



# Total Tax Contribution Report 2019

NN Group N.V.



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#### Disclaimer

Small differences are possible in the tables due to rounding. Elements referring to the corporate income tax are based on extracts of the NN Group 2019 Annual Report which consists of the 2019 Annual Review and the 2019 Annual Accounts. Referral is made to the specific disclaimers mentioned in these reports.

# Enhancing transparency on tax



“  
We are committed to being a responsible taxpayer.”

**Delfin Rueda**

CFO, CRO ad interim (per 1 January 2020) and vice-chair of the Executive Board and Management Board

**NN Group’s purpose is to help people secure their financial futures. Our relationship with our stakeholders is based on our values: care, clear, commit. These values also drive us to publish this second Total Tax Contribution Report.**

NN Group is committed to being a responsible taxpayer. This means that we are aware that our tax contributions support the economies in the societies where we operate. We therefore act with integrity and with respect to fulfilling our tax obligations in the countries where we operate.

It is important not only that we pay our fair share of tax, but also that we are transparent. This is why we prepare the Total Tax Contribution Report, which brings together information about our tax strategy and our tax contribution in 2019.

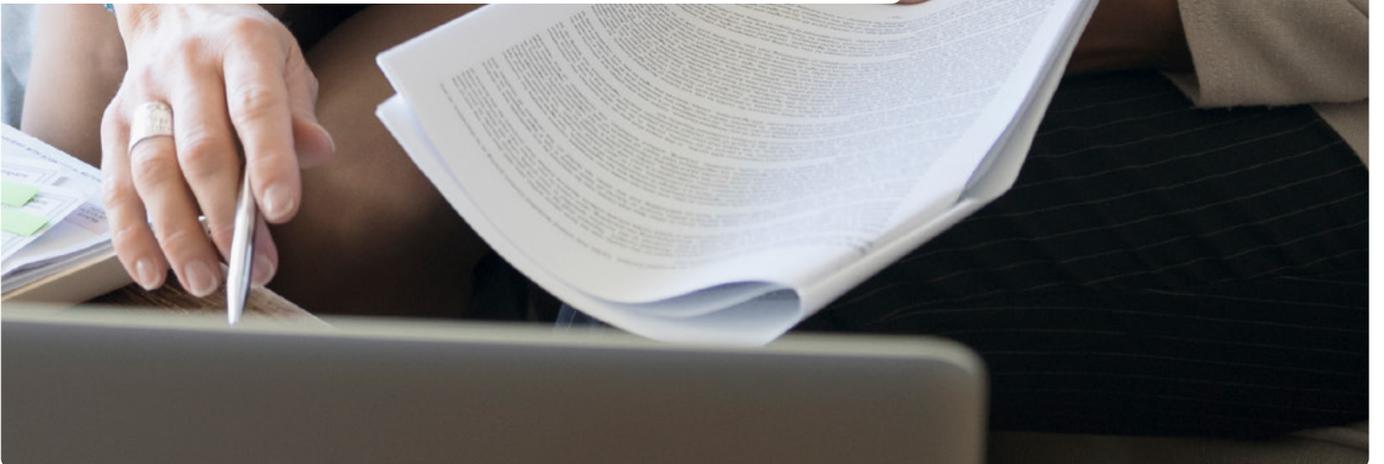
As with our first report, we provide insight on the taxes being borne and collected. However, where our first report provided separate tax information only for the Netherlands, this year’s report provides detailed information on a country-by-country basis. Another improvement is that our external auditor has reviewed the report in order to provide (limited) assurance on the reported content.

We hope that this report is helpful to stakeholders who wish to enhance their understanding of our tax policy and tax contribution. We welcome your feedback on the report as it helps us to improve our disclosure and practices.



# Our approach to tax

Good tax management is a responsibility of the company towards different stakeholders, such as clients, tax authorities and the society. Paying taxes is a part of the corporate responsibility of NN Group.



## Our approach to tax

In general, taxes are recognised in almost every aspect of business. At a company level and at a product level, on costs and on profits. Taxes are collected on behalf of the company or on behalf of clients, employees, and service providers.

NN recognises that paying tax is more than a 'cost of doing business', but also a contribution to society. For example, the communities we serve through our products and services benefit if NN's tax contributions can be used to finance better public services. Taking this into account, NN seeks to take a responsible approach to tax.

We believe it is important that profits are taxed against the applicable tariff, where those profits are realised. This is in line with one of the guiding principles of NN's tax policy: we structure our tax affairs based on business rationale and we do not make use of tax havens or tax-avoidance structures.

In this chapter, you can find more information about our tax strategy and principles, how tax is organised within our business, as well as NN's approach to ensuring compliance with tax laws and maintaining open and constructive relationships with tax authorities.

The chapters thereafter provide information on the taxes that NN Group pays as a taxpayer (the taxes borne), which reflect a cost for our company, but also on the taxes that we are responsible for collecting and passing on to tax authorities. Taken altogether, these taxes demonstrate NN's total tax contribution, as summarised in the box below.

### Objective and scope

The objective of this report is to provide clear information about the tax payments made by NN Group during 2019, and about the specific actions taken by NN Group, which are aligned with the applicable tax regulations as well as our tax policy and principles.

In this report, we provide information on tax for all 18 countries in which we have a presence. NN Group has a strong presence in a number of European countries and Japan. Our headquarters are in the Netherlands, the largest market within the group. The Dutch life and non-life insurance business represent almost 60% of the total NN Group operating result before tax.

In 2018, we reported on the Netherlands, our international business, and the group as a whole. In the 2019 report we provide insight on a country-by-country basis.

The following taxes are recognised separately in the report:

- Corporate income tax (CIT)
- Value added tax (VAT)
- Insurance premium tax (IPT)
- Payroll taxes of employers and employees
- Payroll taxes on banking- and insurance payments
- Withholding taxes

### NN Group's Total Tax Contribution

**EUR 611m**

#### Tax paid

These are the taxes that NN pays directly to tax authorities.

+

**EUR 1,429m**

#### Taxes collected

These are other taxes collected and paid by NN Group as the outcome of its operations in the form of VAT, IPT, payroll taxes, and withholding tax on dividends paid by NN Group.\*

=

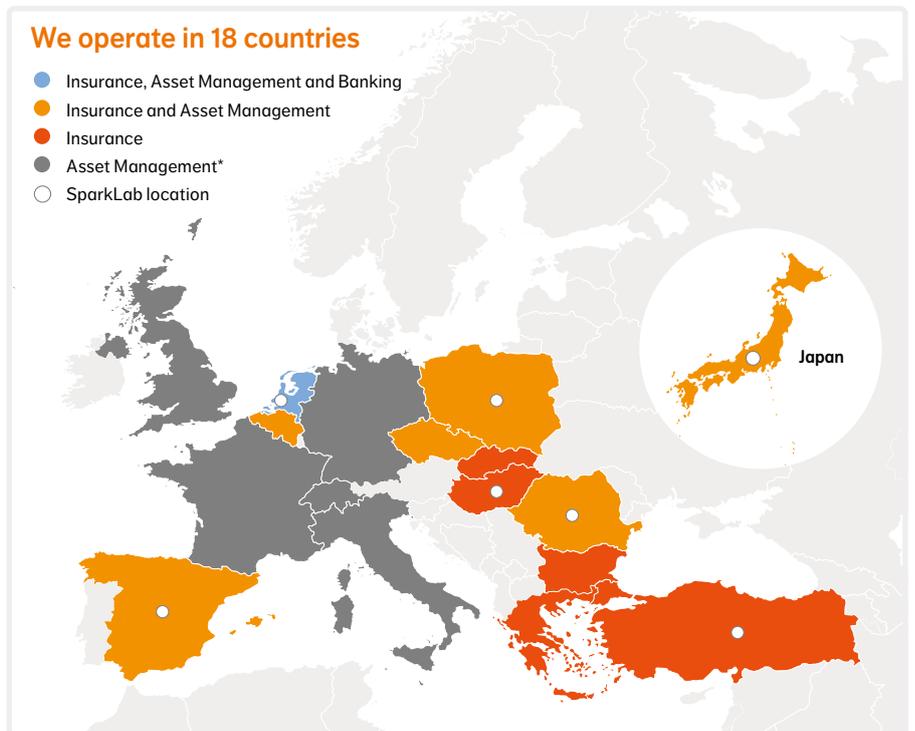
**EUR 2,040m**

#### Total Tax Contribution

This is the sum of taxes paid and taxes collected by NN Group.

