

# Application of the Banking Code by Nationale-Nederlanden Bank 2020

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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# Banking Code

## 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 2013 the Committee Wijfels published a report in which 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.

Nationale-Nederlanden Bank N.V. (hereinafter: 'NN Bank'), provides an overview on how it applies the Banking Code, each year. 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 and therefore sets objectives to create sustainable value for its customers, employees, shareholders and society at large. Our purpose, 'We help people care for what matters most to them' is the 'why' behind what we do – our reason for being. It reflects the

kind of company we aspire to be: a company that delivers long-term value – not just wealth – for all our stakeholders. At NN Bank, we put our resources, expertise, and networks to use for the well-being of our customers, the advancement of our communities, the preservation of our planet and the promotion of a stable, inclusive, and sustainable economy. NN Bank wants to be an industry leader, known for our customer engagement, talented people and contribution to society.

To fulfil its purpose, NN Bank's work is based on three core values: 'care', 'clear', 'commit'. These values express what we hold dear, what we believe in and what we aim for. They guide, unite and inspire us. They are brought to life through our day-to-day work. Our values, which we published under the name 'NN statement of Living our Values', set the standard for conduct and provide a compass for decision-making. Every single NN Bank employee 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). NN Bank has experienced strong growth over the past ten years and now accounts for 8% of NN Group's operating result and is a Top 5 retail bank in the Netherlands.

NN Bank continuously improves its services, to become more efficient, more innovative and more personal and relevant. The Bank has also taken major steps in the field of digitalisation.

NN Bank serves more than one million customers in the Dutch market. The bank helps customers manage and protect their assets and income through mortgage loans, (internet) savings, bank annuities, consumer lending and retail investment products. In addition, NN Bank provides administration and management services to other NN Group entities and institutional investors.

Based on its frequent interactions with customers, the bank supports NN's strategy to boost customer relevance and value for all our customers. NN Bank is also an important supplier of mortgages as an asset class for NN Group.

NN Bank distributes its services via the direct channel and via distribution partners (intermediaries). We put the needs of our customers first and ensure that customers are happy to stay with NN, purchase more of their financial products from NN and recommend NN to others.

NN Bank offers a motivating and healthy workplace, where talents can develop, colleagues enjoy their work and where their efforts are valued and respected. The bank firmly believes that it can better serve its customers and achieve its business goals, if all the people working for NN Bank are encouraged to use their different talents, skills and knowledge. In this way, the bank has created a strong foundation for our future.

#### ***Our future Bank***

NN Group's purpose is the starting point for everything we do. Together with NN's values 'care', 'clear', 'commit', and brand promise 'You matter', the purpose is at the heart of our culture. NN Bank focuses on solid growth in its transition towards a relationship-oriented bank. NN Bank translates NN Group's purpose to the bank's customer promise: 'NN Bank helps customers make conscious choices. Choices, that have a positive impact on customers' lives and the world around them.'

This means that the bank aims at giving customers insight into

## Banking Code Continued

their choices and the consequences thereof, now and in the future. Therefore, new services with simple processes and distinctive service components were developed. In this way, we help people to take care of what is really important to them.

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

Our ambition is the future the bank envisions; what to achieve in the coming years. NN Bank wants to be an industry leader, known for its customer engagement, its talented people, and its contribution to society.

NN Group identified five strategic commitments, with which NN Group's ambition will be realised: Customers and distribution, Products and services, People and organisation, Financial strength and Society.

The five commitments are highly relevant to NN Bank and constitute the foundation of its strategy. Driven by NN Group's strategic commitments, NN Bank is able to create long-term value for its company and its stakeholders: customers, shareholders, employees, business partners and society at large.

To realise this, NN Bank's ambitions NN Group's strategic commitments have been translated into five strategic priorities. The bank monitors the progress on these priorities.

