal Model a differentiation is made for the classification of Non-market risks for different NN Group entities depending on the model applied.

For the Business Units applying Partial Internal Model, Non-market risks are split between:

- Insurance risk: is the risk related to the events insured by NN Group and comprise Actuarial and Underwriting risks such as Mortality risk (including Longevity), Morbidity risk, and Property & Casualty risk which result from the pricing and acceptance of insurance contracts
- Business risk: is the risk related to the management and development of the insurance portfolio but exclude risks directly connected to insured events. Business risk includes Expense risk, Persistency risk, and Premium re-rating risk. Business risks can occur because of internal, industry, regulatory/political or wider market factors. Persistency risk is the risk that policyholders use options available in the insurance contracts in a way that is different from that expected by NN Group. Depending on the terms and conditions of the insurance policy, and the laws and regulations applicable to the policy, policyholders could have the option to surrender, change premiums, change investment fund selections, extend their contracts, take out policy loans, and make choices about how to continue their annuity and pension savings contracts after the accumulation phase, or even change contract details. Policyholder behaviour therefore affects the profitability of the insurance contracts. Changes in tax laws and regulations can affect policyholder behaviour, particularly when the tax treatment of their products affects the attractiveness of these products for customers

52 Risk management continued

For the Business Units applying Standard Formula, Non-market risks are split between:

- **Life risk:** the life portfolio is mainly attributed to the individual and group business in the international entities of NN Group (mainly Belgium, Spain Life, Poland) and ABN AMRO Life. This risk comprises the Mortality, Longevity, Disability-morbidity, Expense, Lapse, and Life catastrophe risks
- **Health risk:** this covers the Similar to Life Techniques (SLT) Health portfolio risk (comprising mortality, longevity, disability-morbidity, expense and lapse risks), the Non-SLT (NSLT) Health portfolio risk (comprising premium and reserve risk and lapse risk), and the Health Catastrophe risk. Within NN Group, the health risk stems from morbidity riders in Belgium, Czech, Poland, Slovakia, Romania, from the yearly renewable health insurance portfolio of Greece
- **Non-life risk:** this covers non-life portfolio mainly contributed by ABN AMRO Non-life and NN Insurance Services. This risk covers the Premiums and reserve risk, Non-life catastrophe risk, and Lapse risk

As a result of the Covid-19 pandemic, we have observed higher mortality in our Group Pension portfolios, leading to extra release of technical provisions for these life insurance books. For Non-life disability insurance contracts there are both direct effects from insureds being affected by Covid-19 as well as indirect effects from longer disability as treatment is postponed. For specific portfolios this may lead to increased claims; however, the observed and expected financial impact for NN Group is not significant.

8.1 Risk profile

The table below presents the Non-market risk SCR composition at the end of 2022 and at the end of 2021, respectively. The main changes in the risk profile are explained in the subsequent section of this document.

Non-market risk capital requirements

	2022	2021
Insurance risk (IM entities)	3,069	4,326
Business risk (IM entities)	1,698	1,536
Life risk (SF entities)	1,162	957
Health risk (SF entities)	263	236
Non-life risk (SF entities)	121	113
Diversification non-market risk	-1,243	-1,265
Non-market risk	**5,070**	**5,903**

The Non-market risk SCR decreased from EUR 5,903 million in 2021 to EUR 5,070 million in 2022. The decrease is predominantly driven by sharp increase in the interest rates resulting in a lower Insurance risk SCR primarily driven by lower mortality risk (due to effect of higher interest rates on longevity). This was partially compensated by an increase in the Life risk, mostly Mass Lapse risk, due to increased interest rates, for the Standard Formula entities.

52 Risk management continued

8.2 Risk mitigation

Proper pricing, underwriting, claims management and diversification are the main risk mitigating actions for insurance risks.

NN Group Insurance risks are diversified between Business Units. By expanding insurance liabilities to cover multiple geographies, product benefits, lengths of contract and both Life and Non-life risk, NN Group reduces the likelihood that a single risk event will have a material impact on NN Group's financial condition. Risks not sufficiently mitigated by diversification are managed through concentration and exposure limits and through reinsurance: retention limits for Non-life insurance risks are set by line of business for catastrophic events and individual risk.

Furthermore, management of the insurance risks is done by ensuring that the terms and conditions of the insurance policies that NN Group underwrites are correctly aligned with the intended policyholder benefits to mitigate the risk that unintended benefits are covered. This is achieved through NN Group's underwriting standards, product design requirements, and product approval and review processes – as referred to under Risk Management Policies, Standards and Processes.

8.3 Insurance Risk

Insurance risk is the risk that the future insurance claims and other contractual benefits cannot be covered by premiums, policy fees and/or investment income or that insurance liabilities are not sufficient because claims and benefits might differ from the assumptions used in determining the best estimate liability. Insurance risk manifests itself in the life as well as in the non-life portfolio of NN Group.

8.3.1 Risk profile

The table below presents the Partial Internal Model insurance risk SCR for the Dutch NN insurance entities of NN Group (namely NN Life, NN Non-life and NN Re) as at 31 December 2022 and 31 December 2021, respectively.

Insurance risk capital requirements

	2022	2021
Mortality (including longevity) risk	2,728	4,149
Morbidity risk	904	818
Property & Casualty risk	827	669
Diversification insurance risk	-1,390	-1,310
Insurance risk (IM entities)	**3,069**	**4,326**

Decrease in the Insurance risk SCR is mostly driven by a decrease in Mortality risk due to sharp increase in the interest rates. This is partly offset by the increase in Morbidity risk SCR due to the switch to the long contract boundary, and the increase in Property & Casualty risk SCR due to regular model and assumption updates.

Mortality risk occurs when claims are higher due to higher mortality experience (for instance in relation to term insurance). Longevity risk is the risk that technical provisions to cover insurance obligations will not be sufficient due to higher than expected life expectancies arising from mortality improvements such as better living conditions, improved health care, and medical breakthroughs. While NN Group is exposed to both Longevity and Mortality risks, these risks do not fully offset one another as the impact of the Longevity risks in the pension business in the Netherlands is significantly larger than the Mortality risk in the other businesses, which is partially due to the size of the business. Changes in mortality tables impact the future expected benefits to be paid and the present value of these future impacts is reflected directly in measures like Own Funds.

Morbidity risk is borne primarily by the health insurance portfolio which pays out a fixed amount benefit, reimburses losses (e.g. in the case of loss of income), or pays for expenses of medical treatment related to certain illness or disability events. The main exposures to Morbidity risks within NN Group are the disability insurance policies underwritten in Netherlands Non-life.

The Non-life portfolio includes Property & Casualty (P&C) products covering risks such as fire damage, car accidents, personal and professional liability, windstorms, hail, and third-party liabilities. The P&C risk is primarily underwritten by Netherlands Non-life and catastrophic losses are partially reinsured to external reinsurers through NN Re.

52 Risk management continued

8.3.2 Risk mitigation

Insurance risk is mitigated through diversification between NN Group Business Units, between Mortality and Longevity risks within NN Group Business Units, appropriate pricing, underwriting and claims management policies, and risk transfer via reinsurance and index-based hedges, which are used to reduce the Own Funds volatility.

The risks that are not sufficiently mitigated by diversification are managed through concentration and exposure limits and through reinsurance:

- Retention limits for Life insurance risks are set per insured life and significant mortality events affecting multiple lives such as pandemics
- Retention is used to manage risk levels (such as non-life reinsurance and morbidity reinsurance in the COLI business in Japan Life)
- Retention limits for Non-life insurance risks are set by line of business for catastrophic events and individual risks

For NN Non-Life natural catastrophic events are a major risk. One of the main natural catastrophe threatening the Netherlands is storms causing severe wind damage. NN Non-Life purchased a reinsurance contract offering protection against severe storms and other natural perils. In addition, reinsurance contracts per risk group are in place, covering NN Non-Life against large one-off events such as fires.

Reinsurance creates Credit risk which is managed in line with the Reinsurance Standard of NN Group.

8.4 Business risk

Business risk include risks related to the management and development of the Insurance risk, Persistency risk, and Expense risks. These risks occur because of internal, industry, regulatory/political, or wider market factors.

8.4.1 Risk profile

The table below presents the Partial Internal Model business risk SCR for the Dutch NN insurance entities of NN Group as at 31 December 2022 and 31 December 2021, respectively.

Business risk capital requirements

	2022	2021
Persistency risk	698	408
Premium risk	9	12
Expense risk	1,388	1,387
Diversification business risk	-397	-271
Business risk (IM entities)	**1,698**	**1,536**

The Persistency risk SCR increased from EUR 408 million in 2021 to EUR 698 million in 2022 primarily due to model improvements and assumption changes at NN Non-Life. The main contributors to Persistency risk are NN Non-Life and NN Czech business and the Corporate Owned Life Insurance (COLI) business in Japan Life (both reinsured by NN RE).

The risk that policyholders maintain their contracts longer than NN Group has assumed is specific to the variable annuity business when guarantees are higher than the value of the underlying policyholder funds, the pension business in the Netherlands, and the older, higher interest rate guaranteed savings business in Europe. The risk that policyholders hold their contracts for a shorter period than NN Group has assumed relates to the life business in Japan and the unit-linked businesses in Central and Eastern Europe. Within NN Group NN Re reinsures parts of the life business in Japan and Central and Eastern Europe.

The SCR for Expense risk remained stable at EUR 1,388 million in 2022 (vs EUR 1,387 million in 2021). The decrease due to increase in the interest rates was offset by an increase in inflation rates and refinements in the expense inflation modelling. This risk relates primarily to the variable part of NN Group's expenses and is the risk that future actual expenses exceed the expenses assumed. Total administrative expenses for NN Group for 2022 were EUR 2,210 million compared with EUR 2,280 million in 2021. Parts of these expenses are variable, depending on the size of the business and sales volumes, and parts are fixed and cannot immediately be adjusted to reflect changes in the size of the business.

Expense risk of NN Group mainly comprises the Expense level and Expense inflation risks in NN Life. A significant portion of it is incurred in the closed block operations of Netherlands Life, where NN Group is also exposed to the risk that the expenses will not decrease in line with the gradual decrease of the in-force book, leading to a per policy expense increase. Furthermore, Expense risk is also driven by the Group pension business in the Netherlands which includes long-term best estimate expense assumptions, discounted over a long period of time.

52 Risk management continued

8.4.2 Risk mitigation

Persistency and Premium risks are managed through the product development, product approval and review processes and by ensuring that appropriate advice is given to the customer, not only at the point of sale but also during the lifetime of the product. The policyholder behaviour experience of in-force policies is assessed at least annually.

As part of its strategy, NN Group has put several programmes in place to improve the customer experience. These programmes improve the match between customer needs and the benefits and options provided by NN Group's products. Over time, NN Group's understanding and anticipation of the choice policyholders are likely to make, will improve, thereby decreasing the risk of a mismatch between actual and assumed policyholder behaviour.

Ongoing initiatives are in place to manage Expense risk throughout NN Group, especially in the Netherlands where company targets are in place to reduce expenses, thus, lowering Expense risk going forward. These initiatives seek to reduce expenses through the number of underlying contracts in place. This is particularly relevant for the Dutch individual life closed-block business that can only reduce in number of contracts. Besides the already described mitigating actions, proper pricing, underwriting, claims management, and diversification are also risk mitigating actions for business risk.

8.5 Life risk

Life risk includes risks arising from the underwriting of life insurances of the Business Units applying Standard Formula and is split into Mortality risk, Longevity risk, Disability/Morbidity risk, Persistency risk, Expense risk, Revision risk, and Catastrophic risk. These risks refer to the adverse deviation from the best estimate liabilities due to the perils covered, policyholder behaviour and the processes used in the conduct of business.

8.5.1 Risk profile

Life risk capital requirements

	2022	2021
Mortality risk	126	142
Longevity risk	84	103
Morbidity risk	11	11
Expense risk	372	435
Lapse risk	836	546
Catastrophe risk	132	113
Diversification life risk	-399	-393
Life risk (SF entities)	**1,162**	**957**

As shown in the table above, the Life risk SCR for the SF Business Units increased from EUR 957 million in 2021 to EUR 1,162 million in 2022 mainly due to increase in the interest rates.

8.5.2 Risk mitigation

The majority of Life risk is comprised of Lapse, Expense and Mortality risks (in Standard Formula entities) mainly from the international NN Group entities (Belgium, Poland, Spain) as well as ABN AMRO Life.

The NN Group Standard Formula entities manage the Expense risk through detailed budgeting and monitoring the costs using activity-based costing.

Lapse risk management serves an important objective for NN Group entities. When deviations from assumed lapse rates are observed over a prolonged period of time, a product review and further management actions are taken to address the underlying reasons.

8.6 Health risk

Health risk arises from issuing health insurance contracts, which is divided in Similar to Life Techniques (SLT) risk, Non-Similar to Life Techniques (NSLT) risk and Catastrophe risk. SLT risk is associated to health obligations pursued on a similar technical basis to that of life insurance, while NSLT risk applies to health obligations not pursued on a similar technical basis to that of life insurance. These risks refer to the adverse deviation from the best estimate liabilities due to the perils covered, policyholder behaviour and the processes used in the conduct of business.

52 Risk management continued

8.6.1 Risk profile

Health risk capital requirements

	2022	2021
SLT	245	220
NSLT	20	20
Catastrophe risk	25	19
Diversification health risk	-27	-23
Health risk (SF entities)	**263**	**236**

As shown in the table above, the Health risk SCR of the Business Units applying Standard Formula increased from EUR 236 million in 2021 to EUR 263 million in 2022. The increase is mainly explained by the acquisition of MetLife Greece and MetLife Poland.

The additional physical impact of climate change on the regular Health Catastrophe risk is not quantified yet but is expected to be limited because of the shorter time horizon of 1 year used to define the Solvency Capital Requirements and the mitigating effect of the current external reinsurance programme. NN Group will perform ongoing risk assessments to assess the physical impact of climate change on various Health products qualitatively and quantitively based on the latest IPCC Scenarios and taking into account various time horizons.

8.6.2 Risk mitigation

The majority of Health risk originates from international NN Group entities (Belgium, Poland, Slovakia and Romania). They mitigate the risks by strict acceptance policies and stringent claims-handling procedures. An acceptance policy and internal control processes are developed for each product line maintained by those entities.

8.7 Non-life risk

Non-life risk involves risks arising from the underwriting of non-life insurance, which includes Premium and Reserve risk, Persistency risk and Catastrophic risk. These risks refer to the adverse deviation from the best estimate liabilities due to the perils covered, policyholder behaviour and the processes used in the conduct of business.

8.7.1 Risk profile

Non-life risk capital requirements

	2022	2021
Premium and reserve risk	96	99
Lapse risk	21	18
Catastrophe risk	50	33
Diversification non-life risk	-46	-37
Non-life risk (SF entities)	**121**	**113**

As shown in the table above, the Non-life risk SCR of the Business Units applying Standard Formula was relatively stable between 2021 (EUR 113 million) and 2022 (EUR 121 million).

The additional (physical) impact of climate change on the regular Non-life Catastrophe risk is not quantified yet but is expected to be limited because of the shorter time horizon of one year used to define the Solvency Capital Requirements and the mitigating effect of the current external reinsurance programme. NN Group performs qualitative and quantitative risk assessments to assess the physical impact of climate change on various non-life product lines based on the latest IPCC Scenarios and taking into account various time horizons. We refer to paragraph Sustainability and climate change risk management in the section Managing our risks.

8.7.2 Risk mitigation

Non-life risk is mitigated through appropriate pricing and underwriting policies and through risk transfer via reinsurance. Most of the Non-life risk comes from ABN AMRO Non-life and NN Insurance Services, and they manage the risk using various reinsurance contracts.

Within our non-life business, Weather-related risks are managed through the use of Catastrophe risk modelling in underwriting and risk assessment. We use external vendor models to estimate the impact and damage caused by large natural catastrophes such as windstorms, considered to be the main natural peril for the NN Group portfolio. Reinsurance covers are placed with strongly capitalised external reinsurers.

