



# Total Tax Contribution Report 2020

NN Group N.V.



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[www.nn-group.com](http://www.nn-group.com)

#### 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 2020 Annual Report which consists of the 2020 Annual Review and the 2020 Financial Report Referral is made to the specific disclaimers mentioned in these reports.

# Promoting transparency in tax reporting



“  
Responsible taxation is crucial to overcome the financial and economic impact of the Covid-19 pandemic.”

**Delfin Rueda**  
Chief Financial Officer

NN Group is aware that our taxes collected and paid contribute to the economies of the societies where we operate. Especially in these difficult times in which governments are financing the response against Covid-19 and measures to support those who are severely impacted. Therefore, we are committed to the responsible payment of taxes. Our tax policy and principles are aligned with our company’s purpose and values, and support our aim to act with integrity and respect in fulfilling our tax obligations.

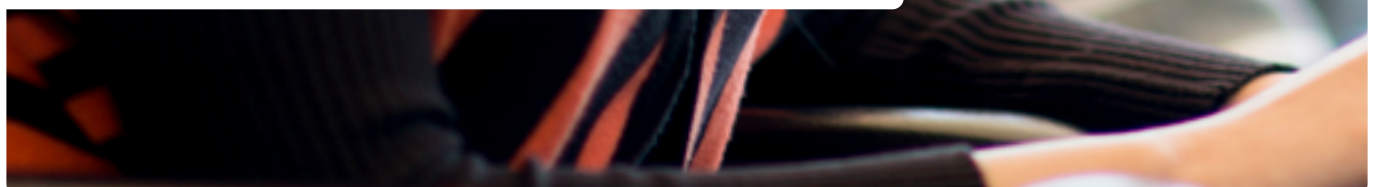
It is important that we pay our fair share of tax and that we adequately explain the taxes paid. The publication of our Total Tax Contribution Report is an example of our commitment to transparency. It brings together information about our tax strategy and our tax contribution in 2020.

The structure of the report is the same as in the previous year, but we aimed to make it more concise. Having a separate report helps to provide more context and explain the information already provided in our annual accounts. It also allows us to adhere to topic-specific standards and guidelines, such as the GRI Standard 207. In the future we intend to integrate the content of this report in the Annual Report provided that it meets the needs of our stakeholders.



## Our approach to tax

Our approach to taxes did not change in 2020 compared with previous years. Taxes are recognised on 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 and on behalf of clients, employees and service providers.





## Our approach to tax

NN Group recognises that paying tax is more than a cost of doing business: it is a contribution to society. For example, the communities we serve through our products and services benefit when NN Groups tax contributions can be used to finance better public services. Taking this into account, NN Group seeks to take a responsible approach to tax. We believe it is important that profits are taxed against the applicable tariff and where those profits are realised. This is in line with one of the guiding principles of NN Groups 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, and NN Groups 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, and the taxes we are responsible for collecting and passing on to tax authorities. Taken together, these taxes demonstrate NN Groups 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 2020 and about the specific actions taken by NN Group, which are aligned with the applicable tax regulations, and our tax policy and principles.

In this report, we provide information on tax for all 20 countries in which we operate. 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 64% of the total NN Group operating result before tax. In this report we provide insight per country.

The following taxes are recognised separately in the report:

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

### NN Group's Total Tax Contribution

**EUR 928m**

#### Tax paid

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

+

**EUR 1,464m**

#### 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.\*

=

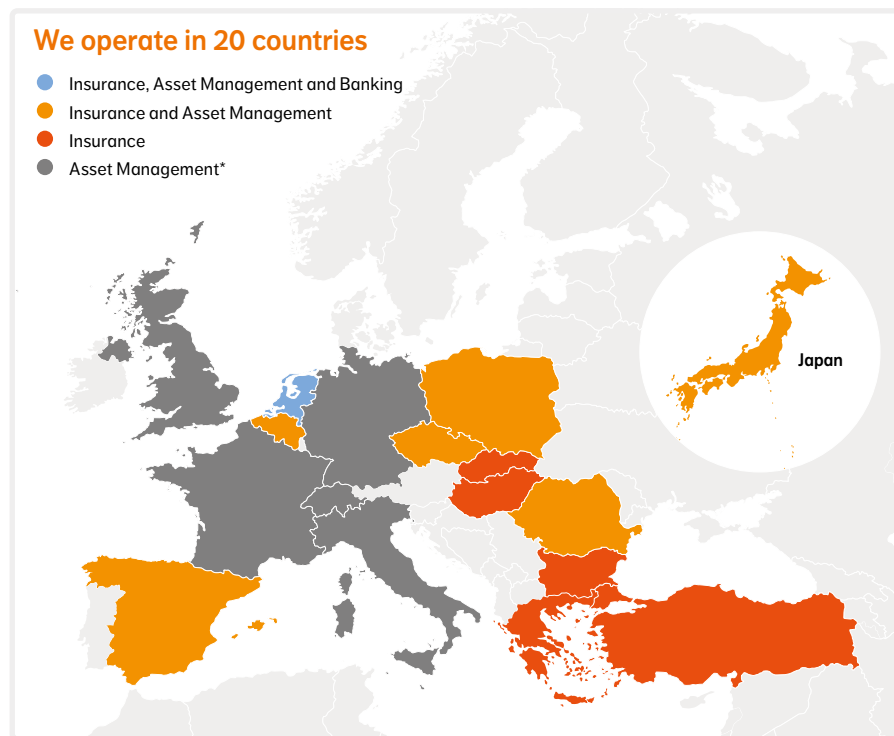
**EUR 2,392m**

#### Total Tax Contribution

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

### We operate in 20 countries

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



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

\* This reflects only the withholding tax on dividends paid by NN Group. Refer to page 21 for further details.