- 1. Strong customer relationships*  
Customers expect personalised and relevant services. For that reason, NN Bank will make the transition from a customer focused mortgage and savings bank to a relationship-oriented bank. NN Bank aims to respond to the customer's needs at the relevant moments for the customer. Therefore, the bank will invest in more relevant services for, and more relevant contact with, its customers.
- 2. Data-driven business*  
Data-driven business Data analysis, and the value it creates, is becoming increasingly important. With more than one million customers, NN Bank has customer knowledge and data. By making intelligent use of data, where needed with the consent of our customers, the bank can make the best commercial, operational and financial decisions.
- 3. People and organisation*  
At NN Bank, people really matter. Within the bank it is firmly believed that customers can be served better and its business goals achieved if its people are encouraged to use their different talents, personalities and expertise. The bank knows that this aim can only be reached if its people are skilled, motivated and engaged. This calls for a culture that welcomes and respects everyone and focuses on empowerment and entrepreneurship.
- 4. Broadening of the business model*  
NN Bank will broaden its business model by developing the Woonnu green mortgage label also an additional sources of income for the bank, as it happens, and by collaborating more within

Nationale-Nederlanden and other business partners. The bank will expand its administrative and management services for third parties.

- 5. Sustainable company & society*  
NN Bank's responsibility is about people, professionalism and trust. In its daily activities, the bank strives for long-term value creation, not just financial gain. As a socially engaged company, the bank believes that it is important to make well-considered decisions. The Bank affects the world of tomorrow. NN Bank wants to contribute to a world in which future generations also have a promising future, by listening to what its customers really care about and by looking ahead in everything the bank does. The bank aims at increasing its social role by enabling people to invest in a sustainable life.

By fulfilling the five strategic priorities, NN Bank will continue to play a significant role in the Dutch market for its customers, stakeholders and society.

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 constantly taken into account, whereby 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 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 comprises a Supervisory Board and a Management Board. NN Bank aims at having an appropriate and balanced composition of the Management Board and Supervisory Board. From among its members the Supervisory Board has appointed an Audit & Risk Committee, 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 bank'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.

## Banking Code Continued

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/or have one or more member(s) of the Management Board as a member. Please also refer to paragraph 4.2.

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

The composition and the functioning of the Boards, as well as the functioning of the individual members, is assessed by the bank's Supervisory Board annually.

### 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 NN Group's statement 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. 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 - Three Lines of Defence concept*

In line with clear segregation of the 'Three Lines of Defence' concept, on which NN Bank's risk management structure and governance is based, NN Bank 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 NN Group's risk appetite:

*First Line of Defence:* NN Bank Business Management has primary accountability for the performance and all risks of the business, operations, compliance and effective control of risks affecting their business. This includes responsibility for tracking and testing control effectiveness. Finance and Treasury departments are part of the First Line of Defence.

*Second Line of Defence:* Oversight functions with a major role for the risk management organisation, legal and the

compliance function. 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 or excessive risk. These oversight functions include: - Developing the policies and guidance for their specific risk and control area - Encouraging and objectively challenging/monitoring sound risk management throughout the organisation and coordinating the reporting of risks - Supporting the First Line of Defence in making proper risk/return trade-offs - Exercising escalation power in relation to business activities that are judged to present unacceptable risks to NN Bank.

*Third Line of Defence:* Corporate Audit Services (CAS) 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 its business.

and sector, the bank are identifying new customer segments and services, and developing a customer experience that is as personalised and relevant as possible. Data have become vital for customer-oriented and efficient banking. NN Bank continued in 2020 to invest in a strong data foundation that ensures compliance with regulatory requirements, and strong data and AI capabilities to accelerate the growing number of data-driven projects in our value chains.

#### *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 initiative. Furthermore, the Head of Legal & Compliance participates as member in several mandated committees of NN Bank 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.

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. By these means the Management Board promotes responsible behaviour and a healthy culture throughout the bank.

#### *Interests of the bank's customers and other stakeholders*

NN Bank believes it is vital to continuously improve our services and offer new ones. The Bank closely monitors changes in customer needs and responds to these changes by improving or adapting products, services and customer processes. The customer and the Bank's business partners are actively involved

## Banking Code Continued

in many of these improvements. By offering an exceptional experience, we want to strengthen our relationship with our customers and attract customers who choose NN products and services, and ultimately want to remain an NN customer for the long term.