Natural catastrophic losses can become more severe and more frequent because of climate change. Although most of our non-life business is annually renewable, to accurately price our business it is essential that we monitor and understand linkages between natural disasters and climate change. NN Group therefore liaises with our external vendors and participates in industry initiatives to improve our knowledge, data and models to better prepare for changing weather patterns.

53 Capital and liquidity management

Objectives, policies and processes

Objective

The goal of NN Group's capital and liquidity management is to adequately capitalise NN Group and its operating entities at all times to meet the interests of our stakeholders, including our customers and shareholders. The balance sheet is assessed in line with our capital management framework which is based on regulatory, economic and rating agency requirements. NN Group closely monitors and manages the following metrics: Own Funds/Solvency Capital Requirement (SCR), cash capital at the holding company, financial leverage, fixed cost coverage, capital generation and liquidity.

Governance

The NN Group Capital Management and Corporate Treasury Department reports to the NN Group CFO. Activities of the department are executed on the basis of established policies, guidelines and procedures.

Capital Management is responsible for the sufficient capitalisation of NN Group entities, which involves the management, planning and allocation of capital within NN Group. Corporate Treasury is responsible for the management and execution of debt capital market transactions, term (capital) funding, cash management and risk management transactions.

Capital management and framework

The capital framework takes into account regulatory, economic and rating agency requirements:

- As a first principle, NN Group aims to capitalise its operating entities adequately at all times. Operating entities have to comply with the local statutory capital frameworks that are under supervision of local regulators. To ensure adequate capitalisation, they are managed to commercial capital target levels which are set in accordance with the risk associated with the business activities, commercial requirements and other relevant factors. The commercial capital target levels are set in local legal entity capital policies and approved by the Management Board of NN Group. Capital adequacy is ensured through the capital planning process which starts with the annual budgeting process in which a capital plan is prepared for NN Group and its operating entities with a time horizon of 5 years. NN Group's risk appetite statements, as further described in Note 52 'Risk management', drive the target setting and are cascaded down to the operating entities in line with NN Group's risk management strategy. Other important factors which are considered in the capital plan are efficient capital allocation, the cost of capital and capital generation. Capital positions of operating entities are closely monitored and, if necessary, measures are taken to ensure capital adequacy. At the end of 2022, all operating entities were capitalised above their local regulatory requirements.
  NN Group defines a comfort zone between 150%-200% Group Solvency II ratio where NN Group intends to pay a progressive dividend per share and execute an annual share buyback of up to EUR 250 million. In the case of a ratio sustainably above 200% Group Solvency, there is an opportunity to increase the share buyback further.
- In addition, cash capital is held at the holding company. The cash capital position is available to cover capital needs of the entities after a stress event and to cover financial leverage costs and holding company expenses for a period of at least 12 months. Stress tests are based on 1-in-20 year scenarios and specific stress scenarios that might change from time to time. The free cash flow to the holding is the cash made available to NN Group, which can be distributed to shareholders (reference is made to Note 14 'Equity' for information on distributable reserves), used to reduce debt or for other corporate purposes. The free cash flow to the holding is closely monitored and forecasted on a regular basis.
- NN Group assesses its corporate financing mix via the financial leverage and fixed-cost coverage ratio. Financial leverage measures the amount of debt that NN Group issued to capitalise its businesses. Debt used for funding of operating activities or liquidity needs is not considered financial leverage. The fixed-cost coverage ratio measures the ability of NN Group to pay its fixed financing expenses and is defined as the earnings before interest and tax (EBIT) divided by interest before tax on financial leverage. Special items, revaluations on derivatives that are non-eligible for hedge accounting, market and other impacts and amortisation of acquisition intangibles are excluded from EBIT.

53 Capital and liquidity management continued

Liquidity management

NN Group monitors and manages its liquidity risk based on certain severe stress scenarios, assessed by operating entities and aggregated at the group level. Liquidity positions are periodically reported and monitored both on an individual entity and on a consolidated basis.

Liquidity risk is measured through the Required Sales Ratio, calculated as: (i) the difference between liquidity needs and liquidity sources in certain stress scenarios, divided by (ii) the available liquid assets for sale, subject to a reduction applied to the value of assets. This ratio is calculated for different time horizons and different levels of liquidity sources. The ratios of the entities should meet the predefined tolerance levels on a standalone entity basis. At 31 December 2022, the liquidity position of all entities was adequate and within the risk tolerance (reference is made to Note 52 'Risk management' for more information on liquidity risk management).

For the Banking business, the Dutch Central Bank (DNB) requires an annual internal evaluation of capital adequacy, liquidity position and the risk management framework, including stress testing. This internal evaluation is performed using an Internal Capital and Liquidity Adequacy Assessment Process (ICAAP and ILAAP) and reviewed by DNB in its Supervisory Review & Evaluation Process (SREP). The ICAAP, ILAAP, and SREP show that NN Bank has a robust capital and liquidity position.

NN Group has a syndicated revolving credit facility in place with maximum size of EUR 1,896 billion which will mature in 2027. The revolving credit facility was renewed and the maturity was extended with two years in January 2023. Per year-end 2022 (and year-end 2021) the maximum size of the revolving credit facility was EUR 1,750 billion. There was no amount drawn from the facility in 2022 or 2021.

Significant events of 2022 are listed below in chronological order

On 31 January 2022, NN Group completed the acquisition of MetLife's businesses in Greece.

On 15 February 2022, NN Group, ABN AMRO Bank and their joint venture ABN AMRO Verzekeringen (AAV) announced that they reached an agreement to sell the life insurance subsidiary of AAV to NN Life. The transaction was completed on 15 July 2022. The former life insurance subsidiary of AAV will be integrated into NN Life and is expected to legally merge with NN Life over the course of 2023.

On 17 February 2022, NN Group announced an open market share buyback programme for an amount of EUR 250 million within 12 months, which commenced on 1 March 2022. This share buyback was executed by financial intermediaries under an open market share buyback programme and was completed on 20 December 2022.

On 17 February 2022, NN Group announced an additional open market share buyback programme for an amount of EUR 750 million following the completion of the sale of NN IP. This additional share buyback programme commenced on 13 April 2022 and was completed on 20 December 2022.

On 18 March 2022, NN Group repaid EUR 600 million senior unsecured notes that matured on 18 March 2022. The repayment followed the issuance of EUR 600 million senior unsecured notes on 23 November 2021 with a fixed coupon of 0.875% per annum and a maturity of 10 years.

On 11 April 2022, NN Group announced the completion of the sale of NN IP to Goldman Sachs which generated cash proceeds of around EUR 1.7 billion. The completion of the transaction followed the fulfilment of the customary closing conditions, including receipt of all necessary regulatory approvals. The agreement on the sale of NN IP and a ten-year strategic partnership with Goldman Sachs Asset Management were announced on 19 August 2021.

On 22 April 2022, NN Group announced the completion of the acquisition of MetLife's businesses in Poland, after obtaining regulatory approvals on 14 April 2022.

On 15 June 2022, NN Group paid a 2021 final dividend of EUR 1.56 per ordinary share, equivalent to EUR 469 million in total. To neutralise the dilutive effect of the stock dividend on earnings per share, NN Group announced the repurchase of ordinary shares for a total amount of EUR 218 million. This share buyback was executed by financial intermediaries under an open market share buyback programme which was completed on 24 August 2022.

On 29 August 2022, NN Life redeemed the outstanding EUR 500 million 9% Fixed to Floating Rate Subordinated Notes due 2042. The aforementioned notes were redeemed in full at their principal amount at their first call date, 29 August 2022.

53 Capital and liquidity management continued

On 30 August 2022, NN Group announced that it had priced EUR 500 million of subordinated notes. It was the first issuance under NN Group's Sustainability Bond Framework, which was established in February 2022 with the aim to finance green and social projects. The EUR 500 million subordinated notes have a maturity of 20.5 years and are first callable after 10 years on 30 August 2032, subject to redemption conditions. The coupon is fixed at 5.25% per annum until the first reset date on 1 March 2033 and will be floating thereafter. The subordinated notes qualify as Tier 2 regulatory capital. The subordinated notes are rated by Standard & Poor's (BBB-) and Fitch (BBB+) and listed on Euronext Amsterdam.

On 7 September 2022, NN Group paid a 2022 interim dividend of EUR 1.00 per ordinary share, equivalent to EUR 293 million. To neutralise the dilutive effect of the stock dividend on earnings per share, NN Group announced the repurchase of ordinary shares for a total amount of EUR 131 million. This share buyback was executed by financial intermediaries under an open market share buyback programme which was completed on 12 October 2022.

On 13 September 2022, NN Group announced the sale of the former MetLife pension business in Poland to Generali. The pension business is part of the former MetLife activities in Poland that were acquired by NN Group in April 2022. The transaction was completed in the first quarter of 2023.

On 4 October 2022, NN Group announced that its subsidiary NN Insurance Belgium has completed the sale of a closed book life portfolio to Athora Belgium. The completion follows the fulfilment of customary closing conditions, including receipt of all necessary regulatory approvals and competition clearances.

On 11 October 2022, NN Group announced that it had reached an agreement with Rockbridge to sell the former MetLife asset management business in Poland. The transaction was completed in December 2022.

On 2 January 2023, NN Group announced the completion of the legal mergers of the former MetLife businesses in Poland and Greece. The legal mergers follow the completion of the acquisition process of the former MetLife business operations in both countries. In Greece, the legal merger became effective on 29 December 2022. In Poland, the life insurance companies of Nationale-Nederlanden Poland and the former MetLife Poland were legally merged on 2 January 2023.

On 13 January 2023, NN Group repaid EUR 500 million of unsecured senior notes that matured on 13 January 2023.

Solvency II

Solvency II is the regulatory framework for (re-)insurance undertakings and groups domiciled in the EU.

Under the Solvency II regime, required capital (Solvency Capital Requirement) is risk-based and calculated as the post-tax value-at-risk at the confidence interval of 99.5% on a one-year horizon. Available capital (Own Funds) is determined as the excess of assets over liabilities, both based on economic valuations, plus qualifying subordinated debt. The EU Solvency II directive requires that (re-)insurance undertakings and groups hold sufficient Eligible Own Funds to cover the SCR.

NN Group is the holding company of licensed insurers and banking businesses. Regulated entities which from local regulatory perspective are not subject to the Solvency II regime (e.g. pension funds in Central Europe, NN Bank, BeFrank and BeFrank PPI) are included in Own Funds based on their local available capital and in SCR based on required capital defined by sectoral supervisory rules. NN Life Japan is included in Own Funds and SCR based on its available and required capital determined according to the local solvency regime recognised by the European Commission as provisionally equivalent.

NN Group uses the Partial Internal Model (PIM) to calculate capital requirements under Solvency II. The group capital model is named as such due to the fact that an Internal Model is used to calculate the capital requirements for the Dutch insurance entities (namely NN Life, NN Non-life and NN Re in the Netherlands), while the Standard Formula is used to calculate capital requirements for operational risk (across the group), for the international insurance entities that fall under Solvency II, for ABN AMRO Non-life, and for ABN AMRO Life.

Further details on the NN Group capital requirements at 31 December 2022 are provided in Note 52 'Risk management'.

The Solvency II ratios of NN Group and its Dutch insurance entities do not include any contingent liability potentially arising from unit-linked products sold, issued or advised on by NN Group's insurance entities (including ABN AMRO Life) in the past, as this potential liability cannot be reliably estimated or quantified at this point. Reference is made to Note 45 'Legal proceedings' for more information.

53 Capital and liquidity management continued

On 17 December 2020, EIOPA published its opinion to the European Commission (the 'Opinion'). The Opinion, which consists of a proposed package of measures, was used as input for the European Commission to draft a legislative proposal. On 22 September 2021, the European Commission published its draft proposals on the Solvency II 2020 review. The proposal deviates in several areas from the EIOPA Opinion which may have positive impact on the solvency of NN Group, e.g. regarding the Risk Margin, risk correction for credit spread and the interest rate extrapolation. Some proposals with potential negative impact on NN Group and the wider industry are still part of the legislative proposal and ongoing discussions. In June 2022, the European Council reached consensus on their view on the Opinion. In the first half of 2023 the European Parliament will negotiate on their position, followed by the trialogue negotiations. The proposed changes are currently expected to be implemented at the earliest in 2026. Based on the draft proposals by the European Commission and current market conditions, NN Group remains comfortable with its Solvency position and does not expect changes to its dividend policy caused by the issuance of the Opinion, including proposed changes.

Eligible Own Funds and Solvency Capital Requirement

	2022	2021
Shareholders' equity	16,005	32,888
Minority interest	63	266
Elimination of deferred acquisition costs and other intangible assets	-2,530	-2,149
Valuation differences on assets	-6,947	2,268
Valuation differences on liabilities, including insurance and investment contracts	9,554	-18,687
Deferred tax effect on valuation differences	-129	4,649
Difference in treatment of non-Solvency II regulated entities	-141	-951
Excess assets/liabilities	**15,876**	**18,284**
Qualifying subordinated debt	3,985	4,383
Foreseeable dividends and distributions	-623	-646
Basic Own Funds	**19,237**	**22,021**
Non-available Own Funds	1,415	1,094
Eligible Own Funds to cover Solvency Capital Requirements (a)	**17,822**	**20,927**
– of which Tier 1 unrestricted	10,904	13,377
– of which Tier 1 restricted	1,716	1,875
– of which Tier 2	2,189	2,422
– of which Tier 3	910	848
– of which non-Solvency II regulated entities	2,104	2,404
Solvency Capital Requirements (b)	**9,040**	**9,840**
– of which from Solvency II entities	7,677	8,506
– of which from non-Solvency II entities	1,363	1,334
NN Group Solvency II ratio (a/b)[1]	197%	213%

1 The Solvency II ratio is not final until filed with the regulator.

NN Group was adequately capitalised at 31 December 2022 with a Solvency II ratio of 197% based on the Partial Internal Model.

The Solvency II ratio of NN Group decreased to 197% at the end of 2022 from 213% at the end of 2021. The decrease mainly reflects unfavourable market impacts, capital flows to shareholders as well as the impact of UFR reduction from 3.60% to 3.45%. This was partly offset by operating capital generation, the net positive impact from the sale of NN IP and the acquisition of MetLife's businesses in Greece and Poland, as well as other movements including model and assumption changes (reference is made to Note 52 'Risk management' for more information about model changes). Market impacts mainly reflect movements in credit spreads and negative equity revaluations, partly offset by changes in interest rates.

53 Capital and liquidity management continued

Eligible Own Funds decreased to EUR 17,822 million from EUR 20,927 million at 31 December 2021. The decrease was mainly driven by the capital flows to shareholders and the negative impact of equity revaluations and movements in credit spreads. This was partly offset by operating capital generation, the net positive impact from the sale of NN IP and the acquisition of MetLife's businesses in Greece and Poland, as well as model and assumption changes.

The SCR of NN Group decreased to EUR 9,040 million from EUR 9,840 million at 31 December 2021 mainly driven by the impact of changes in interest rates and negative equity revaluations.

Structure, amount and quality of Own Funds
Subordinated liabilities included in NN Group Own Funds

							Solvency II value	
Interest rate	**Issue**	**Year of issue**	**Notional**	**Due date**	**First call date**	**Own Funds tier**	**2022**	**2021**
4.500%	NN Group N.V.	2014	1,000	Perpetual	15 January 2026	Tier 1	969	1,078
4.375%	NN Group N.V.[1]	2014	750	Perpetual	13 June 2024	Tier 1	747	797
4.625%	NN Group N.V.	2014	1,000	8 April 2044	8 April 2024	Tier 2	1,012	1,075
4.625%	NN Group N.V.	2017	850	13 January 2048	13 January 2028	Tier 2	793	912
5.250%	NN Group N.V.[2]	2022	500	1 March 2043	30 August 2032	Tier 2	464	
9.000%	Nationale-Nederlanden Levensverzekering Maatschappij N.V.[3]	2012	500	29 August 2042	29 August 2022	Tier 2		521

1 These securities were originally issued by Delta Lloyd N.V. which was merged into NN Group N.V. at the end of 2017.
2 These securities were issued on 30 August 2022.
3 These securities were originally issued by Delta Lloyd Levensverzekeringen N.V. which was merged into Nationale-Nederlanden Levensverzekering Maatschappij N.V. (NN Life) on 1 January 2019. These notes were redeemed by Nationale-Nederlanden Levensverzekering Maatschappij N.V. at their first call date, 29 August 2022.

