

# Group Tax Charter



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## Clarification note

This document contains the essentials of NN Group's Group Tax Charter of NN Group N.V. ('NN Group'). Last update: June 2020.

The Group Tax Charter was approved by the Management Board of NN Group, and effective as from 1 January 2018.

## Important legal information

The Group Tax Charter of NN Group is for internal guidance purposes only and is not intended to be relied upon by any third party. The Charter may be subject to change at any time.

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# 1. Introduction

## 1.1 Objective

The objective of this Group Tax Charter is to provide clarity on the strategy, organisation, roles and responsibilities of the NN Group Tax department. It also explains the broader framework and tools for managing tax within NN Group and ensuring compliance with our company's tax strategy and principles.

## 1.2 Scope

The scope of the Group Tax Charter is all Business Units whereby NN Group participates directly or indirectly in the management, control or capital (so-called "constituent NN entities"). The charter applies to all taxes payable and/or collected by NN Group, including taxes on profits, transaction taxes, employment taxes, withholding taxes, product-related taxes and taxes on premiums, sales and turnover, tax in product pricing and financial transaction taxes.

## 1.3 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 consideration into account and carefully weigh the interest of all stakeholders.

To clarify what this means in practice, NN Group has developed the following set of tax principles we expect everyone 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 of the letter as well as the spirit of tax laws and regulations. This is also the reference when choosing business partners or when structuring transactions;
- Tax is an integrated part of doing business. Tax should follow business and profits are 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-avoiding 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.

The tax strategy and principles are communicated to NN Group employees, and are part of the Code of Conduct (Manager Annex) of NN Group. It is also shared with our external stakeholders<sup>1</sup>, including the tax authorities. NN Group has entered into a formal compliance agreement with the tax authorities. With this agreement NN Group commits itself to be 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. NN Group Tax actively communicates with the tax authorities the (business) developments within the company and their (potential) impact on taxation.

The tax strategy is approved by the Management Board of NN Group and reviewed by the audit committee of NN Group. Group Tax annually reviews the implementation and execution of the tax strategy and reports the outcome to its stakeholders.

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<sup>1</sup> The Tax Strategy and Principles are publicly available on the NN Group website via this [link](#).

# 2. Group Tax function department

## 2.1 Mission

The mission of NN Group Tax is embedded in the overall mission of Group Finance & Reporting: Group Tax provides exceptional tax-services which add value to the company.

## 2.2 Vision

Group Tax is a centre of expertise that delivers high-quality tax services both in appearance and content. We are in control of the tax position of NN Group. We act as a partner who provides solutions which drive the business. We operate as a team with motivated and enthusiast people who are always in search of excellence.

## 2.3 Values, behaviours and principles

In our daily operations we live up to the core values of NN Group: care, clear, commit. Throughout NN Group, these values drive the behaviour that is required to realise our company's purpose: We help people care for what matters most to them.

To ensure that we act on the basis of these values, Group Tax emphasises the following behaviours and principles:

- integrity - We operate truthfully, honestly and transparently; gaining trust through our actions, internally and externally
- professionalism - We are improving our performance and competence with a focus on achieving excellence
- collaboration - We work together with our internal and external stakeholders to achieve common goals
- service - We encompass the concept of quality in everything we do, having a service mind-set when dealing with our clients and demanding a lot of ourselves
- innovation - We encourage new ideas, methods, processes and practices and make use of new technologies to improve efficiency
- social responsibility - In our tax advice we recognise the spirit of the law and assess the impact of what is intended

## 2.4 Strategy

NN Group's tax strategy is aligned with the business principles of NN Group and its corporate values. The strategy is based on the principle that tax should follow business and consequently profits are allocated to the countries in which business value is created. As Group Tax:

- We have a commitment to ensure full compliance with all statutory obligations and full disclosure to tax authorities;
- We maintain good relationships with tax authorities, and actively disclose business developments and potential uncertainties to tax authorities;
- We consider the implications of tax planning as relevant for NN Group's corporate reputation;
- We manage tax affairs in a proactive manner to create long-term value for our company and stakeholders, while operating in accordance with the rule of the law and with the spirit of this law;
- We maintain a tax control framework which enables NN Group to proactively procure tax risk management;
- We ensure the integrity of the reflection of our tax position in the financial statements.

