



# Our strategy

## NN Group's strategic priorities

At NN, we want to create long-term value for all our stakeholders. The world around us changes rapidly, and so do we, focusing on adapting and evolving as a company. Our new strategy was launched in June 2020. It sets out what we want for NN, and how we will achieve our goals through our shared purpose, our ambition and our five strategic commitments.

For more than 175 years, our company has merged, grown and changed, but the core of who we are has remained unchanged. At NN, we put our resources, expertise and networks to use for the well-being of our customers, the advancement of our communities, the preservation of our planet, and the promotion of a stable, inclusive and sustainable economy. Our purpose is to help people care for what matters most to them. We do so guided by our values care, clear, commit, and our brand promise You matter.

## Our strategy – NN Group's strategic priorities

### Solid foundation

Our company's foundation is solid. We are focused on our customers and colleagues, we are financially disciplined, and we have the ability to invest in innovative business initiatives and customer solutions. We have a strong balance sheet, a diverse set of businesses, a leading position in the Dutch market, a unique in-house distribution network in European markets and proven bancassurance capabilities. We have a proven track record on delivering on our group targets and executing complex integrations. We have also demonstrated that we are disciplined when it comes to capital deployment and portfolio management.

### The need for change

The world in which we operate has changed in the past years. Technology, digitalisation, the shift to a platform economy and the use of data are all having a growing impact on our everyday lives. Customer expectations are evolving too. People expect a faster, transparent, more direct and more personalised experience, with tailored products and services offered by companies that act responsibly. Like other players in the sector, we are facing economic and political uncertainty, persistently low interest rates, pressure on our margins, and the impacts of climate change.

To maintain our strong position and remain relevant to all our stakeholders, we need to anticipate and continue developing sustainable solutions for our customers. We need to continuously increase our speed, adjust our business models and optimise our processes. To remain at the forefront, we need to make sure that we are able to outperform new and different kinds of competition, and enhance customer experience and engagement.

### Consulting with stakeholders

In the run-up to the presentation of our new strategy in June 2020, we consulted many different stakeholder groups, ranging from shareholders to employees, consumers, societal organisations and regulatory authorities. We took their observations on board in developing the final strategic priorities. In the process, colleagues were involved in developing various parts of the plan, also making sure the direction was supported within the company.

In our engagement with shareholders, we sharpened our investor proposition, by further explaining our limited interest rate sensitivity, creating more transparency on our decision-making around capital returns, and setting a longer-term guidance of mid-single digit growth in operating capital generation, which underpins the opportunities we see in our markets.

## Delivered on financial targets

Looking back, we delivered on all the Group medium-term financial targets set in 2017, which included EUR 400 million cost reductions by the end of 2020; annual earnings growth of 5-7%; and the generation of free cash available to shareholders in a range around net operating result. At the same time, we aim to keep improving the performance of our underlying businesses. NN Bank aims to originate high-quality mortgages and to broaden its retail offering. The Dutch insurance businesses are performing well, while NN IP is operating in a challenging environment. Our international insurance businesses have shown strong performance, notwithstanding the headwinds they faced from pension reforms in Europe and tax reforms in Japan.

## Our approach



For the distribution of our products and services to our customers, we have traditionally mainly interacted with customers via brokers, agents, banks, and emerging platforms. Our overall plan is to move more to the forefront: engaging with customers more frequently and more proactively, with solutions that meet their real needs. To help people care for what matters most to them at all times and at all stages of the customer life cycle. By using our data and customer analytics capabilities, and offering a combination of solutions that fit their needs. We will do so via our agent and distribution channels, and by being an active participant on platforms, for example around Carefree Retirement, helping customers shape their life after retirement.

Our contact with customers will not only involve selling our own products and services, but also those from other companies via our platforms.

We believe these changes will drive long-term value creation. Customer engagement, a leading brand and strong distribution create trust and relevance, which in turn attracts customers, improves retention, and increases margins and cross-sell opportunities. Investments in data and digital capabilities lead to efficiencies, smarter pricing and more effective underwriting.

## Our strategy – NN Group's strategic priorities continued

### Key drivers for future value creation

Our strategy is underpinned by a number of key beliefs:

- The main driver for future value creation is more direct contact and a stronger relationship with our customers through innovative and tailored products and services that address real customer needs
- People, data and technology are crucial to offer the right solutions to our customers, and improve our process efficiency and underwriting capabilities, and remain price competitive
- In our daily activities we seek to create long-term value for all our stakeholders
- For us, being a responsible corporate citizen means making well-balanced decisions, as we know that the choices we make today impact our world of tomorrow

### Strategic framework

At NN, we help people care for what matters most to them. That is our **purpose** – the reason we exist as a company. Our purpose reflects the kind of company we aspire to be: one that delivers long-term value for our stakeholders. In this, we are guided by our values care, clear, commit, and by our brand promise You matter.