The perpetual subordinated notes issued in 2014 with a notional amount of EUR 1 billion have a coupon of 4.50% and are fully paid in. NN Group N.V. has the right to redeem these notes on the first call date on 15 January 2026 or on any interest payment date thereafter. The subordinated notes are classified as Restricted Tier 1 capital based on the transitional provisions (grandfathering). These subordinated notes are grandfathered for a maximum period of 10 years until 1 January 2026.

The perpetual subordinated notes (originally issued by Delta Lloyd N.V. in 2014) with a notional amount of EUR 750 million have a coupon of 4.375% and are fully paid in. NN Group N.V. has the right to redeem these notes on the first call date on 13 June 2024 or on any interest payment date thereafter. The subordinated notes are classified as Restricted Tier 1 capital based on the transitional provisions (grandfathering). These notes are grandfathered for a maximum period of 10 years until 1 January 2026.

The dated subordinated notes issued in 2014 with a notional amount of EUR 1 billion have a coupon of 4.625% and maturity date on 8 April 2044 and are fully paid in. NN Group N.V. has the right to redeem these notes on the first call date on 8 April 2024 or on any interest payment date thereafter. These subordinated notes are classified as Tier 2 capital based on the transitional provisions (grandfathering). The subordinated notes are grandfathered for a maximum period of 10 years until 1 January 2026.

The dated subordinated notes issued in 2017 with a notional amount of EUR 850 million have a coupon of 4.625% with maturity date on 13 January 2048 and are fully paid in. NN Group N.V. has the right to redeem these notes on the first call date on 13 January 2028 or on any interest payment date thereafter. These subordinated notes are classified as Tier 2 capital.

On 30 August 2022, NN Group N.V. issued subordinated notes with a notional amount of EUR 500 million and a coupon of 5.25% with a maturity on 1 March 2043. NN Group N.V. has the right to redeem these notes on the first call date of 30 August 2032 or any other interest payment date thereafter. These subordinated notes are classified as Tier 2 capital.

The dated subordinated notes of EUR 500 million originally issued by Delta Lloyd Levensverzekering N.V. in 2012 and assumed by Nationale-Nederlanden Levensverzekering Maatschappij N.V. following the legal merger effective as of 1 January 2019 were redeemed on 29 August 2022.

53 Capital and liquidity management continued

Eligible Own Funds

NN Group Own Funds are classified into three tiers as follows:

- The excess of assets over liabilities on the basis of consolidated accounts excluding net Deferred Tax Asset is classified as (unrestricted) Tier 1
- The proportional share in the Own Funds of BeFrank, BeFrank PPI and pension funds in Central Europe is classified as (unrestricted) Tier 1
- The proportional share in the Eligible Own Funds of NN Life Japan is classified as (unrestricted) Tier 1 (European Commission recognised the solvency regime applied to the insurance undertakings in Japan as provisionally equivalent to Solvency II according to Commission Delegated Decision (EU) 2016/310 of 26 November 2015)
- The proportional share in the Own Funds of NN Bank is classified as (unrestricted) Tier 1 with the exception of the subordinated loans which are classified as Tier 2
- Perpetual subordinated notes are classified as (restricted) Tier 1 based on the transitional provisions (grandfathering)
- Dated subordinated debt is classified as Tier 2 including that based on the transitional provisions (grandfathering)
- The Net Deferred Tax Asset (Deferred tax assets and liabilities are offset only where such assets and liabilities relate to taxes levied by the same tax authority on the same taxable undertaking) is classified as Tier 3

As at 31 December 2022 and 2021, NN Group had no ancillary Own Funds.

There are a number of regulatory restrictions on the amounts classified as Restricted Tier 1, Tier 2 and Tier 3 capital. The following restrictions have to be taken into account:

- Restricted Tier 1 capital cannot exceed 20% of the total Tier 1 amount
- The proportion of Tier 1 items in the Eligible Own Funds should be higher than one third of the total amount of Eligible Own Funds
- Tier 2 and Tier 3 capital together cannot exceed 50% of the SCR
- Tier 3 capital cannot exceed 15% of the Solvency Capital Requirements
- Tier 3 capital cannot exceed one third of the total amount of Eligible Own Funds

The application of the regulatory restrictions as at 31 December 2022 is reflected in the table below.

Eligible Own Funds to cover the Solvency Capital Requirement

	Available Own Funds 2022	Eligibility Own Funds 2022	Available Own Funds 2021	Eligibility Own Funds 2021	Eligibility restriction
Tier 1	12,620	12,620	15,252	15,252	More than one third of total EOF
Of which:					
– Unrestricted Tier 1	10,904	10,904	13,377	13,377	Not applicable
– Restricted Tier 1	1,716	1,716	1,875	1,875	Less than 20% of Tier 1
Tier 2 + Tier 3	3,098	3,098	3,270	3,270	Less than 50% of SCR
Tier 2	2,189	2,189	2,422	2,422	
Tier 3	910	910	848	848	Less than 15% of SCR; Less than one third of total EOF
Non-Solvency II regulated entities	2,104	2,104	2,404	2,404	
Total Own Funds	**17,822**	**17,822**	**20,927**	**20,927**	

53 Capital and liquidity management continued

Transferability and fungibility of Own Funds

NN Group adjusts the group Own Funds taking into account the value of own fund items that cannot effectively be made available to cover the group SCR. These are the own fund items of related undertakings subject to legal and regulatory constraints that restrict the ability of those items to absorb all types of loss within the group and/or transferability of assets. Based on NN Group's assessment these own fund items mainly include:

- Differences between valuations of assets and liabilities based on Solvency II principles and according to principles that related undertakings use to prepare respective local annual accounts
- For NN Life Japan, own fund items according to local rules but which are not part of shareholders' equity
- For NN Bank, own funds covering pillar II guidance issued by regulator
- The transitional measures on risk-free interest rates and technical provisions
- Legal reserves set up according to local company law
- Any minority interest in a related undertaking

These own fund items are included in NN Group Own Funds to the extent they are eligible for covering contribution of the respective related undertaking to the NN Group's SCR. On 31 December 2022 excess non-available own funds amounted to EUR 1,415 million. On 31 December 2021, this amount was EUR 1,094 million.

Cash capital position at the holding company

NN Group holds a cash capital position in the holding company to cover stress events and to fund holding company expenses and interest expenses. Cash capital is defined as net current assets available at the holding company. A related metric is the free cash flow at the holding which is defined as the change in the cash capital position at the holding company over the period, excluding acquisitions, divestments, and capital transactions with shareholders and debtholders.

Cash capital position at the holding company

	2022	2021
Cash capital position – opening balance	1,998	1,170
Remittances from subsidiaries[1]	1,753	1,835
Capital injections into subsidiaries[2]	-545	-19
Other[3]	-315	-344
Free cash flow to the holding[4]	**893**	**1,472**
Cash divestment proceeds	1,626	76
Acquisitions	-524	-358
Capital flow from/to shareholders	-1,806	-960
Increase/decrease in debt and loans	-106	597
Cash capital position – closing balance	**2,081**	**1,998**

1 Includes interest on intragroup subordinated loans provided to subsidiaries by the holding company.
2 Includes the change of subordinated loans provided to subsidiaries by the holding company.
3 Includes interest on subordinated loans and debt with external debtholders, holding company expenses and other cash flows.
4 Free cash flow to the holding company is defined as the change in cash capital position of the holding company over the period, excluding acquisitions, divestment proceeds and capital transactions with shareholders and debtholders.

The cash capital position at the holding company increased to EUR 2,081 million at 31 December 2022 from EUR 1,998 million at 31 December 2021. The increase is mainly due to EUR 1,753 million of remittances from subsidiaries and EUR 1,626 million of proceeds from the sale of NN IP. These are partly offset by EUR 1,806 million of capital flows to shareholders, EUR 545 million injections into subsidiaries, EUR 524 million paid for acquisitions mainly reflecting the acquisition of MetLife's businesses in Poland and Greece, and other movements of EUR 315 million that include holding company expenses, interest on loans and debt and other holding company cash flows. NN Group issued EUR 500 million of subordinated notes on 30 August 2022 and used the proceeds of the issuance for providing an intercompany loan to NN Life for the repayment of its EUR 500 million external legacy Tier 2 debt that was redeemed on 29 August 2022. The intercompany loan is reflected in capital injections into subsidiaries. Adjusting for the EUR 500 million intercompany loan to NN Life, the free cash flow to the holding was EUR 1,393 million for full-year 2022. Capital flows to shareholders comprise the cash part of the 2021 final dividend and the 2022 interim dividend for a total amount of EUR 413 million and the repurchase of EUR 1,393 million of own shares. The debt position decreased with EUR 106 million which reflects the redemption of EUR 600 million of senior debt on 18 March 2022, partly offset by the proceeds of the issuance of EUR 500 million of subordinated notes on 30 August.

53 Capital and liquidity management continued

Financial leverage

The financial leverage and fixed-cost coverage ratio are managed in accordance with a single A financial strength rating target.

Financial leverage

	2022	2021
Shareholders' equity	16,005	32,888
Adjustment for revaluation reserves[1]	3,382	-11,730
Minority interests	63	266
Capital base for financial leverage (a)	**19,450**	**21,424**
– Undated subordinated notes[2]	1,764	1,764
– Subordinated debt	2,334	2,356
Total subordinated debt	**4,098**	**4,120**
Debt securities issued	1,694	2,292
Financial leverage (b)	**5,792**	**6,412**
Total debt	**5,792**	**6,412**
Financial leverage ratio (b/(a+b))	22.9%	23.0%
Fixed-cost coverage ratio[3]	7.6x	19.9x

1 Includes revaluations on debt securities, on the cash flow hedge reserve and on the reserves crediting to life policyholders.
2 The undated subordinated notes classified as equity are considered financial leverage in the calculation of the financial leverage ratio. The related interest is included on an accrual basis in the calculation of the fixed-cost coverage ratio.
3 Measures the ability of earnings before interest and tax (EBIT) to cover funding costs on financial leverage. Special items, revaluations on derivatives that are non-eligible for hedge accounting, market and other impacts and amortisation of acquisition intangibles are excluded from EBIT.

The financial leverage ratio of NN Group decreased to 22.9% at 31 December 2022 from 23.0% at 31 December 2021, reflecting the decrease of the financial leverage, partly offset by the decrease of the capital base. The financial leverage decreased mainly driven by the redemption of EUR 600 million of senior debt on 18 March 2022. The capital base for financial leverage decreased with EUR 1,974 million mainly due to capital flows to shareholders of EUR 1,806 million and negative equity revaluations of EUR 1,475 million, partly offset by the 2022 net results of EUR 1,562 million.

In January 2023, NN Group repaid EUR 500 million of unsecured senior notes that matured on 13 January 2023. NN Group will consider various options in the context of optimising the capital and leverage structure.

The fixed-cost coverage ratio decreased to 7.6x at the end of 2022, from 19.9x at the end of 2021 (on a last 12-months basis), driven by the decrease of earnings before interest and tax due to lower capital gains on the sale of public equities and government bonds, impairments on equities and lower revaluations on real estate.

53 Capital and liquidity management continued

Proposed 2022 final dividend

At the annual general meeting on 2 June 2023, a final dividend will be proposed of EUR 1.79 per ordinary share, or approximately EUR 504 million in total based on the current number of outstanding shares (net of treasury shares). The final dividend will be paid either fully in cash, after deduction of withholding tax if applicable, or fully in ordinary shares, at the election of the shareholders. Dividends paid in the form of ordinary shares will be delivered from NN Group treasury shares or issued at the expense of the share premium reserve. To neutralise the dilutive effect of the stock dividend, NN Group will repurchase ordinary shares for an amount equivalent to the stock dividend. If the proposed dividend is adopted by the General Meeting, NN Group ordinary shares will be quoted ex-dividend on 6 June 2023. The record date for the dividend will be 7 June 2023. The election period will run from 8 June 2023 up to and including 22 June 2023. The stock fraction for the stock dividend will be based on the volume weighted average price of NN Group ordinary shares on Euronext Amsterdam for the five trading days from 16 June through 22 June 2023. The dividend will be payable on 29 June 2023. (For more information: https://www.nn-group.com/investors/share-information/dividend-policy-and-dividend-history.htm).

On 7 September 2022, NN Group paid an interim dividend of EUR 1.00 per ordinary share, equivalent to EUR 293 million in total. The proposed 2022 final dividend of EUR 1.79 per ordinary share plus the 2022 interim dividend of EUR 1.00 per ordinary share gives a total dividend for 2022 of EUR 2.79 per ordinary share.

On 15 June 2022, NN Group paid a 2021 final dividend of EUR 1.56 per ordinary share, equivalent to EUR 469 million in total.

Share buyback

On 16 February 2023, NN Group announced that it will execute an open market share buyback programme for an amount of EUR 250 million. The programme will be executed within 12 months and commenced on 1 March 2023. The share buyback will be deducted in full from Solvency II Own Funds in the first half of 2023 and is estimated to reduce NN Group's Solvency II ratio by approximately 3%-points.
In addition to the announced share buyback programme, NN group intends to repurchase shares to neutralise the dilutive effect of any stock dividends. NN Group intends to cancel any repurchased NN Group shares under the programmes unless used to cover obligations under share-based remuneration arrangements or to deliver stock dividend.

The share buyback programmes will be executed within the limitations of the existing authority granted by the General Meeting on 19 May 2022 and such authority to be granted by the General Meeting on 2 June 2023. The shares will be repurchased at a price that does not exceed the last independent trade or the highest current independent bid on the relevant trading platform. The programmes will be executed by financial intermediaries and will be performed in compliance with the safe harbour provisions for share buybacks.

On 17 February 2022, NN Group announced an open market share buyback programme for an amount of EUR 250 million within 12 months, commencing on 1 March 2022. NN Group also announced an additional open market share buyback programme for an amount of EUR 750 million after completion of the sale of NN IP. This additional share buyback programme commenced on 13 April 2022. These share buyback programmes were completed on 20 December 2022.

NN Group neutralised the dilutive effect of the 2021 final dividend that was paid in the form of ordinary shares for a total amount of EUR 218 million and the 2022 interim dividend that was paid in the form of ordinary shares for a total amount of EUR 131 million. These share buyback programmes were completed on 24 August 2022 and 12 October 2022, respectively.

NN Group reports on the progress of the share buyback programmes on its corporate website (https://www.nn-group.com/investors/share-information/share-buyback-programme.htm) on a weekly basis.

53 Capital and liquidity management continued

Share capital

On 4 May 2022 and 25 November 2022, respectively 7,878,210 and 15,000,000 NN Group treasury shares which were repurchased under the share buyback programmes were cancelled.

In 2022, a total number of 32,439,329 ordinary shares for a total amount of EUR 1,393 million were repurchased (reference is made to Note 14 'Equity' regarding the number of shares repurchased and the total amount in 2021).

On 3 March 2023, the total number of NN Group shares outstanding (net 13,689,804 of treasury shares) was 281,310,196.

Credit ratings

On 18 May 2022, Standard & Poor's published a report affirming NN Group's 'A' financial strength rating and 'BBB+' credit rating with a positive outlook.

On 3 March 2023, Fitch Ratings published a report affirming NN Group's 'AA-' financial strength rating and 'A+' credit rating with a stable outlook.

Credit ratings on NN Group N.V. on 8 March 2023

	Financial Strength Rating	NN Group N.V. Counterparty Credit Rating
Standard & Poor's	A	BBB+
	Positive	Positive
Fitch	AA-	A+
	Stable	Stable

Authorisation of the Consolidated annual accounts

The Consolidated annual accounts of NN Group N.V. for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Executive Board on 8 March 2023. The Executive Board may decide to amend the Consolidated annual accounts as long as these are not adopted by the General Meeting.

The General Meeting may decide not to adopt the Consolidated annual accounts, but may not amend these during the meeting. The General Meeting can decide not to adopt the Consolidated annual accounts, propose amendments and then adopt the Consolidated annual accounts after a normal due process.