## Our approach to tax continued

### NN Group strategy and principles

In accordance with our statement we reported in our previous report, 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.
- In all countries where 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

Within NN Group, the tax function is organised 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 team is committed to upholding the company's values, does not seek aggressive tax planning opportunities and is keen to mitigate tax risks. The NN Group Tax team 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 interests 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 corporate income taxes as well as, 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 NN Group Tax team is part of the Group Finance function reporting to the Chief Financial Officer (CFO). The NN Group Tax team 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 NN Group Tax team 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 is published on our corporate website.<sup>1</sup>

Annually, the Audit Committee performs a deep dive into the present position and future developments in respect of corporate income tax and any other relevant tax regulations, the Group's tax strategy and tax transparency developments. The NN Group Tax team updates the Audit committee on the material tax risks and mitigating actions taken. In 2020, topics such as the Dutch Governmental Budget plan 2021 and the Australian tax audit (we refer to page 14 and page 17 of the report) were presented and discussed with the Audit committee. Furthermore, our tax position and external risks and developments are annually recurring topics in the permanent education sessions for NN Group's Supervisory Board.

## Loan Approval and Review Process (LARP)

As part of the Tax Control Framework in 2020 the NN Group Tax team prepared a framework to manage the process of real estate intercompany loans within NN Group. The objective of the Loan Approval and Review Process (LARP) was to create a standardised process and control structure of the initiation, implementation and monitoring of intercompany loans. It aims to facilitate an internal single point of registration and a sign-off process that departments can access. The LARP addressed the new OECD guidance on intercompany loans.

The operating model has resulted in synergies with other internal departments: Finance, Investment Office, Corporate Treasury and Legal. The final outcome is a framework that includes the roles and responsibilities of the involved departments, with the goal of having standardised documentation and a transparent procedure.

Once loans have been approved, the relevant information is saved in a new Loan Register to monitor its terms, conditions, maturity and other relevant change that may result in additional review. The framework was finalised and implemented as of November 2020.

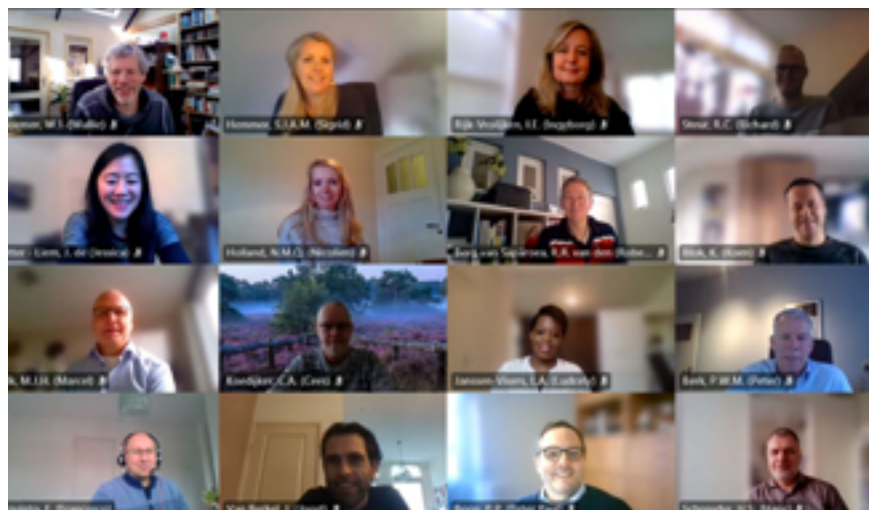
<sup>1</sup> [www.nn-group.com/sustainability/our-approach-to-tax.htm](http://www.nn-group.com/sustainability/our-approach-to-tax.htm)

## Our approach to tax continued

## The NN Group Tax team

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

Since the beginning of the Covid-19 pandemic NN Group works from home. The NN Group Tax team supported its engagement with regular video calls sharing work and non-work related matters. We actively reached out to our colleagues in business units, e.g. by providing on-line courses on tax related matters.



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. In 2020, the NN Group Tax team facilitated several education sessions to create tax awareness and improve tax knowledge within the business units, on items such as Taxation within Mergers & Acquisitions, Tax Accounting, Budget Day 2020, Payroll Taxes and insurance products, and a payroll tax webinar for various departments and business units of NN Group. Moreover, the NN Group Tax team is also part of and contributes to internal IFRS 17 learning sessions as part of the broader IFRS 17 Project within NN Group.

## Tax Control Framework

A Tax Control Framework (TCF) can be defined as 'the total set of governance, policies, procedures and activities to identify tax risks and obligations to the achievement of business objectives, manage these tax risks and obligations within the relevant risk appetite (including limits and tolerances) and thereby provide reasonable comfort regarding the achievement of business objectives'. Also at NN Group the TCF constitutes a central and important means of managing NN Group's tax affairs and being 'in control' of the tax risks. It also provides the NN Group Tax team with a risk framework and the tools to manage their responsibilities. The existence of a TCF is a condition for the Dutch tax authorities to apply the Horizontal Monitoring principle, and a TCF also supports NN Group to minimise and avoid tax risks and penalties, avoid liability risks for the management, Tax department and Supervisory Board, and create transparency and certainty regarding the tax position.

As we reported in our 2019 TTC Report, the Dutch Tax Authorities took the initiative to introduce an Individual Tax Monitoring plan for all of the hundred largest companies in the Netherlands. With the transformation of supervision at NN Group by the Dutch tax authorities from a Horizontal Monitoring approach to an Individual Tax Monitoring plan, and shifting from a 'tell me' to a 'show me' type of monitoring, the NN Group Tax team started in 2020 to enhance its TCF accordingly. As the current TCF is largely based on formal policies and procedures, the intention is to develop a more operational and evidence-based TCF in which all material inherent tax risks per relevant tax stream (being the different types of taxes or tax-related processes) are identified and analysed within the context of the business. This initiative will be an ongoing process over the coming year(s) and will provide NN Group with more explicit and documented insights of the tax risks and controls inherent to the company.

