



# Total Tax Contribution

**NN Group N.V.**  
Report 2018



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**The 2018 Total Tax Contribution Report seeks to provide its users with an overview of the total payments made by NN Group to governments in the countries NN Group operates, to reflect the contribution made to public finances by NN Group.**

The Total Tax Contribution Report has not been audited by NN Group's external auditor. Elements referring to the corporate income tax are based on extracts of the NN Group 2018 Annual Report. Other elements in this report are based on the reporting by NN Group's business units of their actual tax filings for the different taxes for the year 2018. The scope of this report includes all subsidiaries and associated companies which are reported in the NN Group 2018 Financial Report. All data, unless otherwise stated, are prepared for the year from 1 January to 31 December, 2018. Data as they relate to taxes paid or collected, are included when cash is released from, or received by, NN Group. Data is prepared based on a 100% basis for all operations in which NN Group has a controlling interest, and on the NN Group share where NN Group does not have a controlling interest.



Visit our website for further information  
[www.nn-group.com](http://www.nn-group.com)

### Disclaimer

The Total Tax Contribution Report has not been audited by NN Group's external auditor. Small differences are possible in the tables due to rounding. Elements referring to the corporate income tax are based on extracts of the NN Group 2018 Annual Report which consists of the 2018 Annual Review and the 2018 Financial Report. Referral is made to the specific disclaimers mentioned in these reports.

# Increasing transparency on tax



“  
We believe that paying tax is more than a ‘cost of doing business’

**Delfin Rueda**  
Chief Financial Officer

Welcome to our first Total Tax Contribution Report. NN Group’s relationship with our stakeholders is based on our values: care, clear, commit. Throughout NN Group, these values drive the behaviour that is needed to realise our company’s purpose: to help people secure their financial futures.

Acting on the basis of these values also has an impact on how we approach tax. We believe that paying tax is more than a ‘cost of doing business’. Our tax contributions play an important role for the communities in which we operate. These communities are those in which employees and customers live and where we find a market to offer our products, do business and realise our strategy.

Being a responsible taxpayer means that in our tax planning we take due account of long-term considerations and carefully weigh the interests of all NN stakeholders. We therefore have a set of guiding tax principles we adhere to, but we also want to communicate clearly about how we fulfill our tax obligations.

Our business generates tax revenues for the governments of the countries in which we operate. This includes corporate taxes, employment taxes, sales taxes, insurance premium taxes and other payments to governments. By bringing together all relevant information about these taxes, we hope this report aids to the understanding of our business and approach to tax.

While NN’s corporate headquarters are in the Netherlands, we operate in 18 countries globally. Our approach to tax therefore applies equally to all NN operations worldwide. In the first chapter, we outline NN’s tax strategy and principles, as well as our tax risk management policy and governance. We also describe in this chapter the way we work with the tax authorities, how we engage with different stakeholders, and how we improve our efficiency of our tax reporting through automation.

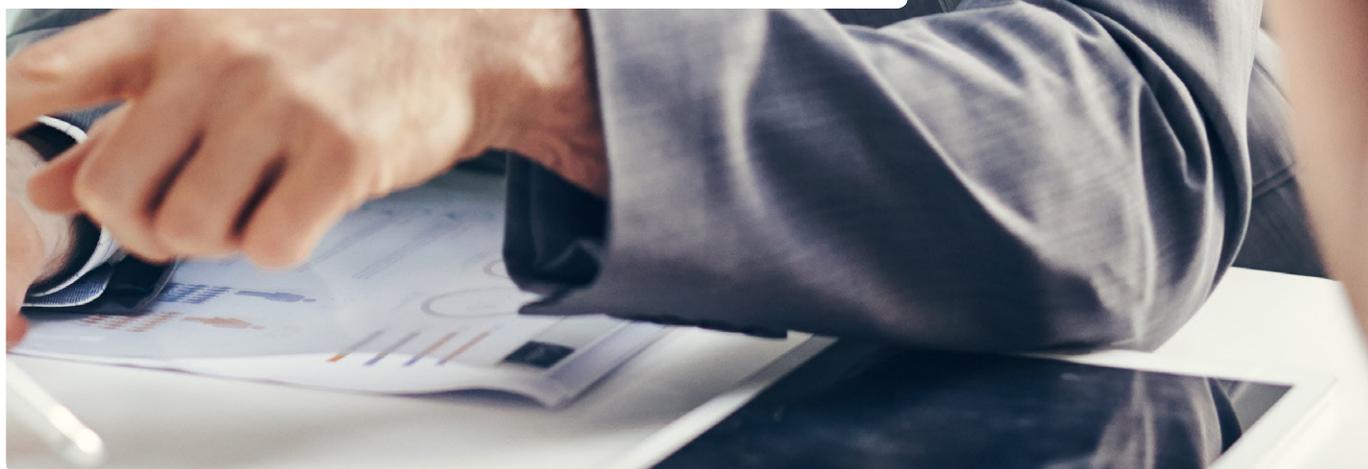
In the chapters thereafter, we explain the taxes as reported in the 2018 Financial Report, and provide details on our total tax contribution. The latter represents the total of the taxes borne by our company (as a taxpayer) and taxes which we collect and pass on to the tax authorities on behalf of our clients, our employees, or service providers.

NN’s contribution to society and the communities in which we operate extends beyond the topic of taxation as covered in this publication. For instance, we invest our assets responsibly, manage our direct environmental footprint, and support local communities. Read more on how we seek to have a positive impact on society in the NN Group 2018 Annual Report (pages 44-51).



## Our approach to tax

Good tax management is a responsibility of the company towards different stakeholders, such as clients, tax authorities and the public domain. Payment of taxes is a part of the social footprint of NN Group.



## Our approach to tax

### Objective

In general, taxes are recognised in almost every aspect of business. At a company level and at a product level, on costs and on profits. Taxes are collected on behalf of the company or on behalf of clients and employees.

NN Group is transparent about the taxes collected and paid to governments. Our tax strategy is based on an open and transparent relationship with the tax authorities. In the Netherlands this is based on the 'horizontal monitoring' principle as used by the Dutch tax authorities and formalised through a Tax Compliance Agreement.