The Hague, 8 March 2023

The Supervisory Board

D.A. (David) Cole, chair
H.M. (Hélène) Vletter-van Dort, vice-chair
I.K. (Inga) Beale
R.W. (Robert) Jenkins
R.J.W. (Rob) Lelieveld
P.F.M. (Pauline) van der Meer Mohr
C.G. (Cecilia) Reyes
J.W. (Hans) Schoen

The Executive Board

D.E. (David) Knibbe, CEO, chair
A.T.J. (Annemiek) van Melick, CFO, vice-chair

Parent company balance sheet

Parent company balance sheet

As at 31 December before appropriation of result	notes	2022	2021
Assets			
Investments in group companies	2	17,150	34,507
Available-for-sale investments	3	2,398	3,918
Intangible assets	4	251	264
Other assets	5	5,483	5,822
Total assets		**25,282**	**44,511**
Equity			
Share capital		35	38
Share premium		12,578	12,575
Share of associates reserve		-159	16,651
Retained earnings		1,989	346
Unappropriated result		1,562	3,278
Shareholders' equity		**16,005**	**32,888**
Undated subordinated notes		1,764	1,764
Total equity	6	**17,769**	**34,652**
Liabilities			
Subordinated debt	7	2,334	1,836
Other liabilities	8	5,179	8,023
Total liabilities		**7,513**	**9,859**
Total equity and liabilities		**25,282**	**44,511**

References relate to the notes starting with Note 1 'Accounting policies for the Parent company annual accounts'. These form an integral part of the Parent company annual accounts.

Parent company profit and loss account

Parent company profit and loss account

For the year ended 31 December	2022	2021
Result group companies	1,725	3,494
Net fee and commission income	-3	
Other income	118	63
Total income	**1,840**	**3,557**
Amortisation of intangible assets and other impairments	18	21
Interest expenses	145	122
Operating expenses	177	166
Total expenses	**340**	**309**
Result before tax	**1,500**	**3,248**
Taxation	-62	-30
Net result	**1,562**	**3,278**

Parent company statement of changes in equity

Parent company statement of changes in equity (2022)

	Share capital	Share premium	Share of associates reserve	Other reserves[1]	Shareholders' equity	Undated subordinated notes	Total equity
Balance at 1 January 2022	**38**	**12,575**	**16,651**	**3,624**	**32,888**	**1,764**	**34,652**
Unrealised revaluations available-for-sale investments and other			-15,708	60	-15,648		-15,648
Realised gains/losses transferred to the profit and loss account			112		112		112
Changes in cash flow hedge reserve			-5,942		-5,942		-5,942
Deferred interest credited to policy-holders			4,986		4,986		4,986
Share of other comprehensive income of associates and joint ventures			9		9		9
Exchange rate differences			-164		-164		-164
Remeasurement of the net defined benefit asset/liability			68		68		68
Unrealised revaluations property in own use			3		3		3
Total amount recognised directly in equity (Other comprehensive income)	**–**	**–**	**-16,636**	**60**	**-16,576**	**–**	**-16,576**
Net result for the period				1,562	1,562		1,562
Total comprehensive income	**–**	**–**	**-16,636**	**1,622**	**-15,014**	**–**	**-15,014**
Changes in share capital	-3	3			–		–
Transfers to/from associates			-198	198	–		–
Dividend				-413	-413		-413
Purchase/sale of treasury shares				-1,392	-1,392		-1,392
Employee stock option and share plans				-6	-6		-6
Coupon on undated subordinated notes				-58	-58		-58
Changes in the composition of the group and other changes			24	-24	–		–
Balance at 31 December 2022	**35**	**12,578**	**-159**	**3,551**	**16,005**	**1,764**	**17,769**

1 Other reserves include Retained earnings and Unappropriated result.

Parent company statement of changes in equity (2021)

	Share capital	Share premium	Share of associates reserve	Other reserves[1]	Shareholders' equity	Undated subordinated notes	Total equity
Balance at 1 January 2021	**39**	**12,574**	**21,853**	**2,265**	**36,731**	**1,764**	**38,495**
Unrealised revaluations available-for-sale investments and other			-2,899	-202	-3,101		-3,101
Realised gains/losses transferred to the profit and loss account			-1,431		-1,431		-1,431
Changes in cash flow hedge reserve			-3,383		-3,383		-3,383
Deferred interest credited to policy-holders			1,861		1,861		1,861
Share of other comprehensive income of associates and joint ventures			-2		-2		-2
Exchange rate differences			-66		-66		-66
Remeasurement of the net defined benefit asset/liability			19		19		19
Total amount recognised directly in equity (Other comprehensive income)	**–**	**–**	**-5,901**	**-202**	**-6,103**	**–**	**-6,103**
Net result for the period				3,278	3,278		3,278
Total comprehensive income	**–**	**–**	**-5,901**	**3,076**	**-2,825**	**–**	**-2,825**
Changes in share capital	-1	1			–		–
Transfers to/from associates			699	-699	–		–
Dividend				-412	-412		-412
Purchase/sale of treasury shares				-545	-545		-545
Employee stock option and share plans				-2	-2		-2
Coupon on undated subordinated notes				-59	-59		-59
Balance at 31 December 2021	**38**	**12,575**	**16,651**	**3,624**	**32,888**	**1,764**	**34,652**

1 Other reserves include Retained earnings and Unappropriated result.

Notes to the Parent company annual accounts

1 Accounting policies for the Parent company annual accounts

The parent company annual accounts of NN Group N.V. are prepared in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. The accounting policies applicable to presentation and disclosures are in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. The principles of valuation and determination of results stated in connection with the Consolidated balance sheet and profit and loss account are also applicable to the parent company balance sheet and profit and loss account with the exception of investments in group companies and Associates and joint ventures which are recognised at net asset value with goodwill, if any, recorded under intangible assets.

A list containing the information referred to in Article 379 (1), Book 2 of the Dutch Civil Code has been filed with the Commercial Register of the Chamber of Commerce in Amsterdam in accordance with Article 379 (5), Book 2 of the Dutch Civil Code.

Changes in balance sheet values due to changes in the revaluation reserves of associates are reflected in the 'Share of associates reserve', which forms part of shareholders' equity. Changes in balance sheet values due to the results of these associates, accounted for in accordance with NN Group accounting policies, are included in the profit and loss account. Other changes in the balance sheet value of these associates, other than those due to changes in share capital, are included in the 'Share of associates reserve'.

A legal reserve is carried at an amount equal to the share in the results of associates since their first inclusion at net asset value less the amount of profit distributions to which rights have accrued in the interim. Profit distributions which can be repatriated to the Netherlands without restriction are likewise deducted from the 'Share of associates reserve'.

2 Investments in group companies

Investments in group companies

Name	Statutory seat	Interest held 2022	Balance sheet value 2022	Interest held 2021	Balance sheet value 2021
NN Insurance Eurasia N.V.	Amsterdam, the Netherlands	100%	16,297	100%	33,387
Delta Lloyd Houdstermaatschappij Verzekeringen N.V.	Amsterdam, the Netherlands			100%	1
Nationale-Nederlanden Bank N.V.	The Hague, the Netherlands	100%	788	100%	847
Nationale-Nederlanden ABN AMRO Verzekeringen Holding B.V.	Zwolle, the Netherlands	51%	57	51%	255
NN Insurance International B.V.	The Hague, the Netherlands	100%	8	100%	17
Investments in group companies			**17,150**		**34,507**

Changes in Investments in group companies

	2022	2021
Investments in group companies – opening balance	34,507	38,535
Revaluations	-16,590	-6,100
Result of group companies	1,725	3,494
Capital contributions	352	338
Dividend and repayments	-3,007	-1,760
Changes in the composition of the group and other changes	163	
Investments in group companies – closing balance	**17,150**	**34,507**

3 Debt securities Available-for-sale

Changes in Debt securities Available-for-sale

	2022	2021
Debt securities Available-for-sale – opening balance	3,918	4,509
Additions	11,293	14,301
Changes in unrealised revaluations		1
Disposals and redemptions	-12,813	-14,893
Debt securities Available-for-sale – closing balance	**2,398**	**3,918**

4 Intangible assets

Intangible assets

	2022	2021
Goodwill	148	148
Other intangible assets	103	116
Intangible assets	**251**	**264**

Reference is made to Note 10 'Intangible assets' in the Consolidated annual accounts.

5 Other assets

Other assets

	2022	2021
Receivables from group companies	2,489	2,450
Cash	2,365	2,640
Other receivables, prepayments and accruals	629	562
Assets held for sale		170
Other assets	**5,483**	**5,822**

As at 31 December 2022, an amount of EUR 550 million (2021: EUR 1,394 million) is expected to be settled after more than one year from the balance sheet date.

6 Equity

Total equity

	2022	2021
Share capital	35	38
Share premium	12,578	12,575
Share of associates reserve	-159	16,651
Retained earnings and unappropriated result	3,551	3,624
Shareholders' equity	**16,005**	**32,888**
Undated subordinated notes	1,764	1,764
Total equity	**17,769**	**34,652**

As at 31 December 2022, share premium includes an amount of EUR 6,388 million (2021: EUR 6,390 million) exempt from Dutch withholding tax.

Share capital

	Ordinary shares (in number)		Ordinary shares (amounts in millions of euros)	
	2022	2021	2022	2021
Authorised share capital	700,000,000	700,000,000	84	84
Unissued share capital	405,000,000	382,121,790	49	46
Issued share capital	**295,000,000**	**317,878,210**	**35**	**38**

For details on share capital and share premium, reference is made to Note 14 'Equity' in the Consolidated annual accounts.

6 Equity continued

Changes in Retained earnings and unappropriated result (2022)

2022	Retained earnings	Unappropriated result	Total
Retained earnings and unappropriated result – opening balance	346	3,278	3,624
Net result for the period		1,562	1,562
Unrealised revaluations	59		59
Transfer to/from share of associates reserve	198		198
Transfer to/from retained earnings	3,278	-3,278	-
Dividend	-413		-413
Purchase/sale of treasury shares	-1,391		-1,391
Employee stock option and share plans	-6		-6
Coupon on undated subordinated notes	-58		-58
Changes in the composition of the group and other changes	-24		-24
Retained earnings and unappropriated result – closing balance	**1,989**	**1,562**	**3,551**

Changes in Retained earnings and unappropriated result (2021)

2021	Retained earnings	Unappropriated result	Total
Retained earnings and unappropriated result – opening balance	361	1,904	2,265
Net result for the period		3,278	3,278
Unrealised revaluations	-202		-202
Transfer to/from share of associates reserve	-699		-699
Transfer to/from retained earnings	1,904	-1,904	–
Dividend	-412		-412
Purchase/sale of treasury shares	-545		-545
Employee stock option and share plans	-2		-2
Coupon on undated subordinated notes	-59		-59
Retained earnings and unappropriated result – closing balance	**346**	**3,278**	**3,624**

The total amount of Equity in the Parent company annual accounts equals Shareholders' equity (parent) in the Consolidated annual accounts. Certain components within equity are different, as a result of the following presentation differences between the Parent company accounts and Consolidated accounts:

- Unrealised revaluations within consolidated group companies, presented in the 'Revaluation reserve' in the Consolidated annual accounts, are presented in the 'Share of associates reserve' in the Parent company annual accounts
- Foreign currency translation on consolidated group companies, presented in the 'Currency translation reserve' in the Consolidated annual accounts, is presented in the 'Share of associates reserve' in the Parent company annual accounts
- Remeasurement of the net defined benefit asset/liability within consolidated group companies presented in the 'Net defined benefit asset/ liability remeasurement reserve' in the Consolidated annual accounts, are presented in the 'Share of associates reserve' in the Parent company annual accounts
- Non-distributable retained earnings of associates presented in 'Other reserves' in the Consolidated annual accounts, are presented in the 'Share of associates reserve' in the Parent company annual accounts
- Revaluations on real estate investments, capitalised software and certain participations recognised in income and consequently presented in 'Retained earnings' in the Consolidated annual accounts, are presented in the 'Share of associates reserve' in the Parent company annual accounts

6 Equity continued

Share of associates reserve

	2022	2021
Unrealised revaluations within consolidated group companies	-2,134	14,422
Currency translation reserve	-300	-181
Net defined benefit asset/liability remeasurement reserve	-51	-119
Reserve for non-distributable retained earnings of associates	1,913	2,111
Revaluations on investment property and certain participations recognised in income	413	418
Share of associates reserve	**-159**	**16,651**

Positive components of the Share of associate reserve of EUR 3,980 million (2021: EUR 16,951 million) cannot be freely distributed. The cash flow hedge reserve and other unrealised revaluations are included in the Share of associates reserve on a net basis. Retained earnings can be freely distributed, except for an amount equal to the negative balances in each of the components in the Share of associates reserve.

Distributable reserves

NN Group N.V. is subject to legal restrictions regarding the amount of dividends it can pay to its shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to total shareholders' equity less the issued and outstanding capital and less the reserves required by law. In case of negative balances for individual reserves legally to be retained, no distributions can be made out of retained earnings to the level of these negative amounts.

In addition, NN Group's ability to pay dividends is dependent on the dividend payment ability of its subsidiaries, associates and joint ventures. NN Group is legally required to create a non-distributable reserve insofar profits of its subsidiaries, associates and joint ventures are subject to dividend payment restrictions. Such restrictions may, among others, be of a similar nature as the restrictions which apply to NN Group.

Legally distributable reserves, determined in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code, from NN Group's subsidiaries, associates and joint ventures are as follows:

Distributable reserves based on the Dutch Civil Code

	2022	2022	2021	2021
Total shareholders' equity		16,005		32,888
Share capital	35		38	
Positive components of Share of associates reserve	3,980		16,951	
Total non-distributable part of shareholders' equity:		4,015		16,989
Distributable reserves based on the Dutch Civil Code		**11,990**		**15,899**

The Dutch supervisory rules and regulations stemming from the Dutch Financial Supervision Act (Wet op het financieel toezicht) provide a second restriction on the possibility to distribute dividends. Total freely distributable reserves is the minimum of freely distributable capital on the basis of solvency requirements and freely distributable capital on the basis of capital protection.

Freely distributable reserves

	2022	2022	2021	2021
Solvency requirement under the Financial Supervision Act	9,040		9,840	
Reserves available for financial supervision purposes	17,904		20,927	
Total freely distributable reserves on the basis of solvency requirements		8,864		11,087
Total freely distributable reserves on the basis of the Dutch Civil Code		11,990		15,899
Total freely distributable reserves (lower of the values above)		**8,864**		**11,087**

Reference is made to Note 53 'Capital and liquidity management' for more information on solvency requirements.

6 Equity continued

Other restrictions

There are other restrictions to the ability of subsidiaries, associates and joint ventures to distribute reserves to NN Group as a result of minimum capital requirements that are imposed by industry regulators in the countries in which the group companies operate. Reference is made to Note 53 'Capital and liquidity management' in the Consolidated annual accounts for the minimum capital requirements.

In addition to the legal and regulatory restrictions on distributing dividends from subsidiaries, associates and joint ventures to NN Group there are various other considerations and limitations that are taken into account in determining the appropriate levels of equity in the Group's subsidiaries, associates and joint ventures. These considerations and limitations include, but are not restricted to, rating agency and regulatory views, which can change over time; it is not possible to disclose a reliable quantification of these limitations.

Without prejudice to the authority of the Executive Board to allocate profits to reserves and to the fact that the ordinary shares are the most junior securities issued by NN Group, no specific dividend payment restrictions with respect to ordinary shares exist.

Furthermore, NN Group is subject to legal restrictions with respect to repayment of capital to holders of ordinary shares. Capital may be repaid to the holders of ordinary shares pursuant to an amendment of NN Group's Articles of Association whereby the ordinary shares are written down. Pursuant to the Dutch Civil Code, capital may only be repaid if none of NN Group's creditors opposes such a repayment within two months following the announcement of a resolution to that effect.

