

# Application of the Banking Code by Nationale-Nederlanden Bank 2021

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 Group strategy***

NN's purpose is to help people care for what matters most to them. Our ambition is to be an industry leader, known for our customer engagement, talented people and contribution to society. All parts of NN's business contribute to the delivery of our ambition.

NN is committed to creating long-term value for all our stakeholders. Its strategy aims to address the interests of all stakeholders, which is why we have both financial and non-financial targets. NN's five strategic commitments will help achieve its ambition.

1. Customers and distribution - We see our customers as the starting point of everything we do
2. Products and services - We develop and provide attractive products and services
3. People and organisation - We empower our colleagues to be their best
4. Financial strength - We are financially strong and seek solid, long-term returns for shareholders
5. Society - We contribute to the well-being of people and the planet

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).

#### ***Our Bank today***

NN Bank has experienced a strong growth over the past ten years. The Bank accounts for 7% of NN Group's 2021 operating result and is a Top 5 retail bank in the Netherlands. The bank continuously improve its services to become more efficient, more innovative, more personal and more relevant. NN Bank has also taken major steps in the field of digitalisation.

NN Bank serves close to one million customers in the Dutch market. Its purpose is to help people care for what matters most to them. The bank helps customers manage and protect their assets and income through mortgage loans, 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. It distributes its services via the direct channel and via distribution partners (intermediaries).

Based on our frequent interactions with customers, the bank support NN's strategy to boost 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 offers a motivating, healthy and inclusive workplace, where our talent 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 its people are encouraged to use their different talents, skills and knowledge. NN Bank has created a strong foundation for its future, and its strategic commitments will guide the bank towards this future.

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

In recent years, the world has evolved rapidly. Covid-19 has turned our lives upside down, and has led to an accelerated expansion of the digital capabilities of mobile banking.

## Banking Code Continued

The banking market is not standing still, either. The bank's customers' expectations are changing. Customers have become accustomed to digital conveniences and engagement. They expect an acceleration of digitalisation and the bank wants to meet those expectations.

NN Bank helps people take care of what matters most to them. We help our customers make conscious choices about their finances. Because we want to understand our customers' goals and the particular challenges of every phase of their lives. In addition, the bank helps its customers to contribute to society by helping them make sustainable choices.

NN Bank is developing into a digital and data-driven bank with industry-leading customer experience and personalised services. This will allow the bank to lead the banking sector in terms of customer focus, talented colleagues and its contribution to society.

NN Group's five strategic commitments are highly relevant to NN Bank and are the foundation of its strategy. To realise NN Bank's ambitions, the bank translated NN Group's strategic commitments into four strategic priorities.

### 1. Strong customer relationships

In order to be able to do even more for its customers, the bank aspires to establish strong customer relationships through personal customer interaction. Collecting customers' data, with their consent, will be crucial to enabling us to offer relevant and personalised services. Together with its knowledge of the customer, the bank will be able to use these data to help customers make conscious choices that have a positive impact on their lives and the world around them. In doing so, NN Bank focuses on the important moments in the lives of its customers, most notably those related to housing, money matters and carefree retirement.

### 2. Digitalisation & data-driven way of working In the coming years

NN Bank will continue to invest in digital products and propositions and in our secure and reliable banking platform, which support the bank's staff in serving its customers as personally as possible. The bank digitises and automates processes for customers, intermediaries and its colleagues. It also further simplifies its system landscape and works with as much standardised, cloud-based software as possible, so that its systems are always up to date.

### 3. Sustainable company & society.

NN Bank's responsibility is about people, society, reliability and professionalism. As a Bank, we want – and need – to be compliant and in control. The bank will also help its customers to live more sustainably, based on the knowledge it has and the data it collects. In addition, the bank will translate its Environmental, Social and Governance (ESG) ambitions into a climate ambition and reflect this in its products and services. This also makes the bank attractive to institutional investors who invest in the green bonds the bank issues and the mortgage loans it offers. In this way, NN Bank strives for sustainable value creation for its customers, shareholders and society. The bank strives to be a stable and strong Bank for all its stakeholders and continues to broaden its investor base both for mortgage loans and for funding instruments.