## Our approach to tax continued



“  
In 2020 NN Group had to adapt to a radically changing world and the resilience of our organisation was tested.

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

### How we work with tax authorities

NN Group is recognised as one of the Top 100 companies in the Netherlands for which the tax compliance supervision will move from a Horizontal Monitoring principle to an Individual Tax Monitoring plan. Due to Covid-19, the Individual Tax Monitoring plan was not formally implemented in 2020. It is expected to become active in 2021 with a new formal agreement.

In the new setting, NN Group will continue its existing relationship of good cooperation and transparency with the tax authorities, in the Netherlands and internationally. In the many periodical and ad hoc meetings, NN Group actively informs the tax authorities of potential tax-relevant aspects of business developments such as M&A, material (internal) re-insurance contracts, and new products. In situations where there can be different interpretations of a tax position, NN Group actively approaches the tax authorities and openly discusses the underlying facts and circumstances to come to an alignment on the tax treatment thereof. An example is the acquisition of the VIVAT Non-life business; please refer to page 11 in this report.

### Stakeholder engagement

As the business environment is constantly evolving, stakeholder engagement is essential for understanding which issues are important for the business and our stakeholders. Our customers, employees, shareholders, business partners, debt investors, regulators and the organisations representing the wider society are all important stakeholders for our company. 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 (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 Indices, a family of best-in-class benchmarks created by S&P Dow Jones Indices and SAM, is an example of a sustainability rating we participate in and 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.

## New pension scheme

To manage the wage tax position of NN Group, the NN Group Tax team has implemented the Tax Control Framework in a roadmap that documents all wage tax risks and controls. One of the recognised key risks is the pension scheme of NN Group employees. As of 1 January 2020, a single pension scheme is applicable for all employees of NN Group in the Netherlands, integrating the former Delta Lloyd pension scheme.

A main attention point for such a pension scheme is the risk of an excessive pension contribution which, if not managed properly, could result in immediate full taxation of the scheme.

The NN Group Tax team pre-discussed the proposed new pension scheme with the Dutch tax authorities. On their request, several amendments were made before finalising the new pension scheme, which now can be considered to be tax proof.



## Our approach to tax - The year of Covid-19

# The year of Covid-19

In 2020, Covid-19 affected millions of people, and it continues to lead to far-reaching health and safety measures all over the world. As a result, the Covid-19 pandemic has major social and economic consequences. Measures are being adopted to limit the impact on society as much as possible. Within NN Group, Covid-19 had the following tax impacts in 2020.

### Working from home including payroll tax consequences

Covid-19 and governmental measures to manage the pandemic had a major impact on NN Group's employees. In the Netherlands, NN Group followed the government's decision to work entirely from home as of 16 March 2020, with the exception of those involved in critical processes and in necessary cases. This raised a number of practical issues such as continuing arrangements for travel expenses, the provision of work spaces whether or not to reimburse costs of IT equipment, et cetera. Similarly, NN Group wanted to compensate employees for the costs associated with working from home.

These are examples where the NN Group Tax team worked in close consultation with Group HR. From a payroll tax perspective, these topics include possibilities and limitations where the existing tax regulations do not (fully) provide for this new and exceptional situation. For a number of schemes, the government issued decrees and Q&As to provide guidance. The NN Group Tax team ensured that these (temporary) provisions were clearly explained to the relevant departments, such as HR Compensation & Benefits and HR International Mobility, and

through periodic consultations between NN Group Tax team and all salary administrators within NN Group, so that they were implemented in a way that was clear and understandable. Within the tax regulations, for example, the NN Group Tax team advised HR on a practical and non-taxable temporary arrangement for a monthly reimbursement of internet costs for all employees.

Specific attention was given to employees who work in the Netherlands but live in another country. Compulsory working from home could have an effect on the tax assessment (application of the tax treaties) or social security (in the EU context through the Regulation). In particular, the NN Group Tax team worked with HR International Mobility on the situations where (new) employees could not or were not allowed to travel to the Netherlands due to restrictions in their home country or the EU travel ban. Guidance was also provided to the business to prevent the recognition of a permanent establishment in the different countries due to the temporary working from home situation.

### New way of working

Working from home as a public health measure has been a crucial factor in mitigating the transmission of the virus amongst the general population. Since the Covid-19 pandemic began in the Netherlands, NN Group employees, including the NN Group Tax team, have been working from home. Despite the distance, the NN Group Tax team has been able to support colleagues and stakeholders, and remain in close contact as a team.

## NN Group top-scoring company in VBDO Tax Transparency Benchmark 2020

After consultation by an expert jury, NN Group is once more the top-scoring company in the sixth annual Tax Transparency Benchmark published by the Dutch association of investors for Sustainable Development (VBDO). The benchmark ranks 77 Dutch listed companies on the level of transparency they provide on tax and the quality of tax governance they demonstrate.

With a record score of 32 points from a maximum of 35 points, NN Group ranks at the top of the benchmark. The jury praised NN Group for further improvements in the disclosures of direct and other taxes per country, and for gaining third-party tax assurance on the 2019 Total Tax Contribution Report.

The missing points relate to a tax control statement provided by the Board of Directors and the role of technology for relevant data management. NN Group has taken note and is further investigating how to enhance its internal controls and activities on these items.

## Our approach to tax - The year of Covid-19

### Measures taken by the Dutch government

In 2020, the Dutch government issued several fiscal measures in connection with the Covid-19 pandemic. For example, companies affected by the economic consequences of the coronavirus could apply for a deferral of payment of CIT, VAT and Payroll Tax. NN Group did not make use of these arrangements. A limited number of NN business units outside the Netherlands made use of local Covid-19 facilities provided which related to the deferral of tax payments and tax filings. At the publication of this report, most of the NN Business Units have already met their local tax filing requirements.

