



Creating a positive impact for **society and communities**

In this chapter, we describe how our business model enables us to create long term value for the societies and communities in which we operate, by using our resources to help them achieve long term, sustainable prosperity.

Creating value as a corporate citizen

We contribute to the society and the communities in which we live and work in various ways. For example, we generate economic activity by purchasing products and services from local suppliers, in addition to regional and global suppliers. To provide revenue to fund public services, we pay taxes to the governments in the markets where we operate. To ensure we do this in a responsible way, we have adopted a set of tax principles. Furthermore, we invest in our local communities through our charitable partners and volunteering efforts.

Sustainable supplier management

With an annual spend of around EUR 1 billion, our procurement activities support our business strategy. A substantial part of this investment goes towards real estate, professional services, IT and facility management.

Our relationship with suppliers is based on our NN values, and we aim to work together in a mutually beneficial way.

We have the supplier qualification process and governance in place for managing sustainability – related to social, environmental and financial aspects – which is improving every year.

Managing our environmental footprint

In 2016, we continued to effectively manage our direct environmental footprint by efficiently using natural resources; by identifying and implementing green alternatives; and ultimately by compensating for the remainder of our carbon footprint.

Our sustainability initiatives continue to focus on energy and business travel efficiency and paper use reduction. We also encourage the recycling of materials inside our office buildings. NN Group's facility management teams are committed to improving the energy efficiency of our buildings, especially in countries where renewable energy is difficult to purchase. In 2016, we realised a decrease of 33% of energy use. This was partially caused by a reduction of office space in the Netherlands.

NN Group encouraged employees to drive cleaner by introducing more electric cars in the NN car pool, and installing additional charging stations at our offices in the Netherlands.

We offset the remainder of our CO₂ emissions through the purchase of Voluntary Carbon Units (VCUs), Gold standard. As a result, we achieved 100% carbon neutrality over 2016. The carbon credits that we acquired come from a windmill park in Manisa, Turkey. The park exists of 23 modern wind turbines with a total capacity of 57.5 MW. The park provides renewable electricity to around 20,000 households. The project ensures that less greenhouse gas emissions will be emitted as fossil fuels are replaced by wind energy.

Case study

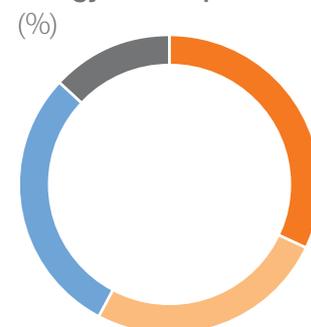
Scan business travel

NN Group asked Climate Neutral Group in 2016 to make an analysis of our air travel. Climate Neutral Group identified four areas for reduction of CO₂ emissions: reducing business class flights, using the train for short trips, booking more efficient flights and replacing trips with video conferencing.

 Link to full article: www.nn-group.com/annual-report



Energy consumption



Electricity	32
Renewable electricity	26
Natural gas	29
District heating	13

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Tax strategy and policy

We believe that being a responsible tax payer means that in our tax planning we take due account of long term considerations and carefully weigh the long term interest of our stakeholders. We have a set of tax principles to which we adhere as well as communicate to the public on our website.

One of NN's key principles is that we only structure our tax affairs based on business rationale. This means that we do not make use of aggressive tax planning or use 'tax havens' to reduce our corporate income tax. Furthermore, due consideration is given to NN's legitimate interests, reputation, brand, corporate social responsibility when considering tax initiatives. Another key principle is that we strive to be transparent and disclose all relevant facts and circumstances to local authorities. In the Netherlands this is embedded in a 'horizontal monitoring' approach where we aim to achieve clarity and upfront certainty around tax matters.

NN Group reports various tax elements on a country-by-country basis. We expect the impact of such reporting to be low as it reflects our policy that transactions must have a business rationale. Besides the public disclosure, we also report country-by-country information to the tax authorities in line with the BEPS initiatives.

To raise internal awareness of the standards and policies we have in place that are relevant for all managers to know and act upon, we included these principles in the Manager annex of NN's Code of Conduct, which became applicable in September 2016.

Furthermore, one of the permanent education sessions that NN Group organised for the Supervisory Board last year focused on the topic of tax transparency.

Financial tax disclosures

The income tax charge of EUR 273 million in 2016 represents an effective tax rate of 18.7% (2015: 9.4%). The effective tax rate in 2016 was lower than the weighted average statutory tax rate of 25.4% due to tax exempt income, partly set off by prior year adjustments. More information on the effective tax rate can be found on pages 91-93 of the Financial Report (Note 35).

The income tax paid is reflected in the consolidated statement of cash flows in the Financial Report and amounted to EUR 197 million in 2016 (2015: EUR 39 million).

The lower income tax paid in relation to the income tax charge reflects differences between accounting and tax rules as well as loss carryforwards.

