2020

SFCR
ASR Nederland N.V.

a.s.r.
de nederlandse verzekerings maatschappij voor alle verzekeringen

Cover

The campaign slogan, which appears on the title page, is 'Dit is de tijd van doen'. This translates as 'Now is the time for action'. This annual report features illustrations of this campaign accompanied by explanatory text.

The slogan was chosen to indicate that the time for inaction is past. If a sustainable future is to be achieved, steps must be taken now. It is important to be fully aware of the consequences these choices will have for the long term.

a.s.r. wants to provide insurance in a way that contributes to a fair and sustainable society. And the more people and companies that do so, the better things will be.

ASR Nederland N.V.

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P.O. Box 2072
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www.asrnl.com

2020

SFCR
ASR Nederland
N.V.

Contents

Introduction

The structure of the Solvency and Financial Condition Report (SFCR) has been prepared as described in annex XX of the Solvency II Directive Delegated Regulation. The subjects addressed are based on article 51 to 56 of the Solvency II Directive and act 292 up to and including 298 and act 359 of the Delegated Regulation. Furthermore, the figures presented in this report are in line with the supervisor's reported Quantitative Reporting Templates (QRT).

All amounts in this report, including the amounts quoted in the tables, are presented in millions of euros (€ million), being the functional currency of a.s.r. and all its group entities, unless otherwise stated.

Summary

ASR Nederland N.V., hereinafter 'a.s.r.', is the Dutch insurance company for all types of insurance. As part of the Solvency II legislation, a.s.r. discloses the Solvency position, Governance and Risk management practices by means of a Solvency and Financial Condition Report (SFCR).

A Business and performance

The Solvency II ratio stood at 199% (excluding financial institutions) on 31 December 2020, after the proposed dividend.

The ratio is based on the Standard Formula as a result of € 8,273 million Eligible Own Funds (EOF) and € 4,159 million Solvency Capital Requirement (SCR). Having generated € 5,276 million in Gross written premiums (GWP) in 2020, a.s.r. is one of the larger insurance companies in the Netherlands.

Operating result increased by € 27 million to € 885 million (2019: € 858 million). The increase was mainly driven by a higher investment margin in the Life segment and a strong Non-life result. The overall impact COVID-19 had on the Group's operating result is only limited (€ -1 million) due to diversification of a.s.r.'s business segments.

Organic capital creation (OCC) remained robust at € 500 million (2019: € 501 million), as higher contributions from business operations and investments, as well as an increase in net capital release, compensated the increase of € 79 million in UFR drag due to lower interest rates.

Full details on the a.s.r.'s business and performance are described in chapter A Business and performance (page 10).

B System of governance

General

a.s.r. is a public limited company which is listed on Euronext Amsterdam and governed by Dutch corporate law. It has a two-tier board governance structure consisting of an Executive Board (EB) and a Supervisory Board (SB). The EB is responsible for the realisation of corporate objectives, the strategy with its associated risks and the delivery of the results.

The SB is responsible for advising the EB, supervising its policies and the general state of affairs relating to a.s.r. and its group entities. As of 1 February 2019 a.s.r. changed its management structure. This was effected through the appointment of a Business Executive Committee (BEC). The BEC works alongside the EB and shares responsibility for the implementation of the business strategy.

Risk management

It is of great importance to a.s.r. that risks within all business lines are timely and adequately controlled. In order to do so, a.s.r. has a Risk Management framework in place based on internationally recognised and accepted standards (such as COSO ERM and ISO 31000:2018 risk management principles and guidelines). Using this framework, material risks that a.s.r. is, or can be, exposed to, are identified, measured, managed, monitored and evaluated. The framework is applicable to a.s.r. group and the underlying (legal) business entities.

Control environment

In addition to risk management, a.s.r.'s Solvency II control environment consist of an internal control system, an actuarial function, a compliance function, a risk management function and an internal audit function. The system of internal control includes the management of risks at different levels in the organisation, both operational and strategic. Internal control at an operational level centres around identifying and managing risks within the critical processes that pose a threat to the achievement of the business line's objectives. The actuarial function is responsible for expressing an opinion on the adequacy and reliability of reported technical provisions, reinsurance and underwriting. The mission of the compliance function is to enhance and ensure a controlled and sound business operation. The Audit Department evaluates the effectiveness of governance, risk management and internal control processes, and gives practical advice on process optimisation.

Full details on a.s.r.'s system of governance are described in chapter B System of governance (page 34).

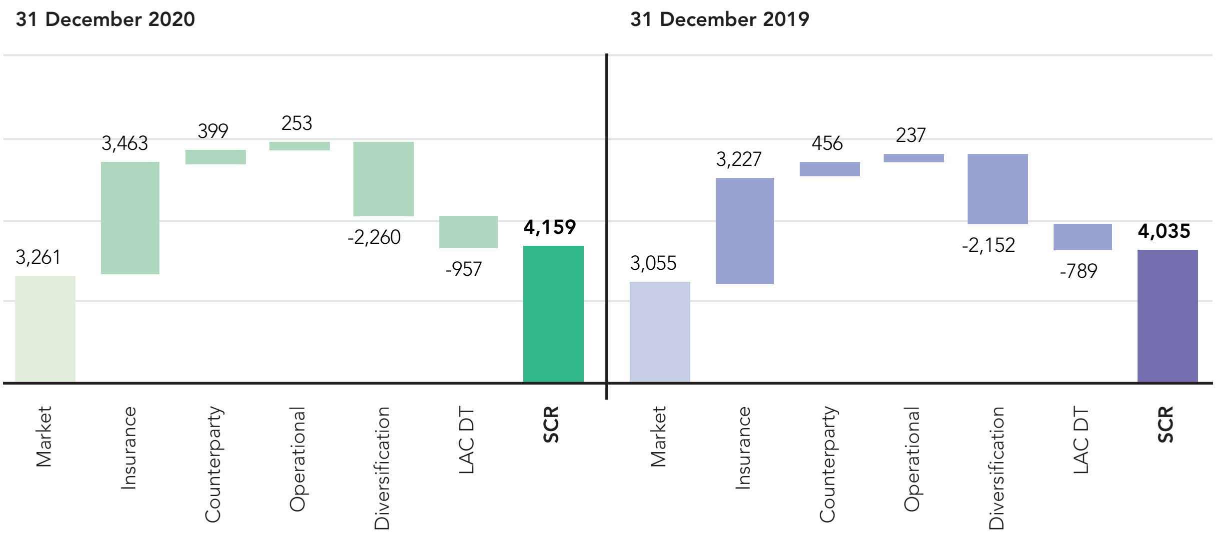
C Risk profile

a.s.r. applies an integrated approach in managing risks, ensuring that our strategic goals (customer interests, financial solidity and efficiency of processes) are maintained. This integrated approach ensures that value will be created by identifying the right balance between risk and return, while ensuring that obligations towards our stakeholders are met. Risk management supports a.s.r. in the identification, measurement and management of risks and monitors to ensure adequate and immediate actions are taken in the event of changes in a.s.r.'s risk profile.

a.s.r. is exposed to the following types of risks: market risk, counterparty default risk, insurance risk, strategic risk and operational risk. The risk appetite is formulated at both group and legal entity level and establishes a framework that supports an effective selection of risks.

The SCR is build up as follows:

Solvency capital requirement



The required capital stood at € 4,159 million at 31 December 2020 (31 December 2019: € 4,035 million). This increase was mainly driven by an increase in insurance risk and market risk, partially mitigated by increased diversification benefits and an increased LAC DT due to the reversal of lowering the corporate tax rate.

Full details on the a.s.r.'s risk profile are described in chapter C Risk profile (page 73).

D Valuation for Solvency purposes

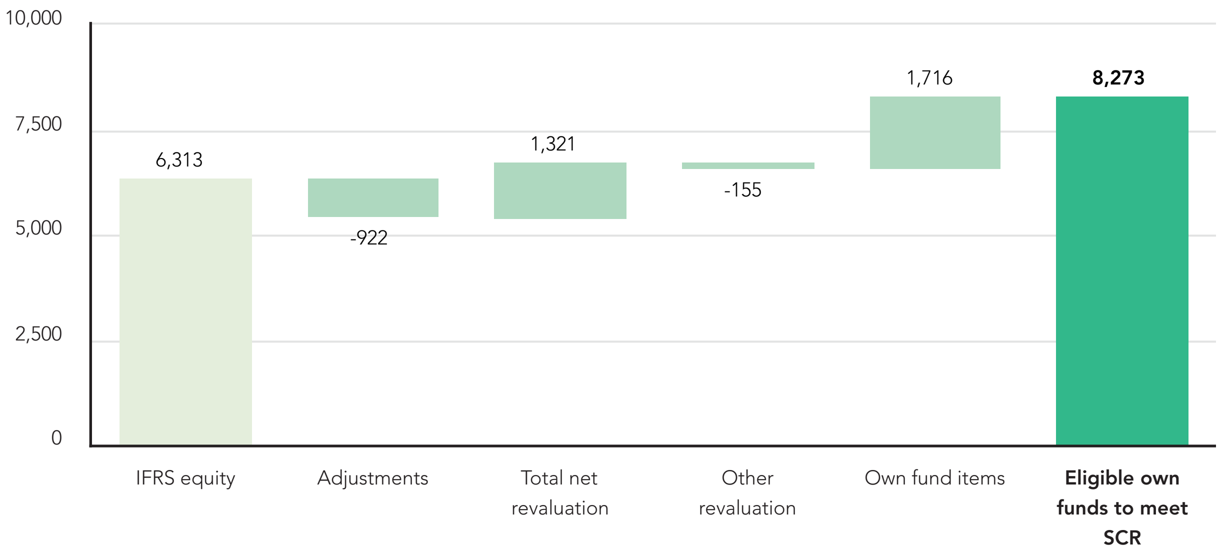
a.s.r. values its Solvency II balance sheet items on a basis that reflects their economic value. Where the IFRS fair value is consistent with Solvency II requirements, a.s.r. follows IFRS for valuing assets and liabilities other than technical provisions.

The reconciliation of IFRS equity to Solvency EOF can be summarised as follows:
- Adjustments related to hybrid loans;
- Total net revaluation as a result of revaluation differences of items which are valued different than fair value in the IFRS balance sheet;
- Derecognition of items on the Solvency II economic balance sheet which are admissible on the IFRS balance sheet;

- Recognition of Own Fund items like subordinated liabilities and foreseeable dividends which are in accordance with the Delegated Regulations part of the EOF.

A graphical representation of the reconciliation from IFRS equity to Solvency EOF is presented below:

Reconciliation total equity IFRS vs EOF Solvency II



The full details on the reconciliation between a.s.r.'s economic balance sheet based on Solvency II and consolidated financial statements based on IFRS are described in chapter D Valuation for solvency purposes (page 106).

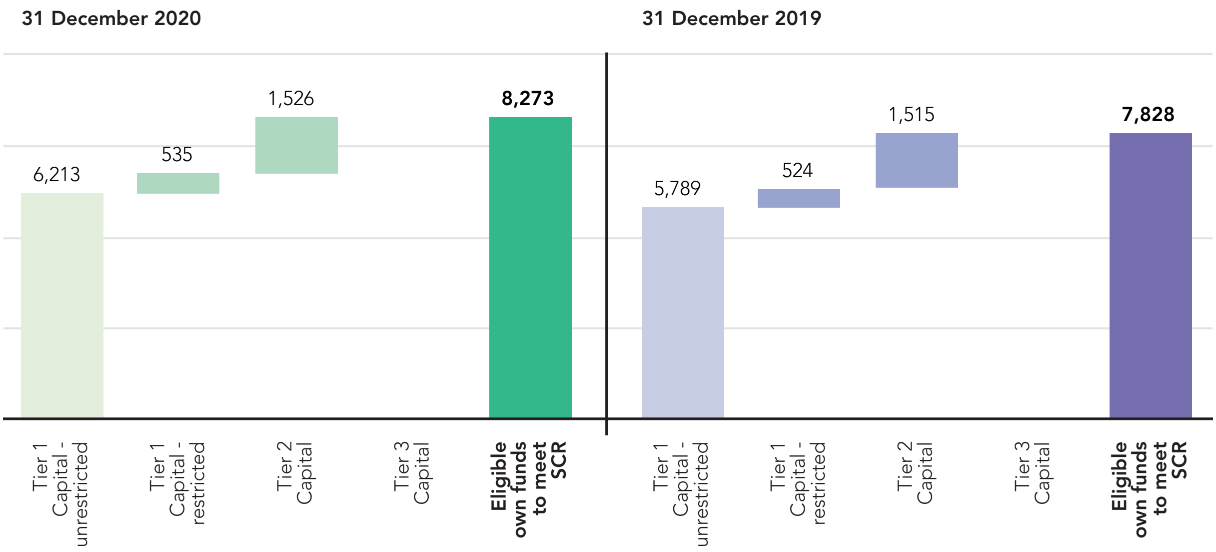
E Capital Management

Overall capital management is administered at group level. Capital generated by operating units and future capital releases will be allocated to profitable growth of new business or repatriated to shareholders, beyond the capital that is needed to achieve management's targets.

a.s.r. follows the SII Standard model for the determination of the group solvency. a.s.r. maintains an internal minimum and management target for the Solvency II ratio. The internal minimum Solvency II ratio for a.s.r. as formulated in the risk appetite statement is 120%. The management threshold level for the Solvency II ratio is above 160%. The lower limit solvency target is 140%. The solvency ratio was 199% at 31 December 2020.

The EOF is build up as follows:

Eligible own funds



The EOF increased to € 8,273 million (2019: € 7,828 million) mainly driven by higher business capital generation, lower interest rates and higher equity markets. This was partially offset by a widening of credit spreads and an UFR reduction.

Full details on the Capital management of a.s.r. can be found in chapter E Capital management (page 119).

A Business and performance

A.1 Business and performance

Company facts

Founded in 1720, deeply rooted in Dutch society

4,042
employees (FTEs)

Leading market positions and
#3
overall in Dutch market based on gross written premiums (excl. Health)

Head office in Utrecht

Group and business performance

Operating result (in € million)
885 ↑
2019: **858**

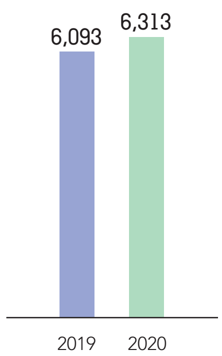
IFRS net result (in € million)
656 ↓
2019: **972**

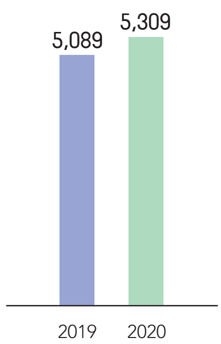
Operating return on equity (in %)
15.3 ↑
2019: **15.1**

IFRS Return on equity (in %)
11.7 ↓
2019: **19.1**

Solvency II ratio (Standard Formula) (in %)
199 ↑
2019: **194**

Organic capital creation (in € million)
500 ↓
2019: **501**

Total equity (in € million)


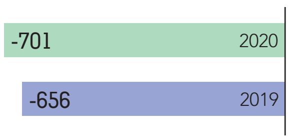
Total equity attributable to shareholders (in € million)


Dividend per share (in €)
2.04 ↑
2019: **1.90**

Total dividend (in € million)
282 ↑
2019: **267**

Gross written premiums (in € million)
5,276 ↑
2019: **4,666**

New business Life segment (APE) (in € million)
124 ↓
2019: **159**

Operating expenses (in € million)


Combined ratio (Non-life segment) (in %)


Interest coverage ratio (Factor: x)
9.5 ↓
2019: **12.9**

Financial leverage (in %)
28.3 ↑
2019: **29.2**

Share buyback (in € million)
75

Credit rating (S&P)
A →
2019: **A**

Non-financial performance

Net Promoter Score

49 ↑

2019: **44**

Impact investing
(in € billion)

1.7 ↑

2019: **0.9**

Carbon footprint
(in % of portfolio for own account)

93 ↑

2019: **89**

Employee contribution to local society (in hours)

4,398 ↓

2019: **12,413**

Supervisory Board
(in %)

Female 33

Male 67

2019: **33 / 67**

Executive Board
(in %)

Female 67

Male 33

2019: **33 / 67**

Senior management
(in %)

Female 28

Male 72

2019: **25 / 75**

Other employees
(in %)

Female 43

Male 57

2019: **42 / 58**

Dow Jones Sustainability Index (DJSI) (0-100)

82 ↑

2019: **73**

Sustainalytics
(100-0, lower is better)

14.7 ↓

2019: **13.6**

Carbon Disclosure Project (CDP) (D- to A+)

C ↓

2019: **B**

Vigeo Eiris
(0-100)

Number

60 ↑

2018: **52**[1]

MSCI
(CCC to AAA)

BBB →

2019: **BBB**

ISS Oekom
(D- to A+)

C (prime) →

2019: **C** (prime)

FTSE4Good
(0 - 5)

4.3 ↓

2019: **4.9**

Fair insurance guide
(out of 9 largest Dutch insurers)

Number

1 →

2019: **1**

1 Vigeo Eiris takes place on a bi-annual basis. For that reason the 2018 results are presented.

a.s.r. operating segments and brands

ASR Nederland N.V.

- Non-life
- Life
- Asset Management
- Distribution and Services
- Holding and Other

ASR Nederland N.V.

ASR Nederland N.V., hereinafter 'a.s.r.', is a Dutch insurance company for all types of insurance. a.s.r. offers a broad range of non-life and life insurance products, mortgages and investments products for consumers, self-employed people and companies. a.s.r. is active as an investor and provides asset management services to institutional clients. Furthermore, a.s.r. is a full service provider for intermediaries and operates exclusively in the Dutch market.

Gross written premiums
(in € million)

5,276 ↑

2019: **4,666**

Operating result
(in € million)

885 ↑

2019: **858**

Non-life

The Non-life segment consists of Property & Casualty (P&C), Disability and Health.

Gross written premiums
(in € million)

3,643 ↑

2019: **3,192**

Combined ratio
(P&C and Disability) (in %)

93.6 ↓

2019: **93.5**

Operating result
(in € million)

241 ↑

2019: **226**

Cost ratio
(in %)

8.1 ↓

2019: **8.4**

Brands

a.s.r. de nederlandse verzekerings maatschappij voor alle verzekeringen

De Amersfoortse een merk van a.s.r.

europeesche verzekeringen een merk van a.s.r.

Ditzo een merk van a.s.r.

Loyalis een merk van a.s.r.

Life

The Life segment consists of Pensions, Individual life and Funeral.

Gross written premiums
(in € million)
1,810 ↑
2019: **1,619**

Operating result
(in € million)
730 ↑
2019: **696**

Life operating expenses on basic life provision
(in bps)
45 ↓
2019: **53**

Brands

a.s.r. de nederlandse verzekerings maatschappij voor alle verzekeringen

ardanta uitvaartverzekeringen
een merk van a.s.r.

Asset Management

The Asset Management segment relates to asset management of the insurance entities as well as third party asset management.

Assets under management for third parties
(in € billion)
25.4 ↑
2019: **22.0**

Operating result
(in € million)
31 ↑
2019: **24**

Brands

a.s.r. de nederlandse verzekerings maatschappij voor alle verzekeringen

a.s.r. de nederlandse vermogens beheerders

Distribution and Services

The Distribution and Services segment includes the activities related to distribution of insurance contracts.

Total income
(in € million)
99 ↑
2019: **90**

Operating result
(in € million)
25 ↑
2019: **23**

Brands

Boval
CORINS een merk van a.s.r.
felison
poliservice
SuperGarant groep
VKG

A.1.2 General information

ASR Nederland N.V. (a.s.r.) ranks among the top 3 insurers in the Netherlands. a.s.r. offers products and services in the fields of insurance, pensions and mortgages for consumers, self-employed persons and companies. In addition, a.s.r. is active as an asset manager for third parties.

a.s.r. is listed on Euronext Amsterdam and is included in the AEX index. a.s.r. has a total of 4,042 internal FTE's (2019: 3,906).

a.s.r. is a public limited company under Dutch law having its registered office located at Archimedeslaan 10, 3584 BA in Utrecht, the Netherlands. a.s.r. has chosen the Netherlands as 'country of origin' (land van herkomst) for the issued share capital and corporate bonds which are listed on the Euronext Amsterdam and the Euronext Dublin (Ticker: ASRNL).

The consolidated financial statements are presented in millions of euros (€ million), being the functional currency of a.s.r. and all its group entities. All amounts quoted in these financial statements are in euros and rounded to the nearest million, unless otherwise indicated. Calculations are made using unrounded figures. As a result rounding differences can occur.

The financial statements for 2020 were approved by the Supervisory Board (SB) on 23 March 2021 and will be presented to the Annual General Meeting (AGM) of Shareholders for adoption on 19 May 2021. The Executive Board (EB) authorised the financial statements for publication on 23 March 2021.

The SFCR has been prepared by and is the sole responsibility of the Company's management. Selected Own Funds and SCR information are also reported in a.s.r. financial statements. The SFCR is not in scope of the KPMG audit.

Name and contact details of the supervisory authority

Name:	De Nederlandsche Bank
Visiting adress:	Westeinde 1, 1017 ZN Amsterdam
Phone number (general):	+31 800 020 1068
Phone number (business purposes):	+31 20 524 9111
Email:	info@dnb.nl

Name and contact details of the external auditor

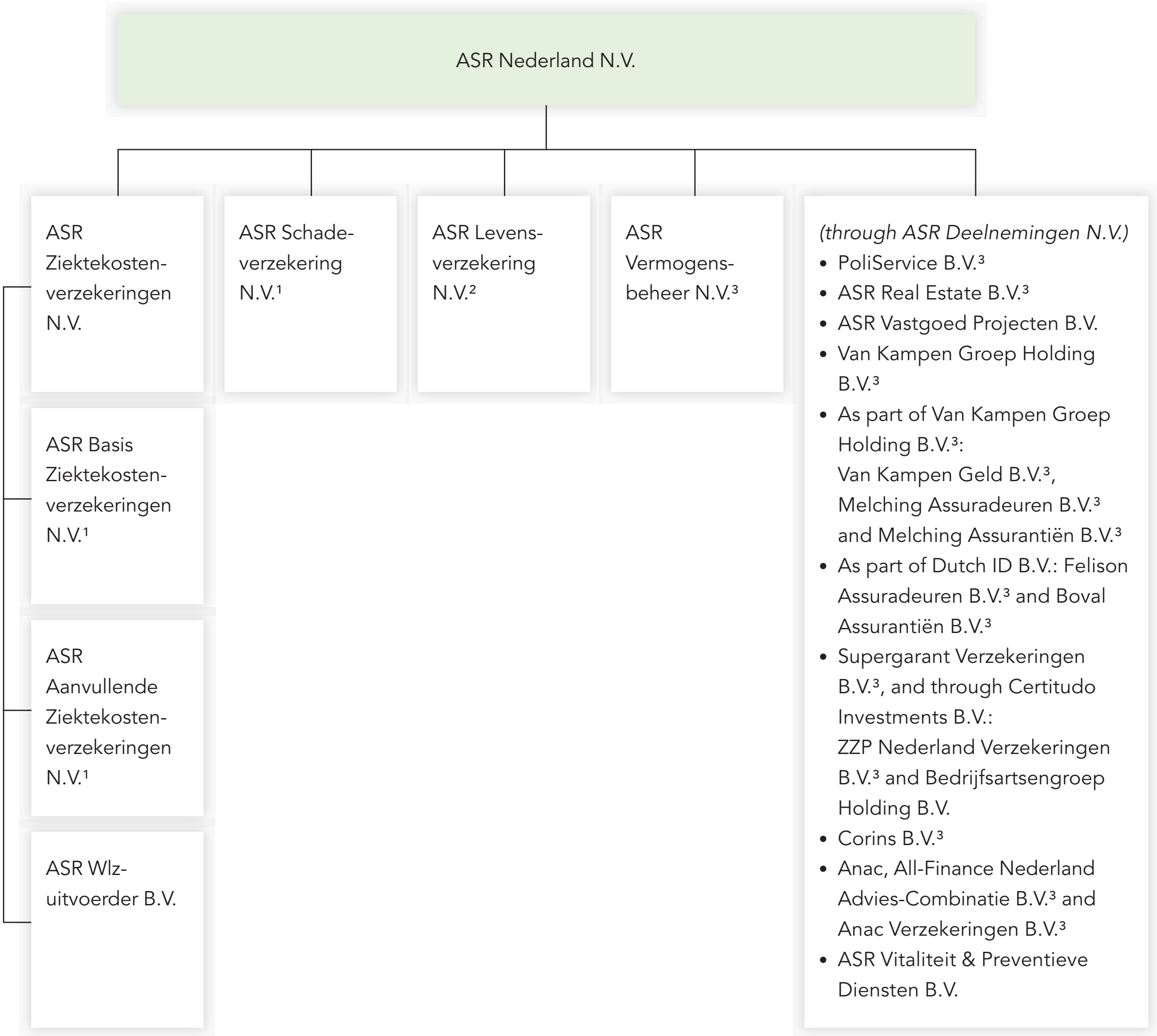
Name:	KPMG Accountants N.V.
Visiting address:	Laan van Langerhuize 1, 1186 DS Amstelveen
Phone number:	+31 20 656 7890

A.1.3 Structure

A.1.3.1 Group structure

The a.s.r. group comprises a number of operating and holding companies. On 1 January 2020, a.s.r. and ASR Schadeverzekeringen N.V. (a.s.r. non-life) completed the acquisitions of VvAA Levensverzekeringen N.V. (VvAA life) and Veherex Schade N.V. (Veherex) respectively by acquiring all issued and outstanding shares for a total consideration of € 57 million. Veherex legally merged with a.s.r. non-life on 29 June 2020 and VvAA life legally merged with a.s.r. life on 21 November 2020.

Legal Structure of the most significant a.s.r. group entities as per 31 December 2020



1 Registered non-life insurance companies.
2 Registered life insurance companies.
3 Other Wft registered companies (included in the segments Asset Management and Distribution and Services).

Segment information
The operations of a.s.r. have been divided into five operating segments. The main segments are the Non-life segment and Life segment in which all insurance activities are presented. The other activities are presented as three separate segments being Asset Management, Distribution and Services and Holding and Other.

Following the recent acquisitions, VvAA life is included in segment Life and Veherex is included in segment Non-life.

Insurance activities
Insurance entities are entities that accept the transfer of insurance risks from policyholders. The Non-life segment consists of Non-life insurance entities and their subsidiaries. These Non-life insurance entities offer Non-life insurance contracts. The Life segment comprises the life insurance entity and their subsidiaries. These life insurance entities offer financial products such as life insurance contracts and life insurance contracts on behalf of policyholders. The Non-life and Life segments have different levels of profitability and growth opportunities, as well as a different outlook and risk profile.

Other activities
The other activities consist of:
- The Asset Management segment involves all activities related to asset management including investment property management. These activities include amongst others ASR Vermogensbeheer N.V., ASR Financieringen B.V., ASR Real Estate B.V. and ASR Hypotheken B.V.. All activities of ASR Bank N.V. (a.s.r. bank) were sold during 2019 and 2020. On 1 December 2020, the ECB withdrew the banking license at our request;
- The Distribution and Services segment includes the activities related to distribution of insurance contracts and include amongst others the financial intermediary business of PoliService B.V., Van Kampen Groep Holding B.V. (and as of September 2019 Melching Groep B.V.), Van Kampen Geld B.V., Dutch ID B.V., SuperGarant Verzekeringen B.V. (and ZZP Nederland Verzekeringen B.V., and as of October 2020 Bedrijfsartsengroep B.V.), Corins B.V., ANAC, All-Finance Nederland Advies-Combinatie B.V., ANAC Verzekeringen B.V. and ASR Vitaliteit & Preventieve Diensten B.V (Vitality); and
- The segment 'Holding and Other' consists primarily of the holding activities of a.s.r. (including the group related activities), other holding and intermediate holding companies, the real estate development business (ASR Vastgoed Projecten B.V.) and the activities of ASR Deelnemingen N.V.

The a.s.r. segment reporting shows the financial performance of each segment. The purpose is to allocate all items in the balance sheet and income statement to the segments that hold full management responsibility for them.

Segment information has been prepared in accordance with the accounting principles used for the preparation of a.s.r.'s consolidated financial statements. Goodwill and other intangibles are presented in the related CGU's segment. Intersegment transactions are conducted at arm's length conditions. In general, cost related to centralised services are allocated to the segments based on the utilisation of these services.

A.2 Underwriting performance

A.2.1 Financial performance ASR Nederland N.V.

Key figures

	31 December 2020	31 December 2019
Gross written premiums	5,276	4,666
Operating expenses	-701	-656
Number of internal FTEs (as at 31 December)	4,042	3,906
Operating result	885	858
Operating return on equity	15.3%	15.1%
Net result (on IFRS basis)	657	972
Return on IFRS equity	11.7%	19.1%
Solvency II ratio (standard formula)	199%	194%
Organic capital creation (OCC)	500	501

Operating result
The operating result increased by € 27 million to € 885 million (2019: € 858 million). The increase was mainly driven by a higher investment margin in the Life segment and a strong Non-life result. The overall impact COVID-19 had on the Group's operational result is only limited (€ -1 million) due to diversification of a.s.r.'s business segments. The impact on the Non-life segment was positive for an amount of € 21 million, while the Life segment showed a negative impact of € 22 million. The other segments remained relatively unaffected.

All of the business segments contributed to the growth in operating result, driven by higher GWP, higher investment margin and fees from assets under management, partially offset by higher costs in the Holding and higher provisioning in the Non-life segment. Efficiency ratios improved across the board.

The Non-life operating result went up by 6.5% to € 241 million. Higher claims in Disability and strengthening of provisions were more than offset by lower claims in P&C. The Life operating result grew by 4.9% to € 730 million, reflecting a higher investment margin despite lower investment income due to COVID-19.

The operating result of Asset Management went up by € 7 million (29%) to € 31 million, reflecting the increase in third-party AuM, particularly in the mortgage fund. The Distribution and Services operating result rose by 9.5% to € 25 million, mostly driven by a number of smaller acquisitions. When combined, these capital light fee-based businesses contributed € 57 million to the operating result.

Gross written premiums
GWP increased by 13.1% to € 5,276 million (2019: € 4,666 million). The increase was driven by an increase of € 451 million in the Non-life segment and € 159 million in the Life segment (including eliminations). GWP in the Non-life segment increased by 14.1% to € 3,643 million (2019: € 3,192 million), due to the organic growth of P&C and Disability (+4.6%), the acquisition of Loyalis and organic growth in Health due to the introduction of the benefit-in-kind policy.

GWPin the Life segment increased by 11.8% to € 1,810 million (2019: € 1,619 million). The increase, which includes the addition of Loyalis life and VvAA life, was mainly driven by the organic growth of the DC product WerknemersPensioen (WnP). It was partially offset by a decline in the existing DB portfolio and Individual life. The GWP of Funeral increased slightly.

Operating expenses
Operating expenses increased by € 45 million to € 701 million (2019: € 656 million). The operating expenses increased due to acquisitions (€ 21 million) of Loyalis, VvAA Life, Veherex and various smaller acquisitions in the Distribution and Services segment. When excluding the costs related to acquired businesses, the operating expenses increased by € 24 million. The increase was mainly driven by the increase in current net service costs of the own pension scheme (€ 20 million) and organic growth of the business (€ 10 million). This was partially offset by lower IT-related costs following the phasing out of applications and system rationalisation (Individual life and P&C). Incidental costs related to the implementation of IFRS17/9, the introduction of a.s.r. Vitality and integration costs for Loyalis and VvAA Life.

Result before tax
The result before tax decreased by € 381 million to € 829 million (2019: € 1,210 million) mainly due to lower indirect investment income (€ 158 million) and lower incidental income (€ 251 million), partially offset by a higher contribution from the operating result (€ 27 million).

The lower incidental income reflects impairments on goodwill in the Life segment (€ 90 million) and Distribution and Services (€ 27 million) mainly driven by COVID-19 developments, as well as the purchase gain from the acquisition of Loyalis in the previous year (€ 118 million). Mainly as a result of the agreed change in the pension scheme in 2020, a past service cost of € 59 million pre-tax has been recognised.

Financial markets were affected by the impact of COVID-19 leading to lower revaluations and several impairments in the investment portfolio. As a result, total indirect investment income amounted to € 185 million, a decrease of € 158 million. The contribution of realised capital gains decreased (€ 79 million). Fair value gains and losses decreased (€ 50 million) due to revaluations, mainly in the retail and office investment portfolio. Impairments rose by € 30 million, mainly related to equities.

Operating return on equity
The operating ROE increased to 15.3% (2019: 15.1%) and is well above the medium-term target range of 12-14%. The IFRS ROE decreased to 11.7% (2019: 19.1%), primarily reflecting the lower IFRS net result.

Solvency II ratio and Organic capital creation

The Solvency II ratio increased by 5%-points to 199% (2019: 194%) using the Standard Formula. This is after 9%-points deduction for the regular interim dividend (€ 105 million), the proposed final dividend (€ 177 million) and the buyback of shares (€ 75 million) executed in 2020. The increase is largely due to OCC (+12%-points) and various operational items including assumption changes such as updated mortality assumptions and the reversal of the lowering of the corporate tax rate (+13%-points), offset by dividends and share buybacks (-9%-points), market and other developments (-7 %-points) and a decrease in the Ultimate Forward Rate (UFR) (-4%-points).

OCC remained robust at € 500 million (2019: € 501 million), as higher contributions from business operations and investments, as well as an increase in net capital release, compensated the increase of € 79 million in UFR drag due to lower interest rates. The Solvency II ratios presented are not final until filed with the regulators.

Dividend and capital distribution

In April 2020, a.s.r. temporarily postponed its share buyback programme and dividend payment following the recommendations issued by EIOPA and the Dutch regulator (DNB) to do so in light of the COVID-19 crisis. In August 2020, after careful consideration, a.s.r. announced its intention to resume the postponed dividend payment and share buyback following the announcement of DNB to resume the review of dividend proposals under its normal supervision. a.s.r. announced to pay a special dividend of € 1.20 per share, which equals the postponed final dividend of 2019. This dividend has been paid on 4 September 2020. After which a.s.r. also restarted the share buyback for the remaining € 24.3 million of the original € 75 million announced at the 2019 results in February 2020. In line with the dividend policy, a.s.r. proposes a regular dividend for 2020 of € 2.04 per share (€ 282 million). Taking into account a paid regular interim dividend of € 0.76 per share in September 2020, the final dividend amounts to € 1.28 per share.

On 18 February 2021 a.s.r. announced the start of a € 75 million share buyback programme. The buyback of shares started on 19 February 2021 and will end on 18 May 2021 at the latest. The buyback of shares falls within a.s.r.'s AGM of shareholders' mandate granted to the EB on 20 May 2020. a.s.r. will ask the AGM of shareholders to cancel these shares in due course.

a.s.r. has appointed an independent broker to execute the share buyback programme. The exact timing of the share buyback will be determined by this broker, independently and without interference from a.s.r. The execution of the share buyback depends on the market conditions. Based on the closing price of € 33.14 per 11 February 2021 and the amount of € 75 million as starting point, the number of shares to be bought would amount to 2,263,126.

The progress of the share buyback transactions will be announced weekly on a.s.r.’s website: www.asrnl.com.

A.2.2 Financial Performance Non-life segment

The Non-life segment consists of P&C, Disability and Health. The main legal entities of the Non-life segment are ASR Schadeverzekering N.V., ASR Basis Ziektekostenverzekeringen N.V. and ASR Aanvullende Ziektekostenverzekeringen N.V.

Key figures

(in € million, unless stated otherwise)	2020	2019	Delta
Gross written premiums	3,643	3,192	14.1%
Operating expenses	-257	-240	7.0%
Provision for restructuring expenses	-2	-14	-85.1%
Operating result	**241**	**226**	**6.5%**
Incidental items (not included in operating result)	**20**	**66**	**-69.7%**
- Investment income	38	102	-62.8%
- Incidentals	-18	-37	-50.4%
Result before tax	261	292	-10.6%
Result for the year attributable to holders of equity instruments	**200**	**213**	**-6.2%**

Combined ratio	2020	2019	Delta
Combined ratio P&C and Disability	**93.6%**	**93.5%**	**0.1%-p**
- Commission ratio	18.8%	19.6%	-0.8%-p
- Cost ratio	8.1%	8.4%	-0.3%-p
- Claims ratio	66.7%	65.5%	1.1%-p
Combined ratio			
- P&C	92.5%	96.9%	-4.5%-p
- Disability	95.1%	88.3%	6.8%-p
- Health	97.7%	99.0%	-1.2%-p

Operating result

The operating result of the Non-life segment increased by € 15 million to € 241 million. A negative impact on disability insurance in particular, due to higher absenteeism and longer reintegration processes and the strengthening of provisions in P&C is more than offset by lower claims in P&C due to COVID-19 and a higher result on interest. The impact of COVID-19 was in total € 21 million positive.

In P&C, the COVID-19 measures resulted in significantly lower claims, particularly in motor and fire, more than offsetting the negative impacts from storm Ciara, reserve strengthening primarily related to bodily injury, including the effect from the sector-wide lowering of the actuarial interest rate for personal injury. Weather related calamities were on a low level this year as they were last year.

In Disability, COVID-19 reinforced the already visible trend of more and longer absenteeism due to psychological problems and this requires appropriate attention when dealing with the crisis and the measures that are being taken. These are developments that are taken into account with our provisioning. The lockdown and social distancing measures complicated effective claims management due to limitations on physical checks and visits by a.s.r.'s physicians and vocational experts. This caused delays in recovery and reintegration into work processes. The increase in individual disability claims in the first half of 2020 dissipated in the second half of 2020 and a.s.r. has been able to lower the backlog of cases.

The impact of COVID-19 on Health was limited. The introduction of the benefit-in-kind insurance led to a positive contribution to the operating result.

Combined ratio

The COR of P&C and Disability increased by 0.1% point to 93.6% due to an increase in the claims ratio which was partially offset by a decrease in the commission and expense ratio. The claims ratio increased mainly due to a higher claims ratio in Disability, despite the positive effect of COVID-19 (-0.6 %-point). However, this positive COVID-19 impact was fully offset by the aforementioned reserve strengthening.

The COR of Health improved by 1.2% point to 97.7%. The improvement was mainly driven by the new benefit-in-kind insurance which was introduced at the end of 2019.

Gross written premiums
GWP amounted to € 3,643 million, an increase of € 451 million compared to 2019, mostly due to organic growth in all product lines. The acquisitions of Loyalis in May 2019 (€ 145 million) and Veherex (€ 13 million) also contributed to the growth. The organic growth of Disability and P&C combined was 4.6% (€ 111 million). This was driven by increased sales volumes as well as pricing adjustments in the sickness leave portfolio. In P&C, growth (€ 32 million) showed a limited impact from COVID-19. The growth in Health (€ 182 million) mainly related to the basic health insurance where the customer base grew by 106,000 policies due to both the introduction of the benefit-in-kind policy in addition to the restitution policy.

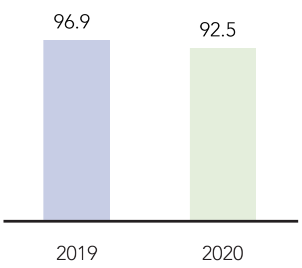
Operating expenses
The operating expenses increased by € 17 million to € 257 million, of which € 10 million relates to the acquisition of Loyalis. Cost synergies were realised as IT systems from Generali Nederland and Loyalis were phased out after completion of the migration. As a result, the cost ratio of P&C and Disability combined improved to 8.1% (2019: 8.4%).

Result before tax
The result before tax decreased by € 31 million to € 261 million (2019: € 292 million). This decrease was mainly due to lower indirect investment income, which was driven by lower realised capital gains (€ -30 million) compared to 2019, which contained a one-off benefit from the sale of equities, and higher impairments (€ -19 million), partially offset by a higher operating result (€ 15 million).

P&C
In 2020, a.s.r. was the third largest general provider of P&C insurance products in the Netherlands, measured by GWP (market share of 14% in 2019[1]). a.s.r. offers a broad range of P&C insurance products under the brands a.s.r., Ditzo and Europeesche Verzekeringen.

The COR decreased by 4.5%-points to 92.5% (2019: 96.9%) due to favourable underwriting results mainly driven by COVID-19 related restrictions and governmental advice.

Combined ratio P&C (%)



The negative impact of COVID-19 on P&C's customer services is limited. a.s.r.'s services kept up to quality standards which has led to an increasing NPS score. a.s.r. offers customised help such as payment arrangements and the granting of temporary cover. During 2020, customers made limited use of these options.

Market
The non-life market consists of many insurers with similar products, especially in the retail market. In past years consolidation led to a decrease in the number of P&C insurers on the Dutch market which resulted in more rational pricing. The top three P&C insurers have a market share of approximately 67%. In terms of revenue, the P&C market grew by approximately 5% in 2018 and 2019, mainly due to premium increases. The impact of COVID-19 on total revenue in this market was limited due to the supporting measures for companies enacted by the Dutch government. There could be an impact on total market revenue in 2021 if the number of business insolvencies grows or when companies downsize their operations in response to changed business conditions. Due to the measures taken in the Netherlands to contain the COVID-19 pandemic, the amount of claims was lower than in previous years.

1 Source: DNB (based on SII) - At the moment of writing, the market share figures for 2020 are unknown.

Insurers distribute their insurance policies direct or through provincial intermediairies, mandated agents or banks. Distribution is shifting from provincial intermediairies to mandated agents. The mandated agents market has grown strongly in the last decade and now totals approximately € 3.1 billion in GWP for P&C products (2019[1]).

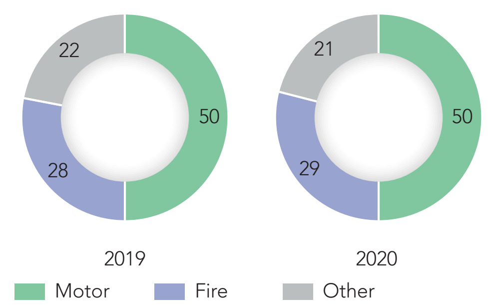
Online distribution in the P&C market continued its growth. Consumers use the internet to inform themselves and to compare and purchase products. In the SME market, advisors continued to maintain their dominant position, particularly since the products involved are typically more complex than retail products.

Products

a.s.r.'s P&C insurance product range can be divided into the following categories:
- Motor policies for retail and commercial customers provide third party liability coverage for motor vehicles and commercial fleets, property damage and bodily injury as well as coverage against theft, fire and collision damage;
- Fire policies for retail and commercial customers provide coverage against various property risks, including fire, flood, storms and burglary. Private coverage is provided on both a single- and multi-risk basis, with multi-risk policies providing coverage both against loss of, or damage to, dwellings and damage to personal goods;
- Other Non-life insurance products such as travel, leisure, transport goods in transit only, liability, agricultural and construction motorised vehicles, construction all risk and assistance.

Product share P&C

(in %)

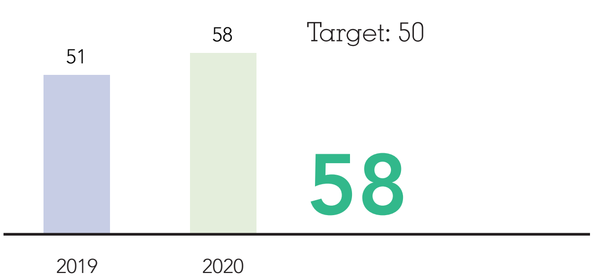


Strategy and achievements

Over recent years, a.s.r. has built and strengthened a solid foundation for a successful and profitable P&C business, with a strong position in the intermediary and mandated agents distribution channel.

a.s.r. endeavours to leverage its existing strengths and achieve a COR of less than 98%. The P&C business is expected to grow its GWP by 3-5%. a.s.r. has been able to add organic and inorganic growth onto its platform with only marginal expense impact. a.s.r. aims to strengthen its current role of risk-bearer and to expand into a broad provider of relevant services. In addition, a.s.r. aims to make its products and services more sustainable in view of its social responsibility.

NPS P&C



With an NPS score of 58 in 2020 (51 in 2019), the P&C business improved its customer satisfaction. Customers appreciated P&C's service especially during challenging times such as the COVID-19 crisis. This NPS score relates to the customers of the a.s.r. brand, the brands Ditzo and Europeesche Verzekeringen are not included.

2 Source: Marketreport Volmachten (Authorised agents), 2019 Verbond van Verzekeraars

a.s.r. intends to further simplify the IT infrastructure in the coming years. It is envisaged that the new P&C platform will lead to improved and digitised services to customers and intermediaries. It will also reduce costs, thereby further strengthening a.s.r.'s competitive position. a.s.r. migrated its retail portfolio to the new platform in 2019. In 2020, a self-service portal for customers was implemented. The commercial (SME) portfolio will be migrated to the new platform in 2021.