### Other Covid-19 consequences impacting NN Group's tax position

#### Liquidation Loss India

In 2019, NN Group began liquidating an Indian NN Investment Partners (NN IP) subsidiary as the business in India was terminated. At that time it was foreseen that liquidation could be finalised in 2020, before the introduction of the new liquidation loss limitation rules in the Netherlands. Due to Covid-19, the Indian authorities were very limited in their capacity and hence the Indian formal requirements for such a liquidation were not timely met. Currently, it is expected that the liquidation will be finalised in 2021. As a result of this delay it is uncertain whether a tax deductible liquidation loss can be claimed under the new liquidation loss regime in the Netherlands. We refer to the amendments of liquidation loss scheme on this page for an explanation of these new rules.

#### Dutch Government Budget 2021

On Budget day 2020, the Dutch government presented its Tax Plan 2021. It includes several measures with an impact on businesses and, more specifically, financial institutions. NN Group is affected by the following new measures:

### Minimum capital rule for insurance companies and banks

A minimum capital rule for insurance companies and banks was introduced in the Netherlands on 1 January 2020. The rule creates an interest deduction limitation for Corporate Income Tax purposes if certain thresholds are not met. For 2020 the threshold was defined at an equity ratio of 8% (based on the Solvency II figures of 31 December 2019). Based on the 2019 Solvency II figures, this threshold was almost met by NN Group leaving only a small and not material part of the interest paid on debts by NN Group as non-tax-deductible. In the new Tax Plan 2021, the equity threshold is raised to 9%, as compensation for certain banks and insurance companies deducting interest on Tier 1 loans. Although NN Group does not make use of the targeted Tier 1 loans, it will be impacted by the increase of the equity threshold to 9%, leading to an increase in non-deductible interest. Based on the 2020 figures the impact will remain relatively small and not material.

#### New loss compensation rules

Under the current loss compensation rules, losses can be carried forward for six years while the carry back for NN Group is currently in principle restricted to one year. As of 2022, it is proposed to introduce an unlimited carry forward relief but capped at 50% of the taxable profit when profits exceed the amount of EUR 1 million. Although the change will only be effective in 2022 at the earliest, its impact has already taken into account stating the long-term characteristics of the deferred tax positions of NN Group without any material impact on the current tax position.

### Amendments to liquidation loss scheme

Up until 2020, liquidation losses of (foreign) subsidiaries for which the participation exemption applies were fully tax deductible, if conditions were met. As per 2021, the deduction of (foreign) liquidation losses on subsidiaries is limited. These losses will only be deductible in the case of a minimum shareholding of 50% in the equity of the subsidiary and when that entity is resident in the EU/EEA. We refer to the Covid-19 section for the impact at introduction to NN Group of this new liquidation loss scheme. Currently, no other impacts are foreseen.

### Increase of Dutch Real Estate Transfer Tax (RETT) for investors

As from 2021, the RETT has been increased for investors to 8%. As NN Group has a large real estate portfolio, this increase will have a negative impact on the value of the Dutch real estate of NN Group.

### Corporate income tax rate change

In 2021, the Dutch corporate income tax rate will remain at 25% for taxable profits exceeding the threshold of EUR 245,000 (2021). Hence the proposal enacted in 2019 to lower the CIT rate as of 1 January 2021 from 25% to 21.7% has been cancelled. This change will impact the deferred tax position of taxable profits and losses which are recognised in future years. We refer to the Corporate income tax in the annual accounts section for further details on the impact for NN Group.

## Our approach to tax - Changes in regulations and other developments in 2020

# Changes in regulations and other developments in 2020

### Acquisition VIVAT

In June 2019, NN Group announced the acquisition of VIVAT Non-life. The transaction was effected by the transfer of all of the shares in the VIVAT Non-life entities to NN Group per 1 April 2020 and the legal merger of the VIVAT Non-life insurance entity with the NN Non-life insurance entity per 31 December 2020. The NN Group Tax team was closely involved at the acquisition and during the integration process. A transaction like this impacts the tax position of the companies involved. The tax principles of VIVAT Non-life were aligned with the tax principles of NN Group and tax compliance processes at VIVAT Non-life have been integrated within NN Group. The NN Group Tax team actively informed the Dutch tax authorities of the impact on the tax position of NN Group at the start of the transaction in 2019 while integrating the activities in 2020.

### DAC 6

As a result of the Dutch implementation of the European Directive Mandatory Disclosure Rules/DAC6 per 1 January 2021, intermediaries and/or taxpayers must report potentially qualifying cross-border tax arrangements to the Netherlands Tax and Customs Administration. The Directive was implemented retrospectively from 25 June 2018 and hence the transactions between 25 June 2018 and 31 December 2020 were reported in January 2021.

The following three transactions were reported in January 2021, as these transactions meet the DAC 6 reporting requirement of a reduction of more than 50% of the projected EBIT after the transaction:

By NN Group:

- The cross border merger between NN Investment Partners Luxembourg and NN Investment Partners Netherlands with NN Investment Partners Luxembourg as disappearing entity
- The transfer of activities of a Swiss subsidiary of NN Investment Partners NV to a Dutch subsidiary of NN Investment Partners NV

By the intermediary involved in the transaction by assisting NN Group:

- Cross border merger between Aegon Czech Republic and NN Levensverzekeringen Maatschappij N.V.

### Increase of insurance premium tax rate in Spain

As from 1 January 2021, the insurance premium tax in Spain has increased from 6% to 8%. The increase of the insurance premium tax is a development of the recent years which is seen in various countries where NN Group operates. In the Netherlands, the insurance premium tax has been increased in the years 2008-2013 up to a rate of 21%. The clients of NN Group are impacted by this increase as this tax is being paid upon the premium.

