

# Application of the Banking Code by Nationale-Nederlanden Bank 2019

Nationale-Nederlanden Bank N.V.

Legal & Compliance NN Bank

## Abstract

This document contains a description of the way Nationale-Nederlanden Bank complies with the Banking Code

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# Introduction

In September 2009, the Dutch Banking Association (NVB, Nederlandse Vereniging van Banken), adopted the Banking Code ('Code'). The Code laid out the principles for Dutch banks in terms of corporate governance, risk management, audit and remuneration and came into effect on 1 January 2010 on a so called 'comply or explain' basis. On 1 June 2010, the Code was designated as a code of conduct by way of a governmental decree as defined in Article 2:391, paragraph 5 of the Dutch Civil Code, with retroactive effect from 1 January 2010.

Following the first Banking Code in 2010, in 2013 the Committee Wijfels published a report in which the banks were called upon to take additional steps towards regaining trust from customers and society as a whole by setting out the role they want to play in society in a social charter.

In 2014 the NVB introduced a document, entitled 'Future-oriented Banking'. This document contained the requested Social Charter, the rules of conduct associated with the banker's oath and an update of the Dutch Banking Code.

The updated Banking Code came into effect on 1 January 2015. It applies to all activities performed in or directed toward the Netherlands by banks that are established in the Netherlands and licensed by De Nederlandsche Bank (DNB, Dutch Central Bank), pursuant to the Dutch Financial Supervision Act (Wft). The principles of the 'old' Banking Code, which have been incorporated into legislation and regulations, are not repeated in the new Banking Code.

Each year, Nationale-Nederlanden Bank N.V. (hereinafter: 'NN Bank'), provides an overview on how it applies the Banking Code. This Application of Banking Code also explains the progress the bank is making with applying the principles and offers specific examples of the bank's compliance. If necessary, the bank may provide a substantiated explanation of why a particular principle may not have been applied, either partly or in full ('comply or explain').

The Banking Code can be downloaded from the NVB website ([www.nvb.nl](http://www.nvb.nl)).

## 1 Sound and ethical conduct of business

### 1.1 Banking Code

**To build and maintain its position as a stable and reliable partner, a bank must formulate its mission, strategy and objectives. These focus on the long term and are expressed in part in the bank's risk policy and the policy for sustainability and corporate social responsibility. A bank chooses its position such that its commercial interests and social role are extensions of each other. This is also expressed in the bank's governance structure and guides the implementation of its policy based on its mission, strategy and objectives.**

NN Bank applies these principles.

NN Bank values to have a good relationship with its stakeholders. It therefore sets objectives to create sustainable value for its customers, employees, shareholders and society at large.

The bank's purpose is to help retail customers secure their financial futures by helping them to manage and protect their assets and income through mortgage loans, (internet) savings, bank annuities, consumer lending and retail investment products. NN Bank takes a personal approach to interactions with its customers. NN Bank operates, as much as possible, digitally, enabling customers to manage their finances easily and quickly. The bank's work is based on three core values: care, clear, commit., which are published under the name 'NN statement of Living our Values'. They set the standard for conduct and provide a compass for decision-making. Every single bankemployee is responsible and accountable for living up to them. More information is available in the 'Who we are' section of [www.nn-group.com](http://www.nn-group.com)

#### Optimisation of existing services

NN Bank's customers' expectations, in terms of financial services and managing their financial affairs conveniently, are driven by their experiences in other sectors. Customers expect to be able to manage their affairs through any channel or device, without barriers. They expect financial service providers to offer propositions targeted at core needs, such as specific life events. These new customer requirements call for different expertise, technical skills and ways of working. Continuing to understand and anticipate to its customers' needs remains crucial for NN Bank.

Constantly improving the customer experience is also important in order to build and retain long-term customer relationships. That is why in 2019, as in previous years, NN Bank focused strongly on improving its services, and in doing so, improving the customer experience. The bank listens to the views of its customers and business partners, in order to be able to be genuinely responsive to their needs.

Continuously improving its services is very important to the bank as well. The bank therefore closely monitors changes in customer needs and responds to these changes by improving or adapting existing products, services and customer processes. By offering good services, NN Bank wants to strengthen its relationship with its customers and attract new customers.

In 2019, NN Bank introduced a new risk-based pricing system for its mortgages, under which mortgage rates charged to customers are automatically lowered during the fixed rate period if the loan is eligible for a lower risk premium as a result of repayments. In case of an increase of real estate value, customers can request for a decrease of interest rate, if applicable to their situation. NN Bank can match a new mortgage to the customer's personal situation even better than before.

Also in 2019, the bank made various improvements to the customer experience during the digital customer journey. For example, the web pages were restructured and redesigned, and communication improved based on customer feedback. In the digital mijn.nn.nl environment, customers have been able to request a proposal to pay off their mortgage. This is an important process for the customer, with NN Bank offering the customer a convenient solution while enhancing efficiency.

The call channel is important for NN Bank customers as well. To provide an even better and faster service to NN Bank's savings and investment customers, NN Bank has made it easier in 2019 for its call-centre agents to handle a call, so that conversations with customers are improved.

NN Bank began integrating the Contact & Service department. All employees are now able to provide full service to customers in relation to a specific savings and investment products.

In 2019, NN Bank improved the IT-system, making it more robust and improving the processes. As a result, the processing times in 2019 were significantly improved, which has made a substantial contribution to even better mortgage services and to the customer experience.

Responding to changes in the market creates significant demands on the internal organisation. To respond optimally to these changes, NN Bank has modified its organisation in a number of areas. For example, further steps have been taken to work in an Agile way by expanding the number of Agile teams within the Bank. Making these organisational changes creates more value for the bank's customers. The efforts made to further improve the level of service, along with the customer experience, led to receiving the highest independent intermediary rating for our bank annuities product in 2019.

In October 2019, NN Bank received a five-star product rating from MoneyView for its annuity (or capital and interest mortgage) and straight-line mortgage products, as well as a five-star product rating from MoneyView for its "Aanvullend PensioenSparen" (Supplementary Pensions Saving) product. Finally, the Bank received the 'Cashcow Award 2019' in the category 'Best online asset manager'. The work undertaken by NN Bank has led to a further improvement in the customer experience in 2019 compared with 2018. The NPS in 2019 was 11.0 (2018: 8.4).

## **Innovation & Transformation**

NN Bank is constantly looking for innovative ways to meet the needs of our customers. By focusing on innovating its business and sector, the bank is identifying new customer segments and services, and developing a customer experience that is as personalised and relevant as possible. The use of new technologies plays an important role in its approach. New technologies allow NN Bank to work faster and more effectively and often at a lower cost.

## **The bank's role in society**

NN Bank wants to play a positive role in the lives of its customers. This involves taking responsibility for the well-being of society as a whole and supporting the communities in which the bank is active. NN Bank focuses on improving financial well-being of people. This includes offering products and services that are suitable and transparent, and developing products that address societal challenges. Furthermore, NN Bank contributes to society by buying goods and services from (local) suppliers and by managing our direct footprint.