Undated subordinated notes

In July 2014, NN Group N.V. issued fixed to floating rate undated subordinated notes with a par value of EUR 1,000 million. The notes are undated, but are callable after 11.5 years and every quarter thereafter (subject to regulatory approval). The coupon is fixed at 4.50% per annum for the first 11.5 years and will be floating thereafter. As these notes are undated and include optional deferral of interest at the discretion of NN Group, these are classified under IFRS-EU as equity. Coupon payments are deducted from equity if and when paid or contractually due. The discount to the par value and certain issue costs were deducted from equity at issue, resulting in a balance sheet value equal to the net proceeds of EUR 986 million.

In June 2014, fixed to floating rate undated subordinated notes with a par value of EUR 750 million were originally issued by Delta Lloyd which are classified as equity under IFRS. The notes are undated, but are callable as from 13 June 2024 and every quarter thereafter (subject to regulatory approval). The coupon is fixed at 4.375% per annum until 13 June 2024 and will be floating thereafter. Coupon payments are distributed out of equity if and when paid or contractually due. These notes were recognised upon acquisition of Delta Lloyd for an amount of EUR 778 million.

7 Subordinated debt

Subordinated debt

				Notional amount		Balance sheet value	
Interest rate	**Year of issue**	**Due date**	**First call date**	**2022**	**2021**	**2022**	**2021**
4.625%	2014	8 April 2044	8 April 2024	1,000	1,000	997	995
4.625%	2017	13 January 2048	13 January 2028	850	850	843	841
5.250%	2022	1 March 2043	30 August 2032	500		494	
Subordinated debt						**2,334**	**1,836**

The above subordinated debt instruments have been issued to raise hybrid capital. Under IFRS-EU these debt instruments are classified as liabilities and are considered capital for regulatory purposes. All subordinated debt is euro denominated.

8 Other liabilities

Other liabilities

	2022	2021
Debt securities issued	1,694	2,293
Amounts owed to group companies	3,323	5,575
Other amounts owed and accrued liabilities	162	155
Other liabilities	**5,179**	**8,023**

Amounts owed to group companies by remaining term

	2022	2021
Within 1 year	3,323	5,575
Amounts owed to group companies	**3,323**	**5,575**

9 Other

NN Group N.V. has issued statements of liability in connection with Article 403, Book 2 of the Dutch Civil Code and other guarantees (mainly funding and redemption guarantees) for group companies.

Reference is made to the Consolidated annual accounts for the number of employees, audit fees and remuneration of the Executive Board, the Management Board and the Supervisory Board.

Authorisation of the Consolidated annual accounts

The Parent company annual accounts of NN Group N.V. for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Executive Board on 8 March 2023. The Executive Board may decide to amend the Parent company annual accounts as long as these are not adopted by the General Meeting.

The General Meeting may decide not to adopt the Parent company annual accounts, but may not amend these during the meeting. The General Meeting can decide not to adopt the Parent company annual accounts, propose amendments and then adopt the Parent company annual accounts after a normal due process.

The Hague, 8 March 2023

The Supervisory Board

D.A. (David) Cole, chair
H.M. (Hélène) Vletter-van Dort, vice-chair
I.K. (Inga) Beale
R.W. (Robert) Jenkins
R.J.W. (Rob) Lelieveld
P.F.M. (Pauline) van der Meer Mohr
C.G. (Cecilia) Reyes
J.W. (Hans) Schoen

The Executive Board

D.E. (David) Knibbe, CEO, chair
A.T.J. (Annemiek) van Melick, CFO, vice-chair

Independent auditor's report

To: The General Meeting of Shareholders and the Supervisory Board of NN Group N.V.

Report on the audit of the annual accounts 2022 included in the annual report

Our opinion

In our opinion:

- the accompanying consolidated annual accounts give a true and fair view of the financial position of NN Group N.V. ('the Group') as at 31 December 2022 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and in accordance with Part 9 of Book 2 of the Dutch Civil Code; and
- the accompanying parent company annual accounts give a true and fair view of the financial position of NN Group N.V. as at 31 December 2022 and of its results for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the 2022 annual accounts of NN Group N.V. based in Amsterdam and headquartered in The Hague, as set out on pages 157 to 299 of the annual report. The annual accounts include the consolidated annual accounts and the parent company annual accounts.

The consolidated annual accounts comprise:

1. the consolidated balance sheet as at 31 December 2022;
2. the following consolidated statements for 2022: the profit and loss account, the statements of comprehensive income, cash flows and changes in equity; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The parent company accounts comprise:

1. the parent company balance sheet as at 31 December 2022;
2. the parent company profit and loss account for 2022; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the annual accounts' 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).

Our audit procedures were determined in the context of our audit of the annual accounts as a whole. Our observations in respect of going concern, fraud and non-compliance with laws and regulations, climate and the key audit matters should be viewed in that context and not as separate opinions or conclusions.

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

Information in support of our opinion

Summary

Materiality

- Materiality of EUR 140 million, this is similar to 2021
- Based on core equity; shareholders' equity minus revaluation reserves (1%)

Group audit

- 92% of core equity
- 97% of total assets
- 90% of profit before tax

Fraud/Noclar, Going concern and risks of climate change

- Fraud & Non-compliance with laws and regulations (Noclar): we identified management override of controls as fraud risk
- Going concern related risks: no going concern risks identified
- Risks of climate change: we have considered the impact of the risks of climate change on the annual accounts and described our approach and observations in the section 'Audit response to risks of climate change'

Key audit matters
• Valuation of insurance liabilities • Valuation of illiquid investments • Unit-linked exposure • Solvency II disclosure

Opinion
Unqualified

Materiality

Based on our professional judgement we determined the materiality for the annual accounts as a whole at EUR 140 million (2021: EUR 140 million). The materiality is determined with reference to core equity (shareholders' equity minus revaluation reserves) and amounts to 1% (2021: 1%). We continue to consider core equity as the most appropriate benchmark based on our assessment of the general information needs of the users of the annual accounts of the financial institutions predominantly active in the life insurance business. We believe that core equity is a relevant metric for assessment of the financial performance of the Group.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the annual accounts for qualitative reasons.

We agreed with the Audit Committee of the Supervisory Board that misstatements identified during our audit in excess of EUR 7 million (2021: EUR 7 million) would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

NN Group N.V. is at the head of a group of components. The financial information of this group is included in the consolidated annual accounts of the Group. The Group is structured along six segments: Netherlands Life, Netherlands Non-life, Insurance Europe, Japan Life, Banking and Other, each comprising multiple legal entities and/or covering different countries. Following the announced sale of NN Investment Partners, Asset Management activities are presented separately from the results of the remaining segments.

Because we are ultimately responsible for the audit opinion, we are responsible for directing, supervising and performing the group audit. In this respect, we have determined the nature and extent of the audit procedures to be carried out for group entities.

Our group audit mainly focused on significant components. These significant components are either individually financially significant due to their relative size within the Group or because we assigned a significant risk of material misstatement to one or more account balances of the component. In addition, we included certain components in the scope of our group audit in order to arrive at a sufficient coverage for all relevant significant account balances.

This resulted in a full or specific scope audit for 23 (2021: 27) components, in total covering seven countries, and in a coverage of 92% of core equity, 97% of total assets and 90% of profit before tax. For the remaining 8% of core equity, 3% of total assets and 10% of profit before tax, procedures were performed at the group level including analytical procedures in order to corroborate that our scoping remained appropriate throughout the audit. This coverage is in line with our 2021 audit.

All components in scope for group reporting purposes are audited by KPMG member firms. We sent audit instructions to all component auditors, covering significant areas including the relevant risks of material misstatement and set out the information required to be reported to the group audit team. We visited locations in the Netherlands, Japan, Belgium, Poland, Czech Republic, and Greece, where we discussed the audit work performed with the local audit teams and performed detailed file reviews.

With all components in the scope of the group audit, we discussed the planning, risk assessment, procedures performed, findings and observations reported to the group auditor and any additional work deemed necessary by the group audit team was then performed.

The group audit team has set component materiality levels, which ranged from EUR 7 million to EUR 100 million, based on the mix of size and risk profile of the components within the Group.

The consolidation of the Group, the disclosures in the annual accounts and certain accounting topics are audited by the group audit team. The accounting matters on which audit procedures are performed by the group audit team include, but are not limited to, assessment of the use of the going concern assumption, companies and businesses acquired and divested, intangible assets including goodwill, equity, staff expenses in the Netherlands, other operating expenses in the Netherlands, certain elements of the risk and capital management disclosures, corporate income tax for the Dutch fiscal unity and legal proceedings.

By performing the procedures mentioned above at group components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the Group's financial information to provide an opinion about the annual accounts.

The audit coverage as stated in the section 'Summary' can be further specified as follows:

Core equity

81%	11%	8%
Audit of the complete reporting package	Audit of specific Items	Specified audit procedures

KPMG

Total assets

93%	4%	3%
Audit of the complete reporting package	Audit of specific items	Specified audit procedures

Profit before tax

75%	15%	10%
Audit of the complete reporting package	Audit of specific items	Specified audit procedures

Audit response to the risk of fraud and non-compliance with laws and regulations

In chapter 5 of the annual report, the Executive Board describes its response and procedures in respect of the risk of fraud and non-compliance with laws and regulations.

As part of our audit, we have gained insights into the Group and its business environment, and assessed the design and implementation and, where considered appropriate, tested the operating effectiveness of the Group's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the Group's code of conduct, whistleblowing procedures, incidents register and its procedures to investigate indications of possible fraud and non-compliance. Furthermore, we performed relevant inquiries with management, Supervisory Board and other relevant functions, such as Internal Audit, Legal Counsel and Compliance. As part of our audit procedures, we:

- assessed the fraud risk assessments performed by Operational Risk Management in the components and coordinated by Group Operational Risk Management. These fraud risk assessments have been shared with all component auditors;
- assessed other positions held by the Management Board members and paid special attention to governance, procedures and compliance in view of possible conflicts of interest;
- evaluated internal compliance reports on indications of possible fraud and non-compliance;
- inspected correspondence with De Nederlandsche Bank (DNB), Autoriteit Financiële Markten (AFM) and other regulators and supervisory authorities; and
- evaluated legal confirmation letters.

KPMG

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Group.

The Group is subject to many laws and regulations where the consequences of non-compliance could have an indirect material effect on amounts recognised or disclosures in the annual accounts, or both, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an indirect effect:

- Wet op het financieel toezicht (Wft) (including the European Solvency II directives);
- Financial and economic crime (FEC) related regulation; and
- Data privacy regulation (GDPR).

We evaluated, with support of our forensics specialists, the fraud and non-compliance risk factors to consider whether those factors indicate a risk of material misstatement in the annual accounts.

The above did not lead to the identification of other risks than the presumed risk of management override of controls.

Management override of controls

Risk

Management is in a unique position to manipulate accounting records and prepare fraudulent annual accounts by overriding controls that otherwise appear to be operating effectively such as: estimates related to valuation and reserve adequacy of insurance liabilities and Solvency II disclosures.

Response

- We assessed the design and the implementation of internal controls that mitigate fraud such as processes related to journal entries and estimates.
- We performed data analysis of high-risk journal entries and evaluated key estimates and judgements for bias by the Group, including retrospective reviews of prior year's estimates.
- Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk. These procedures also included testing of transactions back to source information.
- We incorporated elements of unpredictability in our audit, e.g. in the scoping of components and data-analysis on outgoing payments and performed risk-based specific item testing.
- We performed detailed testing on other emoluments in relation to the Management Board remuneration.
- We considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud or non-compliance. If so, we re-evaluated our assessment of relevant risks and its resulting impact on our audit procedures.

We refer to the key audit matters below that provide information of our approach related to areas of higher risk due to accounting estimates where management makes significant judgements.

We assessed the presumed fraud risk on revenue recognition as irrelevant, as we consider the likelihood remote that a material error results from fraud other than originating from management override of controls, which is covered by the risk described above.

We communicated our risk assessment, audit responses and results to the Executive Board and the Audit Committee of the Supervisory Board. Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit.

Audit response to going concern

The Executive Board has performed its going concern assessment and has not identified any significant going concern risks. Our main procedures to assess the Executive Board's assessment were:

- We considered whether the Executive Board's assessment of the going concern risks included all relevant information of which we are aware as a result of our audit.
- We assessed whether the scenarios included in the Own Risk Solvency Assessment (ORSA) and Preparatory Crisis Plan that were submitted to De Nederlandsche Bank N.V. (the Dutch Central Bank, DNB) and other regulatory correspondence indicate a significant going concern risk.
- We considered whether the outcome of our audit procedures on the Solvency II capital position and disclosures (see: Key Audit Matters) indicate a significant going concern risk.

The outcome of our risk assessment procedures, including our consideration of findings from our audit procedures on other areas, did not give reason to perform additional audit procedures.

Audit response to risks of climate change

The Executive Board is responsible for preparing the annual accounts in accordance with the applicable financial reporting framework, including considering whether the implications from climate change risks and commitments have been appropriately accounted for and disclosed.

The Group has set out its commitments and ambitions relating to climate change in the annual report. As announced in the Group's first Climate Action Plan published in December 2022, this includes the commitment to reduce greenhouse gas (GHG) emissions to net-zero in its own operations by 2040, as well as in the investment portfolio and insurance underwriting by 2050.

Climate change represents a key risk for the Group through which they are exposed via both sides of the balance sheet: through the valuation of investments on the asset side and insurance exposures on the liability side. The Group states that the impact of climate change is expected to increase over the mid- to long term, which could affect the viability of the Group's strategy. Chapter 5 of the annual report 'Safeguarding value creation' provides an overview of the Group's approach to identifying and assessing climate change risks. Climate change risks are also covered in the Risk Management paragraph in note 52 of the annual accounts.

We have performed a risk assessment of the potential impact of climate change on the 2022 annual accounts and disclosures, including significant judgements and estimates in the annual accounts to determine whether the annual accounts are free from material misstatement. For that purpose we have made enquiries of the Sustainability Officer of the Management Board and other management to understand the extent of the potential impact of climate change risk on the annual accounts, we have evaluated climate related fraud risk factors where none has been identified, inspected minutes and other documentation as well as external communications by the Group regarding significant climate related commitments, strategies and plans made by management. In performing our procedures we involved our own climate risk experts to challenge our risk assessment.

Based on the procedures performed, we consider that climate change risks have no material impact on the 2022 annual accounts under the requirements of the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code and no material impact on our key audit matters. We audited note 52 of the annual accounts and assess the climate change related disclosures as balanced. We have read the disclosure of climate change related information in the annual report and considered material consistency with the annual accounts based on our knowledge obtained through our audit of the annual accounts or otherwise.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts. We have communicated the key audit matters to the Executive Board and the Audit Committee of the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the annual accounts as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter with respect to Reliability of IT general controls and cybersecurity controls on which we reported last year has not been included anymore as findings were of less significance to our audit this year.

1. Valuation of insurance liabilities

Description

Insurance and investment contract liabilities (in short: insurance liabilities) amount to EUR 156 billion as at 31 December 2022, or 78% of total liabilities. The valuation of insurance liabilities involves management judgement, especially for determining the ultimate settlement value of long-term liabilities. In addition, the Group performs the so-called reserve adequacy test (RAT) to assess the adequacy of the insurance liabilities, before reinsurance and net of deferred acquisition cost, based on current best estimate actuarial assumptions.

The RAT for Netherlands Life is most significant to the Group given its relative size and complexity and requires significant management judgement in setting the assumptions related to longevity, expenses and future reinvestment rates.

Given the financial significance and the level of judgement required we considered the valuation and reserve adequacy of insurance contract liabilities a key audit matter.

Our response

Our audit approach is a mixture of controls testing and substantive audit procedures.

Our procedures over internal controls focused on testing of controls around the adequacy of policyholder data, assumption setting and internal review procedures performed on the RAT by the Group Chief Actuary. We also assessed the process for the internal validation and implementation of the models used for the valuation of the insurance liabilities and the RAT.

With the assistance of our own actuarial specialists we performed the following substantive audit procedures:

- We assessed the appropriateness of assumptions used in the valuation of the insurance liabilities for significant components (including Netherlands Life) by reference to company and industry data and expectations of future investment returns, future longevity, also in relation to the mortality tables published by The Royal Dutch Actuarial Association on 13 September 2022, and expense developments.
- We tested the appropriateness of the data used and assumptions and methodologies applied in the RAT.
- We performed substantive analysis of developments in actuarial results and movements in reserve adequacy during the year for each of the components in scope and made corroborative inquiries with management and the Group Chief Actuary.