## 2.5 Functions

Within Group Tax we recognise the following functions:

- Tax advisors
- Tax accountants/consultants

**Tax advisors:** responsible for tax advice, tax planning and support to the tax accountants on tax-relevant matters.

In general the expertise of a tax advisor is focused on one of the three areas of direct tax (corporate income tax, withholding tax and financial transaction tax) or indirect tax (value added tax, real estate transfer tax and insurance premium tax) or wage tax (including social premiums). Other taxes are dealt with as the situation arises. Direct tax requires a broad knowledge of IFRS and Solvency II.

**Tax accountants/consultants:** responsible for the tax position in commercial reporting (IFRS, Solvency II) and for preparing the annual corporate income tax returns including compliance related matters such as FATCA, BEPS, Country by Country reporting, Total Tax Contribution-reports, Tax dashboard, (Tax) Data analysis and support to the tax advisors in special projects such as value added tax-pro rata, Werkkostenregelung, Tax Control Framework).

### Key activity tax advisors

<b>Tax strategy</b>	(Co)Develop tax strategies, policies and framework in line with the overall strategy, create sufficient tax awareness in the business and manage the execution.
<b>Tax position</b>	Advise on the NN Group tax position, monitor and research tax regulations and identify the tax impact based on internal and external rules and regulations.
<b>Analyses</b>	Analyse legislation, identify tax opportunities and advise on how to minimise tax liability and optimise tax position under IFRS and Solvency II/LAC DT
<b>Advice</b>	Advise and support internal stakeholders as a subject matter expert regarding the tax impact of business initiatives, and signal and discuss threats and opportunities.
<b>Declarations</b>	Coordinate and ensure proper tax declarations, discuss issues and/or deficiencies with tax authorities and finance departments and ensure compliance with all relevant rules and regulations.
<b>Audits</b>	Coordinate and guide tax audits and analyse and/or discuss findings with tax authorities.
<b>Review and reporting</b>	Perform reviews on the tax data of business and their initiatives and create (periodical) reports and tax control frameworks in accordance with defined formats and procedures on tax and related risks.
<b>Knowledge development</b>	Keep up to date with changes and developments in (international) tax law and jurisprudence and accounting standards, IFRS and Solvency II legislations and exchange knowledge with internal and external stakeholders.
<b>Stakeholder management</b>	Represent the organisation in national and international contacts, select and consult external consultancy and manage relationships according to internal procedures and guidelines.

### Key activity tax accountant/consultant

<b>Tax strategy</b>	(Co)Develop tax strategies, policies and frameworks in line with the overall strategy, create sufficient tax awareness in the business and manage the execution.
<b>Tax position</b>	Account for NN Group's corporate income tax position, monitor and research this tax position and identify the tax impact under IFRS and Solvency II and in the corporate income tax returns. Support on calculations and reporting of tax positions (FATCA, BEPS, etc.)
<b>Analyses</b>	Analyse legislation on corporate income tax, IFRS and Solvency II and advise on how to account for corporate income tax, IFRS and Solvency II and advise on how to account for corporate income tax and optimise the corporate income tax position under IFRS and Solvency II.
<b>Advice</b>	Advise and support internal stakeholders as a subject matter expert regarding the tax impact of business initiatives on the corporate income tax position under IFRS and Solvency II.
<b>Declarations</b>	Coordinate and ensure proper tax declarations, discuss issues and/or deficiencies with tax authorities and finance departments and ensure compliance with all relevant rules and regulations.
<b>Audits</b>	Support tax audits by the tax authorities and statutory auditor and analyse and/or discuss findings with stakeholders.
<b>Review and reporting</b>	Prepare (periodical) reports on taxation, review the tax position in IFRS and Solvency II reporting, analyse tax data and support management of the tax control framework in accordance with defined formats and procedures on tax and related risks.
<b>Knowledge development</b>	Keep up to date with changes and developments in (international) tax law and jurisprudence and accounting standards, IFRS and Solvency II legislation and exchange knowledge with internal and external stakeholders with a focus on (tax) accounting.
<b>Stakeholder management</b>	Represent the organisation in national and international contacts and select and consult with external consultancy and manage relationships according to internal procedures and guidelines.

