

# Remuneration Policy Executive Board of NN Group N.V.

The Remuneration Policy Executive Board of NN Group N.V. has been adopted by the General Meeting of NN Group N.V. on 28 May 2020, and is effective as from 1 January 2020.



## A. Introduction

This document contains the remuneration policy for the members of the Executive Board (EB) of NN Group N.V. (NN Group). The primary objective of this EB remuneration policy is to enable NN Group to recruit and retain highly qualified senior leaders that can steer the company in a complex internal and external environment, hence the international context in which NN Group operates. The remuneration policy contributes to the NN Group strategy, the long-term interest and the sustainability of the company and takes into account the identity, mission and values of NN Group. Further attention is paid to the relation between the remuneration within NN Group and its role in the sector and its position in the society. In addition, it is taken into account how this policy relates to the remuneration of other staff and how the remuneration of various groups of employees in NN Group relate to each other. Finally, feedback from various stakeholders is taken into account in the design of this policy. A summary and explanation of the changes compared to the previous policy is included.

In designing the policy the following guiding principles were used:

- Simple and transparent
- Aimed at attracting and retaining senior leaders with an international profile
- Performance related
- Supportive to long term value creation
- Risk prudent and fairness driven

Section B of this policy pays attention to the governance. Section C subsequently describes the policy details. Appendices 1 and 2 link the policy to amongst others the NN Group strategy and detail the hold back and claw back stipulations. Appendix 3 provides a summary and explanation of the changes in this policy compared to the previous policy.

## B. Governance

1. **Role of the Supervisory Board, General Meeting, Central Works Council**
  - a. The EB Remuneration Policy is adopted by the General Meeting of NN Group (General Meeting) upon a proposal of the Supervisory Board of NN Group (SB). The SB is assisted by the Remuneration Committee of the SB.
  - b. The SB evaluates this policy periodically.
  - c. The EB Remuneration Policy will be submitted to the General Meeting for adoption at least once every four years and in case of amendments to the policy.
  - d. Prior to submitting a proposal to adopt (amendments to) the EB Remuneration Policy to the General Meeting, the Central Works Council of NN Group (Central Works Council) will in line with Dutch law, be given the opportunity to give advice on such proposal. The advice of the Central Works Council shall be presented to the General Meeting at the same time as the proposal to adopt the Remuneration Policy. If the advice of the Central Works Council is not or not fully followed by the SB, a written substantiation for deviating from the advice shall also be provided to the General Meeting.
  - e. In designing and evaluating the EB Remuneration Policy and in the event of adjustments, the SB takes notice of the opinion and interests of various stakeholders via meetings and other channels. Stakeholders include customers, employees, shareholders, regulators and society at large. The SB takes into account the input from the various stakeholders to the best of its abilities.

## C. Policy details

### 2. Tenure

- a. EB members' services are procured through an assignment contract ("overeenkomst van opdracht").
- b. The assignment contract refers to a term of appointment of up to four years and allows for re-appointment by the SB, after notifying the General Meeting.
- c. The notice period by EB members is three months, and the notice period by NN Group is six months.

### 3. Remuneration

- a. Remuneration of EB members consists of a combination of base salary, variable remuneration, pension arrangements, benefits and allowances.
- b. The base salary and variable remuneration are considered to be the "Total Direct Compensation".

### 4. Pay ratio

- a. NN Group annually discloses in the annual remuneration report a ratio between the CEO compensation and the remuneration of all staff, including the calculation method.
- b. The SB monitors the year-on-year development of the pay ratio and takes this into account as one of the factors while deciding on EB remuneration.
- c. Further information on the alignment between the remuneration of the EB and other staff can be found in appendix 1.

### 5. Level of Total Direct Compensation

- a. NN Group aims for a Total Direct Compensation level for the EB members, that is below market median levels for comparable positions in relevant markets. When determining individual compensation levels, additional factors will be taken into account such as the level of responsibility and individual and company performance, the internal pay relativities, and the opinion and interests of stakeholders.
- b. To determine the market median level for comparable positions, an external benchmark reflecting market data is used.
- c. For the benchmark of EB remuneration a cross-industry peer group from different relevant geographies in Europe is used to reflect the international context in which NN Group operates.
- d. Companies are selected in this peer group based on comparability with NN Group in terms of size, scope as well as international footprint. This will be determined based on a mix of elements such as average market capitalisation, revenues, number of employees (FTEs) and total assets. In terms of size and scope, NN Group is positioned around median in this peer group. For every new benchmark analysis the companies in the peer group are selected based on a number of relevant elements including but not limited to those mentioned above.
- e. The companies selected in the peer group will be disclosed in the annual remuneration report.
- f. In principle, the benchmark analysis will be executed every two years. In case of a substantial change in size and scope of NN Group, the SB may decide to perform an interim benchmark analysis.