### 4. Learning & agile organisation

The digital transformation requires an investment from all employees. Technology helps the bank, but our colleagues are crucial to realising the bank's ambition. That is why, as an employer, the bank wants to be the employees choice. As a company, the bank will become more and more at home in the world of data and technology. NN Bank is a learning organisation, and it is its task to gain the competencies that belong to a digital bank. NN Bank helps employees by offering a wide range of development options, so that employees can continue to contribute to the acceleration of the bank's digitalisation with their knowledge, competencies and behaviour. With its agile transformation, the bank helps teams work more and more autonomously, and therefore put employees at the helm of the bank's digitalisation. NN Bank stimulates employees to be actively involved in their own development.

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.

The Management Board has delegated a number of activities to specific committees within NN Bank. These committees have an

## Banking Code Continued

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.

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.

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.

#### *Risk Management*

In line with NN Group, the Three Lines of Defence model, on which NN Bank's risk management structure and governance are based, defines three risk management levels. Each line has distinct roles, decision authorities, execution responsibilities and oversight responsibilities. This framework ensures that risk is managed in line with NN Bank's risk appetite as defined by the Management Board, and ratified by the Supervisory Board, and that NN Bank's risk appetite is consistent with that of NN Group.

The First Line of Defence is formed by NN Bank Business Management, and 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 or 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*

The next steps in NN Bank's agile transformation are part of the broader 'Change is NOW Next Level' culture programme, set up in 2020 and rolled out in 2021. With this programme, we want to ensure that NN Bank becomes a learning organisation. An organisation that enables employees to adapt their services to a constantly changing environment by stimulating training, development and initiative. We invest in our colleagues' craftsmanship, because the bank wants to be known for its talented colleagues.

#### *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. NN Bank continued to invest in strengthening its compliance function in 2021. On the basis of laws and regulations (including the EBA Guidelines on Internal Governance) and due to the size, complexity and activities of NN Bank (and its compliance function), it was no longer considered proportionate – and therefore no longer permissible – to combine the position of Head of Compliance with that of Head of Legal & Tax. NN Bank has therefore separated the compliance function from the legal & tax function in its organisation. NN Bank has created the position of Head of Compliance, who is solely responsible for the compliance function. In order to guarantee the independence of the compliance function, the Head of Compliance has also been given a reporting line to the CRO of NN Bank

### 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.

NN Bank believes it is vital to continuously improve its 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 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. NN Bank's efforts led to a further improvement in customer experience. The transactional NPS in 2021 was 21.4 (2020: 18.9)

Based thereupon the bank is able to keep a close eye on what is going on around it, and enables it to focus on those developments that can have an impact on the way in which the bank helps its

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customers and business partners, on its general strategic direction and/or on our financial performance.

### *Consumer needs*

Worldwide the Covid-19 pandemic has led to accelerated adoption of mobile banking. Digital and mobile banking services continued to be the predominant banking model. As a result, consumers have become more accustomed to digital application processes and services, sometimes supported by Artificial Intelligence (AI), and they are experiencing the advantages of digital over old-fashioned manual processes. Advances in technology, big data and AI mean that customers are willing to say goodbye to old habits, and that the willingness to switch to Fintech banks is increasing. There is an absolute need for banks to embrace data and AI and use them to enable personal customer relationships and offer desirable products. For customers, the bank is not a building, but an app. Therefore there is a greater willingness to switch to other financial service providers, due to greater transparency and comparability between products and providers.

In 2021, NN Bank continued to improve the fulfilment of its role as gatekeeper for the financial system, and to prevent NN Bank from becoming involved in financial and economic crime. Furthermore, the bank continued to find the right balance between fighting financial and economic crime and accessibility of NN Bank's banking services. In this context, the bank considers it of great importance that it does not exclude customers categorically, but that it apply tailor-made solutions based on the integrity risks of an individual customer. To optimise its execution, NN Bank decided to centralise its first-line Financial Economic Crime and Anti-Money Laundering organisation in 2022 as one shared service and knowledge centre.

Furthermore, NN Bank continued to invest in strengthening its compliance function.

The Supervisory Board is continuously informed during the year about the steps NN Bank takes.

### 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, which are connected to principle 1.4.

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 act in an ethical and professional manner.

NN Bank will continue to work on its role in society through NN Future Matters, NN Group's global community investment programme, focused on promoting financial empowerment, creating economic opportunities and alleviating financial distress. NN Bank will continue to develop its products and services, and align them with societal challenges, such as sustainability, climate change and financial well-being.

### *Employees*

NN Bank employees are given the opportunity to get involved in people's financial well-being outside of their role at the Bank. Employees can do volunteer work, for example, at LEF, a programme aimed at teaching young people to handle their money matters. Furthermore, employees have the option of requesting a donation to a charity that they support, through our foundation 'Stichting Wij en de Maatschappij' (Together for Society).