Within every function we distinguish a level of expertise with a junior, medium and senior position.

## 2.6 Stakeholders and external relationships

In managing its responsibility Group Tax provides requested and unrequested advice to the Management Board of NN Group and (the management of) the Business Units as its primary internal stakeholders.

Externally the primary stakeholders are the (Dutch) tax authorities, but also civil society as represented by non-governmental organisations is recognised as an important stakeholder when designing and executing the Group Tax strategy.

Group Tax is represented in several external relationships (such as Verbond van Verzekeraars, VNO-NCW, Dutch Fund and Asset Management Association (Dufas), Insurance Europe, Nederlandse Orde van Belastingadviseurs, Nederlandse Vereniging van Banken) to preserve the interest of NN Group.

## 2.7 External tax advice

Group Tax is primarily responsible for taxation within NN Group. However, based on required expertise and capacity, businesses within NN Group will also make use of external tax advisors.

External tax advice must be compliant with the tax strategy of Group Tax. To safeguard the interest of NN Group and the alignment with this strategy, the primary point of contact for external tax advice is Group Tax. The businesses will hire external tax advice in alignment with Group Tax.

When selecting external tax advisors the interest of the business and the interest of NN Group will be taken into account. Only advisors of good reputation will be hired.

# 3. Role and Responsibilities of Group Tax

## 3.1 Single point of contact

Group Tax is the first point of contact with the Dutch tax authorities. Group Tax will be informed upfront in situations in which the business is in direct contact with the tax authorities. Depending on the situation Group Tax can take an active or passive role and delegate the contact to the business.

Contact with the tax authorities by non-Dutch entities is primarily the responsibility of the local business. In case Group Tax needs to contact these authorities, the local business will be informed upfront by Group Tax.

## 3.2 Roles of Group Tax

Group Tax has a global responsibility for the tax position of NN Group but can have different roles in executing this responsibility.

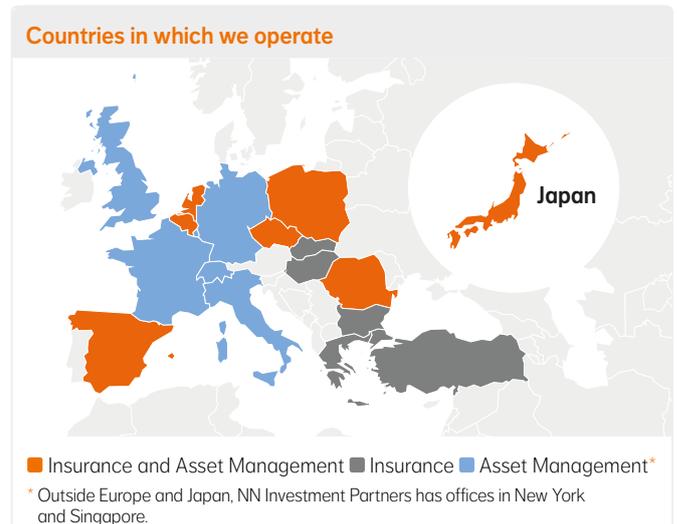
In general Group Tax has an active and operational role in managing the tax position of the Group companies.