To underline its ambition, NN Group endorsed various commitments, such as the Commitment of the financial sector to the Dutch Climate Agreement (Klimaatakkoord). NN Group is also a member of the UN Principles for Sustainable Insurance and the UN Global Compact. For the Dutch financial sector this includes setting up CO<sub>2</sub> footprint monitoring of financing and drawing up action plans to limit this. Also clients will be encouraged where possible to reduce their CO<sub>2</sub> emissions and helped to do so with products and services.

As a mortgage provider, the bank wants to contribute to the reduction of greenhouse gas emission stemming from houses we finance. NN Bank offers financing options to make homes more sustainable and has the ambition to issue green bonds and to source green mortgages for ourselves but also for third parties.

Encouraging its customers to reduce emission by making their homes more sustainable is another goal the bank aims at and will further optimise its strategy, risk management and measurement in this respect. The NN Bank mortgage portfolio has grown strongly since 2014 and growth has predominantly been in newly built homes. Approximately 25% of the NN Group mortgage portfolio has an A energy label, while roughly 18% of the Dutch housing market has an A energy label.

NN Group has recently launched 'Powerly', a platform that offers support to users, from orientation to implementation in boosting the sustainability of their houses in the Netherlands. NN Bank is closely involved in this initiative. We aim to expand this initiative to a sustainability platform that offers a reliable starting point for consumers, benefits customers, partners and NN, and contributes to the UN Sustainable Development Goals.

Furthermore, NN Bank provides coaching and tools intended to generate more income, reduce costs, reduce monthly mortgage payments or a combination of all of these. NN Bank is involved in a coalition of creditors, the 'Schuldeisercoalitie'. Large Dutch businesses work together in this coalition to combat poverty in the Netherlands. The participating businesses abide by an ethical manifesto about how to

deal with customers who encounter payment difficulties. NN Bank also takes part in the 'Nederlandse schuldhulproute' (NSR, the Dutch Debt Relief Route). NSR, aims to identify people with potentially problematic debts at an early stage. Companies such as banks, health and other insurers, telecoms businesses, energy companies and housing corporations can identify actual or imminent payment arrears. Advice via the NSR is free of charge.

To promote financial education, our employees visited primary schools during 'Week van het Geld' (Money Week), giving guest lectures about money and risks. Employees can also spend time doing volunteer work, for example at LEF Coaching, a programme aimed at coaching people to help them find a job. Furthermore, employees have the option of requesting a donation for a charity that they support, through our foundation 'Wij en de Maatschappij' (Together for Society).

NN Bank employees are given the opportunity to get involved in people's financial well-being outside of their own role at the Bank.

Going forward, NN Bank will continue to work on its role in society. It will continue to develop its products and services, and align them with societal challenges, such as climate change and financial well-being.

NN Bank is organised in such a way that good management and effective supervision are guaranteed by the Management Board and the Supervisory Board. Customers' and other stakeholders interests are taken into account. Integrity, transparency and accountability are the key elements of NN Bank's corporate governance and business activities. NN Bank provides effective risk management, complies with relevant laws and regulations and is transparent in its dealings with its stakeholders. NN Bank's strategy is implemented by means of various initiatives, all based on a customer-centric approach.

## 1.2 Banking Code

**The Management Board and Supervisory Board are – with due regard to their individual tasks and authorities – responsible for setting up a sound governance structure and compliance with the governance principles. The members of these boards will set an example to all of the bank's employees and exhibit this in their day-to-day activities. The Supervisory Board will evaluate the way the members of the Management Board are setting an example each year.**

NN Bank applies these principles.

NN Bank has a two-tier board system, which is comprised of a Supervisory Board and a Management Board. In 2019, the Supervisory Board appointed an Audit & Risk Committee from among its members, responsible for preparing matters delegated to this committee. The Management Board determines the mission, strategy, policy and objectives of NN Bank and is responsible for its realisation. The Management Board focuses on business continuity and, in its decision making, makes a balanced assessment of the interests of all stakeholders including customers, investors, employees and the shareholder. The Supervisory Board supervises the policy pursued by the Management Board, the Management Board's performance of its managerial duties and the company's general course of affairs, taking account of the interests of the company's stakeholder.

NN Bank interacts actively with regulatory bodies, government representatives and peers on relevant developments with respect to corporate governance. Rules and regulations applicable to NN Bank are embedded in internal policies and procedures. These policies and procedures are published on the intranet (SAM) for every staff member to consult.

The Management Board has delegated a number of activities to specific committees within NN Bank. These committees have an advisory role to the Management Board or have been granted delegated authority. Most of the committees are chaired by a member of the Management Board and have one or more member(s) of the Management Board as a member. Please refer also to paragraph 4.2.

The Management Board however remains ultimately responsible for policy regarding, and management of the risks NN Bank's runs.

NN Bank aims at having an appropriate and balanced composition of the Management Board and Supervisory Board. Thereto the Supervisory Board assessed the composition and the functioning of the Boards, as well as the functioning of the individual members of the Boards, in 2019.

## 1.3 Banking Code

**The Management Board and Supervisory Board are – with due regard for each other's duties and powers – responsible for developing, communicating and enforcing standards on integrity, morals and leadership in the bank. In addition, they ensure there are proper checks and balances and they safeguard a solid IT infrastructure that is vital for the functioning of the bank. Among other things, thorough checks and balances mean that the compliance function is also safeguarded within the Management Board and Supervisory Board.**

NN Bank applies these principles.

### Standards on integrity, morals and leadership

All NN Bank employees have taken the Banker's Oath, including the members of the Management and Supervisory Board. NN Bank adheres to the NN Group's statement of Living Our Values, in which the employees make a promise to NN's customers about how NN works. The values are based on the company's roots, heritage and common purpose: "we care, we commit and we are clear".

Furthermore all individual employees of NN Group are obliged to observe NN Group's Code of Conduct and the NN statement of Living our Values. NN Group, and subsequently NN Bank, expects exemplary behaviour from its entire staff, irrespective of their job function. Effective business contacts, both within and outside NN Group, should be based on honesty, integrity and fairness. NN Group's Code of Conduct also includes a whistle-blower procedure, which ensures anonymity when reporting irregularities, albeit violations of laws and regulations.