With taxes of international companies increasingly under scrutiny by governments, regulators, civil society and media, NN Group believes that being transparent on our tax position is very important. To enhance our tax transparency, NN Group has voluntarily reported corporate income tax on a country-by-country basis since our NN Group 2016 Annual Report and made our responsible tax principles available on our corporate website.

This is the first time NN Group has prepared the 'Total Tax Contribution Report'. The report follows the publication of the [Group Tax Charter](#) in 2018. A brief summary of this report was already included in the NN Group 2018 Annual Report (refer to the 'Creating and sharing value' chapter).

In the future NN Group will continue to improve our reporting in order to meet the expectations of stakeholders. We welcome your findings to enhance this report.

### Scope

NN Group is a financial services company, active in 18 countries with a strong presence in a number of European countries and Japan.

In this report we include all the countries in which we have a presence. NN Group has its headquarters in the Netherlands, being the largest market within the group. The Dutch Life and Non-life insurance business represent almost 60% of the total NN Group operating result before tax. Therefore, we have distinguished the numbers in our report between the Netherlands, our international business, and the group as a whole.

In the report we recognise the following taxes separately:

- Corporate income tax
- Value Added Tax (VAT)
- Insurance Premium Tax (IPT)
- Payroll taxes of employers and employees
- Payroll taxes on insurance payments
- Withholding taxes

#### Highlights taxation 2018

**31.6%**

Effective tax rate

**EUR 55m**

Corporate income tax paid to governments

**EUR 1,993m**

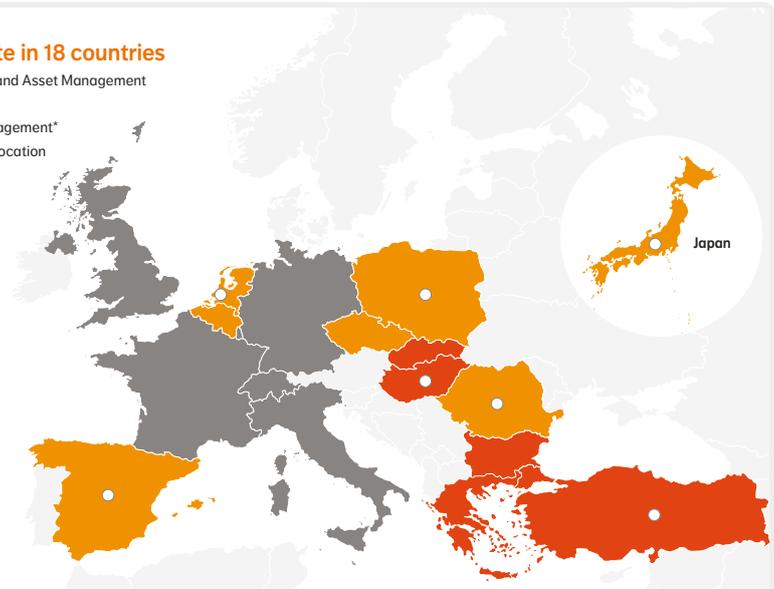
Total taxes collected and borne by NN Group<sup>1</sup>

**EUR 1,626m**

IFRS operating result ongoing business

#### We operate in 18 countries

- Insurance and Asset Management
- Insurance
- Asset Management\*
- SparkLab location



\* Outside Europe and Japan, NN Investment Partners has offices in New York and Singapore.

<sup>1</sup> This and other tax figures in this report have not been audited. Please also refer to the explanation on page 2

## Our approach to tax continued

### NN Group strategy and principles

At NN Group, we believe that a responsible tax approach is essential to good corporate citizenship. Being a responsible tax payer means that we take long-term considerations into account and carefully weigh the interests of all stakeholders.

To clarify what this means in practice, NN Group has developed the following set of tax principles we expect all employees to adhere to.

- We pay our taxes promptly and in accordance with all applicable laws and regulations. We are guided by international standards such as the OECD Guidelines. We take into account both the letter and the spirit of tax laws and regulations to contribute our fair share. This is also the reference when choosing business partners and when structuring transactions.
- Tax is an integrated part of doing business. Tax should follow business with profits allocated to the countries in which business value is created. For calculating transfer prices, we apply the arm's length principle. NN Group does not make use of tax havens or tax avoidance structures.
- Tax is one of the elements we take into account in our commercial and economic activities. Businesses may respond to locally available tax incentives and exemptions.
- Wherever we operate, we seek to establish and maintain an open and constructive dialogue with tax authorities and other government bodies, based on the disclosure of all relevant facts and circumstances.
- Our tax function may engage in tax planning initiatives and make use of incentives promoted by government authorities. However, in doing so, due consideration needs to be given to NN's legitimate interests, reputation, brand and corporate social responsibility.
- Our products should not be used by our clients to shelter information from the tax authorities and to avoid taxation;
- We are transparent about our approach to tax and our tax position. Disclosures are made in accordance with the relevant domestic regulations, as well as applicable reporting requirements and standards such as IFRS.

### Tax risk management policy and governance

The tax function is organised within NN Group to ensure the preservation of our reputation and integrity through compliance with applicable tax laws, regulations and ethical standards in the countries where we operate.

The NN Group Tax department is committed to upholding the company's core values, will not seek aggressive tax planning opportunities and is keen to mitigate tax risks. It has a global responsibility for the tax position of NN Group. In executing this responsibility, it takes into account long-term considerations and carefully weighs the interest of all stakeholders.

We operate in accordance with a Tax Risk Management Policy agreed by our Management Board. The policy is in line with the overall strategy and operation of our business and applies to all taxes we pay and/or collect – including not only corporate taxes but also, for example, VAT, IPT and wage tax.

Our goal is to ensure that:

- NN Group is compliant with tax regulations and all appropriate documentation is timely prepared and filed with the respective authorities
- We are transparent on tax planning and tax contribution to NN Group's stakeholders
- We maintain a Tax Control Framework which enables NN Group to proactively procure tax risk management

The Corporate Tax team is part of the Group Finance function and reports to the Chief Financial Officer (CFO). Group Tax annually reviews the implementation and execution of the tax strategy and reports the outcome to relevant internal stakeholders. The CFO receives frequent updates throughout the year from the tax team. Also, on a quarterly basis, an update on tax is provided to the financial committees within NN Group in which the CFO, the Chief Risk Officer (CRO) and heads of finance departments are represented.