P&C's sustainability committee ensures that sustainability is implemented in all the main insurance activities. a.s.r. is striving to make the entire P&C insurance product range sustainable before the end of 2025. Various actions have been formulated to achieve that goal. In 2020, a.s.r. had already made considerable progress, for example:

- For corporate customers, a.s.r. launched a cooperation with Oodit to deliver a digital report with tailor-made sustainability advice (to the customer) directly after the risk assessment of an object to be insured by a.s.r. The risk assessments are carried out on a climate-neutral basis;
- In the event of material damage to household goods or vehicles, a.s.r. offers customers the opportunity to have their insured possessions repaired in a sustainable way at no extra cost through a.s.r.'s sustainable repair network, whenever possible;
- In the event of injury, a.s.r. focuses on the recovery, reintegration and quality of life of the injured person;
- On top of the cover which is already in place, such as flood cover and cover for sustainable goods such as solar panels, heat pumps and car charging stations, a.s.r. has further enhanced its home insurance products to include optional cover for sustainable construction types and green roofs;
- a.s.r. has introduced Mijn a.s.r., enabling its customers to have their personal insurance documents and correspondence available online.

Ditzo and Europeesche Verzekeringen

From the beginning of 2019, Ditzo and Europeesche Verzekeringen began operating as an integrated organisation with independent labels and different distribution models. Ditzo aims to empower consumers to make their own decisions when insuring their properties and lives directly without the involvement of an intermediary advisor. Europeesche Verzekeringen aims to insure travellers sensibly wherever their travels take them.

Key themes in their business strategies are:

- A focus on customer satisfaction through enhanced customer service;
- Continuous optimisation of customer acquisition costs through online and tour operator channels;
- An increase in the share of bundled propositions for existing customers with regard to both health and non-life insurance policies;
- Integration of claims processes to offer both a more streamlined service and sustainable damage repairs to customers.

In 2020, Ditzo successfully integrated the remaining Europeesche Verzekeringen portfolio and its systems onto the Ditzo platform. This allowed Ditzo and Europeesche Verzekeringen to improve their services to customers and reduce their operating costs.

The COVID-19 pandemic has had a significant impact on the P&C business, products and partners, especially those pertaining to travel and leisure insurance products. The uncertain outlook of the pandemic has resulted in a strong decrease, and even standstill, in sales of travel and leisure insurance products, while at the same time increasing claims and requests for restitution due to cancelled travel plans. In comparison, for the Ditzo label in particular, claims pertaining to car insurance experienced a noticeable decrease due to the shift to a 'working from home' society and the associated decrease in traffic.

Subsequent national and international measures to combat the pandemic, travel restrictions, lockdowns and a bleak outlook for partners active in the travel and leisure business have given rise to a feeling of uncertainty among customers. Many customers reached out to Ditzo and Europeesche Verzekeringen for information during these uncertain times, and the volume of customer contacts increased markedly, especially during the first lockdown in the Netherlands. In cooperation with travel agent TUI a.s.r. developed an additonal COVID Care service which covers unexpected COVID-related costs during a trip.

In the final quarter of 2020, Ditzo successfully completed a conversion project to integrate their claims processes and move them from an external partner to an in-house department. This will allow them to offer more streamlined services to customers and provide more options for recovery, or sustainable damage repairs.

Outlook for 2021

a.s.r. will migrate its SME products to the new non-life platform. a.s.r. will begin with the distribution of sustainable P&C products with ASN Bank. In addition, a.s.r. aims to strengthen its current role of risk-bearer and to expand into a serviceprovider of relevant services (e.g. prevention, damage repair). COVID-19 is having an impact on the economic perspective of private and business customers and this might influence the business prospects.

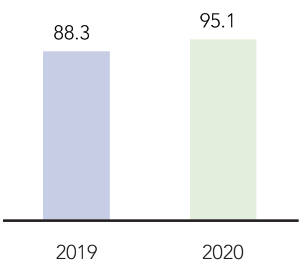
Based on preliminary research and expectations, 2021 shows a slowly recovering market for travel insurance. Although the travel and leisure market and associated products face an uncertain future as regards the scope and pace of recovery. COVID-19 has also shown the need for online distribution models like Ditzo. This has led to a reallocation of resources within Ditzo and Europeesche Verzekeringen, shifting responsibilities and restructuring the organisation, necessitating the loss of certain staff positions.

Ditzo and Europeesche Verzekeringen will continue to streamline the claims process, improving their service to customers while adjusting to the continuing impact of COVID-19 on the P&C landscape.

Disability

With a market share of 28.5%[1] measured in GWP in 2019, a.s.r. has traditionally been regarded as a leader in this market. The Dutch disability insurance market measured in GWP amounted to € 3.85[1] billion in 2019. The COR of Disability (including Loyalis) was with 95.1% (2019: 88.3%) still well below 100% in 2020, despite the restricted access to regular healthcare as a result of the COVID-19 crisis, which impeded regular and smooth reintegration of disabled self-employed workers and employees.

Combined ratio Disability (%)



Under the ‘De Amersfoortse’ and ‘Loyalis’ brands, a.s.r. offers a broad range of disability insurance products as well as a full suite of services provided by in-house experts and external parties in the context of prevention and reintegration for large businesses, SMEs (employers and employees) and self-employed persons.

During this pandemic, AOV employees worked entirely from home. Despite this home working situation, customer satisfaction was at a very high level. However, a.s.r. has observed that self-employed persons and employees called in sick more often during the first COVID-19 wave. Because regular care was postponed, self-employed persons and employees were also sick for longer. After the summer, with the resumption of regular care, many of them recovered and also returned to work. Partly due to government support, a.s.r. saw few self-employed persons and employers getting into financial difficulties. Where this was the case, a.s.r. was able to support them with payment arrangements or by temporarily reducing cover and paying the premium.

Market

The overall disability market in the Netherlands can be divided into four main product lines:

- Disability insurance for the self-employed (approximately 33% of market GWP[2]);
- Sickness leave products (the largest in market GWP with approximately 35%);
- Group Disability (approximately 26% of market GWP);
- Accidents (approximately 6% of market GWP).

The top three disability insurers have a market share of approximately 78%. In terms of revenue the disability market grew by approximately 4% in 2019, partly due to premium increases. If the number of business insolvencies grows due to COVID-19, this could have an impact on total market revenue in 2021.

1 DNB WFT Staten 2019.
2 Source: Market report 2019, CVS statistics financial annual income results.

The disability market is mainly advised by and sold through intermediaries. a.s.r. is well positioned in the independent intermediary channel with its brand De Amersfoortse, targeting SMEs and the self-employed. Loyalis has a strong position in direct distribution among large businesses. The mandated agents disability market in the Netherlands has grown strongly in the last decade up to 14%[1] of total GWP. 21.7% of a.s.r.'s disability GWP comes from mandated agents.

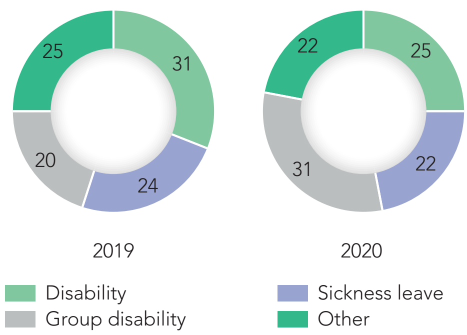
Products

The disability insurance product range offering of a.s.r. can be divided into the following categories:

- Disability insurance for the self-employed:
  - Products for self-employed persons to protect themselves against loss of income in the event of sickness or disability;
  - Products for employees to protect the payment of fixed expenses in the event of sickness or disability and to cover loss of income above the wage limit (Work and Income Act (WIA)) supplementary insurance, in the event of disability.
- Sickness leave: Products for employers to cover the costs associated with the employers' obligation to continue to pay wages in the event of employee sickness;
- Group disability:
  - Products for (large) employers to cover their own Return to work (Partially Disabled Regulations (WGA)) risk carrier status;
  - Products for the benefit of employees (taken out by employers) to cover loss of income due to an inability to (fully) perform work as a result of disability as defined by the WIA;
- Services: A broad range of preventive and re-integration services focused at sustainable employability.

Product share Disability

(in %)



The category Other refers products relating to sickness leave and and group disability via mandated agents. Due to the importance of this distribution channel, a.s.r. presents these sales as part of a separate product category.

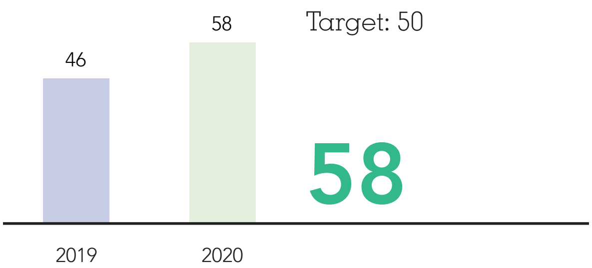
Strategy and achievements

a.s.r. has a strong position in the disability insurance market and through its brands De Amersfoortse and Loyalis it is well positioned to capture profitable growth opportunities. The profitability of new business is closely monitored in relation to interest rate developments and invalidation and rehabilitation, resulting in pricing adjustments in 2020. On 1 January of 2020, a.s.r. acquired the insurer Veherex, increasing its market share. In October 2020, a.s.r. embedded the reintegration activities for sickness leave in-house by splitting the activities of the joint venture Keerpunt B.V. By in-housing these activities, a.s.r. can enhance its relevancy to its customers by helping them to achieve sustainable and seamless reintegration, and at the same time benefitting itself with lower expense claims.

With an NPS score of 58 in 2020 (46 in 2019), Disability strongly improved its customer satisfaction.

1 Market report Authorised agents 2019 (Association of Insurers/NVGA).

NPS Disability



a.s.r. continues to provide high-quality products and services focusing on sustainable employability. Recently introduced enhancements include:
- The integration of the activities of Keerpunt within a.s.r., the deployment of multidisciplinary teams for reintegration aims to benefit the customer in terms of shorter sickness leave and providing support services;
- a.s.r. Vitality; a health programme which encourages customers to actively live healthier lives;
- The 'MKB Verzuim ontzorgverzekering' (SME sickness full-service insurance) with an 'ontzorgmanager' (full-service manager), who is the contact person during reintegration in the event of sickness leave and who has knowledge of all relevant legislation and regulations.

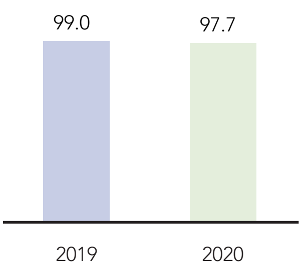
As part of a.s.r.'s strategy to meet customer needs and improve cost-effectiveness, it has developed and implemented a number of digital initiatives in Disability, such as:
- Assisting intermediaries with e-based underwriting systems and online channels to provide product offerings;
- Improving and simplifying connections between the insurance administration and other systems (e.g. payroll systems and health services administration).

Outlook for 2021
a.s.r. is not expecting any major changes in the country's social systems. COVID-19 is likely to have an impact on the economic outlook of self-employed persons and companies, which could negatively influence total disability market revenue in 2021 if the number of business insolvencies grows.

Health
With a market share of 2.4% (2019: 1.9%)[1], a.s.r. was the seventh largest provider of health insurance products on the Dutch market in 2020, measured by the number of customers. The market share of the four biggest health insurers decreased slightly to 85% (2019: 86%), while the share of small insurers grew to 15% (2019: 14%). The number of customers insured with a.s.r. rose by 26% in 2020[1] following the introduction of two new (types of) health insurance policies. a.s.r. offers health insurance products under the Ditzo and De Amersfoortse brands.

The COR of Health improved by 1.2%-points to 97.7% (2019: 99.0%). The improvement was driven by the results of the new in house health procurement as well as by the new benefit-in-kind policies that were introduced at the end of 2019.

Combined ratio Health



In 2020, the COVID-19 situation in the Netherlands put enormous pressure on the healthcare system. Health insurers collectively took measures to ensure that healthcare providers were able to focus on providing care for COVID-19 patients without distraction from potential financial implications. Healthcare providers were compensated for lower revenues as a result of the fall-out of regular care due to COVID-19. The extra costs for COVID-19 related care and

1 Zorgthermometer Verzekerden in Beeld 2020.

measures will be evenly shared between health insurers through solidarity agreements in the Netherlands. In addition, health insurers were partially compensated for catastrophes by the Dutch government through a legal provision because the extra costs for COVID-related care and measures exceeded the threshold of one billion euro's. a.s.r. kept putting effort in improving the quality of its customer service, which in fact led to an increased NPS.

Market
The health insurance market in the Netherlands comprises two product types: basic insurance and supplementary insurance. The market is highly regulated, with all Dutch residents obliged to take out basic health insurance. Basic coverage has limited variations across all insurers, since it is a statutory requirement and the content is prescribed by the government. Although supplementary insurance coverage is not obligatory, 83.3% of the market opted for a form of supplementary health insurance in 2020. Health insurance contracts are taken out on an annual basis. Generally, 6-7% of customers switch between health insurance providers each calendar year; this trend has been relatively stable over the past five years. In 2020, the number of customers that switched was 1.1 million, i.e. 6.5%. The main reason for customers to switch from one health insurance provider to another is the cost of cover[1].

Insurers are obliged to accept as a policyholder any person who is statutory obliged to have basic health cover. This is enabled by a government-run system of risk spreading, which provides compensation to insurers in relation to the expected healthcare costs in their customer base. Both government and the health insurance sector are constantly seeking to improve the system of risk-based cost compensation.

Products
a.s.r.'s health insurance product offering can be divided into the following categories:
- Basic health insurance which provides broad coverage of healthcare costs, the contents of which are prescribed by the government on an annual basis. a.s.r. offers three types of basic health insurance:
  - In-kind policy[1];
  - Restitution policy;
  - Combinaton of in-kind and restitution.
- Supplementary health insurance which covers specific risks not covered by basic insurance, such as the costs of dentistry, physiotherapy, orthodontics and medical support abroad.

An in-kind policy is the most common kind of policy on the Dutch market: 76% of the insured population have an in-kind policy. An in-kind policy is also referred to as contracted care.

In 2019, both Ditzo and De Amersfoortse launched an inkind policy as a new type of basic health insurance policy. The introduction of the Ditzo in-kind policy resulted in a growth of approximately 85,000 insured customers, achieving its goal of 400,000 customers for 2022 by as early as 2020. As a result, 34% of a.s.r.'s health customers in 2020 had an in-kind policy.

Strategy and achievements
The strategy to help customers get better and healthier has been underpinned by the introduction of relevant products and services. a.s.r. Vitality focuses on health related themes such as exercise, nutrition and mental wellbeing. De Amersfoortse and Ditzo customers can join the a.s.r. Vitality programme and benefit from weekly rewards and annual cashbacks on the supplementary insurance as a reward for exercising more and living a healthier life. In addition, the 'Doorgaan' proposition of De Amersfoortse is a unique combination of healthcare insurance, disability insurance and services aimed at sustainable employability for entrepreneurs and their employees and provides products and services for their mental and physical wellbeing. With the focus on health and vitality, rewarding healthy choices and sustainable employability, a.s.r. strives to play a role in improving lives of individuals and of society as a whole.

New health services have also been introduced for both brands in 2020. For example a customer programme aimed at mental fitness in collaboration with Mirro, has been rolled out for both brands. Customer experience is as relevant in a time where work and private life are intertwined. Health also offers customers access to Welshop, a platform where the customer can work directly on their mental health.

Given the importance of the role that care professionals play and since it considers the health of its customers as one of its focus areas, a.s.r. ended the outsourcing of healthcare procurement in 2017 and started to bring the contracting of healthcare providers in-house in 2018 and 2019. In 2020, the switch to in-house healthcare procurement was completed, which means that distinctive contracting of care providers is done entirely in-house. This enables a.s.r. to strengthen its relationship with healthcare providers for the benefit of its customers, while at the same time facilitating smooth

1 Zorgthermometer Verzekerden in Beeld 2020.

declaration processes in order to benefit both customers and healthcare providers. A specific challenge for healthcare procurement in 2020 has been the impact of COVID-19 on the healthcare providers. Procurement has been directly involved in finding solutions for the financial compensation of healthcare providers in 2020 in relation to COVID-19, whilst keeping access to care for those customers in need of healthcare.

Given its strategy and the continuing success of the in-kind policies with corresponding low price, by the end of 2020 a.s.r. achieved a growth of approximately 182,000 customers (41%).

Outlook for 2021

a.s.r. aims to apply the lessons learned from the cross-sell programme in Health to the Ditzo propositions, non-life products for Ditzo customers and health improvements through a.s.r. Vitality. By introducing an offer for four months' free access to the Vitality programme to all policyholders, a.s.r. intends to achieve health improvements for its policyholders as well as intensify cross-selling.

a.s.r. will look into possibilities for further improving the unique proposition of Zorg voor Ondernemers and Doorgaan. For the latter, a.s.r. continually strives to add useful products and services to the package and reviews the content of the insured package on an annual basis to fulfil customers' demands wherever possible.

The ultimate impact of COVID-19 on Health's results going forward is still impossible to accurately predict. This depends on the speed with which the pandemic is being contained and therefore the rate at which the current restrictions are lifted, as well as on the impact on society and the economy also after the government support measures have been completed.

A.2.3 Financial Performance Life segment

The Life segment comprises the life insurance businesses Pensions, Individual life and Funeral. The segment offers insurance policies that involve asset accumulation, immediate (pension) annuities, asset protection, term life insurance and funeral expenses insurance. Its customers are individual consumers and companies. The market share of Life in 2019 was 13.3% (2018:14.3%)[1] measured in GWP.

Key figures

(in € million, unless stated otherwise)	2020	2019	Delta
Recurring premiums	1,405	1,336	5.2%
Single premiums	405	283	43.3%
Gross written premiums	1,810	1,619	11.8%
Operating expenses	-171	-192	-10.8%
Provision for restructuring expenses	-4	-14	-74.2%
Operating result	**730**	**696**	**4.9%**
Incidental items (not included in operating result)	**17**	**217**	**-92.2%**
- Investment income	139	243	-42.9%
- Incidentals	-122	-27	355.1%
Result before tax	747	913	-18.1%
Result for the year attributable to holders of equity instruments	**601**	**696**	**-13.7%**
Cost-premium ratio (APE)	9.1%	10.9%	-1.8%-p
Life operating expenses on basic life provision (bps)	45	53	-8
New business (APE)	124	159	-22.1%

Operating result

The operating result in the Life segment increased by € 34 million to € 730 million (2019: € 696 million). The investment margin increased by € 37 million and underwriting result remained reasonably stable (€ -3 million).

The negative impact of COVID-19 is estimated at € 22 million, which consists of a lower direct investment income (€ -21 million from lower dividends and rental income) and an increase of unit linked provision (€ -5 million), partially

1 (Source: DNB (based on SII) - at the moment of writing, the market share figures for 2020 are unknown)

offset by a positive mortality result (approx. € 4 million). Mortality rates were up mainly in higher age groups (in line with the trend in the Netherlands), which had a limited positive impact on the mortality result for Pensions and Individual life, partially offset by Funeral.

Despite the negative impact of COVID-19 on investment income, the investment margin improved by € 37 million mainly due to the positive effect from the sale of swaptions, the additional contribution of acquisitions (Loyalis life and VvAA life) and lower required interest. The underwriting result remained fairly stable due to favorable development of the result on costs, partially driven by realisation of cost synergies by conversions and partly driven by lower integration costs. The improvement on the result on costs was offset by various other smaller non-recurring items and a relatively strong mortality result in 2019.

Gross written premiums

GWP amounted to € 1,810 million (2019: € 1,619 million), and showed an increase of 11.8%, both in recurring premiums (up € 69 million to € 1,405 million) as well as single premiums (up € 122 million to € 405 million). The WnP product continued its commercial success this year as recurring contributions increased by € 138 million (+43%) to € 463 million. The number of active participants further increased to almost 105,000 (2019: 80,000) and the AuM also increased to € 1.9 billion (2019: € 1.3 billion). The growth in WnP and the addition of Loyalis life and VvAA life more than compensated the decrease in the closed book portfolio comprising of the existing DB/DC Pension portfolio (€ 33 million lower) and Individual life (€ 17 million lower). Redemptions in savings linked mortgages and the level of surrenders of nominal policies increased to 1.0% (2019: 0.8%) as a result of the continuing low interest rate environment. The GWP of Funeral increased slightly.

The increase in single premiums of € 122 million was driven by the growth of WnP (€ 74 million) and the introduction of the variable pension product (€ 26 million). Single premiums of the existing DB/DC pension portfolio and Life individual also increased.

Operating expenses

The operating expenses, including the additional cost base from acquisitions (Loyalis life and VvAA life), decreased by € 21 million to € 171 million (2019: € 192 million). This decrease was mainly the result of more efficient operations, lower indirect costs and realisation of cost synergies through conversions of the acquired insurance portfolios.

In the second half of 2020, the conversion of the insurance policies of Loyalis life and VvAA life into the target architecture of the a.s.r. platform was completed. This marked the end of a long series of migrations of both a.s.r. systems and those of the acquired insurers (Generali, Loyalis life and VvAA life). This helped to achieve considerable efficiency gains, including lower ICT- related costs due to the phasing out of source systems.

Life operating expenses, expressed in basis points of the basic life provision, improved to 45 bps (2019: 53 bps), being in line with the lower limit of the 45-55 bps target range for 2019-2021. Operating expenses in relation to the premiums (measured in APE) also improved, which was reflected in a 1.8%-point improved cost- premium ratio of 9.1% (2019: 10.9%).

Result before tax

The result before tax amounted to € 747 million, a decrease of € 165 million compared to previous year (2019: € 913 million). The operating result increased with € 34 million, offset by a decrease of € 200 million from incidental items, of which € 105 million lower indirect investment income and € 95 million from lower incidentals.

The decrease of incidental items (€ -200 million) reflects a lower contribution of realised capital gains and fair value gains and losses this year (€ -86 million) as previous year contained one-off benefits from sale of equities. Impairments on equities increased this year resulting in a negative impact (€ -18 million). The other incidental items relates to non-recurring charges of the impairment of goodwill in the Life segment (€ -90 million), predominantly related to COVID-19, and the charges from a methodology change in calculation the Incurred But Not Reported (IBNR) for disability for certain pension products (€ -33 million), both in the first half of the year. The remainder relates to several incidental items (amounting to € 28 million) amongst which lower charges for strengthening the restructuring provisions.

Life & Pensions

a.s.r. is a major provider of pension insurance in the Netherlands. The DB product still forms the largest part of the existing pension portfolio, followed by the growing DC proposition. The current customer base of these portfolios comprises approximately 26,000 companies and 742,000 participants. Next to this, a.s.r. is one of the largest providers of individual life insurance products in the Netherlands, measured in GWP.

a.s.r. has a joint venture with Brand New Day to operate an Institution for IORP. In 2020, a.s.r. announced the acquisition of Brand New Day's 50% in the IORP, becoming the full (100%) owner in 2021. With this transaction, a.s.r. strengthens its position on the Dutch pension market, giving substance to its ambition to grow as a provider of capital-light pension solutions. The acquisition is likely to be completed in the first half of 2021 and fully implemented in 2023.

The COVID-19 impact on operating result mainly concerns lower equity dividend and rental income. There was limited impact of the pandemic on the operational performance. The strengthening of the Universal life insurance (UL) guarantee provisions was partly offset by a limited positive result on mortality.

In line with the purpose of a.s.r. to help its customers mitigate their risks, the risks for various customer groups have been charted mostly with regard to payment arrangements. In 2020, customers made limited use of these options.

Market

a.s.r. notes the following developments in the Life & Pensions market:
- The pension market is expected to continue to move from DB to DC solutions the coming years;
- A shift in risk from the collective to the individual; cover traditionally arranged by the industry or company pension fund is increasingly transferred to the employee/individual;
- This shift will lead to a declining cost coverage in the market for both Life & Pensions;
- Digitalisation: a.s.r. is taking further steps to enable a fully digital self-service, given that customers expect to be able to arrange their financial matters online.

Products

a.s.r. provides DC pension products with recurring premiums, in which benefits are based on investment returns on selected funds, in some cases with guarantees. It has been six years since a.s.r. successfully launched its DC proposition, with the employee pension product (WnP). In 2020, the WnP had almost 105,000 active participants and € 1.9 billion in AuM all invested in SRI funds. In addition to the fixed annuity product, a.s.r. introduced a new pension product in 2019, the variable pension. This product offers customers a product for the payout phase of their pension, with an appropriate balance between risk and return. a.s.r. also offered DB products, but due to market changes these products are no longer sold since a couple of years.

Term life insurance, the sole selling individual life proposition, consists of traditional life insurance policies which pay out death benefits without a savings or investment feature. a.s.r.'s term life insurance products are mainly sold in combination with mortgage loans or investment accounts, and generally require recurring premium payments. All other individual life products are managed as a closed service book.

Strategy and achievements

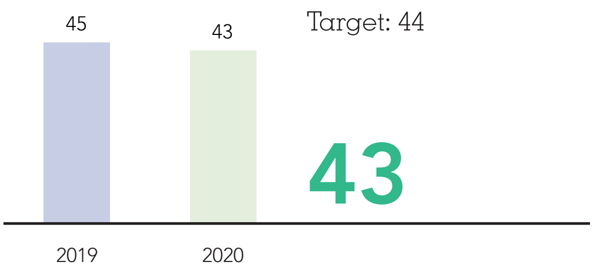
In 2020, the Individual life & Pensions departments were integrated and continue to operate under the name Life & Pensions. The integration of Life & Pensions lays the foundation for further investment in the financial vitality of their clients. a.s.r has completed the migration and integration of all portfolios to one single SaaS platform, resulting in a reduction of complexity and costs. Also the acquired pension books were fully integrated in the a.s.r. systems.

The advantages of the integration of Life & Pensions are as follows:
- Joint customer base to market the platform Ik denk vooruit (I think ahead), giving insights to customers on their financial well-being;
- Strengthening the competitive position by creating further economies of scale;
- Working together on the digital transformation and consolidation cases.

Life & Pensions focuses on:
- Serving the needs of its clients. Excellent operational performance with a high client satisfaction, data driven orientation and compliance with legislation;
- Realising growth: having the right product propositions in place for further growth and looking for opportunities in ongoing market consolidation to acquire portfolios or companies;
- Launching the platform Ik denk vooruit to help customers increase their financial well-being, providing more insight into their financial situation and helping them to make the right financial decisions;
- Realising a new target IT landscape to administer the pension portfolio;
- Continuing with the digitalisation and optimisation of the processes.

With an NPS score of 43 in 2020 (45 in 2019), the customer satisfaction of Life & Pensions slightly decreased.

NPS Life & Pensions



Outlook for 2021
In 2021, a.s.r. will focus on further growth in WnP and immediate pension annuities, further improving customer satisfaction. It will also begin implementing the new Dutch pension agreement. This pension agreement is the result of extensive discussions between government, employers and employees. The agreement is fully in line with the strategy of phasing out DB products and accelerating growth in DC. a.s.r. will also speed up growth in fixed and variable pension annuity products. The outcome of pensions will be more uncertain for individual customers. For this reason, a.s.r. aims to help customers make financial decisions through the launch of the platform Ik denk vooruit, through which a.s.r. provides its customers with insights into their financial well-being.

Funeral
As at 31 December 2020, the funeral portfolio consisted of 6.3 million policies and 4.8 million customers. Based on the volume of premiums, Ardanta, a.s.r.'s funeral brand, is the second largest funeral insurer in the Netherlands.

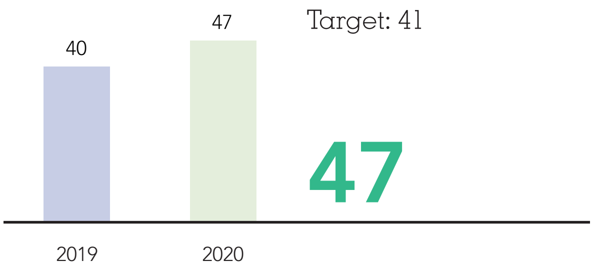
The impact of COVID-19 on the 2020 operating result of Funeral was limited because the increased mortality occurred mainly in the higher age categories. COVID-19 had little impact on the payment behaviour of Funeral customers in 2020.Due to the measures in connection with COVID-19, employees have largely been serving customers from home in 2020. This has not led to a negative effect on service levels nor on customer satisfaction.

Market
In recent years, there has been a significant degree of consolidation in this market; this is expected to continue at a much slower pace in the near future.

Products
a.s.r.'s primary objective is to insure funeral expenses, for which it offers both capital and in-kind insurance products.

Strategy and achievements
Ardanta offers practical guidance to its customers and their relatives on overcoming their personal loss and on practical matters relating to bereavement. This is done through initiatives such as a 'funeral coach', who assists relatives in the days immediately after a relative has died. The recently developed online initiative 'Ardanta answers' also contains answers to frequently asked questions through short video clips. Ardanta is committed to enhancing digital process support. The '100% digital in 2023 programme' was launched in 2019. This digital transformation involves a fundamental change in customer interaction, value propositions, business models, operational processes and customer experience. Ardanta products are also offered by a.s.r.'s online channel Ditzo. Initial results were positive in 2020, with 30% of all 60,000 annual claims handled through the newly designed digitised processes. Intermediary processes were also digitised, resulting in a significant 20% reduction in incoming telephone calls and a 100% paperless workflow, saving substantial postal items annually. Customer satisfaction (NPS) also improved from 40 in 2019 to 47 in 2020.

NPS Funeral



a.s.r.'s focus continues to be on capital generation and the further strengthening of its competitive position through cost leadership. Ardanta's distinguished proposition is recognised in the market: business targets were more than exceeded in 2020, in both the traditional intermediary channel and in direct distribution channels (internet, direct mail and own advisors).

Ardanta's sustainability initiatives focus on 'address enrichment' in order to re-establish contact with customers Ardanta has lost over the decades. In addition, the 'Old Case Team' project seeks to trace the relatives of long-deceased customers in order to settle outstanding financial entitlements.

Outlook for 2021

Whilst taking into consideration the volume of a.s.r.'s funeral portfolio there is still a lot of potential for organic growth. The customer contact strategy will be further developed resulting in new marketing campaigns focused on activating customers (creating awareness) whilst at the same time fulfilling the legal duty of care for a.s.r.'s customers.

In 2021 two new products will be introduced. The first is a generic product and is a response to customer demand for greater flexibility. Besides, a specific product has been developed, destined for a specific category consumers who have limited access to regular funeral insurance due to specific circumstances.

Aligned with a.s.r.'s digital strategy, the Ardanta's digitalisation program will continue. In 2021 focus will be on the new customer, resulting in a newly designed digitised process for both the traditional as direct distribution channels. The collected customer experience is leading and must result in a 100% paperless application process.

A.3 Investment performance

a.s.r.'s investment policy is aimed at striking a balance between generating returns and preventing risks. Protecting the solvency position is an important factor in this context.

A.3.1 Revenues and costs of all assets

Investments

	31 December 2020	31 December 2019
Available for sale	33,774	31,893
At fair value through profit or loss	2,825	2,831
	36,599	**34,724**

The investments available for sale increased € 1,881 million in 2020, whereas investments at fair value through profit and loss slightly lowered, which can be explained by the table below.

Breakdown of investments

	Available for sale	Fair value through profit or loss	Total	Available for sale	Fair value through profit or loss	Total
Fixed income investments						
Government bonds	17,390	-	17,390	16,132	-	16,132
Corporate bonds	11,817	-	11,817	11,590	-	11,590
Asset-backed securities	404	-	404	524	-	524
Preference shares	316	-	316	320	-	320
Rural property contracts	-	143	143	-	72	72
Equities and similar investments						
Equities	3,447	62	3,510	3,049	111	3,159
Real estate equity funds	-	2,029	2,029	-	2,079	2,079
Mortgage equity funds	393	590	983	270	569	839
Other participating interests	7	-	7	7	-	7
Total investments	**33,774**	**2,825**	**36,599**	**31,893**	**2,831**	**34,724**

The equities consist primarily of listed equities and investment in investment funds (including open ended investment funds). Equities increased mainly as a result of additional investments and positive revaluations.

In 2020, government bonds increased to € 17,390 million (2019: € 16,132 million) mostly due to positive revaluations and additional investments as a result of cash collateral received on derivative instruments which were reinvested into government bonds.

For the real estate equity funds and mortgage equity funds for which a.s.r. has significant influence, being ASR DMOF, ASR DPRF, ASR DCRF and ASR mortgage fund, the exemption of IAS 28 was used, thereby measuring the investments at fair value through profit or loss and presenting them as a separate category within the investments at fair value through profit or loss. For a breakdown of the real estate equity funds ASR DMOF, ASR DPRF and ASR DCRF, and ASR mortgage funds.

All investments at fair value through profit or loss are designated as such by a.s.r. upon initial recognition.

Based on their contractual maturity, an amount of € 23,681 million (2019: € 24,403 million) of fixed income investments is expected to be recovered after one year after the balance sheet date. For assets without a contractual maturity date, it is expected that they will be recovered after more than one year after the balance sheet date.

Breakdown of investment income per category

	2020	2019
Interest income from receivables due from credit institutions	124	130
Interest income from investments	339	369
Interest income from amounts due from customers	258	241
Interest income from derivatives	507	451
Other interest income	54	35
Interest income	**1,282**	**1,227**
Dividend on equities	60	73
Dividend on real estate equity funds	63	67
Dividend on mortgage equity funds	20	7
Rentals from investment property	60	58
Other investment income	4	11
Dividend and other investment income	**206**	**217**
Total Investment income	**1,488**	**1,444**

The effective interest method has been applied to an amount of € 719 million (2019: € 742 million) of the interest income from financial assets not classified at fair value through profit or loss. Included within interest income is € 5 million (2019: € 6 million) of interest received on impaired fixed-income securities.

The COVID-19 developments led to a lower contribution of dividend and other investment income of € 21 million.

A.3.2 Information about profit and losses in equity

Consolidated statement of comprehensive income for the year ended 31 December

(in € millions)	Note	2020	2019
Net result		**656**	**972**
Remeasurements of post-employment benefit obligation	6.5.15	-316	-509
Unrealised change in value of property for own use	6.5.2	13	7
Income tax on items that will not be reclassified to profit or loss		76	126
Total items that will not be reclassified to profit or loss		**-227**	**-377**
Unrealised change in value of available for sale assets		1,090	1,671
Realised gains/(losses) on available for sale assets reclassified to profit or loss		-304	-175
Shadow accounting	6.5.14	-552	-1,041
Segregated investment pools		5	-3
Income tax on items that may be reclassified subsequently to profit or loss		-48	-106
Total items that may be reclassified subsequently to profit or loss		**191**	**346**
Total other comprehensive income for the year, after tax		**-37**	**-31**
Total comprehensive income		**619**	**941**
Attributable to:			
Non-controlling interests		-1	-
- Shareholders of the parent		572	881
- Holders of other equity instruments		48	60
Total comprehensive income attributable to holders of equity instruments		**620**	**941**

Shadow accounting allows a recognised but unrealised gain or loss on an asset to be transferred to liabilities arising from insurance contracts.

A.3.3 Information about investments in securities

As a.s.r. has no investments in securitisation, no further information is included here.

A.4 Performance of other activities

No other activities are material.

A.5 Any other information

No other information is applicable.

B System of governance

B.1 General information on the system of governance

B.1.1 Corporate governance

B.1.1.1 Supervisory Board Committees

The SB has three committees that discuss specific issues and prepare items on which the full SB takes decisions. The chairperson of each committee reports on the main points of discussion and the resulting recommendations are discussed at the subsequent SB meeting. The minutes of the committee meetings are available to the members of the SB.

The three committees are:
- The Audit & Risk Committee (A&RC);
- The Remuneration Committee (RC);
- The Selection & Appointment Committee (S&AC).

Audit & Risk Committee

- Cor van den Bos (Chairman until May 2020)
- Sonja Barendregt (Chair as of May 2020)
- Herman Hintzen
- Gerard van Olphen (member as of May 2020)

The committee advises the SB and prepares decision-making on matters such as supervision of the integrity and quality of the financial reporting and the effectiveness of the internal risk management and control systems. This explicitly also includes the application of information and communication technology, including cybersecurity risks.

The composition of the committee is such as to represent the specific business know-how, financial, accounting and actuarial expertise relating to the activities of a.s.r.

Cor van den Bos formally resigned as a member of the SB and Chair of the A&RC at the AGM on 20 May 2020. Sonja Barendregt succeeded him as Chair of the A&RC per the same date. The Committee is grateful to Cor van den Bos for the valuable contributions made and fruitful discussions held during and outside the meetings of the A&RC. Following his appointment to the SB at 28 October 2020 EGM, Joop Wijn is also temporary participating in the A&RC in the context of the introduction programme.

The committee held seven regular meetings in 2020. In accordance with the A&RC Rules of Procedure, committee meetings are also attended by the CFO, Director of GRM, Director of Finance, Risk and Performance Management, Manager of Compliance, Director of Audit and the independent external auditor.

In 2020, the role of external auditor was transferred from EY (which finalised the audit of the Annual Report 2019 in the first quarter of 2020) to KPMG, as agreed at the AGM in May 2019. The Committee therefore held a final and private concluding meeting with EY prior to publication of the annual report and thanked EY for their involvement over the past few years.

Outside the regular meetings, the committee met twice with the Audit, Compliance, Risk Management and Actuarial Function (AF) in their roles as countervailing powers. The Chair of the A&RC also had two one-on-one meetings with each of the directors of Audit, Risk Management and the Compliance manager.

After each financial quarter, the committee discussed the financial results based on detailed financial, risk, compliance and internal and external audit reports and analyses. Progress on the recommendations of the internal and external auditor as well as of the AF was monitored. The full 2020 reporting year was discussed in the first quarter of 2021 based on the (quarterly) internal finance report, the press release, the annual report, the financial statements, the Board Report and the actuarial report. The discussion of the actuarial report was also attended by the AF.

The committee issued positive opinions on the annual report and on the financial statements to the SB. The committee discussed and adopted the external auditor's letter of engagement and the audit plan for 2020. The external auditors' independence and additional fees were reviewed each quarter. The management letter of the external auditor highlighting key internal control observations was discussed, as was the report of the external auditor. Special attention was given to the reported key audit matters: valuation of insurance contract liabilities including shadow accounting, fair value measurement of non-listed investments, Solvency II ratio and explanatory notes, unit-linked exposure, and goodwill impairment. The A&RC approved the updated charters and annual plans for the Actuarial Function, the Risk Management Function and the Compliance Function. It advised the SB to approve the updated charter and the audit plan 2021 of the internal Audit Function; this advice was followed.

Specific topics discussed in the committee included (i) impact of COVID-19 on the financial performance and prospects of a.s.r., (ii) decreasing interest rates and impact on solvency through the balance sheet plan 2020 and projection updates, (iii) cyber risks and IT security, (iv) fraud issues (both from external clients - e.g. inappropriate claims behaviour - and employees) and measures taken, and (v) compliance with rules and regulations, including CDD.

a.s.r.'s solvency position was reviewed and discussed each quarter. Specific attention was paid to the UFR effect within the Solvency II framework, the decreasing interest rates and a.s.r.'s view on a more economic UFR scenario. The A&RC discussed the risk scenarios and outcomes of the ORSA and the balance sheet plan and associated projection updates. In all risk scenarios of the ORSA, the solvency ratio remained – sometimes after specific management actions – within the boundaries set by a.s.r., demonstrating the robustness of a.s.r.'s solvency and the effectiveness of certain management actions. The future solvency ratio projections included the gradual decrease of the UFR as prescribed by EIOPA.

The a.s.r. risk appetite is based on a prudent approach to risk management and translates the risk appetite into qualitative business guidelines for NFR matters and requirements for solvency, liquidity and returns for the FR matters; solvency takes priority over profit and profit takes priority over premium income. a.s.r.'s updated capital and dividend policy was also discussed, after which the SB approved the updated policy.

The A&RC regularly monitored the status of the risk appetite during the year through a.s.r.'s Integrated Risk Dashboard and the status report on the management of risk priorities. At the end of the year, the A&RC was informed of the outlines of the reinsurance programme for 2021.

Remuneration Committee

- Gisella van Vollenhoven (Chair)
- Herman Hintzen
- Kick van der Pol
- Joop Wijn (with effect from November 2020)

The RC advises the SB on matters including the remuneration policy for the EB and SB and the terms and conditions of employment of the EB, and reviews the remuneration of senior management.

The RC met five times in 2020. Its meetings were also attended by the CEO (except when issues relating to the EB were discussed) and the Director of Human Resources, who also acts as Secretary in association with the Company Secretary. The committee solicits support and advice from departments such as Group Risk Management (GRM), Compliance, Audit and Human Resources. Where needed, it is consulted by the expertise of independent legal and pay & benefit experts.

In line with the policy, the committee advised the SB on target-setting and performance appraisals; and the 2019 Remuneration Disclosure was also prepared.

In accordance with the remuneration policy of a.s.r., approved by the AGM in 2019, the RC performed two separate benchmarks for both the EB and the SB, in order to follow trends (including the effects of COVID-19). Last year, the 2019 Remuneration Report was submitted to the AGM for an advisory vote. 84% of the votes cast were for the report and 16% were against. The Remuneration Committee investigated the voting results further and concluded that there were two main reasons for the negative vote. The first was the absence of a variable remuneration scheme for the EB and the second was the substantial increase of the remuneration of the members of the EB in 2018 and 2019. This is explained further in the Remuneration report below.

At the end of 2020, the a.s.r. remuneration policy was updated in line with new regulations and the results of the internal audit report on the application of a.s.r.'s remuneration policy were discussed.

Selection & Appointment Committee

- Kick van der Pol (chairman)
- Herman Hintzen
- Gisella van Vollenhoven
- Joop Wijn (with effect from November 2020)

The S&AC advises the SB on selection and appointment procedures and the composition of the EB and SB; it also prepares the (re)appointment of members. The S&AC met five times in 2020. Its meetings are also attended by the CEO (except when issues relating to the EB were discussed) and the Director of Human Resources, who also acts as Secretary of the committee in association with the Company Secretary.

In 2020 the reappointment of Jos Baeten as CEO for a four-year term and the reappointment of Herman Hintzen as a member of the SB were prepared by the S&AC. Both were discussed and approved by the AGM in May 2020. Following the resignation of Cor van der Bos, Herman Hintzen was appointed Vice-Chair of the SB.

In accordance with the retirement schedule, the S&AC began a search for a suitable successor to the Chairman of the SB, Kick van der Pol, at the beginning of 2020. The careful selection process was led by the S&AC, but was conducted in close contact with the entire SB. Based on the SB profile, and specifically for the Chair, an individual was sought with the right expertise and experience, who fitted well with the culture of the organisation and embraced the mission and strategy of a.s.r. A shortlist was compiled from a longlist and interviews were held with several candidates. Each member of the SB, and later also each member of the EB, as well as the HR Director and the Company Secretary, had a meeting with the final candidate, Joop Wijn. The SB unanimously agreed to nominate Joop Wijn for the role and he was appointed as member of the SB by the EGM in October 2020. Following the EGM, the SB agreed that Joop Wijn would succeed Kick van der Pol at the end of the AGM in May 2021.

The committee also discussed the annual appraisals of senior management. A nine-box grid was used to evaluate senior managers and to discuss their individual development and possible successors. The committee was also informed of the results of the Denison scan, a tool used to measure the success of the organisation.

Financial statements and dividend

The EB prepared the 2020 annual report and discussed it with the SB in the presence of the external auditor. The 2020 financial statements will be submitted for adoption by the AGM on 19 May 2021. a.s.r. will propose a dividend of € 2.04 per ordinary share, or € 282 million in total, including the interim dividend paid.

Appreciation

The SB wishes to express its gratitude to all the employees of a.s.r., both permanent and contract staff, for their dedication to a.s.r. in 2020, and in particular for their efforts while working from home, occasionally under difficult circumstances. All our employees worked collectively to achieve a.s.r.'s mission by helping customers share risks and build capital for the future, and especially by helping customers who were in need during the pandemic. Together, we are building an insurance company that is both valuable and sustainable. The SB also wishes to express its gratitude to the members of the EB and the senior management for their impressive remote leadership during these difficult times and for achieving a good operational result and increased customer satisfaction. The SB greatly appreciates the ongoing and constructive open dialogue and cooperation with the EB.

Utrecht, the Netherlands, 23 March 2021

Kick van der Pol (Chairman)
Herman Hintzen
Sonja Barendregt
Gisella van Vollenhoven
Gerard van Olphen
Joop Wijn

B.1.1.2 Corporate Governance

a.s.r. is a public limited company which is listed on Euronext Amsterdam and governed by Dutch corporate law. It has a two-tier board governance structure consisting of an Executive Board (EB) and a Supervisory Board (SB). The EB is responsible for the realisation of corporate objectives, the strategy with its associated risks and the delivery of the results. The SB is responsible for advising the EB, supervising its policies and the general state of affairs relating to a.s.r. and its group entities. The EB shares responsibility for the implementation of the business strategy with the Business Executive Committee (BEC). More information on the governance structure can be found in chapter B.1.1.3 Executive Board.