### We operate in 18 countries

- Insurance, Asset Management and Banking
- Insurance and Asset Management
- Insurance
- Asset Management\*
- SparkLab location



\* Outside Europe and Japan, NN Investment Partners has offices in Montevideo, New York and Singapore.

\* This reflects only the VAT tax contribution and withholding tax on dividends of NN Group where NN Group has the largest presence. Refer to page 17 for further details.

## Our approach to tax continued

### NN Group strategy and principles

At NN Group, we believe that a responsible tax approach is essential for good corporate citizenship. Being a responsible taxpayer means that we take long-term considerations into account and carefully weigh the interests of our stakeholders. To clarify what this means in practice, NN Group has developed the following set of tax principles we expect all employees to adhere to:

- We pay our taxes promptly and in accordance with all applicable laws and regulations. We are guided by international standards such as the OECD Guidelines.
- We take into account both the letter and the spirit of tax laws and regulations to contribute our fair share. This is also the reference when choosing business partners and when structuring transactions.
- Tax is an integrated part of doing business. Tax should follow business with profits allocated to the countries in which business value is created. For calculating transfer prices, we apply the arm's length principle. NN Group does not make use of tax havens or tax avoidance structures.
- Tax is one of the elements we take into account in our commercial and economic activities. Business Units may respond to locally available tax incentives and exemptions.
- Wherever we operate, we seek to establish and maintain an open and constructive dialogue with tax authorities and other government bodies, based on the disclosure of all relevant facts and circumstances.
- Our tax function may engage in tax planning initiatives and make use of incentives promoted by government authorities. However, in doing so, due consideration needs to be given to NN's legitimate interests, reputation, brand and corporate social responsibility.
- Our products should not be used by our clients to shelter information from the tax authorities or to avoid taxation.
- We are transparent about our approach to tax and our tax position. Disclosures are made in accordance with the relevant domestic regulations, as well as applicable reporting requirements and standards such as EU-IFRS and Solvency II.

### Tax risk management policy and governance

The tax function is organised within NN Group to ensure the preservation of our reputation and integrity through compliance with applicable tax laws, regulations and ethical standards in the countries where we operate.

The NN Group Tax department is committed to upholding the company's core values, does not seek aggressive tax planning opportunities and is keen to mitigate tax risks. The NN Group Tax department has a group-wide responsibility for the tax position of NN Group. In executing this responsibility, it takes into account long-term considerations and carefully weighs the interest of our stakeholders.

We operate in accordance with a Tax Risk Management policy approved by our Management Board. The policy is in line with the overall strategy and operation of our business and applies to all taxes we pay and/or collect – including not only corporate income taxes but also, for example, VAT, IPT and wage tax.

Our goal is to ensure that:

- NN Group is compliant with tax regulations and all appropriate documentation is timely prepared and filed with the relevant authorities
- To NN Group's stakeholders, we are transparent on tax planning and our tax contribution
- We maintain a Tax Control Framework which enables NN Group to proactively procure tax risk management

The Group Tax team is part of the Group Finance function reporting to the Chief Financial Officer (CFO). Group Tax annually reviews the implementation and execution of the tax strategy and reports the outcome to relevant internal stakeholders. The CFO receives frequent updates throughout the year from the Tax team. Also, on a quarterly basis, an update on tax is provided to the financial committees within NN Group in which the CFO, the Chief Risk Officer (CRO) and Heads of finance departments are represented.

NN Group's Global Head of Tax leads a team of in-house tax advisors and tax accountants/consultants, with a combination of accounting, tax and business economics qualifications. The Group Tax department comprises specialists in direct and indirect taxes, wage taxes, transfer pricing, tax compliance and reporting. To clarify the organisation, roles and responsibilities of the departments within NN Group, we developed the Group Tax Charter. This has been published on our corporate website.

## Global Master Service Agreement on tax advice

Proven tax transparency, consistency and being in control of the tax position is a requirement. Dutch and international tax laws are developing fast and are rigid on these requirements. To support NN's operating model and the tax responsibility, a preferred global tax advisor was contracted as of 2019. At group level and within our Dutch and international business units, it has become standard practice to work with a preferred supplier on tax advice. The role of the preferred supplier is not only to provide tax advice on request but also to be a business partner, actively supporting NN Group, including its Dutch and international business units, in managing its tax position within the boundaries of our tax strategy and principles.

The Audit Committee of NN Group reviews the quarterly and annual reports with special attention to legal and tax matters with a material impact on the annual accounts. Furthermore, our tax position and external risks and developments are annually recurring topics in the permanent education sessions for NN Group's Supervisory Board.

The NN Group Tax team creates tax awareness through internal training sessions and courses for senior management including the Management Board and Supervisory Board and in the business units. In these courses we bring the complex and rapidly changing tax regulations back to understandable content at a level where it directly relates to the operations of NN Group. The relevancy of tax can hereby directly be linked to the day-to-day business of our company which enhances the tax controls.

## Our approach to tax continued

### How we work with tax authorities

Given the increasing complexity of the tax system, local tax authorities may challenge NN Group's interpretation of local tax legislation. We therefore believe in an open and constructive dialogue with tax authorities. In the Netherlands, NN Group has entered into a formal compliance agreement with the tax authorities. With this agreement, which was in place in 2019, NN Group commits to being actively transparent to the tax authorities.

This Horizontal Monitoring principle, on which the relationship with the Dutch tax authorities is based, is built on three key values: mutual trust, understanding and transparency between NN Group and the tax authorities. This requires two elements: (i) a good relationship between the tax payer and the tax authorities which can be recorded in a compliance agreement, and (ii) good risk detection. Group Tax actively communicates with the tax authorities on the (business) developments within the company and their (potential) impact on taxation.

According to the Horizontal Monitoring principle, we actively engage with the Dutch tax authorities to disclose the tax impact of business initiatives and, if required, obtain a ruling. The purpose of such a ruling is to guarantee that the tax qualification of the initiative is in line with the tax policy of NN Group and meets the expectations of the tax authorities, and to ensure that a business initiative is taxed once at a generally accepted tax rate where the business operation takes place.

An example of such a ruling is the engagement by NN Group with the Dutch tax authorities on the intragroup head office charges, as described in the box below. NN Group actively engaged upfront with the Dutch tax authorities to agree on the method to be used on allocating these head office costs. According to generally accepted tax principles and the international OECD guidelines, NN Group charges part of the head office costs to its (international) business units.

The Dutch tax authorities recently stated in their Annual Plan for 2020 that the Horizontal Monitoring principle will be redesigned. The Tax Compliance Agreement of NN Group will be replaced by an Individual Tax Monitoring Plan. This individual Tax Monitoring Plan will focus on the specifics of the tax position of NN Group from a more operational perspective and specifically address the risks and required controls as perceived by the tax authorities. As confirmed by the tax authorities this will not lead to a fundamental change in our relationship with the tax authorities as this was already the case in the Horizontal Monitoring within NN Group and we expect the Individual Tax Monitoring Plan to support the efforts of NN Group to manage its tax position.

## Supreme Court case liquidation loss Indonesia

Last year, the Dutch Supreme Court decided in favour of NN Group to claim a deductible liquidation loss of a former insurance subsidiary. As the law, related case law and parliamentary history provided no clarity as to the interpretation of the so-called 'continuation requirement' of the liquidation loss scheme, NN Group, by way of exception, decided to refer the matter to the Supreme Court. In this process NN Group closely liaised with the tax authorities, also given the fact that this was a direct appeal to the Supreme Court (bypassing the Court of Appeal as permitted by law).