### Head office costs

In 2019, NN Group entered into an advance pricing agreement (APA) for the year 2020-2022 with the Dutch tax authorities for the allocation of the head office expenses to its Dutch and international business units. In practice, it is challenging for internationally operating companies to avoid double taxation on such head office cost allocations. Although it is clear that the costs should be deductible in (only) one country, NN Group experiences, even if being ruled by the Dutch tax authorities, a trend that foreign tax authorities challenge the deductibility of head office charges, leading to double taxation. The NN Group Tax team is in close contact and cooperation with its international business units in order to prevent this and align the corresponding positions of the tax authorities. For example, NN Spain has entered into negotiations with the Spanish tax authorities to secure the deductions of head office costs in Spain in alignment with the APA in the Netherlands.

## Local transfer pricing audits

In recent years, several international NN IP companies were subject to a local tax audit.

In some cases the audit focused on a particular transaction, in other cases, transfer pricing was part of a bigger review, and involved more items such as VAT.

Although a local tax advisor is involved in also these audit processes, local tax authorities have expressed their appreciation that a NN Group Tax specialist is involved to provide insight into NN Group activities, overall value chain/business model and the group's transfer prices. Based on recent experience, the involvement of a NN Group Tax specialist helped in filtering the information, and translating the input from non-tax representatives appropriate to/for the tax authorities.

In the past three years, the transfer pricing enquiry from the tax authorities has focused on obtaining the transfer pricing documentation which NN Group together with the business units prepares periodically. The transfer pricing audits have mainly reached the information gathering phase, where some audits have already been concluded without any follow up and without any Transfer Pricing disputes initiated by the tax authorities.



# Corporate income tax in the Annual Accounts

Information on corporate income tax has been published in the 2020 Annual Accounts. This chapter includes tables from the 2020 Annual Accounts. All financial amounts in these tables are in millions of euros, unless stated otherwise.



## Corporate Income Tax in the Annual Accounts

Deferred taxes in the NN Group balance sheet 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 Balance sheet. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available to use these tax assets. Tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they either relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities which intend to settle the current tax assets and liabilities on a net basis.

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 tax rates enacted or substantively enacted by the reporting period date are used to determine the deferred tax.

### Tax technology within the tax function

Already in 2018, the NN Group Tax team took the initiative to implement software for a full automated reporting of tax positions in the quarterly financial closing cycles. This process involved all Dutch and international NN Group business units.

Driven by the increased demand for detailed information and tighter closing timelines, the NN Group Tax team invested in a further upgrade of the aforementioned software tool in 2020, which resulted in both an improved output and a reduction in process time of the tax provisioning in the books of the relevant entities. The upgrade was already used by a number of Dutch business units in 2020, with implementation for the remaining business units expected to be finalised in 2021.

Also in 2020, the NN Group Tax team started to work with the internal IT department to realise a management information system that enables the tax function to quickly retrieve critical, tax relevant data during the quarterly closing cycles. This will lead to increased efficiency and reduce time spent on gathering data, leaving more time for tax data analysis.

Finally in 2020, NN Group started to create one consistent, accurate and effective asset platform for accounting and reporting purposes. This project included automatically generating of relevant tax data, thereby eliminating manual processes and reducing the risk of errors in financial and tax data. Implementation is expected to be finalised in 2021.

### Deferred tax (2020)

	Net liability 2019	Changes through equity	Changes through net result	Changes in the composition of the group and other changes	Exchange rate differences	Net liability 2020
Investments	3,378	1,310	-58	17	-9	4,638
Real estate investments	777		149			926
Financial assets and liabilities at fair value through profit or loss	22		1		-1	22
Deferred acquisition costs	422		-7	35	-11	439
Fiscal reserves	10		2			12
Depreciation	23			-1	-1	21
Insurance liabilities	-3,155	-544	-160	81		-3,778
Cash flow hedges	2,473	1,600				4,073
Pension and post-employment benefits	5	1	-2		1	5
Other provisions	-44		-7	-4	1	-54
Receivables	-24		5	32	-1	12
Loans	-20		-13	-54		-87
Unused tax losses carried forward	-77		3	-3		-77
Other	156	14	13	-76	-3	104
<b>Deferred tax</b>	<b>3,946</b>	<b>2,381</b>	<b>-74</b>	<b>27</b>	<b>-24</b>	<b>6,256</b>

Presented in the balance sheet as:

Deferred tax liabilities	4,030	6,329
Deferred tax assets	-84	-73
<b>Deferred tax</b>	<b>3,946</b>	<b>6,256</b>

## Corporate Income Tax in the Annual Accounts continued

Tax losses arise when the taxable profit of a fiscal entity is negative. Generally tax losses can be offset against the taxable profits of following years. A deferred tax asset is only recognised to the extent that NN Group expects to utilise 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 recognised a deferred tax asset. The amount that was unlikely to be utilised (EUR 221 million) was not recognised.

The income tax charge of EUR 423 million in 2020 represents an effective tax rate of 18.0%. This effective tax rate is lower than the weighted average statutory tax rate of 24.6% 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 exempt by the Dutch participation exemption to prevent double taxation. The impact of the participation exemption leads to a 3.7% reduction of the Effective Tax Rate (ETR).

2. In December 2020, a final agreement was reached with the Australian Tax Office on all aspects of a tax audit resulting in a final payment to the ATO and the release of the remainder of the provision (net of related expenses). We refer to page 17 of the report. The release of the provision of EUR 109 million is tax exempt, leading to a 1.1% reduction of the ETR.
3. At the time of filing the 2019 tax return in the Netherlands, more detailed information was available then at the time of determining the year-end tax position for IFRS purposes. A reassessment was made of the prior year tax liabilities, leading to a tax benefit recognised under IFRS of EUR 80 million, impacting the ETR in 2020 by 3.2% (lower tax charge).

