

Advice

Subject Advice CWC regarding new Remuneration Policy EB/SB
To General Meeting of Shareholders
Cc Mrs. H.M. Vletter-van Dort, Mrs. D.S. Nihot

Date 30-03-2020

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The Central Works Council of NN Group (CWC) is pleased with the opportunity to give the GMS our advice on the EB remuneration policy and on the SB-remuneration policy according to article 2:135a clause 3 DCC.

In general we are positive with the contents of the EB remuneration policy and the SB remuneration policy. And we take this opportunity to give a compliment to the SB that they succeeded in drafting an EB remuneration policy that is:

- capable of absorbing different opinions about the matter what should be a fair remuneration for individual EB-members; and
- gives the SB the opportunity to take into account the various interests of all stakeholders.

The CWC adheres to the guiding principles that were used by the SB in drafting these policies. However, in our view risk prudent and fairness driven are not related and should therefore be seen as separate principles, keeping in mind the issue of fairness of total compensation. We are of opinion that each guiding principle is accounted for in the text of the policies.

EB remuneration policy

Regarding the EB remuneration policy we are particularly pleased to see:

- deferred compensation both in base salary and in the variable remuneration;
- non financial targets which are at least equally important to the financial targets and which reflect the NN company values.

In our opinion this warrants that the Executive Board of NN Group has focus on the long run and takes in mind qualitative goals and soft values, evading the pitfall of hit and run. In short, we are positive that this remuneration policy stimulates the kind of entrepreneurship that is needed in the economy and society of our times, stimulates business with the future in mind and fosters a boardroom culture that is in line with company values.

By stating explicitly that target settings and assignment contracting is guided by the principle of fairness and because of the choice to aim for a total direct compensation which is below market median level of the external benchmark, according to the CWC, the EB remuneration policy does include the necessary elements to be able to contain actual payments to a level that still has public consent and is not void of the acceptance of most stakeholders.

Nevertheless, the CWC has a sort of dithering regarding the EB-remuneration policy. On the one hand we acknowledge the need to attract and retain senior leaders with an international profile. And in order to do so we see the possibility that the SB may need to pay them more than what is generally acceptable according to the public opinion in the Netherlands. On the other hand, the CWC represents the workers in the Netherlands and it is in our role to guard internal pay

relativities and question the SB in case remuneration of EB gets out of sync with the remuneration of the workers in general. Our opinion is that with a moderate remuneration practice it should be possible to attract and retain the senior leaders that we need as a company.

So notwithstanding our compliment to the SB, the CWC has a dilemma that the proposed EB remuneration policy contains much maneuver space for the SB to negotiate in practice a Total Direct Compensation that could be deemed in excess of what the Dutch public opinion and the workers of NN Group in the Netherlands consider to be fair. As there is a legal obligation in the Netherlands to discuss internal pay relativities between the SB and the CWC, we would like to talk further about this matter in those meetings.

With regard to the EB performance assessment we remark that in determining whether EB objectives are met the SB should well inform himself with independent sources like the external accountant, Corporate Audit Services, and findings and opinions of the Supervisors DNB and AFM.

SB remuneration policy

The CWC gives a positive advice on the new SB remuneration policy. We compliment the SB with the considerable simplification and transparency that is achieved in this policy. There are no hesitations from our side and the SB gets our full support here.

We are content to see that SB members will only get a fixed annual fee and a fixed annual expense allowance and hence their supervision is not linked to any form of variable remuneration or other benefits. We are also pleased with the change in the benchmark for the SB remuneration. By changing the peer group to the same peer group as is being used in the EB remuneration policy consistency and simplicity is attained.

We noticed that the fixed annual fee of the Chair is much higher compared to fees for a member or the Vice-Chair. In a meeting it was clarified that this difference is justified and fair due to the extra responsibilities and the extra time involved with this role. This explanation was sufficient for us.

With kind regards,



S.P.W. van der Wal
Chair Central Workers Council NN Group



J.P. Rietveld
Chair RemCo Central Workers Council NN Group