## Head office costs – advance pricing agreement

On 23 December 2019, NN Group Tax signed an advance pricing agreement (APA) with the Dutch tax authorities regarding the arm's length pricing of the intragroup services to its international business units. NN Group provided insight to the tax authorities on the business structure of NN Group underlying the rationale of the intragroup services. Although the APA was agreed with the Dutch tax authorities, NN Group will also

share the APA with the international tax authorities via its international business units to provide full transparency in cross border intragroup relations. This APA is valid for the years 2020-2022 and is the first APA in the financial services industry of which a summary has been made publicly available

Our approach to tax continued



“ The people of Group Tax actively engage with the business to align their activities with our tax strategy and principles.

**Peter Paul Boon**  
NN Group Head of Tax

**Stakeholder engagement**

The business environment is constantly evolving and stakeholder engagement is essential for understanding what issues are important for the business and our stakeholders. Our customers, employees, shareholders, business partners, debt investors, regulators and the organisations representing wider society are all important stakeholders for us. We regularly engage with these different groups to discuss their views and observations, and to identify aspects that relate to our company.

NN Group is a member of and actively participates in the tax working groups at the Confederation of Netherlands Industry and Employers (known as VNO-NCW) and the Dutch Association of Insurers where NN Group advocates and supports the efforts on tax transparency and fair taxation. This enables us to evolve our strategy to better meet our stakeholders' expectations and focus our reporting on the issues that matter to them. For example, our corporate website contains a section on our responsible business practices, including our tax policy.

We also participate in various sustainability ratings and benchmarks by completing questionnaires on our policies and practices. These questionnaires are often adjusted to reflect evolving stakeholder expectations, and as such provide us with useful feedback. The Dow Jones Sustainability Index (DJSI) is an example of a rating in which we participate and one that includes taxation as a topic.

Another example is the Tax Transparency Benchmark published by the Dutch Association of Investors for Sustainable Development (VBDO). This benchmark provides a comparative study of Dutch stock listed companies' fiscal transparency.

**NN Group top-scoring company in VBDO Tax Transparency Benchmark 2019**

The VBDO Tax Transparency Benchmark measures the tax transparent behaviour of companies. The aim of this benchmark is to enhance companies' understanding of corporate tax responsibility and encourage them to communicate comprehensively on tax matters in publicly available information. On 28 November 2019 the results of the 2019 benchmarking exercise were presented, in which 77 Dutch companies were ranked according to the level of tax transparency and good tax governance that they demonstrate.

**NN Group's tax policy on private equity investments**

At NN Group, we aim to comply with the letter as well as the spirit of tax laws and regulations. One challenge is that we want to pay a fair tax rate on our profit, but we also want to ensure that the same profit is taxed only once. When selecting private equity investments, we often encounter highly complex investment structures that bear an inherent tax risk. This is because NN Group does not invest in private equity directly but as a participant in private equity funds, and therefore does not have a controlling interest. Furthermore, these

funds often have investors from several countries and make investments in companies of more than one country. To avoid double taxation for the fund's investors, they can be situated in a tax haven or a country that provides certain tax exemptions. To safeguard the tax position of NN Group, the Management Board has adopted a specific policy for tax considerations in private equity investments. The policy prescribes that NN Group will avoid investing in tax havens on the EU's blacklist, must always follow a

thorough tax due diligence process, be transparent towards the Dutch Central Bank (DNB) and tax authorities, and be in a position to explain any potential misconceptions. Furthermore, by engaging in a dialogue with (prospective) private equity managers on our preferences for tax transparent structures, we hope to contribute to greater transparency in private equity practices.

## Group Tax team

The Group Tax team is part of the Group Finance function reporting to the CFO.



In the 2019 VBDO Tax Transparency Benchmark, NN Group was the highest-scoring company and after consultation with an expert jury, was chosen as the Winner of the Tax Transparency Award 2019. We scored above average on all 'good tax governance principles' promoted by the VBDO and Oikos. The jury praised NN Group for being able to demonstrate that it proactively seeks to act in a responsible and transparent way regarding its taxation. In addition, NN Group was complimented on its extensive tax strategy, its description of why tax is an integral part of its business principles, and its Total Tax Contribution Report. Tax is an area that continues to develop, and as such we consider this award as encouragement to further improve our approach.

### Changes in regulations and other developments

In 2019 (new) material changes in tax legislation with a potential impact on the financial position of NN Group or its clients were announced. Examples of these changes are:

- COLI Regulation changes in Japan
- Revised EU Anti-Tax Avoidance Directive
- New guidance on tax rate changes

### COLI Regulation changes in Japan

Japan has the world's third largest economy and life insurance market. In the Japanese economy, the 2.7 million small and medium-sized enterprises (SMEs) play a considerable role, representing 70% of all employment and over 99% of all enterprises. The ageing of SME owners has made business succession an acute issue. NN Life Japan advises and supports SMEs to secure their financial futures by, amongst others, offering a range of tax incentivised corporate-owned life insurance products (COLI).

In July 2019 the Japanese National Tax Agency (NTA) introduced revised regulations for the tax deductibility of certain COLI products for SME-owners in Japan. These revised regulations have led to changes in the product offerings in the COLI market, including lower COLI sales in the near term but is expected to support a more sustainable COLI market in the longer term. NN Life Japan has adjusted its product portfolio to meet the requirements of the new tax rules and was the first to launch renewed COLI products in July 2019.

### Revised EU Anti-Tax Avoidance Directive

In order to further tackle tax avoidance structures, European member states, in most of which NN is active, implemented the EU's Anti-Tax Avoidance Directive II (ATAD II) in national law as of 1 January 2020. ATAD II contains measures against tax effects of hybrid mismatches, whereby two countries qualify a structure differently resulting in no taxation on profits or double deduction of costs. NN Group expects not to be materially affected by these measures and will closely monitor developments of this new legislation. Moreover, the rationale of ATAD II falls within the principles of the NN Group tax policy.

### Tax rate changes in the Netherlands

In 2019, the change in tax rates announced in 2018 was amended, so that the tax rate for 2020 will remain at 25% (instead of 22.55%) and for 2021 at 21.7% (instead of 20.5%). For more details and the impact on this tax rate change we refer to page 12.



# Corporate income tax in the Annual Accounts

Information on corporate income tax has been published in the 2019 Annual Accounts. This chapter includes tables from the 2019 Annual Accounts. All financial amounts in these tables are in millions of euros, unless stated otherwise.

Taxes in the balance sheet



## Corporate Income Tax in the Annual Accounts

Deferred taxes in the balance sheet of NN Group reflect the timing differences for recognising a profit or loss in IFRS compared to the annual tax return. As IFRS and the tax regulations do not apply the same principles for how to value certain assets and liabilities or when to recognise a profit or a loss, this leads to differences in the reporting of profits and losses in IFRS compared to the tax return of a company.

Deferred tax assets and deferred tax liabilities are therefore recognised on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available to use these tax assets. Deferred tax is presented on a net basis per fiscal entity. The principal temporary differences arise from depreciation of property, revaluation of financial assets and liabilities, including derivatives, insurance liabilities, pension obligations, other post-retirement benefits and tax losses carried forward. The rates enacted or decided upon at the time of reporting are used to determine the deferred tax.

### Deferred tax explained

A deferred tax position reflects the future tax effects of NN Group's current business. Income and expenses that are reported for IFRS purposes in one year might be taxable or tax deductible in the tax return of another year. Whereas IFRS generally uses a market value approach for reporting assets, the tax laws of the countries in which NN Group operates generally use an historical cost price valuation method. If these differences are only related to timing (i.e. only the year in which they are reported in IFRS differs from the year in which they are included in the tax return), the expected future tax impact is reported as deferred tax. Deferred tax is calculated based on the difference between the IFRS carrying value and the tax base.

Example: an asset purchase (1.000) is treated as an expense in the year of acquisition for IFRS purposes, but has to be capitalised and amortised in four years for tax purposes. On the balance sheet of the year of acquisition the IFRS carrying value is nil. The tax base is 750. A deferred tax asset is recorded for 750 at the expected future tax rate.