(Part of) this responsibility can be delegated - in part - to other departments/business units when the taxation involved is an inseparable part of the operations of the business, the tax position is a stand-alone position, not influencing the NN Group N.V. tax position in the Netherlands, or specific/specialised tax knowledge is required and present (only) in the relevant business/operations. For example, this is the case in managing the tax position of foreign group companies or specific product-related taxation such as product-wage tax in the Dutch life insurance companies, insurance premium tax on non-life insurances and rental tax in real estate. In such situations Group Tax has a supervisory role.

When Group Tax has a supervisory role, the primary responsibility on the operational aspects of the relevant tax is the responsibility of the relevant department/business unit to which it is delegated. Group Tax will act as a second line of defence and give requested and unrequested advice and will inform and supports the respective business units on developments in taxation and will preserve the Group's interests.

## 3.3 International

NN Group has an international footprint in insurance, pensions and asset management.



Group Tax is responsible for managing the tax position of the Dutch entities. This includes Dutch tax compliance and non-Dutch tax compliance which is related to activities of Dutch entities, including the international investment structures of NN Investment Partners (NN IP).

The tax compliance of non-Dutch group companies is managed locally. The day-to-day local tax obligations and the requirements of being compliant to the international reporting obligation (FATCA, BEPS, Country by Country reporting (CbCr)) are the responsibility of the local tax manager and/or local CFO.

With respect to the international tax position, Group Tax has a role as second line of defence in safeguarding the interest of NN Group. In this role, Group Tax preserves the alignment of all companies with the taxation policy and will review the local tax position from a group perspective.

Measures to fulfil the role as second line of defence are:

- In certain business initiatives it is required to include Group Tax in the tax sign off
- Group Tax will actively monitor the tax position of international group companies
- Group Tax will frequently engage the local tax managers and/or CFO
- Group Tax will review the international reporting obligations such as FATCA, BEPS and CbCr, Transfer pricing documentation

### 3.4 International tax reporting

NN Group is obliged to report on its activities to different stakeholders. Group Tax is responsible for managing some of these obligations being:

#### 3.4.1 FATCA and CRS

Group Tax is responsible for managing the registration of all in scope Dutch NN entities with the US Internal Revenue Service (IRS) for FATCA including additional registrations, updates, revocations and de-registration activities which include but are not limited to:

- Incorporation of a new entity (including launch of a new (sub-)fund)
- Liquidation of an existing entity
- Merger with another NN entity or with a third party
- Acquisition of an entity
- Other changes in circumstances (change of the entity's name, address, legal form, appointment of a new Responsible Officer or points of contact, etc.)

FATCA obligations of non-Dutch group companies are fully managed locally by the business itself.

The business unit is responsible for implementing local controls (as part of a local control framework) to provide reasonable assurance that the control objectives as stated in the FATCA and CRS reporting Standard<sup>2</sup> are met.

The CRS obligations of the group companies are managed by Group compliance and the business itself.

For details and the responsibilities of the business and Group Compliance we refer to the NN Group FATCA and CRS reporting Standard.

#### 3.4.2 BEPS

Group Tax is responsible for the BEPS reporting of NN Group N.V. to the responsible tax authorities in the Netherlands. The business units are responsible for their reported information to Group Tax and to implement local controls (as part of a local control framework) which provide reasonable assurance that the reported information is correct.

### 3.5 Transfer pricing

It is a requirement for NN Group to ensure that internal arrangements (between group companies) such as financial arrangements (i.e. loans, reinsurance, refinancing), asset management, shared service centres, head office costs and restructurings/transfers (i.e. mortgage portfolios, insurance portfolios, branch activities) are set at the right price and conditions (being 'at arm's length'), within the right responsibility framework and that those transactions are sufficiently documented (by both parties). The risk being managed is the financial risk of tax adjustments leading to double taxation and tax penalties, which also includes a reputational aspect. This is called the transfer pricing requirement.

The primary responsibility for being compliant with the transfer pricing requirements is within the operations in which the transactions take place.