We assessed the robustness of management's substantiation that the insurance contract liabilities are adequate as at 31 December 2022.

KPMG

Our observation

The reserve adequacy test shows a solid positive margin, although substantially lower as compared to last year due to higher market interest rates. We consider the valuation of the insurance contract liabilities to be appropriate. We refer to notes 11 and 18 of the annual accounts.

2. Valuation of illiquid investments

Description

For non-listed investments quoted prices are not available and fair values are based on valuation techniques which often involve the exercise of judgement by management and the use of assumptions, estimates and valuation models. Where significant pricing inputs are unobservable, management has no reliable, relevant market data available in determining the fair value. For these illiquid investments the estimation uncertainty can be high, especially due to increased market volatilities. This is mainly applicable to:

- mortgages;
- real estate investments; and
- private equity and private debt investments.

Given the financial significance and estimation uncertainties we considered the valuation of illiquid investments a key audit matter.

Our response

We assessed management's approach to the valuation illiquid investments and performed the following procedures:

- We evaluated the Group's processes and controls governing the valuation of non-listed investments.
- We inspected the supporting valuation documents prepared by management's internal and external valuation experts.
- KPMG valuation specialists assisted us in challenging the appropriateness of the models and methodologies used by management in calculating fair values of mortgages. We tested the source data used and assessed the appropriateness of critical valuation parameters. Our valuation specialists independently calculated whether the fair value for the mortgage portfolio as a whole as determined by management is within the acceptable fair value range.
- We involved our real estate valuation specialists in the substantive audit procedures of selected high-risk real estate investments. We evaluated the objectivity, independence and professional competence of external valuators engaged by management.

We inspected the valuation reports obtained, tested the source data used and the calculations made and challenged significant assumptions such as the gross initial yield/discount rate and estimated rental values. We assessed the assumptions used against available market data and object specific underlying characteristics such as occupancy rates and contract renewals.

- We tested and challenged management's valuation of private equity and private debt investments by critically reviewing the minutes of the meetings of management with the external fund managers, we tested the timeliness of such meetings and performed back testing procedures to determine the reliability of the fair value estimates provided by the external fund managers. We compared the movements in the valuations for the period with available external market data and performed back testing on the prior year estimates, e.g. by reconciliation of valuations to annual accounts of investments or comparison to sales results.
- We assessed the disclosures in the annual accounts.

Our observation

The results of our testing were satisfactory and we consider the fair value of illiquid investments to be appropriate. We observed that valuation uncertainties in real estate increased as a limited number of transactions took place to support the estimated yield levels. We refer to note 37 of the annual accounts in which the real estate valuation uncertainties that exist as at 31 December 2022 are disclosed.

3. Unit-linked exposure

Description

Holders of unit-linked products sold in the Netherlands, or consumer protection organisations on their behalf, have filed claims or initiated legal proceedings against the Group and may continue to do so. A negative outcome of such claims and proceedings, settlements or any other actions to the benefit of the customers by other insurers or sector-wide measures, may affect the (legal) position of the Group and could result in substantial financial losses for the Group as and when compensation would be required. The Executive Board assessed the financial consequences of these legal proceedings under both the EU-IFRS and the Solvency II reporting framework and concluded that these cannot be reliably measured, estimated and/or quantified at this point.

Due to the potential significance and judgement that is required to assess the developments relevant to these claims and proceedings we considered this a key audit matter.

Our response

- We assessed the Group's processes and controls with respect to the unit-linked exposures within the relevant components in the Netherlands and especially Netherlands Life.

- We inspected and assessed supporting legal documentation and discussed on a quarterly basis the evolving legal risks and proceedings with the legal counsel and its internal legal advisors. Our assessment took into account the Group's specific developments such as the Supreme Court's answers relating to collective proceedings initiated by the Vereniging Woekerpolis.nl against Nationale-Nederlanden and the judgement in the Wakkerpolis case by the District Court of Rotterdam on 20 July 2022, as well as broader market developments, including the impact, if any, of verdicts issued up to the date of this audit opinion.
- We obtained lawyers letters of the external lawyers engaged by the Group in relation to the collective cases Woekerpolis.nl, Consumentenbond and Wakkerpolis to support our assessment of management judgment on the accounting treatment and disclosures for related risks exposures. We assessed the professional competency and capability of these external lawyers.
- We assessed the unit-linked disclosure on contingent liabilities in note 45 Legal proceedings of the annual accounts.

Our observation

We concur with the Executive Board's conclusion that it is not possible to reliably estimate or quantify the Group's overall exposures at this time and consider the disclosure in note 45 to be appropriate.

4. Solvency II disclosure

Description

Solvency II information as included in notes 52 and 53 of the annual accounts is an important disclosure about the regulatory capital position of the Group. The calculation of the Solvency II ratio is complex and requires significant management judgement. The Group applies the Partial Internal Model (PIM) as approved by DNB to calculate the Solvency Capital Requirement (SCR). Given the importance of the Solvency II capital position, the reporting complexities, the significance of management judgements and assumptions on the outcome of the ratio, the significant measurement uncertainties and related sensitivities we identified the adequacy of the Solvency II disclosure as a key audit matter.

Our response

We obtained an understanding of the Group's application and implementation of the Solvency II directive. In designing our audit approach, we have set a separate materiality for the audit of the Solvency II capital position. The materiality level applied is EUR 180 million (2021: EUR 180 million).

With the assistance of our own actuarial specialists, we performed the following audit procedures:

- We assessed the adequacy of the quantitative and qualitative Solvency II disclosures. In this context we also assessed the preparation of the Solvency II sensitivity disclosures and tested the accuracy thereof.
- We assessed the effectiveness of internal controls over the Solvency Capital Requirement (SCR) calculations and the Group's modelling and assumption (change) approval processes.
- We tested controls over the calculations of the market value balance sheet, Own Funds and SCR for them to be prepared in accordance with the Solvency II directive and in accordance with the PIM as approved by DNB.
- We assessed the follow up to the terms and conditions set by DNB in relation to the approval of the PIM-Major Model Changes.
- We assessed and challenged the rationale, implementation and impact of material changes to models and assumptions used to determine the value of best estimate insurance liabilities and SCR, including the diversification effect included in the Group's PIM.
- We assessed the appropriateness of economic and non-economic assumptions used for the calculations of the market value balance sheet, Own Funds and SCR, based on market observable data, company and industry data, comparison of management judgements made to current and emerging market practices. This included the substantiation by management of the loss absorbing capacity of deferred taxes and the inflation expectations for the expense assumptions.
- We assessed the quality of the risk management function and actuarial function for their involvement with the Solvency II reporting. We made inquiries with the Group Chief Actuary on the Group Actuarial Function Holder report 2022, which sets out conclusions on the reliability and adequacy of the technical provisions as at 31 December 2022 under Solvency II.
- We verified the accuracy of the calculations of the market value balance sheet used to determine Own Funds for selected balance sheet items, using our own actuarial specialists and alternative actuarial methods, if applicable.
- We assessed and challenged the internally prepared analysis of the movements in the Solvency II capital position during the year and sensitivities reported as at 31 December 2022 and discussed the outcome with the Group's actuaries and Group Chief Actuary.

Our observation

We considered the Solvency II disclosure in notes 52 and 53 to be adequate.

Report on the other information included in the annual report

In addition to the annual accounts and our auditor's report thereon, the annual report contains other information. Additionally, other information includes the annual review.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the annual accounts and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code report and other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the annual accounts or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the annual accounts.

The Executive Board is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Engagement

We were engaged by the General Meeting of Shareholders as auditor of NN Group N.V. on 28 May 2015, as of the audit for the year 2016 and have operated as statutory auditor ever since that financial year. We were reappointed by the General Meeting of Shareholders on 19 May 2022 to continue to serve the Group as its external auditor for the financial years 2023-2025.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

European Single Electronic Format (ESEF)

The Group has prepared its annual report in ESEF. The requirements for this format are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (these requirements are hereinafter referred to as: the RTS on ESEF).

In our opinion, the annual report prepared in the XHTML format, including the partially tagged consolidated annual accounts of the Group has been prepared in all material respects in accordance with the RTS on ESEF.

The Executive Board is responsible for preparing the annual report including the annual accounts, in accordance with the RTS on ESEF, whereby management combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF. We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting). Our examination included among others:

- obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package;
- identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
- obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files have been prepared in accordance with the technical specifications as included in the RTS on ESEF;
- examining the information related to the consolidated annual accounts in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

Description of responsibilities regarding the annual accounts

Responsibilities of the Executive Board and the Supervisory Board for the annual accounts

The Executive Board is responsible for the preparation and fair presentation of the annual accounts in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board is responsible for such internal control as management determines is necessary to enable the preparation of the annual accounts that are free from material misstatement, whether due to fraud or error. In that respect the Executive Board under supervision of the Supervisory Board is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

As part of the preparation of the annual accounts, the Executive Board is responsible for assessing the Group's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the annual accounts using the going concern basis of accounting unless the Executive Board either intends to liquidate NN Group N.V. or to cease operations, or has no realistic alternative but to do so.

The Executive Board should disclose events and circumstances that may cast significant doubt on the Group's ability to continue as a going concern in the annual accounts.

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

Our responsibilities for the audit of the annual accounts

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these annual accounts. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the annual accounts is located at the website of de 'Koninklijke Nederlandse Beroepsorganisatie van Accountants' (NBA, Royal Netherlands Institute of Chartered Accountants) at eng_oob_01.pdf (nba.nl) / eng_beursgenoteerd_01.pdf (nba.nl). This description forms part of our auditor's report.

Amstelveen, 8 March 2023

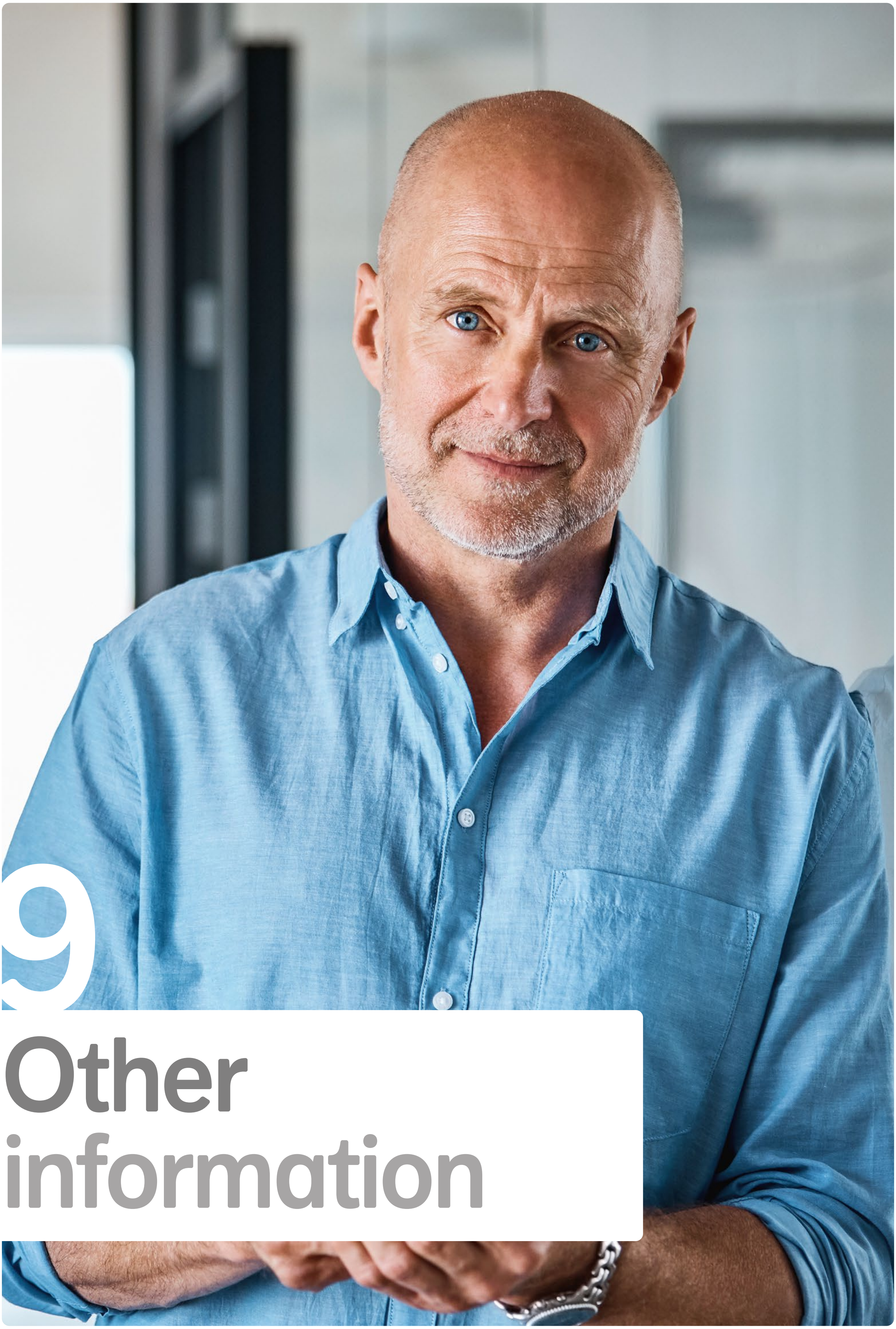
KPMG Accountants N.V.

D. Korf RA

Other - Appropriation of result

Appropriation of result

The result is appropriated pursuant to Article 34 of the Articles of Association of NN Group N.V., the relevant stipulations of which state that the appropriation of result shall be determined by the General Meeting, having heard the advice of the Executive Board. Reference is made to Note 14 'Equity' for the proposed appropriation of result.



9 Other information

9.1 Our approach to reporting

Purpose
In the integrated Annual Report published by NN Group N.V., we aim to provide a concise, accurate and balanced account of NN Group's strategic and financial performance over the past year. It is structured around the sections About NN, Our operating environment, Our strategy and performance, Creating value for our stakeholders, Safeguarding value creation, Corporate governance, Facts and figures, followed by the consolidated Annual Accounts. This report is intended to inform our stakeholder groups: customers, shareholders, employees, business partners and society at large. In it we aim to provide stakeholders with a complete picture of how we create long-term value.

Reporting profile
This is NN Group's eighth Annual Report since our separation from ING Group and becoming a publicly listed company on 2 July 2014. It is published on 9 March 2023. We report annually, on a calendar year basis (1 January–31 December).

Scope of the data in the Annual Report
This report covers NN Group N.V. and its subsidiaries. All quantitative and qualitative information relates to NN Group N.V. as a whole, unless a specific business unit is explicitly mentioned. The full list of principal subsidiaries can be found in note 34 of the annual accounts.

Basis of preparation
This Integrated Report is prepared in accordance with applicable Dutch law and the International Financial Reporting Standards (IFRS), endorsed by the European Union. It furthermore adheres to relevant non-financial disclosure regulations, such as the EU Non-Financial Reporting Directive (NFRD) and the EU Taxonomy regulation.

The non-financial information and data in the Annual Report is prepared in accordance with the Standards (Core) from the Global Reporting Initiative (GRI). The GRI Index table shows against which indicators NN Group reports, and where to find the respective information in this Annual Report and/or the NN Group website. The index table is published on NN Group's corporate website in the Investors/Financial Report section, where you can also find the Progress reports for the UN Principles for Sustainable Insurance and the UN Global Compact. For the second time, the 207 Tax Standard is included and for the second year we have a community investment report in which we detail how we apply the B4SI standards.

NN Group also publishes a Solvency and Financial Condition Report and a Total Tax Contribution Report. These reports provide additional information on specific topics and are published on the same date on NN Group's website in the Investors/ Financial reports section. We believe that this reporting strategy enables us to tailor our reporting for different stakeholders, who require different levels of detail. The online version of the Annual Report contains a number of links, including links to sources on the NN Group website.