### 6. Remuneration - Base salary

- a. In order to ensure alignment with the interests of the shareholders of NN Group and since variable remuneration is capped in relative terms based on Dutch legislation (see below 7.1.a.), base salary will be awarded for 20% in shares; the remaining 80% will be delivered in cash. Each month 1/12 of the total annual base salary is delivered. For the share portion, the number of shares in NN Group to be delivered is determined every month, according to the formula: 1/12 times the total share portion of the annual base salary, minus wage tax withholding, divided by the opening share price on the payroll date.
- b. Shares as part of base salary vest immediately on award each month and are subject to a five-year retention period starting from the date of award, during which time they may not be sold. However, part of the shares of the EB members will be withheld to cover any tax due in respect of the vested share awards.

### 7.1 Remuneration - Variable - General

- a. Variable remuneration can, based on Dutch law, not exceed 20% of fixed remuneration at the time of allocation. For NN Group the at target variable remuneration is set at 16% of base salary with a maximum total variable remuneration of 20% of base salary.
- b. The allocation of variable remuneration is conditional on the achievement of a number of performance objectives.
- c. As a short-term component, at maximum 40% of the total variable remuneration is equally divided between cash and shares and awarded in the year following the performance year.
- d. The remaining 60% of the total variable remuneration is deferred and is also equally divided between cash and shares. This deferred component is subject to a tiered vesting on the first, second and third anniversary of the grant date (approximately one-third per annum).
- e. The entire deferred component is subject to an ex-post performance assessment by the SB. The ex-post performance assessment cannot lead to an upward adjustment of the value of the cash deferred portion or the number of deferred shares.
- f. A retention period of five years from the grant date is applicable to all share awards granted to EB members in their capacity as EB member. However, part of the shares of EB members will be withheld at the date of vesting to cover any tax due in respect of the vested share awards.

## 7.2 Remuneration - Variable - Performance objectives

- a. Performance objectives follow NN Group's multiyear strategic planning as communicated to the market and as such contribute to the long-term strategy of NN Group. In line with Dutch legislation for the financial industry, a maximum of 50% of the performance objectives will relate to the financial performance of NN Group.
- b. The financial performance objectives are selected in line with how NN Group creates value and how this is expressed to the capital market.
- c. Financial objectives may include, but are not limited to targets on capital, operating result, efficiency and value of new business.
- d. Non-financial objectives are selected in line with the ambition of NN Group to contribute to a stable, inclusive and sustainable economy and society.
- e. Non-financial objectives may include, but are not limited to objectives linked to customers (such as customer experience and engagement), employees (such as engagement, leadership and talent development, and diversity), society (such as responsible investing) and operational effectiveness (such as integration plans and sustainable control environment).
- f. The SB will annually determine the performance objectives and define the relevant "at target" level. Following the performance year, the SB determines based on the full year financial results the extent to which the financial performance objectives are met. The extent to which non-financial performance objectives are met will be assessed by the SB.
- g. For the financial performance objectives a threshold of 75% applies below which no variable remuneration will be awarded for that relevant performance objective. The maximum upward potential per financial performance target is 125% (also taking into account article 7.2.i).
- h. For the non-financial performance objectives the SB has discretion to award variable remuneration between 0% of target and 125% of target according to the results compared to target (also taking into account article 7.2.i).
- i. The total variable remuneration award will be capped at max 125% of target.
- j. The SB may apply judgement where necessary to ensure that the Variable Remuneration award is in line with the actual company performance in both financial and compliance terms.
- k. In the annual remuneration report the realization of the performance objectives compared to target for the relevant year will be disclosed.

## 7.3 Remuneration - Variable - Claw back, hold back and adjustments

- a. The SB has the authority to recover variable remuneration allocated to a member of the EB if circumstances require this.
- b. The SB has the authority to adjust variable remuneration if payment hereof would be unacceptable according to standards of reasonableness and fairness.
- c. The SB should furthermore reclaim or adjust variable remuneration in case the member of the EB (i) has not complied with appropriate standards regarding competence and correct behavior or (ii) was responsible for behavior that significantly harmed the company.
- d. A further specification on the claw back and hold back provisions are reflected in appendix 2.