4. In December 2020 the already in 2019 enacted tax rate reduction as of 1 January 2021 from 25% to 21.7% was cancelled by the Dutch government. As a result, NN Group had to remeasure its Dutch deferred tax assets and liabilities at the new tax rate. The impact of the remeasurement leads to an 1.1% increase of the ETR in the profit and loss accounts. The major part of this tax rate change is recognized in equity as an adjustment of the deferred tax position.

The effective tax rate of 18% is lower than the insurance industry average of 21.1% as published by the Dow Jones Sustainability Index (DJSI)<sup>1</sup>.

### 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 for example IFRS uses a market value approach for reporting most financial assets, the tax laws of the countries in which NN Group operates generally use a 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:** The value of a financial asset, purchased on 1 January at 1,000 increases in value on 31 December to 2,000. At year end this financial asset is valued for IFRS purposes at 2,000 whilst the tax value remains at 1,000. At the IFRS balance sheet per year end an unrealized capital gain of 750 and a deferred tax liability, at the expected future tax rate of 25%, of 250 are recorded.

### Deferred tax on unused tax losses carried forward

	2020	2019
Total unused tax losses carried forward	527	566
Unused tax losses carried forward not recognised as a deferred tax asset	-221	-252
<b>Unused tax losses carried forward recognised as a deferred tax asset</b>	<b>306</b>	<b>314</b>
Weighted average statutory tax rate <sup>2</sup>	25.3%	24.6%
<b>Deferred tax asset</b>	<b>77</b>	<b>77</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	
	2020	2019	2020	2019
Within 1 year	22	13	2	11
More than 1 year but less than 5 years	40	56	12	1
More than 5 years but less than 10 years		16		7
Unlimited	159	167	292	295
<b>Total unused tax losses carried forward</b>	<b>221</b>	<b>252</b>	<b>306</b>	<b>314</b>

<sup>2</sup>Based on the countries in which the tax losses occur.

## Corporate Income Tax in the Annual Accounts continued

## 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

	2020	2019
Current tax	497	-337
Deferred tax	-74	781
<b>Taxation on result</b>	<b>423</b>	<b>444</b>

NN Group N.V., together with a majority of Dutch 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

	2020	2019
Result before tax	2,349	2,429
Weighted average statutory tax rate <sup>3</sup>	24.6%	24.8%
<b>Weighted average statutory tax amount</b>	<b>578</b>	<b>602</b>
Participation exemption	-112	-100
Other income not subject to tax and other		-5
Expenses not deductible for tax purposes	8	3
Impact on deferred tax from change in tax rates	25	-39
Deferred tax benefit for previously not unrecognised amounts	-1	5
Tax for non-recognised losses	2	1
Write-off/reversal of deferred tax assets	3	
Adjustments to prior periods	-80	-23
<b>Effective tax amount</b>	<b>423</b>	<b>444</b>
<b>Effective tax rate</b>	<b>18.0%</b>	<b>18.3%</b>

<sup>1</sup>SAM's Corporate Sustainability Assessment Companion 2020, page 60 'Average Effective Tax Rate & Cash Tax Rate for each of the 24 GICS® Industry Groups'.

<sup>3</sup>Based on the contribution of each country in the result before tax.

## Corporate Income Tax in the Annual Accounts continued

### Taxes in the cash flow statement

The Total Tax Contribution of NN Group was EUR 2,392 million for 2020 (see page 22). 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 which amounted to EUR 250 million in 2020 (2019: EUR – 37 million).

The dissimilarity in corporate income tax paid 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 - and other carry-forwards.

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 (2020)

The table below provides additional information on principal subsidiaries, the nature of the main activities and employees by country. For the 2019 table of the principal subsidiaries and geographical information, we refer to the Financial Accounts page 96.

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 <sup>3,4</sup>
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>8,595</b>	<b>12,272</b>	<b>207,640</b>	<b>1,799</b>	<b>285</b>	<b>87</b>	<b>16%</b>
NN Life Insurance Company, Ltd.	Life insurance							
<b>Japan</b>		<b>901</b>	<b>3,887</b>	<b>21,999</b>	<b>206</b>	<b>57</b>	<b>81</b>	<b>28%</b>
NN Insurance Belgium nv	Life insurance							
<b>Belgium</b>		<b>666</b>	<b>1,114</b>	<b>17,901</b>	<b>55</b>	<b>19</b>	<b>6</b>	<b>34%</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>536</b>	<b>657</b>	<b>4,785</b>	<b>7</b>	<b>2</b>	<b>4</b>	<b>30%</b>
Nationale-Nederlanden Towarzystwo Ubezpieczeń na Życie S.A.	Life insurance							
Nationale-Nederlanden Powszechna Towarzystwo Emerytalne S.A.	Pensions							
<b>Poland</b>		<b>1,022</b>	<b>499</b>	<b>2,300</b>	<b>88</b>	<b>19</b>	<b>37</b>	<b>21%</b>
NN Hellenic Life Insurance Co, S.A.	Life insurance							
<b>Greece</b>		<b>419</b>	<b>506</b>	<b>2,234</b>	<b>15</b>	<b>6</b>		<b>37%</b>
NN Životní pojišťovna N.V. (pobočka pro Českou republiku)	Life insurance							
<b>Czech Republic</b>		<b>649</b>	<b>220</b>	<b>1,402</b>	<b>28</b>	<b>7</b>	<b>7</b>	<b>25%</b>
NN Biztosító Zártkörűen Működő Részvénytársaság	Life insurance							
<b>Hungary</b>		<b>374</b>	<b>271</b>	<b>1,332</b>	<b>12</b>	<b>3</b>	<b>3</b>	<b>23%</b>
NN Asigurari de Viata S.A.	Life insurance							
<b>Romania</b>		<b>457</b>	<b>229</b>	<b>1,065</b>	<b>39</b>	<b>7</b>	<b>4</b>	<b>19%</b>
NN Životná poisťovna, a.s.	Life insurance							
<b>Slovak Republic</b>		<b>349</b>	<b>161</b>	<b>799</b>	<b>18</b>	<b>5</b>	<b>5</b>	<b>26%</b>



## 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 IFRS, 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 correspondingly reassesses its conclusion whether or not to report a (change in) tax provision.