### Checks and balances

The Three Lines of Defence model on which NN Bank's risk management structure and governance, as well as the IT structure, is based, defines three risk management levels, each with distinct roles, decision authorities, execution responsibilities, and oversight responsibilities. This framework ensures that risk is managed in line with the risk appetite as defined by the Management Board, ratified by the Supervisory Board, and that it is consistent with that of NN Group. The First Line of Defence is formed by NN Bank Business Management has primary accountability for the performance of the business, operations, compliance and effective control of risks affecting NN Bank's business. The Second Line of Defence consists of oversight functions with a major role for the risk management organisation and the legal and compliance functions. The CRO steers a functional independent risk organisation, which supports the commercial departments in their decision-making, but which also has sufficient countervailing power to prevent risk concentrations and other forms of unwanted of excessive risk. The Third Line of Defence is provided by Corporate Audit Services (CAS) and offers an independent assessment of the standard of internal control with respect to NN Bank's business and support processes, including governance, risk management and internal controls.

### Innovation & Transformation

NN Bank is constantly looking for innovative ways to meet the needs of its customers. By focusing on innovating our business and our sector, we are identifying new customer segments and services, and developing a customer experience that is as personalised and relevant as possible.

In 2019, NN Bank launched or completed the following initiatives:

- The acceptance of the income for a mortgage application based on data provided by UWV (the Dutch employee employment agency) was implemented. This is the first step towards accepting mortgages based on source data. The use of external source data enables NN Bank to make the mortgage process more efficient and offers customers a better experience by simplifying the application process.
- Automated monitoring of the mortgage value chain has been improved significantly over the past year. This allows NN Bank to identify system outages more quickly, and in some cases to avoid them altogether.
- NN Bank is developing a predictive machine-learning fraud detection model that helps us better manage our fraud detection processes
- NN Bank has implemented a predictive model for operational personnel management. The new model allows NN Bank to better predict new mortgage applications, which leads to more efficient workforce planning and an even higher level of service for customers and advisers.
- NN Bank uses a marketing automation tool for communication with our intermediaries. The tool offers NN Bank data-guided insights, adding more relevance and value to commercial communications.
- NN Bank is a key partner in the Dutch Blockchain Coalition, a public-private consortium that aims to apply blockchain technology to advance Dutch society. Within the Dutch Blockchain Coalition, NN Bank is leading the development of a project that would allow a customer to instantly deliver verified financial and other information to a bank, using a Digital Identity. This solution is based on blockchain technology. The project team actively cooperates and engages with public institutions. Many customers across all banks see the delivery of financial documents as a time-consuming and difficult step in the mortgage application process, making this a potentially impactful application.

### Compliance

NN Bank has an independent compliance function. The compliance function supports and advises the Board on how to comply with the relevant compliance-related laws, regulations, internal policy, procedures, customer suitability and other ethical standards, and ensures that this is done. The department reports to the CEO. The Compliance department can issue reports to the Supervisory Board at request or on its own account. Furthermore, the head of Legal & Compliance participates as member of the following mandated committees of NN Bank: Non-Financial Risk Committee, Crisis Steering Committee, Product Approval & Review Committee and the Disclosure Committee and acts as Secretary to the Supervisory Board.

## 1.4 Banking Code

**The Management Board will promote responsible behaviour and a healthy culture both at the top of the bank and throughout its organisation. In this, it will consider the interests of the bank's customers and other stakeholders. The Supervisory Board supervises this.**

NN Bank applies these principles.

NN Bank's operations touch many lives: customers, employees, shareholders, suppliers and society at large. The NN Group corporate values form the key component in NN Bank's approach towards customer centricity. NN Bank focuses on delivering a personal, relevant and digital customer experience. In order to be able to do so, customer process redesign, digitalisation and innovation remain key for NN Bank. Everyone dealing with NN Bank can, and should, expect NN Bank to act with integrity. Balancing the rights and interests of everyone involved is key to the bank's ongoing viability. By these means the Management Board promotes responsible behaviour and a healthy culture throughout the bank.

The Management Board makes a balanced assessment of the relevant interests of the stakeholders of NN Bank, including its customers, employees and the society in which the bank performs its activities.

When formulating the bank's strategy, Customer Centricity forms an important part of the corporate culture programmes at NN Bank. Customer centricity means acting in the customers' best interests, which is not dissimilar to ensuring customer satisfaction. However, satisfying customers, i.e. giving them what they want, may not always be in their best interests.

## 1.5 Banking Code

**A bank's culture must also express the assumptions in the Social Charter of the Dutch Banking Association. These must be embedded in the bank's organisation and the bank will include them in its contact with its stakeholders. It will provide an insight into the way in which the bank deals with the assumptions in the Social Charter.**

NN Bank applies these principles.

Reliability, service orientation and transparency are crucial for to reach the bank's strategic goals. To represent its customers' interests and the interests of other stakeholders, NN Bank's employees must act in an ethical and professional manner. In order to be able to serve its customers and achieve our business goals in a better way, employees are encouraged to put their talents, personalities and expertise to work. This requires a culture that welcomes and respects people in general, and focuses on empowerment and entrepreneurship.

NN Bank embraces the NN statement of Living our Values. These values are based on the company's roots, heritage and common purpose: care, clear, commit.

The bank stimulates all employees to work on their personal development plan and invests in attracting young (potential) employees by offering students the opportunity to gain work experience and through the NN Group traineeship programme for talent.

NN Bank aims to be a positive force in the lives of its customers. This includes taking responsibility for the well-being of society at large, and supporting the communities in which the Bank operates. It regards its role in society as well as embedding a sustainable role as an important priority in its core activities and processes and will continue to focus on improving people's financial well-being and managing the assets entrusted to it by its customers, as well as its own assets, in a responsible way. This entails, amongst other things, offering products and services that are suitable, transparent and contribute to the financial well-being of the bank's customers. For example the Senior Citizens Residence mortgage was introduced to stimulate flow in the housing market.

Cultural diversity of its employees is important to NN Bank, because it enables the bank to solve problems and respond to challenges in different ways. Diversity is good for business because different perspectives drive innovation, accelerate growth, and lead to more robust decisions and outcomes. Embracing diversity also increases the bank's pool of potential candidates. It helps to attract and retain the best and brightest talents and allows to understand different customer groups in a better manner. The bank's workforce should reflect the diversity of its customer base and foster an inclusive culture. It is important that employees feel comfortable being themselves irrespective of who they are, what they believe or where they come from. The bank therefore promotes equal opportunities and has policies in place to ensure that discrimination is not tolerated.

## 1.6 Banking Code

**All employees will comply with the formal regulations and self-regulations that apply to them. The Management Board and the Supervisory Board are – with due regard for each other's duties and powers – responsible for this. The Management Board is responsible for employees being and remaining familiar with all rules, values and standards applicable to the bank and will continue to pay attention to this. The Supervisory Board supervises this.**

NN Bank applies these principles.

Various initiatives are in place to help employees to understand how their actions and behaviour may add to earn and retain customers' and stakeholders' trust. Therefore, all employees - as well as the members of the Management Board Banking and Supervisory Board - have taken the Banker's Oath. Rules, regulations, policies and procedures applicable to NN Bank can be found via NN Group's intranet.