### Deferred tax (2019)

	Net liability 2018	Changes through equity	Changes through net result	Changes in the composition of the group and other changes	Exchange rate differences	Net liability 2019
Investments	2,884	646	-85	-77	10	3,378
Real estate investments	709		69	-1		777
Financial assets and liabilities at fair value through profit or loss	21			1		22
Deferred acquisition costs	387		13	13	9	422
Fiscal reserves	10					10
Depreciation	-2		25			23
Insurance liabilities	-2,646	-500	-63	54		-3,155
Cash flow hedges	1,170	1,303				2,473
Pension and post-employment benefits	20	-11		-4		5
Other provisions	-51	1	-22	28		-44
Receivables	-25		1			-24
Loans	-8	2	-14			-20
Unused tax losses carried forward	-915		832	6		-77
Other	124	4	25	1	2	156
<b>Deferred tax</b>	<b>1,678</b>	<b>1,445</b>	<b>781</b>	<b>21</b>	<b>21</b>	<b>3,946</b>

Presented in the balance sheet as:

Deferred tax liabilities	1,809	4,030
Deferred tax assets	-131	-84
<b>Deferred tax</b>	<b>1,678</b>	<b>3,946</b>

## Corporate Income Tax in the Annual Accounts continued

Tax losses arise when the taxable profit on a fiscal entity is negative. Generally tax losses can be offset against taxable profits of following years. A deferred tax asset is only booked to the extent that NN Group expects to be utilised these losses in the foreseeable future.

For each of the fiscal entities we have made a forecast of future taxable profits. Where this future taxable profit is sufficient to offset (a part of) the existing tax carry forward balance, we have booked the deferred tax asset. The amount that was not likely to be utilised (EUR 252 million) was not recognised.

### Deferred tax on unused tax losses carried forward

	2019	2018
Total unused tax losses carried forward	566	4,024
Unused tax losses carried forward not recognised as a deferred tax asset	-252	-260
<b>Unused tax losses carried forward recognised as a deferred tax asset</b>	<b>314</b>	<b>3,764</b>
Average tax rate	24,6%	24,3%
<b>Deferred tax asset</b>	<b>77</b>	<b>915</b>

Tax losses carried forward will expire as follows as at 31 December:

### Total unused tax losses carried forward analysed by term of expiration

	No deferred tax asset recognised		Deferred tax asset recognised	
	2019	2018	2019	2018
Within 1 year	13	22	11	
More than 1 year but less than 5 years	56	68	1	16
More than 5 years but less than 10 years	16	37	7	3,026
Unlimited	167	133	295	722
<b>Total unused tax losses carried forward</b>	<b>252</b>	<b>260</b>	<b>314</b>	<b>3,764</b>

### Taxes in the income statement

The income tax charge of EUR 444 million in 2019 represents an effective tax rate of 18.3%. This effective tax rate is lower than the weighted average statutory tax rate of 24.8% due to the following material items:

1. A large part of NN Group's result before tax is based on investment income, including income by equity investments. As an institutional investor NN Group has equity interests that exceed the 5% shareholding threshold. Income from these equity investments is tax exempted by the Dutch participation exemption to prevent double taxation. The impact of the participation exemption leads to a 4.1% reduction of the ETR.
2. In December 2019 the Dutch government enacted a revision of the reduction of the corporate tax rates starting in the year 2020. As a result, NN Group had to remeasure its Dutch deferred tax liabilities at these new tax rates. The impact of remeasurement leads to a 1.6% decrease of the ETR.
3. In the period 2008-2013, a UK based real estate investment fund in which NN invested was impaired and liquidated. An

investment loss of approximately EUR 100 million was recognised under IFRS without recognising a tax benefit. In 2019, NN Group reassessed the tax qualification and reached agreement with the tax authorities to still recognise this loss for tax purposes. The impact of the tax deductions leads to a 1.0% decrease of the ETR.

In 2018, the Dutch corporate income tax rates were reduced. The corporate tax rate for 2020 would become 22.55% and for 2021 and subsequent years 20.5%. The impact of remeasuring the deferred tax assets and liabilities was recognised in 2018. As most of NN Group's deferred tax assets and liabilities are expected to materialise over a long period, the largest part of the deferred tax position was remeasured at the 20.5% rate that applies as of 2021.

In 2019, the change in tax rates was amended, so that the tax rate for 2020 will remain at 25% (instead of 22.55%) and for 2021 21.7% (instead of 20.5%). The impact of this amendment is recognised in 4Q 2019

and is approximately EUR 185 million (higher tax), of which approximately EUR 25 million (higher tax) is recognised in the profit and loss account and the remainder directly in equity.

In addition, the 2019 tax charge is impacted by the difference between the estimated realisation in future years (with different tax rates) that was used in 2018 versus the actual realisation in 2019. The combined impact related to the 2018 and 2019 tax rate changes in the 2019 profit and loss account was EUR 34 million positive, impacting the effective tax rate in 2019 by 1.6 % (lower tax charge).

The effective tax rate of 18.3% is lower than the insurance industry average of 21.1% as published by the Dow Jones Sustainability Index (DJSI)<sup>1</sup>. This is mainly caused by the impact of the changes in the tax rates in the Netherlands and the tax impairment of the real estate fund. Adjusted for these impacts the normalised effective tax rate would amount to 20.9%.

<sup>1</sup>SAM's Corporate Sustainability Assessment Companion April 02th, 2019. Page 56 'Average Effective Tax Rate & Cash Tax Rate for each of the 24 GICS® Industry Groups'.

## Difference effective and statutory tax rate explained

The effective tax rate (ETR) is calculated as the total tax reported in the profit and loss account compared to the profit before tax accounted for in the same period.

$$\text{ETR (\%)} = \frac{\text{Total tax expense}}{\text{Profit before tax}}$$

The outcome may differ from the statutory tax rate, being the nominal tax rate of the country where the company is taxed. If the company operates in multiple countries, the statutory tax rate is the weighted average of the results of the entities against the local statutory tax rates. In general, differences that may occur between the statutory and the effective tax rate can be categorised as follows:

- Permanent differences: Differences where an income or expense is exempted for tax purposes and the difference will not reverse in the future such as a temporary difference. Examples are participation exemption and permanently non-deductible expenses.
- Prior year adjustments: The year-end tax position is based on an estimation of the company's tax returns. When the tax returns are filed there might be differences because more detailed information is available and more analysis has been done. When this true-up of the tax position is recognised in IFRS, this has an effect on the ETR.
- Tax rate change effects: Deferred tax positions are calculated on the difference between the IFRS carrying value and the tax base, multiplied by the future tax rate. If the future tax rate changes due to a law change, the deferred tax positions will be remeasured using the new future tax rate. The effect of this remeasurement has an effect on the ETR.
- Changes in tax assumptions: A change in the assumptions underlying the recognition of a deferred tax asset or liability (i.e. the estimation of future tax loss compensation or a change in the provision for uncertain tax provisions) will have an effect on the ETR.

### Taxation on result

	2019	2018
Current tax	-337	342
Deferred tax	781	182
<b>Taxation on result</b>	<b>444</b>	<b>524</b>

NN Group N.V., together with certain subsidiaries, is a part of a fiscal unity for Dutch income tax purposes. The members of the fiscal unity are jointly and severally liable for any income taxes payable by the Dutch fiscal unity.

### Reconciliation of the weighted average statutory tax rate to NN Group's effective tax rate

	2019	2018
Result before tax	2,429	1,657
Weighted average statutory tax rate	24.8%	24.4%
<b>Weighted average statutory tax amount</b>	<b>602</b>	<b>404</b>
Participation exemption	-100	-106
Other income not subject to tax and other	-5	-19
Expenses not deductible for tax purposes	3	225
Impact on deferred tax from change in tax rates	-39	21
Deferred tax benefit for previously not unrecognised amounts	5	-5
Tax for non-recognised losses	1	-6
Write-off/reversal of deferred tax assets		7
Adjustments to prior periods	-23	3
<b>Effective tax amount</b>	<b>444</b>	<b>524</b>
<b>Effective tax rate</b>	<b>18.3%</b>	<b>31.6%</b>

## Corporate Income Tax in the Annual Accounts continued

### Taxes in the cash flow statement

The Total Tax Contribution of NN Group was EUR 2,040 million for 2019 (see page 5). This amount consists of both taxes collected and taxes borne by NN Group. The taxes borne include the cash corporate income tax paid as reflected in the consolidated statement of the cash flows in the Annual Accounts and this amounted to EUR - 37 million in 2019 (2018: EUR 55 million). In other words, in 2019 NN Group received cash for corporate income taxes.