NN's Global Head of Tax leads a team of in-house tax advisors and tax accountants/consultants, who hold a combination of accounting, tax and legal qualifications. The Group Tax department comprises specialists in direct and indirect taxes, wage taxes, transfer pricing, tax compliance and reporting. To clarify the organisation, roles and responsibilities of the departments within NN Group, we developed the [Group Tax Charter](#). This has also been published on our corporate website.

The Audit Committee of NN Group, which supports the Supervisory Board, reviews the quarterly and annual reporting from the Group, and pays special attention to legal and tax matters with a material impact on the financial statements. Furthermore, our position on tax and external risks and developments is an annual recurring topic in the permanent education sessions for NN's Supervisory Board.

#### Case study

### Creating awareness on tax

In order to maintain and improve the efficiency of our tax organisation, we develop tax awareness across NN Group functions and business units. The tax strategy and principles are communicated to NN Group employees and are part of the Code of Conduct (Manager Annex) of NN Group. Furthermore, Group Tax organises several internal trainings and courses for senior leaders and business units on different tax areas, such as VAT, wage tax, transfer pricing, tax accounting and corporate income tax.

By proactively connecting with all business units and staff functions and acting as a business partner, Group Tax actively tries to prevent tax issues from arising rather than solving them afterwards. The Global Head of Tax is an active member of internal committees where tax implications are relevant and discussed.

## Our approach to tax continued



# “ Group Tax provides a solution to the problem instead of an answer to the question

**Peter Paul Boon**  
Global Head of Tax

### How we work with tax authorities

NN Group believes in an open and constructive dialogue with tax authorities.

Given the increasing complexity of the tax system, local tax authorities may challenge some of NN Group's judgements regarding our interpretation of local tax legislation. We therefore believe in an open and constructive dialogue with tax authorities. In the Netherlands, NN Group has entered into a formal compliance agreement with the tax authorities. With this agreement NN Group commits to being actively transparent to the tax authorities.

The Horizontal Monitoring principle, on which the relationship with the Dutch tax authorities is based, is built on three key values: mutual trust, understanding and transparency between NN Group and the tax authorities. This requires two elements: (i) a good relationship between the tax payer and the tax authorities which can be recorded in a compliance agreement, and (ii) good risk detection. Group Tax actively communicates with the tax authorities on the (business) developments within the company and their (potential) impact on taxation.

As is embedded in the Horizontal Monitoring Principle, we actively engage with the tax authorities to disclose the tax impact of business initiatives and, if required, obtain a ruling. The purpose of such a ruling is to guarantee that the tax qualification of the initiative is in line with the tax policy of NN Group and meets the expectations of the tax authorities, and to ensure that a business initiative is taxed once at a generally accepted tax rate where the business operation takes place.

An example of such a ruling is the engagement by NN Group with the Dutch tax authorities on the intragroup head office charges. According to generally accepted tax principles and the international OECD guidelines, NN Group charges part of the head office costs to its (international) business units. NN Group actively engages upfront with the tax authorities to agree on the method to be used on allocating these head office costs.

### Stakeholder engagement and advocacy

The business environment is constantly evolving and stakeholder engagement is essential to understand what issues are important to the business and our stakeholders.

Our customers, employees, shareholders, business partners, regulators and the organisations representing wider society are all important stakeholders for us. We regularly engage with these different groups to discuss their views and observations, and to identify aspects that might be material to our company.

Our annual materiality assessment helps us to understand the topics that are important to the business and our stakeholders (see graph on next page). This enables us to evolve our strategy to better meet our stakeholders' expectations and focus our reporting on the issues that matter to them. For example, our corporate website contains a section on our responsible business practices, including our tax policy.

We also actively advocate our views on tax. For example, in April 2018, NN spoke at a roundtable organised by the Ministry of Finance on tax avoidance and evasion. NN supports the Dutch government's approach to this issue. We believe it is important that profits are taxed against a socially accepted tariff, where those profits are realised. This is in line with one of the key principles of NN's taxation policy: we structure our tax affairs based on business rationale and do not make use of tax havens or tax avoidance structures.