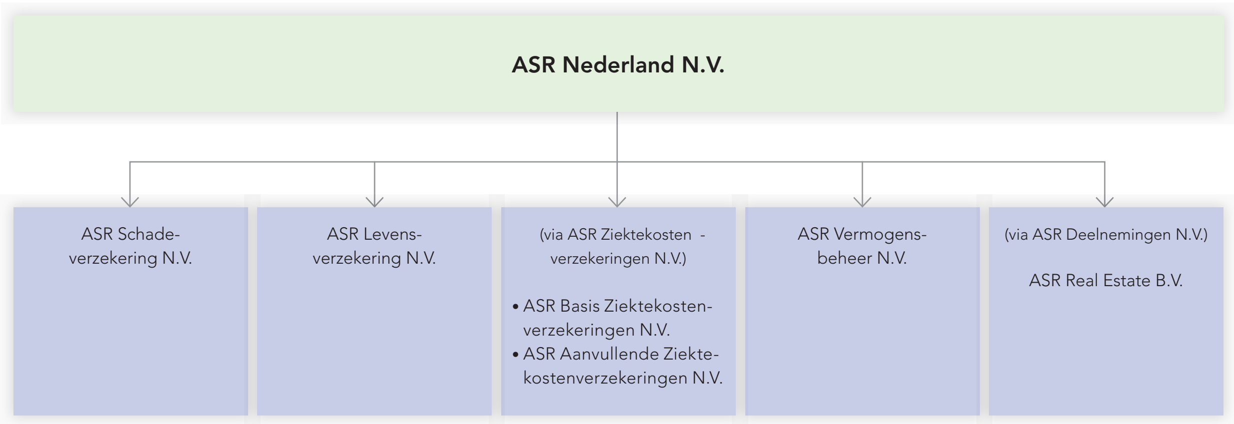
Legal structure

ASR Nederland N.V. is the Group's holding company. The supervised entities (OTSOs) within the Group are ASR Schadeverzekering N.V., ASR Levensverzekering N.V., ASR Basis Ziektekostenverzekeringen N.V. and ASR Aanvullende Ziektekostenverzekeringen N.V.

a.s.r. and Nationale-Nederlanden (NN) have split up the joint venture Keerpunt B.V. (Keerpunt) on 1 October 2020. The activities for a.s.r.'s customers were merged with the services in Disability and SuperGarant Verzekeringen B.V., a full subsidiary of a.s.r.

The acquisitions of VvAA Levensverzekeringen N.V. and Veherex Schade N.V. were completed on 1 January 2020. Veherex Schade N.V. legally merged with ASR Schadeverzekering N.V. on 30 June 2020. VvAA Levensverzekeringen N.V. legally merged with ASR Levensverzekering N.V. on 21 November 2020. A union exists between ASR Nederland N.V., ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. through cross-membership of the EB and the SB. ASR Basis Ziektekostenverzekeringen N.V. and ASR Aanvullende Ziektekostenverzekeringen N.V. have their own EBs. The SBs of these entities consist of a combination of members of the EB and members of the SB of ASR Nederland N.V. ASR Bank N.V.'s banking license was withdrawn ,at the request of ASR Bank N.V., on 1 December 2020. And the name of the company has been changed to ASR Admin N.V. on the same date.

ASR Vermogensbeheer N.V. and ASR Real Estate B.V. (formerly ASR Vastgoed Vermogensbeheer B.V.) are two AIFMD-licensed AIFMs. These entities have their own EBs.



General Meeting of Shareholders and consultation with shareholders

In line with a.s.r.'s articles of association, at least one AGM is held per annum, no later than 30 June. The main purpose of the AGM is to decide on matters as specified in a.s.r.'s articles of association and under Dutch law, such as the adoption of the financial statements. The articles of association also outline the procedures for convening and holding general meetings and the decision-making process. The draft minutes of the AGM must be published on the corporate website (www.asrnl.com) no later than three months following the AGM. Shareholders are given three months to respond to the draft minutes. The minutes of the AGM are subsequently adopted and signed by the Chairman of the SB and the Company Secretary.

An Extraordinary General Meeting (EGM) was held on 12 February 2020. The agenda included the proposal by the SB to appoint Annemiek van Melick as a member of the EB and as CFO of a.s.r. There were no voting items on this agenda.

Due to developments surrounding the COVID-19 virus, a.s.r. took additional safety measures in relation to the AGM in accordance with the guidelines set out by ASR Nederland N.V., the central government and the RIVM (Dutch National

Institute for Public Health and the Environment). In 2020, both the AGM in May and the EGM in October were held entirely virtually without the physical presence of shareholders. The AGM in 2020 was held on Wednesday 20 May. A total of 68.77% of the total issued share capital with voting rights was represented by proxy or through voting instructions. The agenda of the AGM included a proposal to adopt: the 2019 Remuneration report, the annual financial statements for the 2019 financial year, the proposal to grant a discharge to each (former) member of the EB and SB from liability in respect of the exercise of their duties in the 2019 financial year, the proposal to reappoint Herman Hintzen as a member of the SB and the proposals to extend the autorisation of the EB to issue ordinary shares and/or to grant rights to subscribe for ordinary shares, to restrict or exclude the statutory pre-emptive right and to acquire the company's own shares. All agenda items were approved by the AGM. The proposal of the SB to reappoint Jos Baeten as a member and Chairman of the EB was discussed. The next AGM will be held on Wednesday 19 May 2021.

In order to comply with the statements made by the European Insurance and Occupational Pensions Authority (EIOPA) and the DNB urging insurers to temporarily postpone all dividend distributions, a.s.r. has decided to forego payment of the 2019 final dividend and to add the 2019 profits - after deduction of the interim dividend of € 0.70 per share already paid in September 2019 - to its profit reserve. In addition a.s.r. temporarily suspended the share repurchase programme announced in February. On 4 August 2020 a.s.r. announced to resume its postponed dividend payment and share buyback programme.

An EGM was held on 28 October 2020. The agenda included the proposal to appoint Joop Wijn as a member of the SB and as future Chairman of the SB. A total of 68.14% of the total issued share capital entitled to vote was represented by proxy or through voting instructions. The proposal was approved by the EGM.

Contacts with shareholders are currently conducted entirely in line with the policy on fair disclosure and on the basis of bilateral dialogue with shareholders. The policy on fair disclosure and the bilateral dialogue with shareholders is published on www.asrnl.com. The Group's Disclosure Committee supervises compliance with laws and regulations in relation to the disclosure of price-sensitive information.

Anti-takeover measures
Stichting Continuïteit ASR Nederland (the 'Foundation') was established on 26 May 2016 under Dutch law in connection with a.s.r.'s listing on Euronext Amsterdam. The Foundation has an independent board consisting of three members. The role of the Foundation is to promote and protect the interests of a.s.r., its business and stakeholders, and to work against possible influences that could threaten the continuity, independence, strategy and/or identity of a.s.r. or its associated business to the extent that they could conflict with the aforementioned interests. If the interests of a.s.r., its business, stakeholders or continuity were to be undermined, the Foundation would be entitled - provided certain conditions under the call option agreement were to be met - to exercise a call option right on preference shares such that the number of preference shares acquired under the call option would never exceed the total number of shares forming the issued capital of a.s.r. at the time the call option was exercised, minus the number of preference shares already held by the Foundation (if any) at the time and minus one.

B.1.1.3 Executive Board
The EB is collectively responsible for the day-to-day conduct of business at a.s.r. and for its strategy, structure and performance. In carrying out its duties, the EB is guided by a.s.r.'s interests, which include the interests of the businesses connected with it, which in turn include the interests of customers, shareholders, employees and society at large. The EB is accountable to the SB and the AGM with regard to the performance of its duties.

Certain resolutions made by the EB require the approval of the SB and/or the AGM. These resolutions are outlined in the a.s.r. articles of association and the Rules of Procedure of the EB. Both can be viewed at www.asrnl.com.

Composition of the Executive Board
The articles of association specify that the EB must consist of a minimum of two members, including at least a CEO and CFO. Only candidates found to meet the 'fit and proper test' under the Dutch Financial Supervision Act are eligible for appointment. In accordance with Article 17.1 of the articles of association of ASR Nederland N.V., the SB appoints the members of the EB and may suspend or dismiss any EB member at any time. The SB also notifies the AGM of proposed (re)appointments. Since February 2020 the EB has consisted of following three members: the CEO, Jos Baeten, the CFO, Annemiek van Melick, and the COO/CTO, Ingrid de Swart.

Executive Board

Name	Current term of office	Appointed until
Jos Baeten	20 May 2020	AGM 2024
Annemiek van Melick	12 February 2020	AGM 2023
Ingrid de Swart	1 December 2019	AGM 2023

Business Executive Committee

In 2019, a BEC was established. Through the creation of the BEC, a.s.r. increased direct involvement of the senior managers of the business lines in further strengthening a.s.r.'s innovative power. It also enables a.s.r. to act decisively with respect to potential inorganic opportunities. The BEC consists of the members of the EB, the Chief Risk Officer (CRO) and senior managers representing specific business areas. The BEC supports the EB, and is co-responsible for the implementation and realisation of the business strategy. Only the members of the EB have voting rights in the meeting of the BEC.

The BEC will ensure the direct involvement, knowledge and skills of a.s.r.'s senior management responsible for specific business areas in the decision-making process at board level. As part of the industry in motion, it is vital that a.s.r. is able to respond quickly to opportunities that arise and efficiently anticipate constantly changing customer needs.

Sustainability governance

a.s.r. aims to embed sustainability in all its core processes and activities. In order to continue to drive and monitor sustainability in all its aspects within a.s.r., sustainability has been earmarked as a strategic topic. Within the EB, the CEO is ultimately responsible for a.s.r.'s sustainability themes. The Sustainability Workforce supports the CEO in his responsibility for the development and implementation of a.s.r.'s sustainability strategy and policy. This workforce includes delegates from the business as well as staff departments. It reports quarterly on a set sustainability KPIs and targets to the BEC, which evaluates the results achieved and takes action where necessary.

The BEC also sets strategic sustainability targets as part of the total set of financial and non-financial KPIs. Each year, the SB discusses and approves the strategic objectives and progress made in these specific areas. a.s.r.'s sustainability team coordinates the implementation together with the workforce. All members of the workforce subsequently promote this vision and objectives within their own focus areas.

Diversity & inclusiveness

a.s.r. is committed to an inclusive culture and has a diversity policy in place. It applies the following definition of diversity: a balanced composition of the workforce, based on age, gender, cultural or social cultural and ethnic background, competences, perspectives and working styles. In 2020, the EB consisted of two female and one male boardmember; the current composition of the EB therefore meets the gender target of having at least 30% female and 30% male board members. a.s.r. will continue to strive for an adequate and balanced composition of the EB in its future appointments by taking into account its diversity policy and all relevant selection criteria such as executive experience, experience in finance and experience in the political and social environment. In October 2020, the EB and senior management took part in a session on diversity & inclusive leadership and the link with unconscious biases, led by two external experts.

Permanent education and evaluation

The 2020 self-evaluation session of the EB was conducted and discussed on the basis of a questionnaire. The overall impression was positive. The main topics were the transition to the new composition of the EB and the impact of COVID-19 on the organisation and business of a.s.r. The EB reflected positively on the decisiveness of its members and their ability to maintain short lines of communication despite the distance involved in working from home. This, and the open atmosphere, are considered strengths of the EB. The review of the existing strategy contributed to team-building. Strategic themes that played a role in the past year will continue to do so in the upcoming year: e.g. shrinkage of the life book, low interest rates and cost development. Other accents will also be laid, including a more customer-oriented organisation and ongoing digitalisation.

The performance of the EB was also assessed by the SB as part of the scope of the annual assessment process, see chapter B.1.2 Remuneration report. In this context, interviews are held twice a year with the individual EB members (by two SB members on each occasion) in which the results of the aforementioned self-evaluation are included.

In 2020, specific sessions were also organised jointly with the SB and senior management for the benefit of further education. The first session focused on cyber and climate risks and opportunities in this field, particularity for a.s.r. asset management, P&C and Real Estate. It was led by IT&C and members of the TCFD Work Force. The second session focused on digitalisation based on customer needs. This knowledge session was led by Innovation & Digital and took place at the end of the year. During this session, the SB and EB were given an update on how to ensure that customer needs remain central while internal processes and corporate culture change.

The individual EB members attended (leadership) sessions on various topics in their capacity as board members and supervisory directors in other organisations.

Remuneration

Information on the remuneration policy for EB members and their individual remunerations can be found in chapter B.1.2 Remuneration report.

Biographies of Executive Board members



	J.P.M. (Jos) Baeten	**A.T. J. (Annemiek) van Melick**	**I.M.A. (Ingrid) de Swart**
Position	Chairman of the Executive Board (CEO)	Chief Financial Officer (CFO)	Member of the Executive Board (COO/CTO)
Nationality	Dutch	Dutch	Dutch
Born	1958	1976	1969
Education	• Law at Erasmus University Rotterdam; • Advanced Management Programme at Wharton University in Pennsylvania.	• Law at Utrecht University; • Financial Management at Nyenrode Business University.	• Dutch language and literature at Utrecht University; • Young Executive Programme and the General Management Programme at CEDEP in Fontainebleau; • Advanced Management Programme at Wharton University in Pennsylvania.
Appointed on	26 January 2009	12 February 2020	1 December 2019
End of current term of office	AGM 2024	AGM 2023	AGM 2023
Responsible for	Group Risk Management, Human Resources, Legal & Integrity, Corporate Communications and Audit	Finance, Risk & Performance Management, Group Balance Sheet Management, Group Asset Management and Real Estate	IT&C, Customer experience & Digital, Life & Pensions, Disability, P&C, Funeral, Mortgages, Health, Ditzo and Distribution
Previous significant positions	• Started career at Stad Rotterdam Verzekeringen N.V.; • Member of the Executive Board of Stad Rotterdam Verzekeringen N.V., later appointed as CEO; • Member of the Management Board of Fortis ASR Verzekeringsgroep N.V.; • Chairman of the Board of De Amersfoortse Verzekeringen N.V.; • Chairman of the Board of Directors of Fortis ASR Verzekeringsgroep N.V.	• Started career at Goldman Sachs in London; • Lehman Brothers' mergers & acquisitions (M&A) consultant; • Director Corporate Strategy and M&A at SNS REAAL; • Chief Financial & Risk Officer at SNS Retail Bank; • Member of de Executive Board and CFO at de Volksbank.	• Various management and executive positions at Delta Lloyd; • CEO of ABN AMRO Insurance; • Member of the Executive Board of Delta Lloyd; • Board Member of Aegon Nederland as Chair of Aegon Retail.
Additional positions	• Member of the Executive Board of the Dutch Association of Insurers; • Member of the Supervisory Board of the Efteling B.V.; • Member of the General Administrative Board of VNO-NCW; • Board Member of Stichting Grote Ogen; • Board Member of Stichting Fietshelm is Hoofdzaak; • Member of the Advisory Board of the Nyenrode Executive Insurance Programme.	• Member of the Supervisory Board of Royal Swinkels Family Brewers.	• Board member of Thuiswinkel.org; • Member of the Supervisory Board of Thuiswinkel B.V.

B.1.1.4 Supervisory Board

The SB has three roles: the supervisory role, the advisory role and the employer’s role for the EB. The SB supervises the policy pursued by the EB and the general course of affairs at a.s.r. and its group entities. Specific powers are vested in the SB, including approving certain EB decisions.

Composition of the Supervisory Board

In line with a.s.r.’s articles of association, the SB should consist of at least three members. According to the rotation schedule, the third term of office of Cor van den Bos expired at the close of the 2020 AGM. Therefore, Cor van den Bos resigned as a member of the SB at the end of the 2020 AGM. Sonja Barendregt, appointed by the AGM on 21 May 2018, succeeds Cor van den Bos as Chair of the Audit & Risk Committee (A&RC). Furthermore, according to the rotation schedule the first term of office of Herman Hintzen expired at the close of the 2020 AGM. Herman Hintzen was nominated by the SB for a reappointment for a four-year term. The AGM reappointed Herman Hintzen as member of the SB. Herman Hintzen succeeds Cor van den Bos as Vice-Chairman of the SB. At the EGM on 28 October 2020, the proposed candidate, Joop Wijn, was appointed as new member of the SB. Joop Wijn will succeed Kick van der Pol as Chairman of the SB at the close of the AGM in 2021. The SB therefore temporarily consists of six members: Kick van der Pol (Chairman), Herman Hintzen, Sonja Barendregt, Gisella van Vollenhoven, Gerard van Olphen and Joop Wijn. The composition of the SB of ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. is the same as that of ASR Nederland N.V.

Diversity

The SB has drawn up a projected profile for its size and composition, taking into account the nature of a.s.r.’s business, its activities and the desired expertise and background of its members. The SB profile can be viewed on the a.s.r. website: www.asrnl.com. One of the objectives of a.s.r.'s diversity policy is to achieve a SB consisting of at least 30% female and at least 30% male members. In 2020, the composition of the SB met this gender ratio, with 33% female and 67% male members. After the resignation of Kick van der Pol, the SB will consist of five members with a ratio of 40% female and 60% male.

The composition of the SB is such that each member has the skills to assess the main aspects of overall policy and the SB as a whole matches the desired profile due to a combination of experience, expertise and independence of the individual members. The diversity of its members ensures the complementary profile of the SB. a.s.r. will continue to strive for an adequate and balanced composition of the SB in any future appointments by taking into account the diversity policy and all relevant selection criteria such as executive experience, experience in finance and experience in the political and social environment.

Supervisory Board

Name	Date of initial appointment	Date of reappointment	End of current term of appointment[1]	End of the term of appointment at AGM[2]
Kick van der Pol	15 December 2008	22 May 2019	AGM 2021	2021
Herman Hintzen	1 January 2016	20 May 2020	AGM 2024	2028
Sonja Barendregt	31 May 2018	-	AGM 2022	2030
Gerard van Olphen	30 October 2019	-	AGM 2023	2031
Gisella van Vollenhoven	30 October 2019	-	AGM 2023	2031
Joop Wijn	28 October 2020	-	AGM 2024	2032

Independence and conflicts of interest

In line with the Dutch Corporate Governance Code, SB members are appointed by the AGM for a four-year term. They can be reappointed for a single additional four-year term and subsequently reappointed for a period of two years, which appointment may be extended by two years at most. Reappointments following an eight-year period must be justified in the SB report. SB members retire no later than by the AGM immediately following the end of their term of appointment. All the SB members passed the ‘fit and proper test’ required under the Dutch Financial Supervision Act. In 2020, there were no reports of potential conflicts of interest relating to members of the SB. The SB was also able to carry out its tasks independently pursuant to principles 2.1.7 to 2.1.9 of the Dutch Corporate Governance Code. In accordance with article 39 (1) Directive 2014/56/EU, Sonja Barendregt is designated as the financial expert within the SB.

1 SB members are reappointed or must resign no later than the next AGM held after this date.
2 Based on the possibility of an appointment for a maximum of 12 years (two times four years and two times two years in accordance with principle 2.2.2 of the Dutch Corporate Governance Code).

Supervisory Board profile

Name	Years in Board	Year of birth	Gender	General business management strategy	Finance (balance, solvency & reporting)	Financial markets/ disclosure, communication	Audit, risk, compliance, legal & governance	Insurance (life, non-life & asset management)	M&A	IT/Digital & innovation	Social/employment	Sustainability/ politics
Kick van der Pol	12	1949	M	●	●			●			●	●
Herman Hintzen	5	1955	M	●	●	●	●	●	●			
Sonja Barendregt	3	1957	F	●	●	●	●	●			●	
Gerard van Olphen	1	1962	M	●	●	●	●	●		●	●	●
Gisella van Vollenhoven	1	1970	F	●	●	●	●	●				●
Joop Wijn	-	1969	M	●	●	●	●		●	●		●

Permanent education and evaluation

The SB is responsible for assessing the quality of its own performance. It therefore performs an annual self-assessment and discussion of its own performance and that of its committees and members. A self-assessment with external supervision is carried out every three years.
The SB is responsible for assessing the quality of its own performance. It therefore performs an annual self assessment and discussion of its own performance and that of its committees and members. A self-assessment with external supervision is carried out every three years. The self-assessment for 2020 was carried out with external supervision. The assessment was based on a questionnaire and interviews with members of the SB, the EB, the directors of HR and Internal Audit, the CRO and the Company Secretary. The following aspects were assessed:

- Role and composition of the SB;
- Effectiveness of processes (information-gathering and decision-making);
- Role as an employer;
- Advisory role and strategy.

The outcome of the assessment was discussed by the members of the SB and the Company Secretary, and at a later stage with the members of the EB. The SB has an open, constructive and professional relationship with the EB. Dilemmas, in general or in specific files, are openly discussed both during meetings and during informal (and one-on-one) contact. Due to the consequences of COVID-19, face-to-face private sessions and informal meetings were sorely missed in the past year. These are important for getting to know each other better personally and for a good relationship. The SB hopes that these meetings can be held again in the course of 2021. Last year, specific attention was devoted to the onboarding of the new members of the EB. The SB is impressed by the speed with which the new EB members have settled in and, despite the COVID-19 restrictions, have become a very close team.

The current composition of the SB is assessed as good and multiform. Last year, a high degree of knowledge/experience with innovation and digitisation was assessed as relatively limited and therefore a point for attention. The search for a new chairman (with relevant board experience and knowledge of the insurance sector) was also a point for attention. The SB is very pleased with the recent appointment of Joop Wijn as member of the SB and future successor of Kick van der Pol as Chairman of the SB. The SB is at this moment of the opinion that it has all the necessary competencies on board. In the coming year, specific attention will be paid to talent development. In addition, further discussions will be held with the EB about the needs and implementation of the advisory role of the SB.

In 2020, specific sessions were also organised jointly with the EB and the senior management for the benefit of further education. The first session was regarding cyber and climate risks and opportunities in this field particularly for Asset Management, P&C and Real Estate, led by IT&C and members of the TCFD workforce. The second session focused on digitalisation based on customer needs. This knowledge session was led by Innovation & Digital and took place at the end of the year. During this session, the SB and EB were given an update on how the customer needs remain central, while internal processes and corporate culture change.

The individual members were given updates and presentations on various topics in view of their supervisory directorships at several Dutch and foreign enterprises and institutions.

Biographies of Supervisory Board members

	C. (Kick) van der Pol	H.C. (Herman) Hintzen	S. (Sonja) Barendregt
Position	Chairman of the Supervisory Board, Chairman of the Selection & Appointment Committee and Member of the Remuneration Committee	Vice-Chairman of the Supervisory Board, Member of the Audit & Risk Committee and Member of the Remuneration Committee and Selection & Appointment Committee	Member of the Supervisory Board and Chair of the Audit & Risk Committee
Nationality, year of birth	Dutch, 1949	Dutch, 1955	Dutch, 1957
First appointed on	15 December 2008	1 January 2016	31 May 2018
End of current term of appointment	AGM 2021	AGM 2024	AGM 2022
Previous significant positions	• Vice-Chairman of the Executive Board of Eureko/Achmea; • Chairman of the Executive Board of Interpolis; • Chairman of the Board of the Federation of Dutch Pension Funds; • Member of the DNB Bank Council.	• Advisor to the Supervisory Board of APG Asset Management; • Managing Director at the Financial Institutions Investment Banking Groups of Morgan Stanley, Credit Suisse and JP Morgan; • Chairman of Insurance EMEA at UBS Investment Bank; • Chairman of the Supervisory Board of Amlin International SE.	• (Senior) partner at PwC specialising in the financial sector Chair of PwC's International Pension Group; • Member of PwC's European Strategic Diversity Council; • Chair of the Pension Funds Industry Group; • Chair of the Investment Management Industry Group; • Member of the European Investment Management Leadership Team.
Additional positions	• Chairman of the Board of Directors of Ortec Finance; • Member of the Supervisory Board of Holding Nationale Goede Doelen Loterij N.V.; • Chairman of the Supervisory Board of Total Care B.V. (home care organisation Tzorg and cleaning company CSU).	• Non-EB Member of VCM Holdings Ltd.; • Non-EB Member of TSC Power Ltd (until November 2020).	• Member of the Supervisory Board of de Volksbank, also Chair of the Audit Committee; • Member of the Supervisory Board and Chair of the Audit & Risk Committee of Robeco Institutional Asset Management B.V.
Independence	Independent	Independent	Independent

	G. (Gerard) van Olphen	**G. (Gisella) van Vollenhoven**	**J. (Joop) Wijn**
Position	Member of the Supervisory Board and Member of the Audit & Risk Committee	Member of the Supervisory Board, Chair of the Remuneration Committee and Member of the Selection & Appointment Committee	Member of the Supervisory Board, Member of the Remuneration Committee and Selection & Appointment Committee
Nationality, year of birth	Dutch, 1962	Dutch, 1970	Dutch, 1969
First appointed on	30 October 2019	30 October 2019	28 October 2020
End of current term of appointment	AGM 2023	AGM 2023	AGM 2024
Previous significant positions	• Manager Financial Information and CFRO at Reaal Verzekeringen; • CFO at NIB Capital; • CEO at NIBC Asset Management, among other roles; • CFRO and subsequently Vice-Chairman of the Executive Board of Achmea; • Chairman of the Executive Board of SNS Reaal (at that time Vivat).	• Manager Corporate Accounts Employee Benefits at NN; • Senior Manager Credit Risk Management and Head Model Validation Corporate Risk Management at ING; • Division Director On-site Supervision and Banking Expertise at the Dutch Central Bank; • Division Director Pension Supervision at the Dutch Central Bank.	• Served as State Secretary of Economic Affairs and Finance; • Minister of Economic Affairs; • Member of the Management Board of Rabobank; • Member of the Executive Board of ABN AMRO; • Member of the Executive Board of Adyen as Chief Strategy and Risk Officer; • Chairman of the Oranje Fonds; • Member of the Supervisory Board of Koninklijke Jaarbeurs Utrecht; • Member of the Supervisory Board of Stadsherstel Amsterdam.
Additional positions	• Chairman of the Executive Board of APG (until 1 March 2021); • Member of the Supervisory Board of the Heart Foundation; • Member of the Supervisory Board of Netspar.	• Member of the Supervisory Board of Waarborgfonds Sociale Woningbouw, also Chair of the Remuneration Committee; • Member of the Supervisory Board of the Pensioenfonds Vervoer; • Member of the Supervisory Board of BUNQ; • Member of the Supervisory Board of MUFG BANK (Europe) N.V.; • (Substitute) council with the Enterprise Chamber of the Amsterdam Court of Appeal.	• Vice-Chairman of the Supervisory Board of Royal Schiphol.
Independence	Independent	Independent	Independent

B.1.1.5 Corporate Governance Codes and regulations

The current articles of association (dated 9 June 2016) are published on a.s.r.'s corporate website: www.asrnl.com. The SB and EB rules are also available on the corporate website. These rules were most recently amended and adopted in 2017 in response to the revised Dutch Corporate Governance Code.

Dutch Corporate Governance Code

Since being listed on Euronext Amsterdam, a.s.r. has been required to abide by the Dutch Corporate Governance Code. a.s.r. has complied with all the principles and best practices of the Dutch Corporate Governance Code, with the exception of those that are not applicable. In the Corporate Governance section of its website, a.s.r. also publishes a detailed comply or explain list which indicates which principles and best practices do not apply to it.

Professional oath

On 1 January 2013, the Dutch financial sector introduced a mandatory oath for EB and SB members of financial institutions licensed in the Netherlands. With regard to insurance companies, in addition to the EB and SB members, individuals holding a management position immediately below the EB who are responsible for staff who could have a significant influence on the risk profile of the insurance company, are also required to take the oath, as are certain other employees.

This includes individuals who may (independently) significantly influence the risk profile of the undertaking as well as those who are or may be involved in the provision of financial services. For banks based in the Netherlands, such as ASR Bank N.V. (until 1 December 2020), all individuals working under the responsibility of the bank are required to take a similar bankers' oath with effect from 2015. Those who have taken the bankers' oath are subject to disciplinary rules.

Notwithstanding the above, a.s.r. has decided that all employees and other individuals carrying out activities under its responsibility must take the oath. New employees must take the oath within three months of joining the company.

Decision concerning disclosure of non-financial information and Decision concerning disclosure of diversity policy

a.s.r. also wishes to be transparent concerning the non-financial information in its Management Report. Since the 2017 reporting year, the relevant legal requirements have been tightened for large companies of public interest. Such organisations, which include a.s.r., are now expected to clarify how they deal with environmental, social and personnel issues, respect for human rights and the fight against corruption and bribery in their business operations and value chain. Large listed companies must also provide insight into their policy on diversity in relation to the EB and SB.The information requirements regarding the disclosure of non-financial and diversity information can be found in Annex G EU Directive.

B.1.2 Remuneration report

Per 1 January 2020 a.s.r. has a new remuneration policy, which was adopted by the AGM in 2019. The Supervisory Board (SB) held an extensive consultation round with various stakeholders and has carefully considered all relevant elements and interests. It was clear from the outset that this was a sensitive topic on which opinions also differ. The SB believes in the power of a relatively simple and transparent remuneration policy. The SB also believes in the intrinsic motivation of the Executive Board (EB) members to act, just as all employees of a.s.r., in the interests of a.s.r. as a socially responsible insurer and the long-term interests of the involved stakeholders.

Important elements of this new, amended remuneration policy are:
- The basis of the policy is based on four perspectives, namely the organisational perspective, the internal and external perspective and finally the stakeholder perspective.
- No introduction of a variable remuneration scheme.
- Introduction of salary scales for the EB, in line with the other employees of a.s.r. In principle, the EB members progress through the salary scales in the same way as the employees. For employees this concerns an annual increase of 3% (provided there is scope for this in the scale). For the EB members, the SB has the option of adjusting this growth path slightly, upwardly or downwardly (an increase of 0% to 6%).
- The introduction of an adjusted reference group with purely Dutch financial and similar listed companies of a socially responsible character as far as possible, as one of the points for determination of the EB salary scales. The position of a.s.r. is roughly in the middle of this reference group. The maximum of the salary scales for both employees and members of the EB is just below the median of the adjusted reference group.

As mentioned, the SB held an extensive consultation round with (amongst others) a varied group of shareholders, the Works Council (as the representative body of a.s.r. employees) and a number of financial spokespersons from the parliamentary parties in the House of Representatives (Tweede Kamer). During the consultation round, ample attention was devoted to public views on the remuneration of top executives in the financial sector and the different methods that can be applied for the remuneration policy, such as a variable component and remuneration in shares. Various scenario analyses were reviewed and assessed in that context.

Whereas some shareholders see variable remuneration as an important element of alignment, the sentiment with regard to this form of remuneration is different among employees, politicians and the Dutch public in general. The social sentiment in the Netherlands with regard to variable remuneration in the financial sector is negative. The SB is also not convinced of the effect of variable remuneration, in which the cap of 20% for financial institutions in the Netherlands also plays a role. In addition, this form of remuneration by various stakeholders is not considered appropriate for a socially responsible insurer like a.s.r. and does not accord with the internal remuneration system. Payment in shares also evoked a negative reaction from politicians, media and employees.

In addition, the employees and the Works Council have called for the total remuneration of an EB member not to exceed the median of the relevant benchmark and to keep the remuneration methodology as close as possible to that of the total workforce. The SB has tried to find the best possible balance in this respect, one in which the labour market position and continuity of (the management of) the company also played an important role. Ultimately, the SB took a balanced decision which in its view fits in with the positioning of a.s.r. and is in the best interests of all stakeholders. The revised remuneration policy as per 1 January 2020 was adopted by the shareholders at the AGM 2019 with 84% of the votes cast.

Shareholder Rights Directive II (EU 2017/828)

a.s.r. is compliant with the requirements of the Shareholders Rights Directive II (as implemented in Dutch law) in as far as it applies to a.s.r. The current remuneration policy was adopted by over 75% of the votes cast. As regards the content and principles of the remuneration policy, this is in accordance with current legal requirements. The remuneration policy is clear and comprehensible. An explanation has been included on how the remuneration policy contributes to the strategy of a.s.r., sustainability and the interests of its stakeholders. The identity and positioning, the remuneration ratios within a.s.r. and social support of a.s.r. has also been taken in account. This has been implemented through the use and concrete interpretation of the four perspectives: the organisational perspective, internal perspective, external perspective and the stakeholder perspective. Certain legal requirements do not apply to a.s.r., as the policy does not include a variable remuneration scheme or a remuneration in shares.

The current remuneration policy does not include any procedural conditions under which a deviation from the remuneration policy is possible; the SB is aware of this. The (draft) format for the remuneration report of the European Commission has been broadly followed and the tables have been completed as far as is applicable to a.s.r. (no variable remuneration scheme and no remuneration in shares).

Last year, the 2019 Remuneration Report was submitted to the AGM for an advisory vote. 84% of the votes cast were for the report and 16% were against. The Remuneration Committee has investigated the voting results further and discussed them with a number of shareholders. Some shareholders issued negative voting advice on the 2019 report due to the substantial increase in the salary of the members of the EB in 2018 and 2019. The SB accepts that substantial salary increases were granted to members of the EB. This was because the salaries had hardly been adjusted for many years due to the restrictions resulting from the shareholding of the Dutch State from 2009 to 2017. As a result, they were well below the benchmark. The SB therefore decided to adjust the salaries in relation to this benchmark and in view of the responsibilities attached to them. Some shareholders also voted against the remuneration policy earlier in 2019 due to the lack of a variable remuneration scheme. After weighing up all the reactions and interests of the stakeholders, the SB decided not to introduce a variable remuneration scheme for the members of the EB. As mentioned before, the SB took a balanced decision which in its view ties in with the positioning of a.s.r. and was in the best interest of all stakeholders.

This report will also be submitted to the AGM 2021 for an advisory vote.

The current remuneration policy of a.s.r. (as at 1 January 2020) was adopted by the shareholders at the 2019 AGM. a.s.r.'s starting point is that society experiences a.s.r. as a useful insurer that deals responsibly with the funds entrusted to it and the environment in which it operates. With this in mind, the following four perspectives are used as a basis for the remuneration policy:
1. The organisational perspective: in line with how a.s.r. presents itself as a company;
2. The internal perspective: consistency in the internal salary structure;
3. The external perspective: competitive with the external market;

4. The stakeholders' perspective: taking account of the views on remuneration of different stakeholder groups: customers, shareholders, employees and society.

Item 1. The organisational perspective
a.s.r. believes that society expects it to be an efficient insurer which handles the funds entrusted to it and the environment in which it operates in a responsible manner. In respect of the remuneration of the EB, society expects it to be fit a.s.r.'s character, and that the remuneration policy and the level of the remuneration of the directors can be explained based on that perspective.

For this reason, a.s.r. has no variable remuneration scheme. a.s.r. is of the opinion that such a scheme would not accord with the company's culture. The sentiment in society regarding variable remuneration in the financial sector has also been taken into account in this respect.

Item 2. The internal perspective
All a.s.r. employees are paid a salary based on job weighting in a sequence of salary scales they progress through in stages. The remuneration of the EB members is also fixed on the basis of a classification into salary scales. This creates a link with the salary scales for the other employees. The positions of members of the EB and the other employees are subject to a salary scale ranging from 70% to 100%. For the employees and the EB members, this maximum is just below the median of the adjusted reference group.

In principle, the EB members progress through the salary scales in the same way as the employees. For the employees, this concerns an annual increase of 3% (provided there is room in the scale). For the EB members, the SB has the option of adjusting this growth path slightly, up or down (increase of 0% to 6%). The a.s.r. CLA applies to the members of the EB in relation to pay indexation.

Item 3. The external perspective a.s.r. offers its employees a market-compliant salary.
a.s.r. offers its employees a market-compliant salary. Market compliance of the salary is assessed against a reference group. The reference group of the EB consists of Dutch organisations only, many of which have a social nature, to be distinguished according to comparable Dutch listed companies and Dutch financial institutions, including insurance companies. The non-financial institutions must meet at least two of the three criteria set with respect to the similar size of the companies for inclusion in the reference group. These criteria concern the organisation's turnover, market capitalisation and the number of staff[1]. a.s.r. is situated roughly in the middle of this reference group. In addition, all remuneration data of the organisations in the reference group must be published individually. The median is established using a conversion factor of 0.5 of at target.

The reference group of the other employees consists of the general market. The reference group for some positions within Group Asset Management and Real Estate, is Asset Management. To prevent the salary scales of the employees and the EB from diverging too much, partly due to the difference in reference groups, the salary scales of the EB are checked every two years against the reference group of the employees (the general market). If the differences become too great, this may be a reason to adjust the extent to which the maximum of the salary scales of the members of the EB is below the median. The remuneration ratio between the remuneration of the CEO and the median of the remuneration of the employees at a.s.r. will be less than 20.

Each year, the SB assesses whether, in addition to the increase in accordance with the CLA wage index, there is justification for a salary increase for the members of the EB within the salary scale. In principle, the members of the EB progress through the salary scales in the same way as the employees. For employees, this concerns an annual growth of 3% (provided there is room in the salary scale). For the members of the EB, the SB has the option of adjusting this growth path slightly up or down in exceptional circumstances (a growth of 0% to 6%, provided there is room in the salary scale). In doing so, the SB will take into account the performance of a.s.r. and the principles laid down in the remuneration policy. The SB will account for this in the annual remuneration report.

Item 4. The stakeholders' perspective
The structure of the remuneration policy has been tested against the views of shareholders, customers, employees and society. A proposal to change the remuneration policy will be discussed with various stakeholders. The remuneration policy will take into account the views and interests of these various stakeholder groups as far as possible.

1 A range of 0.25-4 applies to market capitalisation. A range of 0.4-2.5 applies to turnover and employees.

Periodical test/review

The Remuneration Committee tests the principles of the remuneration policy (at least) once every four years against the four perspectives. The remuneration policy will be put to the vote (at least) once every four years at the AGM. The market comparison (remuneration benchmark) is carried out once every two years by an external consultancy.

The performance of each EB member is reviewed annually, based on a set of financial and non-financial targets approved by the SB. The targets for 2020 can be summarised as follows:

- Customers: targets to improve the service of a.s.r. and retain its customers over a long(er) period. This target is measured on the development of both the NPS and the scores of the yearly reputation survey. Also the expansion with additional services (for instance a.s.r. Vitality) and further digitisation in the interest of the customer.
- Expertise/leadership: targets to continue to invest in expertise and leadership in order to distinguish ourselves in the market and be recognisable to customers. This means weighing the interests of the various stakeholders in a balanced manner and for instance further improve the collaboration between finance and the business units.
- Financial: realisation of the external financial targets and the financial KPIs in the multi-year budget within the established risk appetite.
- Corporate Social Responsibility (CSR): targets on how a.s.r. can play a role in the field of sustainable or corporate social responsibility in the financial sector. This is measured by different ratings and benchmarks, such as the Eerlijke Verzekeringswijzer (Fair Insurance Guide) and the Dow Jones Sustainability Index.

These goals are supplemented with specific strategic priorities for each board member, such as the preparations for the implementation of IFRS 17 and the mastermind of the digitalisation road map. The objectives are periodically discussed during the various evaluation interviews between the SB and (the members of) the EB. As mentioned before a.s.r. has no variable remuneration scheme. After the assessment of the financial and non-financial targets of a.s.r. and the performance of the EB, all in light of the perspectives of the remuneration policy, the SB has the option of adjusting the growth path of the members of the EB within their salary scale. Annually a growth between 0% and 6% is determined by the SB and the SB will account for this in the annual remuneration report.

Contractual aspects

The members of the EB work on the basis of a contract for services for an indefinite period of time. These contracts for services expire by operation of law as soon as the parties concerned cease to be members of the EB. Moreover, the contracts for services can be terminated (prematurely). In that case, a.s.r. will observe a notice period of six months. A notice period of three months applies to the members of the EB. The contracts for services also contain a provision for dismissal due to a change of control.

The following conditions apply to severance pay for policymakers (including members of the EB):

- The maximum severance pay is 100% of the fixed annual remuneration;
- Severance pay is not awarded in the event of failure on the part of the company;
- Severance pay that can be classified as variable is not awarded to a.s.r.'s policymakers or to banks and insurers that are part of the Group. Neither fixed nor variable severance pay may be awarded in the following cases:
  - If an employment relationship is terminated early at the employee's own initiative, except where this is due to serious culpable conduct or neglect on the part of the company;
  - In the event of serious culpable conduct or gross negligence on the part of the employee in the performance of his or her role.

Pay ratio

a.s.r. is transparent concerning the remuneration of the EB. Not only in terms of actual amounts, but also in accordance with Dutch law and the Dutch Corporate Governance Code as compared with the median of the remuneration of all staff of a.s.r. As laid down in the remuneration policy of a.s.r., the ratio between the remuneration of the CEO and the median of the remuneration of the employees at a.s.r. will at all times be less than 20.

The current pay-ratio is 13.29. The SB feels that this pay ratio is reasonable. When the actual remuneration of the EB is compared to the remuneration of all executive directors of all AEX-listed companies, the conclusion can be drawn that the remuneration of a.s.r.'s CEO is among the lowest compared with the CEO remuneration of all AEX companies and that the pay ratio is among the lowest compared with other AEX companies.

Pay ratio

	2020	2019	2018
Annual total compensation for the highest-paid individual (in €)	824,000	766,000	655,000
Median annual total compensation for all employees (in €)	62,000	61,000	61,000
Pay ratio (in %)	13.29	12.56	10.74

B.1.2.2 Executive Board

The remuneration of the current and former members of the EB is in accordance with the remuneration policy. There are no loans, advances or guarantees provided by a.s.r. or any undertaking belonging to the same group of a.s.r. on behalf of a member of the EB.

The SB recognises that substantial salary increases were granted to members of the EB in 2018 and 2019, as previously announced at the beginning of 2018. This was because the salaries had hardly been adjusted for some years due to the restrictions resulting from the shareholding of the Dutch State. As a result, salaries were far below the benchmark. The SB has therefore decided to adjust the salaries in relation to this benchmark and in view of the responsibilities attached to them. With the new remuneration policy as of 2020, salary increases are (and will be) in line with the methodology included in this policy and are therefore more moderate and in line with the payments made to all employees and the company results. This is explained further below.

Annual remuneration for members of the Executive Board

Amounts for 2020 in € thousand	Fixed remuneration			Variable remuneration					
Executive Board member	Base salary	Fees	Fringe benefits[1]	One-year variable	Multi-year variable	Extraordinary items[2]	Pension expense[3]	Total remuneration	Fixed portion of the total remuneration[4]
Jos Baeten, CEO[5]	811	-	13	-	-	151	445	1,420	89%
Annemiek van Melick, CFO[6]	666	-	15	-	-	-	106	787	100%
Ingrid de Swart, COO/CTO	666	-	16	-	-	-	148	830	100%
Former member									
Karin Bergstein[7]	-	-	-	-	-	10	-	10	-
Michel Verwoest[8]	-	-	-	-	-	10	-	10	-
Chris Figee, CFO[9]	53	-	6	-	-	10	11	80	87%
Total	**2,196**	**-**	**49**	**-**	**-**	**182**	**709**	**3,137**	**94%**

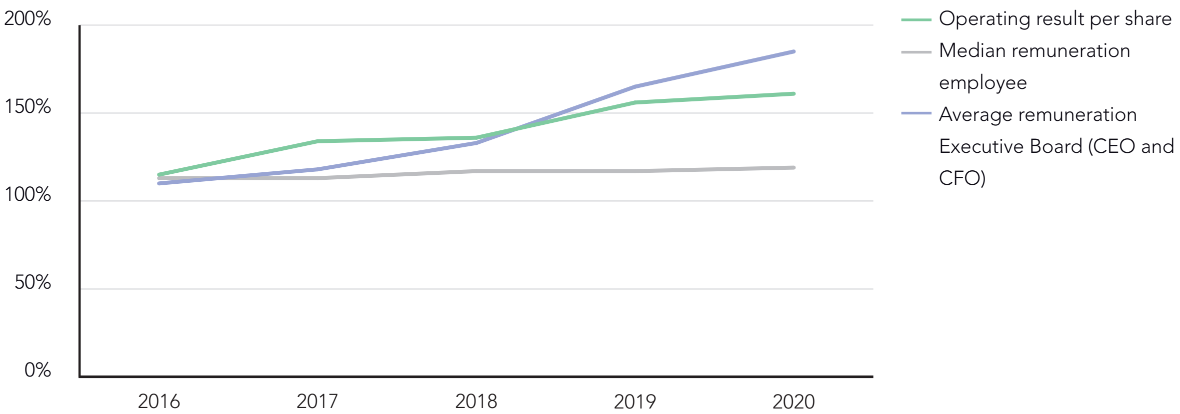
1 Variations arise as a result of the fiscal treatment of lease vehicles depending on the price and private use of the car, personal allowance and social security.
2 After the successful IPO in 2016, the Supervisory Board and Executive Board decided in 2017 to make a one-off extra payment to all employees in the form of a monthly salary. By order of the supervisor (DNB), the distribution had to be paid in installments to the identified staff (the members of the EB and other identified staff). The extraordinary items 2020 relate to this final distribution (40%) of the one-off payment.
3 The commitment on pensions did not change in 2020. The increase in annual pension expenses was due to a decrease in interest rates. The calculation of annual pension expenditure was based on the total pension rights granted during the term of service at a.s.r. Further changes in the cost of pension benefits were mainly due to the impact of age, terms of service, gender and age-differentiated disability, mortality and other actuarial assumptions. The pension costs included pensions based on maximum pensionable salary cap, compensation for the maximum pensionable salary cap (to be used for pensions at the employees' discretion) amounting to € 345,000 (2019: € 285,000) in total, and VPL. The pension benefits, excluding compensation for the maximum pensionable salary cap, represent post-employment benefits.
4 The proportion of fixed and variable remuneration is not relevant since the members of the EB do not receive any variable remuneration. The lower proportion of fixed and variable remuneration of Jos Baeten and Chris Figee is caused by the amount of extraordinary items received by them during the financial year.
5 The extraordinary items 2020 regarding Jos Baeten relate to a one-off 40-year anniversary payment (2020: € 136.000) and the final distribution of the one-off payment in the form of a monthly salary in 2017 (2020: € 15,000), also mentioned above (see number 2). All employees receive an anniversary payment of two fixed monthly salaries in the event of a 40-year employment contract (one gross and one net monthly salary).
6 Annemiek van Melick started at a.s.r. on 1 January 2020 and was appointed CFO and member of the EB on 12 February 2020.
7 Karin Bergstein left the EB on 1 February 2019 and left a.s.r. on 1 August 2019, observing the applicable cancellation period of 6 months. The extraordinary items for 2020 relate to the final distribution of the one-off payment to all employees in 2017 (see number 2).
8 Michel Verwoest left the EB and a.s.r. on 1 February 2019. The extraordinary items for 2020 relate to the final distribution of the one-off payment to all employees in 2017 (see number 2).
9 Chris Figee left the EB and a.s.r. on 1 February 2020. The remuneration figures for 2020 reflect a partial year as a member of the EB.