For that reason, NN Bank introduced NOVA on 10 November 2020. NOVA is a digital housekeeping app that provides direct insight into customers' financial matters. Customers can link their current payment account to the NOVA app, and it will provide insight into how much money the customer can spend. NOVA helps by dividing payments into categories and providing clear information for all debits and credits. By involving users at an early stage in the development of NOVA, Nationale-Nederlanden could investigate the ease of use and the added value for customers, and coordinate future improvements accordingly.

Customer research shows that customers want to save money for specific targets and life events. For that reason, NN Bank introduced a feature that enables customers to save money towards specific objectives: 'Doelsparen'. Customers can create up to ten individual savings objectives in mijn.nn.nl and the NN app. By entering a target amount and date, customers can see how much money they need to put aside every month.

In 2020, NN Bank also helped mortgage customers who experienced financial problems due to the Covid-19 pandemic and the related government measures. A special policy was formulated so that NN Bank could provide customers financial relief by granting them a 'payment holiday'. The policy also enabled the creation of a specialist team to manage the Covid-19-related cases. More than 700 customers (1.0% of outstanding) contacted NN Bank, and approximately 500 customers (0.8% of outstanding) received a payment holiday. At the end of 2020, 82% of these customers no longer needed a payment holiday.

In 2020, NN Bank started approaching interest-only mortgage customers to analyse whether this type of mortgage still suited the customer's situation. All customers gained access to an online self-assessment tool that provided useful insight. When necessary or desired, customers could ask for a follow-up discussion with an advisor. Advisors actively approached customers with a high-risk profile to dive deeply into their situation. For this, NN worked closely with the appropriate intermediaries. All relevant customers were approached in 2020 and will have periodical follow-up sessions in the years to come. The continuing low mortgage interest rates mean customers are beneficial in refinancing their mortgages. Based on customer research, NN Bank improved the refinancing proposition by introducing a refinance tool for consumers on nn.nl. With an easy online calculator, consumers can see when it is interesting to refinance their mortgage at NN Bank. NN Bank also improved the internal refinancing process.

Furthermore, NN Bank introduced for customers with an interest-only mortgage in order to refinance their mortgage the opportunity to apply for an interest-only mortgage with a 30-year fixed interest rate. Also various acceptance options were offered for specific types of customers.

As in 2019, NN Bank received in 2020 again several awards for the products the bank offers its customers, which also shows that all relevant processes are in place.

Customer focus takes NN Bank further. Customer experience is an important component of NN Bank's strategy. Creating strong relationships with customers is the foundation to transforming into a truly relationship-oriented bank. Developing new and

existing services based on customer insights and needs is a central focus in order to strengthen the customer relationship and ensure the customer feels seen and heard. And above all, to anchor continuous improvement based on customer experience into the organisation.

### 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.

In all its activities NN Bank carefully weighs the interest of its various stakeholders. Reliability, service orientation and transparency are crucial for NN Bank to reach its strategic goals. To represent its customers' interests and other stakeholders, NN Bank's employees must act in an ethical and professional manner.

#### *NN Bank's role in society*

In line with NN Group's strategic commitment 'Society', NN Bank strives for a sustainable society and wants to be a future-proof, sustainable Bank. 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.

#### *Sustainability*

NN Bank wants to use its knowledge, resources and experience to contribute to society and to contribute to a stable, inclusive and sustainable economy. In that context, NN Group has also signed the Dutch Climate Agreement. As NN Bank, we contribute to this through our commitment to making the Dutch housing market more sustainable. Our commitment to the Dutch Climate agreement means, we have committed to a 49% reduction in the CO2 emissions of our mortgage portfolio by 2030.