For international business units the local tax managers/CFOs have a supervisory role to their business units. Group Tax has a role to advise, support and verify the local tax managers/CFOs.

For the Dutch business units Group Tax has a supervisory role of their business units.

### 3.6 In control statement

Being in control of the tax position of NN Group is the primary responsibility of Group Tax. This includes the tax position in the annual report but also other (transaction) taxes.

Measures which support this, amongst others, are:

- Frequent meetings with (local) CFO's
- A compliance tax dashboard for NN Group internationally
- Mandatory tax sign off on business initiatives by Group Tax
- Maintaining a tax control framework on the different taxes
- Strong and permanent involvement of Group Tax in IFRS and Solvency II reporting and LAC DT
- Permanent education of the business on developments in taxation
- Automation of tax reporting processes

<sup>2</sup> This Standard is available for download for internal employees in the Policy House section of the NN Group intranet.

# 4. Tax Risk Management Policy

This chapter provides a summary of the Tax Risk Management Policy, which is available for download for in the Policy House section of the NN Group intranet.

## 4.1 Policy objective

The objective of the Tax Risk Management Policy is to provide direction to senior management in business units (BUs) and at head office on the requirements to ensure that decision-making on corporate transactions and strategy takes proper account of the tax implications of those decisions to:

1. Ensure that NN Group is compliant with tax regulations
2. Ensure transparency on tax planning and the tax contribution of the Group
3. Minimise the impact of (unforeseen) tax on unforeseen regulations or business initiatives

The scope of the policy includes all NN BUs and Group departments, including businesses, legal entities and joint ventures, and applies to all taxes payable and/or collected by NN Group and all tax reporting made to the tax administration(s).

## 4.2 Key risks and control objectives

The table shows how the key risks covered by the Tax Risk Management Policy relate to the relevant risks in NN Group's risk taxonomy. It also defines control objectives.

In NN's risk taxonomy, these risks are clustered in risk types and mapped to NN Group Risk Appetite Statements. The relevant NN Group Risk Appetite Statements for the above risks can be operationalised as follows from a tax perspective:

- NN Group does not explore fiscal borderlines and does not submit aggressive tax returns.
- BU management teams ensure that the core values of NN Group are actively maintained and the right tone at the top is used to set the example. The tax impact must be considered following reasoned internal or external advice and in the context of the relevant NN Group Risk Appetite Statements.

The key principles underlying the above are that NN Group will:

- Not enter into tax schemes or structures where the whole or main benefit is the avoidance of tax (e.g. no double dips and no transfer of a loan into a participation exemption relationship with deductible interest or tax free income)
- Comply with all relevant tax laws and disclosure obligations
- Comply with the core values of NN Group
- Deal transparently with tax authorities, providing relevant, clear, complete and timely information on legislative impacts and on material or unusual transactions

Key risk	Possible impact	Control objectives
Political & Regulatory Risk	External developments in tax legislation, tax-accounting or regulatory areas with unforeseen tax cost	External developments are closely followed and properly acted upon
Business model Risk	Tax opportunities related to specific transactions are not realised or unnecessary tax costs incurred	Proposed commercial transactions take into account taxation risks and opportunities Approved transactions are implemented as planned Tax reserves are adequate
	The at arm's length character of a controlled transaction is challenged by the tax authorities (which may result in additional penalties/interest levied)	Transfer pricing documentation (which meets the requirements of local legislation) is available, in order to ensure that the arm's length character is sufficiently substantiated
	Deferred tax assets under IFRS and Solvency II have to be de-recognised or impaired	Tax planning is performed adequately
Tax Evasion Risk	Publicly perceived aggressive tax planning or tax avoidance of business initiatives or transactions	
Product Customer Value Risk	Tax regulations may not bring the envisaged benefits to customers and may even lead to additional tax costs	Tax aspects are taken into account in product development
Financial Accounting Risk	Inaccurate, incomplete or untimely tax returns	Data on which tax returns are based are accurate, complete and timely available
	Tax positions in IFRS and/or Solvency II reporting do not represent a true and fair view	Tax positions (DTA/DTL/tax on operating result/LACDT) are properly calculated

### 4.3 Minimum requirements

The Tax Risk Management Policy also provides detailed minimum requirements to ensure adequate management of the risks. On a high level these requirements can be summarised as follows.