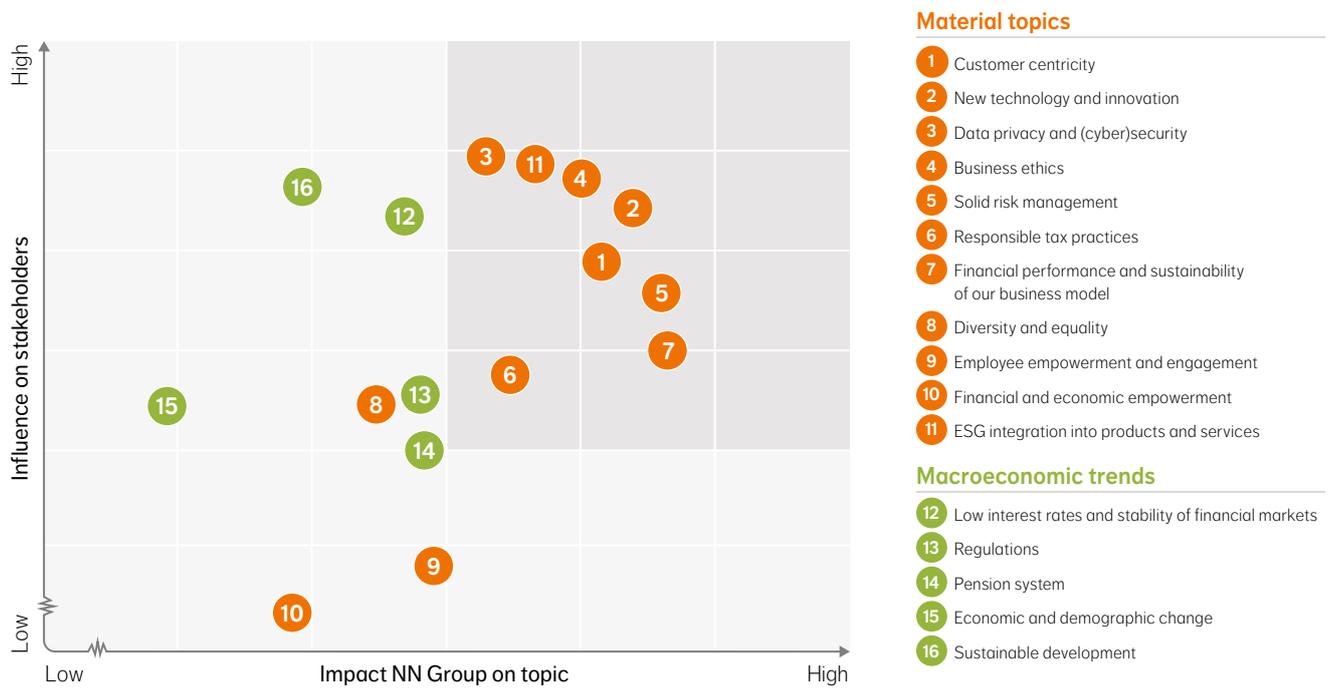
Our approach to tax continued

In addition to stakeholder dialogue, we participate in various ratings and benchmarks, which also reflects evolving stakeholder expectations. This includes, for instance, the Dow Jones Sustainability Index (DJSI) and the Tax Transparency Benchmark as published by the Dutch Association of Investors for Sustainable Development (VBDO). This latter benchmark provides a comparative study of Dutch stock listed companies' fiscal transparency.

NN Group has participated in the VBDO benchmark study since its beginning and has improved its position from 51st in 2015 to a joint 5th overall position in 2018. In the 2018 benchmark study, NN Group was mentioned as a best practice for defining and communicating a clear tax strategy. While we are pleased with this result, we recognise that there is still room for further improvement and continue to work towards better business practices.

## Tax in NN's materiality index

Identifying material aspects and their potential impact on our company is an ongoing process, and one that is highly relevant to our businesses and annual reporting. Each year, NN Group publishes a materiality matrix in our Annual Report. NN's materiality matrix in 2018, as shown below, represents 11 material topics and their positioning in terms of relevance to our business and the impact we have on these topics. 'Responsible tax practices' is considered a material topic with high influence on stakeholders and NN Group.



**Material topics**

- 1 Customer centricity
- 2 New technology and innovation
- 3 Data privacy and (cyber)security
- 4 Business ethics
- 5 Solid risk management
- 6 Responsible tax practices
- 7 Financial performance and sustainability of our business model
- 8 Diversity and equality
- 9 Employee empowerment and engagement
- 10 Financial and economic empowerment
- 11 ESG integration into products and services

**Macroeconomic trends**

- 12 Low interest rates and stability of financial markets
- 13 Regulations
- 14 Pension system
- 15 Economic and demographic change
- 16 Sustainable development

## Our approach to tax continued

### Future of tax function through automation

The tax function is an essential element of our broader finance function. Working together in achieving efficiencies and leveraging investments in technology across the organisation is vital for the future of the tax function.

There are several developments that require companies to invest more in technology to automate processes. Regulatory bodies demand access to more reliable information in shorter periods of time. This also applies to the tax function where tax authorities expect companies to have systems in place to respond quickly to requests for information. Companies also look for ways to increase efficiency and reduce the workload and therefore turn to technology to automate processes.

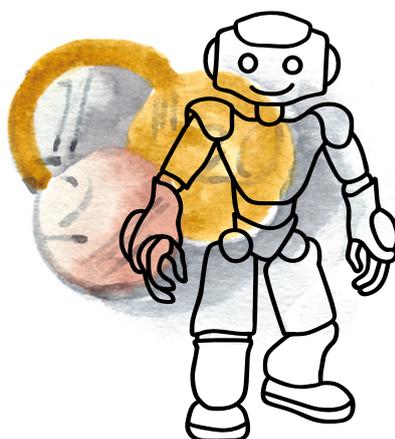
Against the background of these developments, various surveys have shown that tax functions are increasingly challenged to use (information) technology in their daily work. At NN Group, the tax function is aiming to implement new projects and share investment in the technology with other departments. We expect the use of technology to:

- increase the quality and speed of internal and external reporting
- reduce manual input and hence the risk of human error
- improve the audit trail within data collection
- centralise data to efficiently share information
- allow staff to focus more on adding value on tax related issues than on mundane tasks.

In 2018 the NN tax department took the initiative to further implement software for a full automated reporting of tax positions in the quarterly financial closing cycles. This process involves all business units throughout NN Group and includes the finance and IT departments. The implementation is expected to be finalised in 2019.

### Making use of Robotics

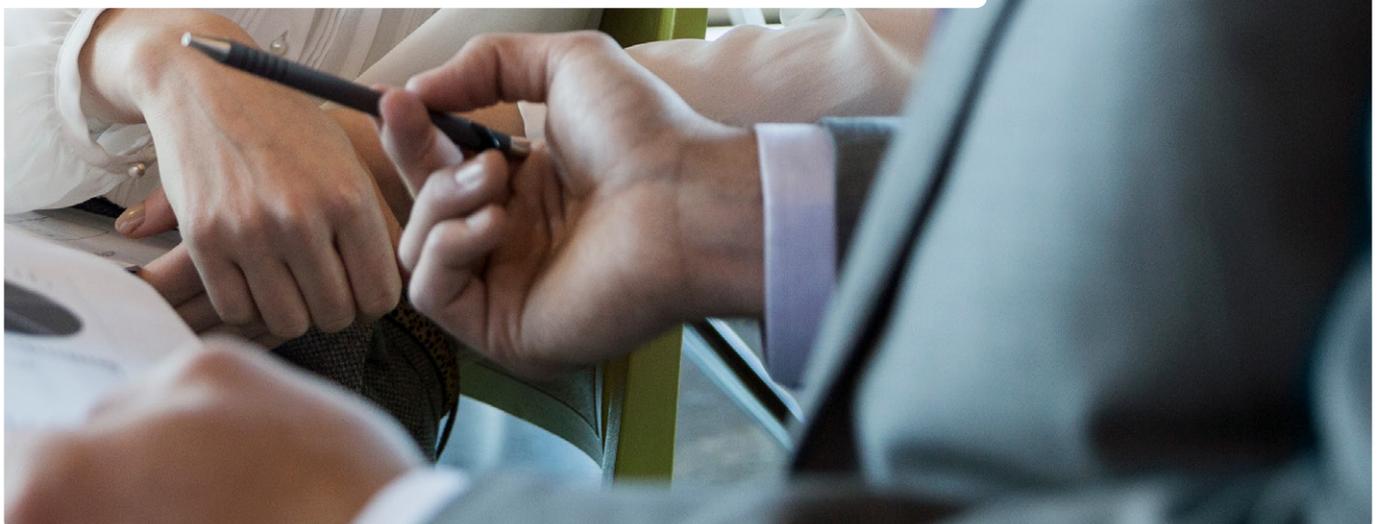
NN Group Tax started using Robotics to facilitate certain filings with the tax authorities. Before, the manual process took about two working days per month. Now it can be done within a few hours each month, also reducing the risk of human error. Additionally, a project was started to replace Excel and email distribution with specific web-based reporting tooling.