We aim to strengthen our integrated way of reporting every year. For this reason, we have integrated what was previously the Annual Review and Financial Report into one Annual Report. The Annual Report contains various elements from the Value Reporting Foundation framework, such as our value creation model and a materiality matrix. This report strives to present relevant information about our strategy, governance and performance in ways that are relevant to the economic, environmental and social contexts in which we operate.

Since 2017, NN Group has externally disclosed that it is aligning its climate action approach to TCFD. Our approach to addressing climate change is described in chapter 5.5, and included in a TCFD reference table on page 322. NN Group has in addition published its first Climate Action Plan in December 2022, please see www.nn-group.com. Likewise, our community investments are considered a material topic and we report our contributions to society in line with the B4SI standards, NN Group has published its community investments report on the NN Group website.

The consolidated annual report is presented in euros (EUR), being the functional currency of NN Group and all its group entities. All amounts quoted in the annual report is in euros and rounded to the nearest million, unless otherwise indicated. Calculations are made using unrounded figures. As a result, rounding differences can occur.

Consolidation
The consolidation scope of the reported data is aligned with the consolidation scope of the annual accounts. This applies to all material items as depicted in the material topics list, unless otherwise stated. Per indicator this concerns the following scope, customer engagement and brand consideration covers all of the 11 NN business units. The scope for environmental data (carbon-footprint and responsible investment) is all businesses within NN Group. The carbon footprint of proprietary assets comprises approximately 80% of the IFRS balance sheet. The scope of the Human Resources data is all business units, representing 99.3% of our total organisation. The HR figures do not include NN's share in Heinenoord and Finportal.

9.2 Material topics index

Data quality and completeness
To ensure the accuracy of non-financial information, the consolidated data is first reviewed internally. The information is sourced from both inside (primary data) and outside (secondary data) the organisation. Therefore, there is an inherent level of uncertainty and estimation in our calculations.

Relevant topics and materiality
We take into account the topics that have a material impact on our business. Our material topics were selected for our strategy and the 2022 Annual Report through a materiality assessment using internal and external research and other sources. This assessment included a survey with internal and external stakeholders, see chapter 2.2 Determining our material topics.

Presentation of non-financial data
The definitions and calculation methods of indicators are presented in the relevant chapters among which the glossary. In 2022, no restatements have been made.

External assurance
The Annual Report of NN Group N.V., including the consolidated annual accounts and the parent company annual accounts, are audited by KPMG N.V. For more information, refer to the independent auditor's report on page 301. Furthermore, KPMG provided limited assurance on the non-financial information in the Annual Report. The scope of KPMG's assurance engagement is described in its assurance report. NN Group N.V. works closely with its external auditor to strengthen the credibility of its reporting, and helps improve internal information gathering systems and processes. For this report, KPMG N.V. has reviewed (limited assurance) the non-financial information included in the report, refer to the independent auditor on page 153. NN Group's Total Tax Contribution Report was provided limited assurance by KPMG. For more information, refer to the Assurance report of the independent auditor on pages 27-29 of the Total Tax Contribution Report.

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

Material topics 2022

Ranking	Material topic	Definition
1	**Responsible investing**	The impact on people and planet of integrating environmental, social and governance (ESG) is part of our investment processes as well as our impact strategies. Given the size of our investment portfolio, NN Group can leverage its investments to drive and accelerate positive change. At the same time, responsible investments can help to protect or enhance the value of our investments in the long term.
2	**Financial solidity**	The impact of societal developments (economic and geopolitical uncertainty) on NN Group's business model and financial solidity and maintaining financial resilience so we can meet our financial obligations and fulfil our short- and long-term commitments to all our stakeholders.
3	**Products & services with societal benefits**	The impact of NN Group developing insurance, pensions and banking products to help customers address societal challenges (e.g. physical/mental health or social/economic well-being) and/or promote environmentally responsible behaviour (e.g. circularity or reduced use of natural resources). This includes aligning or adapting our products or terms & conditions to arising risks and (ESG) challenges.
4	**Integrity, ethics and compliance**	The impact that NN Group's integrity, ethics and compliance behaviour has on business continuity, trust, transparency and our licence to operate. Strong business ethics and transparency impact stakeholder trust and enable future regulatory compliance.

Material topics index continued

Ranking	Material topic	Definition
5	**Customer protection and transparency**	The way in which NN Group considers consumer needs and interests by giving fair and honest information and advice about our products & services, and protecting customers against risks they cannot bear. This includes offering guidance and tools that increase knowledge and awareness of financial matters to empower customers to make sound financial choices.
6	**Customer engagement**	The impact of NN Group's ability to sufficiently meet the changing needs and expectations of customers by leveraging data and digital expertise and capabilities to develop a differentiated customer journey and experience.
7	**Sustainable operations**	The impact of NN Group's own day-to-day operations (e.g. offices, business travel) on the environment through reducing our greenhouse gas (GHG) emissions, water usage and waste. By minimising the environmental footprint of our business operations, NN Group can contribute to climate change mitigation and operate in line with the low-carbon economy of the future.
8	**Employee attraction and retention**	The impact NN Group has on its own workforce by nurturing a culture which supports continuous learning and collaboration, and investing in personal and professional development, as well as the impact on NN Group and our ability to execute our business strategy by attracting, retaining and developing the necessary talent and fostering employee satisfaction. This includes reskilling our workforce towards evolving ways of working and insurance business models.
9	**Good governance**	The impact NN Group has on all its stakeholders by upholding good governance practices, in terms of ensuring effective and efficient decision-making in protecting our stakeholders' interests, engaging in continuous stakeholder dialogues and ensuring a sound accountability structure, as well as the impact of upholding this responsibility on NN Group's business performance.
10	**Diversity and inclusion**	The impact on the well-being and welfare of NN Group's employees, by aiming to foster an inclusive and inspiring work environment, diversity of thinking, equal opportunities and pay, and hybrid ways of working, as well as the impact of a diverse and inclusive workforce on NN Group in terms of innovative power, operational performance and customer experience.
11	**Data privacy and protection**	The impact of sound data privacy and cybersecurity on all stakeholders that NN Group has a responsibility for (given the nature of NN Group's business and the implied sensitivity of the data it handles), as well as on business continuity by addressing this responsibility properly (in terms of non-compliance, stakeholder pressure and fines).
12	**Accessible finance**	The impact NN Group has on our customers by developing products that are and that remain inclusive to all in terms of accessibility and affordability, safeguarding the future insurability of society as a whole.
13	**Community investment**	The impact NN Group has on the communities around us by investing our resources, expertise and networks to maximise positive change in our communities, specifically around financial, mental and physical well-being (together with non-profit organisations and research institutes).
14	**Supply chain management**	The impact NN Group has on ensuring our supply chain is responsible and sustainable. This includes executing a sustainable procurement process, performing ESG due diligence and ensuring our partners (intermediaries, asset managers, back office) adhere to relevant codes of conduct and are trustworthy of delivering the right quality of service to our customers.

9.3 Our response to the Task Force on Climate-related Financial Disclosures (TCFD)

We describe in this section the specific activities we undertake to manage climate and other related Environmental, Social and Governance (ESG) risks.

We have reported on climate change since the financial year 2017 in accordance with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). This section shows the reference to the relevant chapters where we have included the TCFD recommendations structured along the four TCFD pillars: governance, strategy, risk management, and metrics and targets.

TCFD recommended disclosures		Annual report reference
Governance	**a) Describe the board's oversight of climate-related risks and opportunities.**	Corporate Governance – Sustainability Governance – page 111
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	
Strategy	**a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.**	Our operating environment – Opportunities and risks – 2.3 Connectivity matrix, pages 10-11
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	– Our strategy and performance – Our strategic commitments and targets – 3.2 Our strategic commitments and targets - pages 15-16 – Creating value for our Stakeholders – 4.1 How we create value pages 32-33 – Our strategy and performance – 3.4 Netherlands Life/ 3.5 Netherlands Non-life/ 3.6 Banking / 3.7 Insurance Europe/ 3.8 Japan Life
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Creating value – Society and communities – 4.5 Creating a positive impact on society
Risk Management	**a) Describe the organisation's processes for identifying and assessing climate-related risks.**	Safeguarding value creation – Managing our risks – 5.5 Sustainability and climate change risk management pages 79-85
	b) Describe the organisation's processes for managing climate-related risks.	
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	
Metrics and Targets	**a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.**	Facts and figures – Key financial and strategic indicators 141
	b) Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks.	Facts and figures – Environmental indicators 145 Facts and figures – Carbon footprint proprietary assets 146-149 Facts and figures – EU Taxonomy disclosure 150-152
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Facts and figures 141-145

9.4 Glossary

Annual total compensation	Compensation provided over the course of a year.
Arrangements with asset manager	The arrangements with asset manager document contains our disclosure as requested by section 5:87d of the Dutch Financial Supervision Act (Wet op het financieel toezicht). The scope of this disclosure is the proprietary equity portfolio managed on behalf of NN's own assets.
Average FTE	Average FTE in the business unit for whom sick leave is registered. For example: if sick leave is not registered for interns, then the interns should not be included in the average FTE. Definition of total workdays: either 365 or the number of actual working days of the reported year for a full-time FTE. If the number of actual working days is chosen, please make sure that the missed workdays due to sick leave do also not include weekends and holidays.
Average years of service	Average of all service years of all employees. Service years is calculated by looking at the years between 31/12/YYYY and the value of Continuous Service Years. Continuous Service date value is based on the primary position. Employee is Worker Sub Type 'fixed term' and 'permanent' in Workday.
Base year	Historical date (such as year) against which a measurement is tracked over time. The threshold that triggers base year adjustments for GHG emissions at NN Group is set at 10%.
Baseline	Starting point used for comparisons. In the context of energy and emissions reporting, the baseline is the projected energy consumption or emissions in the absence of any reduction activity.
Brand consideration	At least twice a year, we measure key brand indicators, such as brand consideration and brand preference. Brand consideration is used to measure how likely it is that potential customers consider an NN product. The overall brand consideration for NN Group is based on the total score of our insurance business units. The weighting of each business unit is based on its strategic relevance, the weighting of the business units has not changed compared to last year.
Business partner	Entity with which the organisation has some form of direct and formal engagement for the purpose of meeting its business objectives.
Business relationships	Relationships that the organisation has with business partners, with entities in its value chain including those beyond the first tier, and with any other entities directly linked to its operations, products, or services
Business travel	The total of business travel by air (short and long haul) and cabin class by NN employees and distance travelled by cars leased and owned by NN, as expressed in kilometres. We use fuel data if available for a more precise measurement of emissions as has been the case for the Netherlands.
Carbon Disclosure Project (CDP)	A global disclosure system for companies, cities, states and regions to manage their environmental impacts, and for investors and purchasers to access environmental information for use in financial decisions.
Carbon Footprint of corporate investments	We account for the scope 1 and 2 emissions of corporates, retrieved from external data provider ISS Ethix-Climate Solutions. In line with PCAF methodology, NN's financed emissions for corporates is based on our investment value relative to the issuer's enterprise value. We calculate the portfolio's Weighted Average Carbon Intensity metric.
Carbon footprint of government bonds	We account for the emissions directly caused by governments' own activity (scope 1 and 2) as well as emissions from government financing in other sectors within a country (scope 3). NN calculates the amount of carbon emissions (using data provided by ISS-Ethix) that we financed as an investor based on how much of the country's debt we own, relative to the total debt outstanding of the country. For intensity, the same approach is applied as for corporate issuers, but instead of revenues we use gross domestic product (GDP) as the denominator.
Carbon footprint of mortgages	This represents the total portfolio on the NN Group balance sheet of Dutch mortgages originated and/or serviced by our own banking business. NN also has residential mortgages on the balance sheet from external mortgage originators which are not included in this analysis. We account for the scope 1 and 2 emissions of each house (i.e. the natural gas used to heat the house and the purchased electricity by the occupant of the house the energy consumed by the building occupant). We align with the global PCAF Standard, we attribute the emissions associated with a residential mortgage to NN using a loan-to-value (LTV) ratio. The LTV used is the portfolio's weighted average current loan-to-value ratio, which is the net outstanding mortgage amount divided by the indexed property market value.

Glossary continued

Carbon footprint of real estate investments	The emissions of NN's investments in non-listed real estate. This portfolio consists of directly managed properties and non-listed real estate funds. The portfolio is spread over sectors and regions in Europe. Our reporting covers scope 1 and 2 emissions. NN requires all its real estate asset managers to participate in the GRESB Real Estate assessment, and as such we gather the emissions data from GRESB. Non-disclosure in GRESB disclosure may occur due to a grace period for first-year reporting or no reporting due to wind-down, these investments are then not included in the calculation. For the calculation of the carbon footprint of our real estate investments portfolio, we attribute a real estate fund's annual emissions based on NN's share in the fund. To determine this attribution factor, we used the outstanding investment amounts (Net Asset Value or NAV) for the numerator and Gross Asset Value (GAV) of the funds as reported to us by our real estate managers for the denominator. All investment amounts, fund values and emissions are based on the most recent available data which is trailing by one year and are per year-end 2021.
Climate solutions	Classifying climate solutions investments, and in line with guidance from the IIGCC Paris Aligned Investment Initiative, we focused on SDG 7-related areas of energy efficiency and renewable energy. Furthermore, we supported our definitions with external certifications, asset labels, and environmental standards where possible and relevant. Our definitions are as follows including our specification of valuations:: • Green bonds: the green bonds we invest in meet the minimum standards specified in the ICMA's Green Bonds Principles and the Climate Bonds Initiative Taxonomy and Standards. Furthermore, to qualify as a green investment, it also has to meet additional criteria to confirm the actual 'greenness' of the projects and the issuer. Valuation of the green bonds is on nominal values. • Renewable energy infrastructure: Investments in projects (equity/debt) for renewable energy infrastructure in solar PV, offshore and onshore wind. Valuation for Infrastructure equity is market values and for Infrastructure debt outstanding loan balances. • Certified green buildings: within our real estate portfolio (equity/debt), our definition is limited to assets with an Energy Performance Certificate (EPC) of class A, or if EPC is not available a high level of building certification (BREAAM or HQE certification of at least 'Excellent', or LEED or DGNB of at least 'Gold'). Valuation for Certified green buildings is for equity investments on market value and for debt investments outstanding loan balances. • Other: Investments that do not fall into any of the categories above, including investments in unlisted entities. For example, impact private equity funds that target and report on clearly defined climate impact KPIs, or funds that have a broader ESG focus, but where clean and renewable energy projects account for a substantial part of the fund's. Valuation for other is market value.
Collective bargaining	All negotiations that take place between one or more employers or employers' organisations, on the one hand, and one or more workers' organisations (e.g. trade unions), on the other, for determining working conditions and terms of employment or for regulating relations between employers and workers.
Community investments	The Business for Social Impact (B4SI) framework offers a consistent and credible approach to reporting and impact measurement. This helps us track our contributions to society and is fully integrated into our internal and external reporting. Contribution to communities by supporting financial, physical and/or mental well-being of one million people by 2025 (accumulative 2022-2025). Contribute 1% of our operating result before tax to our communities by 2023.
Customer engagement measured through Net Promoter Score (NPS)	One of the key metrics in the GBHM is the internationally recognised Net Promoter Score (NPS) system, which measures how likely it is that our customers recommend our products and services to colleagues, friends or family. There are different sorts of NPS. The relational NPS (NPS-r) is used to measure the strength of the relationship with customers and gain understanding of customer satisfaction over time. We use NPS-r to compare each NN business unit with market averages at the end of the year.
Customer privacy	Right of the customer to privacy and personal refuge.
Direct (Scope 1) GHG emissions	Greenhouse gas (GHG) emissions from sources that are owned or controlled by the organisation.
Distance-based method	Distance-based method, which involves determining the distance and mode of business trips, then applying the appropriate emissions factor for the mode used in line with the GHG protocol.
Due diligence	Process to identify, prevent, mitigate, and account for how the organisation addresses its actual and potential negative impacts.
EIOPA	European Insurance and Occupational Pensions Authority. EIOPA focuses on providing a sound regulatory framework for and consistent supervision of insurance and occupational pensions sectors in Europe, and is an independent advisory body to the European Commission, the European Parliament and the Council of the European Union.