## 8. Remuneration - Pension

- a. EB members participate in the same pension scheme as staff in the Netherlands.
- b. Up to the maximum tax limit, they participate in the NN collective defined contribution pension plan (the NN CDC Pension Fund).
- c. For the remainder of total base salary, EB members (similar to other staff in the Netherlands) receive a pension savings allowance based on the average premium percentage for NN Group. This premium percentage follows from the Collective Labour Agreement in the Netherlands (CLA).
- d. EB members will be required to pay an own contribution to their pension in line with the contributions under NN's CLA.
- e. The EB members will not receive any discretionary pension payments.

## 9. Remuneration - Benefits and Allowances

- a. EB members are eligible for additional benefits (e.g. the use of chauffeur driven company cars, travel and accident insurance and if applicable, expatriate allowances such as housing, schooling and international health insurance coverage).
- b. NN Group and its subsidiaries may grant personal loans or provide guarantees or the like to the EB members only (i) within the framework of their usual business operations, (ii) on conditions which apply to all employees in the Netherlands, (iii) with due observance of the applicable NN Group policies and (iv) after the approval of the SB. Loans that already exist upon appointment as an EB member however, may be continued. Loans to EB members shall not be waived ("kwijtgesholden").
- c. Subsidiaries may in the normal course of their business and on terms that are customary in the sector, provide other banking and insurance services to EB members, without approval of the SB. These services may include services in which the granting of credit is of a subordinate nature, such as credit cards and overdrafts in current accounts.
- d. EB members will be provided with tax and financial planning services to ensure compliance with relevant legislative requirements.

## 10. Special employment conditions in case of hiring

- a. The SB has the discretionary power to use special employment conditions in cases as deemed required by the SB to secure the recruitment of new EB members.
- b. Special employment conditions that can be used are: (i) buy out of forfeited variable remuneration at the previous employer, which buy out will be incorporated in the NN Group deferral rules as described in art. 7.1 and (ii) a first year variable remuneration award for variable remuneration awards, or any other awards that are not considered as fixed remuneration, that are not granted by the previous employer regarding the pro rata part of that performance year at the previous employer. The special employment conditions need to be in line with relevant regulatory requirements.

## 11. Exit

- a. In the event of an involuntary exit (e.g. a mutual agreement at NN Group's initiative whereas the EB member has been requested to leave), EB members are eligible to an exit-arrangement limited to a maximum of one year base salary.
- b. Exit-arrangements will in no way qualify as reward for failure (within the meaning of the applicable regulatory requirements).
- c. There is no eligibility for exit arrangements if amongst other reasons the contract is terminated as a result of gross negligence, willful misconduct or for a compelling reason ("dringende reden") pursuant to Dutch employment law.
- d. Unless the EB member qualifies as special leaver any unvested awards under the Aligned Remuneration Plan (ARP) will lapse, upon giving notice of termination of employment.
- e. EB members may qualify as a special leaver if cessation of employment is due to: (early) retirement, total and permanent disability, business divestiture in the normal course of business, redundancy, or for another reason upon approval from the SB.
- f. For special leavers, subject to approval of the SB, the vesting will continue to occur on the normal vesting date(s), and upfront- and deferred shares awards will continue to be settled on the basis of 'withhold-to-cover'.

## 12. Deviation of the policy

In exceptional circumstances the SB is the only authorized body, and may, at its sole discretion decide to temporarily deviate from any of the provisions of this remuneration policy. Such circumstances only occur if a deviation is necessary to serve the long-term interest and the sustainability of NN Group as a whole or to assure its viability. The SB will take into account the underlying principles of the EB Remuneration Policy as much as possible while deciding on a temporary deviation. Such deviations will be disclosed and explained in the annual remuneration report.

## Appendix 1

### (i) NN Group strategy and EB Remuneration Policy

The NN Group EB Remuneration Policy is supportive to the NN Group strategy. By prioritising long-term objectives over short term gains, NN Group aims to create value for its stakeholders: customers, employees, shareholders, business partners and society at large.

NN Group aims to contribute to a stable, inclusive and sustainable economy and society. NN Group does business with the future in mind, supported by its company values.

NN Group aims to provide an excellent customer experience through products and services that use a multi-channel approach by taking the risks people cannot bear alone and by empowering people to improve their financial well-being. NN Group aims to offer customer propositions that fit their life-time needs and support them in addressing relevant societal challenges.

NN Group creates value for its employees by offering an attractive, stimulating and diverse work environment. NN Group invests in new critical capabilities and personal development of employees to help them reach their full potential.

NN Group maintains a strong balance sheet and takes a disciplined approach to capital management in order to offer attractive long-term returns for its investors.

NN Group uses its resources, expertise and reach to help society achieve long-term prosperity. NN Group invests its assets and those entrusted to NN Group in a responsible way by integrating environmental, social and governance (ESG) factors into its investment decisions and active ownership practices. NN Group supports local communities through donations and employee volunteering.