NN Bank's employees must first and foremost comply with all relevant laws, regulations and self-regulations that apply to NN Bank as a result of its banking license and the activities NN Bank undertakes thereunder. Good compliance helps the bank to live up to its purpose, strategy and values because it builds trust and protects our brand. It helps the bank to meet its compliance obligations and to protect NN Group from loss or reputational damage. By means of various communication channels and e-learning modules awareness, expectations and changes in internal rules and standards are being actively brought to the attention of NN Bank's employees.

Additionally, every employee has a personal responsibility to be aware of the NN Group's Policies and Standards. Partly these Policies and Standards are compliance related, such as competition law, outside positions or financial economic crime, but others relate to a range of other topics, like (non-exhaustive) fraud, IT, financial accounting, information security, cyber security, model risk modelling and model validation, risk reporting, asset and liability management, human resources, brand management, business continuity and outsourcing.

Employees may report a suspicion of (potential) breaches of these regulations through the Whistle-blower Policy, in addition to normal reporting lines.

A basic and elementary understanding of the necessity of such laws, rules, values and standards that apply to banks must be present at entry levels for anyone intending to work for the bank. For specialised functions within the bank, candidates must show to have the necessary education and experience, which includes basic knowledge of the laws, rules, values and standards that are part of one's profession and job-function. HR-recruitment and selection is therefore a strong tool for management to create the right conditions to realise compliance with all applicable rules and regulations.

The senior management of NN Bank, steered by the Management Board, takes daily the necessary decisions and sets priorities to enable the bank's employee to get familiar with the applicable rules and regulations, to undertake mandatory permanent education, and to work with procedures that have due regard for the laws, rules and standards.

The Second Line of Defence involves explaining the laws, rules, values and standards to management and employees. On occasion they provide training or give input to training materials developed by others.

The internal audit function provides an on-going independent (i.e. outside of the risk organisation) and objective assessment of the effectiveness of internal controls of the first two lines forms the Third Line of Defence.

## 2 Supervisory Board

### 2.1 Composition and areas of expertise

#### 2.1.1 Banking Code

**The Supervisory Board will be composed in such a way that it is able to perform its task properly. It will form a risk committee and an audit committee. The members of the Supervisory Board will be prepared and able to make sufficient time available for their duties and exhibit effort and commitment. They will at the same time be critical and independent.**

NN Bank applies these principles.

The Supervisory Board currently consists of three members. The composition of the Supervisory Board of NN Bank allows the board to fulfil its tasks properly.

NN Bank aims to have an appropriate and balanced composition of the Supervisory Board. An element that contributes to the balanced composition of the Supervisory Board is related to the fact that the Supervisory Board is composed of independent members, as well as members occupying other functions within NN Group.

The Supervisory Board acts as a collegial body. While decisions are formally taken by majority, the board in principle acts on a consensus basis. Two members of the Supervisory Board meet the independence criteria as laid down in the Dutch Corporate Governance Code. Each year the Supervisory Board performs a self-assessment, which addresses among other items the composition of the Supervisory Board.

The Supervisory Board members have proven to be quickly and sufficiently available for consultation if needed. The availability of the members of the Supervisory Board is also reflected in their attendance during the Supervisory Board meetings. In 2019 on average 90% of the Supervisory Board members were present at and participated in the Supervisory Board meetings.

In 2019, the Supervisory Board appointed an Audit & Risk Committee from among its members, responsible for preparing matters delegated to this committee. Its activities included discussions about the half year results 2019, the reports of the internal and external auditors and regulatory matters. Going forward the Funding Plan, Liquidity Plan and the Capital Plan will become topics of debate as well. Additionally discussions about the Annual Report, in- and external audit planning, in- and external audit reports, financial reporting and internal controls over financial reporting, will be part of the activities of the Audit & Risk Committee as well.

In 2019, the Supervisory Board/Audit & Risk Committee reviewed financial and non-financial risk reports, the Risk Appetite Statement and the ICAAP and ILAAP.

Outside the regular meetings, discussions take place via e-mail or by phone if and when needed. Individual Supervisory Board members visit the NN Bank's offices upon request or on their own initiative as well.

The Supervisory Board members actively discuss, query and challenge proposals that are being put forward by the Management Board. If and when needed, the Supervisory Board members also ask for additional clarification or deep dives into certain topics.



## 2.1.2 Banking Code

**Each member of the Supervisory Board will be aware of the social role of a bank and of the interests of the various stakeholders. There are specific competence and requirements for members of the Supervisory Board's risk and audit committees. Members of the risk committee must have thorough knowledge of the financial aspects of risk management or the necessary experience to permit a thorough assessment of risks. Members of the audit committee must have thorough knowledge of financial reporting, internal control and audit or the necessary experience to permit thorough supervision of these subjects.**

NN Bank applies these principles.

This principle is reflected in the Rules of Procedure Rules of the Supervisory Board of Nationale-Nederlanden Bank N.V. and its appendices. All members have the expertise to fulfil their role and are aware of the social context in which NN Bank operates. In performing their duty, the Supervisory Board balances the interests of NN Bank and its various stakeholders (including NN Bank's customers and employees). The members of the Supervisory Board combined, have sufficient expertise and experience to permit a thorough assessment of risks, as well as in-depth knowledge of financial reporting, internal control and audit.

## 2.1.3 and 2.1.4 Banking Code

**The members of the Supervisory Board shall have a thorough knowledge of the bank's role in society and of the interests of all stakeholders. The Supervisory Board shall carefully consider the interests of all stakeholders, such as the bank's customers, its shareholders and its employees. Each member of the Supervisory Board shall be capable of assessing the main aspects of the bank's overall policy in order to form a balanced and independent opinion about the basic risks involved. Each member of the Supervisory Board shall also have the specific Board. To this end, whenever a vacancy arises on the Supervisory Board, an individual profile shall be drawn up for the new member.**

NN Bank applies this principle, as reflected in the bank's Rules of Procedure of the Supervisory Board and its appendices. All members had the expertise required to fulfil their role.

## 2.1.5 Banking Code

**As part of the process to fill the vacancy of chairman of the Supervisory Board, an individual profile shall be drawn up that also focuses on the bank's requirements in terms of expertise and experience in relation to the financial sector and familiarity with the socio-economic and political culture and the social environment of the bank's main markets.**

NN Bank applies this principle, as reflected in the bank's Rules of Procedure for the Supervisory Board and its appendices.

## 2.1.6 Banking Code

**Each member of the Supervisory Board – the chairman in particular – shall be sufficiently available and accessible to properly perform their duties on the Supervisory Board and the Supervisory Board committees.**

NN Bank applies this principle. The members are sufficiently available and accessible to properly perform their duties. The Supervisory Board members have proven to be quickly available for consultation if needed.

## 2.1.7 Banking Code

**Each member of the Supervisory Board shall receive suitable compensation for the amount of time that they spend on Supervisory Board activities. This compensation shall not depend on the bank's results.**

NN Bank applies this principle. The two independent members of the Supervisory Board received a remuneration for their duties. This remuneration did not depend on NN Bank's results.