The dissimilarity in corporate income tax received and the corporate income tax expense as presented in the profit and loss account of the Annual Accounts reflects the difference between tax and accounting rules (including the change in tax rates mentioned earlier) and tax losses and tax credit carry-forwards. The cash corporate income tax received in 2019 is caused by the corporate income tax losses carried forward

in the Netherlands and withholding tax refund in Japan collected in the annuity business on behalf of clients.

As per 31 December 2019, all tax losses in the Netherlands were utilised and it is expected NN Group will start paying corporate income taxes as of 2020.

We provide further details of both the tax charge and the tax cash paid per country in the following table:.

### Principal subsidiaries and geographical information (2019)

The table below provides additional information on principal subsidiaries, the nature of the main activities and employees by country. For the 2018 table of the principal subsidiaries and geographical information, we refer to the Annual Accounts page 96-97.

Country/Name of principal subsidiaries	Main activity	Average number of employees <sup>1</sup>	Total income	Total assets	Result before tax	Taxation <sup>2</sup>	Income tax paid	Effective tax rate
Nationale-Nederlanden Levensverzekering Maatschappij N.V.	Life insurance							
Nationale-Nederlanden Bank N.V.	Banking							
Nationale-Nederlanden Schadeverzekering Maatschappij N.V.	General insurance							
REI Investment I B.V.	Real estate							
NN Re (Netherlands) N.V.	Reinsurance							
ABN AMRO Levensverzekering N.V.	Life insurance							
<b>The Netherlands</b>		<b>8,344</b>	<b>12,319</b>	<b>192,195</b>	<b>1,793</b>	<b>283</b>	<b>-26</b>	<b>16%</b>
NN Life Insurance Company, Ltd,	Life insurance							
<b>Japan</b>		<b>900</b>	<b>4,088</b>	<b>22,708</b>	<b>170</b>	<b>46</b>	<b>-64</b>	<b>27%</b>
NN Insurance Belgium nv	Life insurance							
<b>Belgium</b>		<b>672</b>	<b>1,361</b>	<b>17,480</b>	<b>114</b>	<b>29</b>	<b>5</b>	<b>26%</b>
Nationale Nederlanden Vida, Compania de Seguros y Reaseguros, S.A,	Life insurance							
Nationale Nederlanden Generales, Compania de Seguros y Reaseguros, S.A,	General insurance							
<b>Spain</b>		<b>525</b>	<b>676</b>	<b>5,054</b>	<b>40</b>	<b>13</b>	<b>6</b>	<b>33%</b>
Nationale-Nederlanden Towarzystwo Ubezpieczeń na Życie S,A,	Life insurance							
Nationale-Nederlanden Powszechna Towarzystwo Emerytalne S,A,	Pensions							
<b>Poland</b>		<b>961</b>	<b>497</b>	<b>2,281</b>	<b>97</b>	<b>21</b>	<b>12</b>	<b>22%</b>
NN Hellenic Life Insurance Co, S,A,	Life insurance							
<b>Greece</b>		<b>415</b>	<b>444</b>	<b>2,010</b>	<b>8</b>	<b>6</b>		<b>78%*</b>
NN Životní pojišťovna N.V, (pobočka pro Českou republiku)	Life insurance							
<b>Czech Republic</b>		<b>572</b>	<b>232</b>	<b>1,447</b>	<b>24</b>	<b>4</b>	<b>5</b>	<b>18%</b>
NN Biztosító Zártkörűen Működő Részvénytársaság	Life insurance							
<b>Hungary</b>		<b>351</b>	<b>263</b>	<b>1,325</b>	<b>12</b>	<b>3</b>	<b>3</b>	<b>25%</b>
NN Asigurari de Viata S,A,	Life insurance							
<b>Romania</b>		<b>448</b>	<b>206</b>	<b>985</b>	<b>23</b>	<b>4</b>	<b>4</b>	<b>17%</b>
NN Životná poisťovna, a.s,	Life insurance							
<b>Slovak Republic</b>		<b>291</b>	<b>166</b>	<b>788</b>	<b>15</b>	<b>3</b>	<b>4</b>	<b>20%</b>

\* Impacted due to tax rate changes,

## Corporate Income Tax in the Annual Accounts continued

### Reporting a tax provision

NN Group's business environment exposes NN Group and its subsidiaries to uncertainties of their tax positions as reported in NN Group's financial statements. Aligned with and inherent to NN Group's Tax Risk Management policy, NN Group continuously identifies and assesses uncertainties of its tax positions relating to all Dutch and international taxes, including, but not limited to, corporate income taxes, withholding taxes, VAT, insurance premium tax and payroll tax. Based on the applicable International Financial Reporting Standards, a tax provision is reported when the uncertainty of a tax position is estimated as 'probable' (more likely than not). NN Group reassesses its judgements and estimates if relevant facts and circumstances have changed, and will correspondingly reassess its conclusion whether or not to report a (change in) tax provision.

### Principal subsidiaries and geographical information continued

Country/Name of principal subsidiaries	Main activity	Average number of employees <sup>1</sup>	Total income	Total assets	Result before tax	Taxation <sup>2</sup>	Income tax paid	Effective tax rate
Germany		10	38	718	37	7	2	19%
France		9	69	697	54	16		29%
Italy		6	5	259	9	3	2	32%
United Kingdom		10	3	226	16	4	4	25%
Denmark			12	194	11	1		12%
Bulgaria		134	24	99	2			26%
Turkey		503	51	84	-6	-1		22%
Ireland				21				
Singapore		31	1	12	4	1	1	18%
United States		13		6	4	1	2	21%
Mexico		1	1	4	-1			
Switzerland		11	1	3	1		1	
Argentina		2		1				
Luxembourg		20	1				2	
Uruguay		1			2			
<b>Total</b>		<b>14,230</b>	<b>20,458</b>	<b>248,597</b>	<b>2,429</b>	<b>444</b>	<b>-37</b>	<b>18%</b>

1. The average number of employees is on a full-time equivalent basis.

2. Taxation is the taxation amount charged to the profit and loss account.

3. No effective tax rate calculation can be made if a country has no taxation amount.

# Total Tax Contribution in 2019

Besides taxes that NN Group pays as a taxpayer, we are also responsible for collecting taxes and passing them on to tax authorities. These taxes are connected with insurance and banking products which are sold and charged to or collected on behalf of our clients, or they relate to taxes collected on behalf of employees, or services providers.



## Total Tax Contribution in 2019

### Value added tax (VAT)

VAT is normally charged by a company to customers on services provided and products sold. The company collects these taxes and pays them to the tax authorities. In the system of VAT the company can deduct the VAT it has paid to its suppliers on goods and services purchased from the VAT it has collected, before paying to the tax authorities. This means, on a net basis, VAT is only charged and paid on the value added by the company.

Financial services such as banking and insurance are in general exempted for VAT. This exemption means that the main financial services (i.e. insurance premiums) provided by NN Group to its customers do not have a VAT charge. However, in the system of VAT, being exempted results in a situation where the financial institution cannot deduct the VAT it has paid to its suppliers on goods and services purchased. Economically VAT is therefore a cost to NN Group instead of being an exemption.

On other business, such as pension administrations, VAT is charged by NN Group and collected and paid to the tax authorities.

This report reflects only the VAT tax contribution of NN Group in those countries where NN Group has the largest presence and where the contribution has a material relevance. This includes the Netherlands, Belgium, Spain, Poland and Japan. In 2018 the report was only limited to the Netherlands.