Our **ambition** is the future we envision for our company; what we want to achieve in the coming years. We want to be an industry leader, known for our customer engagement, talented people and contribution to society. All parts of our business contribute to the delivery of our ambition.

### Our strategic commitments

Together, our purpose, ambition and strategic commitments reflect why we exist as a company, what we want to achieve, and how. This means a change in our focus and approach, with key initiatives for each of the strategic commitments.

### Monitoring and measuring progress

To monitor and measure progress, we set objectives for each of the strategic commitments, including financial and non-financial KPIs and targets (see pages 14 and 15). The targets are set for 2023 and reflect that we are a stakeholder-driven company.

#### Our purpose

## We help people care for what matters most to them

#### Our ambition

**We want to be an industry leader, known for our customer engagement, talented people, and contribution to society**

#### Our values



Care



Clear



Commit

#### Our brand promise

**You matter**

#### Our strategic commitments



##### Customers and distribution

We see our customers as the starting point of everything we do



##### Products and services

We develop and provide attractive products and services



##### People and organisation

We empower our colleagues to be their best



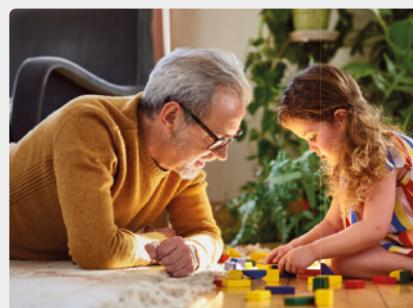
##### Financial strength

We are financially strong and seek solid long-term returns for shareholders



##### Society

We contribute to the well-being of people and the planet



## Our strategy – NN Group's strategic priorities continued

# Our strategic commitments and targets



## Customers and distribution

**We see our customers as the starting point of everything we do.**

We engage with our customers to meet their real needs and to offer solutions that create long-term value. We use our digital capabilities and leverage our strong distribution footprint to further enhance our customer experience.

### Key initiatives

- Build platforms to enhance customer engagement
- Create customer experiences where digital, broker and tied agent channels reinforce each other
- Leverage local presence and partnerships
- Drive customer interaction through NN Bank
- Maintain a strong and relevant brand

### Measuring our progress

We aim for all our (11) insurance business units to score an above market average Net Promoter Score (NPS)

Target for 2023

Performance 2020

All above market average

**4/11**

Performance 2019  
**4/11**

To increase our brand consideration to 28%

Target for 2023

Performance 2020

**28%**

**21%**

Performance 2019  
**25%**

[Read more on pages 24-28](#)



## Products and services

**We develop and provide attractive products and services.**

We excel in developing and providing attractive products and services, and operate with efficiency, agility and speed. To continue to do so, we will make use of digital and data capabilities.

### Key initiatives

- Leverage and further build data and digital capabilities to improve our offering to customers
- Become the best product provider to partners
- Develop products where we have excellent capabilities

### Measuring our progress

We are in the process of further refining key performance indicators in this area, for the different NN business units. Below KPIs have been set in qualitative terms.

- Netherlands Life: growth in Defined Contribution AuM
- Netherlands Non-life: expand data and underwriting capabilities, and leverage on additional scale of VIVAT Non-life
- Insurance Europe: continue shift to protection products and invest in main banking partnerships
- Japan Life: continued focus on COLI protection and adapt product offering to new tax regime
- NN IP: top quartile investment performance
- Banking: expand retail product offering

[Read more on pages 24-28](#)



## People and organisation

**We empower our colleagues to be their best.**

We nurture a culture aligned with our purpose, values and ambitions, which supports continuous learning, collaboration and diversity of thinking. We consider all colleagues to be talents, and invest in an inclusive and inspiring environment, so we are together best equipped to take our business into the future.

### Key initiatives

- Together shape the NN culture
- Embrace diversity and inclusion
- Invest in (future) skills and capabilities
- Streamline our operating model to eliminate inefficiencies and remove barriers

### Measuring our progress

We strive for our employee engagement to be at least 7.8

Target for 2023

Performance 2020

**≥7.8**

Performance 2019  
**7.4**

To grow staff diversity, for example by having at least 40% women in senior management positions

Target for 2023

Performance 2020

**≥40%**

Performance 2019  
**36%**

[Read more on pages 29-31 and 43-45](#)

## Our strategy – NN Group's strategic priorities continued



### Financial strength

**We are financially strong and seek solid long-term returns for shareholders.**

We maintain a strong balance sheet and create solid financial returns for shareholders by using our financial strength, scale and international footprint, and by efficiently managing our customers' assets and our own insurance portfolios.