## 2.1.8 Banking Code

**The chairman of the Supervisory Board will organise a programme of lifelong learning for all members of the Supervisory Board with the aim of maintaining their expertise at the required level and improving it where necessary. The learning programme will in any event cover relevant developments at the bank and the financial sector, corporate governance in general and in the financial sector in particular, to the duty of care towards customers, integrity, IT infrastructure, risk management, financial reporting and audit. Every member of the Supervisory Board will take part in the programme and meet the requirements for lifelong learning.**

NN Bank partly complies with the principle as stated above as reflected in the bank's Rules for the Supervisory Board and its appendices. In order to maintain the expertise of the Supervisory Board and to improve their expertise where needed, the bank has a programme of lifelong learning for the Supervisory Board and the Management Board in place. The members of the Management Board and the members of the Supervisory Board take part in programmes. In 2019, these programmes were organised by NN Group. Additionally, individual members followed training programmes on an individual basis during the year. As part of the bank's annual self-assessment process, As part of this programme, members of the Supervisory Board were also able to take part in optional third-party courses (or modules) relevant

to their area of responsibility. Supervisory Board members could request further training or education on specific topics covered by the programme of lifelong learning.

In general, the subjects discussed relate to topics addressed in the Banking Code, but they are not limited to these topics. The intention is to ensure that the programme of lifelong learning reflects the bank's daily practice as much as possible and that it responds to the latest developments in the industry. Generally, the programmes covered national and international developments in the financial sector and corporate governance in general and in the financial sector in particular.'

## 2.1.9 Banking Code

**The assessment of the effectiveness of the programme of lifelong learning referred to in principle 2.1.8 shall be part of the annual evaluation performed by the Supervisory Board.**

NN Bank applies this principle. The assessment of the effectiveness of the permanent education programme was part of the Supervisory Board's assessment in 2019.

## 2.1.10 Banking Code

**In addition to the Supervisory Board's annual self-evaluation, the functioning of the Supervisory Board will be evaluated under independent supervision once every three years. The involvement of each member of the Supervisory Board, the culture within the Supervisory Board and the relationship between the Supervisory Board and the Management Board will be part of this evaluation.**

NN Bank applies this principle.

Every year, the Supervisory Board assesses the composition and the functioning of the Supervisory Board and the Management Board as well as the functioning of the individual members of both Boards. In 2019 an assessment of the Supervisory Board was carried out. The involvement of each member of the Supervisory Board, the culture within the Supervisory Board and the relationship between the Supervisory Board and the Management Board were part of this evaluation.

## 2.1.11 Banking Code

**As part of its supervisory tasks, the Supervisory Board shall pay special attention to the bank's risk management processes. All discussions about risk management shall be prepared by a risk committee or a similar committee, which committee shall be appointed by the supervisory board from its ranks for this purpose.**

NN Bank applies this principle. In 2019, the Supervisory Board appointed an Audit & Risk Committee from among its members, responsible for preparing matters delegated to this committee.

## 2.1.12 Banking Code

**Both the risk committee and the audit committee shall be subject to specific requirements as regards competency and experience. For example, a number of members of the risk committee must have sound knowledge of the financial aspects of risk management or the experience needed to make a thorough assessment of risks. A number of members of the audit committee must have sound knowledge of financial reporting and internal control systems and audits or the experience needed to thoroughly supervise these areas.**

NN Bank applies this principle. In 2019, the Supervisory Board appointed an Audit & Risk Committee from among its members, responsible for preparing matters delegated to this committee, with Mrss. André Bergen (chair) and Jan-Hendrik Erasmus as its members.

# 3 Management Board

## 3.1 Composition and expertise

### 3.1.1 Banking Code

**The executive board shall be composed in such a way that it is able to perform its duties effectively, i.e. the board shall be complementary, collegial and diverse.**

NN Bank applies this principle.

The Management Board is composed in such a way that it is able to perform its tasks effectively. Members of the Management Board have various backgrounds and areas of expertise in e.g. banking, finance, risk and operations management. Board members are subject to a "fit and proper"-test by DNB in order to ensure that the composition of the Management Board is sufficiently fit and proper. The Management

Board recognises the importance of a gender diversity within the board. The Management Board had two female members, in 2019. The Management Board acts as a collective body and strives to take decisions on a consensus basis.

In performing its duties, the Management Board carefully considers and acts in accordance with the interests of NN Bank, taking into consideration the interests of NN Bank's stakeholders. When considering these interests, the Management Board shall take especially into account the continuity of the company, the environment in society in which NN Bank operates, as well as the applicable legislation, regulations and codes of conduct. The Supervisory Board evaluates the functioning of the individual members of the Management Board annually.

### 3.1.2 Banking Code

**The chairman of the executive board shall organise a programme of lifelong learning, with the aim of keeping the expertise of the members of the executive board at the required standard and improving their expertise where necessary. The programme of lifelong learning shall cover relevant developments at the bank and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care to customers, integrity, risk management, financial reporting and audits.**

NN Bank applies this principle.

### 3.1.3 Banking Code

**Every member of the executive board shall take part in the program referred to in 3.1.2 and meet the requirements of lifelong learning. Every member has to satisfy this condition in order to sit on the executive board. The supervisory board shall ascertain whether the members of the executive board continue to fulfil the expertise requirements developed by the Dutch Central Bank DNB.**

NN Bank applies this principle. In 2019 the Supervisory Board reviewed the functioning of NN Bank's Management Board.

### 3.1.4 Banking Code

**Taking into account the risk appetite approved by the supervisory board, the executive board shall ensure a balanced assessment between the commercial interests of the bank and the risks to be taken.**

NN Bank applies this principle. The Management Board determined the desired risk profile, the corresponding risk appetite and risk policies, which was approved by the NN Bank's Supervisory Board.

### 3.1.5a Banking Code

**One member of the executive board shall be responsible for preparing the decision-making on risk management. This member shall be involved, in a timely manner, in the preparation of decisions that are of material significance for the bank as regards the risk profile, especially where these decisions may result in a departure from the risk appetite approved by the supervisory board. Risk management shall also include a focus on the interests of financial stability and on the impact that systemic risk could have on the risk profile of the bank.**

NN Bank applies this principle.

The CRO is responsible for the management and control of risks to ensure that the bank's risk profile is consistent with its financial resources and risk appetite. The CRO is also responsible for establishing and maintaining a robust organisational basis for the management of risk throughout the organisation. The risk framework of NN Bank is based on the concept of 'three lines of defense'. This ensures that risk is managed in line with the risk appetite as defined by the Management Board and approved by the Supervisory Board. Risk Management considers the importance of financial stability and the impact that systemic risk may have on the risk profile of NN Bank. The CRO is closely involved in risk matters and decisions that may have a material impact on NN Bank.