Our society is confronted with the challenge of climate change, with all its consequences and risks. To combat the climate crisis, 195 countries and the European Union signed one overarching agreement in Paris in 2015 during the UN Climate Summit. The agreement aims to keep the change in global temperatures below 2° C, with the goal of 1.5° C. The Paris Climate Agreement came into effect in 2020. In order to achieve the climate targets, EU member states have agreed that they will emit fewer greenhouse gases by 2030, compared with emissions in 1990. In addition, it has been agreed that member states will draw up climate policies and plans. The Netherlands has converted the Paris Agreement into a Dutch Climate Policy. This contains measures to protect the Netherlands against the consequences of climate change and limit further global warming. A number of objectives are also set in the Climate Act. The Climate Act stipulates that our country must reduce CO2 emissions by 49% in 2030 and by 95% in 2050, compared with 1990. The Climate Act also states that the Dutch Cabinet must draw up a Climate Plan. The first Climate Plan applies to the period between 2021 and 2030. To achieve the climate goals, the government, companies and civil society organisations signed a Climate Agreement in 2019. The financial sector, including NN Group, has also committed to this.

NN Group recently introduced the new purpose: 'helping people care for what matters most to them'. NN is a financially strong company and working on solid, long-term value creation for our customers, shareholders and employees. In addition, NN strives –

## Banking Code Continued

and acts – for a sustainable future for our society. Its work is about people, professionalism and trust. Every day, NN strives for value creation in the long term, not just for financial gain. NN is well prepared for the future by complying with current laws and regulations. As a socially involved company, NN believes it's important to make well-considered decisions. Finally, NN actions today affect tomorrow's world. NN strives for a world in which future generations also have promising future. NN does this by continuing to listen to what our customers really care about and by looking ahead in everything we do.

NN Bank wants to contribute to a world in which future generations also have a promising future. NN does this by listening to what our customers really care about and by looking ahead in everything we do. NN Bank will increase its social role by enabling people to invest in a sustainable life. With Woonnu, NN Bank offers a new mortgage label and enables external investors to invest in making the Dutch housing market more sustainable. Woonnu believes that sustainable living should be possible and affordable for everyone. Woonnu aims to do so by improving and seamlessly integrating the process and financing required to make the housing market sustainable. With this initiative, NN Bank contributes to its commitment to the Dutch Climate Policy.

Furthermore, NN launched 'Powerly', a platform that offers users support– from orientation to implementation – as they improve the sustainability of their homes in the Netherlands. Powerly aims to expand 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.

NN Bank is able to serve its customers and achieve its business goals in a better way, when its employees are encouraged to put their talents, personalities and expertise to work. This requires a culture that welcomes and respects all people, and focuses on empowerment and entrepreneurship.

Cultural diversity of its employees remains important to NN Bank. 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 NN Bank to better understand different customer groups. NN 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.

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.

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.

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 Whistleblower 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.

In 2020 NN Bank developed a Data & AI e-Learning that is now offered to all employees. The e-Learning was very well-received within the bank. Additionally, two internal Data & AI training courses were also developed focusing on training managers and 'business translators': experts who bring opportunities of AI close to the business.

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 consisted in 2020 of three members and since 16 December 2020 of four members. As of the 1st of January 2021 a fifth member joined the bank's Supervisory Board. The composition of the Supervisory Board of NN Bank allows the board to fulfill its tasks properly.

NN Bank aims to have an appropriate and balanced composition of the Supervisory Board. The fact that the Supervisory Board is composed of three independent members, as laid down in the Dutch Corporate Governance Code, as well as members occupying other functions within NN Group, contributes to the balanced composition of the Supervisory Board. Each member of the Supervisory Board has got diverse and extensive experience in the financial and/or banking in industry.

The Supervisory Board acts as a collegial body. While decisions are formally taken by majority, the board in principle acts on a consensus basis. Each year the Supervisory Board performs a self-assessment, which addresses amongst other items the composition of the Supervisory Board.

The Supervisory Board members have proven to be quickly and sufficiently available for consultation. The availability of the members of the Supervisory Board is also reflected in their high attendance during the Supervisory Board meetings. In 2020 the Supervisory Board members were present at and participated in the Supervisory Board meetings.

The Supervisory Board has appointed an Audit & Risk Committee from among its members, responsible for preparing matters delegated to this committee.

Outside the regular board meetings, discussions take place via e-mail or by phone if and when needed.

The Supervisory Board members actively discussed, queried and challenged proposals that were being put forward by the Management Board. The Supervisory Board members also asked 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 fulfill 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 fulfill 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 required.