### Value-added taxes collected and borne by NN Group

In EUR million	Netherlands	Belgium	Spain	Poland	Japan <sup>1</sup>	Total 2019
Non deductible VAT charged	158.6	17.3	6.6	7.5	39.8	229.8
VAT recovery	-12.7	-0.1	-1.8	-0.5	-0.5	-15.6
Subtotal	145.9	17.2	4.8	7.0	39.3	214.2
VAT collected and paid to the governments	19.2	0.0	3.3	2.5	0.2	25.2
<b>Total VAT contribution 2019</b>	<b>165.1</b>	<b>17.2</b>	<b>8.1</b>	<b>9.5</b>	<b>39.5</b>	<b>239.5</b>
Total VAT contribution 2018 <sup>2</sup>						184.9

<sup>1</sup> Amount refers to Japanese consumption tax which is comparable with the EU VAT system.

<sup>2</sup> Please note that the 2018 VAT position only reflects the Netherlands.

## Total Tax Contribution in 2019 continued

### Insurance premium tax (IPT)

IPT is charged on behalf of tax authorities on insurance premiums paid by customers directly to NN Group or via insurance intermediaries. Generally, non-life insurances are taxed while health and life insurances, are exempted from IPT. Some of the countries where NN operates, such as Belgium, Greece and Romania, also tax life insurances at a reduced IPT rate.

In 2013 the IPT tax rate in the Netherlands increased to 21% and is now at the same level as the general VAT rate. However, because of the non-deductible VAT in operational costs and in costs of non-life insurance claims, the effective combined tax rate of VAT and IPT is higher than the perceived IPT of 21% and can be more than 35% for individual non-life insurance. This is because non-deductible VAT is part of the cost (price) of the insurance product which makes insurances highly taxed.

The IPT in this report is limited to the direct payments by NN Group companies to the tax authorities. This includes in the Netherlands the fully owned insurance agent Zicht; however the indirect IPT contributions of NN on insurance products sold via third party insurance agents are not included as this data is not available to NN Group.

### Insurance premium taxes collected by NN Group

in EUR million

Country	Insurance Premium taxes collected
The Netherlands	227.5
Japan	12.8
Belgium	55.8
Spain	2.8
Poland	0.0
Greece	20.4
Hungary	0.5
Czech Republic	0.0
Romania	0.5
Slovak Republic	0.0
Germany	1.2
France	0.0
Italy	0.0
United Kindgom	0.2
Denmark	0.0
Bulgaria	0.0
Turkey	0.2
Ireland	0.0
Singapore	0.0
United States	0.0
Mexico	0.0
Switzerland	0.0
Argentina	0.0
Luxembourg	0.0
Uruguay	0.0
<b>Total Insurance premium taxes collected and paid to tax authorities 2019</b>	<b>321.9</b>
Total Insurance premium taxes collected and paid to tax authorities 2018	297.4

## Total Tax Contribution in 2019 continued

### Payroll taxes (employer and employee)

NN Group had 15,194 employees in 2019 (2018: 14,953 employees). On salary payments to our employees, NN Group withholds wage tax on salaries and additionally pays social and healthcare premiums and other employment taxes as part of the cost of employment. These taxes are paid to the relevant tax authorities by NN Group.

### Payroll taxes (on insurance and banking products)

On most life insurance claims and some of the non-life claims, NN Group is obliged to withhold payroll taxes as part of the claim being paid. Also on banking products, such as severance payments savings in the Netherlands, NN Group withholds wage taxes. Payroll taxes are directly paid to the tax authorities by NN Group. These taxes are withheld as an upfront payment of the income tax of the client.

### Withholding taxes on dividends paid by NN Group

NN Group N.V. withholds taxes on the cash dividends paid out to its shareholders. These taxes are collected and paid to the tax authorities following the period in which they are withheld. Withholding taxes withheld by third parties on interest and dividends received by the investment funds managed by NN Group are currently not included in this report.

## Payroll taxes

in EUR million

Country	Payroll taxes (employer and employee) collected by NN Group	Payroll taxes (on insurance and banking products) collected by NN Group	Total 2019
The Netherlands	368.3	952.3	1,320.6
Japan	8.2	1.1	9.3
Belgium	14.4	44.1	58.4
Spain	9.8	17.2	27.0
Poland	4.8	0.0	4.8
Greece	2.8	0.0	2.8
Hungary	5.2	0.4	5.6
Czech Republic	4.1	7.9	12.0
Romania	7.0	0.0	7.0
Slovak Republic	0.9	2.6	3.5
Germany	0.3	0.0	0.3
France	0.2	0.0	0.2
Italy	0.3	0.0	0.3
United Kingdom	0.7	0.0	0.7
Denmark	0.0	0.0	0.0
Bulgaria	0.3	0.0	0.3
Turkey	4.4	0.9	5.3
Ireland	0.0	0.0	0.0
Singapore	0.0	0.0	0.0
United States	1.9	0.0	1.9
Mexico	0.0	0.0	0.0
Switzerland	0.0	0.0	0.0
Argentina	0.0	0.0	0.0
Luxembourg	0.0	0.0	0.0
Uruguay	0.0	0.0	0.0
<b>Total 2019</b>	<b>433.7</b>	<b>1,026.5</b>	<b>1,460.2</b>
Total 2018	444.1	962.0	1,406.1

## Withholding taxes on dividend collected by NN Group

in EUR million

	Netherlands 2019	Netherlands 2018
<b>Withholding tax on dividends</b>	<b>55.8</b>	<b>49.3</b>

## Total Tax Contribution in 2019 continued

### Total Tax Contribution NN Group

To conclude and to provide an insight into the total impact of all taxes borne and collected by NN Group, we have introduced a Total Tax Contribution measurement. The foundation of this measurement is that NN Group not only pays taxes which reflect a cost for our company (the taxes borne), but is also responsible for collecting taxes and passing them on to tax authorities (taxes collected). These taxes are connected with insurance and banking products which are sold and charged to or on behalf of our clients, or they relate to taxes collected on behalf of employees or service providers. The Total Tax Contribution of NN Group therefore includes:

- The corporate income taxes paid by NN Group
- The total of the other taxes collected and paid by NN Group as outcome of its operations in the form of VAT, IPT, payroll taxes, and withholding tax on dividends paid by NN Group

There may be additional amounts which are paid to local tax authorities as a result of our economic activity which currently have not been taken into consideration in this report (for example, banking tax or contributions to the resolution fund or a rental tax). NN Group's Total Tax Contribution in 2019 amounted to EUR 2,040.1 million, with 85.4% of this amount paid to tax authorities in the Netherlands, and 14.6% to local tax authorities on behalf of our international business.

### Total taxes collected and borne by NN Group

In EUR million

Country	Total taxes collected and borne
The Netherlands	1,743.0
Japan	-2.4
Belgium	136.4
Spain	44.0
Poland	26.3
Greece	23.2
Hungary	9.1
Czech Republic	17.0
Romania	11.5
Slovak Republic	7.5
Germany	3.4
France	0.2
Italy	2.3
United Kingdom	4.9
Turkey	5.5
Bulgaria	0.3
Singapore	1.0
United States	3.9
Luxembourg	2.0
Switzerland	1.0
<b>Total 2019</b>	<b>2,040.1</b>
<b>Total 2018</b>	<b>1,993.2</b>



# Our approach to reporting

We report on our tax payments to be transparent on how we create value for our stakeholders, deliver on our strategy and make a positive contribution in the communities where we operate.

## Our approach to reporting continued

### Structure

The Total Tax Contribution Report is published together with NN Group's Annual Report. The report is published on NN Group's website in the Investors/Annual Report section.

### Reporting profile

This is NN Group's second Total Tax Contribution Report. The 2019 Total Tax Contribution Report seeks to provide an overview of the total tax payments made by NN Group to tax authorities in the countries NN Group operates and to reflect the contribution made to public finances by our business. The report is published on 12 March 2020.

### Scope of the data

The report includes all entities over which NN Group has management control. In this report we provide insight into our tax position on a country-by-country basis. We note that the reported tax contribution is a minimum position. The report does not include all taxes and other contributions paid by NN Group to governments. The report is limited to corporate income tax, wage tax, VAT, insurance premium taxes and dividend withholding taxes. For VAT we have limited the report to the five countries where NN Group has the largest presence, and for the dividend withholding tax position we report on only the withholding on dividends paid by NN Group N.V..