### 3.1.5b Banking Code

**This board member may combine his or her function with other responsibilities, provided that he or she does not bear any individual commercial responsibility and operates independently from commercial areas.**

NN Bank applies this principle.

## 3.2 Duties and working practices

### 3.2.1 Banking Code

**In all of its actions, the bank's executive board shall ensure that it carefully considers the interests of all stakeholders, such as the bank's customers, its shareholders and its employees. These considerations shall take into account the continuity of the bank, the social environment in which the bank operates and the legislation, regulations and codes that apply to the bank.**

NN Bank applies this principle.

The Management Board is aware of this principle and acts accordingly. This principle is also included in the Bankers' Oath.

### 3.2.2 Banking Code

**The Audit & Risk Committee (A&RC) shall be subject to specific requirements as regards competency and experience. For example, a number of the members of the A&RC must have sound knowledge of the financial aspects of risk management or the experience needed to make a thorough assessment of risks. Other members of the A&RC must have sound knowledge of financial reporting and internal control systems and audits or the experience needed to thoroughly supervise these areas.**

NN Bank applies this principle.

NN Bank's Supervisory Board decided to establish an Audit & Risk Committee in 2018. In 2019, the Supervisory Board appointed an Audit & Risk Committee from among its members, responsible for preparing matters delegated to this committee. The requirements with respect to this principle will be reflected in NN Bank's Board Charters.

### 3.2.3 Banking Code

**The members of the executive board shall perform their tasks in a meticulous, expert and fair manner, taking into account the applicable laws, codes of conduct and regulations. Each member of the executive board shall sign a declaration of moral and ethical conduct. A model declaration has been included in the explanatory notes to this code and each bank can supplement it as appropriate.**

NN Bank applies this principle.

The principle is also included in the Bankers' Oath. All members of the Management Board and the Supervisory Board took the Bankers' Oath, which mirrors the text of the declaration of moral and ethical conduct referred to in the Banking Code.

### 3.2.4 Banking Code

The executive board shall ensure that the declaration referred to in principle 3.2.3 is translated into principles that form guidelines for the behaviour of all the bank's employees. The content of these principles shall be expressly pointed out to every new bank employee when they join the bank by inserting a reference to these principles in the new employee's contract of employment. Every new employee shall be required to comply with these principles.

NN Bank applies this principle.

The Duty of Care to customers is embedded in the policies and procedures of NN Group and, therefore, in those of NN Bank, as well as in the relevant communication and marketing documentation. NN Bank is committed to ensure that Duty of Care and Customer Centricity is fully embedded in the bank's corporate culture. This principle is also included in the Bankers' Oath. Every person working for NN Bank, including management and the members of the Management Board and the Supervisory Board, have taken the bankers' oath, which mirrors the text of the declaration of moral and ethical conduct referred to in the Banking Code.

NN Bank also introduced a culture change: Change is Now. NN needs to change the way it thinks and works to ensure to stay relevant to our customers and to fulfil its role in society properly. As a Management Board, set the direction to a data driven relationship bank (the 'what'). The responsibility for the 'how' has been delegated to the managers and staff, so that NN Bank's employees have a sense of responsibility for shaping the bank's path to becoming 'the bank you prefer'.

NN wants to be an attractive employer and that means having an attractive remuneration policy. This will allow NN not only to attract the right talent, but also retain the right talent for the future. Talent retention is important for the success of the organisation, because our colleagues determine the future of our business and the future of our customers. A mature employment relationship means offering various reward options, such as providing development opportunities, engendering trust, greater freedom, personal attention and appreciation.

NN Bank wants genuinely to help its customers to secure their financial futures. This calls for employees who want to constantly improve for the customer. Employee engagement is crucial, which is why NN Bank conducted employee engagement surveys in 2019. The engagement score in 2019 was 7.5, an increase since 2018 (7.3).

All employees working for NN Bank, including management and the members of the Management Board and the Supervisory Board, have taken the bankers' oath.

## 4 Risk Policy

### 4.1 Banking Code

**A bank's risk policy is characterised by a comprehensive approach, is transparent and has both a short- and long-term focus. The risk policy also takes reputational risks and non-financial risks into account.**

NN Bank applies these principles.

Risk management is a fundamental part of the banking business that must be addressed appropriately to enable NN Bank to successfully meet its obligations towards customers, regulators and other stakeholders. Accepting risk is an integral part of NN Bank's business: having the right functions and systems in place to manage risks is important. NN Bank has developed and implemented a risk management structure that is designed to identify, assess, control and monitor the risks associated with its business. Through its risk management practices, NN Bank seeks to meet its obligations to customers and creditors, manage its capital efficiently, and comply with applicable laws and regulations.

The NN Bank risk management structure and governance follows the 'Three Lines of Defence' concept and includes its integration into NN Bank's strategic planning cycle, the management information generated and granular risk assessment. In line with NN Group, NN Bank has defined and categorised its generic inherent risk types in a mutually exclusive and collectively exhaustive risk taxonomy, and subsequently expressed its appetite for these risk types in three key risk appetite statements.

The mission of NN Bank's risk management function is to have a sustainable competitive advantage, by fully integrating risk management into daily business activities and strategic planning.

The following principles support this mission:

- Products and portfolios are structured, underwritten, priced, approved and managed appropriately; compliance with internal and external rules and guidelines is monitored and managed
- NN Bank's risk profile is transparent, is managed to remain within risk appetite and is consistent with delegated authorities
- Delegated authorities are consistent with overall bank strategy and risk appetite
- Communication to internal and external stakeholders on risk management and value creation is transparent

NN Bank's organisational risk management structure comprises the governance and policy measures designed to manage all the risks associated with the business of NN Bank, as effectively as possible, for all relevant parties involved. At all times, we aim to avoid a situation in which the risk position and the ensuing potential losses seriously threaten NN Bank's profitability, solvency or liquidity. This involves an independent risk management function – in accordance with the relevant regulatory requirements (Wft, CRR and EBA) and the policy frameworks of NN Group and NN Bank.

NN Bank's approach to risk management is based on the following main components:

**Risk governance:** NN Bank's risk governance follows the 'Three Lines of Defence' concept, which outlines the decision-making, execution and oversight responsibilities for the implementation of NN Bank's risk management.

**Risk management system:** NN Bank's risk management structure takes into account the relevant elements of risk management, including its integration into NN Bank's strategic planning cycle, the management information generated, and a granular risk assessment. This includes a comprehensive set of risk management policies, standards and processes, which are updated regularly to align with market-leading practices, applicable laws and regulations, and to changes in NN Bank's business and risk profile. These risk management policies, standards and processes apply throughout NN Bank and are used by NN Bank to establish, define, and evaluate NN Bank's risk tolerance levels and risk control processes. They also ensure that the tolerance levels and policies are communicated throughout the organisation.