Annual remuneration for members of the Executive Board

Amounts for 2019
in € thousand

	Fixed remuneration			Variable remuneration					
Executive Board member	Base salary	Fees	Fringe benefits[1]	One-year variable	Multi-year variable	Extraordinary items	Pension expense[2]	Total remuneration	Fixed portion of the total remuneration[3]
Jos Baeten, CEO	752	-	14	-	-	-	379	1,145	100%
Chris Figee, CFO	630	-	76	-	-	-	118	824	100%
Ingrid de Swart, COO/ CTO[4]	54	-	1	-	-	100	12	168	40%
Former member									
Karin Bergstein[5]	308	-	44	-	-	618	60	1,031	40%
Michel Verwoest[6]	43	-	6	-	-	561	10	620	9%
Total	**1,787**	**-**	**141**	**-**	**-**	**1,280**	**580**	**3,788**	**66%**

Comparative chart over the remuneration and company performance over the last five reported financial years



A comparative chart is included above over the remuneration and company performance over the last five reported financial years. The company performance is expressed in operating result per share. The median remuneration of the employees (not being EB members) is also shown, and was also used for the pay ratio as mentioned earlier. Finally, the average remuneration of the EB is presented. As mentioned previously, this comparative chart shows that substantial salary increases were granted to the members of the EB in 2018 and 2019. This was because the salaries had hardly been adjusted for some years due to the restrictions resulting from the shareholding of the Dutch State. With the new remuneration policy as at 2020, salary increases are (and will be) in line with the methodology included in this policy and are therefore more moderate and in line with the payments made to all employees and the company results.

1 Variations arise as a result of the fiscal treatment of lease vehicles depending on the price and private use of the car, personal allowance and social security.

10 The commitment on pensions did not change in 2019. The increase in annual pension expenses is caused by a decrease in the interest rates. The calculation of annual pension expenditure is based on the total pension rights granted during the term of service at a.s.r. Further changes in the cost of pension benefits are mainly due to the impact of age, terms of service, gender and age differentiated disability, mortality and other actuarial assumptions. The pension costs include pensions based on maximum pensionable salary cap, compensation for the maximum pensionable salary cap (to be used for pensions at the employees' discretion) amounting to € 285,000 (2018: € 259,000) in total, and VPL. The pension benefits, excluding compensation for the maximum pensionable salary cap, represent post-employment benefits.

11 The proportion of fixed and variable remuneration is not relevant since the members of the EB do not receive any variable remuneration. The low proportion of fixed and variable remuneration of Ingrid de Swart, Karin Bergstein and Michel Verwoest in 2019 is caused by the amount of extraordinary items received by them during the financial year.

4 Ingrid de Swart was appointed a member of the EB on 1 December 2019. The remuneration figures for 2019 reflect a partial year as an EB member. The extraordinary items for 2019 relate to a signing bonus received.

5 Karin Bergstein left the EB on 1 February 2019 and left a.s.r. on 1 August 2019, observing the applicable cancellation period of 6 months. The remuneration figures for 2019 reflect a partial year as a member of the EB. The extraordinary items for 2019 relate to a termination benefit received.

6 Michel Verwoest left the EB and a.s.r. on 1 February 2019. The remuneration figures for 2019 reflect a partial year as a member of the EB. The extraordinary items for 2019 relate to a termination benefit received.

The 2019 Remuneration Report includes a comparison of the previous remuneration policy with the current remuneration policy as at 1 January 2020. The full remuneration policy can be found at www.asrnl.com.

Pensions

The calculation of annual pension expenses is based on the total pension rights granted during a term of service at a.s.r. pension costs include:
- Pensions based on a maximum pensionable salary cap (€ 110,111, fiscal maximum);
- Compensation for the maximum pensionable salary cap (to be used for pensions at the employee's discretion);
- Pension benefits related to historically awarded pension rights;
- VPL (early retirement and life cycle; VUT, Prepensioen en Levensloop).

All components of the remuneration of the EB are included in the base used for calculating the pension benefits.The members of the EB have the same pension scheme (DB) as the employees of a.s.r.

Remuneration in 2021

Based on the benchmark used for the 2019 AGM proposal and the mitigation principle, the salary of the CEO is currently at a level between € 682,000 and € 975,000. A salary scale of € 530,000 to € 756,000 applies for the CFO. For the COO/CTO a scale of € 505,000 to € 722,000 applies. The maximum for the salary scale of the CEO is currently set at about 10% below the median for the reference group. The maximum for the salary scale of the CFO and COO/CTO are currently set at about 5% below the median for the reference group. The benchmark is set every two years. The positioning, the scale maximum and the resulting bandwidth of the scale are then assessed and may be adjusted in relation to the resulting median.

The reference group, which consists of 20 companies, is shown below.

Reference group

Organisation	Index
Aalbers Industries	AEX
Arcadis	AMX
BAM Groep	AMX
Boskalis	AMX
Fugro	AMX
Grandvision	AMX
KPN	AEX
PostNL	AMX
SBM Offshore	AMX
Sligro	AMX
Signify	AMX
TomTom	AMX
Vopak	AEX
ABN AMRO	AEX
Achmea	Not listed
Aegon	AEX
NN Group	AEX
Triodos Bank	Not listed
Van Lanschot Kempen	AScX
Volksbank	Not listed

Employees who have not yet reached the top of their salary scale are given a yearly guaranteed increase of 3% until they reach the maximum of their salary scale. The EB members who have not reached the maximum of their salary scale can be paid a yearly increase of between 0% and 6% (not guaranteed) until they reach the maximum of their scale. Although the market conditions have changed due to COVID-19, the financial results of a.s.r. undiminished good and meets the expectations in that area. In addition, the appreciation of customers for the services of a.s.r. remained unabatedly high; the NPS rose to +49, which is above the external target of > 44. Also, a.s.r. has taken steps in the further development of a.s.r. as a socially responsible and sustainable insurer, which has been confirmed by the inclusion of a.s.r. in the DJSI. On the advice of the Remuneration Committee, it was therefore decided to grant an increase of 3% as of 1 January 2021 for all members of the EB. This increase is in line with the increase all employees receive.

Under the current (2021-2022) CLA, a.s.r. employees are also given a salary indexation of 2.25% (as from 1 March 2021 and 1 March 2022). This increase will also apply to the EB. For 2021 this means that all members of the EB will receive an increase of 2.25% as from 1 March 2021.

Participation in a.s.r. shares

In addition to the remuneration policy, EB members have committed themselves to taking a percentage of their remuneration in a.s.r. shares, at their discretion. Each member has signed an individual agreement for the commitment to purchase these shares. As of 2020, the members of the EB have committed themselves to a shareholding of 75% for the CEO and 50% for the other members, of their most recent gross salary. The share interest will be achieved within a maximum period of seven years. The shares must be held for a minimum of five years (blocking period). This percentage may be considered low in relation to other companies, but it must be remembered that the members of the EB purchase these shares from their own financial resources. The shares do not form part of a variable remuneration or a remuneration in shares. The SB has concluded agreements with the members of the EB that the intended target (a shareholding of 75% for the CEO and 50% for the other members of the EB, of their most recent gross salary) will be achieved by 2026 at the latest.

On 1 March 2021, the current members of the EB will hold the following number of shares:
- Jos Baeten 5,374 (23% of the most recent gross salary);
- Annemiek van Melick 1,506 (7% of the most recent gross salary);
- Ingrid de Swart 1,506 (7% of the most recent gross salary).

B.1.2.3 Supervisory Board

The remuneration paid to the members of the SB does not depend on the financial performance of a.s.r. and none of the SB members own a.s.r. shares. The members of the SB are entitled to, as adopted by the 2019 AGM:
- A base fee for members or the Chair of the SB;
- A committee fee for members or the Chair of each of the SB's Committees.

In determining the remuneration level, the responsibilities and time spent by the SB of a listed financial institution are taken into account, including:
- Revised and expanding legislation and regulations;
- Fundamental changes in the nature and complexity of the company and governance;
- a.s.r.'s profile, in which organic growth, mergers, acquisitions and collaborations in complex insurance areas will be actively examined and/or pursued.

The Dutch Corporate Governance Code states that the remuneration of the members of the SB should reflect time spent and the responsibility of the function. The remuneration level within the reference group used will also be examined. This reference group is the same as the reference group used for the members of the EB.

An overview of the remuneration is given below:

Type of remuneration

In €	As of July 2019
Supervisory Board	
Chair	50,000
Member	35,000
Audit & Risk Committee	
Chair	15,000
Member	10,000
Remuneration Committee	
Chair	10,000
Member	5,000
Selection & Appointment Committee	
Chair	10,000
Member	5,000

SB members who also serve on the SB of ASR Bank N.V. receive € 4,000 per annum and those on the SB of ASR Basis/Aanvullende Ziektekostenverzekeringen N.V. also receive € 4,000 per annum. Annual fees are not paid to members of the EB who are also members of the SB of one of the Group entities, such as ASR Bank N.V.

Remuneration of the Supervisory Board members in 2020

The remuneration of current, and former, members of the SB are in accordance with the remuneration policy. There are no loans, advances or guarantees provided by a.s.r. or any undertaking belonging to the same group of a.s.r. on behalf of a member of the SB.

The Dutch Corporate Governance Code states that the remuneration of the members of the SB should reflect the time spent and the responsibility of the function. A basic principle of the remuneration policy of a.s.r. (both for the EB and the SB) is that the remuneration is just below the median of the reference group. The responsibilities and time spent of the SB of a.s.r. have increased in recent years due to changes in governance, legislation and regulation. Last year a benchmark study was conducted based on reference group compensation data which is publicly available, retrieved from annual reports (FY 2019). This benchmark study shows that the current remuneration levels of the members and Chairman of the SB are significantly below the median of the reference group. For various reasons the SB decided not to submit a proposal for amendment to the coming AGM. A benchmark study will also be carried out next year, after which this will be further evaluated.

Annual remuneration for members of the Supervisory Board

Amounts for 2020 in € thousand	Fixed remuneration			
	Base salary[1]	Fees[2]	Total remuneration	Fixed portion of the total remuneration
Kick van der Pol[3]	50	19	69	100%
Herman Hintzen[4]	35	24	59	100%
Sonja Barendregt[5]	35	17	52	100%
Gerard van Olphen[6]	35	5	40	100%
Gisella van Vollenhoven[7]	35	15	50	100%
Joop Wijn[8]	9	3	11	100%
Former member				
Cor van den Bos[9]	18	11	28	100%
Total	**216**	**93**	**309**	**100%**

1 Remuneration as a SB member of a.s.r.
2 Remuneration as a committee chairperson or member, SB of ASR Bank N.V. or SB of ASR Basis/Aanvullende Ziektekostenverzekeringen N.V.
3 The fees relate to the amounts received as chairman of the Selection & Appointment Committee (S&AC) (€ 10,000), member of the Remuneration Committee (RC) (€ 5,000) and member of the SB of ASR Basis/Aanvullende Ziektekostenverzekeringen N.V. (€ 4,000).
4 The fees relate to the amounts received as committee member of the Audit & Risk Committee (A&RC) (€ 10,000), the S&AC (€ 5,000), the RC (€ 5,000) and member of the SB of ASR Bank N.V. (€ 4,000).
5 The fees relate to the amounts received as a member (later Chair) of the A&RC (€ 12,500), and member of the SB of ASR Basis/Aanvullende Ziektekostenverzekeringen N.V. (€ 4,000).
6 Gerard van Olphen was appointed a member of the SB on 30 October 2019. The remuneration figures for 2019 reflect a partial year. The fees relate to the amounts received as a committee member of the A&RC (€ 5,000).
7 Gisella van Vollenhoven was appointed a member of the SB on 30 October 2019. The remuneration figures for 2019 reflect a partial year. The fees relate to the amounts received as a committee member of the S&AC (€ 5,000) and Chair of the RC (€ 10,000).
8 Joop Wijn was appointed a member of the SB on 28 October 2020. The remuneration figures for 2020 reflect a partial year as a member of the SB. The fees relate to the amounts received as a committee member of the S&AC (€ 1,250) and the RC (€ 1,250).
9 The fees relate to the amounts received as chairman of the A&RC (€ 7,500) and member of the SB of ASR Bank N.V. (€ 3,000).

Annual remuneration for members of the Supervisory Board

Amounts for 2019 in € thousand	Fixed remuneration			
	Base salary[1]	Fees[2]	Total remuneration	Fixed portion of the total remuneration
Kick van der Pol	48	14	62	100%
Cor van den Bos	33	17	49	100%
Herman Hintzen	33	22	54	100%
Sonja Barendregt	33	13	46	100%
Gerard van Olphen	9	-	9	100%
Gisella van Vollenhoven	9	4	13	100%
Former member				
Annet Aris[3]	12	3	15	100%
Total	**174**	**72**	**246**	**100%**

B.1.3 Related party transactions

A related party is a person or entity that has significant influence over another entity, or has the ability to affect the financial and operating policies of the other party. Parties related to a.s.r. include associates, joint ventures, key management personnel, close family members of any person referred to above, entities controlled or significantly influenced by any person referred to above and any other affiliated entity.

The group regularly enters into transactions with related parties during the conduct of its business. These transactions mainly involve loans, deposits and commissions, and are conducted on terms equivalent to those that prevail in arm's length transactions.

The remuneration of the a.s.r. EB and SB members are described in chapter B.1.2.

Positions and transactions between a.s.r., associates, joint ventures and other related parties
The table below shows the financial scope of a.s.r.'s related party transactions:
- Associates;
- Joint ventures (and real estate development joint ventures).

Financial scope of a.s.r.'s related party transactions

	Associates	Joint ventures	Total
2020			
Balance sheet items with related parties as at 31 December			
Loans and receivables	25	5	30
Other liabilities	135	-	135
Transactions in the income statement for the financial year			
Fee and commission income	49	-	49
Fee and commission expenses	2	-	2

1 Remuneration as a SB member of a.s.r.
2 Remuneration as a committee chairperson or member, SB of ASR Bank N.V. or SB of ASR Basis/Aanvullende Ziektekostenverzekeringen N.V.
3 Annet Aris left the SB as of 22 May 2019. The remuneration figures for 2019 reflect a partial year as a member of the SB. The 2019 fees relate to the amounts received as a committee member of the S&AC and Chair of the RC (€ 1,942), and member of the SB of ASR Basis/Aanvullende Ziektekostenverzekeringen N.V. (€ 1,553).

	Associates	Joint ventures	Total
2019			
Balance sheet items with related parties as at 31 December			
Loans and receivables	26	1	27
Other liabilities	124	-	124
Transactions in the income statement for the financial year			
Fee and commission income	38	-	38
Fee and commission expenses	2	-	2

No provisions for impairments have been recognised on the loans and receivables for the years 2020 and 2019.

The members of the Business Executive Committee (BEC) have mortgage loans amounting to € 815 thousand (2019: € 1,120 thousand) with a.s.r. that have been issued, subject to normal employee conditions. The employee conditions include limits and thresholds to the amounts that qualify for a personnel interest-rate discount. For mortgage loans higher than € 340 thousand arm's length condition apply. The average interest on the mortgage loans is 2.13% (2019: 2.16%). In 2020 the mortgage loans were settled for an amount of € 304 thousand (2019: € 239 thousand).

B.1.4 Consolidation method and aggregation of data

The diagram below provides an overview of the consolidation method at a.s.r. for Solvency II purposes.

Overview of consolidation method for Solvency II purposes

Entity	IFRS classification	Type of equity	Treatment SII
Insurance subsiadary	Subsidiary	Insurer	Full consolidation
ASR Vermogensbeheer N.V.	Subsidiary	Credit Institution	Adjusted net equity
ASR Real Estate N.V.	Subsidiary	Credit Institution	Adjusted net equity
BND PPI	Subsidiary	Inst. for Occupational Retirement Prov.	Adjusted net equity
Ancillary service entities >50%	Subsidiary	Ancillary services	Full consolidation
Ancillary service entities <50%	Participation	Ancillary services	Adjusted net equity
Other enitities	Participation	Ancillary services	Adjusted net equity
Various entities	Investment	n/a	Financial instrument

The classification of entities is based on Solvency II guidelines (Directive 2000/12/EG).

Since other entities do not have sectoral required or available capital which deviate from the SII volumes, the remaining entities are processed on the basis of full consolidation in accordance with IFRS principles and are part of the SCR calculation if applicable.

Furthermore, interpretation of a.s.r. is that all non-insurance entities have an ancillary character because they are supportive to the insurance process. In line all daughters who are not insurers, banks or asset managers, are classified as 'ancillary'. This includes for example entities of ASR Deelnemingen or the entities acquired in the distribution channel as part of integration of insurance chain (Dutch ID, Van Kampen Groep).

The interpretation above is based on the Solvency II definition of an Ancillary entity: a non-regulated legal entity the principal activity of which consists in owning or managing property, managing data-processing services, health and care services, or any other similar activity which is ancillary to the principal activity of one or more insurance or reinsurance undertakings.

a.s.r. has many real estate entities. Given the definition of an ancillary entity (the main activity consists of the owning or managing property) a.s.r. classifies these entities as ancillary.

As part chain integration, a.s.r. did acquisitions in the distribution channel (for example Dutch ID, van Kampen). These entities are also 'supportive to the main process' and are classified as ancillary entity.

B.2 Fit and Proper requirements

a.s.r. has a policy that sets out principles and criteria to ensure that persons who effectively run the undertaking and other key functions are fit and proper. The fit and proper policy provides guidance on the assessment process and contributes to controlled and sound business operations and promotes the stability and integrity of a.s.r. as well as customer confidence.

a.s.r. assesses all employees (internal and external FTEs) for their reliability and integrity prior to their appointment and periodically during the course of employment. This includes persons who effectively run the undertaking and other key functions.

The fit and proper requirements that are imposed on persons who effectively run the undertaking and other key functions are included in the job profile, which is used as a basis for recruitment. Each year, an assessment is made of the extent to which an employee may require additional training. In addition, a.s.r. has a program for the continuing education of persons who effectively run the undertaking and other key functions.

B.3 Risk management system including the Own Risk and Solvency Assessment Risk Management System

It is of great importance to a.s.r. that risks within all business lines are timely and adequately controlled. In order to do so, a.s.r. implemented a Risk Management framework based on internationally recognised and accepted standards (such as COSO ERM and ISO 31000:2018 risk management principles and guidelines). Using this framework, material risks that a.s.r. is, or can be, exposed to, are identified, measured, managed, monitored and evaluated. The framework is both applicable to a.s.r. group and the underlying (legal) business entities.

B.3.1 Risk Management Framework

The figure below is the risk management framework as applied by a.s.r.

Risk Management framework

The Risk Management (RM) framework consists of risk strategy (including risk appetite), risk governance, systems and data, risk policies and procedures, risk culture, and risk management process. The RM framework contributes to achieving the strategic, tactical and operational objectives as set out by a.s.r.

Risk strategy (incl. risk appetite)

Risk strategy is defined to contain at least the following elements:

- Strategic objectives that are pursued;
- The risk appetite in pursuit of those strategic objectives.

a.s.r.'s risk strategy aims to ensure that decisions are made within the boundaries of the risk appetite, as stipulated annually by the EB and the SB (see chapter Risk strategy and risk appetite).

Risk governance
Risk governance can be seen as the way in which risks are managed, through a sound risk governance structure and clear tasks and responsibilities, including risk ownership. a.s.r. employs a risk governance framework that entails the tasks and responsibilities of the risk management organisation and the structure of the Risk committees (see chapter Risk governance).

Systems and data
Systems and data support the risk management process and provide management information to the risk committees and other relevant bodies. a.s.r. finds it very important to have qualitatively adequate data, models and systems in place, in order to be able to report and steer correct figures and to apply risk-mitigating measures timely. To ensure this, a.s.r. has designed a policy for data quality and model validation in line with Solvency II. Tools, models and systems are implemented to support the risk management process by giving guidance to and insights into the key risk indicators, risk tolerance levels, boundaries and actions, and remediation plans to mitigate risks (see chapter Systems and data).

Risk policies and procedures:
Risk policies and procedures at least :
- Define the risk categories and the methods to measure the risks;
- Outline how each relevant category, risk area and any potential aggregation of risk is managed;
- Describe the connection with the overall solvency needs assessment as identified in the ORSA, the regulatory capital requirements and the risk tolerances;
- Provide specific risk tolerances and limits within all relevant risk categories in line with the risk appetite statements;
- Describe the frequency and content of regular stress tests and the circumstances that would warrant ad-hoc stress tests.

The classification of risks within a.s.r. is performed in line with, but is not limited to, the Solvency II risks. Each risk category consists of a policy that explicates how risks are identified, measured and controlled within a.s.r. (see chapter Risk policies and procedures).

Risk culture
An effective risk culture is one that enables and rewards individuals and groups for taking risks in an informed manner. It is a term describing the values, beliefs, knowledge, attitudes and understanding about risk. All the elements of the RM framework combined make an effective risk culture.

Within a.s.r. risk culture is an important element that emphasises the human side of risk management. The EB has a distinguished role in expressing the appropriate norms and values (tone at the top). a.s.r. employs several measures to increase the risk awareness and, in doing so, the risk culture (see chapter Risk culture).

Risk management process
The risk management process contains all activities within the RM processes to structurally 1) identify risks; 2) measure risks; 3) manage risks; 4) monitor and report on risks; and 5) evaluate the risk profile and risk management framework. At a.s.r., the risk management process is used to implement the risk strategy in the steps mentioned. These five steps are applicable to the risks within the company to be managed effectively (see chapter Risk Management process).

B.3.1.1 Risk management strategy and risk appetite
a.s.r.'s risk strategy aims to ensure that decisions are made within the boundaries of the risk appetite, as stipulated annually by the EB and the SB.

Risk appetite is defined as the level and type of risk a.s.r. is willing to bear in order to meet its strategic, tactical and operational objectives. The risk appetite is formulated to give direction to the management of the (strategic) risks. The risk appetite contains a number of qualitative and quantitative risk appetite statements and is defined for both financial (FR) and non-financial risks (NFR). The statements highlight the risk preferences and limits of the organisation and are viewed as key elements for the realisation of the strategy. The statements and limits are defined at both group level and at legal entity level and are determined by the Business Executive Committee – Risk meeting and approved by the SB.

The statements are evaluated yearly to maintain alignment with the strategy.

Risk appetite statement ASR Nederland N.V. 2020

1	ASR Nederland N.V. places long-term value creation at the forefront of its (strategic) operations. ASR Nederland N.V. is a socially responsible organisation which ensures that all stakeholders' interests are met in a balanced and sustainable way. a. ASR Nederland N.V. places long-term value creation at the forefront of its operations; b. ASR Nederland acts sustainable and (socially) responsible.	NFR
2	ASR Nederland N.V. ensures that operational risks are controlled efficiently and effectively: a. ASR Nederland N.V. has efficient and effective business processes; b. ASR Nederland N.V. has reliable financial reports; c. ASR Nederland N.V. has effective and controlled internal and external outsourcing; d. ASR Nederland N.V. processes information safely (in accordance with availability, confidentiality and integrity requirements).	NFR
3	ASR Nederland N.V. has controlled projects (in terms of timeliness, budget and/ or quality).	NFR
4	ASR Nederland N.V. complies with current laws, regulations and ethical (and inherent internal) norms. ASR Nederland N.V. meets the (reasonable) expectations of stakeholders and offers solid and reliable products which are cost-efficient, useful, safe and comprehensible to customers, intermediaries and ASR's internal organisation. Conducting honest business ensures that ASR's reputation is protected.	NFR
5	ASR Nederland N.V. has a minimum SCR ratio of 120%.	FR
6	ASR Nederland N.V. remains within the bandwidth of periodically reassessed market risk budgets.	FR
7	ASR Groep (including ASR Nederland N.V., ASR Levensverzekering N.V. and ASR Schadeverzekering N.V.) has at least a single A rating and therefore holds an AA rating in accordance with the S&P Capital Model.	FR
8	ASR Nederland N.V. assesses the amount of dividend payments against the current and expected future solvency ratio and economic outlook. Dividend payments are in line with the conditions laid down in the capital and dividend policy of ASR Nederland N.V.	FR
9	ASR Nederland N.V. has a maximum financial leverage ratio of 40%. Financial leverage ratio = Debt / (Debt + Equity).	FR
10	ASR Nederland N.V. has a maximum double leverage ratio of 135%. Double leverage ratio = Total value of associates / (equity attributable to shareholders + hybrids and subordinated liabilities).	FR
11	ASR Nederland N.V. has a minimum interest coverage ratio of between 4 and 8. Interest coverage ratio = EBIT operational / interest expense.	FR
12	ASR Nederland N.V. is capable of releasing liquidities worth up to € 1 billion over a 1-month period following stress and remains capable of meeting its collateral requirements in the event of a 3% interest increase.	FR
13	ASR Nederland N.V. generates a robust and high-quality operational ROE, i.e. pursues an overall ROE > 12% and seeks an ROE > 10% for individual investment decisions, where in exceptional cases an ROE > 8% is accepted.	FR
14	ASR Nederland N.V. (excl. ASR Ziektekosten) has a maximum combined ratio of 99%.	FR
15	ASR Nederland N.V. has a total SCR market risk which will be a maximum of 50% of the total risk.	FR

Risk strategy aims to ensure that management decisions lead to a risk profile that remains within the risk limits. The risk strategy entails all processes to identifying, assessing and managing risks and opportunities. Through a combined top-down and bottom-up Strategic Risk Analysis (SRA) approach, the most important strategic risks are identified. For each of the strategic risks an estimation of the likelihood and impact is made to prioritize the risks. The main strategic risks are translated into 'risk priorities' (including emerging risks) at group level and are monitored throughout the year in the BEC – Risk meeting. Output from the SRA, combined with the risk appetite statements, provides insight into the strategic risk profile of a.s.r. and underlying legal entities. The entire risk profile is monitored in the relevant risk committees.

B.3.1.2 Risk governance

a.s.r.'s risk governance can be described by:

- risk ownership;
- the implemented three lines of defence model and associated (clear delimitation of) tasks and responsibilities of key function holders; and
- the risk committee structure to ensure adequate decision making.

Risk ownership

The EB has the final responsibility for risk exposures and management within the organisation. Part of the responsibilities have been delegated to persons that manage the divisions where the actual risk-taking takes place. Risk owners are accountable for one or more risk exposures that are inextricably linked to the department or product line they are responsible for. Through the risk committee structure, risk owners provide accountability for the risk exposures.

Three lines of defence

The risk governance structure is based on the 'three lines of defence' model. The 'three lines of defence' model consists of three defence lines with different responsibilities with respect to the ownership of controlling risks. The model below provides insight in the organisation of the three lines of defence within a.s.r.

Three lines of defence

First line of defence	Second line of defence	Third line of defence
• Executive Board • Management teams of the business lines and their employees • Finance & risk decentral	• Group Risk Management department - Risk management function - Actuarial function • Integrity department - Compliance function	• Audit department - Internal audit function
Ownership and implementation	Policies and monitoring implementation by 1st line	Independent assessment of 1st and 2nd lines
• Responsible for the identification and the risks in the daily business • Has the day-to-day responsibility for operations (sales, pricing, underwriting, claims handling, etc.) and is responsible for implementing risk frameworks and policies.	• Challenges the 1st line and supports the 1st line to achieve their business objectives in accordance with the risk appetite • Has sufficient countervailing power to prevent risk concentrations and other forms of excessive risk taking • Responsible for developing risk policies and monitoring the compliance with these policies	• Responsible for providing dedicated assurance services and oversees and assesses the functioning and the effectiveness of the first two lines of defence

Positioning of key functions

Within the risk governance, the key functions (compliance, risk, actuarial and audit) are organised in accordance with Solvency II regulation. They play an important role as countervailing power of management in the decision-making process. The four key functions are independently positioned within a.s.r. In all the risk committees one or more key functions participate. None of the functions has voting rights in the committees, in order to remain fully independent as countervailing power. All functions have direct communication lines with the EB and can escalate to the chairman of the Audit & Risk Committee of the SB. Furthermore, the key functions have regular meetings with the supervisors of the Dutch Central Bank (DNB) and/or The Dutch Authority for the Financial Markets (AFM).

Group Risk Management

GRM is responsible for the execution of the risk management function (RMF) and the actuarial function (AF). The department is led by the CRO, which is also the RMF holder. GRM consists of the following sub-departments:

- Enterprise Risk Management;
- Financial Risk Management;
- Model validation.

Enterprise Risk Management
Enterprise Risk Management (ERM) is responsible for second-line operational (including IT) risk management and the enhancement of the risk awareness for a.s.r. and its subsidiaries. The responsibilities of ERM include the development of risk policies, the annual review and update of the risk strategy (risk appetite), the coordination of the SRA process leading to the risk priorities and ORSA scenarios and the monitoring of the non-financial risk profile. For the management of operational risks, a.s.r. has a solid Risk-Control framework in place that contributes to its long-term solidity. The RMF monitors and reviews the non-financial strategic and operational risk profile. The quality of the framework is continuously enhanced by the analysis of operational incidents, periodic risk assessments and monitoring by the RMF. ERM actively promotes risk awareness at all levels to contribute to the vision of staying a socially relevant insurer.

Financial Risk Management
Financial Risk Management (FRM) is responsible for the second line financial risk management and supports both the AF and RMF. An important task of FRM is to be the countervailing power to the EB and management in managing financial risks for a.s.r. and its subsidiaries. FRM assesses the accuracy and reliability of the market risk, counterparty risk, insurance risk and liquidity risk, risk margin and best estimate liability. Other responsibilities are model validation and policies on valuation and risk. FRM is also responsible for the actuarial function. As part of the AF, FRM reviews the technical provisions, monitors methodologies, assumptions and models used in these calculations, and assesses the adequacy and quality of data used in the calculations. Furthermore, the AF expresses an opinion on the underwriting policy and determines if risks related to the profitability of new products are sufficiently addressed in the product development process. The AF also expresses an opinion on the adequacy of reinsurance arrangements.

Model validation
A dedicated model validation sub-department was established during 2020. The Model Validation (MV) department is responsible for performing validation activities or having them carried out in accordance with the drawn up annual model validation plan. Previously the model validations were carried out by the FRM department. MV is responsible for supervising compliance with the model validation policy, discussing and challenging the (draft) validation reports and advising the Model Committee.

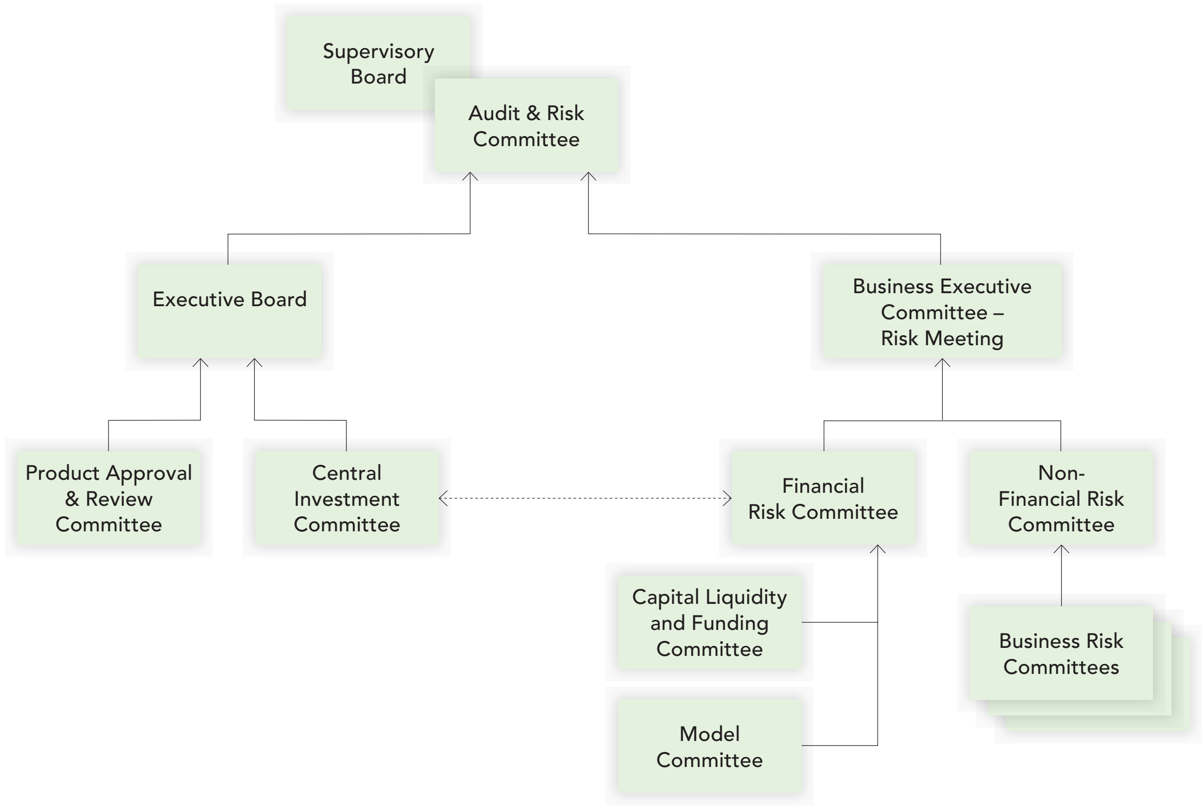
Compliance
Compliance is responsible for the execution of the compliance function. An important task of Compliance is to be the countervailing power to the EB and other management in managing compliance risks for a.s.r. and its subsidiaries. The mission of the compliance function is to enhance and ensure a controlled and sound business operation.

As second line of defence, Compliance encourages the organisation to comply with relevant rules and regulations, ethical standards and the internal standards derived from them ('rules') by providing advice and formulating policies. Compliance supports the first line in the identification of compliance risks and assesses the effectiveness of risk management on which Compliance reports to the relevant risk committees. In doing so, Compliance uses a compliance risk and monitoring framework. In line with risk management, Compliance also creates further awareness to comply with the rules and desired ethical behavior. Compliance coordinates interaction with regulators in order to maintain effective and transparent relationships with those authorities.

Audit
The Audit department, the third line of defence, provides an independent opinion on governance, risk and management processes, with the goal of supporting the EB and other management of a.s.r. in achieving the corporate objectives. To that end, Audit evaluates the effectiveness of governance, risk and management processes, and provides pragmatic advice that can be implemented to further optimise these processes. In addition, senior management can engage Audit for specific advisory projects.

Risk committee structure
a.s.r. has established a structure of risk committees with the objective to monitor the risk profile for a.s.r. group, its legal entities and its business lines in order to ensure that it remains within the risk appetite and the underlying risk tolerances and risk limits. When triggers are hit or likely to be hit, risk committees make decisions regarding measures to be taken, being risk-mitigating measures or measures regarding governance, such as the frequency of their meetings. For each of the risk committees a statute is drawn up in which the tasks, composition and responsibilities of the committee are defined.

Risk committee structure



Audit & Risk Committee
The Audit & Risk Committee was established by the Supervisory Board to gain support, among other things, in the following matters:
- Assessment of the risk appetite proposal and quarterly monitoring of the risk profile;
- Assessment of the annual report, including the financial statements of a.s.r.;
- The relationship with the independent external auditor, including the assessment of the quality and independence of the independent external auditor and the proposal by the SB to the AGM to appoint the independent external auditor;
- The performance of the audit function, compliance function, the actuarial function and the risk management function; Compliance with rules and regulations; and
- The financial position.

The Audit & Risk Committee has three members of the SB, one of whom acts as the chairman.

Business Executive Committee – Risk meeting
The Business Executive Committee – Risk meeting (BEC – Risk meeting) monitors a.s.r.'s overall risk profile on a quarterly basis. At least annually, the BEC – Risk meeting determines the risk appetite statements, limits and targets for a.s.r. This relates to the overall a.s.r. risk appetite and the subdivision of risk appetite by financial and non-financial risks. The risk appetite is then submitted to the a.s.r. Audit & Risk Committee, which advises the SB on the approval of the risk appetite. The BEC – Risk meeting also monitors the progress made in managing risks included in the Risk Priorities of the EB.

All members of the EB participate in the BEC – Risk meeting, which is chaired by the CEO. The involvement of the EB ensures that risk decisions are being addressed at the appropriate level within the organisation. In addition to the EB, the Key Functions (Risk management, Compliance, Internal audit, Actuarial function) are members of the Committee. In addition, it consists of a number of senior managers who present a number of focus areas.

Non-Financial Risk Committee
The Non-Financial Risk Committee (NFRC) discusses, advises and decides upon non-financial risk policies. The most relevant risk policies are approved by the BEC – Risk meeting. The NFRC monitors that non-financial risks are managed adequately and monitors that the risk profile stays within the agreed risk limits. If the risk profile exceeds the limits, the

NFRC takes mitigating actions. The NFRC reports to the BEC – Risk meeting. The NFRC is chaired by a member of the EB.

Financial Risk Committee
The Financial Risk Committee (FRC) discusses and decides upon financial risk policies. The most relevant financial risk policies are approved by the BEC – Risk meeting. The FRC monitors and controls financial risks (market, insurance (life and non-life) and counterparty default risk). The FRC also monitors whether the risk profile stays within the risk limits. If the risk profile exceeds these limits, the FRC takes mitigating actions. The FRC reports to the BEC – Risk meeting. The Chairman of the FRC is the CFO.

Capital, Liquidity and Funding Committee
The Capital, Liquidity and Funding Committee (CLFC) is a subcommittee of the FRC. As such, the CLFC prepares and assesses the technical analysis of capital, liquidity and funding positions, rating policy, rating model reporting, and treasury activities. The Chairman of the CLFC is the Director of Group Asset Management.

Model Committee
The model committee (MC) is a subcommittee of the FRC and is responsible for the execution and update of the model validation policy and the approval of validation of existing or newly developed models. The MC receives all required information for the validation of models (e.g. model documentation and validation reports) prepared by the Model Validation (MV) that assures the quality of the validation process. The chairman of the MC is the Director of Finance, Risk and Performance Management (FRPM).

Business Risk Committees
The business lines manage and control their risk profile through the Business Risk Committees (BRC). The BRC's monitor that the risk profile of the business lines stays within the risk appetite, limits and targets, as formulated by the EB. The BRC reports to the FRC and the NFRC. The Chairman of the BRC is the Managing Director of the business line.

Central Investment Committee
In addition to the risk committee structure, the Central Investment Committee (CIC) monitors tactical decisions and the execution of the investment policy. It takes investment decisions within the boundaries of the strategic asset allocation as agreed upon in the FRC. The CIC bears particular responsibility for investment decisions exceeding the mandate of the investment department. The CIC is chaired by the Director of Group Balance Sheet Management (GBSM).

Product Approval and Review Process Board
The Product Approval & Review Process Board (PARP Board) is responsible for the final decision-making process around the introduction of new products and adjustments in existing products. The committee evaluates if potential risks in newly developed products are sufficiently addressed. New products need to be developed in such a way that they are cost efficient, reliable, useful and secure for our clients. New products also need to have a strategic fit with a.s.r.'s mission to be a solid and trustful insurer. In addition, the risks of existing products are evaluated, as requested by the PARP as a result of product reviews. The PARP Board is chaired by the managing Director of the business line Health.

B.3.1.3 Systems and data
GRC tooling is implemented to support the risk management process by giving guidance and insight into the key risk indicators, risk tolerance levels, boundaries and actions and remediation plans to mitigate risks. The availability, adequacy and quality of data and IT systems is important in order to ensure that correct figures are reported and risk mitigating measures can be taken in time. It is important to establish under which conditions the management information that is submitted to the risk committees has been prepared and which quality safeguards were applied in the process of creating this information. This allows the risk committees to ascertain whether the information is sufficient to base further decisions upon.

a.s.r. has a Data Governance and Quality policy in place to support the availability of correct management information. This policy is evaluated on an annual basis and revised at least every three years to keep the standards in line with the latest developments on information management. The quality of the information is reviewed based on the following aspects, based on Solvency II:
- completeness (including documentation of accuracy of results);
- adequacy;
- reliability;
- timeliness.

The preparatory body or department checks the assumptions made and the plausibility of the results, and ensures coordination with relevant parties. When a preparatory body has established that the information is reliable and complete, it approves and formally submits the document(s) to a risk committee.

The information involved tends to be sensitive. To prevent unauthorised persons from accessing it, it is disseminated using a secure channel or protected files. a.s.r.'s information security policy contains guidelines in this respect.

a.s.r.'s information security policy is based on ISO 27002 'Code of practice for information security management'. This Code describes best practices for the implementation of information security.

The aim of the information security policy is to take measures to ensure that the requirements regarding availability, reliability and integer and confidential use of systems and data are met.

- Information availability refers to the degree to which the information is at hand as soon as the organisation needs it, meaning, for instance, that the information should be retrievable on demand and that it can be consulted and used at the right time;
- The integrity, i.e. reliability, of information is the degree to which it is up-to-date, complete and error-free;
- 'Confidential use' refers to the degree to which the information is available to authorised persons only and the extent to which it is not available to unauthorised persons.

There are technical solutions for accomplishing this, by enforcing a layered approach (defence-in-depth) of technical measures to avoid unauthorised persons (i.e. hackers) to compromise a.s.r. corporate data and systems. In this perspective, one may think of methods of logical access management, intrusion detection techniques, in combination with firewalls are aimed at preventing hackers and other unauthorised persons from accessing information stored on a.s.r. systems.
Nevertheless, confidential information can also have been committed to paper. In addition to technical measures there are physical measures and measures that helps the right awareness of personnel as part of the information security environment. The resilience of this approach is actively tested.

When user defined models (e.g. spreadsheets) are used for supporting the RM Framework, the 'a.s.r. Standard for End user computing'- in addition to the general security policy - defines and describes best practices in order to guard the reliability and confidentiality of these tools and models. a.s.r. recognises the importance of sound data quality and information management systems.
The management of IT and data risks of the implemented tools, models and systems (including data) is part of the Operational IT risk management.

B.3.1.4 Risk policies and procedures

a.s.r. has established guidelines, including policies that cover all main risk categories (market, counterparty default, liquidity, underwriting, strategic and operational). These policies address the accountabilities and responsibilities regarding management of the different risk types. Furthermore, the methodology for risk measurement is included in the policies. The content of the policies is aligned to create a consistent and complete set. The risk policy landscape is maintained by GRM and Compliance. These departments also monitor the proper implementation of the policies in the business. New risk policies or updates of existing risk policies are approved by the risk committees as mentioned previously.

B.3.1.5 Risk culture

Risk awareness is a vital component of building a sound risk culture within a.s.r. that emphasises the human aspect in the management of risks. In addition to gaining sufficient knowledge, skills, capabilities and experience in risk management, it is essential that an organisation enables objective and transparent risk reporting in order to manage them more effectively.

The EB clearly recognises the importance of risk management and is therefore represented in all of the major group level risk committees. Risk Management is involved in the strategic decision-making process, where the company's risk appetite is always considered. The awareness of risks during decision-making is continually addressed when making business decisions, for example by discussing and reviewing risk scenarios and the positive and/or negative impact of risks before finalising decisions.

It is very important that this risk awareness trickles down to all parts of the organisation, and therefore management actively encourages personnel to be aware of risks during their tasks and projects, in order to avoid risks or mitigate them when required. The execution of risk analyses is embedded in daily business in, for example, projects, product design and outsourcing.

In doing so, a.s.r. aims to create a solid risk culture in which ethical values, desired behaviours and understanding of risk in the entity are fully embedded. Integrity is of the utmost importance at a.s.r.: this is translated into a code of conduct and strict application policies for new and existing personnel, such as taking an oath or promise when entering the company, and the 'fit and proper' aspect of the Solvency II regulation, ensuring that a.s.r. is overseen and managed in a professional manner.

Furthermore, a.s.r. believes it is important that a culture is created in which risks can be discussed openly and where risks are not merely perceived to be negative and highlight that risks can also present a.s.r. with opportunities. Risk Management (both centralised and decentralised) is positioned as such, that it can communicate and report on risks independently and transparently, which also contributes to creating a proper risk culture.

B.3.1.6 Risk management process

The risk management process typically comprises of five important steps: 1) identifying; 2) measuring; 3) managing; 4) monitoring and reporting; and 5) evaluating[1] . a.s.r. has defined a procedure for performing risk analyses and standards for specific assessments. The five different steps are explained in this chapter.

