Integrated thinking in action
A spotlight on NN Group

Case study
The Integrated Thinking and Strategy Group (a special interest group of the Value Reporting Foundation Business Network) brings together some of the world’s most innovative companies so that they can collaborate, learn from each other, challenge each other’s thinking and share leading practices between themselves and those who follow them.

Integrated thinking is engrained in the discipline of making a deliberate and coordinated effort to connect the organization’s strategy, governance, performance and prospects. It is the active consideration by an organization of the relationships between its various operating and functional units and stores of value – which the Value Reporting Foundation refers to as ‘capitals’ in the International <IR> Framework – that the organization uses or effects to create value over the short, medium and long term.

It is used by businesses to improve decision-making, accountability and communication. It is therefore essential to the development of strategy and provides a valuable connection to the board.

The project aims to assess how integrated thinking is embedded within organizations through a series of interviews to understand:

• What led the organization to embed integrated thinking
• How they used integrated thinking to shape their strategy
• How integrated thinking has helped them deploy their strategy
• What the benefits have been.
Overview
30-second snapshot into integrated thinking at NN Group

NN Group is an international financial services organization based in the Netherlands and active in 20 countries, with a strong presence in Europe and Japan. With its 15,000 employees, NN provides retirement services, pensions, insurance, investments and banking to approximately 18 million customers.

Integrated thinking supported the process of identification of the organization’s redefined purpose, as well as the creation of its new strategy that is aimed at creating long-term value for all stakeholders. It is NN’s ambition to be an industry leader, known for its customer engagement, talented people and contribution to society. To monitor and measure progress, they set objectives for each of the five strategic commitments, including their contribution to society. These commitments are underpinned by financial and non-financial KPIs and targets.

NN Group installed a group-wide Purpose Council, to oversee how they are upholding their purpose and progressing on their non-financial targets.

As a result of embedding integrated thinking, NN Group is able to better understand the environment in which it operates and thus to respond to its stakeholders’ needs. They believe that if they take good care of their customers, their people and the communities in which they operate, this allows them to deliver solid long-term returns for shareholders.
Deep dive into integrated thinking at NN Group

10 minute read

This case study summarizes the journey of integrated thinking at NN Group and was developed through the conversations that Babs Dijkshoorn Manager Sustainability at NN Group had with Professor Cristiano Busco, LUISS and Roehampton University, and Elena Sofra, Value Reporting Foundation.
NN Group became a standalone, listed organization in 2014. At that time, they required a tool that would enable the organization to evaluate its value creation process with a holistic approach, which would consider megatrends impacting the organization and incorporate stakeholder needs. NN realized that it had to enable the profusion of its organizational culture, fostered by greater connectivity among its departments.

Delivering value for all of its stakeholders has been enshrined in its Statement of Living our Values, which spells out how the organization does business, while preserving the future by setting long-term objectives over short-term gains.

Deep dive
What led NN Group to embed integrated thinking?

NN Group required tailoring a new approach to its value creation process, when we had our IPO and started the next phase in our company’s journey in 2014. This included a new purpose and new values, while assessing the trends impacting the company and its stakeholders. I was impressed how NN’s values were put at the heart of the way we do business and how we interact with our stakeholders. These became true drivers for our behaviours and guide our business activities.”

Babs Dijkshoorn / Manager Sustainability NN Group
How did NN Group approach integrated thinking?

Although NN Group only joined the <IR> Business Network in 2018, it has been approaching its value creation process in a holistic way since 2014.

As part of its commitment to support sustainable development through the execution of a sustainable strategy, the business focused on assessing the outputs it produced in relation to the capitals it uses and the stakeholders that it affects. It started by working on its reporting model, which led to the organization's first integrated report published in 2017.

As reporting can be seen as a means (rather than an end), the organization has gradually been refining and improving its internal processes and practices. NN Group has been working on integrated thinking as a journey, which supports the organization in defining its strategy by assessing the value it creates for its stakeholders, and the impact it has on the wellbeing of people and the planet.
Integrated thinking has been acknowledged as a journey, which has enabled us to foster a holistic understanding of the value creation process. Reporting on our business model - inspired by the Integrated Reporting Framework - helped us to foster an integrated thinking approach. In particular, the preparation of the refined purpose and new strategy that the company launched in 2020 was an expression of integrated thinking in which the Management Board carried out the process internally, but explicitly took into account input from internal and external stakeholders."

Frederike Rijkse / Advisor Sustainability at NN Group
What is the link between integrated thinking and NN Group’s strategy?

The Group’s strategy is focused on long-term value creation for all stakeholders. NN puts their resources, expertise and networks to use for the wellbeing of their customers, the advancement of their communities, the preservation of the planet, and the promotion of a stable, inclusive and sustainable economy.