### 4.2 Banking Code

**The executive board shall propose the risk appetite to the supervisory board for approval at least once a year. Any material changes to the risk appetite in the interim shall also require the supervisory board's approval.**

NN Bank applies these principles.

The Management Board determined the risk profile, risk appetite and risk policy. The risk profile and corresponding appetite was approved by the Supervisory Board. At each regular meeting of the Supervisory Board, the financial risk and the non-financial risk reports were discussed in detail, as well as the Risk Appetite Statements. The recovery plan, ICAAP/ILAAP, including the stress test scenarios, are discussed annually. NN Bank's risk policy framework ensures that risks are managed consistently and that NN Bank operates within its risk tolerances. The policies focus on risk measurement, risk management and risk governance. To ensure that policies are efficient and effective, they are governed by a Board Committee structure. Potential waivers to the policies have to be approved by the Management Board or its Board Committees.

### 4.3 Banking Code

**The Supervisory Board will supervise the risk policy pursued by the Management Board. As part of its supervision, the Supervisory Board will discuss the bank's risk profile and assess at a strategic level whether capital allocation and liquidity requirements are generally in line with the approved risk appetite and whether operations in general are in line with the bank's risk appetite. In the performance of this supervisory role, the Supervisory Board will be advised by its risk committee formed from the ranks of the supervisory board for this purpose.**

NN Bank applies this principle.

The Management Board determined the risk profile, risk appetite and risk policy. The risk profile and corresponding appetite was approved by the Supervisory Board.

In 2019, the Supervisory Board appointed an Audit & Risk Committee from among its members, responsible for preparing matters delegated to this committee. This committee took up its duties in the course of 2019.

The A&RC's task is to oversee the developments and control of the risks NN Bank runs in connection with its running business. It will advise the Supervisory Board on a wide variety of issues, including financial reporting, the internal control system and the management of financial risks. The A&RC will also assist the Supervisory Board with the decision-making process and helps the board to monitor the development and management of the risks to which the bank is exposed in its activities. The A&RC does this by carrying out preparatory work in relation to the supervision of the Management Board, the enforcement and effectiveness of the bank's risk management systems and its risk appetite. The A&RC also oversees compliance with laws and regulations as well as the procedures for the preparation and disclosure of the bank's financial statements. The full Supervisory Board remains collectively responsible for the overall supervision.

During the meetings of the Supervisory Board and the Audit & Risk Committee the financial risk and the non-financial risk reports are discussed, as well as the Risk Appetite Statement, next to a comparison of the actual risk profile versus the approved risk appetite. Updates of the Capital, Funding and Liquidity Plans, the Recovery Plan, ICAAP/ ILAAP, including the stress test scenarios, are reviewed annually as well.

### 4.4 Banking Code

**The supervisory board shall periodically assess at a strategic level whether the commercial activities in general are appropriate in the context of the bank's risk appetite. The executive board shall provide the supervisory board with the relevant information for this assessment in such a way that the supervisory board is able to form a sound opinion.**

NN Bank applies this principle.

The Supervisory Board and A&RC regularly discussed and assessed whether NN Bank's commercial activities are appropriate in the context of its risk appetite.

### 4.5 Banking Code

**The executive board shall ensure that the bank's risk management processes are structured in such a way that the executive board is aware in good time of any material risks the bank runs so that these risks can be managed properly. The executive board shall take any decisions that are of material significance for the bank's risk profile, its capital allocation or the liquidity impact.**

NN Bank applies this principle.

The principle is embedded in the risk policies and the processes within NN Bank. Please refer further to point 4.2 and/or pages 63–67 of NN Bank's Annual Report 2019. Members of the Management Board also participate in these committees. Issues having such a material impact on the bank's risk profile that they exceed the mandate of the risk committees, are discussed and decided upon by the Management Board, or by individual members of the Management Board participating in these risk committees.

### 4.6 Banking Code

**Every bank shall have a product approval process. The executive board shall organise the product approval process and shall be responsible for the process working properly. Products that go through the product approval process at the bank shall not be launched on the market or distributed without careful consideration of the risks by the bank's risk manager and a careful assessment of any other relevant factors, including the duty of care to customers. Based on an annual risk analysis, the internal auditor shall check whether the product approval process has been designed properly, is present and is working effectively, and shall then inform the executive board and the relevant supervisory board committee (risk committee or similar committee) about the results.**

NN Bank applies this principle.

NN Bank's product approval and review process (PARP) has been developed to enable effective design, underwriting and pricing of all products, as well as to ensure that they can be managed throughout their lifetime. This process establishes requirements as to the product risk profile features to ensure that products are aligned with NN Bank's strategy. The PARP takes into account customer benefits and product suitability, expected sales volumes, value-oriented pricing metrics and relevant policies. It includes requirements and standards to assess risks as per the risk categories, as well as the assessment of the administration and accounting aspects of the product.

## 5 Audits

### 5.1 Banking Code

**A bank's Management Board will ensure systematic audit is conducted of the management of the risks related to the bank's operations. To this end, a bank will have its own internal audit department with an independent position within the bank. The head of the internal audit department will report to the chairman of the Management Board and also have a direct reporting line to the chairman of the Supervisory Board's audit committee.**

NN Bank applies this principle.

NN Bank makes use of the internal audit function of NN Group. CAS NN Group is independently positioned within the organisation. CAS NN Group staff report to the General Manager of CAS NN Group, who reports directly to the chairman of the Management Board of NN Group and functionally to the Supervisory Board of NN Group. Respective audits for NN Bank specific are also reported to the Management Board and the Supervisory Board of NN Bank.

CAS NN Group prepares a yearly risk based audit plan which is discussed with the Management Board of NN Group and the Audit Committee of the Supervisory Board of NN Group prior to its finalisation. The realisation of the plan, both in process of execution as in findings, is periodically discussed with and reported to these bodies. Results of respective audits are discussed with the Management Board of NN Group and the Audit Committee of the Supervisory Board of NN Group on an individual basis when so escalated and on aggregated level via quarterly reporting.

The yearly risk based audit plan for NN Bank specific is also discussed with the Management Board and the Supervisory Board of NN Bank prior to its finalisation. CAS NN Group informs the Supervisory Board of NN Bank on its progress regarding the audit plan, key audit findings and changes to the audit plan.

Results of respective audits for NN Bank specific are also reported to the Management Board and the Supervisory Board of NN Bank.

### 5.2 Banking Code

**A bank will have its own internal audit department with an independent position within the bank. The head of the internal audit department will report to the chairman of the executive board and also have a direct reporting line to the chairman of the supervisory board's audit committee.**

NN Bank applies this principle. NN Bank makes use of the internal audit function of NN Group as described in 5.1 above.

### 5.3 Banking Code

**The internal auditor shall be tasked with assessing whether the internal control measures have been designed properly, are present and are working effectively. This assessment shall include the quality and effectiveness of the system of governance, risk management and the bank's control procedures. The internal auditor shall report their findings to the executive board and the audit committee.**

NN Bank applies this principle.

