

NN Group N.V.

And Operating Subsidiaries

Key Rating Drivers

Robust Capital, Lower Leverage: NN Group N.V. maintained a robust capital position in 1H20, reflecting the resilience of NN's capitalisation to the coronavirus pandemic. NN's 1H20 Solvency II (S2) ratio was 221% (2019: 224%); the strongest among large Dutch insurance companies. NN scored 'Extremely Strong' in Fitch Ratings' Prism Factor-Based Capital Model (Prism FBM) at end-2019. Financial leverage decreased to 25% in 1H20 (2019: 26%) due to the redemption of EUR300 million senior notes in June 2020.

Resilient Operating Performance: NN's profitability is 'Strong', reflected by the improvement in IFRS operating earnings since 2016, as well as 2019 net income return on equity (ROE) of 7% and pre-tax operating return on assets (ROA) of 1.2%.

NN's operating result continued to improve in 2019 (EUR1.8 billion) and 1H20 (EUR926 million), despite the coronavirus pandemic. NN estimates the pandemic will reduce its operating earnings by about EUR100 million in 2020, mainly through international units and asset management.

Very Strong Business Profile: Fitch ranks NN's business profile as 'favourable' compared with other Dutch insurance companies. The completed integration of Delta Lloyd Group and the ongoing integration of VIVAT Schadeverzekeringen N.V. have established NN as the market leader in disability and accident (D&A) insurance and as the second largest property and casualty (P&C) insurer in the Netherlands, and secured its leading position in the life and pensions segment. International operations made up about 50% of its gross premiums in 2019.

Sound Financial Flexibility: NN's debt-servicing capability and financial flexibility is 'Very Strong' based on a Fitch-calculated Fixed-Charge Coverage (FCC) of 12x in 2019 (2018: 13x) and on strong financial flexibility, reflected by a sound cash position, available contingent funding, and ready market access.

Low Investment Risk: Fitch assesses NN's investment and asset risk as low and scores the credit factor as 'Very Strong'. Investments mainly consist of investment-grade debt securities and Dutch residential mortgages. NN is gradually optimising its investment portfolio, mainly by shifting to higher-yield fixed-income assets and increasing exposure to mortgages. This could lead to incremental investment risk and lower average ratings of the credit portfolio, but we expect the overall high quality of the investment portfolio to be maintained.

Rating Sensitivities

Pandemic Assumptions: A material adverse change in Fitch's rating assumptions with respect to the impact of the pandemic could lead to a negative rating change or downgrade. Conversely, a material positive change in Fitch's rating assumptions with respect to the impact of the pandemic could lead to a positive rating change or upgrade. A positive rating action is prefaced by Fitch's ability to reliably forecast the impact of the pandemic on the financial profiles of both the Dutch insurance industry and NN.

Lower Leverage, Stable Performance: The ratings could be upgraded if NN's financial leverage ratio falls below 25% while its operating profitability remains strong and its group S2 ratio remains above 180%.

Higher Leverage, Weaker Performance: The ratings could be downgraded if NN's financial leverage ratio increases above 35%, or if its group S2 ratio falls below 160%. The ratings could also be downgraded if NN's operating earnings, reported on an IFRS basis, weaken.

Ratings

NN Group N.V.
Issuer Default Rating A

**Nationale-Nederlanden
Levensverzekering Maatschappij N.V.**
Insurer Financial Strength A+

VIVAT Schadeverzekeringen N.V.
Insurer Financial Strength A+

Long-Term Debt Ratings
Senior A-
Subordinated BBB

Outlooks

Stable

Consolidated Financial Data

NN Group N.V.		
(EURbn)	2018	2019
Total assets	224	249
Net income attributable to shareholders	1.1	2.0
Net income ROE (%)	5	7
Solvency II ratio (%)	230	224
Financial leverage (%)	28	26

Source: Fitch Ratings; NN

Applicable Criteria

Insurance Rating Criteria (August 2020)

Related Research

Dutch Insurance Outlook Revised to Negative on Coronavirus (March 2020)

Dutch Insurance Dashboard: Mid-year 2020 Update (September 2020)

Fitch Affirms Netherlands at 'AAA'; Outlook Stable (April 2020)

Analysts

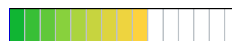
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Key Credit Factors – Scoring Summary

NN Group N.V.