Identifying
Management should endeavour to identify all possible risks that may impact the strategic objectives of a.s.r., ranging from the larger and/or more significant risks posed on the overall business, down to the smaller risks associated with individual projects or smaller business lines. Risk identification comprises of the process of identifying and describing risk sources, events, and the causes and effects of those events.

Measuring
After risks have been identified, quantitative or qualitative assessments of these risks take place to estimate the likelihood and impact associated with them. Methods applicable to the assessment of risks are:
- Sensitivity analysis;
- Stress testing;
- Scenario analysis;
- Expert judgments (regarding likelihood and impact);
- Portfolio analysis.

Managing
Typically, there are five strategies to managing risk:
- *Accept*: risk acceptance means accepting that a risk might have consequences, without taking any further mitigating measures;
- *Avoid*: risk avoidance is the elimination of activities that cause the risk;
- *Transfer*: risk transference is transferring the impact of the risk to a third party;
- *Mitigate*: risk mitigation involves the mitigation of the risk likelihood and/or impact;
- *Exploit*: risk exploitation revolves around the maximisation of the risk likelihood and/or increasing the impact if the risk does happen.

Risk management strategies are chosen in a way that ensures that a.s.r. remains within the risk appetite tolerance levels and limits.

Monitoring and reporting
The risk identification process is not a continuous exercise. Therefore, risk monitoring and reporting are required to capture changes in environments and conditions. This also means that risk management strategies could, or perhaps should, be adapted in accordance with risk appetite tolerance levels and limits.

Evaluating
The evaluation step is twofold. On the one hand, evaluation means risk exposures are evaluated against risk appetite tolerance levels and limits, taking (the effectiveness of) existing mitigation measures into account. The outcome of the evaluation could lead to a decision regarding further mitigating measures or changes in risk management strategies. On the other hand, the risk management framework (including the risk management processes) is evaluated by the risk management function, in order to continuously improve the effectiveness of the risk management framework as a whole.

B.3.2 a.s.r.'s risk categories

a.s.r. is exposed to a variety of risks. There are six main risk categories that a.s.r. recognises, as described below.

1 Based on COSO ERM en ISO 31000.

Insurance risk
Insurance risk is the risk that premium and/or investment income or outstanding reserves will not be sufficient to cover current or future payment obligations, due to the application of inaccurate technical or other assumptions and principles when developing and pricing products. a.s.r. recognises the following insurance risks:
- Life insurance risk
- Health insurance risk
- Non-life insurance risk

Market risk
The risk of changes in values caused by market prices or volatility of market prices differing from their expected values. The following types of market risk are distinguished:
- Interest rate risk
- Equity risk
- Property risk
- Spread risk
- Currency risk
- Concentration risk/market concentration risk

Counterparty default risk
Counterparty default risk is the risk of losses due to the unexpected failure to pay or credit rating downgrade of counterparties and debtors. Counterparty default risk exists in respect of the following counterparties:
- Reinsurers
- Consumers
- Intermediaries
- Counterparties that offer cash facilities
- Counterparties with which derivatives contracts have been concluded
- Healthcare providers
- Zorginstituut Nederland

Liquidity risk
Liquidity risk is the risk that a.s.r. is not able to meet its financial obligations to policyholders and other creditors when they become due and payable, at a reasonable cost and in a timely manner.

Operational risk
Operational risk is the risk of losses caused by weak or failing internal procedures, weaknesses in the action taken by personnel, weaknesses in systems or because of external events. The following subcategories of operational risk are used:
- Business process
- Financial reporting
- Outsourcing
- Information technology
- Project risks

Strategic risk
Strategic risk is the risk of a.s.r. or its business lines failing to achieve the objectives due to incorrect decision-making, incorrect implementation and/or an inadequate response to changes in the environment. Such changes may arise in the following areas:
- Climate
- Demographics
- Competitive conditions
- Technology
- Macroeconomic conditions
- Laws and regulations and ethical standards
- Stakeholders
- Group structure (for product lines only)

Strategic risk may arise due to a mismatch between two or more of the following components: the objectives (resulting from the strategy), the resources used to achieve the objectives, the quality of implementation, the economic climate and/ or the market in which a.s.r. and/or its business lines operate.

B.4 Internal control system

Within a.s.r., internal control is defined as the processes, affected by the board of directors, senior management, and other personnel within the organisation, implemented to obtain a reasonable level of certainty with regard to achieving the following objectives:
- High-level goals, aligned with and supporting the organisation's mission
- Effective and efficient use of resources
- Reliability of operational and financial reporting
- Compliance with applicable laws regulations and ethical standards
- Safeguarding of company assets

B.4.1 Strategic and operational risk management

The system of internal control includes the management of risks at different levels in the organisation, both operational and strategic.

B.4.1.1 Strategic Risk Management

Strategic risk management aims to identify and manage the most significant risks that may impact a.s.r.'s strategic objectives. Subsequently, the aim is to identify and analyse the risk profile as a whole, including risk interdependencies. The process of strategic risk analysis (SRA) is designed to identify, measure, manage and evaluate those risks that are of strategic importance to a.s.r.:

Identifying

Through the SRA process, identification of risks is structurally organised through the combined top-down and bottom-up SRA approach. The SRA outcomes are jointly translated into risk scenarios and 'risk priorities', in which the most significant risks for a.s.r. are represented.

Measuring

Through the SRA process, the likelihood and impact of the identified risks are assessed, taking into account (the effectiveness of) risk mitigating measures and planned improvement actions. Information from other processes[1] is used to gain additional insights into the likelihood and impact. One single risk scenario takes multiple risks into account. In this manner, the risk scenarios provide (further) insights into risk interdependencies.

Managing

As part of the SRA processes, the effectiveness of risk mitigating measures and planned measures of improvement is assessed. This means risk management strategies are discussed, resulting in refined risk management strategies.

Monitoring and reporting

The output of the SRA process is translated into day-to-day risk management and monitoring and reporting, both at group level and product line levels. At group level, the risk priorities are discussed on a quarterly basis in the BEC – Risk meeting. At the level of the product lines, risks are discussed in the BRC's.

Evaluating

Insights regarding likelihood and impact are evaluated against solvency targets in the SRA process. Based on this evaluation, conclusions are formulated regarding the adequacy of solvency objectives at group and individual legal entity level.

B.4.1.2 Operational Risk Management

Operational Risk Management (ORM) involves the management of all possible risks that may influence the achievement of the business goals and that can cause financial or reputational damage. ORM includes the identification, analysis, prioritization and management of these risks in line with the risk appetite. The policy on ORM is drafted and periodically evaluated under the coordination of ERM. The policy is implemented in the decentralised business entities under the responsibility of the management boards. A variety of risks is covered by ORM policy: IT risk, outsourcing, data quality, project, underwriting etc.

Identifying

With the operational targets as a starting point, each business entity performs risk assessments to identify events that could influence these targets. In each business entity the business risk manager facilitates the periodic identification

1 For example, the SAA-study, analyses in the context of reinsurance renewals, ad hoc sensitivity analyses and/or stress tests.

of the key operational risks. All business processes are taken into account to identify the risks. All identified risks are prioritised and recorded in a risk-control framework.

The risk policies prescribe specific risk analyses to be performed to identify and analyse the risks. For important IT systems, Information Security Analyses (DIVA – Dienstverlening en Informatie Veiligheids Analyse) have to be performed and for large outsourcing projects a specific risk analysis is required.

Measuring
All risks in the risk-control frameworks are assessed on likelihood of defaults and impact. Where applicable, the variables are quantified, but often judgments of subject matter experts are required. Based on the estimation of the variables, each risk is labelled with a specific level of concern (1 to 4). Gross risks with a level of concern 3 or 4 are considered 'key'.

Managing
For each risk, identified controls are implemented into the processes to keep the level of risk within the agreed risk appetite (level of concern 1 or 2). In general, risks can be accepted, mitigated, avoided or transferred. A large range of options is available to mitigate operational risks, depending on the type. An estimation is made of the net risk, after implementing the control(s). A more effective and efficient approach to managing risks is required driven by increased complexity of processes, data processing and the need for a timely and accurate view on the risk profile. a.s.r. is therefore in the process of shifting towards a more automated approach to manage risks, for example automated controls and data analysis.

Monitoring and reporting
The effectiveness of operational risk management is periodically monitored by the business risk manager at each business line or legal entity. For each key control in the risk-control framework a testing calendar is established, based on accounting standards. Each control is tested regularly and the outcomes of the effectiveness of the management of key risks are reported to the management board. Outcomes are also reported to the NFRC and BEC – Risk meeting.

Evaluating
Periodically, yet at least annually, the risk-control frameworks and ORM policies are evaluated to see if revisions are necessary. The risk management function also challenges the business lines and legal entities regarding their risk-control frameworks.

Operational incidents
Operational incidents are reported to GRM, in accordance with the operational risk policy. The causes of losses are evaluated in order to learn from these experiences. An overview of the largest operational incidents and the level of operational losses is reported to the NFRC. Actions are defined and implemented to avoid repetition of operational losses.

ICT
Through IT risk management, a.s.r. devotes attention to the efficiency, effectiveness and integrity of ICT, including End User Computing applications. The logical access control for key applications used in the financial reporting process remains a high priority in order to enhance the integrity of applications of data. The logical access control procedures also prevent fraud by improving segregation of duties and by conducting regular checks of actual access levels within the applications. Proper understanding of information, security and cyber risks is essential, reason for which continuous actions are carried out to create awareness among employees and management.

Business Continuity Management
Operational management can be disrupted significantly by unforeseen circumstances or calamities which could ultimately disrupt the execution of critical and operational processes. Business Continuity Management enables a.s.r. to continue its daily business uninterruptedly and to react quickly and effectively during such situations.

Critical processes and activities and the tools necessary to use for these processes are identified during the Business Impact Analysis. This includes the resources required to establish similar activities at a remote location. The factors that can threaten the availability of those tools necessary for the critical processes are identified in the Threat Analysis.

a.s.r. considers something a crisis when one or more business lines are (in danger of being) disrupted in the operational management, due to a calamity, or when there is a reputational threat. In order to reduce the impact of the crisis, to stabilise the crisis, and to be able to react timely, efficiently and effectively, a.s.r. has assigned a crisis organisation.

There is a central crisis team led by member of the board. Each business line has their own crisis team led by the director of the management team. The continuity of activities and the recovery systems supporting critical activities are regularly tested and crisis teams are trained annually. The objective of the training is to give the teams insights into how they function during emergencies and to help them perform their duties more effectively during such situations. The training also sets out to clarify the roles, duties and responsibilities of the crisis teams. One important training scenario used is a scenario that includes cyber threats.

Preparatory Crisis Plan

On 1 January 2019 Dutch legislation entered into force that addresses the recovery and settlement of insurance companies ('Wet herstel en afwikkeling van verzekeraars' in Dutch). The objective is that insurance companies and supervisors are better prepared against a crisis and that insurance companies can recover from a crisis without government aid. a.s.r. is obliged to have a Preparatory Crisis Plan ('Voorbereidend Crisisplan' in Dutch) in place that has been approved by DNB. a.s.r.'s Preparatory Crisis Plan helps to be prepared and have the capacity to act in various forms of extreme financial stress. The Preparatory Crisis Plan describes and quantifies the measures that can be applied to live through a crisis situation. These measures are tested in the scenario analysis, in which the effects of each recovery measure on a.s.r.'s financial position (solvency and liquidity) are quantified. The required preparations for implementing the measures, their implementation time and effectiveness, potential obstacles, impact on policy holders and operational effects are also assessed. The main purpose of the Preparatory Crisis Plan is to increase the chances of successful early intervention in the event of a financial crisis situation and to further guarantee that the interest of policyholders and other stakeholders are protected.

Reasonable assurance and model validation

a.s.r. aims to obtain reasonable assurance regarding the adequacy and accuracy of the outcomes of models that are used to provide best estimate values and solvency capital requirements. To this end, multiple instruments are applied, including model validation. Materiality is determined by means of an assessment of impact and complexity. Impact and complexity is expressed in terms of High (H), Medium (M), or Low (L).

In the pursuit of reasonable assurance, model risk is mitigated and unacceptable deviations are avoided, against acceptable costs.

B.4.2 Compliance function

With respect to COVID-19 crisis a.s.r. paid specific attention to customer communication and information and measures to support customers who have experienced negative effects from the crisis with the aim of safeguarding customer interests on the one hand and mitigating potential risks to a.s.r.'s interests on the other.

The Compliance function is a centralised function which is headed by the a.s.r. compliance manager for both a.s.r. and the supervised entities. The compliance function, part of the second line of defence, is considered a key function in line with the Solvency II regulation. The CEO bears ultimate responsibility for the compliance function and the a.s.r. compliance manager has a direct reporting line and access to the CEO. The a.s.r. compliance manager also has an escalation line to the Chair of the A&RC and/or the Chairman of the SB in order to safeguard the independent position of the compliance function and allow it to operate autonomously. The a.s.r. compliance manager is entitled to scale up critical compliance matters to the highest organisational level or to the SB.

To enhance and ensure a controlled and sound business operation, the Compliance function is responsible for:
- Encouraging compliance with relevant rules and regulations, self-regulation, ethical standards and the internal standards derived from them ('the rules') by providing advice and formulating policies;
- Monitoring compliance with the rules;
- Monitoring management of compliance risks by further developing adequate compliance risk management, including, where necessary, advising on business measures and actions;
- Creating awareness of the need to comply with the rules and desired ethical behaviour;
- Coordinating interaction with regulators in order to maintain effective and transparent relationships.

Compliance risks 2020

Developments in rules and in the management of (identified) compliance risks and action plans provide the basis for the annual compliance plan and compliance monitoring activities. a.s.r. continuously monitors changing legislation and regulations and assesses their impact on a.s.r. and the corresponding measures to be taken.

In 2020 a.s.r. paid specific attention to the main compliance risks described below.
- CDD-related risks (including Anti-Money Laundering) remain relevant for a.s.r. in order to guarantee sound and controlled business operations. To mitigate the risks of non-compliance relating to CDD, a.s.r. is partly centralising its

CDD screening and tooling. The central CDD desk, consisting of Compliance, Investigations and Legal, functions as an expertise centre and advises to ensure consistent screening approach. In 2020 a.s.r. monitored compliance with CDD regulation and policy. Where necessary, actions for further improvements have been defined, for example in relation to decentralised policy and procedure updating as well as enhanced CDD-procedures.
- Outsourcing risk is relevant for a.s.r. in view of regulatory and legislative developments. In 2020 Compliance and GRM continued monitoring the effectiveness of the outsourcing policy and the follow-up of earlier recommendations with regard to further improving regular monitoring of the outsourced services.
- Increasing attention has been given to sustainability and the implementation of regulations as announced under the EU SFAP.

Other monitoring activities at Group and business line level included compliance with IDD regulations, remuneration, the product approval and review process, GDPR and the registration and reporting of data breaches and the quality of information provided to customers. Compliance was also involved with new business initiatives such as 'Ik denk vooruit'. In 2020 a.s.r. appointed a monitoring officer to further improve monitoring within Compliance in a structured and consistent manner.

Moreover, to guarantee sound and controlled business operations, a.s.r. has taken a number of control measures to prevent, identify and combat unethical behaviour, including corruption. In 2020 it introduced computerised in-employment screening. The implementation of tooling to further improve monitoring and awareness throughout the business with respect to insiders, incentives and outside business activities is expected to be finalised in 2021.

Reporting

The compliance manager issues quarterly reports on compliance matters and on the progress made regarding advised business measures and actions at Group level, supervised entity (OTSO) level and business line level. The quarterly report at division level is discussed with the management responsible and with the relevant Business Risk committees. The quarterly report at Group and OTSO level is presented to and discussed with the individual members of the EB, with the BEC and with the A&RC of the SB. The report is shared and discussed with DNB, the AFM and the internal and external auditor.

B.5 Internal audit function

The Audit Department evaluates the effectiveness of governance, risk management and internal control processes, and gives practical advice on process optimisation. This statement of duties has been set down in the Audit Charter for a.s.r. and its subsidiaries. The Audit Department reports its findings to the EB of a.s.r., to the managing boards of the legal entities and, by means of the quarterly audit management report, to the a.s.r. BEC and to the Audit and Risk Committee. For ASR Bank N.V., a separate Audit Charter is applicable.

The Audit Department has an independent position within a.s.r., as set down in the Audit Charter. The SB guarantees Audit and its employees an independent, impartial and autonomous position in order to execute the mission of Audit. The head of the Audit Department reports to the chairman of the EB and has a direct reporting line to the chairman of the Audit and Risk Committee. The Chief Audit Executive is appointed by the SB. In order to maintain the independence and impartiality of the internal audit function, the audit function is not influenced by the EB and managing boards of the legal entities in the execution of an audit and the evaluation of and reporting on audit outcomes. The audit function is not subjected to any inappropriate influence from any other function, including the key functions.

The persons carrying out the internal audit function do not assume any responsibility for any other (key) function. The Audit Department has periodic consultations with the supervisors (DNB and AFM) to discuss the risk assessment, findings and audit plan. The Audit Department’s risk assessment is performed in close consultation with the independent external auditor. The department also takes the initiative to organise a ‘tripartite consultation’ with DNB and the independent external auditor at least once a year. In 2020, three tripartite consultations were held.

The Audit Department sets up a multi-year audit plan based upon an extensive risk assessment. The audit plan is approved by the Audit and Risk Committee. At least once a year, the audit plan is evaluated and any changes to the plan must be approved by the Audit and Risk Committee.

All auditors took the oath for the financial sector and are subject to disciplinary proceedings. All auditors have committed themselves to the applicable code of conduct of a.s.r., follow the Code of Ethics of the Institute of Internal Auditors (IIA) and comply with the specific professional rules of the Netherlands Institute of Chartered Accountants (NBA) and the professional association for IT-auditors in the Netherlands (NOREA).

Audit applies the standards of the IIA, NBA and NOREA for the profession of internal auditing. Each year, Audit performs a self-assessment and an internal quality review and reports the results to the chairman of the board and to the members of the Audit and Risk Committee. In accordance with the standards of the IIA, an external quality review is performed every five years. During the last review in 2016, Audit was approved by the IIA and received the Institute's quality certificate.

B.6 Actuarial function

The Actuarial Function (AF) is one of four key functions in a.s.r.'s system of governance.

The main tasks and responsibilities of the AF are to:
- coordinate the calculation of technical provisions;
- ensure the appropriateness of the methodologies, underlying models and the assumptions made in the calculation of technical provisions;
- assess the sufficiency and quality of the data used in the calculation of technical provisions;
- compare best estimates against experience;
- inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;
- express an opinion on the overall underwriting policy;
- express an opinion on the adequacy of reinsurance arrangements; and
- contribute to the effective implementation of the risk management system.

The AF is part of the second line of defense and operates independently of both the first line (responsible for determining the technical provisions, reinsurance and underwriting), as well as the other three key functions (internal audit, risk management and compliance).

The AF for both a.s.r. and the insurance legal entities is operationally part of a.s.r. GRM. The AF is performed by persons who have profound knowledge of actuarial and financial mathematics, proportionate to the nature, scale and complexity of the risks present in a.s.r.'s businesses.

There are two function holders. One is responsible for the legal entities in the Life segment (Individual Life & Pensions and Funeral business lines) as well as for the overall Life segment of a.s.r. The other for the entities in the Non-life segment (Property & Casualty, Disability and Health business lines) as well as for the overall Non-life segment of a.s.r.

The AF function is represented in several risk committees. At least annually the AF drafts a formal report, which is discussed with the BEC – Risk meeting (or EB) and the a.s.r. Audit & Risk Committee.

Independence of the AF is secured through several measures:
- The AF holders are appointed and dismissed by the Board. Both the appointment and the dismissal of the holders is, together with an advice from the Audit and Risk Committee, submitted to the SB for approval;
- The AF holders have unrestricted access to all relevant information necessary for the exercise of their function;
- The AF holders have a direct reporting line to the BEC – Risk meeting or EB and the Audit and Risk Committee of a.s.r. The AF is free to report to one of the management or risk committees when considered necessary;
- The AF is free to report all relevant issues;
- In case of a conflict of interest with the CRO, the function holders may escalate directly to the CEO and to the Chairperson of the Audit & Risk Committee of a.s.r.;
- If the AF is asked to perform tasks that are outside the formal scope described in a charter, the function holder(s) assess if there is a conflict of interest. If so, the AF will not execute the task unless there are sufficient additional measures to mitigate conflicts of interest;
- The Internal Audit Department evaluates annually the governance of a.s.r. including the (independent) operation of the AF;
- Target setting and assessment of the function holders is done by the CEO taking into account the opinion of the Audit & Risk Committee.

B.7 Outsourcing

a.s.r. has outsourced some of its (operational) activities and/or processes to external service providers, including certain critical and/or important activities that are part of material (operational) processes. Part of the outsourced activities is related to front-, mid- or back office activities of supervised entities within the group. In addition, the management and service of some supporting systems is outsourced.

When activities are outsourced, a.s.r. remains fully accountable for these activities and the processed data and a.s.r. retains full control (volledige zeggenschap) over the outsourced activities. To manage the risks related to outsourcing, a.s.r. has implemented an outsourcing policy to safeguard controlled and sound business operations which ensures compliance with laws and regulatory requirements. Solid risk management, governance, monitoring and a complete overview of outsourced activities are essential to manage those risks. The outsourcing policy outlines the relevant procedures and is applicable to a.s.r. and its supervised entities. The policy is also applicable to intragroup outsourcing.

To define the respective rights and obligations, a.s.r. drafts and agrees a written outsourcing contract with the service provider. The contract includes amongst others the obligations for all parties involved, commitment to comply with applicable laws and regulatory requirements, right to audit and information security requirements.

Confidentiality, quality of service, and continuity are key for a.s.r. in carrying out its activities. To safeguard the quality of outsourced activities, service providers are carefully examined prior to selection and during the period of service provision. a.s.r. monitors compliancy with the terms of the contract and performance of the outsourced activities. The findings of the monitoring activities serve as input for the regular consultation on operational, tactical and strategic level with the service provider and in case of non-compliance immediate action is taken.

B.8 Any other information

Other material information about the system of governance does not apply.

C Risk profile

Risk management is an integral part of a.s.r.'s day-to-day business operations. a.s.r. applies an integrated approach to managing risks, ensuring that strategic objectives are met. Value is created by striking the right balance between risk, return and capital whilst ensuring that obligations to stakeholders are met. a.s.r.'s approach to managing risks is described below.

Qualitative description of a.s.r.'s risk priorities

Management of strategic risks

a.s.r.'s risk priorities and emerging risks are defined annually by the EB based on strategic risk analyses. a.s.r.'s risk priorities are defined as the main strategic risks which could materially affect its strategic and financial objectives. To gauge the degree of risk, a.s.r. uses a risk scale based on likelihood and impact (level of concern). For each risk priority, the degree of risk is determined for the gross and net risks. Gross risk is the degree of risk when no (control) measures are in place. Net risk is the degree of risk with mitigating (control) measures in place. Each of a.s.r.'s risk priorities has a very high degree of gross risk (Level of Concern 4, outside risk appetite boundaries) and a high degree of net risk (Level of Concern 3, outside risk appetite boundaries).

Management of financial risks

a.s.r. strives for an optimum trade-off between capital, risk and return. Steering on capital, risk and return is done by decision-making throughout the entire product cycle from PARP to the payment of benefits and claims. At a more strategic level, decision-making takes place through balance sheet management. A robust solvency position takes precedence over profit, premium income and direct investment income. Risk tolerance levels and limits are disclosed in the financial risk appetite statements (RAS) and are monitored by the Financial Risk Committee (FRC). The FRC evaluates Financial Risk (FR) positions against the RAS on a monthly basis. Where appropriate, a.s.r. applies additional mitigating measures.

In 2020, the Actuarial Function (AF) performed its regulatory tasks by assessing the adequacy of the Solvency II technical provisions, giving an opinion on reinsurance and underwriting, and contributing to the Risk Management Framework (RMF). The AF report on these topics was discussed by the EB, FRC and A&RC.

Management of non-financial risks

Non-financial risk appetite statements are in place to manage a.s.r.'s risk profile within the limits determined by the EB and approved by the SB. The risk profile and internal control performance of each business is discussed with senior management in the business risk committees each quarter. The Non-Financial Risk Committee (NFRC) monitors and discusses on a quarterly basis whether non-financial risks are adequately managed. Should the risk profile exceed the risk appetite, the NFRC will decide on the steps to be taken. The main operational risks in 2020 are described in this chapter.

Governance, Risk and Compliance tool

In 2020, the steering information provided by the Governance, Risk and Compliance (GRC) tool 'CERRIX' was improved with the use of business intelligence software. By implementing a reporting risk framework connected to internal controls in CERRIX, a.s.r. was able to effectively improve the overall reliability of financial reporting processes. a.s.r. will continue to optimise and expand the use of GRC tooling in 2021.

Risk appetite

Risk appetite is defined as the level and type of risk a.s.r. is willing to bear in order to meet its objectives while maintaining the right balance between risk, return and capital. a.s.r.'s risk appetite contains a number of qualitative and quantitative RAS and gives direction to the management of both FR and non-financial risks (NFR). The statements highlight the organisation's risk preferences and limits and are viewed as key elements for the realisation of a.s.r.'s strategy.

In 2020, to ensure alignment with a.s.r.'s (risk) strategy, the RAS and RAS limits were evaluated and updated by the EB and approved by the SB. The RAS of a.s.r. can be found in chapter B.3.1.1 Risk management strategy and risk appetite.

Risk descriptions

The previous chapter outline the risk governance and risk appetite of a.s.r. Below, the risks identified are clustered into:

- Strategic risks
- Financial risks
- Non-financial risks
- Emerging risks

Strategic risks
In 2020, a.s.r.'s main strategic risks (risk priorities) were:
- The COVID-19 pandemic;
- Pressure on result and renewal of the cash-generating business model;
- Low interest rate environment;
- Information (cyber) security risk;
- Juridification of society;
- Impact of supervision, laws and regulations;
- Climate change and energy transition.

The strategic risks are described in more detail below.

The COVID-19 pandemic
In December 2019, a pneumonia outbreak was reported in China which in 2020 rapidly developed into what is now commonly referred to as the COVID-19 virus. The virus has resulted in a significant number of confirmed cases of infection and untimely deaths in large portions of the world, including the Netherlands. Globally, governments are taking various measures to contain the outbreak. In the Netherlands, the Dutch government issued a series of far reaching measures to stop the spread of the COVID-19 virus. Both the virus and the countermeasures have a significant impact on Dutch society and economics. The economic impact is mitigated in the short term by significant economic relief programmes presented by the government to support both companies and individuals financially impacted by the COVID-19 outbreak. The economic impact of the countermeasures of the COVID-19 virus is uncertain in the longer term. See management of non-financial risks for more details about the operational impact on a.s.r. and see management of financial risks for more details of the financial implications on a.s.r.

Pressure on result and renewal of the cash-generating business model
This risk priority concerns the risk of the cash-generating business model being squeezed by developments in the insurance market, such as the shrinking market for individual life insurances combined with a more highly competitive remaining insurance market, leading to margin and volume decreases.

The risk of contraction in the portfolio relates to this risk priority. Since the portfolio is contracting, there is a risk that costs may not be lowered fast enough. a.s.r. continually monitors and assesses its product portfolio and distribution channels for relevant alterations in order to meet changing customer needs and to achieve planned cost reductions as premiums fall. For example, it actively monitors the market to examine potential acquisitions or mergers.

Low interest rate environment
In 2020, interest rates fell again to historically low levels, due partly to the quantitative easing that was put into place due to COVID-19. This potentially puts pressure on the future development of the solvency ratio. Management actions to compensate for the negative impact of low interest rates are investigated.

The solvency and interest rate position (including the hedge) are being monitored continuously and findings are reported to the FRC. The consequences of potentially low investment returns and interest rate fluctuations are examined more fully in the annual SAA study, the annual ORSA and the quarterly balance sheet prognosis.

Information (cyber) security risk
Information (cyber) security risks are constantly evolving and imminent. Nation state actors are (covertly) probing and intruding, pushing the development of more sophisticated attacks and hence the progression of new detection measures to improve 'older' detection techniques. The growth in digital communication is also increasing the risk of cyber attacks, as is the introduction of technological initiatives and growing dependency in the supply chain. The increased focus on, and attention for, emerging cyber security risks is a daily requirement for a.s.r. and its supply chain. Investing in detection and prevention skills and techniques and learning from incidents in the financial industry strengthens cyber resilience. Since the battle against malicious intentions is ongoing, cyber security efforts continued to dominate risk reports in 2020. A dedicated cybersecurity team, regular testing, continuous awareness programmes and scrutinised vulnerability programmes ensure that a.s.r. is fully aware of its risks and takes measures where appropriate. All measures are continuously monitored and updated where necessary. a.s.r.'s suppliers are periodically reviewed and assessed for their cyber resilience. Partnerships with financial institutions and public agents, such as the Dutch National

Cyber Security Centre (NCSC), i-CERT and DNB TIBER (DNB red team programme), are crucial in mounting an effective defence against cybercrime. a.s.r. is actively involved in these partnerships.

Juridification of society

Political, regulatory and public attention has focused on unit-linked life insurance policies for some time now. Elements of a.s.r.'s unit-linked life insurance policies are challenged on multiple legal grounds in current legal proceedings, and may continue to be challenged in the future. There is a risk that one or more of the current and/or future claims and/or allegations will be upheld. To date, a number of rulings relating to unit-linked life insurance products have been issued by the Financial Services Complaints Board (FSCB) and (appeal) courts in the Netherlands against a.s.r. and other insurers in specific cases. In these proceedings, different (legal) approaches have been taken to arrive at a ruling. The outcomes of these rulings are diverse. As the record of (a.s.r.'s) policies dates back many years, it contains a wide variety of products with different features and conditions and, since rulings are so diverse, no reliable estimate can be made of the timings and outcomes of these current and future legal proceedings.

Although the financial consequences of these developments could be substantial, a.s.r.'s exposure cannot be reliably estimated or quantified at this point. If one or more of these legal proceedings succeed, there is a risk that a ruling, though only legally binding for the parties involved in the proceedings, could be applied to, or be relevant for, other unit-linked life insurance policies sold by a.s.r. Consequently, the consequences of any current and/or future legal proceedings brought upon a.s.r. could be substantial for a.s.r.'s life insurance business and may have a materially adverse effect on a.s.r.'s financial position, business, reputation, revenues, operating results, solvency, financial condition and/or prospects.

Compensation scheme for unit-linked products

In 2008, a.s.r. concluded an outline agreement with two leading consumer protection organisations to offer compensation to unit-linked policyholders if the cost and/ or risk premium exceeded a specified maximum. A full agreement on the implementation of the compensation scheme was reached in 2012. The total recognised cumulative financial costs relating to the compensation scheme for Individual life in a.s.r.'s income statement up to 2020 was € 1,026.7 million. This includes, amongst other things, compensation paid, amortisation of surrender penalties and costs relating to improved product offerings. The remaining provision in the balance sheet as at 31 December 2020 amounted to € 44.4 million and is available only to cover potential additional compensation (for distressing cases and costs relating to the compensation scheme). Individual cases have a limited impact on the risk profile.

Legal proceedings

a.s.r. is subject to a limited number of legal proceedings initiated by individual unit-linked policyholders, in most cases represented by claims organisations. While to date fewer than 15 cases are pending before Dutch courts and courts of appeal and fewer than 125 cases are pending before the FSCB (the Dispute Committee as well as the Committee of Appeal of the FSCB), there is no assurance that further proceedings will not be brought against a.s.r. in the future. Future legal proceedings regarding unit-linked life insurance policies might be brought upon a.s.r. by consumers individually, by consumer organisations acting on their behalf or in the form of a collective action. Furthermore, there is an ongoing lobby by consumer protection organisations, such as the Consumentenbond and Stichting Geldbelangen, to continuously gain media attention for unit-linked life insurance policies. These organisations argue, amongst other things, that consumers did not receive sufficient compensation based on the compensation scheme.

a.s.r. is currently subject to three collective actions. The claims are all based on similar grounds and have been rejected by a.s.r. and a.s.r. defends itself in these legal proceedings. The timing and outcome of these collective actions is currently uncertain.

In June 2016, Woekerpolis.nl initiated a collective action, requesting the Midden-Nederland District Court to declare that a.s.r. has sold products in the market which were defective in various respects (e.g. lack of transparency regarding cost charges and other product characteristics, and risks against which the insurer had failed to warn, such as substantial stock depreciations, inability to realise the projected final policy value, unrealistic capital projections due to the difference between geometric and arithmetic returns, and general terms and conditions governing costs which Woekerpolis.nl considered unfair). In its judgement of 6 February 2019 the court rejected all claims regarding transparency of costs and risks. Only with regard to the claim relating to administrative costs (administratiekosten) that are calculated in ABC Spaarplan in case of high premiums, the court decided that this was unlawful. On 16 April 2019 a.s.r. was served a notice of appeal from the Vereniging Woekerpolis.nl. Subsequently, the Vereniging Woekerpolis.nl has submitted its statement of appeal at the High Court of Arnhem Leeuwarden on 3 March 2020. The statement of response by a.s.r. has been deferred by the Court of Appeal. The main reason for this deferral lies with developments regarding the preliminary questions from the High Court of The Hague towards the Supreme Court in the proceedings (Collective Action) between Woekerpolis.nl and another Dutch insurer.

In March 2017, the Consumentenbond also initiated a collective action against a.s.r. based on similar grounds to that initiated by Woekerpolis.nl. In its judgement dated 11 March 2020 the Court dismissed all claims of Consumentenbond against a.s.r. On 8 June 2020 a.s.r. was served a notice of appeal from the Consumentenbond.

In December 2019, claims organisation 'Wakkerpolis' initiated a collective action against a.s.r. Although the claim from 'Wakkerpolis' is largely based on similar grounds as the other two collective actions, it primarily concentrates on the lack of transparency of cost charges.

Impact of supervision, laws and regulations

Due to growing political and regulatory pressure, there is a risk that:

- a.s.r.'s reputation will suffer if new requirements are not complied with in time;
- Available resources will largely be utilised to align the organisation with new legislation, leaving fewer resources to spend on core customer processes;
- Processes will become less efficient and pressure on the workforce will increase;
- a.s.r. will have administrative fines or sanctions imposed on it for failure to comply with requirements (on time).

a.s.r. constantly monitors changing laws and regulations and assesses their impact and the corresponding actions required. The availability of capacity is also continuously monitored to ensure that there are sufficient resources to process all regulations in a timely manner. a.s.r. has a multidisciplinary legislation and regulation committee to help the various businesses signal and adopt legislative amendments in good time. The committee reports to the NFRC.

Customer Due Diligence (CDD) risk (including Anti-Money Laundering) remains relevant for a.s.r. in order to guarantee sound and controlled business operations. To mitigate the risks of non-compliance relating to CDD, a.s.r. is centralising its CDD screening and tooling. The central CDD desk consisting of Compliance, Investigations and Legal plays a key role to ensure a consistent screening approach within a.s.r. The CDD desk also functions as an expertise centre.

In May 2018, the European Commission published the European Sustainable Finance Action Plan (EU SFAP). EU SFAP is designed to direct capital flows towards sustainable economic activities. Based on the EU SFAP, an extensive package of legislation will enter into force in the 2020-2022 period; this will both have an impact on the use of limited available resources, knowledge and experience and may also pressure a.s.r.'s commercial role of being a sustainable insurer in its proposition. This legislation includes the Taxonomy Regulation and the Disclosure Regulation, which will also lead to the amendment of existing directives and regulations such as Solvency II, IDD, MiFID II, AIFMD and BMR. EU SFAP has an impact on product development and advice, Know Your Customer (KYC), risk management, solvency requirements and the disclosure of financial products. In 2020, a working group was established within a.s.r. to coordinate and oversee the preparation and implementation of EU SFAP legislation.

In June 2020, the International Accounting Standards Board (IASB) published the revised IFRS 17, the new IFRS standard for insurance contracts which will replace the existing IFRS 4 standard. IFRS 17 will be effective from 1 January 2023, subject to endorsement by the EU. The EU draft endorsement advice IFRS 17 has been prepared by European Financial Reporting Advisory Group (EFRAG) and was open for comment until 29 January 2021.

IFRS 17 is designed to facilitate comparability between insurers and to increase transparency in relation to risks, contingencies, losses and embedded options in insurance contracts. IFRS 9 Financial Instruments was published in July 2014 and will have a major impact on the accounting of financial instruments (investments). In order to maintain cohesion between the two standards, a.s.r. applies the option in IFRS 4 which allows for the deferral of the implementation of IFRS 9 until the implementation of IFRS 17 in 2023. Since 2017, a.s.r. has had an internal programme in place to prepare for the implementation of IFRS 17 and IFRS 9 throughout the Group. The IFRS 17 and IFRS 9 programme will have a major impact on the Group's primary financial processing and reporting and could have a significant effect on its capital, financial statements and related KPIs. Finance, Risk, Audit and the business lines have all been given attention in the programmes due to the need to develop an integrated vision.

On 17 December 2020 the EIOPA published its Opinion on the Solvency II Review, which has been sent to the European Commission (EC) as input for new legislation. The EIOPA Opinion consists of various changes to the Solvency II framework, affecting most notably the liability discount curve, the risk margin and the volatility adjustment (VA). It is expected that the changes will come into effect in 2024 at the earliest and some measures will include a phase-in period of up to eight years to 2032.

Climate change and energy transition

Financial institutions increasingly need to take climate change risks into account. a.s.r. applies risk analysis and scenario analysis to understand the potential impact of climate change. Identified climate-related/transition risks are:

- The physical risks associated with climate-induced extreme weather events;
- Transition risks associated with the energy transition;
- Reputational risks associated with consumer sentiment towards financial institutions;
- Regulation and litigation risks as announced under the EU SFAP.

Physical risks such as extreme weather events, drought and floods, etc. could increase claims on a.s.r.'s P&C insurance policies and potentially push up the costs of a.s.r.'s real estate portfolio. In the event of extreme weather events, the claim patterns of P&C insurance policies will become more unpredictable since it will become more difficult to gauge the likelihood of extreme weather.

The energy transition is subject to uncertainties, changes and risks. The extent and impact of these risks depends on, among other things, the pace of energy transition, government policies, technological developments and changing consumer behaviour. An abrupt energy transition could have a major impact on the financial markets, which could impact a.s.r.'s investment portfolio. a.s.r. has incorporated climate-related risks into its existing risk management framework. More specifically, scenario analysis is one of the methodologies designed to measure the potential impact of climate-related risks.

Climate change is a source of reputational risk as consumer sentiment towards financial institutions regarding the organisation's contribution to the energy transition is changing. a.s.r. assists the transition to a low carbon economy through its impact investing and by developing products and services that take the energy transition into account, for example by insuring solar panels.

Financial risks
Although the strategic risks also contain financial risks, a.s.r. additionally describes other relevant financial risk aspects below. These topics are:
- COVID-19
- Longevity risk
- Brexit

COVID-19
The effect of the COVID-19 outbreak and the measures taken by the Dutch government are impacting the a.s.r. technical result in the life and non-life business. The effect on the life business is limited due to the fact that the excess mortality occurred in old age (70+) in the Netherlands. The excess mortality has impacted (limited) the funeral and pension business. The effects of the COVID-19 pandemic, and in particular the (movement-limiting) measures taken by the Dutch government, have had a significant effect on the claims portfolio. While it was expected at an earlier stage that the measures would lead to a higher business discontinuity, which could lead to a possible shrinkage in the commercial non-life portfolio, a.s.r. does not see these effects in its portfolio at the moment due to, among other things, the additional support measures from the government. The direct effect of the lockdown is obviously visible in the restriction of the freedom of movement, whereby claims from vehicle insurance are lower than in a normal year. The counterpart of this are the short and long-term effects within Disability. Here a.s.r. sees an increase in sickness reports, but there are significant differences per sector, and a decrease in rehabilitation because many partial recovery/reintegration processes are currently faltering (the aid sector is also largely down/cannot do physical business). Due to the size and diversity of the claims portfolio, the underlying results compensate for the total level.

At this point in time, there remains uncertainty over the long-term effects and the impact of COVID-19 on the global economy and financial markets. As stated earlier in this report, a.s.r. is financially healthy and its capital position is solid. a.s.r. continues to closely monitor the impact of the COVID-19 outbreak on the operating performance of its various business lines. a.s.r. furthermore continues to monitor the potential IFRS impact relating to the valuation of financial instruments and valuation of technical provisions which are sensitive to developments in the (long-term) interest rates.

Longevity risk
Recent mortality tables (2018 and 2020) issued by the Dutch Association of Actuaries (AG) indicate that the life expectancy of the Dutch population has not significantly improved. The impact of the current COVID-19 pandemic is not recognised in the 2020 AG mortality table. It is still too early to identify the potential impact of COVID-19 (or potential new pandemics) on future life expectancy.

Brexit
At a.s.r. asset management, Brexit will mainly impact flexibility with regard to the current portfolios in derivatives positions and new derivative transactions to be concluded in the future. Within a.s.r. asset management, a working group has been set up to maintain contact with all relevant counterparties and to implement any contract adjustments.

Non-financial risks

In addition to strategic and financial risks, a.s.r. has also identified a number of non-financial risks. In 2020, the most relevant non-financial risks were:

- COVID-19
- Outsourcing risk
- Data quality
- Risks relating to digitalisation
- Project risks

COVID-19

The Central Crisis Team (CCT) of a.s.r. has been active since 25 February 2020 and directs and coordinates all work relating to the management of COVID-19's (operational and business) impact on a.s.r. On 10 March 2020 the CCT successfully tested the possibility for employees working entirely from home. Employees have been working mostly from home since 16 March 2020 and the business, with a limited number of modified process measures, is fully operational. An additional investment in the technical infrastructure has been made to ensure the continuity of working fully from home. Where necessary, control measures in the operational processes have been adapted to working from home, for example, the implementation of security patches on notebooks has been redesigned and attention has been paid to performing manual payments at home. The business of a.s.r. reports periodically to the CCT on the impact on the customer processes and the measures taken via a COVID-19 dashboard. In addition, the business continuously identifies and reports on the operational, integrity and strategic risks associated with the COVID-19 crisis. To date, the impact of the COVID-19 crisis on a.s.r.'s operations has been limited. However, the full impact on a.s.r. will depend on its duration and economic consequences and it is not yet possible to assess all aspects.

It is clear that COVID-19 will bring about a lasting change and that employees will be further able to combine office and homeworking, thereby changing the function of the office building. This is being looked at by the EB and management of a.s.r., as is the importance of social cohesion and vitality among a.s.r. employees. In order to monitor how a.s.r. employees are doing while working entirely from home, a.s.r. deployed the Mood Monitor. The results provide an insight into the pillars of dedication, job satisfaction and vitality and a reason to discuss these issues within teams. On this basis, the CCT also uses targeted interventions to maintain social cohesion at a distance, to provide employees with the means to positively maintain and further develop the a.s.r. culture and to encourage vitality. Examples include virtual employee meetings, an online range of training opportunities that meet specific needs, tips for working from home, social activities at a distance and online workouts.

Outsourcing risk

Outsourcing risk (internal and external) remains relevant for a.s.r., especially in view of the increasing focus from regulators, i.e. the EIOPA and growing dependence on suppliers. a.s.r. is fully aware of these potential risks and regulatory developments. An outsourcing framework is in place to define responsibilities, processes, risk assessment and mandatory controls. Outsourcing risk is managed and reported as part of the overall operational risk. The periodic update of the outsourcing framework is scheduled for the forthcoming year.

Data quality

Sound data quality has become increasingly important for a.s.r. in relation to the digital transformation and ambitions it pursues. In this regard, insufficient data quality could pose a threat to the degree:

- Processes can be digitised;
- Operations can be made efficient;
- Front-end of business can be transformed;
- Customer and intermediary relationships/connections can be enhanced.

As such, a.s.r. recognises the importance of sound data quality (both financial and non-financial). To uphold the reliability and confidentiality of its data, a.s.r. has an explicit data quality policy in place defining the data quality (including control) framework and data governance. Adherence to this policy is ensured by the three lines of defence risk governance model a.s.r. has in place.

Digitalisation

Digitising the customer experience and back-end processes within a.s.r. using new technologies such as robotics, AI and cloud solutions, involves a changing risk perspective. This in turn requires a different approach to risk management, where risk experts are actively involved and working with the development teams to incorporate mitigations by design.

Project risks
Since 2019, a.s.r. has used a project risk management policy to enhance controlled projects in terms of timeliness, cost control and quality standards. In 2020, a review was carried out within a.s.r. business units regarding the application of the policy, in which improvements were proactively implemented. In 2020, the main projects at a.s.r., including IFRS 9/17, the Sustainability Finance Action Plan (EU SFAP, TCFD) and major IT projects concerning cyber security and cloud computing, fell within the risk appetite. a.s.r. pays attention to coordination and risk identification in interdependent projects within a.s.r. and reports on the impact of the project risks of group projects on a.s.r. business units.