NN Bank makes use of the internal audit function of NN Group as described in 5.1 above. The Group Audit Charter defines the mandate for the internal audit function and states that both the design and operating effectiveness of internal controls should be assessed. This assessment includes the quality and effectiveness of the system of governance, risk management and the bank's control procedures.

### 5.4 Banking Code

**The internal auditor, the external auditor and the supervisory board's risk committee and/or audit committee shall consult periodically on such matters as the risk analysis and the audit plan of both the internal auditor and the external auditor. the chairman of the audit committee.**

NN Bank applies this principle.

The bank makes use of the internal audit function of NN Group. CAS NN Group prepares and discusses its risk analysis and audit plan with the Management Board and Supervisory Board of NN Bank, the external auditor and with DNB's chief regulator as well as other relevant in- and external stakeholders. CAS NN Group subsequently periodically exchanges information between these stakeholders in order to update its risk analysis and audit plan. Furthermore, CAS NN Group also attends meetings of the Management Board and the Audit Committee of the Supervisory Board of NN Group and the external auditor of NN Group.

KPMG Accountants N.V. is NN Bank's external auditor for the year 2019. They have attended three Supervisory Board meetings in 2019. The external auditor and the internal audit function maintained regular contact and exchange information.

## 5.5 Banking Code

**As part of the general audit assignment for the financial statements, the external auditor shall produce a report for the executive board and the supervisory board which shall contain the external auditor's findings concerning the quality and effectiveness of the system of governance, risk management and the bank's control procedures.**

NN Bank applies this principle.

The external auditor issues annually a management letter and an audit report to the Management Board and the Supervisory Board, which included relevant findings relating to governance, risk management and control procedures. CAS NN Group and the external auditor shared information on the risk assessments and the audit plan. CAS NN Group also shared its audit reports with the external auditor.

## 5.6 Banking Code

The internal audit department, external auditor and Supervisory Board's audit committee will consult periodically.

NN Bank applies this principle.

NN Bank makes use of the internal audit function of NN Group. CAS NN Group prepares and discusses its risk analysis and audit plan with the Management Board of NN Bank, the Supervisory Board of NN Bank, the external auditor and with DNB. Subsequently, CAS NN Group exchanges periodically information between these stakeholders in order to update its risk analysis and audit plan (at least quarterly). NN Bank's Supervisory Board decided in December 2018 to have an Audit & risk Committee installed.

Furthermore, CAS NN Group is present in meetings of the Management Board and the Supervisory Board, when external auditor subjects are discussed.

The external auditor issues annually a management letter and auditor's report to the Management Board and the Supervisory Board of NN Bank, which may include relevant findings relating to governance, risk management and control. The management letter is discussed between CAS NN Group and the external auditors at the NN Group and business unit level prior to its finalisation.

## 5.7 Banking Code

**The internal auditor shall arrange a meeting with DNB and the external auditor at least once a year to discuss each other's risk analysis and findings and each other's audit plan at an early stage. The bank's executive board and internal audit department will encourage these tripartite talks, aiming for a clear delineation of each other's duties and responsibilities.**

NN Bank applies this principle.

The internal audit department took the initiative and arranged a meeting with DNB and the external auditor in 2011 to discuss each other's risk analyses, findings and audit plans.

In 2011 there has been a meeting on NN Bank level took place between DNB, the external auditor and CAS NN Group arranged by CAS NN Group. This meeting focused on sharing and discussing risk assessments, the audit plan, CAS NN Group reports, external auditor's management letter and in-depth discussion on selected topics.

NN Bank's Management Board and the internal audit department encouraged these tripartite talks, aiming for a clear delineation of each other's duties and responsibilities. An in- depth discussion of other selected topics took place as well.



# 6 Remuneration Policy

## 6.1 Banking Code

**The bank will implement a meticulous, restrained and long-term remuneration policy that is unambiguous and transparent and in line with national and international regulations. The remuneration policy will have primarily long-term focus and be in line with the bank's risk policy. It will incorporate an internal and external balance of interests, taking into account the expectations of the various stakeholders and social acceptance. It will also take the relevant international context into account. The bank shall implement a meticulous, restrained and long-term remuneration policy that is in line with its strategy and risk appetite, objectives and values, taking into account the long-term interests of the bank, the relevant international context and wider societal acceptance. The supervisory board and the executive board shall take this into account when performing their duties in relation to the remuneration policy.**

NN Bank applies this principle.

As a subsidiary of NN Group, NN Bank falls within the scope of the NN Group Remuneration Framework.

NN Bank is well aware of the public debate about remuneration in the financial industry. NN Group's Remuneration Framework take into account all applicable regulations and codes, including the Banking Code. The NN Group Remuneration Framework strikes a balance between the interests of its customers, employees, shareholders and society at large, and supports the long-term objectives of the company.

The general principles underpinning the NN Group Remuneration Framework are (amongst others) as follows:

- Enhance focus on the long-term interest of NN Group and the interest of customers
- Align with company values, business strategy and risk appetite
- Promote and align with robust and effective risk management
- Comply with and support the spirit of the (inter)national regulations on remuneration policies
- Aim to avoid improper treatment of customers and employees
- Create a balanced compensation mix with a reduced emphasis on variable compensation
- Have claw-back and hold-back arrangements in place
- Attract and retain talented personnel

The variable remuneration is linked to clear targets. These targets are, for a large part, non-financial.

The NN Group Remuneration Framework has been approved by the Supervisory Board of NN Group in June 2015. In January 2017, the Supervisory Board approved a revised version of the NN Group Remuneration Framework. Both the Management Board and Supervisory Board of NN Group are committed to ensure that the execution of the remuneration policies within NN Group continues to be in line with the principles set out above. Please refer for further information, to the Annual Report 2019 of NN Group.

## 6.2 Banking Code

**The total income of a member of a bank's Management Board will at the time it is set be below the median for comparable positions inside and outside the financial industry, taking into account the relevant international context. The variable remuneration of a member of the Management Board will be set in accordance with national and international regulations.**

NN Bank applies this principle.

NN Group annually reviews the remuneration of NN Bank's Management Board. NN Group's remuneration policy for executives and senior staff is based on a total compensation approach and is benchmarked on a regular basis (where data is available) with relevant national and international peers, both within the financial sector and outside the financial sector. Clear performance objectives are set and assessed which are aligned with the overall strategy of NN Group, both on the short term and the long term, to ensure that remuneration is properly linked to individual, team and NN Group performance. The remuneration policy supports a focus on the company's long term interests and the interests of its clients and various stakeholders by ensuring that there is careful management of risk and that staff are not encouraged, via remuneration, to take excessive risk. In addition, the remuneration policy ensures that NN Group complies with all the relevant (inter) national regulations on remuneration.