ESG Relevance:



Insurance Ratings Navigator EMEA Composite

Factor Levels	Operational Profile		Financial Profile								Other Factors & Criteria Elements (see below)	Insurer Financial Strength
	Industry Profile & Operating Environment	Business Profile	Capitalization & Leverage	Debt Service Capabilities and Financial Flexibility	Financial Performance & Earnings	Investment and Asset Risk	Asset/Liability & Liquidity Management	Reserve Adequacy	Reinsurance, Risk Mitigation & Catastrophe Risk			
aaa												AAA
aa+												AA+
aa												AA
aa-												AA-
a+												A+
a												A
a-												A-
bbb+												BBB+
bbb												BBB
bbb-												BBB-
bb+												BB+
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bb-												BB-
b+												B+
b												B
b-												B-
ccc+												CCC+
ccc												CCC
ccc-												CCC-
cc												CC
c												C
d or rd												D or RD

Other Factors & Criteria Elements

Provisional Insurer Financial Strength				A+
Non-Insurance Attributes	Positive	Neutral	Negative	+0
Corporate Governance & Management	Effective	Some Weakness	Ineffective	+0
Ownership / Group Support	Positive	Neutral	Negative	+0
Transfer & Convertibility / Country Ceiling	Yes	No	AAA	+0
Insurer Financial Strength (IFS)				Final: A+
IFS Recovery Assumption	Good			-1
Issuer Default Rating (IDR)				Final: A

Bar Chart Legend

Vertical Bars = Range of Rating Factor
Bar Colors = Relative Importance
■ Higher Influence
■ Moderate Influence
■ Lower Influence
Bar Arrows = Rating Factor Outlook
↑ Positive ↓ Negative
↕ Evolving □ Stable

Latest Developments

- In May 2020 NN Leven completed three longevity transactions associated with approximately EUR13.5 billion pension liabilities in the Netherlands.
- In April 2020 NN completed the acquisition of 100% of shares in VIVAT Schadeverzekeringen N.V., thereby strengthening its market position in the Dutch non-life market.
- On 19 March 2020 Fitch revised the Outlook for Nationale-Nederlanden Levensverzekeringen Maatschappij N.V. and NN Group N.V. (together NN) to Stable from Positive. The Outlook revision is based on the significant uncertainty created by the coronavirus pandemic.

Peer Comparison

Click [here](#) for a report that shows a comparative peer analysis of key credit factor scoring.

Industry Profile and Operating Environment (IPOE)

Click [here](#) for a link to a report that summarises the main factors driving the above IPOE score.

Business Profile

Very Strong Business Profile

Fitch ranks NN's business profile as favourable compared with other insurance companies in the Netherlands, driven by NN's most favourable competitive positioning, favourable business risk profile and favourable diversification. Given this ranking, Fitch scores NN's business profile at 'aa' under its credit factor scoring guidelines.

NN is a leading Dutch insurance and financial services group with activities in non-life and life insurance, as well as banking and asset management. Its most favourable competitive positioning score reflects its market-leading positions in its key domestic market segments.

The completed integration of Delta Lloyd Group and the ongoing integration of VIVAT Schadeverzekeringen N.V. have firmly established NN as the market leader in D&A insurance and as the second largest P&C insurer in the Netherlands, and secured its leading position in the life and pensions segment. In non-life, NN had market shares of 32% in D&A and 26% in the P&C segment; in life it had 40% market share in group pensions and 23% in individual life based on 2018 gross premiums¹. NN's asset-management arm, NN Investment Partners, is a global top-100 asset manager with EUR285 billion of assets under management at 1H20.

NN's favourable business risk profile score reflects its business focus on established less-volatile lines in both life and non-life insurance. NN discontinued new sales of most traditional individual life insurance products in the Netherlands, and variable annuity products in Japan. Along with the broader Dutch insurance market, NN is focusing on establishing a fee-based franchise.