The following four medium term strategic priorities underpin this strategy:

- Disciplined capital allocation to ensure a strong capital position.
- Innovating the NN Group business and industry to keep up with the changing market dynamics and ensure an excellent customer experience.
- Agile and cost efficient operating model to ensure long-term growth.
- Value-added products and services to develop products and services to particular customer life stages or circumstances.

The EB Remuneration Policy is aligned with NN Group's strategic direction as significant emphasis is made on the long-term perspective. This applies to the 20% base salary that is awarded in shares that cannot be sold for a five years retention period. Also, the majority of the variable remuneration is postponed applying a vesting scheme and (for the awarded shares) a five years retention period as of date of award.

### (ii) The long-term interest of the company

The EB Remuneration Policy supports the long term interest of NN Group by ensuring that prudent risk management is in place and using performance objectives that are linked to customers, society, employees and shareholders and embedded in the long-term strategy of NN Group.

### (iii) NN Group sustainability

NN Group takes its social and environmental responsibilities seriously, and uses its resources and expertise to help society achieve long-term sustainable prosperity as indicated above. NN Group avoids or responsibly manages any negative impact its business activities may have on people or the environment, and seeks positive change in society.

NN Group addresses the social and environmental impacts related to its insurance and investment activities, its own operations, its supply chain and its role as corporate citizen.

NN Group wants to make a meaningful contribution to the transition to a more sustainable economy and society. NN Group invests its assets and those entrusted to NN Group in a responsible way by integrating environmental, social and governance (ESG) factors into its investment decisions and active ownership practices. Furthermore, we offer sustainable and impact funds and mandates, and aim to minimise our direct environmental footprint.

NN Group wants to further strengthen its sustainability performance. In this respect NN Group is continuously looking on how to improve its sustainability performance against peers and in line with its stakeholders expectations.

The link between NN Group's sustainability objectives and the Remuneration Policy is mainly achieved via the EB non-financial performance objective setting.

### (iv) Identity, mission and values of NN Group

NN Group's purpose is to help people to secure their financial futures. NN Group wants to truly matter in the lives of its stakeholders. The company values guide us in pursuing the purpose and ambition. The strong foundation of NN Group's purpose, brand, values and ambition combined with the focus on the NN Group strategic priorities, enables value creation for the company and its stakeholders.

The company values are important in relation to "how" the EB performance objectives are met. This is one of the elements taken into account by the SB when executing the annual performance review.

### (v) The relation between the remuneration within NN and the role of NN Group in the sector and the position of NN Group in society.

The EB Remuneration Policy supports NN Group's overall ambition to contribute as an insurer, investor, employer and corporate citizen, to a stable, inclusive and sustainable economy and society in the countries where NN Group operates. Supported by the company values, NN Group aims to provide excellent customer experience through products and services, by taking on the risks people cannot bear alone, and by empowering people to improve their financial well-being.

Similar to the NN Group strategy, the EB Remuneration Policy stresses the importance of long term perspective. Long-term value creation is prioritised above short term gains. The same applies in relation to the policy guidance that the EB member's Total Direct Compensation is below market median levels. On one hand NN Group needs to be able to attract and retain highly qualified leaders and pay them accordingly. On the other hand, NN Group is of the opinion that when doing business with the future in mind, prudent pay practices should be leading.

NN Group is one of the leading financial services in the Netherlands and as such applies transparent and prudent pay practices. This is incorporated in for example setting the total compensation levels below market median level and being transparent by disclosing the benchmark peer group in the annual remuneration report. In addition, NN Group applies a significant deferral on variable pay and awards 20% of base salary in shares with a five-year holding period to ensure alignment with the long-term interest of NN Group and its stakeholders.

The SB takes notice of the opinion and interests of the various stakeholders via meetings and other channels in designing and evaluating the EB remuneration policy. See appendix 3.

**(vi) The remuneration of other staff**

Employees are remunerated in line with their responsibilities based on job grading, seniority, and relevant benchmarks. For different groups of employees and different geographies, NN Group aims to set total direct compensation levels in general around median. As indicated above, the EB member's Total Direct Compensation aims to be below market median level. For staff in the Netherlands within the scope of the CLA, the remuneration is benchmarked against the Dutch general market and the remuneration levels are set around median. As such, for all its employees remuneration levels are generally speaking around the relevant market median levels with a tailored approach per group of employees.

Focus on the market median enables NN Group to attract and retain talented employees through all layers of the organization. Market median remuneration levels further support NN Group's strategic direction to do business with the future in mind.

Remuneration alignment between the EB members and other employees can further be found in the fact that the EB members and employees covered by the CLA in the Netherlands participate in the same pension scheme.