## Australia – tax audit

In April 2015, the Australian Taxation Office (ATO) commenced a tax audit on ING Australia Holdings Ltd. The tax audit concerns the years 2007-2013 and focused on the currency denomination of and interest on intercompany loans which resulted from the transfer of the insurance and asset management businesses in Australia. ING Australia Holdings was transferred by NN Group to ING Groep in 2013 as part of which it was agreed that NN Group remains liable for any damages resulting from tax claims. An independent review of the tax audit was completed by the ATO in July 2017. In 2017, NN Group recognised a provision on the IFRS and Solvency II balance sheets for an amount of AUD 279 million (EUR 185 million) to cover the costs of the expected ATO claim

including penalties, interest and related expenses. This provision was recognised as non-tax deductible under the participation exemption. In December 2020, a final agreement was reached with the ATO on all aspects of the tax audit resulting in a final payment to the ATO and the release of the remainder of the provision (net of related expenses). The release of EUR 109 million is recognised in 2020 in Result on disposal of group companies (Result on divestments in the segment Other). This release is recognised as non-taxable under the participation exemption. The tax audit concerns a former subsidiary of NN Group and, therefore, does not impact NN Group's business or strategy going forward.

## 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 <sup>3,4</sup>
Germany		10	25	704	22	6	8	25%
France		9	58	689	43	6	1	15%
Italy		6	-10	241	-9	-2	2	18%
Denmark			5	238	3	0		7%
United Kingdom		12	-4	192	2	0	3	3%
Bulgaria		135	25	113	3	0	1	14%
Turkey		395	43	62	-3	0		7%
Ireland				21				
Singapore		31	1	12	10	2		17%
Mexico		1		4				
United States		13		2	1	0	1	21%
Luxembourg			1	1		0		26%
Switzerland		8		1	9	1		13%
Argentina		2		1				
Uruguay		2			1	0		25%
<b>Total</b>		<b>14,592</b>	<b>19,960</b>	<b>263,738</b>	<b>2,349</b>	<b>423</b>	<b>250</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.

4: If the rounded taxation amount is reported as 0, then the ETR is based on the actual taxation amount

# Total Tax Contribution in 2020

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 service providers.



## Total Tax Contribution in 2020

### 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 also means that the financial institution cannot deduct the VAT it has paid to its suppliers on goods and services purchased, as normally would be the case. VAT charged to NN Group will economically lead to a cost instead of being a benefit to the company, as the wording "exemption" might suggest.

On other business, such as pension administrations, VAT is charged by NN Group and collected and paid to the tax authorities. This report reflects the VAT tax contribution of NN Group in all countries where NN Group has a presence. The 2019 report was limited to the countries where NN Group has the largest presence (the Netherlands, Belgium, Spain, Poland and Japan). In 2020 we have included all countries in which NN Group operates. The extension of this disclosure from 5 countries to the complete NN Group is another step forward in our ambition to provide maximum tax transparency.

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

in millions of euros	VAT charged to NN	VAT recovery	VAT collected and paid to the Governments	Total VAT contribution
The Netherlands	164.5	-21.9	23.2	165.8
Belgium	30.6	-0.1	0.1	30.6
Bulgaria	0.7			0.7
Czech Republic	4.8	-4.4	5.3	5.7
France				
Germany	0.1		0.1	0.2
Greece	4.2			4.2
Hungary	3.8	-0.5	0.3	3.6
Italy				
Japan <sup>1</sup>	23.0	-0.3	0.2	22.9
Luxembourg				
Poland	9.0	-0.8	0.9	9.1
Romania	0.6		0.2	0.8
Singapore	0.1	-0.1		
Slovak Republic	3.2	-0.3	0.4	3.3
Spain	8.3	-0.6	0.5	8.2
Switzerland	0.1			0.1
Turkey	0.7		0.4	1.1
United Kingdom	0.1			0.1
United States				
Uruguay				
<b>Total VAT contribution 2020</b>	<b>253.8</b>	<b>-29.0</b>	<b>31.6</b>	<b>256.4</b>
Total VAT contribution 2019				239.5

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

## Total Tax Contribution in 2020 continued

### Insurance premium tax (IPT)

IPT is charged on behalf of the 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, 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 direct payments by NN Group companies to the tax authorities. In the Netherlands this includes the fully owned insurance agent Zicht; however, NN Group's indirect IPT contributions 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	
	2020	2019
The Netherlands	234.7	227.5
Belgium	50.2	55.8
Bulgaria		
Czech Republic		
France		
Germany	0.4	1.2
Greece	20.6	20.4
Hungary	0.5	0.5
Italy		
Japan	11.8	12.8
Luxembourg		
Poland		
Romania	0.5	0.5
Singapore		
Slovak Republic		
Spain	3.0	2.8
Switzerland		
Turkey	0.1	0.2
United Kingdom	0.2	0.2
United States		
Uruguay		
<b>Total Insurance premium taxes collected and paid to tax authorities</b>	<b>322.0</b>	<b>321.9</b>



## Total Tax Contribution in 2020 continued

### Payroll taxes (employer and employee)

NN Group had 15,118 employees in 2020 (2019: 15,194 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 non-life claims, NN Group is obliged to withhold payroll taxes as part of the claim being paid. NN Group also withholds wage taxes on banking products, such as severance payments savings in the Netherlands. Payroll taxes are directly paid to the tax authorities by NN Group. These taxes are withheld as an upfront payment of the client's income tax.