#### Key initiatives

- Maintain strong balance sheet and create solid financial returns
- Realise further efficiencies
- Leverage scale benefits of Dutch life and pensions business
- Reshape our existing insurance business in Belgium
- Disciplined capital allocation
- Attractive capital returns for shareholders



### Society

**We contribute to the well-being of people and the planet.**

We do business with the future in mind and contribute to a world where people can thrive for many generations to come.

#### Key initiatives

- Pursue long-term value creation for all our stakeholders in our daily activities
- Support our customers with solutions that help them address societal challenges
- Accelerate the transition to a low-carbon economy through our investments
- Build better and stronger communities
- Reduce our direct CO<sub>2</sub> emissions
- Actively engage with our stakeholders
- Contribute to the Sustainable Development Goals

#### Measuring our progress

We are committed to ensuring resilient and growing long-term capital generation, with a target for operating capital generation (OCG) of EUR 1.5 billion

Target for 2023

**EUR  
1.5bn**

Performance 2020

**EUR  
993m**  
Performance 2019  
EUR  
1,349m

We are also committed to grow free cash flow (FCF) in a range around OCG over time

#### Measuring our progress

We aim to increase ESG-integration in our Assets under Management to 80%

Target for 2023

**80%**

Performance 2020

**74%**

Performance 2019  
**68%**

We will accelerate the transition to a low-carbon economy by targeting a net-zero carbon proprietary investment portfolio by 2050

We have pledged to contribute 1% of our (three-year average) operating result to our communities, including cash donations and hours of volunteering

Target for 2023

**1%**

Performance 2020<sup>1</sup>

**EUR  
4.7m**

Performance 2019  
**EUR 3.2m**

**Read more on pages 32-35**

**Read more on pages 36-42 and 48-53**

<sup>1</sup> Hours of volunteering to be included as of 2021.

## Our strategy – Netherlands

# Keeping eyes on the horizon in the midst of the storm



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We can be proud of how we are showing resilience during the pandemic

**Tjeerd Bosklopper**

CEO Netherlands Non-life, Banking & Technology



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We have a lot of knowledge and talent, we remain self-critical about our execution speed

**Leon van Riet**

CEO Netherlands Life & Pensions

### Leadership Dutch businesses

As of 1 June 2020, the responsibilities for the Dutch businesses in the Management Board were divided into two portfolios. Tjeerd Bosklopper, already a member of the Management Board, is responsible for the Dutch activities in the area of Non-life, Banking & Technology.

Leon van Riet, previously CEO Netherlands Non-life, was appointed to the Management Board and is responsible for the Dutch Life & Pension activities.

### Obviously 2020 was an extraordinary year, can you mention the highlights?

**Tjeerd:** We can be proud of how we are showing resilience during the pandemic. In 2020, we took successful steps to enable our people to work from home, and it was amazing to see how quickly we all adjusted. We even welcomed and onboarded our new VIVAT colleagues digitally. This very much helped to ensure an uninterrupted service to our customers and partners. We offered customers payment breaks or broadened coverage. That way, for instance, restaurant owners could safely provide takeaway services to their clients. The financial impact on us was mixed, ranging from an increase in disability claims, and claims related to cancellation of events, to fewer traffic accidents and burglaries. Loan loss provisions were low due to ongoing low unemployment driven by strong government support.

**Leon:** What stands out for me is the engagement and spirit of our colleagues to get the job done. Even though the circumstances were challenging, we reached important milestones. We have finished the integration of the Delta Lloyd activities. This all on top of the unchanged focus on transformation and innovation. One of the great examples is the introduction of the 'Persoonlijk Pensioen Plan' in July.

Another major milestone was composed of the transactions we did with reinsurance companies, to transfer the full longevity risk associated with EUR 13.5 billion of our pension liabilities. This significantly reduces our exposure to longevity risk, optimises our capital structure, and further strengthens our balance sheet.

### In a particularly demanding year for everyone, what were the biggest challenges for your businesses?

**Tjeerd:** We worked hard on our strategic commitment to improve the quality and frequency of our engagement with customers, and to become more visible in people's day-to-day lives. One important way we are doing this is by making real advancements in our data and customer analytics capabilities. And at the same time, we also had to complete operational integrations. Balancing these two priorities has been challenging, although in the end both reinforce each other.

**Leon:** While we have a lot of knowledge and talent, we remain self-critical about our execution speed and risk management controls. Comprehensive risk management processes can at times be a bit at odds with testing and piloting innovative ideas. Yet we want to remain agile, for example regarding the

## Our strategy – Netherlands continued

recent Dutch Pension Agreement (expected to come into effect early 2022), and therefore we need to continue to focus on more collaboration and quicker decision-making.