The scope of the reported data is presented in each definition hereinafter. 'Tax' in this report means any amount of money required to be paid to, or repaid by, a government. In brief, the key information shown is as follows:

### (1) Taxes borne

These are the taxes that NN Group is obliged to pay to a government on its own behalf, or taxes that NN Group is obliged to pay to a third party and that cannot be recovered from a government. A list of the main taxes we have included in this category are:

- Corporate income tax - This comprises any tax on the business calculated on the basis of its profits including rent resource taxes, income, and capital gains. Typically, these taxes are reflected in corporate income tax returns made to governments, and tend to become payable, and are paid, either in the year profits are made or up to one year later, depending on local tax rules as to timing of payments.
- Payroll taxes (employer) - This comprises payroll and employer taxes payable as a result of a company's capacity as an employer. Typically, these taxes are reflected in payroll tax returns made to governments and tend to be payable, and are paid, regularly (often monthly) throughout the year shortly after the submission of the return. These form part of operating costs.
- Irrecoverable indirect taxes – This comprises VAT that arises on purchases which cannot be recovered from governments as most of the activities of NN Group are VAT exempted. These taxes form part of operating costs.

### (2) Taxes collected

These are the taxes that a company is obliged to collect from others and pay to a government. A list of the taxes included in this category are:

- Value-added tax (VAT) - This comprises amounts collected on outgoing services and sales, usually arising when the service is provided, or the sale is executed. These taxes form part of a VAT tax return made to the government and tend to become payable, and are paid, regularly (often quarterly) throughout the year shortly after submission of the VAT tax returns.
- Insurance premium tax (IPT) – This comprises amounts collected on insurances, usually arising when the insurance premium is written. These taxes form part of an IPT tax return made to the government and tend to become payable, and are paid, regularly (often quarterly) throughout the year shortly after the submission of the IPT tax returns.
- Payroll taxes (employee) - This comprises payroll and employee taxes withheld from employee remuneration and paid to governments. These taxes are reflected in payroll tax returns made to governments and tend to be payable, and are paid, regularly (often monthly) throughout the year shortly after the submission of the return.
- Payroll taxes (products) - This comprises taxes withheld from insurance payments and paid to governments. These taxes are reflected in claims paid to insured customers and tend to be payable, and are paid, regularly (often monthly) throughout the year shortly after the submission of the return.
- Withholding tax - This comprises tax charged on payments of dividends or other distributions of profits by NN Group. This tax becomes payable, and is paid, at the point of a distribution of dividend rather than in the year the profits actually arise.

## Our approach to reporting continued

### Review and approval

The data provided in our Total Tax Contribution report is based on the Annual Accounts and underlying data prepared by NN Group entities. All information is reviewed by NN Group's Disclosure Committee and is subject to approval by our Executive Board and Supervisory Board before publication.

### Reporting guidelines

In our reporting, NN Group is guided by the 2019 GRI Sustainability Reporting Standards 207<sup>1</sup> on tax. We refer to the GRI Tax Index included in this report. Furthermore, for financial reporting, IAS12 Income Taxes, part of the EU-IFRS reporting framework is the most relevant standard for the Total Tax Contribution Report 2019.

We believe that reporting on tax transparency will become a part of standardised reporting in the future, for example by the GRI Sustainability Reporting Standards 207 on tax, as effective per 1 January 2021. NN Group will closely monitor these developments in order to meet the expectations of stakeholders.

### External assurance

This Report has been subject to review by our external auditor KPMG. We refer to chapter 5 of this Report.

The Hague, 11 March 2020

### The Executive Board

D.A. (David) Knibbe, CEO, Chair  
D. (Delfin) Rueda, CFO, vice-chair

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<sup>1</sup> GRI Standard 207: <https://www.globalreporting.org/standards/gri-standards-download-center/#user-details>.



# Assurance report of the independent auditor

To: the Stakeholders and the Supervisory Board of NN Group N.V.

## Our conclusion

We have reviewed the Total Tax Contribution Report 2019 ('Total Tax Contribution Report') of NN Group N.V. ('NN Group') based in Amsterdam and headquartered in The Hague. A review is aimed at obtaining a limited level of assurance.

Based on our procedures performed, nothing has come to our attention that causes us to believe that the Total Tax Contribution Report is not prepared, in all material respects, in accordance with the reporting criteria as included in the section 'Reporting guidelines' in the chapter 'Our approach to reporting' (page 23) of the Total Tax Contribution Report.

## Basis for our conclusion

We have performed our review in accordance with Dutch law, including Dutch Standard 3000A 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information (attestation engagements)'. Our responsibilities in this regard are further described in the 'Auditor's responsibilities' section of this assurance report.

We are independent of NN Group in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

## Reporting criteria

The Total Tax Contribution Report needs to be read and understood together with the reporting criteria. NN Group is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the Total Tax Contribution Report are:

- GRI Standards for sustainability reporting, disclosure - GRI 207: Tax 2019.
- For financial disclosures, EU-IFRS is the basis for financial reporting and in particular IAS 12 Income Taxes.



## Scope of the review

The Total Tax Contribution Report is intended to provide insight to stakeholders in how NN Group delivers value to society through its tax contributions. In the Total Tax Contribution Report it is made explicit that the reported tax contribution is a minimum position and does not include all taxes and other contributions paid by NN Group to governments. With respect to the data reported, our assurance is therefore primarily focussed on the reconciliation of the reported figures with the 2019 consolidated annual accounts of NN Group or the underlying documents and/or records thereof. Our review cannot be considered as a tax assessment in respect of the compliance of NN Group with tax legislation.

## Materiality

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence relevant decisions of intended users taken on the basis of the subject matter information. Materiality is considered in the context of qualitative factors and, when applicable, quantitative factors. Based on our professional judgement, we set the quantitative materiality at EUR 100 million.

## Limitations to the scope of our review

The Total Tax Contribution Report includes prospective information such as ambitions, strategy, plans, expectations, estimates and risk assessments. Inherently, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the Total Tax Contribution Report.

The references to external sources or websites in the Total Tax Contribution Report are not part of the Total Tax Contribution Report itself as reviewed by us. We therefore do not provide assurance on this information.

## Unreviewed corresponding figures

The Total Tax Contribution Report 2018 has not been reviewed. Consequently, the corresponding figures included in the Total Tax Contribution Report 2019 have not been reviewed.

## Responsibilities of the Executive Board for the Total Tax Contribution Report

The Executive Board of NN Group is responsible for the preparation of the Total Tax Contribution Report in accordance with the reporting criteria as included in the section 'Our approach to reporting' of the Total Tax Contribution Report.

The choices made by the Executive Board regarding the scope of the Total Tax Contribution Report and the reporting policy are respectively summarised in the paragraphs 'Scope of the Data' and 'Reporting profile' of the Total Tax Contribution Report.



The Executive Board is also responsible for such internal control as it determines is necessary to enable the preparation of the Total Tax Contribution Report that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing NN Group's reporting process.

## **Our responsibilities for the review of the Total Tax Contribution Report**

Our objective is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determining the plausibility of information and vary in nature and timing from, and are less in extent, than for an audit engagement. The level of assurance obtained in review engagements with a limited level of assurance is therefore substantially less than the assurance obtained in audit engagements.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the Total Tax Contribution Report.

The materiality affects the nature, timing and extent of our review procedures and the evaluation of the effect of identified misstatements on our conclusion.

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, Regulations on quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3000A, ethical requirements and independence requirements.