NN's favourable diversification score reflects both its composite business profile in the Netherlands and its geographical diversification. International operations are well established and accounted for about 50% of NN's gross written premiums in 2019.

NN has a significant franchise in Japan, where it is a top-three insurer in the corporate-owned life insurance (COLI) niche. COLI products offer protection, savings and pensions insurance for the owners and employees of SMEs and represent about 20% of the Japanese life market. In Europe, NN primarily offers life insurance and pension products to retail and SME clients in Belgium, Central Eastern and South Eastern Europe (CESEE) and Spain. NN has top-three positions in most CESEE markets but operations remain small in some other countries.

Ownership

NN's ownership is neutral to its rating. NN has been publicly listed on the Euronext Amsterdam stock exchange since July 2014 and has a fragmented shareholder structure with no single shareholder holding a majority stake.

¹ Source: DNB, NN

Capitalisation and Leverage

Robust Capitalisation, Decreasing Leverage

NN maintained a robust capital position at 1H20 reflecting the resilience of NN's capitalisation to the effects of the pandemic. NN's 1H20 S2 ratio was 221% (2019: 224%) – the strongest among large Dutch insurance companies. The ratio includes a 17pp benefit from longevity transactions executed by NN's life insurance subsidiary, effective 1 January 2020 and covering EUR13.5 billion pension liabilities in the Netherlands. The group scored 'Extremely Strong' in Fitch's Prism FBM at end-2019.

We expect NN's operating capital generation (OCG) to be 15pp–20pp, in 2020. This is slightly weaker than in 2019, mainly due to the effect of the pandemic. NN's OCG added 7pp to its S2 ratio in 1H20. Sensitivity to financial markets variances remain within acceptable limits in our view. Main sensitivities include unfavourable changes in credit spreads, equity, and real estate prices, as well as the steepening of the yield curve.

NN estimates a 10pp negative impact on its S2 ratio from the inclusion of non-insurance entities in the S2 calculation from end-2020, as requested by the Dutch National Bank (DNB). As such, the pro-forma 1H20 S2 ratio adjusted for the inclusion of NN Bank was 211%.

NN has resumed capital distributions following a temporary suspension in 1H20 on request of the DNB, which in our view also reflects the soundness of NN's capital position.

Financial leverage decreased to 25% in 1H20 (2019: 26%) due to the redemption of EUR300 million senior notes in June 2020.

Fitch Expectations

- The Prism FBM to remain 'Extremely Strong' over the next 12 months.
- OCG to increase gradually, driven by investment portfolio optimisations and higher contribution of non-life.
- Financial leverage to remain stable.

Debt Service Capabilities and Financial Flexibility

Sound Financial Flexibility

NN's debt-servicing capability and financial flexibility is 'Very Strong' based on a Fitch-calculated FCC of 12x in 2019 and on strong financial flexibility, as reflected by a sound cash position, available contingent funding, and ready market access.

Holding company cash capital was EUR1.3 billion at 1H20 (2019: EUR2 billion), which remains in excess of the cash requirement in a 1-in-20 stress event. The decrease in cash was mainly due to capital distributions and the acquisition of VIVAT non-life. In Fitch's view, remittances from operating units will be moderately weaker in 2020 compared to 2019 due to the impact of the pandemic and dividend restrictions in some jurisdictions and NN Bank. We also expect that there will be no need for significant cash down-streaming over a one-year horizon.

In addition, contingent credit facilities of EUR1.75 billion further supports NN's financial flexibility. Although the company did not issue new debt in 2019 and 1H20, we believe it maintains stable market access as reflected in the normalisation of NN's debt spreads following a sharp increase in April and May 2020, along with the broader market. NN has significant headroom under all tiers of capital to issue new debt in case of need.

Fitch Expectations

- Fixed-charge coverage to remain stable.
- Remittances to holding to remain broadly stable.
- Financial flexibility to remain robust.