### How is the Life & Pensions business in the Netherlands showing progress?

**Leon:** We have a strong focus on actively managing the in-force portfolio, which means optimising financial returns on our balance sheet and realising further efficiencies in line with the portfolio run-off. Throughout the year, we accelerated the shift to higher-yielding assets by making additional investments in mortgages, loans and real estate. We are working hard on simplifying our processes, while at the same time, focusing on investing in data, innovation and product development. Meanwhile, we keep working on gradually improving our customer satisfaction and have set ourselves a target to score above market average on Net Promoter Score (NPS) by 2023.

Consolidation in the individual life market further intensified, with new players emerging. Changing regulations present both challenges and opportunities. The Dutch Pension Agreement, announced in 2020, will lead to major changes for our pension business, including eventually phasing out Defined Benefit products, which will be quite a task.

### What have been the main developments for Non-life in the Netherlands?

**Tjeerd:** We were able to structurally improve our combined ratio, which is a solid accomplishment. A landmark for us was the acquisition of VIVAT Non-life, and we are now the leading player in the Dutch Non-life insurance market. This market faces strong competition, and it is important to work closely with our business partners. We have been looking for new ways of doing business, by partnering with newcomers such as Insify, who target new markets and audiences using digital capabilities and data. This is very much part of the future we have in mind, where we offer customer solutions specified to their needs.

### What were the highlights for Bank?

**Tjeerd:** In a competitive housing market in the Netherlands, we again achieved strong mortgage origination this year, a very important priority for us. And, we are broadening our business model, for example with the mortgages of the Woonnu initiative which rewards sustainable living, or by generating more fee business through external institutional investors.

### Financial performance (in EUR million)

	2020	2019
<b>Netherlands Life</b>		
Operating capital generation	642	770
Operating result	994	922
Solvency II ratio	220%	213%
New sales (APE)	219	480
Value of new business (VNB)	8	9
<b>Netherlands Non-life</b>		
Operating capital generation	76	132
Operating result	215	203
Combined ratio	95.3%	95.4%
– of which claims	67.0%	67.4%
– of which expenses	28.4%	27.9%
<b>Banking</b>		
Operating capital generation <sup>1</sup>	0	82
Operating result	154	152
Core Tier 1 ratio	17.4%	15.7%
Net operating RoE	13.8%	15.0%

1 OCG of EUR 0 million is due to the suspension of dividend payments in 2020 in accordance with the recommendations of the Dutch regulator.

NN Bank focuses on customer engagement, digitalisation and using data. The European payment rules (PSD2) came into force in 2019, and this allows customers to use services from other parties, such as insurers and fintechs, next to the services of their own bank. We acquired a stake in Invers, a company developing smart technology to analyse and deliver financial data. We developed the NOVA app together, which is a digital household book, linked to a customer's payment account, and provides insights in their actual spending. Through our partnership Invers can grow faster and develop more applications, which fosters our customer engagement promise.

### How is our business in the Netherlands contributing to our society?

**Leon:** As a financial services company, we add value to society with our specific expertise and the products and services we offer, so people and companies can protect themselves over the long term. Furthermore, we want to play our part in society by supporting and working with our partners. Our From Debt To Opportunities foundation focuses on projects aimed at improving the financial resilience of people with problematic debts. With our partner JINC we want to offer young people more perspectives on the labour market. This year we encouraged colleagues to reach out to those affected by the Covid-19 pandemic with an online training 'Help with money matters', facilitated by Nibud (National Institute for Family Finance Information). I am proud that close to 350 colleagues participated.

**Tjeerd:** We also find it important to contribute to the physical and mental health of our colleagues, our customers and the broader society. A specific initiative rolled out in 2020 (in cooperation with Klup) for people over 50 years in the Netherlands, aims to help them achieving a happy and meaningful social existence.

### What will be your focus for 2021?

**Leon:** The focus will be on executing on the strategic priorities we launched in June 2020. This comes down to continuing with our simplification and cost-reduction plans, and improving our operational processes. We will continue to optimise risk returns by managing our longevity risk, and gradually grow our portfolio of higher-yielding, illiquid assets.

**Tjeerd:** Based on our solid foundation, we will focus a lot more on digitalisation and improving our data and AI capabilities. We will set next steps to increase customer interaction as we want to engage with them in their day-to-day lives. That way we can really help them and address societal needs at the same time.