# Corporate income tax in the Financial Report

Information on corporate income tax has been published in the 2018 Financial Report.



## Corporate Income Tax in the Financial Reports

This chapter includes tables from the 2018 Financial Report. All financial amounts in these tables are in millions of euros, unless stated otherwise.

### Taxes in the balance sheet

Taxes in the balance sheet reflect the timing differences for recognising a profit or loss in IFRS compared to the annual tax return of a company. As IFRS and the tax regulations do not apply the same principles for how to value certain assets and liabilities or when to recognise a profit or a loss, this leads to differences as to when profits and losses are reported in IFRS compared to the tax return of a company.

Deferred tax assets and deferred tax liabilities are therefore recognised on all material temporary differences between the tax base of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available to use these tax assets. Deferred tax is presented on a net basis per fiscal entity. The principal temporary differences arise from depreciation of property, revaluation of financial assets and liabilities, including derivatives, insurance liabilities, pension obligations, other post-retirement benefits and tax losses carried forward. The rates enacted or decided upon on the reporting date are used to determine the deferred tax.

On 28 December 2018, the Dutch Government passed a law that reduces the corporate income tax rates as from 2020. The corporate tax rate in 2019 will remain 25%, but the tax rate for 2020 will decrease to 22.55% and for 2021 and subsequent years will become 20.5%. As a result, the deferred tax assets and liabilities of NN Group were remeasured to the new tax rates. As most of NN Group's deferred tax assets and liabilities are expected to materialise over a long period, the largest part of the deferred tax position was remeasured to the 20.5% rate that applies as of 2021. The net impact of the tax rate change was EUR 218 million (positive), of which EUR 243 million (positive), related to the revaluation reserves in equity, is recognised directly in equity and the remaining EUR 25 million (negative) is recognised in the profit and loss account.

### Deferred tax (2018)

	Net liability 2017	Changes through equity	Changes through net result	Changes in the composition of the group and other changes	Exchange rate differences	Net liability 2018
Investments	3,942	-634	-162	-280	18	2,884
Real estate investments	277		20	412		709
Financial assets and liabilities at fair value through profit or loss	36		-15			21
Deferred acquisition costs	349		12	4	22	387
Fiscal reserves	12		-2			10
Depreciation	-2					-2
Insurance liabilities	-4,134	319	1,164	4	1	-2,646
Cash flow hedges	1,241	-71				1,170
Pension and post-employment benefits	14	3	5		-2	20
Other provisions	-26	1	-26			-51
Receivables	-30		4	-1	2	-25
Loans	-7		-1			-8
Unused tax losses carried forward	-113		-810	8		-915
Other	146	-10	-7	-10	5	124
<b>Deferred tax</b>	<b>1,705</b>	<b>-392</b>	<b>182</b>	<b>137</b>	<b>46</b>	<b>1,678</b>
Presented in the balance sheet as:						
Deferred tax liabilities	1,830					1,809
Deferred tax assets	-125					-131
<b>Deferred tax</b>	<b>1,705</b>					<b>1,678</b>

### Deferred tax on unused tax losses carried forward

	2018	2017
Total unused tax losses carried forward	4,024	700
Unused tax losses carried forward not recognised as a deferred tax asset	-260	-253
<b>Unused tax losses carried forward recognised as a deferred tax asset</b>	<b>3,764</b>	<b>447</b>
Average tax rate	24.3%	25.3%
<b>Deferred tax asset</b>	<b>915</b>	<b>113</b>

## Corporate Income Tax in the Financial reports continued

### Taxes in the income statement

The income tax charge of EUR 524 million in 2018 represents an effective tax rate of 31.6%. This effective tax rate is higher than the weighted average statutory tax rate of 24.4% due to the following material items:

1. Following the acquisition of Delta Lloyd in 2017 by NN Group, the acquired goodwill relating to Delta Lloyd Netherlands life was fully amortised in 2018. This amortisation is not recognised as a cost for Dutch tax purposes. The impact of this non-deductible cost leads to a 12.9% increase of the effective tax rate.
2. A large part of NN Group's Result before tax is based on investment income, including income by equity investments. As an institutional investor NN Group has equity interests that exceed the 5% shareholding threshold. Income from these equity investments is tax exempted by the Dutch participation exemption to prevent double taxation. The impact of the participation exemption leads to a 7.5% reduction of the effective tax rate.

3. In December 2018, the Dutch government enacted a major reduction of the corporate tax rates for the years 2020 and beyond. As a result, NN Group remeasured its Dutch deferred tax liabilities at these new tax rates. The impact of this tax rate reduction leads to a 1.2% increase of the effective tax rate.

The effective tax rate of 31.6% exceeds the insurance industry average effective tax rate of 21.10% as published by the Dow Jones Sustainability Index (DJSI)<sup>2</sup>. This is mainly caused by the impact of the non-deductible goodwill as mentioned above. Adjusted for this impact, the normalised effective tax rate for NN Group would amount to 20.9%.