Financial Highlights

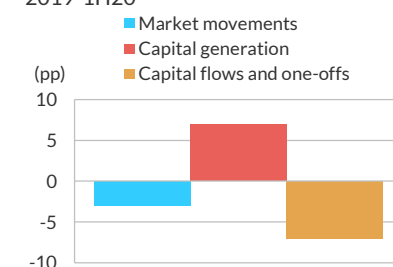
(EURm)	2018	2019
Shareholders' equity ^a	23,084	31,028
TFC ratio (x)	0.5	0.4
Financial leverage (%)	28	26
Group S2 ratio (%)	230	224

^a Excluding hybrids

TFC: Total Financing and Commitments
Source: Fitch Ratings; NN

Solvency II Variances

2019-1H20



Source: Fitch Ratings; NN

Financial Highlights

(EURm)	2018	2019
FCC ratio (x)	13	12
Cash at holding companies	2,005	1,989

Source: Fitch Ratings; NN

Debt Maturities (Five Years)

(As of 30 June 2020)	(EURm)
2022	600
2023	500
Total	1,100

Source: Fitch Ratings; NN

Financial Performance and Earnings

Resilient Operating Performance

NN's profitability is 'Strong', as reflected by the improvement in IFRS operating earnings since 2016, an ROE of 7% and an ROA of 1.2% in 2019.

The improving trend in NN's operating result continued in 2019 (EUR1.8 billion) and also in 1H20 (EUR926 million) despite the coronavirus pandemic. The operating performance of all units remained broadly resilient in 1H20. NN estimates the pandemic will reduce operating earnings by EUR100 million in 2020, mainly through international units and asset management. However, the impact on net income could be higher than this as impairments and asset revaluations are not part of operating earnings.

NN has taken mitigating actions to balance the negative effects of the coronavirus pandemic. These include taking advantage of investment opportunities to accelerate the optimisation of the investment portfolio and continued focus on cost efficiency. NN has completed EUR381 million in cost reductions at 1H20 of its EUR400 million cost saving target by end-2020. Upon completion, we expect NN to continue managing expenses in line with the run-off of the life closed book.

In non-life, NN has limited exposure to the market segments most affected by the pandemic, such as business interruption, travel, and event cancellations and health. The 1H20 combined ratio further improved to 94.9% (1H19: 93.9) as significantly lower motor and fire claims helped to offset increased claim inflows in D&A insurance (individual disability).

Fitch Expectations

- The impact of the coronavirus pandemic to be negative, but limited.
- Continued cost discipline and cost synergies from the integration of VIVAT non-life to support financial performance.
- Price hardening in the Dutch P&C segment could level off as a result of the pandemic.

Investment and Asset Risk

Low Investment Risk

Fitch assesses NN's investment and asset risk as low and scores the credit factor as 'Very Strong'. Investments mainly consist of investment-grade debt securities and a well-collateralised Dutch residential mortgage portfolio.

NN is gradually optimising its investment portfolio by shifting to higher-yield fixed-income assets, depending on market circumstances, and by increasing mortgage exposure. This could lead to incremental investment risk and lower average ratings of the credit portfolio, but we expect the overall high quality of the investment portfolio to be maintained and therefore this is unlikely to affect our assessment of NN's investment and asset risk.

Fitch assesses the credit risk of NN's EUR49 billion (including NN Bank) residential mortgage book as low given low delinquency rates and good collateralisation. The book is concentrated on Dutch residential mortgages with some diversification in Belgium, although the Belgian portfolio remains small. The average loan-to-value ratio of the portfolio was 68%, and about 34% of the exposure was backed by government guarantees in 1H20, provided through the Stichting Waarborgfonds Eigen Woningen (the Netherlands has an IDR of 'AAA'), which further reduces credit risk.

Fitch Expectations

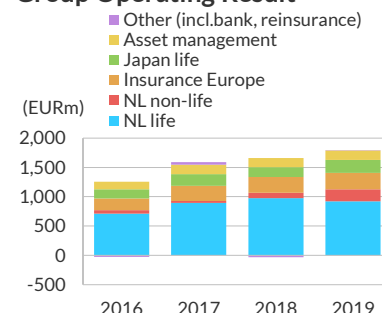
- Investment risk metrics will remain in line with a 'Very Strong' assessment.
- Dutch residential mortgages to perform well despite the coronavirus pandemic.