Emerging risks
Emerging risks are part of a.s.r.'s risk priorities. They are defined by a.s.r. as new or existing risks with a potentially major impact, in which the level of risk is hard to define. The following identified emerging risks are described in more detail below:
- Longevity risk
- Deglobalisation
- Cyber risk and quantum computing
- Loss of biodiversity and ecosystem services

Longevity risk
If the life expectancy of a.s.r.'s policyholders improves significantly compared to current mortality due to relatively sudden (medical and/or technological) developments in health care, this will have an impact on a.s.r. Some improvements and unexpected breakthroughs could even ultimately result in a lower solvability for a.s.r. a.s.r. monitors the longevity developments of its own portfolio, and mitigating measures such as longevity reinsurance are continuously analysed from a risk management perspective.

Deglobalisation
There is a trend of growing populism in many countries, leading to deglobalisation. Populistic leaders tend to favour protectionist measures such as trade tariffs. This could result in less cross-border trade and lower economic growth, with a potential impact on the returns on a.s.r.'s investment portfolio. a.s.r.'s investment department regularly assesses the economic outlook and its impact on the asset classes' return and risks. Relevant developments such as deglobalisation are taken into account. In specific cases, e.g. Brexit, the positioning of the investment portfolio could be reconsidered.

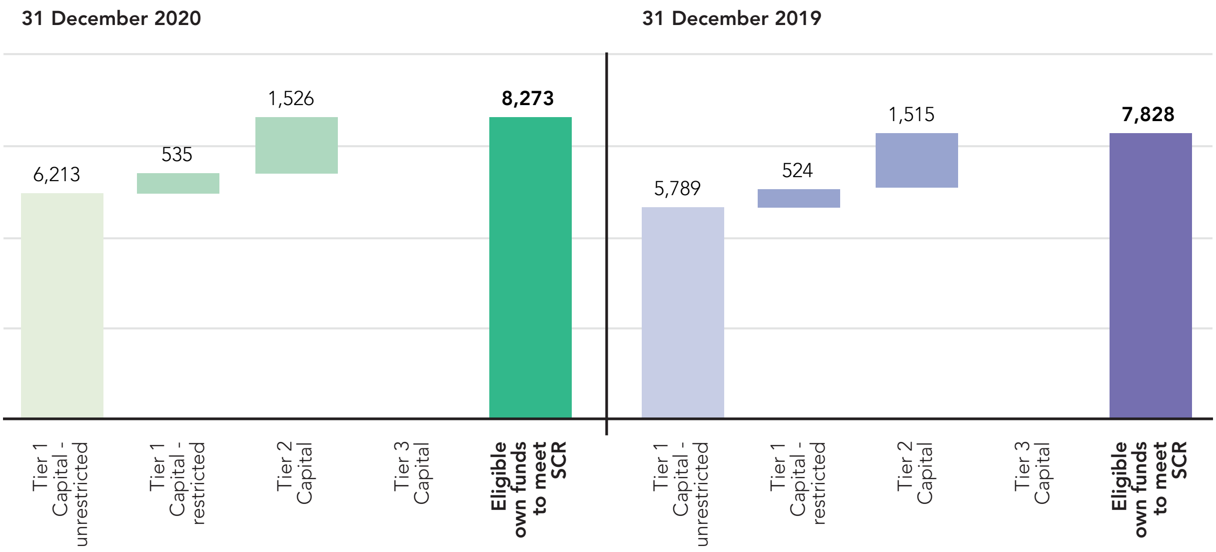
Cyber risk and quantum computing
Cyber risks are constantly evolving. The introduction of technological initiatives such as quantum computing will change these risks. Although quantum computers don't currently have enough processing power to break encryption keys, future versions might. Cyber security researchers and analysts are worried that a new type of computer, based on quantum physics rather than more standard electronics, could break most modern cryptography. The effect would be to render communications insecure as if they weren't encoded.

While the potential impact on a.s.r. of quantum computing risks is difficult to predict, today's measures are not enough to keep cyber criminals at bay. However, as the technology itself develops, related measures will also improve. Organisations such as a.s.r. need to understand their specific risks and plan for their systems to be resilient to quantum attacks. a.s.r. monitors the development of quantum computing in line with other technological developments.

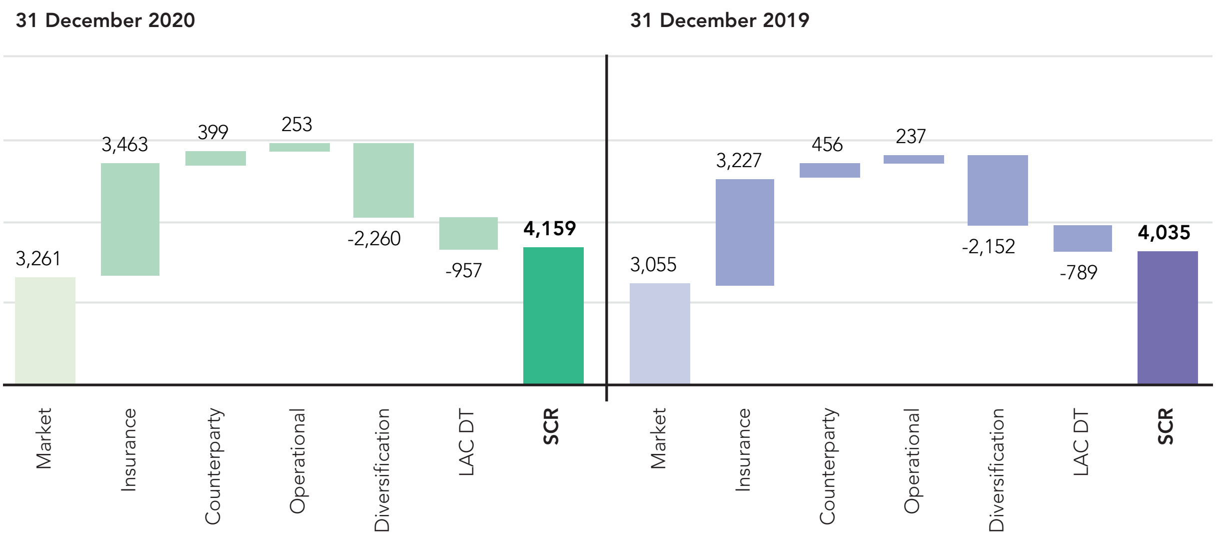
Loss of biodiversity and ecosystem services
Loss of biodiversity creates risks for societies, economies and the planet. According to DNB, the Dutch financial sector is highly dependent on biodiversity. Financial institutions have an impact on biodiversity while at the same time being exposed to the financial risks associated with biodiversity loss. Related risks to the loss of biodiversity for financial institutions such as a.s.r. are reduced market value of the investment portfolio (stranded assets) and the introduction of new and stricter biodiversity regulation, resulting in potential reputational and transition risks. However, the exact impact of biodiversity loss on a.s.r. is difficult to determine. Steps are being taken to make an initial analysis of (the magnitude of) these potential impacts. a.s.r. has signed the Finance Biodiversity Pledge and is a member of a special biodiversity working group established by the DNB Sustainable Finance Platform.

Quantitative description of a.s.r.'s risk priorities
Solvency II ratio in 2020
In 2020, the solvency ratio increased from 194% (31 December 2019) to 199% excluding financial institutions (after deduction of the proposed dividend) at year end. This can be explained by the analysis of change as shown in the graph below. The Solvency II ratios presented are not final until filed with the regulators.

Eligible own funds



SCR



The eligible own funds increased to € 8,273 million (2019: € 7,828 million) mainly driven by higher business capital generation, lower interest rates and higher equity markets. This was partially offset by a widening of credit spreads and a UFR reduction.

The required capital stood at € 4,159 million (2019: € 4,035 million). This increase was mainly driven by an increase in insurance risk and market risk, partially mitigated by increased diversification benefits and an increased LAC DT due to the reversal of lowering the corporate tax rate. The increase in insurance risk was mainly driven by inorganic growth (acquisition of VvAA and Veherex), organic growth in Disability and Health and the impact of lower interest rates.

Solvency II sensitivities

The sensitivities of the solvency ratio as at 31 December 2020, expressed as the impact on the group solvency ratio (in percentage points) are as presented in the table below. The total impact is split between the impact on the solvency ratio related to movement in the available capital and the required capital. The sensitivities are based on the situation per 31 December 2020.

Solvency II sensitivities - market risks

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
UFR 3.2%	-13	-16	-1	-3	-14	-19
Interest rate +1% (2020 incl. UFR 3.75% / 2019 incl. UFR 3.90%)	-4	-4	+16	+13	+12	+8
Interest rate -1% (2020 incl. UFR 3.75% / 2019 incl. UFR 3.90%)	+5	+7	-10	-13	-5	-7
Volatility Adjustment -10bp	-10	-10	-1	-2	-11	-11
Equity prices -20%	-10	-10	+13	+11	+3	+1
Property values -10%	-8	-9	+3	+3	-5	-6
Spread +75bps/ VA+15bps (2019: VA +18bps)	+14	+11	+3	+4	+17	+15

Solvency II sensitivities - explanation

Risk	Scenario
Interest rate risk - UFR 3.2%	Measured as the impact of a lower UFR. For the valuation of liabilities, the extrapolation to the UFR of 3.2% after the last liquid point of 20 years remained unchanged. The impact on available capital, required capital and ratio relates to a comparison with a solvency ratio measured at a UFR of 3.75% for 2020 (3.9% for 2019).
Interest rate risk (incl. UFR 3.75%/3.9%)	Measured as the impact of a parallel 1% upward and downward movement of the interest rates. For the liabilities, the extrapolation to the UFR (3.75% for 2020 and 3.9% for 2019) after the last liquid point of 20 years remained unchanged.
Volatility Adjustment	Measured as the impact of a 10 bps decrease in the Volatility Adjustment.
Equity risk	Measured as the impact of a 20% downward movement in equity prices.
Property risk	Measured as the impact of a 10% downward movement in the market value of real estate.
Spread risk (including impact of spread movement on VA)	Measured as the impact of an increase of spread on loans and corporate bonds of 75 bps. At the same time, it is assumed that the Volatility Adjustment will increase by 15bps (2019: + 18bps) based on reference portfolio.

The impact of the interest rate sensitivities (+1% /-1%) deceased, due to lower interest rates. Corporate spread widening (+75bps) includes impact of spread widening on IAS19 pension provision. The positive impact of the sensitivity of equity risk increased due to an increase of the equity put options portfolio in 2020.

Our exposure to other sectors, heavily impacted by COVID-19 such as Leisure, Travel and Transportation is very small. In terms of sensitivity to a potential rating migration: if 20% of the entire corporate and financials credit portfolio would experience a full letter downgrade (3 notches) this would result in approximately 4%-point impact on our Solvency II ratio, based on the required capital for spread risk, concentration risk and counterparty risk.

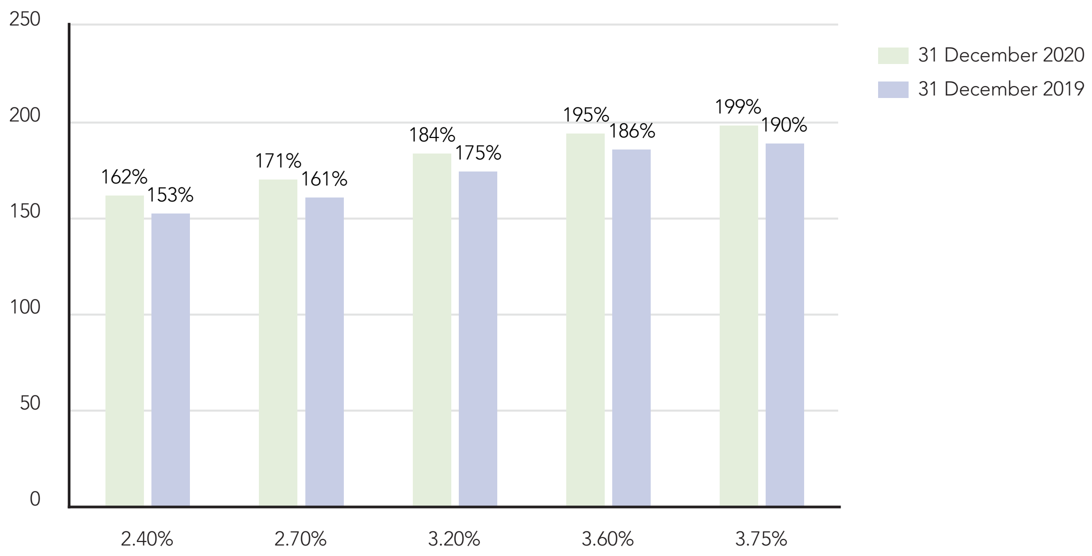
Expected development Ultimate Forward Rate

European Insurance and Occupational Pensions Authority (EIOPA) will reduce the ultimate forward rate used to extrapolate insurers' discount curves to better reflect expected inflation and real interest rates. There are various scenarios regarding lowering the Ultimate Forward Rate (UFR).

The UFR will decrease to 3.5%, phasing in by 15 basis points per year. In 2020 the UFR was 3.75% (2019: 3.90%). After the decline of the UFR by 15 basis points the solvency ratio is still above internal solvency objectives.

Changes in the UFR have an almost linear effect on the solvency ratio. The impact on the solvency ratio of various UFR levels is stated below.

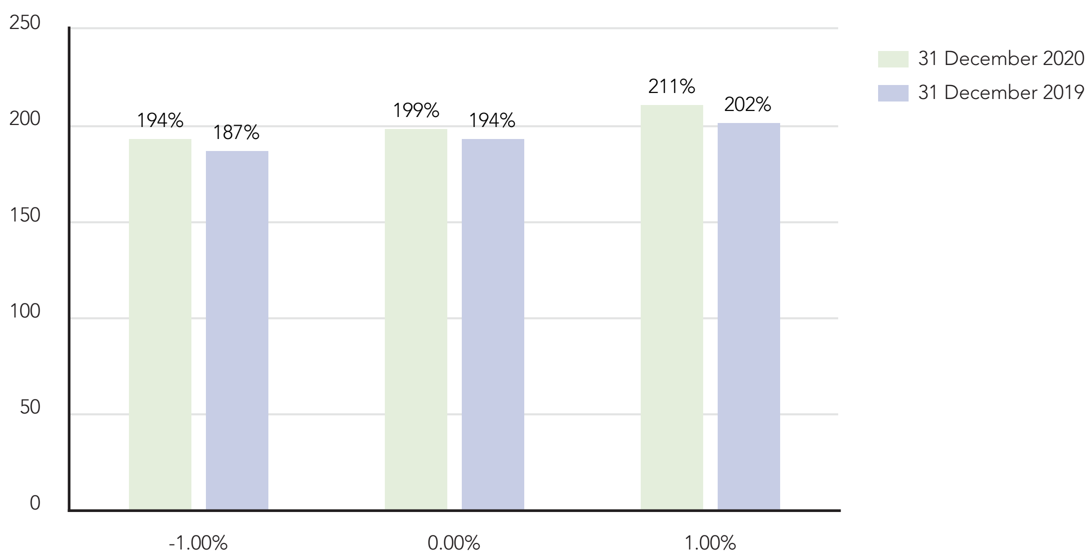
Sensitivities Solvency II ratio to UFR



Interest rate sensitivity of Solvency II ratio

The impact of the interest rate on the Solvency II ratio, including the UFR effect, is stated below. The UFR methodology has been applied to the shocked interest rate curve. The figure shows the increased impact of the interest rate sensitivity, mainly caused by a change in the interest rate hedge policy.

Sensitivities Solvency II ratio to interest rate



Equity risk

In 2020 the equity risk increased mainly due to a bigger equity portfolio as a result of the rise of share prices and transactions. Besides the bigger equity portfolio also the average risk charge on balance increased as a result of the upward effect of the run-off of the transitional measure of equity risk.

Spread risk

The SCR spread risk on balance decreased in 2020. On the one hand SCR spread risk decreased due the shortening duration of the credit portfolio. On the other hand SCR spread risk increased due to re-risking.

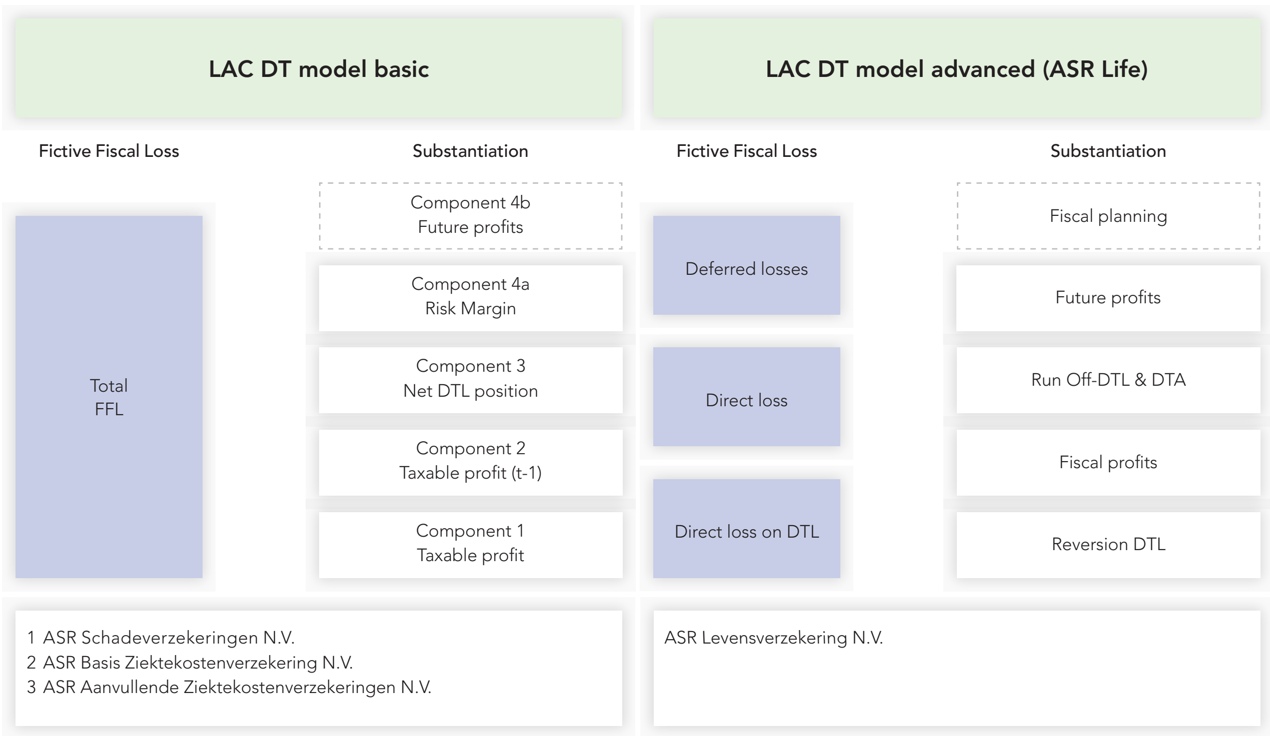
The spread sensitivity of the solvency ratio increased from +15% at 31 December 2019 to +17% at 31 December 2020. This sensitivity is based on a scenario in which the average spread rises by 75 bps and the Volatility Adjustment (VA) rises by 15 bps (18 bps at 31 December 2019). As the VA is used in the calculation of the best estimate liabilities and spread movement only has an impact on the credit portfolio and IAS19, the impact of the VA increase is bigger than the impact of the spread increase. Therefore, the solvency ratio rises in the event of an increase in the average spread.

Loss absorbing capacity of deferred tax
a.s.r. uses the following methodology for the calculation of the Loss Absorbing Capacity Deferred Tax (LAC DT) benefit in euros of a.s.r. group and its separate entities.

For each separate entity an unrounded LAC DT factor is calculated. The LAC DT factor that results is the maximum factor to be used per entity. a.s.r. life uses an advanced model, taking future fiscal profits into account. For all other entities a basic model is used. Both types of models are reviewed and properly documented. Hence usage of the models is agreed upon with DNB. Since the LAC DT factor of a.s.r. life has the largest effect on the LAC DT of the group, a.s.r. has chosen to develop the advanced model for this entity.

Relevant regulation and current guidance (Delegated Regulation, Level 3 guidelines, Dutch Central Bank Q&A's and IAS12) are taken into account in the development of the LAC DT methodology.

Below, an overview of the specifications of the models for all entities is presented:



In summary, the outcome of both models is an unrounded LAC DT factor for all 4 entities.

1. For the basic model of the entities a.s.r. health basic and a.s.r. health supplementary the unrounded LAC DT factor is determined based on component 1 – 3 only. For the unrounded LAC DT factor of a.s.r. non-life the basic model also includes component 4a. Future profits are not taken into account. For the advanced model (a.s.r. life), a.s.r. also takes into account future profitsand the run off of the DTL/DTA positions. Fiscal planning is currently not used.
2. Moreover, an outlook is made of the underpinning of the LAC DT factor in the upcoming quarters, divided over the separate components. This outlook will take into account potential risks not yet included in the model, also called a code of conduct. This code of conduct ensures financial stability in the LAC DT benefit for a.s.r. group and its entities in euros, resulting in financial stability of the solvency position of the group and its entities.
3. The LAC DT factors and outlook are reviewed by Financial Risk Management.
4. A proposal with the advised LAC DT factors will be presented to the Financial Risk Committee (FRC). The LAC DT factors agreed with the FRC are to be applied.
5. In case all stakeholders agree on the LAC DT factors of the separate entities, the LAC DT benefit of the group in euros can be determined according to the by EIOPA prescribed formula.

Another source of stability can be found in the way the LAC DT factor is adjusted if a change is desired. In case the substantiation of the LAC DT is too low the factor is lowered immediately, taking into account the code of conduct. However, in case an increase is possible, it is only realised in case it is sustainable and significant.

Loss absorbing capacity of technical provisions
Starting from the fourth quarter of 2018 a.s.r. takes into account this discretionary element in de SCR.

Loss-absorbing capacity of technical provisions (LACTP) is the part of the technical provisions that can be used to absorb some of the SCR shock losses, as the expected future profit sharing to policyholders will be reduced if actual losses would arise. LACTP is applicable to insurance policies with discretionary profit sharing.

C.1 Insurance risk

Insurance risk is the risk that future insurance claims and benefits cannot be covered by premium and/or investment income, or that insurance liabilities are not sufficient, because future expenses, claims and benefits differ from the assumptions used in determining the best estimate liability. Insurance risk manifests itself in both the Non-life and the Life portfolio. The Non-life portfolio covers the property and casualty, disability and healthcare sectors. The Life portfolio consists of funeral, individual life and pensions business.

Risk-mitigating measures are used to reduce and contain the volatility of results or to decrease the possible negative impact on value as an alternative for the capital requirement. Proper pricing, underwriting, reinsurance, claims management, and diversification are the main risk mitigating actions for insurance risks. By offering a range of different insurance products, with various product benefits and contract lengths, and across Life, Disability and Health and P&C insurance risk, a.s.r. reduces the likelihood that a single risk event will have a material impact on a.s.r.'s financial condition.

The solvency buffer is held by a.s.r. to cover the risk that claims may exceed the available insurance provisions and to ensure its solidity. The solvency position of a.s.r. is determined and continuously monitored in order to assess if a.s.r. meets the regulatory requirements.

a.s.r. measures its risks based on the standard model as prescribed by the Solvency II regime. The Solvency Capital Requirement (SCR) for each insurance risk is determined as the change in own funds caused by a predetermined shock which is calibrated to a 1-in-200-year event. The basis for these calculations are the Solvency II technical provisions which are calculated as the sum of a best estimate and a risk margin.

The insurance risk arising from the insurance portfolios of a.s.r. is as follows:

Insurance risk - required capital

	31 December 2020	31 December 2019
Life insurance risk	1,765	1,682
Health insurance risk	1,151	1,026
Non-life insurance risk	547	518
Total excluding diversification between insurance risks	**3,463**	**3,227**

The insurance risk increased as a result of the decrease of the interest rates and, an increase of the cost inflation, the development of the insured population (e.g. medical expenses) and the acquisition of Veherex and VvAA.

Solvency II sensitivities

a.s.r. has assessed the impact of various sensitivities on the solvency ratio. The sensitivities as at 31 December 2020 and 2019, expressed as impact on the group solvency ratio (in percentage points) are as follows:

Solvency II sensitivities - insurance risks

Effect on:	Available capital		Required capital		Ratio	
Type of risk (%-points)	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Expenses +10%	-6	-6	-1	-1	-7	-7
Mortality rates, all products -5%	-5	-4	-	-	-5	-5
Lapse rates -10%	-	-	-	-	-	-

Solvency II sensitivities - explanation

Risk	Scenario
Expense risk	Measured as the impact of a 10% increase in expense levels
Lapse Risk	Measured as the risk of a 10% decrease in lapse rates
Recovery risk	Measured as the impact of a 5% decrease in the recovery rate for disability portfolio of inactives

The table above shows that the SCR sensitivities in 2020 are (almost) similar to the sensitivities of 2019. The impact on the ratio is the opposite if a reversed scenario is taken into account. These shocks had no impact on the 2020 and 2019 IFRS total equity, or on the IFRS profit for these years, because a.s.r. still passed the IFRS Liability Adequacy Test (LAT). While the sensitivities result in a decrease of the surplus in the LAT, the outcome is still positive.

C.1.1 Life Insurance risk

The Life portfolio can be divided into Funeral, Individual life and Pensions. The insurance contracts are sold primarily to retail and wholesale clients through intermediaries.

The products are sold as insurance products in cash or unit-linked contracts. With respect to products in cash, the investment risk is fully borne by the insurer whereas, in the case of unit-linked products, the majority of the investment risk is for the policyholder's account.

The SCR for Life insurance risks is determined on the level of model points. A model point is a group of policies with equal characteristics. A model point is a subset of a homogeneous risk group. In case a netting between positive and negative risks within a model point can exist, special attention is given. In most cases, the model points are sufficiently homogeneous knowing that this netting is not material.

The following Life insurance risks are involved:

Mortality risk

Mortality risk is associated with (re)insurance obligations, such as endowment or term assurance policies, where a payment or payments are made in case of the policyholder's death during the contract term. The increase in mortality rates is applied to (re)insurance obligations which are contingent on mortality risk. The required capital for this risk is calculated as the change in own funds of a permanent increase of mortality rates by 15% for all ages and each policy.

Longevity risk

Longevity risk is associated with (re)insurance obligations where payments are made until the death of the policyholder and where a decrease in mortality rates results in higher technical provisions. The decrease in mortality rates is applied to (re)insurance obligations where payments are contingent on longevity risk. The required capital is calculated as the change in own funds of a permanent decrease of mortality rates by 20%.

Disability-morbidity risk

Morbidity or disability risk is associated with all types of insurance compensating or reimbursing losses (e.g. loss of income, adverse changes in the best estimate of the liabilities) caused by changes in the morbidity or disability rates. Solvency II prescribes a 35% increase in disability rates for the first year, 25% for subsequent years, combined with a decrease in recovery rates of 20%. However for the Life portfolio, disability and recovery rates are not modelled because of the very limited impact and risk. Instead an experience percentage substitutes the role of these rates in the model. The disability-morbidity risk is calculated on policy level by increasing the experience percentage with 25%.

Expense risk

A calculation is made of the effect on own funds of a permanent increase in costs used for determining the best estimate. The scenario analysis contains an increase in the costs of 10% and an increase in the cost inflation of

1 percentage point per year. This scenario also includes a similar shock in the investment costs. Both the internally and externally managed investment costs are involved in this scenario.

Lapse risk

Lapse risk is the risk of losses (or adverse changes in the best estimate of the liabilities) due to an unanticipated (higher or lower) rate of policy lapses, terminations, changes to paid-up status (cessation of premium payment) and surrenders. The effect of the lapse risk is equal to the highest result of a permanent increase in lapse rates of 50%, a permanent decrease in lapse rates of 50% or a mass lapse event (70% of insurance policies in collective pension funds or 40% of the remaining insurance policies). The lapse shocks are only applied to portfolios where this leads to a higher best estimate.

Especially in the case of funeral policies the netting of positive and negative risks within model points can be considerable for policies that can be surrendered (completely ending the policy, with payment of surrender value) in the case of the mass lapse. In most cases, the shock scenario for determining the SCR for mass lapse for funeral policies consists of an immediate shock of 40% with respect to the continuation of premium payment (mass 'pup'-scenario). This is mostly in line with policy conditions. The mass pup treatment in the funeral portfolio for mass lapse risk reduces the netting of positive and negative risks to a level that is not material.

Life catastrophe risk

Catastrophe risk arises from extreme events which are not captured in the other Life insurance risks, such as pandemics. The capital requirement for this risk is calculated as a 1.5 per mille increase in mortality rates in the first projected year for (re)insurance obligations where the increase in mortality rates leads to an increase in technical provisions.

Mortgage Loans

Within the Individual life portfolio there is a group of policies directly linked to a mortgage loan ('Spaarhypotheken'). In case the mortgage loan is not provided by a.s.r., but by another party, which is the case for most of these policies, the interest that a.s.r. reimburses to the policyholder is claimed from the party that has provided the mortgage loan. This cashflow of interests from the provider of the mortgage loan to a.s.r. represents an asset. The cashflow and value of this asset depends on the cashflow of the linked savings policy. Therefore, the change in this asset value due to mortality or lapse is taken into account when determining the SCR for Life insurance risks.

Employee benefits

Until 31 December 2020, a.s.r. offered its employees post-employment defined benefit plans. As of January 1, 2021 a.s.r. offers its employees a defined contribution plan. This defined contribution plan has been agreed for the period 1 January 2021 until 31 December 2025. The existing defined benefit plan has ended and will not be renewed. The accrued pensions (until 1 January 2021) will remain guaranteed at a.s.r. life and are not transferred to the defined contribution plan. The plan amendment is recognised directly through profit of loss.

The accrued benefits under the defined benefit plans are insured with a.s.r. life, an insurance company within the group. Though the liability of the defined benefit plans is classified as employee benefits on the balance sheet and determined according to IFRS principles, the required capitals for the Life insurance risks are fully taken into account and based on Solvency II principles. The risk margin at a.s.r. group level equals the sum of risk margins of all underlying OTSOs. No correction is made for the elimination of post-employment benefit plans for a.s.r.'s employees with a.s.r. life.

The defined contribution plan is classified as a defined contribution plan according to IAS19 and is not accommodated in a separate entity. a.s.r. bears risks associated with death and disability and concerning the option the employees have of purchasing a guaranteed entitlement directly out of the defined contribution. These risks are limited and will be accounted for according to IAS19.

Other information

Within a.s.r. life the longevity risk is dominant and arises from group pension business and individual annuities. The longevity risk is partly offset by mortality risk that arises from the funeral portfolio and individual policies with mortality. The other main risks a.s.r. life is exposed to are expense risk and lapse risk.

The table below summarises the required capital for abovementioned life insurance risks based on the standard model after application of LAC TP. The impact of LAC TP increased in 2020 to € 74 million (2019: € 52 million).

Life insurance risk - required capital

	31 December 2020	31 December 2019
Mortality risk	267	281
Longevity risk	1,317	1,169
Disability-morbidity risk	5	6
Lapse risk	287	346
Expense risk	662	666
Revision risk	-	-
Catastrophe risk (subtotal)	82	89
Diversification (negative)	-855	-875
Life insurance risk	**1,765**	**1,682**

For the Life portfolio, the provision at year-end (provided figures are without reductions resulting from reinsurance contracts) can be broken down as follows under Solvency II:

Life portfolio - technical provisions per segment

	31 December 2020	31 December 2019
Insurance with profit participation		
Best estimate	17,414	18,762
Risk margin	1,128	1,133
Technical provision	**18,542**	**19,895**
Other life insurance		
Best estimate	17,711	14,669
Risk margin	1,040	774
Technical provision	**18,752**	**15,443**
Index-linked and unit-linked insurance		
Best estimate	10,265	9,790
Risk margin	77	84
Technical provision	**10,342**	**9,874**
Total		
Best estimate	45,391	43,222
Risk margin	2,246	1,991
Technical provision	**47,636**	**45,213**

A dominant factor in the increase of the technical provisions in 2020 was a decrease of the interest rate and UFR and the increase of the Unit-Linked fund value (total impact of € 3,725 million). The technical provisions have also increased due to the acquisition of the VvAA portfolio (€ 358 million at valuation date 30 September 2020). The expected natural outflow of the individual Life portfolio and (to a lesser extend) the traditional pensions portfolio has decreased the technical provisions (with € 1,729 million). Furthermore, updating assumptions, in particular mortality rates, expenses and investment expenses, has decreased the technical provisions considerably (with € 484 million). Finally, the deviation from the expectation on account of portfolio developments (with € 276 million) and the model changes (with € 81 million) increased the technical provisions. The movement of the risk margin (with € 255 million) was comparable with the development of the best estimate.

Also worth mentioning are transfers of technical provision from the category 'Insurance with profit participation' to the category 'Other Life insurance', because the applicable profit sharing has ended due to changed policy conditions.

C.1.1.1 Managing Life insurance risk

Life insurance risk is mitigated by pricing, underwriting policies and reinsurance.

Pricing is based on profit capacity calculations. A calculation is made of the price required to cover the risks. A calculation is made of the price required to cover the insurance liabilities, expenses and risks.

Underwriting policies describe the types of risks and the extent of risk a.s.r. is willing to accept. Policyholders may be subjected to medical screening for both Individual life and Funeral insurance.

Reinsurance
Reinsurance and other risk-mitigating measures are used to reduce the volatility of results or to decrease the possible negative impact on value as an alternative to the capital requirement. Reinsurance arrangements have been set up to mitigate the effects of catastrophes on earnings.
The level of retention in different reinsurance contracts is aligned with the size and the risk profile of the underlying portfolios. This includes taking account of the cost of reinsurance on the one hand, and the risk that is retained on the other.

In order to optimise its balance sheet risks, a.s.r. entered into a reinsurance agreement with Legal and General Re in 2015. The share of Legal and General Re is on behalf of a specific buy-out portfolio. The total share of the reinsurances for a.s.r. amounts to € 187 million per 31 December 2020.

C.1.2 Health insurance risk and Non-life insurance risk

C.1.2.1 Health insurance risk
The Health insurance portfolio of a.s.r. is diverse. The portfolio can be divided into two main product types:
- SLT Health portfolio (Similar to Life Techniques) Income Protection, which can be divided into:
  - Individual Disability (Zelfstandigen)
  - Group Disability (WIA)
- NSLT Health portfolio (Similar to Non-life Techniques), which can be divided into:
  - Income Protection (Sickness, and Individual and Group Accident)
  - Medical Expenses (Basic and Supplementary)

The insurance contracts are sold primarily to retail and wholesale clients through intermediaries.

The Health insurance portfolio of a.s.r. contains the following insurance risks:
- SLT Health risk
  - This risk is applicable to the SLT Health portfolio. The calculation is scenario-based. The scenarios are similar to the scenarios that are used to calculate the Life insurance risk.
- NSLT Health risk
  - This risk is applicable to the NSLT Health portfolio. The calculation is factor-based. The risk is calculated similarly to the Non-life insurance risk.
- Health Catastrophe risk
  - This risk is applicable to the entire Health portfolio. The calculation is scenario-based.

SLT Health Risk
Mortality risk
Mortality risk is associated with (re)insurance obligations where payments are made until the death of the policyholder and where an increase in mortality rates results in higher technical provisions. The required capital is calculated as the change in own funds of a permanent 15% increase in mortality rates. The increase in mortality rates is applied to portfolios where payments are contingent on mortality risk. The increase in mortality rates leads to an increase of the own funds. Therefore the mortality risk is zero for the Health portfolio.

Longevity risk
Longevity risk is associated with (re)insurance obligations where payments are made until the death of the policyholder and where a decrease in mortality rates results in higher technical provisions. The required capital is calculated as the change in own funds of a permanent 20% decrease in mortality rates. The decrease in mortality rates is applied to portfolios where payments are contingent on longevity risk.

Disability-morbidity risk
Morbidity or disability risk is the main risk to the SLT Health portfolio. The scenario analysis consists of a 35% increase in disability rates for the first year, 25% for subsequent years, combined with a decrease in revalidation rates of 20%.

Expense risk
A calculation is made of the effect of a permanent increase in costs, which is used for determining the best estimate. The scenario analysis contains an increase in the costs of 10% and an increase in the cost inflation of 1 percentage point per year.

Lapse risk
Lapse risk is the risk of losses (or adverse changes in the best estimate of the liabilities) due to an unanticipated (higher or lower) rate of policy lapses, terminations, changes to paid-up status (cessation of premium payment) and surrenders. The effect of the lapse risk is equal to the highest result of a permanent 50% increase in lapse rates, a permanent 50% decrease in lapse rates or a mass lapse event (40% mass lapse). For the SLT Health portfolio, the mass lapse event is dominant.

Future management action
According to the insurance conditions, a.s.r. non-life has the ability to adjust the premiums and insurance conditions group wise in the future for the disability portfolio. Therefore, the contract boundary of the disability contracts without an individual risk assessment at acceptance is equal to the contract term. For contracts with an individual risk assessment at acceptance, the contract boundary is equal to the end age, because the contracts will be tacitly renewed until the end age is reached, without repeating the risk assessment. These contracts with an individual risk assessment involve the Individual Self-employed and the Individual Employees portfolio's. For these portfolio's, a.s.r. non-life applies a future management action (FMA), as noted in article 23 of the Delegated Acts. The trigger, as defined in the FMA, is hit in the Income Protection Disability-Morbidity Risk (article 156 DA) scenario.

For a number of Loyalis products within the group disability portfolio, it is determined annually whether the insured amounts are indexed. For the majority of the portfolio, there is a conditional indexation based on a (discretionary) management decision, based among other things on interest result. In a financially unfavourable year, there is the possibility of not paying out indexation, which is a FMA as noted in article 23 of the Delegated Acts.

NSLT Health Risk
Premium and reserve risk
The premium risk is the risk that the premium is not adequate for the underwritten risk. The premium risk is calculated over the maximum of the expected earned premium of the next year, and the earned premium of the current year. The reserve risk is the risk that the current reserves are insufficient to cover their run-off over a 12 month time horizon.

NSLT lapse risk
The basic and additional health insurance are compulsory insurance contracts for one year without intermediate possibility of termination and therefore lapse risk is negligible for the basic health insurance.

Health catastrophe risk
Medical Expense
A health catastrophe for the NSLT Health portfolio is an unexpected future event with a duration of one year. The risk is determined ultimo year. The amount of catastrophe risk is apparent from the number of insured and parameters for mass accident scenario and pandemic scenario that have been approved by DNB in consultation with Health Insurers Netherlands. Accident concentration is not applicable for NSLT Health. The catastrophe risk has a projection of one year (T) following from the contract boundary of one year in accordance with the Dutch Health Insurance Act. After year T the risk is 'zero'. Catastrophe risk for AV equals zero because these contracts have a maximum compensation for claims.

Income Protection
This component is calculated for policies for which an increase in mortality rates or morbidity rates or disability rates leads to an increase in the best estimate. There are three scenarios, which are calculated for all SLT Health and portfolios.

Mass accident scenario
In this scenario, an accident takes place during a major public event. The risk is that 10% of the attendees are killed, 3.5% are permanently disabled, 16.5% are disabled for 12 months and 30% need medical attention.

Accident concentration scenario
In this scenario, an accident takes place on site, with the most of our insured at the same location. The risk is that 10% of those present are killed, 3.5% are permanently disabled, 16.5% are disabled for 12 months and 30% need medical attention. In 2020, due to COVID-19 most employees of a.s.r. worked at home, therefore the input of this scenario changed.

Pandemic scenario
In this scenario, there is a pandemic, which causes 1% of those affected to be hospitalised and 20% to see a local practitioner. This is the scenario related to the standard model, in which the COVID-19 impact is not reflected.

Health insurance risk - required capital

	31 December 2020	31 December 2019
Health SLT	929	837
Health Non-SLT	328	266
Catastrophe Risk (subtotal)	72	92
Diversification (negative)	-178	-169
Health (Total)	**1,151**	**1,026**
Mortality risk	-	-
Longevity risk	44	34
Disability-morbidity risk	785	731
Expense risk	133	113
Revision risk	195	120
Lapse risk	164	142
Diversification (negative)	-391	-302
Health SLT (subtotal)	**929**	**837**
Medical expenses insurance and proportional reinsurance	120	89
Income protection insurance and proportional reinsurance	251	209
Diversification (negative)	-43	-33
Health Non-SLT (subtotal)	**328**	**266**
Mass accident risk	25	20
Accident concentration risk	59	87
Pandemic risk	33	25
Diversification (negative)	-45	-39
Catastrophe risk (subtotal)	**72**	**92**

The SCR for the Health Non-SLT risk differs from the sum of the amounts reported in the OTSO QRTs. This difference is caused due to a diversification benefit on group level.

For the SLT Health portfolio, the provision at year-end can be broken down as follows under Solvency II.

SLT Health portfolio - technical provisions per segment

	31 December 2020	31 December 2019
Best estimate	4,192	3,702
Risk margin	443	426
Technical provision	**4,635**	**4,127**

For the NSLT Health portfolio, the provision at year-end can be broken down as follows under Solvency II.

NSLT Health portfolio - technical provisions per segment

	31 December 2020	31 December 2019
Best estimate	507	392
Risk margin	44	39
Technical provision	**551**	**431**

C.1.2.2 Non-life insurance risk

Non-life Insurance risk can be broken down into:

- Premium and reserve risk
- Non-life catastrophe risk
- Lapse risk

Premium- and reserve risk

The premium- and reserve risk is derived at the level of a legal entity based on the standard model. The premium- and reserve risk is the risk that the premium respectively the reserve is not adequate for the underwritten risk. Hereby is the reserve risk associated with historical years, where the premium risk is associated with the future year(s). The premium risk is calculated over the maximum of the expected written premium for the next year and the written premium for the current year. For the calculation of the premium- and reserve risk, several input data and parameters are necessary, as described in the standard model. The geographical spread, when a (re)insurer underwrites products in different countries, is not relevant for a.s.r. non-life as there is no material exposure outside the Netherlands.

Non-life Catastrophe Risk Module

Catastrophe risk is defined as the risk of loss or adverse change in the value of insurance liabilities, resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events. The Non-life SCR Catastrophic Risk Module used, consists of natural catastrophe risk (Windstorm and Hail), man-made catastrophe risk (Fire, Motor and Liability) and other Non-life catastrophe risk. The Non-life Catastrophe Risk Module is derived at the level of a legal entity based on the standard model.

Lapse risk

The lapse risk is the loss in basic own funds caused by the discontinuance of 40% of the policies for which discontinuation would result in an increase of technical provisions (without the risk margin). The calculation is based on the type of discontinuance which most negatively affects the basic own funds, which is for Non-life immediately termination of the policy.

Below table summarises the required capital for abovementioned Non-life insurance risks based on the standard model.

Non-life insurance risk - required capital

	31 December 2020	31 December 2019
Premium and reserve risk	510	480
Lapse risk	50	53
Catastrophe risk	102	104
Diversification (negative)	-116	-119
Non-life insurance risk	**547**	**518**
Natural catastrophe risk	74	80
Man-made catastrophe risk	68	65
Other non-life catastrophe risk	20	16
Diversification (negative)	-59	-57
Catastrophe risk (subtotal)	**102**	**104**

For the Non-life portfolio, the provision at year-end can be broken down as follows under Solvency II:

Non-life portfolio - technical provisions per segment

	31 December 2020	31 December 2019
Best estimate	1,389	1,276
Risk margin	82	73
Technical provision	**1,471**	**1,349**

C.1.2.3 Managing Health and Non-life insurance risk

Health and Non-life insurance risk is managed by monitoring claims frequency, the size of claims, inflation, handling time, benefit and claims handling costs, and biometrical risks (disability, recovery, illness, death). Concentration risk also qualifies as an insurance risk.

In recent years, measures have been taken to improve profitability and reduce risk. Examples are: premium increases, stricter acceptance criteria, shorter claims filing terms and making use of the claims reassessment arrangement between the Dutch Association of insurers and social security institute UWV. Effects are being monitored closely and assessed to be effective.

Claims frequency, size of claim and inflation

To mitigate the risk of claims, a.s.r. bases its underwriting policy on claims history and risk models. The policy is applied to each client segment and to each type of activity. In order to limit claims and/or ensure that prices are adjusted correctly, the acceptance policy is continually refined using a number of indicators and statistical analyses. The product lines also use knowledge or expectations with respect to future trends to estimate the frequency, size and inflation of claims. The risk of unexpected major damage claims is contained by policy limits, the concentration of risk management and specific risk transfer contracts (e.g. reinsurance).

Handling time

The time required for handling and settling claims is an important factor. The settlement of claims that have a long handling time, such as liability claims, can take many years. Analyses are performed regularly and based on a.s.r.'s experience in similar cases, historical trends – such as the pattern of liabilities – increases in risk exposure, payment of damages, the scale of current and not yet settled damage claims, court rulings and economic conditions.

Benefit and claims handling costs

Taking estimated future inflation into account, benefit and claims handling costs are managed based on regular reviews and related actions.

Disability risk

Disability risk is controlled by means of regular evaluation of historical claims patterns, expected future developments and price adjustments. Disability risk is mitigated by a.s.r. through underwriting criteria and a proactive reintegration policy. a.s.r. also mitigates its disability risk through suitable reinsurance.