Group-wide net operating losses have resulted in a lower amount of cash taxes paid since NN Group has suffered tax losses in the Netherlands in the past years. NN Group is now profitable for tax purposes and is utilizing the tax losses. When disregarding these tax losses NN Group would pay tax of around 25% of its earnings. Now NN Group is utilizing the tax losses, no cash tax is paid and hence the cash tax rate is considerably lower.

### Taxation on result

	2018	2017
Current tax	342	156
Deferred tax	182	236
<b>Taxation on result</b>	<b>524</b>	<b>392</b>

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.

### Reconciliation of the weighted average statutory tax rate to NN Group's effective tax rate

	2018	2017
Result before tax	1,657	2,524
Weighted average statutory tax rate	24.4%	24.6%
<b>Weighted average statutory tax amount</b>	<b>404</b>	<b>622</b>
Associates exemption	42	-16
Other income not subject to tax	-162	-196
Expenses not deductible for tax purposes	220	3
Impact on deferred tax from change in tax rates	21	9
Deferred tax benefit for previously not unrecognised amounts	-5	-3
Tax for non-recognised losses	-6	2
Write-off/reversal of deferred tax assets	7	-11
Adjustments to prior periods	3	-18
<b>Effective tax amount</b>	<b>524</b>	<b>392</b>
<b>Effective tax rate</b>	<b>31.6%</b>	<b>15.5%</b>

<sup>2</sup>SAM's Corporate Sustainability Assessment Companion April 02th, 2019. Page 57 'Average Effective Tax Rate & Cash Tax Rate for each of the 24 GICS® Industry Groups'

## Corporate Income Tax in the Financial reports continued

### Taxes in the cash flow statement

The income tax paid is reflected in the consolidated statement of cash flows in the Financial Report and amounted to EUR 55 million in 2018 (2017: EUR 124 million). The lower income tax paid in relation to the income tax charge reflects differences between accounting and tax rules (including the change in tax rates mentioned earlier) and tax losses and tax credit carry-forwards.

The cash tax paid as a percentage of the accounting profit before tax amounts to

3.3% in 2018. This rate is significantly lower than the industry average cash tax rate of 24.66% as published by the DJSI. This is predominantly due to the main jurisdiction of the Netherlands which was in 2018 still in a tax loss carried forward position and is therefore not paying a cash tax. Also in Japan a withholding tax refund is collected in the annuity business on behalf of the clients reducing the cash tax rate. Group-wide net operating losses have resulted in a lower amount of cash taxes paid

since NN Group has suffered tax losses in the Netherlands in the past years. NN Group is now profitable for tax purposes and is utilizing the tax losses. When disregarding these tax losses NN Group would pay tax of around 25% of its earnings. Now NN Group is utilizing the tax losses, no cash tax is paid and hence the cash tax rate is considerably lower. We provide further details of both the tax charge and the tax cash paid per country in the following table:

### Principal subsidiaries and geographical information 2018

The table below provides additional information on principal subsidiaries, the nature of the main activities and employees by country.

Country/Name of principal subsidiaries <sup>1</sup>	Main activity	Average number of employees <sup>2</sup>	Total income	Total assets	Result before tax	Taxation <sup>3</sup>	Income tax paid
Nationale-Nederlanden Levensverzekering Maatschappij N.V.	Life insurance						
Delta Lloyd Levensverzekering N.V.	Life insurance						
Nationale-Nederlanden Bank N.V.	Banking						
Nationale-Nederlanden Schadeverzekering Maatschappij N.V.	General insurance						
Delta Lloyd Schadeverzekering N.V.	General insurance						
REI Investment I B.V.	Real estate						
NN Re (Netherlands) N.V.	Reinsurance						
<b>The Netherlands</b>		<b>8,613</b>	<b>12,075</b>	<b>170,943</b>	<b>1,023</b>	<b>380</b>	<b>-4</b>
NN Life Insurance Company, Ltd.	Life insurance						
<b>Japan</b>		<b>901</b>	<b>3,779</b>	<b>21,463</b>	<b>138</b>	<b>41</b>	<b>-33</b>
NN Insurance Belgium nv	Life insurance						
<b>Belgium</b>		<b>693</b>	<b>1,328</b>	<b>16,510</b>	<b>87</b>	<b>11</b>	<b>21</b>
Nationale Nederlanden Vida, Compania de Seguros y Reaseguros. S.A.	Life insurance						
Nationale Nederlanden Generales, Compania de Seguros y Reaseguros, S.A.	General insurance						
<b>Spain</b>		<b>509</b>	<b>680</b>	<b>4,917</b>	<b>45</b>	<b>6</b>	<b>6</b>
Nationale-Nederlanden Towarzystwo Ubezpieczeń na Życie S.A.	Life insurance						
Nationale-Nederlanden Powszechnie Towarzystwo Emerytalne S.A.	Pensions						
<b>Poland</b>		<b>883</b>	<b>506</b>	<b>2,313</b>	<b>109</b>	<b>22</b>	<b>37</b>
NN Hellenic Life Insurance Co. S.A.	Life insurance						
<b>Greece</b>		<b>417</b>	<b>448</b>	<b>1,687</b>	<b>3</b>	<b>14</b>	
NN Biztosító Zártkörűen Működő Részvénytársaság	Life insurance						
<b>Hungary</b>		<b>349</b>	<b>277</b>	<b>1,337</b>	<b>24</b>	<b>2</b>	<b>2</b>
NN Životní pojišťovna N.V. (pobočka pro Českou republiku)	Life insurance						
<b>Czech Republic</b>		<b>499</b>	<b>183</b>	<b>1,166</b>	<b>32</b>	<b>7</b>	<b>3</b>
NN Asigurari de Viata S.A.	Life insurance						
<b>Romania</b>		<b>470</b>	<b>196</b>	<b>874</b>	<b>19</b>	<b>3</b>	<b>5</b>
NN Životná poisťovňa, a.s.	Life insurance						
<b>Slovak Republic</b>		<b>214</b>	<b>94</b>	<b>502</b>	<b>10</b>	<b>3</b>	