Financial Highlights

(EURm)	2018	2019
Net income attributable to shareholders	1,113	1,985
Net income ROE (%)	5	7
Pre-tax operating return on assets (%)	1.4	1.2
Non-life combined ratio (Netherlands only; reported)	99.4	95.4

Source: Fitch Ratings; NN

Group Operating Result



Source: Fitch Ratings, NN Group

Financial Highlights

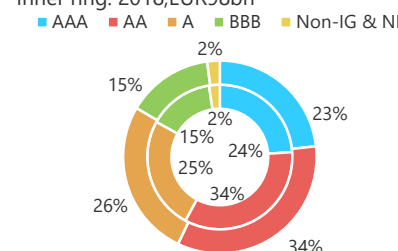
(EURb)	2018	2019
Risky assets to equity (%)	51	43
Unaffiliated shares to equity (%)	18	18
Non-investment grade bonds to equity (%)	11	8
Total general account investments	182	204

Source: Fitch Ratings; NN

Bond Portfolio by Rating (Excluding ABS)

Outer ring: 2019; EUR109bn

Inner ring: 2018; EUR98bn



Source: Fitch Ratings, NN

Asset Liability and Liquidity Management

Effective Interest Rate Risk Management; Sound Liquidity

Fitch assesses NN's asset-liability and liquidity management as 'Very Strong', based on the insurer's sophisticated and comprehensive risk-management framework and prudent investment policy. NN uses cash flow matching, duration matching and derivatives-based hedging to manage residual interest rate risk in the insurance portfolios.

Interest rate risk for NN mainly arises from the application of the ultimate forward rate (UFR) under S2, which is used for maturities exceeding 20 years. This sensitivity is not hedged; however, this is relevant only for NN's solvency position and not its economic position. The gradual reduction of the UFR to 3.6% (from 3.75% at 1 January 2020) puts pressure on NN's S2 ratio until end-2021.

Fitch believes risks arising from guarantees provided to policyholders in the variable annuity (VA) portfolio and the Dutch group pension business are adequately managed and hedged. However, basis risk remains, resulting in a moderate net hedge result each year. NN does not separately hedge market risks related to performance guarantees on some unit-linked policies.

Risks associated with guarantees are declining gradually as defined benefit pensions shift to defined contribution and the Japan Closed Block VA portfolio runs off. VAs include embedded guarantees, which give rise to risks that are long-tailed and difficult to hedge and reserve for, in Fitch's opinion.

NN maintains a sound liquidity profile based on Fitch's assessment of NN's liquidity ratios and NN's own liquidity stress test results. Repo lines with external counterparties and a EUR1.75 billion committed revolving credit facility with a syndicate of banks provide additional sources of liquidity.

Fitch Expectations

- Asset liability and liquidity management metrics to remain in line with a 'Very Strong' assessment.

Reserve Adequacy

Favourable Reserve Development

NN's 'Strong' reserving score reflects an overall favourable run-off experience and the absence of material past reserve shortfalls.

NN's non-life reserve growth remained below premium growth between 2016 and 2018. Fitch believes this was mainly caused by re-pricing of previously under-priced non-life contracts and does not indicate deteriorating reserve adequacy as business volumes are stable.

NN experienced overall positive reserve run-off results over a five-year horizon; however, minor unfavourable developments have occurred for accident years 2014 and 2015, mainly driven by the motor segment. There has been no additional need for reserve-strengthening apart from a one-off EUR40 million addition in 2017 as part of the best-estimate liability review.

The trend of increasing bodily injury claims is market-specific to the Netherlands and has affected most insurers operating in the market. However, due to the effects of the coronavirus pandemic Fitch does not expect significant non-life reserve adjustments for NN in the short term.

Fitch Expectations

- Reserves to remain adequate; no significant adjustments expected.