### Withholding taxes on dividends paid by NN Group

NN Group N.V. withholds taxes on 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 2020	Total 2019
The Netherlands	340.7	972.7	1,313.4	1,320.6
Belgium <sup>1</sup>	31.1	52.9	84.0	72.7
Bulgaria	1.0	0.1	1.1	0.3
Czech Republic	4.8	9.2	14.0	12
France	0.8		0.8	0.2
Germany	0.3		0.3	0.3
Greece	3.1		3.1	2.8
Hungary	5.8	0.3	6.1	5.6
Italy	0.6		0.6	0.3
Japan <sup>1</sup>	24.7	0.5	25.2	26.5
Luxembourg				
Poland	5.4	0.9	6.3	4.8
Romania	7.4	1.2	8.6	7
Singapore				
Slovak Republic <sup>2</sup>	5.4	1.4	6.8	4.2
Spain	14.5	13.5	28	27
Switzerland	0.2		0.2	
Turkey	4.4		4.4	5.3
United Kingdom	1.6		1.6	0.7
United States	0.7		0.7	1.9
Uruguay	0.1		0.1	
<b>Total</b>	<b>452.6</b>	<b>1,052.7</b>	<b>1,505.3</b>	<b>1,492.2</b>

<sup>1</sup> The 2019 amount as stated in the TTC report 2019 did not include social security taxes

<sup>2</sup> The 2019 amount as stated in the TTC report 2019 did not include payroll taxes on insurance and banking products.

## Withholding taxes on dividend collected by NN Group

in EUR million

	Netherlands 2020	Netherlands 2019
<b>Withholding tax on dividends</b>	<b>57.8</b>	<b>55.8</b>

## Total Tax Contribution in 2020 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 the 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 2020 amounted to EUR 2,392 million, with 78% of this amount paid to tax authorities in the Netherlands, and 22% 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	
	2020	2019
The Netherlands	1,858.7	1,743.0
Belgium	170.8	150.7
Bulgaria	2.8	0.3
Czech Republic	26.7	17
France	1.8	0.2
Germany	8.9	3.4
Greece	27.9	23.2
Hungary	13.2	9.1
Italy	2.6	2.3
Japan	140.9	14.9
Luxembourg		2.0
Poland	52.4	26.3
Romania	13.9	11.5
Singapore		1
Slovak Republic	15.1	8.2
Spain	43.2	44
Switzerland	0.3	1
Turkey	5.6	5.5
United Kingdom	4.9	4.9
United States	1.7	3.9
Uruguay	0.1	
<b>Total</b>	<b>2,391.5</b>	<b>2,072.4</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 third Total Tax Contribution Report. The 2020 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 11 March 2021.

### 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 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 hereafter. '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 in 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 are 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

For the preparation of the report we have followed the Global Reporting Initiative (GRI) Topic standard for tax (GRI 207: Tax 2019). NN Group's annual reporting is accordance with the Standards from the GRI (core level). The GRI Index table shows on which GRI topic standards NN Group reports in this report and the Annual Review. Furthermore, for financial reporting, IAS12 Income Taxes, part of the IFRS-EU reporting framework, is the most relevant standard for the Total Tax Contribution Report 2020.

We believe that reporting on tax transparency will become part of standardised reporting in the future, for example by the GRI Sustainability Reporting Standards 207 on tax, as effective per 1 January 2021.

### External assurance

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

The Hague, 10 March 2021

### The Executive Board

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





## 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 2020 ('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' (pages 24-25) 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 Standard 207 - Tax 2019 as issued by the Global Sustainability Standards Board.
- 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 2020 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 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.

## 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, including the effects of the Covid-19 pandemic, 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, 10 March 2021

KPMG Accountants N.V.

P.A.M. de Wit RA





# Appendix



## Appendix

In 2019, the Global Reporting Initiative launched the 207 Tax standard, which is the first global standard for comprehensive tax disclosure at the country-by-country level. As from 2021, the 207 Tax standard is effective and NN Group is guided by this standard in reporting on its tax position.

The below index table serves as a reference from the GRI 207 Tax Disclosure to the relevant sections in our 2020 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;">AR</span> AR Annual Review</li> <li><span style="color: orange;">FR</span> Annual Accounts</li> <li><span style="color: orange;">TC</span> Total Tax Contribution Report</li> <li><span style="color: orange;">NN</span> 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;">NN</span> In society/NN's Approach to tax/Group Tax charter
207-1 a ii	Approval and review of tax strategy	<span style="color: orange;">TC</span> Our Approach to tax
207-1 a iii	The approach to regulatory compliance	<span style="color: orange;">TC</span> 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;">TC</span> 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;">NN</span> 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;">NN</span> In society/NN's Approach to tax/Group Tax charter
207-2 a iii	Description of Tax risk policy	<span style="color: orange;">NN</span> 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;">NN</span> In society/NN's Approach to tax/Group Tax charter
207-2 b	Whistleblower policy	<span style="color: orange;">AR</span> Our culture and governance
207-2 c	A description and reference to the assurance process for disclosures on tax	<span style="color: orange;">AR</span> Page 30
<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;">TC</span> Our Approach to tax
207-3 ii	The approach to public policy advocacy on tax	<span style="color: orange;">TC</span> Our Approach to tax
207-3 iii	The processes for collecting and considering the views and concerns of (external) stakeholders	<span style="color: orange;">TC</span> 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 28
2.3.2	Taxes withheld and paid on behalf of employees;	TC Total Tax contribution 2020
2.3.3.	Taxes collected from customers on behalf of a tax authority;	TC Total Tax contribution 2020
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:

#### 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 14 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 15 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 an 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 an 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.

#### 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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