## Our strategy – International Insurance

# Supporting our customers through a challenging year



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**The commitment and passion of our employees and agents made a big difference in supporting our customers and responding to the Covid-19 situation**

**Fabian Rupprecht**  
CEO International Insurance

### **Fabian, what made you most proud in 2020?**

That is an easy answer... I am proud of how quickly our International Insurance businesses adapted to the Covid-19 situation. To support our customers, we initiated digitally-enabled claims and sales processes, extended the cover for Covid-19 patients, and allowed for payment holidays and policy loans for existing products. We contributed to keeping our colleagues safe by enabling them to work from home, and we supported them in staying fit and healthy. This is also reflected in our employee engagement score which increased to 8.1 from 7.7 at the end of 2019. The commitment and passion of our employees has been impressive, and this really made a difference in responding effectively to the Covid-19 situation.

### **What were the main business highlights for International?**

The main highlight was our uninterrupted support for our customers. Covid-19 made us speed up our digital transformation and introduce new processes. We also saw that, despite many drawbacks, our resilient tied agent force throughout Europe made a major contribution to our overall results, even growing sales compared to 2019. Our tied agents have been able to swiftly adapt to our customers' needs and to new remote sales and service process.

In Poland, the second and third phases of the pension reform took place, requiring companies with 20 to 250 staff to contribute to their employees' long-term savings. Nationale-Nederlanden has signed approximately 5,100 agreements with companies of this size and was recognised as the country's most preferred private pension provider in 2020.

In Belgium, we initiated a programme focusing on strengthening our in-force book, and creating value through various actions including balance sheet optimisation. We are also investing in building future-proof IT systems, and in a product conversion programme to move from traditional savings to unit-linked in employee benefits.

In Japan, we improved our capabilities to support customers in the area of life and critical illness protection. Investing in our underwriting, claims management and pricing capability enabled us to provide an improved customer experience and valuable cover for our Japanese customers. Furthermore, and despite the impact Covid-19 and the tax reform had on the SMEs, we have managed to recover our performance, and the strong sales from the past are now bearing fruit, and result in higher than expected results.

## Our strategy – International Insurance continued

### Financial performance (in EUR million)

	2020	2019
<b>Insurance Europe</b>		
Operating capital generation	253	251
Operating result	285	283
New sales (APE)	644	674
Value of new business (VNB)	183	204
<b>Japan Life</b>		
Operating capital generation	133	173
Operating result	240	218
New sales (APE)	263	587
Value of new business (VNB)	75	146

### How did our partnerships develop in 2020?

Throughout the year, we strengthened and expanded our partnerships, and made our products more widely available. In the Czech Republic, we partnered with Air Bank to sell our pension products through their digital channel and branch network. NN Hungary partnered with Bank360, one of the largest loan aggregators in the country, to promote an income protection insurance. In Greece, sales deriving from our partnership with Piraeus Bank, mostly driven by upgrading our health and term life product propositions, proved very resilient. In our strategic cooperation with ING across six European markets, our strong and successful collaboration delivered a growth overall in the fee income for the bank and we continue to support their digital strategy by deploying modern products on flexible cloud-based platforms.

### Can you give some examples of new products NN is offering?

During 2020, we launched several protection and living benefit products. In Poland, we introduced a diabetes insurance as a supplement to life insurance contracts. This is a unique product offering a variety of coverages for healthy people, people with type 1 and 2 diabetes, and those with advanced diabetes. In Spain, we launched a flexible, transparent and guaranteed protection product targeted at the self-employed, which allows customers to pay only for the coverage they need for their professional and personal lives. In the Czech Republic, we introduced a flexible risk product offering a variety of coverages and options, which brings together best practices following the integration of NN and Aegon.

NN Romania and NN Hungary announced their plans to enter the general insurance market. In Romania, we launched a home insurance that contributes to Romanians' financial security and going forward we will continue to invest in further diversifying our protection solutions. In Hungary, we announced plans to introduce home and travel insurance.

### How is International contributing to society?

We are proud to have an overarching community investment programme, NN Future Matters, which helps improve young people's financial empowerment and economic opportunities. The NN Future Matters Scholarship gives students who live in challenging financial circumstances, and are first in their family to attend higher education, the opportunity to complete an international Master's programme while living and studying abroad. Since its launch in 2014, the programme has helped 145 young people from different countries providing them with equal opportunities in education.

In 2020, we also focused on supporting our communities during Covid-19 through various initiatives. In Spain, we participated in an insurance industry initiative to offer free protection to healthcare professionals against Covid-19. In the Czech Republic, 150 employees took part in a challenge to support single parent families, lonely seniors and people in senior care homes. Activities such as organising Christmas dinners for over 3,000 senior citizens in 30 retirement homes, providing food and housing assistance to numerous single-parent families were amongst the highlights. In Romania and Slovakia, we donated hundreds of ventilators, breathing monitors and respirators, while in Greece and Turkey, we made donations to support the national health systems' efforts against Covid-19.