## Corporate Income Tax in the Financial reports continued

## Principal subsidiaries and geographical information Continued

Country/Name of principal subsidiaries <sup>1</sup>	Main activity	Average number of employees <sup>2</sup>	Total income	Total assets	Result before tax	Taxation <sup>3</sup>	Income tax paid
Germany		9	35	682	33	9	1
France		8	42	549	28	4	1
Italy		6	-1	464	2	3	3
United Kingdom		10	15	393	31	9	7
Denmark			18	178	15		
Turkey		501	45	82	5		
Bulgaria		126	24	81	3		
Luxembourg		41	303	73	38	6	3
Singapore		33		10	3	1	1
Hong Kong				7	2	1	
United States		15		5	4	1	1
Switzerland		12	1	5	4	1	1
Mexico		1	1	4	-1		
Argentina		2	1	1			
<b>Total</b>		<b>14,312</b>	<b>20,050</b>	<b>224,246</b>	<b>1,657</b>	<b>524</b>	<b>55</b>

1 All subsidiaries listed in this table are 100% owned.

2 The average number of employees is on a full-time equivalent basis.

3 Taxation is the taxation amount charged to the profit and loss account.



# Total Tax Contribution in 2018

Besides taxes that NN Group pays as a taxpayer, which represent a cost for our company, we are also responsible for collecting taxes and passing them on to tax authorities. These taxes are connected with insurance and banking products which are sold and charged to or on behalf of our clients, or they relate to taxes collected on behalf of employees, or services providers.



## Total Tax Contribution in 2018

### Value Added Tax (VAT)

VAT is normally charged by a company to customers on services provided and products sold. The company collects these taxes and pays them to the tax authorities. In the system of VAT the company can deduct the VAT it has paid to its suppliers on goods and services purchased from the VAT it has collected, before paying to the tax authorities. This means, on a net basis, VAT is only charged and paid on the value added by the company.

Financial services such as banking and insurance are in general exempted for VAT. This exemption means that the financial services (i.e. insurance premiums) provided by NN Group to its customers do not have a VAT charge. However, in the system of VAT, being exempted results in a situation that the financial institution cannot deduct the VAT it has paid to its suppliers on goods and services purchased. Economically VAT is therefore a cost to NN Group instead of being an exemption.

On other VAT-taxable business, such as pension administration or rental of commercial real estate, NN Group collects and pays VAT to the government.

This report reflects only the VAT tax contribution of NN Group in the Netherlands. Our ambition is to include the contribution by international business units in future Total Tax Contribution reports.

### Insurance Premium Tax (IPT)

IPT is charged on behalf of governments on insurance premiums paid by customers directly to NN Group or via insurance intermediaries. Generally, non-life insurances are taxed while health and life insurances, i.e. in the Netherlands and Spain, are exempted from IPT. Some of the countries where NN operates, i.e. Belgium, Greece and Romania, also tax life insurances at a reduced IPT rate.

The IPT tax rate in the Netherlands has risen from 7% in 2008 to 21% in 2013, and is now at the same level as the general VAT rate. However, because of the non-deductible VAT in operational costs and in costs of non-life insurance claims, the effective combined tax rate of VAT and IPT is higher than the perceived IPT of 21% and can be more than 35% for individual non-life insurance. The IPT in this report is limited to the direct payments by NN Group companies to the tax authorities. The indirect IPT contributions of NN on insurance products sold via insurance agents are not included.

### Payroll taxes (employer and employee)

NN Group had 14,953 employees in 2018. On salary payments to our employees, NN Group withholds wage tax, social premiums and employments taxes as part of the cost of employment. These taxes are paid to the governments by NN Group.

### Payroll taxes (on insurance and banking products)

On most of the life insurance claims and some of the non-life claims, NN Group is obliged to withhold payroll taxes as part of the claim being paid. Also on banking products, such as severance payments savings in the Netherlands, NN Group withholds payroll taxes. Payroll taxes are directly paid to the government by NN Group. These taxes are withheld as an upfront payment of the income tax of the client.

### Value added taxes collected and borne by NN Group

In millions of euros	Netherlands 2018	
Non deductible VAT charged to the Group	165.4	
VAT recovery	-3.9	
Subtotal	161.5	
VAT collected and paid to the governments	23.3	
<b>Total VAT contribution to governments</b>	<b>184.9</b>	

### Insurance premium taxes collected by NN

In millions of euros	Netherlands 2018	International 2018	Total 2018
Insurance premium taxes collected	218.6	78.8	297.4

### Payroll taxes (employer and employee) collected by NN

In millions of euros	Netherlands 2018	International 2018	Total 2018
Payroll taxes collected	384.6	59.5	444.1

### Payroll taxes on insurance products collected by NN

In millions of euros	Netherlands 2018	International 2018	Total 2018
Payroll taxes on insurance and banking products	893.5	68.6	962.0

## Total Tax Contribution in 2018 continued

### Withholding taxes paid by NN Group

NN Group N.V. withholds taxes on the dividends paid out to its shareholders. These taxes are collected and paid to the government following the period in which they are withheld. Withholding taxes withheld by third parties on interest and dividends received by the investment funds managed by NN Group are currently not included in this report.

### Total tax contribution NN Group

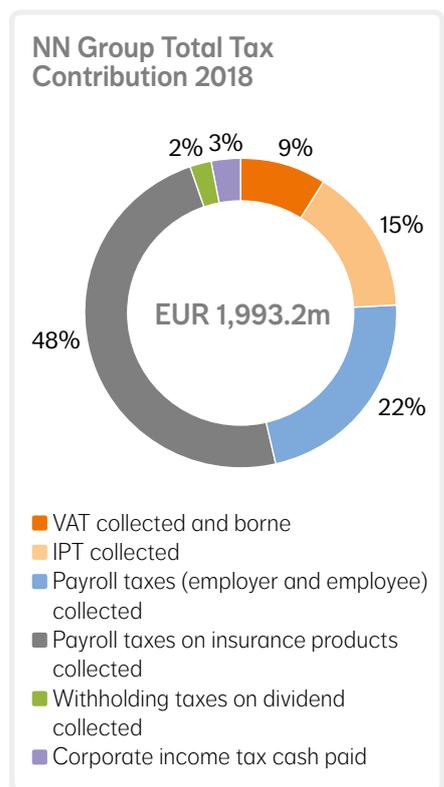
To conclude and provide an insight into the total impact of all taxes collected and borne by NN Group, we have introduced a Total Tax Contribution measurement. The foundation of this measurement is that NN Group not only pays taxes which reflect a costs for our company (the taxes borne), but is also responsible for collecting taxes and passing them on to tax authorities (taxes collected). These taxes are connected with insurance and banking products which are sold and charged to or on behalf of our clients, or they relate to taxes collected on behalf of employees, or services providers.