Finally, the relation between senior leadership pay and all-employee remuneration as reflected in the pay ratio and the development thereof, is closely monitored by the SB. The pay ratio is annually disclosed in the annual report. The development hereof is one of the factors taken into account while deciding on EB remuneration.

## Appendix 2

### **Hold back provisions apply up to a maximum of 100% of any unpaid or unvested variable remuneration in the following predefined cases:**

- a. The variable remuneration does not reconcile with the financial situation of NN Group or is not justified on the basis of the performance of NN Group or the relevant EB member; or
- b. NN Group does not comply with the relevant capital requirements applicable from time to time; or
- c. NN Group's capital adequacy is insufficient as determined via the capital test; or
- d. The relevant EB member participated in or was responsible for conduct which resulted in significant losses to NN Group or any of its subsidiaries or affiliates; or
- e. The relevant EB member failed to meet the appropriate standards of fitness and propriety (bekwaamheid en correctheid), such as an oath for the financial sector, a code of conduct or other internal rules and regulations that are applicable to NN Group; or
- f. NN Group suffers a significant failure of risk management; or
- g. If this is required or reasonable taking into account the outcome of the reassessment procedures concerning both a reassessment of the performance of NN Group and the EB member and a risk assessment; or
- h. In the event of significant negative changes in the economic and regulatory capital base; or
- i. In the event of specific conduct which has led to the material re-statement of NN Group's annual accounts and/or significant (reputational) harm to NN Group or any of its subsidiaries or affiliates; or
- j. If any other material new information arises that would have changed the original determination of the awards of variable remuneration to that EB member if it were known at the time of the variable remuneration award; such reassessment is also based on the criteria for the original award.

### **Claw back provisions apply from any (ex-)EB member up to a maximum of 100% of any paid or vested variable remuneration in the following predefined cases:**

- a. This is required or reasonable taking into account the outcome of the (reassessment) procedures as mentioned above; or
- b. Engagement in conduct or performance of acts which are considered malfeasance or fraud; or
- c. Specific conduct which has led to the material re-statement of NN Group's annual accounts and/or significant (reputational) harm to NN Group or any of its subsidiaries or affiliates; or
- d. The relevant EB member participated in or was responsible for conduct which resulted in significant losses to NN Group or any of its subsidiaries or affiliates;
- e. The relevant EB member failed to meet appropriate standards of fitness and propriety, such as an oath for the financial sector, a code of conduct or other internal rules and regulations that are applicable to the NN Group; or
- f. A significant deterioration in the financial performance of the AIFM and/or AIF's or a significant downturn in the AIFM's overall financial situation.

## Appendix 3

### Stakeholder feedback

NN Group has had various interactions with stakeholders to obtain feedback about the EB Remuneration policy and the intended changes in this policy. These interactions took place via calls, face to face meetings and panel discussions. Stakeholders involved were for example shareholders, proxy advisors, shareholder lobbying groups, employees, regulators, and clients/public via panel discussions. The Executive Board members were also invited to give their views on the remuneration policy.

From the feedback of all the stakeholders it follows that EB remuneration continues to be a subject of high interest amongst many different stakeholders and stakeholder interests are not always aligned. Therefore, the SB has sought a careful balance in taking into account all feedback, views and interests of the various stakeholders in the design of the EB remuneration policy.

### Changes compared to the previous EB remuneration policy

After reviewing the EB remuneration policy that was approved by the AGM in 2015 and taking into account the stakeholder feedback, the SB has proposed the following changes to be incorporated in the 2020 EB remuneration policy.

- The level of total compensation compared to benchmark median is changed from “just below median” to “below median”. This change prevents that automatic adjustments need to be made to the remuneration of the EB members if changes occur in the median. This change allows discretion for the SB to take into account all relevant circumstances before deciding whether an increase of the EB remuneration is justified.
- The peer group for benchmarking is changed from two peer groups (Dutch cross Industry and European Financial Industry excl Switzerland) to one cross-industry peer group from different relevant geographies in Europe. This change enhances simplicity and transparency. The companies selected in this peer group will be disclosed on an annual basis in the remuneration report.
- A performance range is included in the EB remuneration policy for the performance measures/KPIs that are used to determine the variable remuneration award. This range is set at a threshold level of 75% of target and a max level of 125% of target. The performance measures/KPIs for a specific year will be disclosed in the annual remuneration report, as well as an explanation of how the performance on those targets has been taken into account in the reward of variable remuneration.

The Supervisory Board remains to be committed to consult with relevant stakeholders prior to making any significant changes to the EB Remuneration Policy in the future.

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