### What was the biggest challenge for your business in 2020?

Like for many other companies; the Covid-19 situation. The absence of face-to-face contact with customers and between colleagues, the travel bans and the abrupt changes in how we work, were all challenging. However, our colleagues adjusted quickly and ensured we continued to meet customers' needs remotely.

Furthermore, the low interest rates remained a challenge especially for pension and savings customers. We offer a broad and innovative portfolio which includes modern guarantee savings solutions and protection products, attracting new customers to NN and strengthening our offer for existing customers during this uncertain period.

### What are the main opportunities for International going forward?

We have a strong commitment of seeing customers as the starting point of everything we do. Our goal is to engage with our customers more frequently around the topics that matter to them. Over the past years, and especially in 2020, we have laid the foundations for how we aim to achieve this. We are convinced that a combination of digital and physical interactions between our strong tied agent network and customers will give us a unique opportunity to create new and special customer experiences. We also believe that through leads, process automation and data analytics, we can build long lasting relationships with customers. In support of this goal we will continue to extend our product range in living benefit and protection products. In addition, we are exploring investing into customer engagement platforms around themes like Carefree Retirement and Self-care, which we consider to be close to our core as NN and also to our customers' hearts.

## Our strategy – Asset Management

# Driving performance, client connection and responsible investing



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We strongly believe in inclusion over exclusion and engaging with issuers on themes such as governance, climate change and living wage

Satish Bapat

CEO NN Investment Partners (NN IP)

### Satish, what are you most proud of from 2020?

Our clients trust us to manage their assets, and I am really proud to see how we have been able to support them through a challenging year. With our strong digital capabilities we were able to keep connected with our clients and manage portfolios in highly volatile markets. Our 'UpsideDown' series enabled us to bring a variety of expert opinions and provided a platform for dialogue and discussion with our clients. And we were able to continue to provide advice and solutions to our clients, to help them navigate through market volatility and the economic and social impact of Covid-19.

We continued our journey to be one of the leaders in Responsible Investing: integrating ESG factors in over 74% of all assets we manage, increasing engagement with investee companies and votes at shareholder meetings. Covid-19 has only reconfirmed the importance of investing responsibly to work towards a more sustainable world.

And it has been more important than ever to continue to care for our people and for the societies we operate in. In 2020, we took additional steps to support our people, whose commitment and dedication are critical to our success. Vitality programmes, flexibility in work schedules, advice and training was offered to help them cope with long-term remote working in uncertain times. We also maintained collaboration with small- and medium-sized partners, for whom the impact can be greater in this situation.

### What are the highlights of your product offering and performance?

Through robust processes and a consistent, adaptive investing approach, we deliver strong risk-adjusted returns to our clients. We have enhanced our performance in specialised equities and fixed income capabilities throughout the year, with our High Dividend equities, Investment Grade and High Yield rising up the peer rankings. Our Patrimonial multi-asset range continued its strong performance and is now within top decile performance.

Our focus on sustainable and impact equities as well as green bonds has proven to be effective. We have consistent performance in all of these capabilities and have seen an increasing demand from clients, as reflected in the inflows we saw in these capabilities. For instance, we recently reached EUR 3 billion Assets under Management in Green Bonds. In 2020, we added the NN (L) Corporate Green Bond fund and three impact equity funds. With our partner China AMC we also launched the China Equity ESG fund, which offers access to mainland China with an ESG overlay.

In the low interest rate environment, our private debt capabilities help clients attain higher yields. Mortgages, which we offer together with partners like NN Bank and Venn Hypotheken and the newly-launched Trade Finance fund, are some examples.

Finally, our upgraded and simplified fiduciary proposition is demonstrating its competitiveness through the various notable new clients who have placed their trust with NN IP.

## Our strategy – Asset Management continued

### Key performance indicators (in EUR million)

	2020	2019
Operating result	152	161
Assets under Management (AuM in EUR billion)	300	276
• Of which third-party	102	89
Net inflows (in EUR billion)	7	2
• Of which third-party	13.6	-2.8
ESG-integrated AuM	74%	68%
Cost/income ratio (administrative expenses/operating income)	65.2%	63.8%
Fees/average AuM (bps)	15	17

### Indeed, clients choose us not only for our products, but our people. How have you progressed as an organisation?

Asset management is a people business, so it's important to attract and retain top talent.

We value diversity of thought and take pride in our diverse organisation: gender diversity, close to 50 nationalities, different educational backgrounds, and a variety of complementary skills.

Engagement is a strong indicator of the commitment of our people. Our engagement score increased from 7.5 in 2019 to 7.8, and we remain focused on staying well connected.