Concentration risk

Geographically, the risk exposure of a.s.r. on its health and Non-life portfolio is almost entirely concentrated in the Netherlands. Concentration of insurance risks is particularly prevalent in the fire risk portfolio (i.e. home and content, with storm risk forming the most important factor). Storm risk is managed by means of suitable reinsurance (see also 'Reinsurance').

There is also a concentration of risk in group disability schemes. Group disability contracts are underwritten within the scope of disability cover for employees in the Netherlands (WIA).

Reinsurance

When deemed effective in terms of capital relief versus costs incurred, a.s.r. enters into reinsurance agreements to mitigate Non-life insurance risks. Reinsurance can be taken out for each separate claim (per risk), for the accumulation of claims due to natural disasters or to human actions (per event), or for both these risks.

The level of retention in the various reinsurance contracts is aligned with the size and the risk profile of the underlying portfolios, taking into account of the cost of reinsurance on the one hand, and the risk that is retained on the other.

C.2 Market risk

Market risk is the risk of potential losses due to adverse movements in financial market variables. Exposure to market risk is measured by the impact of movements in financial variables such as equity prices, interest rates and property prices. The various types of market risk which are discussed in this section, are:
- interest rate risk
- equity risk
- property risk
- currency risk

- spread risk
- concentration risk

Market risk reports are submitted to the FRC at least once a month. Key reports on market risk include the Solvency II and economic capital report, the interest rate risk report and the report on risk budgets related to the strategic asset mix.

A summary of sensitivities to market risks for the regulatory solvency, total equity and profit for the year is presented in the tables below. The first table summarises the required capital for market risks based on the standard model:

Market risk - required capital

	31 December 2020	31 December 2019
Interest rate	603	386
Equity	967	855
Property	1,124	1,090
Currency	194	263
Spread	1,112	1,169
Concentration	-	46
Diversification (negative)	-740	-753
Total	**3,261**	**3,055**

The main market risks of a.s.r. are spread, property and equity risk. This is in line with the risk budgets based on the strategic asset allocation study. Market risk increased mainly driven by low interest rates and re-risking of the investment portfolio.

The value of investment funds at year-end 2020 was € 4,687 million (2019: € 4,427 million). a.s.r. applies the look through approach for investment funds to assess the market risk.

The interest rate risk is the maximum loss of (i) an upward shock or (ii) a downward shock of the yield curve. For a.s.r. the downward shock is dominant.

The diversification effect shows the effect of having a well-diversified investment portfolio.

C.2.1 Interest rate risk

Interest rate risk is the risk that the value of assets, liabilities or financial instruments will change due to fluctuations in interest rates. Many insurance products are exposed to interest rate risk; the value of the products is closely related to the applicable interest rate curve. The interest rate risk of insurance products depends on the term to maturity, interest rate guarantees and profit-sharing features. Life insurance contracts are particularly sensitive to interest rate risk. The required capital for interest rate risk is determined by calculating the impact on the available capital due to changes in the yield curve. Both assets and liabilities are taken into account. The interest rate risk is the maximum loss of (i) an upward shock or (ii) a downward shock of the yield curve according to the prescribed methodology. a.s.r. applies a look through approach for investment funds to assess the interest rate risk.

The interest rate risk is calculated by a relative shock up- and downward shock of the risk-free (basis) yield curve. All adjustments (credit spread, volatility adjustment) on this yield curve are considered constant. The yield curve is extrapolated to the UFR. The yield curve after shock is not extrapolated again to the UFR.

The used shocks vary by maturity and the absolute shocks are higher for shorter maturities (descending: 75% to 20% and ascending: -70% to -20%):
- the yield curve up shock contains a minimum shock of 100bps;
- the yield curve after the downward shock is limited to zero (no negative interest rates);
- the yield curves of all currencies are shocked simultaneously.

Interest rate risk - required capital

	31 December 2020	31 December 2019
SCR interest rate risk up	-91	-30
SCR interest rate risk down	-603	-386
SCR interest rate risk	**603**	**386**

In 2020 the interest rate risk increased due to the decrease in interest rates.

a.s.r. has assessed various scenarios to determine the sensitivity to interest rate risk. The impact on the solvency ratio is calculated by determining the difference in the change in available and required capital.

Solvency II sensitivities - interest rate

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
UFR 3.2%	-13	-16	-1	-3	-14	-19
Interest rate +1% (2020 incl. UFR 3.75% / 2019 incl. UFR 3.90%)	-4	-4	+16	+13	+12	+8
Interest rate -1% (2020 incl. UFR 3.75% / 2019 incl. UFR 3.90%)	+5	+7	-10	-13	-5	-7
Volatility Adjustment -10bp	-10	-10	-1	-2	-11	-11

Interest rate risk is managed by aligning fixed-income investments to the profile of the liabilities. Among other instruments, swaptions and interest rate swaps are used for hedging the specific interest rate risk arising from interest rate guarantees and profit-sharing features in life insurance products.

An interest rate risk policy is in place for the Group as well as for the registered insurance companies. All interest rate- sensitive balance sheet items are in scope, including the employee benefit obligations of the Group. In principle, the sensitivity of the solvency ratio to interest rates is minimised. In addition, the exposure to interest rate risk or various term buckets is subject to maximum amounts.

C.2.2 Equity risk

The equity risk depends on the total exposure to equities. In order to maintain a good understanding of the actual equity risk, a.s.r. applies the look through approach for investment funds to assess the equity risk.

The required capital for equity risk is determined by calculating the impact on the available capital due to an immediate drop in share prices. Both assets and liabilities are taken into account. Stocks listed in regulated markets in countries in the EEA or OECD are shocked by 39% together with the symmetric adjustment of the equity capital charge (type I). Stocks in countries that are not members of the EEA or OECD, unlisted quities, alternative investments, or investment funds in which the look-through principle is not possible, are shocked by 49% together with the symmetric adjustment of the equity capital charge (type II). Investments of a strategic nature are shocked by 22%.

a.s.r. applies the transitional measure for equity risk for shares in portfolio at 31 December 2015. The SCR equity shock was 22% at 31 December 2015 and linear increasing in 7 years to (i) 39% + equity dampener for type I shares and (ii) 49% + equity dampener for type II shares. This resulted in a reduction of the average risk charge of equity risk of about 1.7% per 31 December 2020.

Equity risk - required capital

	31 December 2020	31 December 2019
SCR equity risk - required capital	967	855

In 2020 the equity risk increased mainly due to the increased exposure to equities and the upward effect due to the run-off of the transistional measure of equity risk. The impact of (i) the equity dampener; (ii) the option portfolio and (iii) the unit linked portfilio was per saldo limited.

In case the transitional measure would not be used, SCR equity risk would increase to € 1,011 million.

Solvency II sensitivities - equity prices

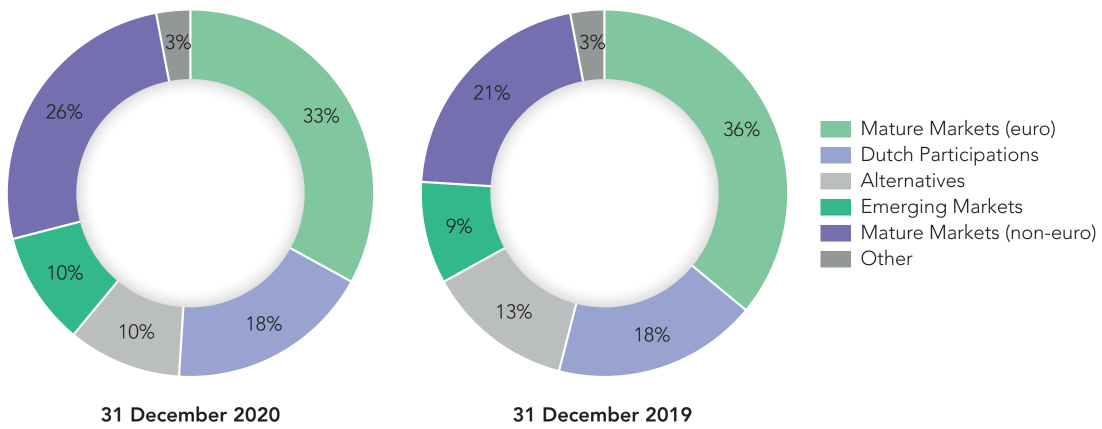
Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Equity prices -20%	-10	-10	+13	+11	+3	+1

Composition of equity portfolio
The fair value of equities and similar investments at year-end 2020 was € 2,633 million (2019: € 2,421 million). The increase in 2020 was both due to the positive returns on the equity markets and transactions.

The equities are diversified across the Netherlands (including participating interests), other European countries and the United States. A limited part of the portfolio consists of investments in emerging markets and alternatives. A portfolio of put options with an value of € 13 million is in place to mitigate the equity risk.

The table below shows the exposure of the equity portfolio to different categories. The total value is including the equities in externally managed funds.

Composition equity portfolio



C.2.3 Property risk
The property risk depends on the total exposure to real estate. In order to maintain a good understanding of the actual property risk, a.s.r. applies the look through approach for investment funds to assess the property risk.

The required capital for property risk is determined by calculating the impact on the available capital due to an immediate drop in property prices by 25%. Both assets and liabilities are taken into account.

Property risk - required capital

	31 December 2020	31 December 2019
SCR property risk - required capital	1,124	1,090

Since the third quarter 2019 EIOPA allows to apply the look through approach for participations. a.s.r. applies look through approach for participations which activities are primarily real estate investments.

Besides this methodology change, the real estate exposure also increased due to both transactions and increases in property prices. As a result the required capital for property risk increased.

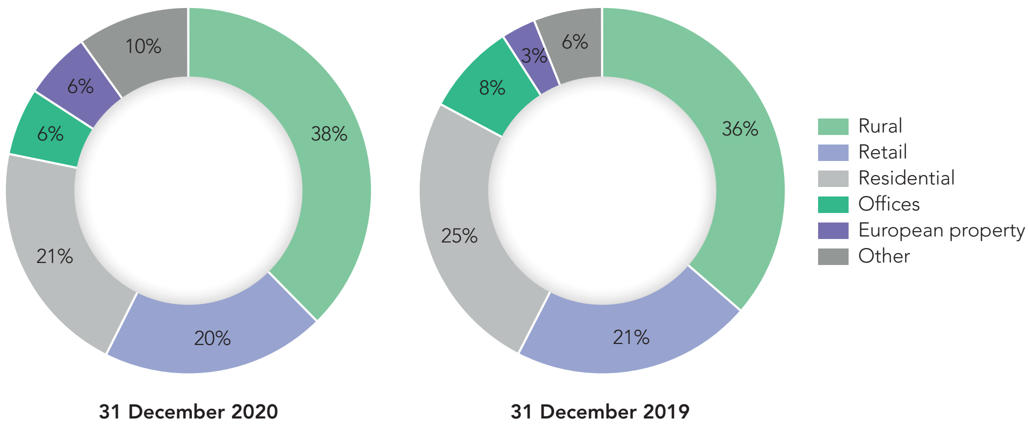
The sensitivity of the solvency ratio to changes in property value is monitored on a monthly basis. Sensitivity of regulatory solvency (Solvency II) to changes in property prices is shown in the following table.

Solvency II sensitivities - property values

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Property values -10%	-8	-9	+3	+3	-5	-6

The property risk depends on the total exposure to property, which includes both property investments and property held for own use. The fair value of property was € 4,688 million at year-end 2020 (2019: € 4,524 million). The increase in 2020 (approximately € 164 million) was a result of both transactions (approximately € 90 million) and increases in property prices (approximately € 74 million).

Composition property portfolio



C.2.4 Currency risk

Currency risk measures the impact of losses related to changes in currency exchange rates. The table below provides an overview of all currencies with exposure on liabilities and the currencies with the largest exposures. a.s.r. has currency risk to insurance products in American dollars (USD), Australian dollars (AUD) and South African Rands (ZAR). The policy of a.s.r. is in principle to hedge the currency risk excluding investments in equities and investments that are externally managed. However, certain currency exposures are permitted from a tactical perspective within a specific risk budget.

The required capital for currency risk is determined by calculating the impact on the available capital due to a change in exchange rates. Both assets and liabilities are taken into account and a look-through approach is applied for investment funds. For each currency the maximum loss due to an upward and a downward shock of 25% is determined except for a small number of currencies where lower shocks are applied (Danish crown; Bulgarian lev).

Currency risk - required capital

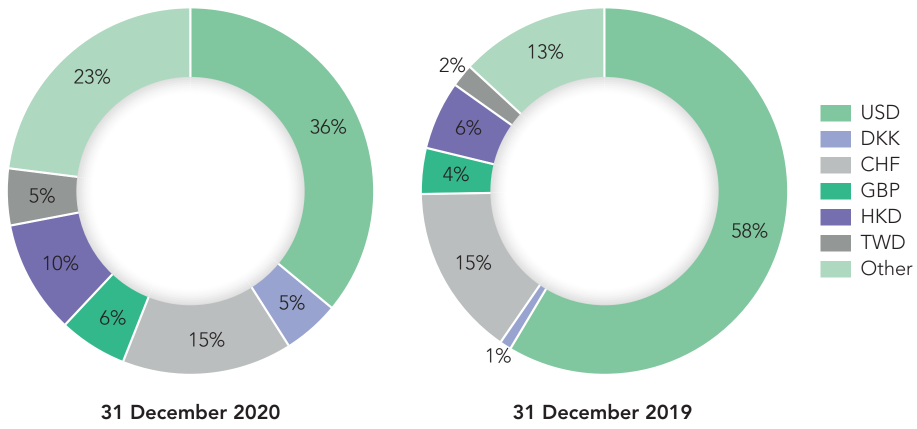
	31 December 2020	31 December 2019
SCR currency risk - required capital	194	263

In 2020 the SCR Currency risk has decreased with € 68 million. The main reason for this reduction is a currency hedge for a part of the non-Euro equity portfolio.

Specification currencies with largest exposure

The exposure to non-Euro equity has substantially decreased due to a currency hedge which is implemented in the last quarter of 2020. In 2020 the non-Euro liabilities have further decreased due to a run-off of the portfolio's.

Composition currency portfolio



C.2.5 Spread risk

Spread risk arises from the sensitivity of the value of assets and liabilities to changes in the level of credit spreads on the relevant risk-free interest rates. a.s.r. has a policy of maintaining a well-diversified high-quality investment grade portfolio while avoiding large risk concentrations. Going forward, the volatility in spreads will continue to have possible short-term effects on the market value of the fixed income portfolio. In the long run, the credit spreads are expected to be realised and to contribute to the growth of the own funds. The required capital for spread risk is determined by calculating the impact on the available capital due to the volatility of credit spreads over the term structure of the risk-free rate.

The required capital for spread risk is equal to the sum of the capital requirements for bonds, structured products and credit derivatives. The capital requirement depends on (i) the market value, (ii) the modified duration and (iii) the credit quality category.

Spread risk - required capital

	31 December 2020	31 December 2019
SCR spread risk - required capital	1,112	1,169

The SCR spread risk decreased in 2020, due to the shortening duration of the credit portfolio.

The sensitivity to spread risk is measured as the impact of an increase of spread on loans and corporate bonds of 75 bps. The VA is based on a reference portfolio. An increase of 75 bps of the spreads on loans and corporate bonds within the reference portfolio leads to an increase of the VA with 15 bps in 2020 (2019: 18 bps). The credit spread sensitivity slightly increased from +15 to +17.

Solvency II sensitivities - spread risk

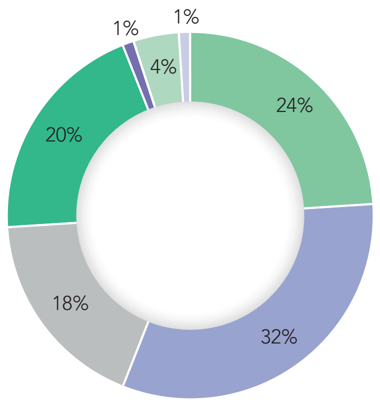
Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Spread +75bps/(2020: VA +15bps/2019: VA + 18bps)	+14	+11	+3	+4	+17	+15

Composition of fixed income portfolio

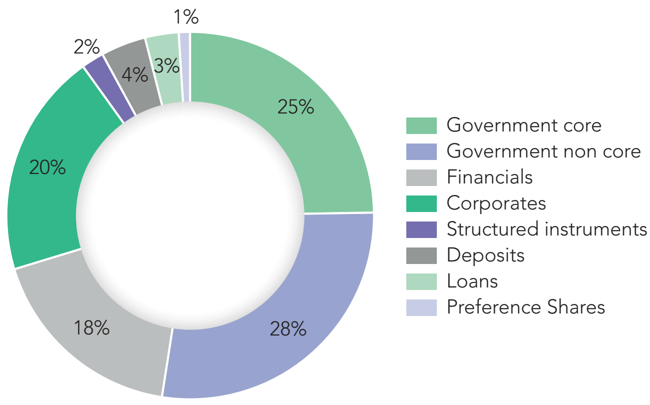
Spread risk is managed on a portfolio basis within limits and risk budgets established by the relevant risk committees. Where relevant, credit ratings provided by the external rating agencies are used to determine risk budgets and monitor limits. A limited number of fixed-income investments do not have an external rating. These investments are generally assigned an internal rating. Internal ratings are based on methodologies and rating classifications similar to those used by external agencies. The following tables provide a detailed breakdown of the fixed-income exposure by (i) rating class and (ii) sector. Assets in scope of spread risk are, by definition, not in scope of counterparty default risk.

The total exposure of assets in scope of spread risk is € 31,695 million (2019: € 31,297 million). The portfolio composition is similar to 2019. As an alternative for cash, a part of the cash position is invested in short term non-core government bonds per the end of 2020. This explains the increase in this category.

Composition fixed income portfolio by sector

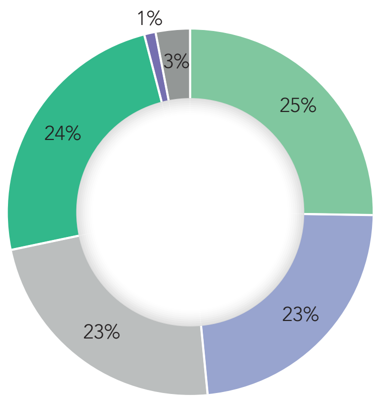


31 December 2020

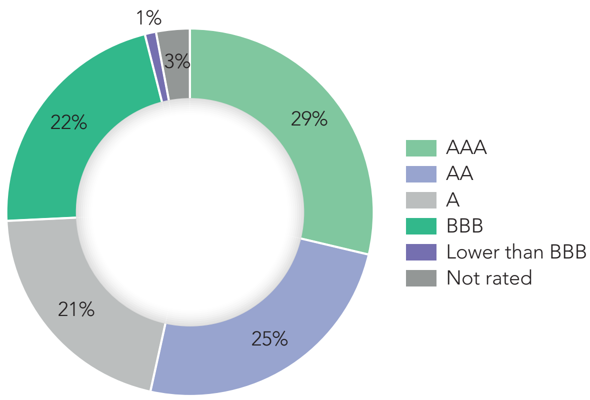


31 December 2019

Composition fixed income portfolio by rating



31 December 2020



31 December 2019

C.2.6 Market risk concentrations

Concentrations of market risk constitute an additional risk to an insurer. Concentration risk is the concentration of exposures to the same counterparty. Other possible concentrations (region, country, etc.) are not in scope. The capital requirement for concentration risk is determined in three steps:

1. determine the exposure above threshold. The threshold depends on the credit quality of the counterparty;
2. calculation of the capital requirement for each counterparty, based on a specified factor depending on the credit quality;
3. aggregation of individual capital requirements for the various counterparties.

According the spread risk module, bonds and loans guaranteed by a certain government or international organisation are not in scope of concentration risk. Bank deposits can be excluded from concentration risk if they fulfil certain conditions.

Concentration risk - required capital

	31 December 2020	31 December 2019
SCR concentration risk - required capital	-	46

In order to avoid concentrations in a single obligor, a.s.r. applies a limit on maximum exposure of € 700 million for issuers with a single A rating and higher and € 350 million for issuers with a BBB rating. The limits apply to the total investment portfolio, where government bonds are not included, which is consistent with Solvency II.

The required capital for market risk concentrations is decreased due to short term deposits received as collateral for the interest rate derivatives.

C.3 Counterparty default risk

Counterparty default risk reflects possible losses due to unexpected default or deterioration in the credit standing of counterparties and debtors. Counterparty default risk affects several types of assets:
- mortgages
- savings-linked mortgage loans ('Spaarlossen')
- derivatives
- reinsurance
- receivables
- cash and deposits

Assets that are in scope of spread risk are, by definition, not in scope of counterparty default risk and vice versa. The Solvency II regime makes a distinction between two types of exposures:
- Type 1: These counterparties generally have a rating (reinsurance, derivatives, current account balances, deposits with ceding companies and issued guarantee (letter of credit). The exposures are not diversified.
- Type 2: These counterparties are normally unrated (receivables from intermediaries and policyholders, mortgages with private individuals or SMEs). The exposures are generally diversified.

The total capital requirement for counterparty risk is an aggregation of the capital requirement for type 1 exposure and the capital requirement for type 2 exposure by taking 75% correlation.

Counterparty default risk - required capital

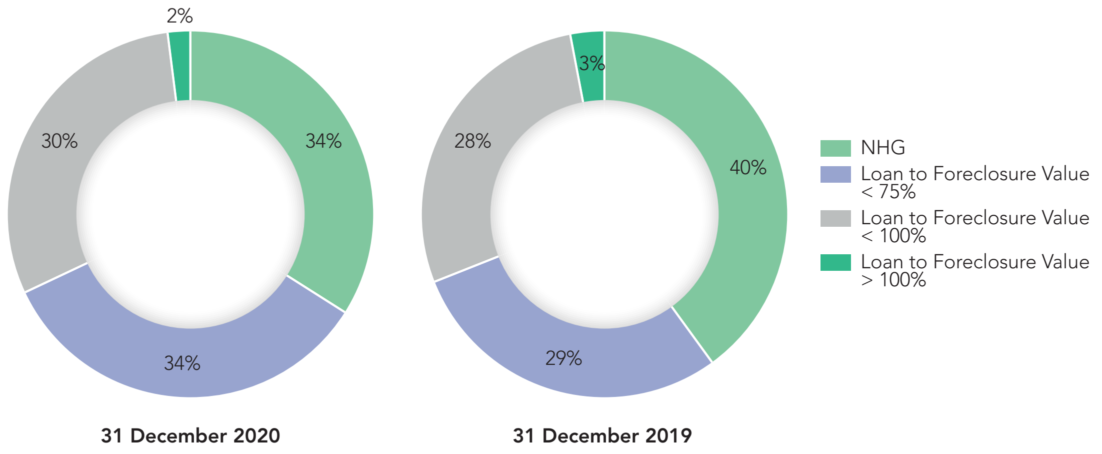
	31 December 2020	31 December 2019
Type 1	108	144
Type 2	312	338
Diversification (negative)	-21	-26
Total	**399**	**456**

The Counterparty risk type 1 has decreased a) due to decrease of cash position and b) due to the decrease of exposure to derivative portfolio. The counterparty risk type 2 has decreased due to the decrease of the exposure to the Mortgage portfolio. The later is due to the quarterly revaluation of the underlying property. The mortgage underlying property values have increased in 2020. The total counterparty risk has decreased by € 57 million.

C.3.1 Mortgages

Mortgages are granted for the account and risk of third parties and for a.s.r.'s own account. The a.s.r. portfolio consists only of Dutch mortgages with a limited counterparty default risk. The fair value of a.s.r.'s mortgage portfolio was € 9,464 million at year-end 2020 (2019: € 8,401 million).

Composition mortgage portfolio



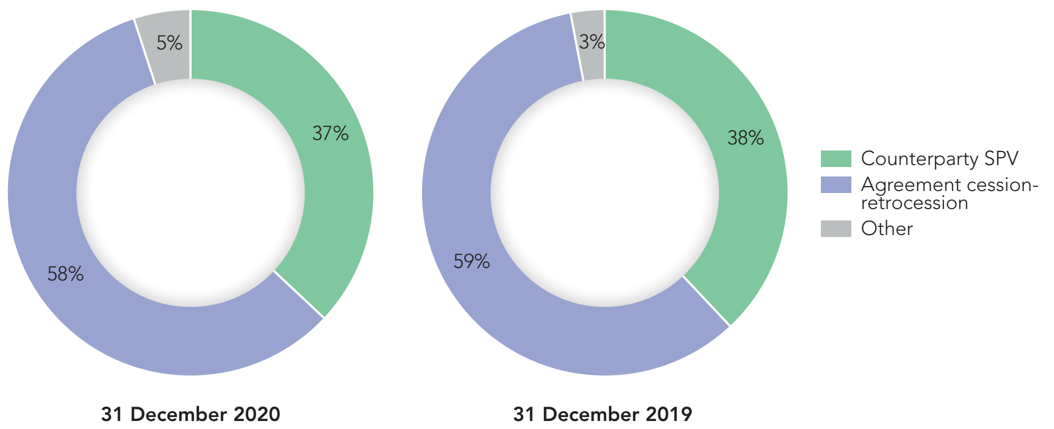
The Loan-to-Value ratio is based on the value of the mortgage according SII principals with respect to the a.s.r. calculated collateral.

Even within the context of the COVID-19 pandemic, the percentage of mortgages which are in arrears for over three months has decreased from 0.05% in December 2019 to 0.03% in December 2020.

C.3.2 Savings-linked mortgage loans

The counterparty default risk of the savings-linked mortgage loans ('Spaarlossen') depends on the counterparty. For 37% of the portfolio, the counterparties are Special Purpose Vehicles. The risk is limited due to the robust quality of the mortgages in the Special Purpose Vehicles in combination with the tranching. a.s.r. has a cession-retrocession agreement with the counterparty for 58% of the portfolio, for which the risk is limited. Effectively, a.s.r. receives the underlying mortgage loans as collateral, mitigating the counterparty default risk of the savings-linked mortgage loans.

Composition savings-linked mortgage loans portfolio



C.3.3 Derivatives

Over the Counter (OTC) derivatives are primarily used by a.s.r. to manage the interest-rate risks incorporated into the insurance liabilities. Interest-rate derivatives are traded with a well-diversified and qualitative dealer panel with whom there is an established International Swaps and Derivatives Association (ISDA) contract and a Credit Support Annex (CSA) in place. These CSAs include specific agreements on the exchange of collateral limiting market and counterparty risk. The outstanding value of the interest rate derivative positions is matched by collateral received from eligible counterparties, minimising the net counterparty default risk.

C.3.4 Reinsurance

a.s.r. collaborates with reinsurers for fire and catastrophe risk. When entering into reinsurance contracts for fire and catastrophe, a.s.r. requires the counterparty to be rated at least single A. With respect to long-tail business and other sectors, the minimum permitted rating is single A.

The table above shows the exposure to reinsurers per rating. The total exposure to reinsurers at year-end 2020 was € 493 million (2019: € 539 million).

Composition reinsurance counterparties by rating

	31 December 2020	31 December 2019
AAA	0%	0%
AA	90%	89%
A	6%	8%
NR	3%	3%
Total	**100%**	**100%**

C.3.5 Receivables

The receivables increased to € 856 million in 2020 (2019: € 808 million), mainly driven by higher trade receivables per year-end. The composition of the receivables is presented in the table below.

Composition receivables

	31 December 2020	31 December 2019
Policyholders	109	144
Intermediaries	88	93
Reinsurance operations	175	188
Health insurance fund	107	106
Other	377	278
Total	**856**	**808**

C.3.6 Cash and cash equivalents

The current accounts on the balance sheet amounted € 1,590 million in 2020 (2019: € 1,782 million).

Composition cash accounts by rating

	31 December 2020	31 December 2019
AAA	15	-
AA	-2	-
A	1,568	1,756
Lower than A	9	26
Total	**1,590**	**1,782**

Composition deposits by rating

	31 December 2020	31 December 2019
Secured deposits	-	420
AAA	-	-
AA	-	-
A	-	-
Total	**-**	**420**

C.4 Liquidity risk

Liquidity risk is the risk that a.s.r. is not able to meet its financial obligations to policyholders and other creditors when they become due and payable, at a reasonable cost and in a timely manner. Liquidity risk is not quantified in the SCR of a.s.r, and is therefore separately discussed here.

a.s.r. recognises different levels of liquidity management. First, short-term liquidity management which covers the day-to-day cash requirements and aims to meet short term liquidity risk targets. Second level covers the long-term liquidity management. This, among others, considers the strategic matching of liquidity & funding needs in different business conditions in which market liquidity risk could materialize. Finally stress liquidity management refers to the ability to respond to a potential crisis situation as a result of a market event and/or an a.s.r.-specific event. For example liquidity outflows could occur as result of lapses in the insurance portfolio, catastrophe risk or high cash variation margin payments related to the ISDA/CSA agreements of derivatives. a.s.r. monitors its liquidity risk via different risk reporting and monitoring processes including cash management reports, cash flow forecasts and liquidity dashboards in which liquidity outflows are calculated for different stress scenarios.

a.s.r.'s liquidity management principle consists of three components. First, a well-diversified funding base in order to provide liquidity for cash management purposes. A portion of assets must be held in cash and invested in unencumbered marketable securities so it can be used for collateralised borrowing or asset sales. In order to cover liquidity needs in stress events a.s.r. has committed repo-facilities in place to ensure liquidity under all market circumstances. Second, the strategic asset allocation should reflect the expected and contingent liquidity needs of liabilities. Finally, an adequate and up-to-date liquidity policy and contingency plan are in place to enable management to act effectively and efficiently in times of crisis.

In managing the liquidity risk from financial liabilities, a.s.r. holds liquid assets comprising cash and cash equivalents and investment grade securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements. As at 31 December 2020, a.s.r. had cash (€ 1,319 million), short-term secured deposits (€ 1,542 million) and liquid government bonds (€ 17,550 million). Furthermore, a.s.r. has access to committed cash facilities and an unsecured revolving credit facility in order to meet its liquidity needs in times of stress.

The following table shows the contractual undiscounted cash flows of the insurance and financial liabilities.

The insurance liabilities are excluding insurance contracts on behalf of policyholders and include the impact of expected lapses and mortality risk. Profit-sharing cash flows of insurance liabilities are not taken into account, nor are equities, property and swaptions.

Contractual cashflows

	Payable on demand	< 1 years	1-5 years	5-10 years	> 10 years	Total carrying value
31 December 2020						
Insurance liabilities	-	3,978	7,717	7,034	21,461	54,597
Derivatives liabilities	-	221	556	227	434	1,419
Financial liabilities	8,353	616	242	22	1,003	10,227
Future interest payments	-	43	170	213	705	-
Total	**8,353**	**4,858**	**8,685**	**7,495**	**23,603**	**66,243**

	Payable on demand	< 1 years	1-5 years	5-10 years	> 10 years	Total carrying value
31 December 2019						
Insurance liabilities	-	2,897	7,971	7,323	25,193	51,032
Derivatives liabilities	-	130	288	131	188	676
Financial liabilities	5,995	501	113	115	1,007	7,721
Future interest payments	-	43	170	213	748	-
Total	**5,995**	**3,571**	**8,541**	**7,781**	**27,135**	**59,429**

When the amount payable is not fixed the amount reported is determined by reference to the conditions existing at the reporting date.

Financial liabilities payable on demand include the liability recognised for cash collateral received under ISDAs, concluded with counterparties. The related cash collateral received is recognised as cash and cash equivalents, and not part of the liquidity risk exposure table.

Expected profit included in future premiums

The expected profit included in future premiums (EPIFP) means the expected present value of future cash flows which result from the inclusion in technical provisions of premiums relating to existing insurance and reinsurance contracts that are expected to be received in the future, but that may not be received for any reason, other than because the insured event has occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy.

EPIFP

	31 December 2020	31 December 2019
EPIFP	847	1,073

The expected profit included in future premiums declined in 2020 due to the decrease in interest rates.

C.5 Operational risk

Operational risk is the risk of losses resulting from inadequate or failing internal processes, persons and systems, or from external events (including legal risk). The main areas where operational risks are incurred are operations, IT, outsourcing, integrity and legal issues.

Operational risk - required capital

	31 December 2020	31 December 2019
SCR operational risk - required capital	253	237

The SCR for operational risk amounts to € 253 million at the end of 2020 (2019: € 237 million) and is determined with the standard formula under Solvency II. The operational risk is based on the basic SCR, the volumes of premiums and technical provisions, and the amount of expenses.

Operational risk increased mainly driven by higher best estimate liabilities due to the decreased interest rates in 2020.

C.6 Other material risks

As part of the regular ORSA process, the overall risk profile and associated solvency capital needs are assessed against a.s.r.'s actual solvency capital position. The most important risks to which a.s.r. is exposed, including risks that are not incorporated into the standard formula, are identified through a combined top-down (strategic risk assessment) and bottom-up (control risk self-assessments) approach. After assessment of the effectiveness of the mitigating measures, the risks with the highest 'Level of Concern' (LoC) are translated to the a.s.r. risk priorities and relevant risk scenarios for the ORSA. The following risks, outside the scope of the standard formula, are recognised by a.s.r. as being potentially material:

- Inflation risk;
- Reputation risk;
- Liquidity risk;
- Contagion risk;
- Legal environment risk;
- Model risk;
- Risks arising from non-insurance activities (non-OTSOs);
- Strategic risk;
- Emerging risk;
- Environmental, Social & Governance (ESG) risk.

As part of the appropriateness assessment of the standard formula mitigating measures regarding these risks are identified and evaluated.

C.7 Any other information

C.7.1 Description of off-balance sheet positions
Off balance sheet positions different from the financial statements do not exist.

C.7.2 Reinsurance policy and risk budgeting

C.7.2.1 Reinsurance policy
When deemed effective in terms of capital relief versus costs incurred, a.s.r. enters into reinsurance agreements to mitigate Non-life insurance risks. Reinsurance can be taken out for each separate claim (per risk), for the accumulation of claims due to natural disasters or to human actions (per event), or for both these risks.

The level of retention in the various reinsurance contracts is aligned with the size and the risk profile of the underlying portfolios, taking account of the cost of reinsurance on the one hand, and of the risk that is retained on the other. By determining the retention, the impact on the statement of financial position is taken into account as well.

To limit risk concentration, reinsurance contracts are placed with various reinsurance companies. a.s.r. requires the counterparties to be rated at least single A-. The reinsurance programme has remained largely the same as in previous years in terms of cover and limits. In 2019, a.s.r. purchased excess of loss reinsurance for accident year 2020 for Windstorm in excess of € 35 million with a limit of € 535 million.

C.7.2.2 Risk budgeting
The FRC assesses the solvency position and the financial risk profile on a monthly basis. Action is taken where appropriate to ensure the predefined levels in the risk appetite statement will not be violated.

C.7.3 Monitoring of new and existing products
Group Risk Management, Compliance, and Legal Affairs participate in the Product Approval Committee (PARP). All these departments evaluate whether risks in newly developed products are sufficiently addressed. New products need to be developed in a way that they are cost efficient, reliable, useful and secure for the client. New products must also be strategically aligned with a.s.r.'s mission to be a solid and trustworthy insurer. In addition, the risks of existing or modified products are evaluated, as requested by the PARP, as a result of product reviews.

C.7.4 Prudent Person Principle
a.s.r. complies with the prudent person principles as set out in Directive 2009/138/EC/article 132: Prudent person principle. The prudent person principle ensures that assets are managed on behalf of its subsidiaries, policyholders or other stakeholders in a prudent manner, and covers aspects that relate to market, credit, liquidity and operational risk. a.s.r. has mandated ASR Vermogensbeheer N.V. as their asset manager.

a.s.r. ensures that assets of policyholders or other stakeholders are managed in a prudent manner. a.s.r. complies with the Prudent Person Principle by investing only in assets and instruments which a.s.r. can adequately assess, measure, monitor, control, maintain and report the risks. All assets will be assessed against solvency criteria according to article 45 (1a).

Derivatives are only used when these contribute to a lower risk or when it can be used to manage/hedge the portfolio more efficient. Mortgages, real estate and illiquid assets, which are not traded on regulated financial markets, are limited to a prudent level.

Governance of Investments
Within the Three Lines-of-Defence model, investments are managed in the first line by ASR Vermogensbeheer NV, reporting to the CFO of a.s.r.

ASR Vermogensbeheer NV manages its investments within the boundaries of a.s.r.'s Risk Appetite Framework, Strategic Asset Allocation and its Market-Risk Budget. The Market-Risk Budget is calculated on a monthly basis by Group Balance Sheet Management (GBSM), taking into account the Risk Appetite Framework. GRM, acting as the second line of defence, is responsible for the review. Internal Audit acts as the third-line of defence.

a.s.r. has established a structure of risk committees with the objective to monitor the risk profile for a.s.r. group, its legal entities and its business lines in order to ensure that it remains within the risk appetite and the underlying risk tolerances and risk limits. When triggers are hit or likely to be hit, risk committees make decisions regarding measures to be taken, being risk-mitigating measures or measures regarding governance, such as the frequency of their meetings.

All investment related activities are performed according to mandates as set by a.s.r., clients or policyholders. Mandates for investments for own account, clients and for account of policyholders are set out in internal guidelines, in order to ensure that prudent person principles are satisfied. This should always be in line with internal policies and internal constraints (such as a.s.r.'s ESG policy) and external constraints (such as regulatory limits).

D Valuation for Solvency Purposes

This chapter contains information regarding the valuation of the balance sheet items. For each material asset class, the bases, methods, and main assumptions used for valuation for Solvency II purposes are described. Separately for each material class of assets a quantitative and qualitative explanation of any material difference between the valuation for Solvency II purposes and valuation in the financial statements. When accounting principles are equal or when line items are not material, line items are clustered together.

Valuation of assets is based on fair value measurement as described below. Each material asset class is described in paragraph D.1. Valuation of technical provisions is calculated as the sum of the best estimate and the risk margin.This is described in paragraph D.2. Other liabilities are described in paragraph D.3. Information for each material line item is based on the balance sheet below. For each line item is described:

- Methods and assumptions for valuation;
- Difference between Solvency II valuation and valuation in the financial statements.

The numbering of the line items refers to the comments below.
Based on the differences in this template a reconciliation is made between IFRS equity and Solvency II equity.

Reconciliation IFRS balance sheet and Solvency II balance sheet

Balance sheet	31 December 2020 IFRS	Revaluation	Deconsolidation Financial Institutions	31 December 2020 Solvency II
1. Deferred acquisition costs	-	-	-	-
2. Intangible assets	345	-345	-	-
3. Deferred tax assets	177	-177	-	-
4. Property, plant, and equipment held for own use	198	-	-	198
5. Investments - Property (other than for own use)	2,163	-	-	2,163
6. Investments - Equity	6,954	9	74	7,038
7. Investments - Bonds	29,928	-	-	29,928
8. Investments - Derivatives	9,378	-	-	9,378
9. Unit-linked investments	10,154	-	-	10,154
10. Loans and mortgages	13,365	1,731	-	15,096
11. Reinsurance recoverables	658	37	-	696
12. Cash and cash equivalents	2,896	-	-77	2,819
13. Any other assets, not elsewhere shown	1,001	-57	-15	929
Total assets	**77,218**	**1,198**	**-18**	**78,398**
14. Technical provisions (best estimates)	41,460	-246	-	41,214
15. Technical provisions (risk margin)	-	2,737	-	2,737
16. Unit-linked best estimate	13,137	-2,872	-	10,265
17. Unit-linked risk margin	-	77	-	77
18. Pension benefit obligations	4,228	-	-	4,228
19. Deferred tax liabilities	-	263	-	263
20. Subordinated liabilities	1,995	65	-	2,060
21. Other liabilities	11,008	-	-11	10,997
Total liabilities	**71,827**	**25**	**-11**	**71,841**
Excess of assets over liabilities	**5,392**	**1,173**	**-7**	**6,557**

This chapter contains also the reconciliation between the excess of assets over liabilities to eligible own funds.

Reconciliation excess of assets over liabilities to Eligible Own Funds

	Gross of tax	31 December 2020
IFRS equity		6,313
i. Hybrid loans		-1,004
ii. Own shares		82
IFRS equity adjusted		**5,392**
Revaluation assets		
i. Intangible assets	-197	
ii. Loans and mortgages	1,740	
iii. Reinsurance	37	
iv. Cash and cash equivalents	-	
v. Any other assets, not elsewhere shown	-56	
Subtotal		**1,524**
Revaluation liabilities		
i. Technical provisions (best estimates)	246	
ii. Technical provisions (risk margin)	-2,737	
iii. Unit-linked best estimate	2,872	
iv. Unit-linked risk margin	-77	
v. Subordinated liabilities	-65	
vi. Other liabilities	-	
Subtotal		**237**
Total gross revaluations		1,761
Tax percentage		25.0%
Total net revaluations		**1,321**
Other Revaluations		
i. Goodwill	-148	
ii. Participations	-	
iii. Valuation difference Financial Institutions	-7	
iv. Valuation difference Own shares	-	
Subtotal		**-155**
Solvency II equity		**6,557**
Own fund items		
i. Subordinated liabilities		2,060
ii. Deduction Participations Financial Institutions		-78
iii. Foreseeable dividend		-184
iv. Own shares		-82
v. Non-available minority interests		-
Eligible Own Funds Solvency II excl Financial Institutions		**8,273**

D.1 Assets

Valuation of most financial assets is based on fair value. In the paragraph below, this valuation methodology is described. For different line items will be referred to this method. In this paragraph line items 1 – 13 from the simplified balance sheet above are described.

D.1.1 Fair value measurement

In accordance with the Delegated Regulation, Solvency II figures are based on fair value. In line with the valuation methodology described in article 75 and further of the Delegated Regulation and articles 9 and 10, the following three hierarchical levels are used to determine the fair value of financial instruments and non-financial instruments when accounting for assets and liabilities at fair value: Level 1: Fair value based on quoted prices in an active market Level 1 includes assets and liabilities whose value is determined by quoted (unadjusted) prices in the primary active market for identical assets or liabilities.

A financial instrument is quoted in an active market if:
- Quoted prices are readily and regularly available (from an exchange, dealer, broker, sector organisation, third party pricing service, or a regulatory body); and
- These prices represent actual and regularly occurring transactions on an arm's length basis.

Financial instruments in this category primarily consist of bonds and equities listed in active markets. Cash and cash equivalents are also included as level 1.

Level 2: Fair value based on observable market data
Determining fair value on the basis of Level 2 involves the use of valuation techniques that use inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices of identical or similar assets and liabilities). These observable inputs are obtained from a broker or third party pricing service and include:
- Quoted prices in active markets for similar (not identical) assets or liabilities;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Input variables other than quoted prices observable for the asset or liability. These include interest rates and yield curves observable at commonly quoted intervals, volatility, loss ratio, credit risks and default percentages.

This category primarily includes:
I. Financial instruments: unlisted fixed-interest preference shares and interest rate contracts;
II. Financial instruments: loans and receivables (excluding mortgage loans)[1];
III. Other financial assets and liabilities.

Level 3: Fair value not based on observable market data
The fair value of the level 3 assets and liabilities are determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument and for which any significant inputs are not based on available observable market data. The financial assets and liabilities in this category are assessed individually.

Valuation techniques are used to the extent that observable inputs are not available. The basic principle of fair value measurement is still to determine a fair, arm's length price. Unobservable inputs therefore reflect management's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are generally based on the available observable data (adjusted for factors that contribute towards the value of the asset) and own source information.

This category primarily includes:
I. Financial instruments: private equity investments (or private equity partners) and real estate equity funds third parties;
II. Financial instruments: loans and receivables – mortgage loans, and mortgage equity funds;
III. Investment property, real estate equity funds associates and buildings for own use;
IV. Financial instruments: asset-backed securities.

D.1.2 Assets per asset category
The balance sheet reports specify different asset categories. In this section, we describe the valuation of each material asset category. The figures correspond to the extended balance sheet which has been reported as QRT S.02.01.

1. Deferred acquisition costs
a.s.r.'s accounting policy is that all costs incurred to acquire insurance contracts (acquisition costs) are charged directly to the income statement, generally within one year.

2. Intangible assets
The intangible assets related to goodwill and other intangible assets are not recognised in the Solvency II framework and are set to nil.

1 Not measured at fair value on the balance sheet and for which the fair value is disclosed.

3. Deferred tax assets
The basis for the deferred tax assets (DTA)/deferred tax liabilities (DTL) position in the IFRS balance sheet is temporary differences between fiscal and commercial valuation. This DTA / DTL position is the base for this line item on the Solvency II balance sheet, adjusted for Solvency II revaluations:
- The largest DTL mutation is mainly caused by the higher (valuation) mortgages and change of savings linked mortgages.

The DTA / DTL position is netted in te balance sheet. Netting is only allowed with same tax authority and with same timing. The balance sheet of a.s.r. contains a DTL.

The deferred tax effects involve a correction related to the fact that (most of) the revaluations as described in this chapter are gross of tax. In 2019, Dutch government decided the tax rate will gradually decrease from 25% to 21.7% in 2021. By the end of 2020, this decision was reversed and corporate tax rate remains 25%. Therefore the calculated tax effect is based on 25%.

4. Property plant, and equipment held for own use
a.s.r. recognises property at market value, equal to Solvency II measurement.