Our review included among other things, the following procedures:

- performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of NN Group;
- evaluating the appropriateness of the reporting criteria used and their consistent application;
- identifying areas of the Total Tax Contribution Report with a higher risk of misleading or unbalanced information or material misstatements, whether due to fraud or error;
- designing and performing further assurance procedures aimed at determining the plausibility of the information responsive to this risk analysis. These procedures included among other things:
  - interviewing relevant staff at corporate level responsible for the tax, policy and results;
  - interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the Total Tax Contribution Report;



- obtaining assurance information, on a limited test basis, that the information presented in the Total Tax Contribution Report reconciles with underlying documents and/or records of NN Group;
- reviewing, on a limited test basis, relevant internal and external documentation;
- evaluating the presentation, structure and content of the Total Tax Contribution Report;
- considering whether the Total Tax Contribution Report as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the Executive Board regarding, among other matters, the planned scope and timing of the review and significant findings that we identify during our review.

Amstelveen, 11 March 2020

KPMG Accountants N.V.

P.A.M. de Wit RA



# Appendix

## Appendix

In 2019, the Global Reporting Initiative has launched the 207 Tax standard, which is the first global standard for comprehensive tax disclosure at the country-by-country level. Although the 207 Tax standard is not yet effective, NN Group is guided by this standard in reporting on its tax position.

Below index table serves as a reference from the GRI 207 Tax Disclosure to the relevant sections in our 2019 Total tax Contribution, Annual Review, Financial Report, and our corporate website.

### GRI 207: Tax 2019

		Reference
		<ul style="list-style-type: none"> <li><span style="color: orange;">●</span> AR Annual Review</li> <li><span style="color: orange;">●</span> FR Annual Accounts</li> <li><span style="color: orange;">●</span> TC Total Tax Contribution Report</li> <li><span style="color: orange;">●</span> NN NN Group Website</li> </ul>
Indicator	Description of indicator	Reference
<b>207-1 Approach to tax</b>		
207-1 a	A description of the approach to tax, including:	
207-1 a i	Publicly available tax strategy	<span style="color: orange;">●</span> NN In society/NN's Approach to tax/Group Tax charter
207-1 a ii	Approval and review of tax strategy	<span style="color: orange;">●</span> TC Our Approach to tax
207-1 a iii	The approach to regulatory compliance	<span style="color: orange;">●</span> TC Our Approach to tax
207-1 a iv	Link between approach to tax and the company's business and sustainable development strategies	<span style="color: orange;">●</span> TC Our Approach to tax
<b>207-2 Tax Governance, control and risk management</b>		
207-2 a	Description of the tax governance and control framework, including:	
207-2 a i	Internal governance of compliance with the tax strategy;	<span style="color: orange;">●</span> NN In society/NN's Approach to tax/Group Tax charter
207-2 a ii	Embedding of approach to tax within the organisation;	<span style="color: orange;">●</span> NN In society/NN's Approach to tax/Group Tax charter
207-2 a iii	Description of Tax risk policy	<span style="color: orange;">●</span> NN In society/NN's Approach to tax/Group Tax charter
207-2 a iv	Evaluation of compliance with the tax governance and control framework	<span style="color: orange;">●</span> NN In society/NN's Approach to tax/Group Tax charter
207-2 b	Whistleblower policy	<span style="color: orange;">●</span> AR Our culture and governance
207-2 c	A description and reference to the assurance process for disclosures on tax	<span style="color: orange;">●</span> AR Page 40
<b>207-3 Stakeholder engagement and management of concerns related to tax</b>		
The reporting organisation shall report the following information		
207-3 a	A description of the tax governance and control framework, including:	
207-3 i	The approach to engagement with tax authorities	<span style="color: orange;">●</span> TC Our Approach to tax
207-3 ii	The approach to public policy advocacy on tax	<span style="color: orange;">●</span> TC Our Approach to tax
207-3 iii	The processes for collecting and considering the views and concerns of (external) stakeholders	<span style="color: orange;">●</span> TC Our Approach to tax

## Appendix Continued

Indicator	Description of indicator	Reference
<b>207-4 County by Country reporting</b>		
	The reporting organisation shall report the following information	
207-4 a	All tax jurisdictions where the entities included in the organisation's audited consolidated financial statements are resident for tax purposes.	TC Corporate Income Tax in the Annual Accounts
207-4 b	For each tax jurisdiction reported in Disclosure 207-4-a:	TC Corporate Income Tax in the Annual Accounts
207-4 b i.	Names of the resident entities;	TC Corporate Income Tax in the Annual Accounts
207-4 b ii.	Primary activities of the organisation;	TC Corporate Income Tax in the Annual Accounts
207-4 b iii.	Number of employees, and the basis of calculation of this number;	TC Corporate Income Tax in the Annual Accounts
207-4 b iv.	Revenues from third-party sales	Not specified
207-4 b v.	Revenues from intra-group transactions with other tax jurisdictions	Not specified
207-4 b vi.	Profit/loss before tax	TC Corporate Income Tax in the Annual Accounts
207-4 b vii.	Tangible assets other than cash and cash equivalents	TC Corporate Income Tax in the Annual Accounts
207-4 b viii.	Corporate income tax paid on a cash basis	TC Corporate Income Tax in the Annual Accounts
207-4 b ix.	Corporate income tax accrued on profit/loss	TC Corporate Income Tax in the Annual Accounts
207-4 b x.	Reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax	TC Corporate Income Tax in the Annual Accounts
207-4 c.	The time period covered by the information reported in Disclosure 207-4.	TC Corporate Income Tax in the Annual Accounts
<b>207 -4 Reporting recommendation</b>		
2.3.1.	Total employee remuneration	FR Section 26
2.3.2	Taxes withheld and paid on behalf of employees;	TC Total Tax contribution 2019
2.3.3.	Taxes collected from customers on behalf of a tax authority;	TC Total Tax contribution 2019
2.3.4	Industry-related and other taxes or payments to governments	Banking tax currently not in scope of the TTC
2.3.5.	Significant uncertain tax positions	Not applicable
2.3.6.	Balance of intra-company debt held by entities in the tax jurisdiction, and the basis of calculation of the interest rate paid on the debt	Not specified

## Appendix Continued

### Glossary

In this report the following terms have the meanings shown below:

#### Cash tax rate

The cash tax paid as percentage of the accounting profit before tax.

#### Corporate income tax

All taxes that are based on the taxable profits of the company for which the accounting is governed by International Accounting Standard IAS12.

#### Current tax

The corporate income tax due in respect of taxable profits of an accounting period, as defined in the International Accounting Standard IAS12.

#### Deferred tax

The corporate income tax due in respect of temporary differences between accounting values and tax bases, as defined in the International Accounting Standard IAS12. We refer to page 11 for a detailed description.

#### Effective tax rate

The tax charge in respect of an accounting period divided by the accounting profit before tax. We refer to page 13 for a detailed description.

#### Government

Any governing body of a nation, state, region or district, but not including any commercial enterprises or financial institutions that may be controlled by a government.

#### NN Group

NN Group N.V. and its subsidiaries which are consolidated in the Annual Accounts.

#### Indirect tax

Tax that is required to be paid to a government by one entity on behalf of another entity.

#### Nominal tax rate

The statutory corporate income tax rate on profits in the different countries where NN Group operates.

#### Profit before tax

Accounting profit for a period before deducting a charge for corporate income taxes.

#### Tax

Any amount of money required to be paid to a government, whether by law or by agreement, including without limitation corporate income tax, property taxes, insurance premium taxes, employment taxes, VAT, sales taxes, stamp duties, dividend taxes and any other required payments.

#### Tax avoidance structure

Created structure that makes legal use of tax laws to reduce the effective tax rate of the company.

#### Tax borne

Tax that a entity is obliged to pay to a government, directly or indirectly, on that entity's own behalf.

#### Tax charge

The amount of tax included in the income statement of a company for an accounting period.

#### Tax collected

Tax that a entity is obliged to pay to a government on behalf of another entity.

#### Tax Compliance Agreement

Agreement between taxpayer and Dutch tax authorities in which the fundamentals of their cooperation on basis of the Horizontal monitoring principle are expressed.

#### Tax haven

Countries which impose low or zero tax rates on investors and also share limited or no financial information of these investors with international tax authorities.

#### Total Tax Contribution

The sum of all taxes borne by NN Group (as a taxpayer) and taxes collected by NN Group on behalf of our clients, our employees, and our service providers.



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