The Total Tax Contribution of NN Group includes therefor:

- The corporate income taxes paid by NN Group, and
- The total of the other taxes collected and paid by NN Group as outcome of its operations in the form of VAT, IPT, payroll taxes, and withholding tax on dividends paid by NN Group.

There may be additional amounts which are paid to local tax authorities as a result of our economic activity which have not been taken into consideration in this report.

NN Group's Total Tax Contribution in 2018 amounted to EUR 1,993 million, with 87% of this amount paid to tax authorities in the Netherlands, and 13% to local tax authorities on behalf of our International business.



### Withholding taxes on dividend collected by NN

In millions of euros	Netherlands 2018
Withholding tax on dividends	49.3

### Total taxes collected and borne by NN

In millions of euros	Netherlands 2018	International 2018	Total 2018
Total taxes	1,726.3	266.9	1,993.2



# Appendix

## Appendix

### Glossary

In this report the following terms have the meanings shown below:

#### Cash tax rate

The cash tax paid as percentage of the accounting profit before tax.

#### Corporate income tax

All taxes that are based on the taxable profits of the company.

#### Current tax

The corporate income tax due in respect of taxable profits of an accounting period, as defined in the International Financial Reporting Standard IAS12.

#### Deferred tax

The corporate income tax due in respect of temporary differences between accounting values and tax bases, as defined in the International Financial Reporting Standard IAS12.

#### Effective tax rate

The tax charge in respect of an accounting period divided by the accounting profit before tax.

#### Government

Any governing body of a nation, state, region or district, but not including any commercial enterprises or financial institutions that may be controlled by a government.

#### NN Group

NN Group N.V. and its subsidiaries and associated companies which are consolidated in the annual financial statements.

#### Indirect tax

Tax that is required to be paid to a government by one person at the expense of another person.

#### Nominal tax rate

The corporate income tax rate on profits in the different countries where NN Group operates.

#### Profit before tax

Accounting profit for a period before deducting a charge for corporate income taxes.

#### Tax

Any amount of money required to be paid to a government, whether by law or by agreement, including without limitation corporate income tax, property taxes, insurance premium taxes, employment taxes, value added taxes, sales taxes, stamp duties, dividend taxes and any other required payments.

#### Tax borne

Tax that a person is obliged to pay to a government, directly or indirectly, on that person's own behalf.

#### Tax charge

The amount of tax included in the income statement of a company for an accounting period.

#### Tax collected

Tax that a person is obliged to pay to a government on behalf of another person.

#### Total tax contribution

The sum of all taxes borne by NN Group (as a taxpayer) and taxes collected by NN Group which need to be passed on to tax authorities on behalf of our clients, our employees, or service providers.

## Appendix continued

**Scope and methodology of reporting**

The scope of the data reporting is presented in each definition below. 'Tax' in this report means any amount of money required to be paid to, or repaid by, a government. In overview, the key information shown is as follows:

**(1) Taxes borne**

These are the taxes that NN Group is obliged to pay to a government on its own behalf, or taxes that NN Group is obliged to pay to a third party and that cannot be recovered from a government. A list of the main taxes we have included in this category are:

- Corporate income tax - This comprises any tax on the business calculated on the basis of its profits including rent resource taxes, income or capital gains. Typically, these taxes would be reflected in corporate income tax returns made to governments, and tend to become payable, and are paid, either in the year the profits were made or up to one year later, depending on the local tax rules as to timing of payments.
- Payroll taxes (employer) - This comprises payroll and employer taxes payable as a result of a company's capacity as an employer. Typically, these taxes would be reflected in payroll tax returns made to governments and tend to be payable, and are paid, on a regular basis (often monthly) throughout the year shortly after the submission of the return. These form part of operating costs.
- Irrecoverable indirect taxes - This comprises VAT that arise on purchases which cannot be recovered from governments as most of the activities of NN Group are VAT exempted. These taxes form part of operating costs.

**(2) Taxes collected**

These are the taxes that a company is obliged to collect from others and pay to a government.

A list of the taxes included in this category are:

- Insurance Premium Tax (IPT) - This comprises amounts collected on insurances, usually arising when the insurance premium is written. These taxes would form part of a IPT tax return made to government and tend to become payable, and are paid, regularly (often quarterly) throughout the year shortly after the submission of the IPT tax returns.
- Payroll taxes (employee) - This comprises payroll and employee taxes withheld from employee remuneration and paid to governments. These taxes would be reflected in payroll tax returns made to governments and tend to be payable, and are paid, on a regular basis (often monthly) throughout the year shortly after the submission of the return.
- Payroll taxes (products) - This comprises taxes withheld from insurance payments and paid to governments. These taxes would be reflected in claims paid to insured and tend to be payable, and are paid, on a regular basis (often monthly) throughout the year shortly after the submission of the return.
- Value Added Tax (VAT) - This comprises amounts collected on outgoing services and sales, usually arising when the service is provided, or the sale is executed. These taxes would form part of a VAT tax return made to government and tend to become payable, and are paid, regularly (often quarterly) throughout the year shortly after the submission of the VAT tax returns.
- Withholding tax - This comprises tax charged on payments of dividends or other distributions of profits by NN Group. This tax becomes payable, and is paid, at the point of a distribution of dividend rather than in the year the profits actually arise.

**(3) Effective tax rate**

Our tax rate shows total tax charge as a percentage of profit before all taxes for 2018.

This formula is calculated as (a) / (b) where:  
**a** = corporate income tax charge i.e. as shown directly in the financial statements. This figure will differ from taxes actually paid, primarily as a result of either timing differences between when tax is charged and actually becomes payable, or because of differences between the timing of an item of income or expense in the accounts versus when tax is payable on that item.  
**b** = profit before tax. (Note: the profit before tax is before deduction of corporate income tax charged, but after deduction of other taxes charged.)





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