### What progress has NN IP made on its efficiency journey?

During 2020, we further simplified our operating model and continued to invest in data and technology. We also continued to leverage on our strong investment platform, outsourcing or decommissioning non-core tools and systems. For instance, we completed the outsourcing of accounting of mandates and institutional clients, regulatory trade reporting and fund reporting. This helps our business to stay efficient and competitive. Going forward, we will continue to invest in the future, by looking for opportunities to strengthen our capabilities.

### How does NN IP contribute to wider society?

Responsible Investing is core to our identity. Our goal is to integrate ESG factors into 80% of our Assets under Management by 2023. We are making steady progress, with ESG integration of over 74% in 2020 compared with 68% in 2019. We believe that ESG integration improves risk-adjusted returns in the mid to long term.

In addition, responsible investing is about actively engaging with companies to stimulate them to make a sustainable transition. We strongly believe in inclusion over exclusion and engage on themes such as governance, climate change and living wages.

Finally, we welcome the upcoming regulations in the space of sustainable finance. We are committed to making a difference for the future through our responsible investing practices and believe that regulation will define a common way of assessing sustainable products, which will help create a better, greener future overall.

### Going forward, what are the main challenges asset managers are facing?

Although trends suggest a growing need for asset management and related advisory services, asset managers face challenges including rising data and technology costs, increasing regulatory requirements and a downward pressure on fees.

### What are your main growth opportunities?

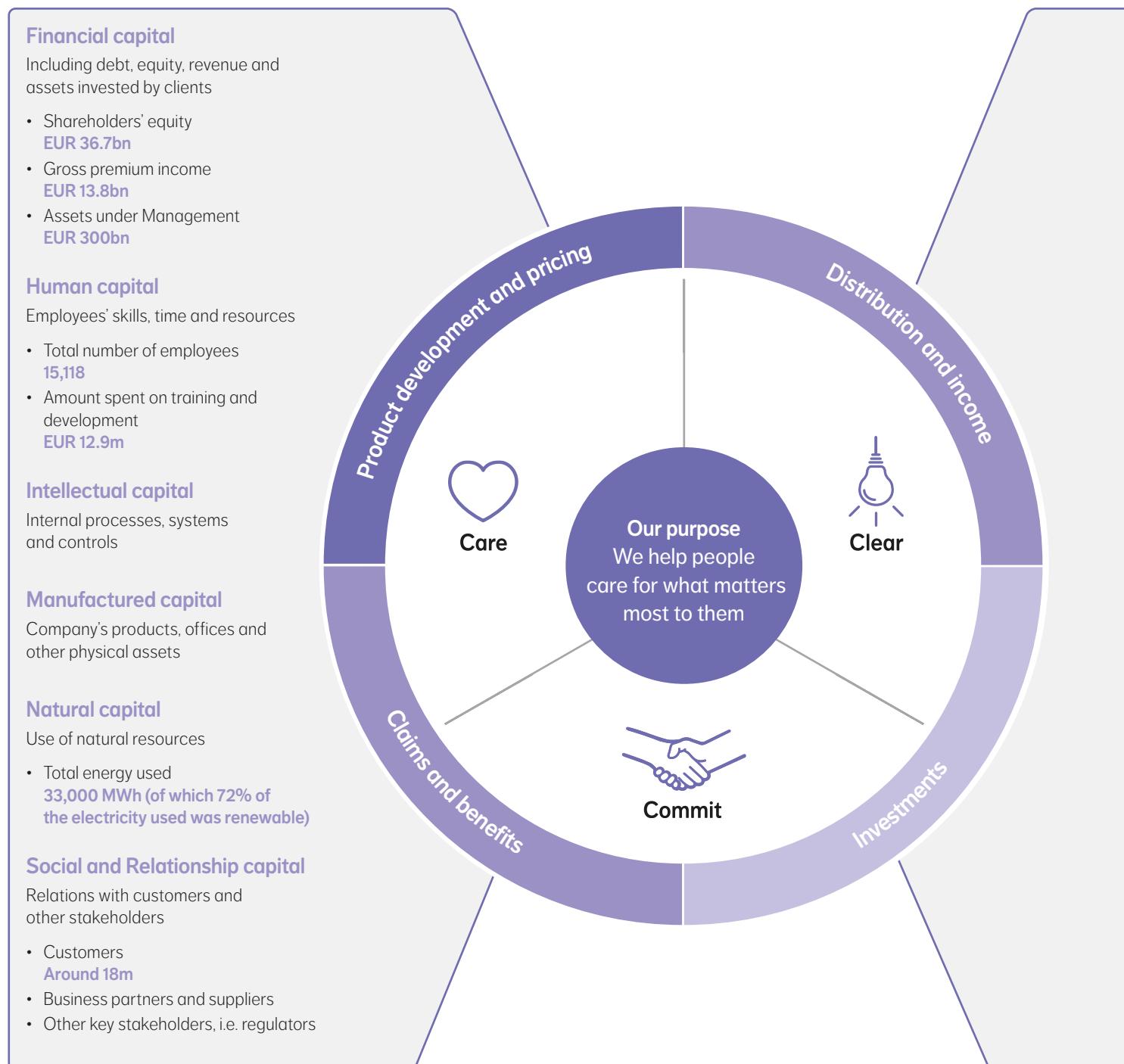
Asset management is a global and scalable business. We see strong growth potential in sustainable capabilities, emerging and private debt capabilities, and solutions, which we will support with consistent investments in technology, our robust processes and an adaptive investing approach. We believe we will grow by bringing the right products and solutions to our clients, combined with access to distribution.