We further provide details of both the tax charge as well as the tax paid per reporting segment and per country. A full country-by-country report is included on pages 87-90 of the Financial Report (Note 34).

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Case study

Junior Achievement Innovation Camp Spain

In addition to the Social Innovation Relay, in Spain, JA and NN together also organised an Innovation Camp to promote social integration of people with intellectual disabilities. Students from High School, Baccalaureate, Vocational Schools together with Aprocor, a social foundation with more than 25 years of experience supporting students with intellectual disabilities to achieve social inclusion, worked together to create social innovations.

'This experience always has a huge positive impact on the students and on us, both professionally and personally.'

NN volunteer



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Case study

Circular mobile phones

NN Group reduced its mobile footprint through collaboration with the organisation Closing the Loop and its 'One for One' programme. For every mobile phone we replaced, Closing the Loop bought a broken mobile phone in Africa and thereby prevented phones from ending up in landfills. Together, we created new value for discarded mobile phones and contributed to the circular economy.



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Our business model

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Community investment

The community investment programme of NN Group is called Future Matters. Its goal is to empower people in the markets where we operate to improve their financial wellbeing. The programme specifically targets 10 to 25 year-olds and underserved groups. In 2016, we reached out to more than 27,500 youths in the many communities in which we operate.

We aim to gradually target our overall charitable giving more towards the Future Matters focus areas. In 2016, 69% of our total charitable donations of EUR 1.5 million went to NN Future Matters and its related target areas.

We focus our efforts on three complementary target areas: promoting financial empowerment, creating economic opportunities, and alleviating financial distress. With international and local partners involved, the programme is both globally consistent and locally relevant.

Promoting financial empowerment

By supporting people in their development of financial knowledge, we help them foster a secure and stable financial future. Responsible financial behaviour is often best developed at an early age, so many of our initiatives are focused on young people. During the 2016 Money Week in the Netherlands, NN employees gave in total 162 guest lectures in primary schools, teaching 3,700 children about money and financial risk scenarios.

Creating economic opportunities

By helping young people prepare for the future, we believe we add value by increasing their opportunities in the labour market. Our colleagues provide job training to young people who may lack specific skills or role models. This is in cooperation with JINC, a Dutch not-for-profit organisation focused on helping young people become better prepared for the labour market.

Another way of creating economic opportunities is by encouraging entrepreneurship. In 2016, the Social Innovation Relay (SIR) again took place as the flagship programme of the NN Group and Junior Achievement Europe partnership. The SIR is a global competition that challenges secondary school students to develop an innovative business concept that addresses a social need. Together with Impact Centre Erasmus (ICE) we are conducting an impact study that researches whether participation in the SIR indeed leads to expertise development and skills improvement.

The main questions addressed are if the participating students improve their skills and expertise, and do they show a more innovative, entrepreneurial and socially responsible attitude that they can use in their future career. A total of 12,631 students participated in ten countries.

In Japan, NN Life continued their partnership with the Social Entrepreneurship School (ETIC). Two young entrepreneurs grew their business by receiving mentoring and advice from various NN experts and senior social entrepreneurs.

Alleviating financial distress

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

For example in the Netherlands, we partner with the LINDA.foundation, a charity that helps families in financial distress. In 2016, we organised several initiatives to raise funds, such as an employee winter fair. In addition, volunteers helped assemble packages with gift vouchers for the families concerned. Our customers are also involved in the LINDA.foundation through our special credit card that donates ten eurocents for each transaction to the LINDA.foundation.

As part of the promotion of the NN Rotterdam Marathon event, we partnered with the Jeugdsportfonds, a charity that helps children from families without the financial means, to become members of a sports association of their choice. In Bulgarian NN running events, our colleagues ran for one of our local charity partners SOS Children's Village.

To celebrate the second anniversary of NN Future Matters, and to provide the various NN countries with the opportunity to further strengthen their structural partnerships with local charities in line with Future Matters, in 2016, we made extra donations that totalled EUR 127,500 to local charities in 12 of the markets where we operate.

Other good causes

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

Case study

Future Matters scholarship programme

The NN Future Matters scholarship programme is a collaboration between NN and EP-Nuffic and gives students the opportunity to complete a Master's programme while gaining the experience of studying abroad. These scholarships are intended for students from selected countries wishing to complete a Master's programme in the Netherlands, with a particular focus on those who are the first in their families to go on to higher education. The students are matched to an NN mentor, who supports them during the year.

 Link to full article:
www.nn-group.com/annual-report



'To help young people grow their economic opportunities what better than to provide talented and ambitious students a scholarship to take their future into their own hands.'

Delfin Rueda

CFO and NN Future Matters mentor

27,529

young people reached through NN Future Matters programme

69%

of total charitable donations to NN Future Matters and its related target areas