Glossary continued

Employee engagement	We measure employee engagement through our biannual global employee engagement survey to determine progress against one of our key KPIs. This survey contains a broad selection of questions covering how employees feel about the company culture, how they are managed and the direction of the company as a whole. The scoring of these questions result in an employee engagement score, that is equal to the finance industry benchmark from Peakon.
Employee engagement survey	A questionnaire measuring how a company's brand and values are experienced by its employees, how its leaders live up to the standards the company sets, and how the company fulfils its employee value proposition as an organisation.
Employee turnover	Employees (individual who is in an employment relationship with the organisation according to national law or practice) who leave the organisation voluntarily or due to dismissal, retirement, or death in service. Total of HC of all terminated employees/Avg employee headcount. A termination is defined as a termination when the following Business Processes are successfully completed: 'End Contract Event' and 'Terminate Employee Event'.
Employees covered by Collective Labour Agreement (CLA)	Internal employees who are covered by a collective bargaining agreement can be read as covered by a Collective Labour Agreement contract. An internal employee for Annual Report is defined by the Workday field 'worker sub type' as 'permanent' or 'fixed term' in Workday.
Employees represented by an employee representative body	Internal employees who are covered by a works council, unions or other organisations representing employees can be read as represented by a works council, union or other organisations representing employees. An internal employee for Annual Report is defined by the Workday field 'worker sub type' as 'permanent' or 'fixed term' in Workday. Formal meetings held with employee representative bodies: Number of formal meetings are seen as how often the Executive Board has consulted with the works council, union or other organisations representing employees.
Employees with completed standard performance process	All employees that have performed all the steps in the performance process concerning the goal setting, first snapshot, team review, second snapshot and year-end review.
Energy consumption	Our total energy consumption is the sum of our usage of renewable electricity (from solar, wind or hydropower), non-renewable electricity, natural gas, and district heating in the office buildings owned or leased by NN Group, as expressed in MWh.
Energy indirect (Scope 2) GHG emissions	Greenhouse gas (GHG) emissions that result from the generation of purchased or acquired electricity, heating, cooling, and steam consumed by the organisation.
Energy reduction	Amount of energy no longer used or needed to carry out the same processes or tasks.
Engagement	We consider engagement a valuable tool. In the context of managing climate risks, engagement means entering into dialogue with investee companies on the risks of climate change, and the need to transition to a low-carbon economy.
Environmental laws and regulations	Laws and regulations related to all types of environmental issues applicable to the organisation.
Environmental, social and governance (ESG) factors	A subset of non-financial performance indicators concerning sustainable, ethical and corporate governance issues, such as managing the company's carbon footprint and having systems in place to ensure accountability.
Financial economic crime (FEC)	Involvement in money laundering, the funding of terrorism or other criminal activities that could harm stakeholder confidence in a financial services provider such as NN.
Financial sector oath or promise	An ethical 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. It applies to employees of banks and other financial enterprises, including insurance companies, investment firms and financial service providers. By taking the oath, employees declare that they are bound by a code of conduct to the ethical and careful practice of their profession.
Formal meetings held with employee representative bodies	Count of the number of meetings held with employee representative bodies.
Fuel-based method	Fuel-based method, which involves determining the amount of fuel consumed during business travel (i.e. scope 1 and scope 2 emissions of transport providers) and applying the appropriate emission factor for that fuel in line with the GHG protocol.

Full-time employee	Employee whose working hours per week, month, or year are defined according to national law or practice regarding working time. FTE is not maximised at 100% (e.g. an employee with 36 default hours and 40 scheduled weekly hours is counted as 111.11% FTE.
General Data Protection Regulation (GDPR)	Regulation by which the European Parliament, Council of the European Union and European Commission aim to unify data protection for all individuals within the European Union. The GDPR came into effect on 25 May 2018.
GHG emissions of our direct operations	The GHG emissions of our direct operations are the sum of our direct emissions in scope 1, 2 and 3 in kilotonnes. Scope 1 emissions are derived from our use of natural gas and our company cars, both leased and owned. Scope 2 comprises of emissions from our use of electricity and district heating in the buildings that we own or rent. Scope 3 is limited to the emissions from our business travel by air. The main greenhouse gases as covered in the Kyoto protocol which are denoted by CO_2 equivalent or CO_2e have been included. The main three sources concern: – International Energy Agency or IEA. It uses emission factors from electricity of national grids for a set of three different gases carbon dioxide (CO_2), methane (CH4) and nitrous oxide (N2O) – Department for Environment, Food & Rural Affairs or DEFRA which is created for the United Kingdom, but is used worldwide. It covers seven GHGs: carbon dioxide (CO_2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF6) and nitrogen trifluoride (NF3). – Co2emissiefactoren.nl which is specifically created by and for the Netherlands. It takes into account all gases with global warming potential if available.
Global Real Estate Sustainability Benchmark (GRESB)	GRESB is a mission-driven and industry-led organisation that provides actionable and transparent environmental, social and governance (ESG) data to financial markets. GRESB collects, validates, scores and benchmarks ESG data to provide business intelligence, engagement tools and regulatory reporting solutions for investors, asset managers and the wider industry.
Global Reporting Initiative (GRI)	An international independent standards organisation that helps businesses, governments and other organisations understand and communicate their impact on issues such as climate change, human rights and corruption.
Grievances on labour practices	Grievances on labour practices: NN Group's general policy is that employees who feel they have been harmed in their work situation as a result of an individual decision that the management has either made or failed to make, and employees who have been confronted with behaviour they perceive to be inappropriate, should attempt to resolve their situation by discussing their grievances. If discussions fail to render an acceptable solution, the employee has the option of submitting a complaint or dispute to the Complaints & Disputes Committee.
Headcount	Total number of employees (headcount): total headcount of all employees. Employee is worker sub type 'fixed term' and 'permanent' in Workday.
Human capital return on investment	(Operating Results Ongoing Business + Employee Expenses)/Employee Expenses. Employee Expenses = Staff Expenses – External Staff Costs.
Male/female ratio	Total headcount of all employees where gender is male or female/Total headcount of all employees. Employee is Worker Sub Type 'fixed term' and 'permanent' in Workday.
Male/female ratio managers	Total of HC of all employees within the managers workforce where gender is male or female/Total of HC of all employees within the manager's workforce. Manager's workforce is defined by Is Manager is 'Yes'. Employee is Worker Sub Type 'fixed term' and 'permanent' in Workday.
Materiality Topics	Presents the trends and topics that are considered to have a potential impact on a company, and/or on its stakeholders. Likelihood, location and a specific timeframe are taken into account.
Net Promoter Score (NPS)	A management tool to gauge the loyalty of a firm's customer relationships. It serves as an alternative to traditional customer satisfaction research.
Net-zero	Reducing emissions in the real economy as close to zero as possible and remaining emissions are balanced using carbon removal technologies. The ambition is based on the Paris Climate Agreement to limit temperature rise to 1.5°C.
New hires	Total headcount of all hired employees. A hire is defined as a hire when the following Business Processes are successfully completed: 'Contract Contingent Worker Event' or 'Hire Employee Event'.
NN Future Matters	The global community investment programme for NN Group. It aims to empower people in the markets where we operate to improve their financial well-being, and support them in growing their economic opportunities.
NN Group Compliance Function Charter	A policy set in place by NN Group to help businesses manage their compliance risks effectively and to set out the responsibilities on compliance risk management for the business and the compliance function.

Glossary continued

Non-governmental organisation (NGO)	An organisation that is neither 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 individuals.
OECD	The Organisation for Economic Co-operation and Development, an international organisation, established after World War II, with the aim to shape policies that foster prosperity, equality, opportunity and well-being for all.
Open positions filled by internal candidates	Percentage of hires from the internal NN population for the stated period. Included in the percentage are the categories 'internal mobility', 'conversion from intern' and 'redundant'.
Operating capital generation (OCG)	The movement in the solvency surplus (Own Funds before eligibility over SCR at 100%) in the period due to operating items, including the impact of new business, expected investment returns in excess of the unwind of liabilities, release of the risk margin, operating variances, Non-life underwriting result, contribution of non-Solvency II entities and holding expenses and debt costs and the change in the SCR. It excludes economic variances, economic assumption changes and non-operating expenses.
Other incidents and concerns	Concerns refer to a report raised by an employee about an actual or suspected irregularity or misconduct within NN that leads or could lead to a violation of: NN's Values; any NN Policy; and/or any national law, regulation or code.
Paper	Paper consumption is the consumption of kilograms of paper, as expressed in kilograms. Paper is split in eco-labelled and non-eco-labelled paper. Eco-labelled paper is either FSC (Forest Stewardship Council) labelled or another eco-label. We also ask for 100% recycled within eco-labelled paper.
Participation in engagement survey	Percentage of workers who filled in the engagement survey.
Part-time employees	Sum of all employees who have an FTE value of <100%.
People supported	Following the B4SI Guidance Manual on defining output, we define 'people supported' as the number of beneficiaries who receive a product or service as a result of our contribution. We divide that into two categories, which are our strategic themes: 'Financial well-being' (also known as NN Future Matters) and 'Physical and mental well-being'. Allocation to one of these categories is based on how resources we contributed were allocated within the theme. For example, in 2022, our cash contribution to Brand New Job is part of the 'financial well-being' strategic theme. Our contribution resulted in 321 people who now have a job. We then added 321 to the number of people supported in their financial well-being. The number reported is a cumulative figure over the years 2022-2023-2024-2025.
Private real estate – portfolio average	The GRESB Score on portfolio average of the private real estate portfolio is an overall measure of ESG performance – represented as a percentage (100 percent maximum). Your GRESB Score gives you quantitative insight into your ESG performance in absolute terms, over time and against your peers.
Product approval and review process (PARP)	The assessment of a product in relation to its customer suitability, financial and non-financial risks, and profitability. NN Group conducts a PARP when it introduces a new product, changes the characteristics of an existing product or reviews a product. This is to ensure the product is acceptable to our company, our customers and society in general.
Purpose Council	The Purpose Council oversees how we are upholding our purpose and progressing on our non-financial targets. It was set up in 2019 to advise and support the Management Board in developing a new purpose statement. Chaired by the Chief Organisation & Corporate Relations, and sponsored by the Group CEO, the Council consists of several Management Board members, heads of relevant staff departments and business representatives. The mandate of the Purpose Council is to support the Management Board in steering, measuring and reporting on non-financial issues.
Ratio of CEO compensation to the average employee compensation	CEO compensation/Average employee compensation. NN Group aims to align with the pay ratio calculation method as prescribed by the Dutch Monitoring Commission Corporate Governance. This pay ratio calculation includes external staff costs for Dutch hourly workers.
Report of the management board	The NN Group N.V. 2022 Report of the management board (Bestuursverslag), as referred to in section 2:391 of the Dutch Civil Code. It includes the Annual Review and the following chapters in the Financial Report: Financial Developments, the Report of the Supervisory Board, Corporate Governance, the Remuneration Report, and the Dutch Financial Supervision Act and Dutch Corporate Governance Code statements.
Responsible Investment (RI) Framework policy	Sets out a company'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.
Sick leave	(Total missed workdays of last year)/(Average FTE x total workdays of last year). Definition of Total missed workdays: this is the total missed work time, calculated in days, due to sick leave. Please take into account the % someone is sick and someone's FTE %. Example when someone is 50% sick during four days, the missed worktime is two days. Absenteeism such as maternity leave, leave to take care of family member, holiday leave or unpaid leave is not considered as sick leave, because it is not absenteeism due to illness of the employee.

Glossary continued

SME	Small- and medium-sized enterprise.
Spending/average FTE	Total amount spend on training and development divided by the total FTE number.
Sustainable Development Goals (SDGs)	Also known as the Global Goals, these are 17 global goals set in 2015 by the UN General Assembly to be achieved by 2030. They form a universal call-to-action to end poverty, protect the planet, and ensure all people can enjoy peace and prosperity.
Task Force on Climate-related Financial Disclosures (TCFD)	An industry-led initiative of the Financial Stability Board to develop recommendations on climate-related financial disclosures. The Task Force published its final recommendations in June 2017.
Temporary employees	Sum of all employees with worker sub value 'fixed term' in Workday. Temporary employees is an employee with a contract for a limited period (i.e. fixed term contract) that ends when the specific time period expires, or when the specific task or event that has an attached time estimate is completed (e.g. the end of a project or return of replaced employees).
Total spending on training and development	Total spending on training and development is the total amount spend on facilitating training and development for employees (internal and external).
Time contributions: volunteering hours	We account for a monetary value for our colleagues' volunteer hours based on time contributions. B4SI defines this as '… the cost to the company of the paid working hours contributed by employees to a community organisation or activity. The term "volunteering" is often used to describe time contributions, but it can go beyond this to include any active engagement in community activity during paid working time. Examples include: employee volunteering, active participation in fundraising activities, longer-term secondments to community organisations, supervision of work experience placements.' Reference: Chapter 1.2, B4SI Guidance Manual, 2021 (p.11). As of 2022, we calculate time contribution costs based on the average hourly rate of the previous year across NN and round down (2022: EUR 50 per hour) to be more accurate in the actual costs. The hourly rate is calculated based on the total employee remuneration across NN Group as disclosed in our Annual Report of the previous year, divided by the total number of hours per FTE (full-time equivalents). Currently, the rate is based on 52 weeks/36 hours per week, rounded down.
UN Global Compact	A UN initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and report on their implementation. It is a principle-based framework for business containing ten principles in the areas of human rights, labour, environment and anti-corruption.
Voting	Voting is one of the most powerful tools of active ownership and we vote at shareholder meetings on behalf of our own and our clients' assets. To ensure proper governance, we have separate voting committees in place, and publish our voting record on a dedicated website.
Waste	All waste, including paper, swirl and organic waste, produced from operations in NN offices, as expressed in kilograms.
Weighted average carbon intensity	We calculate the portfolio's weighted average carbon intensity metric to understand exposure to carbon intensive companies. Portfolio's exposure to carbon intensive companies, expressed as tCO_2 e/€M company revenue. This normalises each company's emissions by its sales. The weighted average is then calculated by portfolio weight.
Whistleblower concerns filed	Number of whistleblower concerns filed, of which investigated by Corporate Security & Investigations.
Women in senior management positions	Women in senior management positions concern all the women in the Management Board, Management Board -1 management positions and the managerial direct reports to all business unit CEOs (Netherlands and International Insurance business units).
Workforce	Our workforce concerns the total number of employees with an employee contract.

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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

Disclaimer
The 2022 Annual Report provides an integrated review of the performance of NN Group. More information – for example the Solvency and Financial Condition Report (SFCR), Total Tax Contribution Report and the GRI Index Table – is available on the corporate website in the Investors/financial reports section.

Small differences are possible in the tables due to rounding. Certain of the statements in this 2022 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) the effects of the Covid-19 pandemic and related response measures, including lockdowns and travel restrictions, on economic conditions in countries in which NN Group operates, on NN Group's business and operations and on NN Group's employees, customers and counterparties, (3) changes in performance of financial markets, including developing markets, (4) consequences of a potential (partial) break-up of the euro or European Union countries leaving the European Union, (5) changes in the availability of, and costs associated with, sources of liquidity as well as conditions in the credit markets generally, (6) the frequency and severity of insured loss events, (7) changes affecting mortality and morbidity levels and trends, (8) changes affecting persistency levels, (9) changes affecting interest rate levels, (10) changes affecting currency exchange rates, (11) changes in investor, customer and policyholder behaviour, (12) changes in general competitive factors, (13) changes in laws and regulations and the interpretation and application thereof, (14) changes in the policies and actions of governments and/or regulatory authorities, (15) conclusions with regard to accounting assumptions and methodologies, (16) changes in ownership that could affect the future availability to NN Group of net operating loss, net capital and built-in loss carry forwards, (17) changes in credit and financial strength ratings, (18) NN Group's ability to achieve projected operational synergies, (19) catastrophes and terrorist-related events, (20) adverse developments in legal and other proceedings and (21) the other risks and uncertainties detailed in the Risk management section and/or 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.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities.

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