Financial Highlights

(%)	2018	2019
Liquid assets to net technical reserves	86	93
Liquid assets to net technical reserves (life, excluding unit linked)	84	92
Interest rate sensitivity of the S2 ratio (+50bps parallel)	8	6
Interest rate sensitivity of the S2 ratio (-50bps parallel)	-7	-6

Source: Fitch Ratings; NN

Financial Highlights

(%)	2018	2019
Loss reserves to equity (x)	6	5
Change in the ratio of loss reserves to earned premiums	-13	3
One year reserve development to prior year equity	-0.5	-0.6
One year reserve development to prior year loss reserves	-2.3	-2.4

Source: Fitch Ratings; NN

Reinsurance, Risk Mitigation and Catastrophe Management

Adequate Reinsurance Protection Limits Catastrophe Risk

Fitch scores NN's reinsurance, risk management and catastrophe risk as 'Strong' based on the group's strong risk-management framework, robust reinsurance protection and the strong credit quality of reinsurance counterparts.

NN's risk framework is calibrated predominantly to maintain solvency coverage above 100% in a 1 in20 stress scenario without having to raise equity capital or being forced to sell assets. NN manages its risk profile by allocating risk limits to each business unit based on outputs from NN's internal risk model. Increased longevity in the Dutch pension business is among the key non-market risk scenarios modelled by NN. NN Life has a longevity hedge arrangement in place, based on life and health expectations related to the Dutch population.

NN is exposed to catastrophe risk in both life and non-life insurance. NN runs a sophisticated reinsurance programme mainly through its internal reinsurer, NN Re, to limit non-life earnings volatility. NN Re further cedes risks exceeding its limits to the open market. The credit quality of the reinsurance panel is strong, with all external reinsurance counterparts rated at least in the 'A' category or above.

Overall, Fitch views NN's maximum risk retention as conservative relative to its capital.

Fitch Expectations

- NN's reinsurance programme to remain adequate for the group's business needs.

Financial Highlights

(%)	2018	2019
Net written premiums to gross written premiums	94	95
Reinsurance recoverables to capital	5	3

Source: Fitch Ratings; NN

Appendix A: Peer Analysis

Geographical Diversification Below International Peers'

NN's financial profile compares well with the peer group and has no significant credit weaknesses relative to competitors. Capital and profitability metrics are broadly in line with or better than the peer group, although financial leverage was slightly above the peer group at end-2019.

NN's business profile assessment benefits from the degree of geographic and product diversification compared to most domestic peers. However, in an international comparison, it lacks the scale of larger peers, such as Aviva.

Peer Comparison

(EURm, as of 31 December 2019)	IFS rating ^a	Total assets	Shareholders' equity	Gross written premiums	Net income (attributable to shareholders)	Return on equity (%)	Combined ratio (%)	S2 ratio (%)	Financial leverage (%)
NN Group N.V.	A+/Stable	248,597	30,768	14,508	1,962	7	95.4	224	26
Aegon N.V.	A+/Negative	441,123	22,457	18,138	1,528	7	90	201	25
Aviva plc ^b	AA-/Stable	538,752	20,738	36,588	2,984	14	97.5	206	24
Achmea B.V.	A+/Stable	89,488	8,622	19,949	480	6	95	219	21
ageas SA/NV	A+/Stable	109,449	11,221	9,384	979	9	95	217	12

^aRatings shown for rated core insurance operating subsidiaries

^bGBP/EUR exchange rate: 1.17

Source: Fitch Ratings, company financials

Appendix B: Other Ratings Considerations

Below is a summary of additional ratings considerations that are part of Fitch's ratings criteria.

Group IFS Rating Approach

Fitch views the group's Dutch life (Nationale-Nederlanden Levensverzekering Maatschappij N.V.) and non-life (VIVAT Schadeverzekeringen N.V.) insurance subsidiaries as 'Core' to the group due to their strategic importance, high degree of integration and common branding with the group. Fitch expects VIVAT Schade to be fully integrated into NN's existing non-life operations. The IFS rating of NN's insurance operating subsidiaries are therefore based on a group rating approach.

Notching

For notching purposes, the regulatory environment of the Netherlands is assessed by Fitch as being Effective, and classified as following a Group Solvency approach.