Talent management, succession planning and the NN Group Statement on Diversity and Inclusion are key instruments in our approach and are part of the Human Capital Development processes of NN Group.

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.

NN Bank is committed to upholding its reputation and integrity through compliance with applicable laws, regulations and ethical standards in each of the markets in which the company operates. All employees are expected to adhere to these laws, regulations and ethical standards, and management is responsible for ensuring such compliance. Compliance is therefore an essential ingredient of good corporate governance.

NN Bank's compliance function has developed a framework that governs the process of identifying, assessing, mitigating, monitoring and reporting business conduct risks. The compliance function supports the businesses to effectively manage their business conduct risks.

NN Bank continuously enhances its business conduct risk management programme to ensure that NN Bank and its subsidiaries comply with applicable standards and laws and regulations. In addition to effective reporting systems, NN Bank has a whistle-blower procedure that protects and encourages staff to



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speak up if they know of or suspect a breach of external regulations, internal policies or business principles.

NN Bank also has policies and procedures regarding anti-money-laundering, sanctions and anti-terrorist-financing, gifts and entertainment, anti-bribery, customer suitability and confidential and insider information. The NN Group Code of Conduct is applicable for its personnel.

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.

At the end of 2020, NN Bank launched a culture programme that aims to open up the discussion about the need to continuously learn. This programme was rolled out in 2021 and is about behaviour. Continuous development has to be part of that behaviour. Therefore an innovative – and well-received – programme for all NN Bank staff was rolled out.

## 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 2021 of four 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. The fact that the Supervisory Board is composed of two 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 2021 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 manifold exchanges between the Supervisory Board members the members of the Management Boards and other staff members take place 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 in 2021 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 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 duties in 2021. 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 2021 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 2021.

### 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 2023 the functioning of the Supervisory Board will be evaluated under independent supervision.

### 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.

From amongst the members of the Supervisory Board an Audit & Risk Committee, has been appointed, 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 2021 the members of NN Bank's Audit & Risk Committee were Mrs Anne Snel, who was appointed as Chair instead of Mr André Bergen, who went on to become Chairman of the bank's Supervisory Board, and Mr 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 Management Team. 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 2021.

##### 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.

The Supervisory Board reviewed the functioning of NN Bank's Management Board in 2021.

##### 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 2021 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 defence'. 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 are 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 documents. 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.

Our business centres around people and trust. Being entrusted with other people's financial matters is a responsibility we take very seriously. At NN, we help people care for what matters most to them. We do so guided by our values care, clear, commit.

- We care means we empower people to be their best. We respect each other and the world we live in.
- We are clear means we communicate proactively and honestly. We are accessible and open.

- We commit means we act with integrity. We do business with the future in mind.

These values express what we hold dear, what we believe in and what we aim for. They guide, unite and inspire us. And they are brought to life through our day-to-day work.

Our values, which we published under the title NN statement of Living our Values, set the standard for conduct and provide a compass for decision making. Every single NN employee will be responsible and accountable for living up to them.

Living our values enables us to carefully consider the interests of all of our stakeholders. These are our customers, who are the starting point of everything we do. Our colleagues, who realise the goals we envisage together. Our shareholders, who invest in our company. Our societies, in which we work and live. Our business relations and suppliers who we partner with. And regulators, with whom we engage in a constructive dialogue.

## 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.

In line with NN Group, the Three Lines of Defence model, on which NN Bank's risk management structure and governance are based, defines three risk management levels. Each line has distinct roles decision authorities, execution responsibilities and oversight responsibilities. This framework ensures that risk is managed in line with NN Bank's risk appetite as defined by the Management Board, and ratified by the Supervisory Board, and that NN Bank's risk appetite is consistent with that of NN Group.

The First Line of Defence is formed by NN Bank Business Management, and 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 or 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.

### 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 Audit & Risk Committee'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 Audit & Risk Committee 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 Audit & Risk Committee 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 Audit & Risk Committee 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 2021. Members of the Management Board partake in the deliberation of 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 2021. They have attended two Supervisory Board meetings in 2021. 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 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 2021 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. The NN Group Remuneration Framework supports NN Group's overall ambition to be an industry leader, known for our customer engagement, talented people, and contribution to society.

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 including risk management of Environmental, Social, and Governance (ESG) risks.
- 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 2021.

### 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 beloningsbeleid financiële ondernemingen).