When developing the new strategy in 2019/2020, the Management Board looked at some underlying questions, like what is the purpose of the organization, and what would NN like to achieve over the long term. In December 2019, a committee was set up to advise and support the Management Board in developing a new purpose statement. Many people participated in this process and NN’s redefined purpose (We help people care for what matters most to them) now better reflects their aspiration to be an organization that creates long-term value – not just wealth – for all their stakeholders. A year later, this committee was formalized as the group-wide Purpose Council with the objective to oversee how NN are upholding their purpose and progressing on their non-financial targets. NN’s purpose is at the top of its strategic framework as it will lead its people in all decision making. It is strongly linked to NN’s ambition for the coming years: to be an industry leader with talented people, known for its customer service and its contribution to society.

"Our purpose is a key component of our strategic decision making, as it reflects the kind of company we want to be. It also aspires to engage, connect and motivate our colleagues and future colleagues. Furthermore, a well-lived purpose will build trust with our stakeholders."

Babs Dijkshoorn / Manager Sustainability NN Group
NN set five strategic commitments that reflect the way in which the organization approaches integrated thinking. The strategic commitments were set through a process which evaluated the organization's value creation process to incorporate the impact that the business may have on its broader range of stakeholders: customers, employees, shareholders and society at large. The strategic commitments are underpinned by financial and non-financial KPIs and targets which support them and monitor achievement.

NN describe how they create value for their stakeholders, drawing on the six capitals of the <IR> Framework, on page 23 in their 2020 Integrated Annual Report: ‘In the way we do business, we see customers as the starting point of everything we do. We develop and appropriately price financial products and services which meet the needs of our customers through each phase of their lives. We aim to be where our customers want us to be, and distribute our products and services through many channels, including intermediaries, brokers, tied agents, banks and financial advisors, as well as directly online. We receive fees, premiums and deposits from customers for the products and services provided. We invest this money prudently and responsibly. The returns earned on these investments are used to pay out pensions, claims, other benefits and interest. The remaining capital is deployed for investments in growth initiatives, managing debt and delivering capital returns to our shareholders.’

NN Group’s business model identifies the capitals it uses and affects to create value, using the <IR> Framework’s value creation process to guide its development. Although the organization does not directly point out to the link between its business activities to the Sustainable Development Goals (SDGs) in this year’s model, it is working to further steer the outcomes it produces in relation to the capitals it uses, and outputs generated.
Our key inputs

Financial capital
Including debt, equity, revenue and assets invested by clients
- Shareholders equity: EUR 36.7bn
- Gross premium income: EUR 13.8bn
- Assets under Management: EUR 300bn

Human capital
Employees’ skills, time and resources
- Total number of employees: 15,718
- Amount spent on training and development: EUR 12.9m

Intellectual capital
Internal processes, systems and controls

Manufactured capital
Company’s products, offices and other physical assets

Natural capital
Use of natural resources
- Total energy used: 33,000 MWh (of which 72% of the electricity used was renewable)

Social and Relationship capital
Relations with customers and other stakeholders
- Customers: Around 18m
- Business partners and suppliers: Other key stakeholders, i.e. regulators

Our purpose
We help people care for what matters most to them

The value we created in 2020

Outputs

Financial capital
- Disciplined capital deployment
  - Total dividend and interest payments to investors: EUR 783m
  - Share buyback programme: EUR 205m
  - Investments in acquisitions: EUR 548m
  - Solvency II ratio: 296%

Human capital
- Wages and benefits
  - Total wages, benefits and pension contributions: EUR 1.6bn
  - Inclusive and inspiring working environment
    - % women in senior management positions: 33%
    - Employee engagement score: 7.5

Intellectual capital
- Availability of services
  - % growth of digital retail clients: 9%
- Proper functioning of controls
- Incidents of fraud, conflicts of interest and unethical behaviour: 68%

Manufactured capital
- High-performing products & services
  - Brand consideration: 21%
  - Net Promoter Score: 4 out of 11 Business Units scoring above market average
- Encouraging innovation
  - Number of innovation initiatives: 33

Natural capital
- Environmental impact from own operations
  - Carbon emissions: 13,124 tonnes CO2 - 100% compensated by carbon credits
  - Environmental impact from investments
  - Carbon footprint relating to proprietary investment portfolio: 72,100m toe/yr invested

Social and Relationship capital
- Returns to customers
  - Total claims and benefits paid: EUR 783m
- Total dividend and interest payments to investors: EUR 250m

Outcome for our stakeholders

Customers
To our customers, we offer peace of mind; our products help protect them, their families, their health and their property. We also safeguard their personal data, provide mortgage and a stable source of income in retirement. Our aim is to offer quick, effective customer service and access to new, innovative financial products.

Employees
To employees, we provide wages and other benefits. We also contribute to their pensions. In addition, we offer skills training and opportunities for career development. We provide an inspiring and inclusive place to work. Our aim is to build an engaged workforce and nurture a culture aligned with our purpose, values and ambition.

Investors
To our investors, we are committed to deliver resilient and growing long-term capital generation. To do so, we maintain a strong balance sheet and create solid financial returns by using our financial strength, scale and international footprint, and by efficiently managing our customers’ assets and our own insurance portfolios.