##### 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



## Banking Code Continued

duties in 2020. 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 applies this principle.

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. Additionally, individual members are encouraged to follow training programmes on an individual basis during the year. Members of the Supervisory Board may also take part in optional third-party courses (or modules) relevant to their area of responsibility. In 2020 Supervisory Board members requested deep-dives into specific topics not specifically 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 thereto. 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 should cover 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 over 2020.

### 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.

In 2022 the functioning of the Supervisory Board will be evaluated under independent supervision again.

### 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 2020 the members of NN Bank's Audit & Risk Committee were Messrs André Bergen (chair) and Delfin Rueda.

## 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.

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 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 has evaluated the functioning of the individual members of the Management Board in 2020.

#### 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**

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**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.

The Supervisory Board reviewed the functioning of NN Bank's Management Board in 2020.

### 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 in the course of 2020 the bank's desired risk profile, the corresponding risk appetite and risk policies, which were subsequently approved by 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 its risk appetite. The latter in close consultation with the CFO and the Head of Legal, Compliance & FJA. NN Bank's Management Board reviews the advised risk appetite for approval at least annually. The risk appetite set by NN Bank's Management Board needs to be consistent with NN Group's risk appetite and must be endorsed by NN Bank's Supervisory Board.

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.

The Supervisory Board supervises NN Bank's execution of the risk policies and verifies that they are in accordance with the set risk appetite.

### 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.

The requirements with respect to this principle will be reflected in NN Bank's Charter for the Audit & Risk Committee.

### 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 its customers and to fulfil its role in society properly. The Management Board sets 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 the people working for the bank determine the future of its business and the future of its 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 genuinely wants to help its customers to secure their financial futures. Because employee engagement therefore is crucial NN Bank conducted employee engagement surveys in 2020 also.

## 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, risk culture 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.

#### *Risk management system and governance*

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.

#### *Three Lines of Defence concept*

In line with clear segregation of the 'Three Lines of Defence' concept, on which NN Bank's risk management structure and governance is based, NN Bank 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 NN Group's risk appetite:

*First Line of Defence:* NN Bank Business Management has primary accountability for the performance and all risks of the business, operations, compliance and effective control of risks affecting their business. This includes responsibility for tracking

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and testing control effectiveness. Finance and Treasury departments are part of the First Line of Defence.

*Second Line of Defence:* Oversight functions with a major role for the risk management organisation, legal and the compliance function. 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 or excessive risk. These oversight functions include: - Developing the policies and guidance for their specific risk and control area - Encouraging and objectively challenging/monitoring sound risk management throughout the organisation and coordinating the reporting of risks - Supporting the First Line of Defence in making proper risk/return trade-offs - Exercising escalation power in relation to business activities that are judged to present unacceptable risks to NN Bank.

*Third Line of Defence:* Corporate Audit Services (CAS) 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.

### 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 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.

The A&RC's task is to oversee the developments and control of the risks NN Bank runs in connection with its running

business. The Committee advised 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 said board to monitor the development and management of risks to which the bank is exposed. 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.

This principle is embedded in the risk policies and the processes within NN Bank. Please refer further to point 4.2 above and/or to the relevant pages in NN Bank's Annual Report 2020. Members of the Management Board chair these board committees. Issues which have 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 said board 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 partly 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 partly 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 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 and the external auditor also attends meetings of the Supervisory Board and the Audit & Risk Committee of the Supervisory Board of NN Bank.

KPMG Accountants N.V. is NN Bank's external auditor for the year 2020. They have attended two Supervisory Board meetings in 2020. 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.**

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NN Bank applied 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 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).

Furthermore, CAS NN Group is present in meetings of the Audit & Risk Committee and the Supervisory Board, when internal/external auditor subjects are discussed.

### 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 2020 to discuss each other's risk analyses, findings and audit plans.

## 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 partly 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.

Regarding NN Group's Remuneration Framework please refer to NN Group's Annual Report 2020.

### 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, such as the Act on the Remuneration Policies of Financial Undertakings (Wet belongingsbeleid financiële ondernemingen).