Notching Summary

IFS Ratings

A baseline recovery assumption of 'Good' applies to the IFS rating, and standard notching was used from the IFS "anchor" rating to the operating company IDR.

Holding Company IDR

Standard notching was applied between the insurance operating company and holding company IDRs for a group solvency regulatory environment.

Holding Company Debt

A baseline recovery assumption of 'Below Average' was applied to senior debt securities issued by NN Group N.V. Standard notching relative to the IDR was used.

Hybrids

For hybrid securities issued by NN Group N.V. (excluding securities formerly issued by Delta Lloyd NV), a baseline recovery assumption of 'Poor' and a non-performance risk assessment of 'Moderate' were used. Notching of minus three was applied relative to NN Group N.V.'s IDR, which was based on minus two notches for recovery and minus one notch for non-performance risk.

IFS – Insurer Financial Strength. IDR – Issuer Default Rating
Source: Fitch Ratings

Hybrid – Equity/Debt Treatment

Fitch does not provide equity credit for perpetual callable subordinated notes due to their coupon step-up feature at the time of issuance.

Hybrids Treatment

Hybrid	Grandfathering status	Amount (EURm)	CAR Fitch (%)	CAR reg. override (%)	FLR debt (%)
NN Group N.V.					
4.63% Tier 2 callable subordinated	Grandfathered for S2	1,000	0	100	100
4.38% Restricted Tier 1 perpetual callable subordinated	Grandfathered for S2	750	0	100	100
4.5% Restricted Tier 1 perpetual callable subordinated	Grandfathered for S2	1,000	0	100	100
4.63% Tier 2 callable subordinated	-	850	0	100	100
Nationale-Nederlanden Levensverzekering Maatschappij N.V.					
9% Tier 2 callable subordinated	Grandfathered for S2	500	0	100	100

CAR – Capitalisation Ratio; FLR – Financial Leverage Ratio. N.A – Not applicable

For CAR, % shows portion of hybrid value included as available capital, both before (Fitch %) and the regulatory override.

For FLR, % shows portion of hybrid value included as debt in numerator of leverage ratio

Source: Fitch Ratings

Corporate Governance and Management

Corporate governance and management are adequate and neutral to the rating.

Transfer and Convertibility Risk (Country Ceiling)

None.

Criteria Variations

None.

Appendix C: Environmental, Social and Governance Considerations

Credit-Relevant ESG Derivation

				Overall ESG Scale	
NN Group N.V. has 7 ESG potential rating drivers					
<ul style="list-style-type: none"> NN Group N.V. has exposure to underwriting/reserving exposed to environmental and natural catastrophe risks; impact of catastrophes on own operations or asset quality; credit concentrations but this has very low impact on the rating. NN Group N.V. has exposure to compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to insured and own cyber risk but this has very low impact on the rating. NN Group N.V. has exposure to social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations but this has very low impact on the rating. Governance is minimally relevant to the rating and is not currently a driver. 	key driver	0	issues	5	
	driver	0	issues	4	
	potential driver	7	issues	3	
	not a rating driver	2	issues	2	
		5	issues	1	

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	2	Underwriting/reserving exposed to asbestos/hazardous materials risks	Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk	2
Exposure to Environmental Impacts	3	Underwriting/reserving exposed to environmental and natural catastrophe risks; impact of catastrophes on own operations or asset quality; credit concentrations	Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk; Investment & Asset Risk	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to insured and own cyber risk	Industry Profile & Operating Environment; Business Profile; Reserve Adequacy	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Corporate Governance & Management	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations	Business Profile; Investment & Asset Risk; Financial Performance & Earnings; Reinsurance, Risk Mitigation & Catastrophe Risk	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Corporate Governance & Management; Business Profile	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Corporate Governance & Management	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Corporate Governance & Management; Ownership	3
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Corporate Governance & Management	2
				1

How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The **Environmental (E)**, **Social (S)** and **Governance (G)** tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The **Credit-Relevant ESG Derivation** table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

ESG Considerations

The highest level of ESG credit relevance, if present, is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity(ies), either due to their nature or to the way in which they are being managed by the entity(ies). For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

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