#### Generic tax processes and tax sign off

Senior first line management within NN Group are responsible for ensuring that business initiatives with a potential taxation impact are signed off by Group Tax. Initiatives that Group Tax should sign off include mergers, acquisitions, disposals, joint ventures with third parties, and transactions with a material contract value or a material financial risk in the case of a breach of contract.

#### External tax developments

Business units should have an appropriate level of awareness of tax risk and relevant tax developments and take not only the current tax environment but also potential favorable and adverse tax developments into account.

#### Tax in relation to commercial transactions (including product development)

BUs should obtain tax sign off for new products (delegated by the Product Policy), new ventures, new structures and M&A activity considering, amongst others, its legality, alignment with Group tax strategy, reputational risks and consequential impact. Any tax planning initiative must be considered on the basis of the above factors and the tax implications (risks, costs and potential outcomes), alongside other commercial implications.

#### Tax planning

Group Tax is informed in advance by the BU on envisaged business initiatives which may have an impact on the deferred and current tax assets or liabilities. Any tax planning initiative must be considered on the basis of the tax implications (risks, costs and potential outcomes), alongside other commercial implications.

#### Tax accounting

BUs should inform group tax on activities and processes and require a tax sign off on material business initiatives to ensure that internal and external reporting accurately records and reports the facts and circumstances of each decision and /or transaction.

#### Transfer pricing

All intra-group transactions must be carried out following the arm's length principle and documentary evidence must be retained of what an arm's length charge would have been in accordance with the OECD<sup>3</sup> accepted pricing methods.

#### Policy violations

Processes and procedures are implemented to guarantee adherence to this policy, which is actively monitored by Group Tax. Severe violation of this policy, or any identified matters that could lead to a severe violation, should be reported to Group Tax or Group Risk.

It should also be noted that whilst employees are encouraged to report serious concerns through the normal reporting channels, they can also voice concerns outside these channels through the [NN Group Whistleblower Policy](#).

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<sup>3</sup> The OECD Transfer Pricing Guidelines for Multinationals Enterprises and Tax Administrations can be found via the OECD website ([www.oecd.org](http://www.oecd.org))

# 5. Tax Control Framework

## 5.1 Objective

The Tax Control Framework (TCF) can be defined as all measures which can be recognised as ensuring that NN Group is compliant to the Tax Risk Management Policy . The TCF provides Group Tax with the framework and tools to manage their responsibilities.

The existence of an adequate TCF is required by the tax authorities as a condition for the Horizontal Monitoring agreement which NN Group has with the tax authorities. The TCF is not a static framework but is continuously monitored and improved by Group Tax following business developments and changes in tax law and regulations.

## 5.2 Measures

Relevant measures to support the TCF which can be recognised are, amongst others:

- Mandatory tax sign off on business in initiatives as defined in the Tax Risk Management Policy
- Frequent meetings with business partners on developments in their business
- Training and education on tax relevancy for the business and management (including Supervisory Board)
- Integration of tax risks in internal risk reporting
- Tax dashboard on relevant tax data
- Active participation in internal and external meetings on adjacent expertise (risk, actuarial, IFRS, Solvency II)
- Tax sign off in the Product Approval and Review Process

## 5.3 Requirements for success

The basic requirements for success of implementing and operating the TCF are:

- Alignment with the business process and procedures
- Focus on the material tax risks and opportunities
- Simplicity in design and operations
- Integration in existing risk controls of adjacent expertise (legal, risk)
- Use of digital and IT solutions

Based on these criteria the different TCF models for the different taxes and businesses are being designed and implemented.