Society
We contribute to the well-being of people and the planet. We take a long-term and a responsible approach to investments, working to minimise their impact on the environment. We also support the economy through taxes and payments to intermediaries and other business partners. Through donations and volunteering, we are actively involved in local communities.

Figure 2
For a detailed view of the model please consult page 22-23 of the 2020 Integrated Annual Report.

Integrated thinking in action A spotlight on NN Group
The new strategy is our product of integrated thinking. NN has five strategic commitments with underlying financial and non-financial targets and KPIs that support them. These deliver value to all stakeholders. Only a few months after the launch of the new strategy, the performance against our new targets were reported during the presentation of the mid-year results. These indicators are embedded in the remuneration of the Management Board and being integrated in management systems and dashboards."

Frederike Rijkse / Advisor Sustainability at NN Group
NN Group has developed an approach linked to its understanding of integrated thinking to deploy its strategy. It has anchored its strategic commitments to specific targets which reflect the organization's focus on delivering value for all stakeholders: customers, employees, shareholders and society.

As part of its strategic commitment geared at its people and organization (*We empower our colleagues to be their best*), NN increased the target for the percentage of women in senior management positions (from 33% to 40%) by 2023. This decision reflects NN's willingness to live its values to the fullest by taking care, being clear and committing to its people. NN also invests in an inclusive and inspiring environment, which is equipped to take its business into the future. Employee engagement remains an important indicator, as the success of an organization is closely related to the wellbeing of its employees. NN has embedded its long-term value creation and related non-financial objectives in its remuneration policy.

NN's strategic commitment to positively contribute to society (*We contribute to the wellbeing of people and the planet*) is underpinned by three key 2023 objectives: increasing the percentage of ESG-integrated Assets under Management to 80%; targeting a net-zero carbon proprietary investment portfolio by 2050; and contributing 1% of its operating result to society through charitable donations and volunteering hours.
NN Group has a Responsible Investment (RI) framework policy in place that sets out the organization’s vision in this area: NN integrates environmental, social and governance (ESG) factors in its investment processes and active ownership practices. They believe there is a strong link between the longer-term positive impact of responsible investing and improved risk-adjusted returns. In addition to its effects on the wellbeing of both society and the environment, the consistent integration of ESG factors enables them to unlock potential value by identifying the associated risks and opportunities. NN Investment Partners (NN IP) integrates stringent E, S and G criteria throughout the entire investment process, which are demonstratable and documented (74% at 2020 year-end). Since 1999, NN IP, which currently holds 29.3bn euros of assets under management, has been offering a range of sustainable and impact investment strategies. It uses active engagement and voting at AGMs to encourage the transition towards a low carbon and sustainable economy. Dialogues were held with issuers on ESG topics in 2020 - double the number that were held the year before. NN is also collaborating with other organizations, including the PRI, Climate Action 100+, the Roundtable on Sustainable Palm Oil, and the Platform Living Wage Financials.

As an asset owner, NN wants to play its part in helping the real economy to decarbonize in line with the 1.5 degrees Celsius target of the Paris Agreement. It launched its ambition to transition its proprietary investment portfolio to net-zero emissions by 2050. This builds on decision taken in 2019, such as phasing out investments in coal mining and coal power to close-to-zero in 2030. In addition, asset class specific approaches are being developed; the first sovereign bonds alignment policy was approved in November 2020. Furthermore, NN aims to increase allocations to green investments, such as green bonds and financing infrastructure debt projects in the areas of renewable energy and resource efficiency. Last but not least, NN pledged to increase its contribution to society (in cash and hours of volunteering) to 1% of its operating result by 2023. This means NN will substantially increase the resources allocated to its group-wide Future Matters programme aimed at improving people’s financial resilience and economic opportunities, and further building locally relevant community investment programmes.
How has embedding integrated thinking benefitted NN Group?

“Sustainable growth gained great momentum; there is a lot of stakeholder attention, clients, regulators and investors are keen to understand how the company executes and tailors a sustainable strategy. Integrated thinking benefits customers because the organisation is more aware of their needs and is thus better able help them care for what matters most to them. Integrated thinking benefits employees by giving them a greater ambition and aspiration of their role in society. Ultimately, integrated thinking benefits investors as well, because when you have the users and producers of your outputs onboard the organisation will thrive.”

Babs Dijkshoorn / Manager Sustainability NN Group

NN Group has found that integrated thinking has supported the creation of an holistic strategy that reflects the needs of the Group’s stakeholders and supports the organization in facing the trends and developments that may impact it. In addition to mitigating risks, integrated thinking facilitates the business to capture opportunities.
The Value Reporting Foundation is a global nonprofit organization that offers a comprehensive suite of resources designed to help businesses and investors develop a shared understanding of enterprise value—how it is created, preserved or eroded over time. The resources—including Integrated Thinking Principles, the Integrated Reporting Framework and SASB Standards—can be used alone or in combination, depending on business needs. These tools, already adopted in over 70 countries, comprise the 21st century market infrastructure needed to develop, manage and communicate strategy that creates long-term value and drives improved performance.