## Our strategy – How we create value

# How we create value

We aim to create long-term value for our stakeholders. This simplified version of our business model shows how we use the resources ('capitals') in our organisation to create value as a result of our activities or outputs.

## Our key inputs



## Our strategy – How we create value continued

Our value creation model is based on the framework developed by the International Integrated Reporting Council (IIRC). It is built around 'capitals' – stocks of value that may be either increased or decreased through a company's business activities or outputs. In the way we do business, we see customers as the starting point of everything we do. We develop and

appropriately price financial products and services which meet the needs of our customers through each phase of their lives. We aim to be where our customers want us to be, and distribute our products and services through many channels, including intermediaries, brokers, tied agents, banks and financial advisors, as well as directly online. We receive fees, premiums and

deposits from customers for the products and services provided. We invest this money prudently and responsibly. The returns earned on these investments are used to pay out pensions, claims, other benefits and interest. The remaining capital is deployed for investments in growth initiatives, managing debt and delivering capital returns to our shareholders.

## The value we created in 2020

### Outputs

#### Financial capital

##### Disciplined capital deployment

- Total dividend and interest payments to investors  
**EUR 783m**
- Share buyback programme  
**EUR 250m**
- Investments in acquisitions  
**EUR 568m**
- Solvency II ratio  
**210%**

#### Human capital

##### Wages and benefits

- Total wages, benefits and pension contributions  
**EUR 1.6bn**

##### Inclusive and inspiring working environment

- % women in senior management positions  
**33%**
- Employee engagement score  
**7.9**

#### Intellectual capital

##### Availability of services

- % growth of digital retail clients  
**19%**

##### Proper functioning of controls

- Incidents of fraud, conflicts of interest and unethical behaviour  
**66**

##### Efficient operating model

- Total cost reductions (since 2016)  
**EUR 404m**
- IT expenses  
**EUR 311m**

#### Manufactured capital

##### High-performing products & services

- Brand consideration  
**21%**
- Net Promoter Score  
**4 out of 11 Business Units scoring above market average**

##### Encouraging innovation

- Number of innovation initiatives  
**33**

#### Natural capital

##### Environmental impact from own operations

- Carbon emissions  
**13 kilotonnes CO<sub>2</sub> - 100% compensated by carbon credits**

##### Environmental impact from investments

- Carbon footprint relating to proprietary investment portfolio  
**72 tCO<sub>2</sub>e/EURm invested**

#### Social and Relationship capital

##### Returns to customers

- Total claims and benefits paid  
**EUR 13.7bn**

##### Responsible tax

- Total tax contribution  
**EUR 2.4m**

##### Positive contribution to society

- % ESG-integrated strategies  
**74%**
- Investments in sustainable and impact strategies  
**EUR 29.3bn**
- Donations to charitable organisations  
**EUR 4.7m**
- Young people reached through NN Future Matters  
**15,834**

### Outcome for our stakeholders

#### Customers

To our customers, we offer peace of mind; our products help protect them, their families, their health and their property. We also safeguard their personal data, provide mortgages and a stable source of income in retirement. Our aim is to offer quick, effective customer service and access to new, innovative financial products.

#### Employees

To employees, we provide wages and other benefits. We also contribute to their pensions. In addition, we offer skills training and opportunities for career development. We provide an inspiring and inclusive place to work. Our aim is to build an engaged workforce and nurture a culture aligned with our purpose, values and ambition.

#### Investors

To our investors, we are committed to deliver resilient and growing long-term capital generation. To do so, we maintain a strong balance sheet and create solid financial returns by using our financial strength, scale and international footprint, and by efficiently managing our customers' assets and our own insurance portfolios.

#### Society

We contribute to the well-being of people and the planet. We take a long-term and a responsible approach to investments, working to minimise their impact on the environment. We also support the economy through taxes and payments to intermediaries and other business partners. Through donations and volunteering, we are actively involved in local communities.