5. Investments - Property (other than for own use)
a.s.r. recognises the following categories of investment property; the method for calculating their fair value has been added:
- Residential –based on reference transaction and discounted cash flow method (DCF method);
- Retail – based on reference transaction and income capitalisation method;
- Rural – based on reference transaction and DCF method;
- Offices – based on reference transaction and DCF method;
- Other – based on reference transaction and DCF method;
- Under construction - based on both DCF and income capitalisation method.

6. Investments – Equity
Valuation of listed equities is based on the level 1 method of the fair value hierarchy. Unlisted fixed-interest preference shares are valued based on the level 2 method of the fair value hierarchy. The valuation techniques for financial instruments start from present value calculations; derivatives are valued based on forward-pricing and swap models. The observable market data contains yield curves based on company ratings and characteristics of unlisted fixed-interest preference shares. The main non-observable market input for private equity investments is the net asset value of the investment as published by the private equity company (or partner).

Valuation of private equity investments is based on the level 3 method of the fair value hierarchy. The main non-observable market input for private equity investments is the net asset value of the investment as published by the private equity company (or partner).

The revaluation from IFRS to Solvency II can be explained mainly by the deconsolidation of financial institutions. The deconsolidation amounted to € 74 million.

7. Investments – Bonds
The valuation of these assets is consistent with the IFRS fair value hierarchy as described in paragraph D.1.1.

8. Investments – Derivatives
The valuation of these assets is consistent with the fair value hierarchy as described in paragraph D.1.1. The valuation of listed derivatives is based on the level 1 method of the fair value hierarchy. The valuation of unlisted interest rate contracts is based on the level 2 method of the fair value hierarchy. The valuation techniques for financial instruments start from present value calculations; derivatives are valued based on forward-pricing and swap models. The observable market data contains yield curves based on company ratings and characteristics of unlisted fixed-interest preference shares.

9. Unit-Linked investments
The valuation of these assets is consistent with the IFRS fair value hierarchy described in paragraph D.1.1.

10. Loans and mortgages
The valuation of loans is based on the level 2 and level 3 (mortgages) method of the fair value hierarchy. The fair value of the loans is based on the discounted cash flow method. It is obtained by calculating the present value based on

expected future cash flows and assuming an interest rate curve used in the market that includes an additional spread based on the risk profile of the counterparty. This asset category includes savings linked mortgages.

Many of the savings-linked mortgages that a.s.r. has sold in the past were combined with a mortgage loan from an external bank. This bank has undertaken to pay mortgage interest on the savings accrued in the insurance policy. To this end, the insurer transfers the premiums to a special deposit account with the bank. According to IFRS, both the insurance policy and the loan are measured at amortised cost. For the purpose of Solvency II, they are both measured at fair value, allowing for any securities the insurer receives on the funds deposited with the bank. The liability is measured separately (in accordance with the Delegated Regulation and the guidance provided by DNB).

The valuation method used to determine the fair value of a.s.r.'s mortgage portfolio bases the spread on the interest rate curve for discounting the mortgage portfolio cash flows on consumer rates. The valuation according to IFRS is based on amortised cost.

11. Reinsurance recoverables
Contracts that transfer a significant insurance risk from a.s.r. to third parties are accounted for as reinsurance contracts, and are classified as outgoing reinsurance.

The amounts that can be collected from reinsurers are estimated using a method that is in line with the reinsurance contract and the fair-value method for determining liabilities arising from reinsurance contracts described in Section D.2.

Assets arising from reinsurance contracts are recognised under reinsurance contracts, including receivables from reinsurers. At each reporting date, a.s.r. assesses whether objective evidence of impairment exists. If a reinsurance asset is impaired, its carrying amount is reduced to its recoverable amount. Therefore, current receivables from reinsurers are valued comparable with IFRS.

12. Cash and cash equivalents
The valuation of cash and cash equivalents is based on the level 1 method of the fair value hierarchy. Cash and cash equivalents include cash in hand, deposits held at call with banks, cash collateral and other short-term highly liquid investments with original maturities of three months or less.

13. Any other assets, not elsewhere shown
The valuation of these assets is based on the Solvency II valuation method.
Other assets include different investments and interest income, property developments, tax assets and accrued assets.

D.2 Technical provisions

D.2.1 Introduction
In this section, the policies regarding methodology and assumptions for the technical provisions are described. These liabilities arise from insurance contracts issued by a.s.r. that transfer significant insurance risks from the policyholder to a.s.r. The following lines of business are distinguished:
- Life insurance
- Health insurance
- Non-life insurance In this paragraph line items 14 – 17 from the simplified balance-sheet above (from paragraph D) are described.

The table below provides an overview of the legal entities within a.s.r. and the lines of business involved.

Legal entities within a.s.r. and the lines of business involved

Legal entity	Life insurance	Non-life		Health		
	Traditional Life	Unit-linked and Index-linked	Property and Casualty	Health SLT Income Protection	Health NSLT Income Protection	Health NSLT Medical Expenses
ASR Levensverzekering N.V.	✓	✓				
ASR Schadeverzekering N.V.			✓	✓	✓	
ASR Basis Ziektekostenverzekeringen N.V.						✓
ASR Aanvullende Ziektekostenverzekeringen N.V.						✓

D.2.2 Technical provisions methods

This section describes the general methodology for calculating the technical provisions.

The technical provision is the sum of the best estimate and the risk margin. The best estimate includes the intrinsic value and the time value of options and guarantees (TVOG).

14 and 16. Technical Provisions and Unit – linked (best estimates)

The intrinsic value is the net present value of projected cash flows from insurance contracts, i.e. benefits and claims, profit-sharing liabilities and costs less premiums. These cash flows are estimated using best estimate assumptions with respect to mortality, morbidity, disability, recovery, claims experience, lapse, expense and inflation. Where applicable, the participating features of the insurance contracts, such as profit-sharing, are taken into account in the future cash flows. The cash flows are discounted using the term structure of risk-free interest rates (including volatility adjustment) as prescribed under Solvency II for the valuation of underwriting liabilities. The TVOG is calculated using stochastic techniques with respect to interest scenarios.

In unit-linked contracts, the best estimate equals the fund value of the contract less the net present value of future margins on mortality and expense. For unit-linked contracts with a guaranteed minimum benefit on maturity the best estimate is increased with the loss on maturity date because of this guarantee if a loss occurs in the best estimate scenario.

15 and 17. Technical Provisions and Unit – linked (risk margin)

The risk margin is determined using the Cost of Capital (CoC) method, using a Cost-of-Capital rate of 6%, in line with the Delegated Regulation. The risk margin is based on the SCR of all insurance risks, operational risk, unavoidable market risk (excluding interest rate risk) and counterparty default risk for reinsurance arrangements, SPVs and other material exposures which are closely related to insurance liabilities.

The SCRs involved are determined at the valuation date under the assumption that no VA is applicable. They are projected separately into the future using suitable risk drivers per risk group. These SCRs are aggregated in each future year, making allowance for the correlations between risks using correlation factors as define in the standard model.

In determining the risk margin, allowance is also made for diversification benefits between risk groups within a legal entity.

The risks that are factored into the risk margin are mortality risk, longevity risk, disability-morbidity risk, lapse risk, catastrophe risk, expense risk and operational risk.

Risk-free yield curve

The basis for the reference rate of the best estimate is the swap rate at the date of valuation (31 December 2020). The following adjustments have been made to the swap curve:

- Reduction by 10 basis points to account for counterparty default risk (31 December 2019: 10 bps);
- Extrapolation from year 20 to the ultimate forward rate of 3.75% in year 60 using the Smith-Wilson extrapolation method.

Inclusion of a volatility adjustment of 7 basis points, as provided by EIOPA, to the zero rates for the first 20 years (31 December 2019: volatility adjustment 7 bps).

Impact volatility adjustment
a.s.r. applies the volatility adjustment for discounting cash flows to determine the best estimate and in determining the capital requirement under the SCR. The following table shows the impact of this volatility adjustment on the financial position and own funds of a.s.r. including other financial institutions (ASR Bank (2019 only), ASR Vermogensbeheer ASR Vastgoed Vermogensbeheer and PPI Brand New Day).

Impact of applying VA = 0 bps

	VA = 7 bps	VA = 7 bps	VA = 0 bps		Impact	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
TP	54,293	51,121	54,673	51,475	380	354
SCR	4,200	4,102	4,222	4,127	22	25
MCR	1,899	1,826	1,912	1,838	13	13
Basic own funds (total)	8,273	7,828	7,988	7,550	-285	-277
Eligible own funds	8,351	7,931	8,066	7,654	-285	-277

Basic own funds (total) is presented excluding financial institutions.

The EOF and the SCR of a.s.r. excluding other financial institutions is equal to € 8,273 million and € 4,159 million respectively.

D.2.3 Level of uncertainty
a.s.r. distinguishes between two sources of uncertainty with regard to the level of the technical provisions. These sources are model risk and process risk. The uncertainty associated with these risks has been mitigated as described below.

Process risk
The process risk is mitigated using the Risk Control Matrix (RCM), which creates a reasonable degree of assurance as to the reliability of financial reports. Key controls have been identified and to a larger extend implemented for the calculation process. In addition, the effectiveness of the RCM framework is verified by an independent party and supplementary checks are performed where needed. As part of RCM or the additional checks, the four-eye principle has demonstrably been applied to the calculation of the technical provision.

Model risk
The second risk that a.s.r. has identified in relation to the technical provisions is model risk. Regular procedures have provided adequate certainty with regard to this risk. To illustrate, the reporting manager in charge signs off documents to demonstrate that the reported figures do not contain any material mistakes or that no key facts have been omitted. In addition, FRM, in its role as the second line of defence, performs an independent internal review of the technical provisions as described in the previous phase.

D.2.4 Reinsurance and special purpose vehicles
Contracts that transfer a significant insurance risk from a.s.r. to third parties are accounted for as reinsurance contracts, and are classified as outgoing reinsurance.

Assets arising from reinsurance contracts are recognised under reinsurance contracts, except for current receivables from reinsurers, which are included under reinsurance receivables. At each reporting date a.s.r. assesses whether objective evidence of impairment exists. If a reinsurance asset is impaired, its carrying amount is reduced to its recoverable amount.

Therefore, current receivables from reinsurers are valued comparable with IFRS.

a.s.r. life has reinsured a substantial part of all underwriting risk of a certain group pension contract on a proportional basis.

a.s.r. non-life can be split in:

P&C
For reinsurance contracts the premiums and claims are administered. When applicable, reinstatement premiums are taken into account. For a first (early) estimation of the (gross) impact of (new) catastrophes also external models (for example from brokers and/or Verbond voor Verzekeraars) are used . The reinsurance part can be derived from this

estimation. The actuarial department estimates the ultimate claims. If applicable, in this calculation the reinsurance limit is also taken into account.

For the Best Estimate claim provision the ratio of the total net and gross provision is used and is projected on the total gross Best Estimate claim provision to derive the net Best Estimate claim provision. For the reinsurance part of the Best Estimate premium provision the outgoing (premium) cash flow and expected incoming (claim payments) cash flow is taken into account.

Health
The Individual Health SLT portfolio and a small part of the Group Health SLT portfolio is reinsured by a proportion reinsurance contract. This reinsurance contract is not active since 1 January 2017. The reinsuring cash flows concern existing claims and are calculated separately in the cash flows models. The reinsured best estimate is € 283 million.

For the 2017 to 2019 WGA-ERD claims of Loyalis, a quota-share reinsurance contract has been concluded in which claims are 50% reinsured. This contract has been terminated from 1 January 2020.

The Health NSLT portfolio is not reinsured.

Special purpose vehicles
a.s.r. does not make use of special purpose vehicles (SPVs).

D.2.5 Technical provisions

In this table a reconciliation is made between the Solvency II and the IFRS valuation of provisions. Solvency figures are part of the balance sheet S.02.01. The table below describes a brief explanation of these differences.

Technical provisions: IFRS versus Solvency II

31 December 2020	IFRS	Revaluation	Solvency II
Non-life			
Best estimate	-		1,389
Risk margin	-		82
Technical provision	**1,536**	**-65**	**1,471**
Similar to non-life			
Best estimate	-		507
Risk margin	-		44
Technical provision	**624**	**-73**	**551**
Similar to life			
Best estimate	-		4,192
Risk margin	-		443
Technical provision	**4,685**	**-50**	**4,635**
Life			
Best estimate	-		35,126
Risk margin	-		2,168
Technical provision	**34,615**	**2,679**	**37,294**
Index-linked and unit-linked			
Best estimate	-		10,265
Risk margin	-		77
Technical provision	**13,137**	**-2,795**	**10,342**
a.s.r. total			
Best estimate	**-**		**51,479**
Risk margin	**-**		**2,815**
Technical provision	**54,597**	**-303**	**54,293**

D.2.6 Reconciliation between IFRS and Solvency II

Under Solvency II, the technical provisions are calculated using a different method compared to IFRS. In this section the reconciliation between IFRS and Solvency II is described per business line. More details can be found in the SFCR of the underlying entity.

Non-life

The revaluation for non-life is mainly caused by:

- The applied yield curve for the Best Estimate;
- Different methods for the Risk Margin;
- In IFRS is no expected profit taken into account;
- Different methods for determine Best Estimate premium liabilities;
- Investment costs are taken into account under Solvency II.

Similar to Non-life

The revaluation for similar to Non-life (medical expense) is caused by:

- Ex post

- The IFRS LAT margin

The revaluation for Similar to Non-life (income protection) is caused by:
- The main difference between IFRS and Solvency II best estimate and risk margin is different assumptions with respect to disability and recovery.

Similar to Life
For Similar to Life the main difference between the IFRS technical provisions and Best estimate and risk margin (Solvency II) is different assumptions with respect to disability and recovery.

Life
The IFRS technical provisions are determined with assumptions that are equal to the assumptions underlying the premium. For longevity risk additional provisions are set up. Also under IFRS provisions are set up for realised capital gains, interest rate swaptions and shadow accounting (unrealised gains on bonds). In case that the policy-duration exceeds the length of the premium-paying period, a provision for administrative expenses is set up for the period where no premiums are due.
The Solvency II provision consists of a best estimate and a risk margin. The best estimate includes a time value of option and guarantees with respect to profit sharing. The best estimate is determined on best estimate assumptions and covers future benefits and future expenses to the extent that they are not covered by future premiums.

Index-linked and unit-linked
The technical provision for unit-linked policies under IFRS equals the fund value of the underlying assets of the units. Extra provisions are set up in case of minimum guarantees on the maturity-value provided by a.s.r. life and for the transparency issue.

The Solvency II technical provision consist of the fund value less the net present value of the best estimate value of the future profits. For policies where a guarantee with respect to the maturity-value is given, the value of the guarantee is determined on a market consistent basis. Also for the transparency issue a provision is set up.

Technical provisions Pension scheme a.s.r.-employees
For a.s.r. life the old pension scheme of a.s.r.-employees is involved on the balance sheet under technical provision life. On a.s.r. group level this old scheme is eliminated from the figures and is presented as an employee benefit obligation based on IAS19 valuation.

D.3 Other liabilities

D.3.1 Valuation of other liabilities
In line with the valuation of assets, the accounting principles for other liabilities used in the Pillar III reports are generally also based on the IFRS as adopted by the EU. Any differences between the methods for IFRS and Solvency II purposes are addressed in detail per liability category. In this paragraph line items 18-21 from the simplified balance sheet above are described.

18. Pension benefit obligations
a.s.r. has a number of defined benefit plans for own staff in place. These are schemes, under which staff are awarded pension benefits upon retirement, usually dependent on one or more factors such as years of service and salary. The defined benefit obligation is calculated by independent actuaries at each reporting date.

Pension obligations are calculated using the projected unit credit method. Inherent to this method is the application of actuarial assumptions to discount rates and future salary increases, mortality rates and consumer price indices.
The assumptions are reviewed and updated at each reporting date based on available (market) data.

As of 1 January 2021 a defined contribution plan is in place. The existing defined benefit plan has ended and will not be renewed. The accrued pensions (until 1 January 2021) will remain guaranteed at a.s.r. life and are not transferred to the defined contribution plan. The plan amendment is recognised directly through profit of loss.

The financing cost related to employee benefits are included in interest expense. Current service costs are included in operating expenses.

The discount rate (31 December 2020: 0.43%) is based on the return (zero coupon rate) of high-quality corporate bonds (AA rating) and the cash flow pattern of the pension obligation. All other methods used for determining the post-employment benefit defined obligation and assumptions are consistent with those applied in 2019. For SCR purposes, the IFRS value of the own pension contract is based on the IAS19 valuation methodology. The explanatory guidelines explain that the IAS19 valuation is consistent with Solvency II.

A risk margin with respect to the employee benefits is recognised based on the risk margin of the internal insurance contract.

19. Deferred tax liabilities
See 3. Deferred tax assets.

20. Subordinated liabilities
In IFRS the perpetual hybrid loans are classified as equity as there is no requirement to settle the obligation in cash or another financial asset or to exchange financial assets or financial liabilities under conditions that are potentially unfavourable for a.s.r.

According to IFRS, the perpetual hybrid loans are measured at amortised cost. For the purpose of Solvency II, they are both measured at fair value. Directed by the regulator, in Solvency II reporting the perpetual hybrid loans are classified as subordinated liabilities.

21. Other liabilities
Other liabilities contains different line items:

Other long-term employee benefits
Plans that offer benefits for long-service leave but do not qualify as post-employment benefit plans, such as jubilee benefits, are measured at present value using the projected unit credit method and changes are recognised directly through profit or loss.

Other post-retirement obligations
Plans that offer post-retirement benefits, such an arrangement for mortgage loans at favourable interest rates. The entitlement to these benefits is usually conditional on the employee remaining in service up to their retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology that is similar to that for defined benefit plans.

Vacation entitlements
A liability is formed for leave days not taken at year-end.

The regulatory curve is used to determine the discount rate under Pillar 3. For IFRS purposes, the discount rate is determined based on the return (zero coupon rate) on high-quality corporate bonds (AA rating). All assumptions and the projected unit credit calculation method are consistent with those applied in the accounting policies used in the IFRS financial statements.

Debts owed to credit institutions
The valuation of these liabilities follows the Solvency II fair value hierarchy as described in paragraph D.1.1.

Financial liabilities other than debts owed to credit institutions
The valuation of these liabilities follows the IFRS fair value hierarchy as described in paragraph D.1.1.

The valuation has to be consistent with the requirements of Article 75 of the Solvency II directive. Therefore, no adjustments to take account of the change in own credit standing shall take place. However, adjustments for changes in the risk-free rate must be accounted for. This means that the subordinated loans are discounted using the risk-free rate plus a credit spread at inception of the liability.

Insurance and Intermediaries payables
The valuation of these liabilities follows the Solvency II fair value hierarchy as described in paragraph D.1.1 This category is subject to the same valuation as the asset category Cash and Cash equivalents.

Trade payables (non-insurance)
The valuation of these liabilities follows the Solvency II fair value hierarchy as described in paragraph D.1.1 This category is subject to the same valuation as the asset category receivables.

Any other liabilities not disclosed elsewhere
The valuation of these liabilities follows the Solvency II fair value hierarchy as described in paragraph D.1.1. This item consists primarily of tax payables.

Contingent liabilities
Contingent liabilities are defined as:
- a possible obligation depending on whether some uncertain future event occurs, or
- a present obligation but payment is not probable or the amount cannot be measured reliably.

Contingent liabilities are recognised on the IFRS balance sheet if there is a probability of >50% that the contingent liability leads to an 'outflow of resources'. These liabilities are also recognised on the Solvency II balance sheet.

Solvency II prescribes that all contingent liabilities be recognised on the Solvency II balance sheet. This covers cases where the amount cannot be measured reliably or when the probability is <50%. For these cases, a regular process is in place to determine whether contingent liabilities should be recognised on the Solvency II balance sheet.

Using a calculation based on 'opportunity' and 'impact', an amount contingent liabilities is determined. This amount has no material impact on SII balance sheet. As a result the a.s.r. Solvency II capital ratio does not include contingent liabilities.

Actuarial assumptions may differ considerably from actual results due to changes in market conditions, economic developments, mortality trends and other assumptions. Any change in these assumptions can have a significant impact on the defined benefit obligation and future pension costs. Changes in the expected actuarial assumptions and differences with the actual actuarial outcomes are recognised in actuarial gains and losses included in other comprehensive income (component of total equity).

D.3.2 Reconciliation from Solvency II equity to EOF
The differences described in the sections above are the basis for the reconciliation of IFRS equity to Solvency II equity. To reconcile from Solvency II equity to EOF, the following adjustments are taken into consideration:

Subordinated liabilities
In accordance with the Delegated Regulation, the subordinated liabilities are part of the EOF. Further information of this liabilities is described in section E.1.4.

Foreseeable dividends and distributions
Dividends for 2020 that are approved after the reporting date are deducted from the available capital position as foreseeable dividends and distributions.

Deductions for participations in financial and credit institutions
Participations in financial and credit institutions are not supervised by the Solvency II framework and are therefore excluded from the eligible own fund items in this overview.

Own shares
In accordance with the Delegated Regulation, the amount of own shares held by the insurance and reinsurance undertaking should be eliminated.

Tier 3 limitations
In accordance with the Delegated Regulation, the EOF is divided in tiering components. However, these components have to meet boundary conditions and an exceedance of these limits results in a capping of the EOF.
For a.s.r., capping does not apply per year-end 2020.

D.4 Alternative methods for valuation

a.s.r. does not apply alternative methods for valuation.

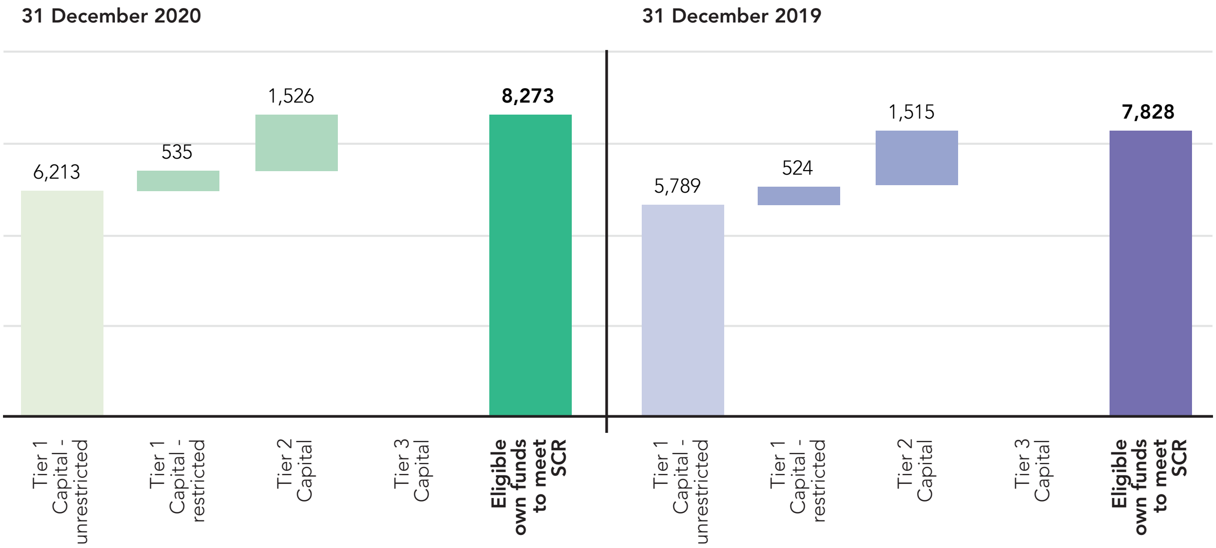
D.5 Any other information

Other material information about valuation does not apply.

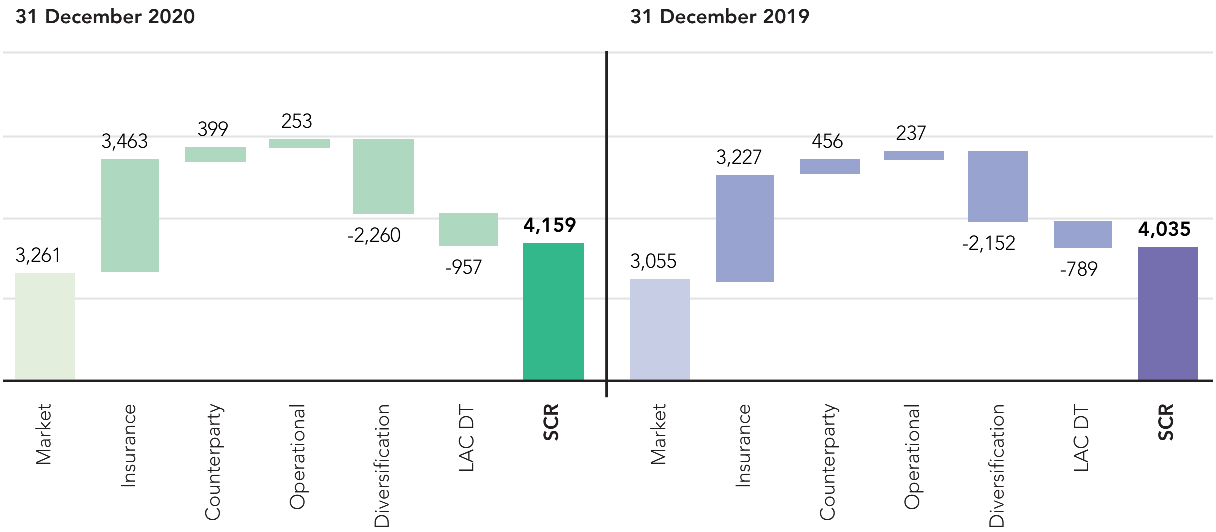
E Capital management

Key figures

Eligible own funds



SCR

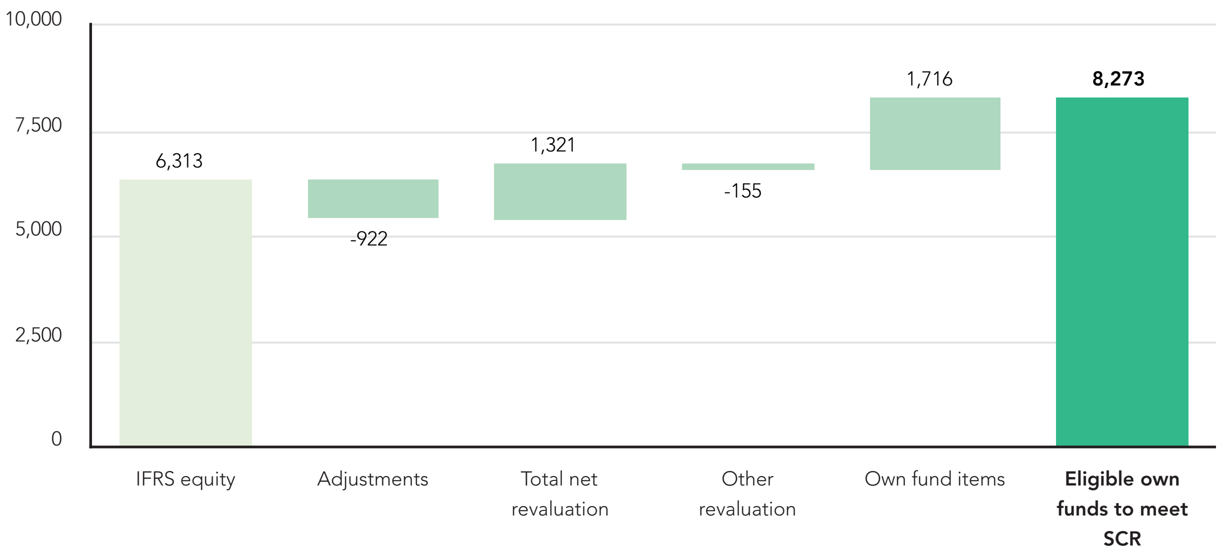


The solvency ratio stood at 199% as at 31 December 2020 after distribution of the proposed dividend and is based on the standard formula as a result of € 8,273 million eligible own funds and € 4,159 million SCR.

The increase of the eligible own funds was mainly driven by higher business capital generation, lower interest rates and higher equity markets. This was partially offset by a widening of credit spreads and an UFR reduction.

The increase of the SCR was mainly driven by an increase in insurance risk and market risk, partially mitigated by increased diversification benefits and an increased LAC DT due to the reversal of lowering the corporate tax rate. The increase in insurance risk was mainly driven by inorganic growth (closing VvAA and Veherex), organic growth in Disability and Health and the impact of lower interest rates.

Reconciliation total equity IFRS vs EOF Solvency II



The table above presents the reconciliation of IFRS equity to the solvency II as per 31 December 2020. The main differences between the IFRS equity and EOF Solvency II are:

- Adjustment of the hybrid loans;
- Total net revaluation of assets, such as loans and mortgages, and revaluation of the technical provisions;
- Other revaluations mainly elimination of goodwill;
- Own fund items, for example addition of subordinated liabilities, foreseeable dividend and valuation difference of financial institutions.

E.1 Own funds

E.1.1 Capital management objectives

Management

Overall capital management is administered at group level. a.s.r. currently intends to consider investing capital above the management target Solvency II ratio (calculated based on the standard formula) of 160% with the objective of creating value for its shareholders. If and when a.s.r. operates at a certain level (which may change over time) that is considerably above the management target, and it assesses that it cannot invest this capital in value-creating opportunities for a prolonged period of time, a.s.r. may decide, but is not obliged, to return (part of this) capital to its shareholders.

If a.s.r. chooses to return capital, it plans to do so in a form that is efficient for shareholders at that time. a.s.r. actively manages its in-force business, which is expected to result in free capital generation over time. Additionally, business improvement and balance sheet restructuring should improve the capital generation capacity while advancing the risk profile of the company. The legal entities are individually capitalised and excess capital over management's targets for the legal entities is intended to be up-streamed to the holding company as far as is needed for amongst others covering external dividend, coupon payments on hybrids/senior financing instruments and holding costs and in so far the local regulations and the internal risk appetite statement allow. Excess capital that is up-streamed to the holding company is added to and managed in the holding cash buffer until it is further distributed and used to cover dividends, coupons and other holding expenses. The capital and cash attribution to the holding is closely monitored and managed on a continuous basis.

Objectives

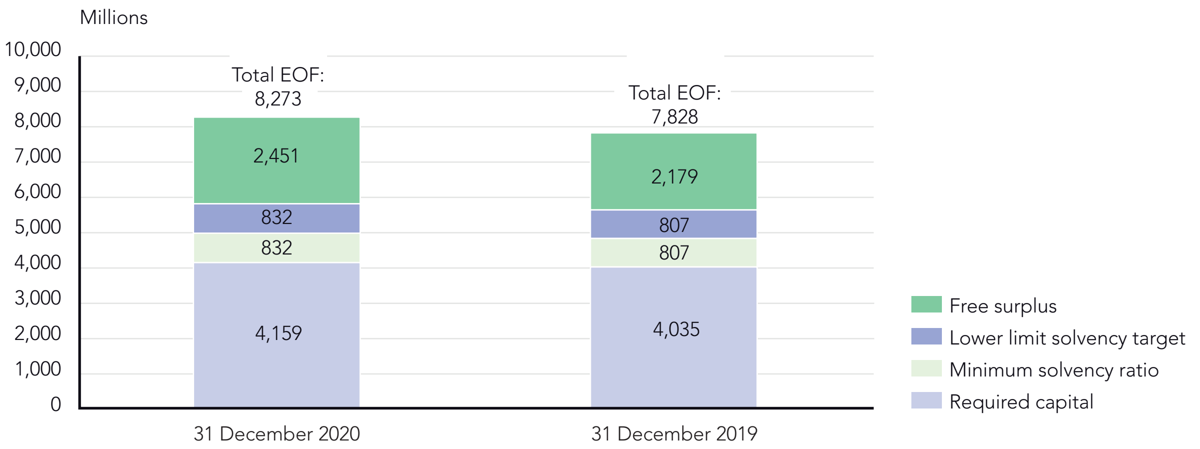
The group is committed to maintain a strong capital position in order to be a robust and sustainable insurer for its policyholders and other stakeholders. The objective is to maintain a solvency ratio well above the minimum levels as defined in the risk appetite statements and above the relevant management threshold levels. Sensitivities are periodically performed for principal risks and annual stress tests are performed to test a.s.r.'s robustness to withstand moderate to severe scenarios. An additional objective is to achieve a combination of a capital position and a risk profile that is at least in line with a 'single A' rating by Standard & Poor's.

The SCR is reported on a quarterly basis and proxies are made on both a monthly and weekly basis. The internal minimum solvency ratio for a.s.r. as formulated in the risk appetite statement is 120%. The lower limit solvency target is 140%. The management threshold level for the solvency ratio is above 160%. The solvency ratio stood at 199% at 31 December 2020, which was comfortably above the internal requirement of 120% and the management threshold level of 160%.

In accordance with a.s.r.'s dividend policy, the liquidity of the underlying entities is not taken into account for the liquidity position of the group. However, the capital is recognised in the capital position of the group, since a.s.r. has the ability to realise the capital of this OTSO, for example by selling the entity. Specifically regarding a.s.r. health basic in 2020, no dividend or capital withdrawals have taken place.

The table below shows how the eligible own funds of a.s.r. relate to the different capital targets.

Market value own funds under SCR



E.1.2 Tiering own funds

The table below details the capital position of a.s.r. as at the dates indicated. With respect to the capital position, Solvency II requires the insurers to categorise own funds into the following three tiers with differing qualifications as eligible available regulatory capital:

- Tier 1 capital consists of Ordinary Share Capital, Reconciliation reserve and restricted capital as described below;
- Tier 2 capital consists of ancillary own funds and basic Tier 2. Ancillary own funds consist of items other than basic own funds which can be called up to absorb losses. Ancillary own fund items require the prior approval of the supervisory authority. a.s.r. has no ancillary own fund items;
- Tier 3 of a.s.r. capital consists of Deferred tax assets.

The rules impose limits on the amount of each tier that can be held to cover capital requirements with the aim of ensuring that the items will be available if needed to absorb any losses that might arise

Eligible Own Funds to meet the SCR

	31 December 2020	31 December 2019
Tier 1 capital - unrestricted	6,213	5,789
Tier 1 capital - restricted	535	524
Tier 2 capital	1,526	1,515
Tier 3 capital	-	-
Eligible own funds to meet SCR	**8,273**	**7,828**

The perpetual hybrid loans are classified as equity, as there is no requirement to settle the obligation in cash or another financial asset or to exchange financial assets or financial liabilities under conditions that are potentially unfavourable for a.s.r. To be sure that the perpetual hybrids may be classified under Own Funds, terms and notes are proposed with DNB.

Together with the consultation regarding the perpetual hybrids, also the tiering is part of this consultation.

E.1.3 Own funds versus MCR

The minimum capital requirement (MCR) calculation is based on the standard formula.

Eligible Own Funds to meet the MCR

	31 December 2020	31 December 2019
Tier 1 capital - unrestricted	6,213	5,789
Tier 1 capital - restricted	535	524
Tier 2 capital	380	365
Tier 3 capital	-	-
Eligible own funds to meet MCR	**7,127**	**6,678**

According to (Directive 2009/138 EU article 230 Sub 2a) the consolidated group SCR shall have as a minimum the sum of the following:

a. the MCR as referred to in Article 129 of the participating insurance or reinsurance undertaking;
b. the proportional share of the MCR of the related insurance and reinsurance undertakings. According to Delegated Regulation article 248 to 251 the MCR of the related insurance and reinsurance undertakings is calculated as a linear function of premiums, technical provisions and capital at risk. The MCR (€ 1,899 million) of a.s.r. equals the sum of the MCR of the related insurance undertakings.

E.1.4 List of hybrid loans

a.s.r. has issued hybrid loans. The details of these loans are shown in the following table:

Hybrid loans

Nr	Description	Nominal amount	Issue date	Tiering
1	ASR NEDERLAND_4.625%_19/04/2199	500,000,000	19-10-2017	1
2	ASR NEDERLAND_5%_30/09/2099	500,000,000	30-09-2014	2
3	ASR NEDERLAND_5.125%_29/09/2045	500,000,000	29-09-2015	2
4	ASR_30NC10_3,375%_02/05/2049	500,000,000	02-05-2019	2

Tiering of the loans is based on self-assessments. These self-assessments have been reviewed by DNB.

E.1.5 Additional information

1. Mergers and Acquisitions

On 19 July 2019, a.s.r. announced the intended acquisition of the Life insurance portfolio of VvAA to bolster its Life insurance portfolio. This transaction was closed on 1 January 2020 and VvAA was legally merged into a.s.r. Life per Q4 2020.

On 23 August 2019, a.s.r. announced the intended acquisition of Veherex to strengthen its disability proposition. This transaction was closed on 1 January 2020. As per 2020 Q2, a.s.r. legally merged Veherex into its Non-Life entity.

On 26 August 2020, a.s.r. announced the intended acquisition of 50% of the Brand New Day Premiepensioeninstelling N.V. (Brand New Day PPI) shares from Brand New Day Houdstermaatschappij N.V. a.s.r. already held 50% of the shares and is now the sole owner of Brand New Day PPI. With the acquisition, a.s.r. further strengthens its position in the Dutch pension market and reiterates its growth ambition in the ‘capital light’ pension solutions. The acquisition is expected to close in the first half of 2021.

2. Capital Market transactions

a.s.r. did not redeem or issue hybrid or subordinated capital in 2020.

3. Share buyback programme

a.s.r. has the intention for the medium term to make an additional capital distribution of € 75 million per year, on top of the progressive regular dividend. Any additional capital distribution shall be conditional upon our Solvency II ratio (based on the standard formula) to remain above 180%, as a.s.r. aims to maintain a robust balance sheet. The additional distribution will be financed from the available OCC, taking into account the regular dividend, room for potential bolt-on acquisitions and re-risking. If there are opportunities for larger acquisitions, this may have implications for the annual additional capital distribution a.s.r. is aiming for. a.s.r. will assess the possibility of an additional distribution on an annual basis. In line with the policy, a.s.r. has decided to buy back € 75 million of own shares, starting on 19 February 2021 and to be completed on 20 May 2021. Based on a.s.r. reporting policies, the announced share buy back in 2021, is not part of the presented SII ratio per 31 December 2020.

4. Dividend
a.s.r. intends to pay € 282 million total dividends over full year 2020 (2019: € 267 million) of which € 105 million has already been paid as interim dividend (2019: € 99 million), leaving a final dividend of € 177 million.

On 2 April 2020, EIOPA and subsequently DNB issued a press release requesting insurers to temporarily suspend dividend and share repurchases. Following this request, a.s.r. suspended its dividend payment and share repurchase programme. On 6 July 2020, DNB announced that dividend and share repurchases could recommence, with the understanding that DNB would review the dividend proposals under its regular supervisory regime.

In August 2020 a.s.r. announced, after careful consideration, its intention to resume the postponed dividend payment and SBB following the announcement of DNB to resume the review of dividend proposals under its normal supervision. a.s.r. announced to pay a dividend of € 1.20 per share, which equals the postponed final dividend of 2019. This dividend was paid in September 2020. a.s.r. also restart the SBB for the remaining € 24.3 million of the original € 75 million in September 2020.

Overall, DNB stressed that insurers are to take the impact of COVID-19 and the low interest rate environment into account in their prospective analysis as part of the dividend proposals. On 18 December 2020, DNB reiterated this recommendation from the European Systemic Risk Board (ESRB).

5. Defferred tax asset/liabilities
There is no net deferred tax asset. The deferred tax liability amounts to € 263 million.

E.2 Solvency Capital Requirement

E.2.1 Method for determining the group solvency capital

Group supervision
a.s.r. is subject to group supervision in accordance with article 212 of the Solvency II directive.
No entities have been excluded from group supervision in accordance with article 214 of the Solvency II directive.

Group solvency
The Solvency II directive prescribes two methods for the calculation of the group solvency:
- method 1 - Standard method based on consolidation of financial statements (Solvency II Directive - article 230, Delegated Regulation - articles 336-340);
- method 2 - Alternative method based on deduction and aggregation (Solvency II Directive - article 233, Delegated Regulation - article 336-342).

a.s.r. applies method 1 (SII Standard method) for the determination of the group solvency. The basis for this is the consolidation structure used for the IFRS financial statements, with exemption of financial institutions.

The consolidated data are calculated based on the consolidated financial statements, which is valued in accordance with the Solvency II regulations concerning the determination and valuation of the balance sheet, as well as the inclusion and treatment of the associated companies.

The Solvency II ratio excluding and including financial institutions are both presented in the next paragraph. However, in external publications only the Solvency II ratio excluding financial institutions is reported, as the majority of the a.s.r. activitities are insurance related.

Group solvency is calculated as the difference between:
a) the own funds eligible to cover the SCR, calculated based on consolidated data;
b) the SCR at group level calculated based on consolidated data.

The determination of the group Solvency II requirement and EOF is discussed below.

Group capital add-on If the consolidated group SCR does not appropriately reflect the risk profile of the group, a capital add-on to the SCR may be imposed.

The group capital add-on consists of the following components:
• risk profile capital add-on;
• governance capital add-on.

a.s.r. applies no group capital add-on.

Calculation of the group consolidated Solvency Capital Requirement
The starting point in determining the consolidated SCR of the group is the consolidated Solvency II balance sheet as described above. The risk calculations are performed on the following basis:
- market risks are based on the consolidated balance sheet;
- insurance risks are based on the sum of the underlying insurance risks for each insurance undertaking;
- counterparty default risk is based on the consolidated balance sheet;
- operational risk is based on the consolidated balance sheet.

Differences may arise between the results of the risk calculations of the group and the sum of the underlying entities:
- diversification benefits within the market risk as a result of using consolidated data. a.s.r. calculates the market risk for the insurance entities and for the group. At group level all subsidiaries are consolidated, which results in additional market risk (equity risk) for these entities;
- intercompany relationships between entities, and between entities and the holding company are eliminated at group level.

For the calculation of the required capital that should be held for the participations, it is of interest if the look-through approach is applicable or not. The underlying investments should be shocked by the relevant SCR modules (interest rates, real estate, counterparty concentration) if the look through approach is applicable.
a.s.r. applies Method 1 for consolidation; this means that, amongst others, the ancillary service entities are to be consolidated on line-by-line basis. The individual SCRs are calculated on this basis. The look through approach has to be applied.

Finally, at group level the SCR of financial institutions are added. Financial institutions are not consolidated. All other entities within the group are consolidated.

E.2.2 Solvency ratio and a.s.r. ratings

Capital requirement
The required capital stood at € 4,159 million per 31 December 2020 (2019: € 4,035 million). The required capital (before diversification) consists for 2020 € 3,261 million out of market risk and the insurance risk amounted to € 3,463 million as per 31 December 2020.

a.s.r.'s Solvency II ratio, including financial institutions, complied during 2020 with the applicable externally imposed capital requirement.

The table below presents the solvency ratio at group level as at the date indicated.

Eligible own funds to meet the SCR

	31 December 2020	31 December 2019
Eligible Own Funds Solvency II	8,273	7,828
Required capital	4,159	4,035
Solvency II ratio excluding Financial Institutions	**199%**	**194%**
Eligible Own Funds Solvency II	8,351	7,931
Required capital	4,200	4,102
Solvency II ratio including Financial Institutions	**199%**	**193%**

The Solvency II ratio stood at 199% (excluding financial institutions) as at 31 December 2020 (2019: 194%). The Solvency II ratio including financial institutions stood at 199% as at 31 December 2020 (2019: 193%). The Solvency II ratios presented are not final until filed with the regulators.

Based on the knowledge and insights we have today we expect both positive as well as negative impact on the business and financial performance from the COVID-19 crisis. However, this has up to now had a limited impact on the solvency position of a.s.r.

Under Solvency II it is permitted to reduce the required capital with the mitigating tax effects resulting from a 1-in-200-year loss (Shock loss). There is a mitigating tax effect to the extent that the Shock loss (BSCR + Operational risk) is deductible for tax purposes and can be compensated with taxable profits. This positive tax effect can only be taken into account when sufficiently substantiated ('more likely than not'). a.s.r. included a beneficial effect on its solvency ratio(s) due to the application of the LAC DT. The LAC DT benefit was € 957 million at year-end 2020.

Relevant regulation and current guidance (Delegated Regulation, Level 3 guidelines, Dutch Central Bank Q&A's and IAS12) is taken into account in the development of the LAC DT methodology.

Since 2016 a.s.r. uses an advanced model for the LAC DT of a.s.r. life and a 'basic' model for the other OTSOs. In the advanced model future fiscal profits are used to underpin the LAC DT, while in the basic model no future profits are used. Both models are and will be updated in case constrained by additional guidance or legislation provided.

The a.s.r. solvency ratio does not include any contingent liability potentially arising from any of the current and/or future legal proceedings in relation to unit-linked insurance contracts or for other products sold, issued or advised on by a.s.r.'s insurance subsidiaries in the past, the reason being that it is impossible at this time to make reliable estimates because the book of policies of a.s.r. dates back many years, contains of a variety of products with different features and conditions and because of the fact that rulings are diverse.

Standard & Poor's confirmed the single A rating of a.s.r., a.s.r. life and a.s.r. non-life on 23 September 2020.

Ratings per legal entity

Ratings Standard & Poor's	Type	Rating	Outlook	Rating & outlook since
ASR Nederland N.V.	CCR	BBB+	Stable	15 May 2014
ASR Levensverzekering N.V.	FSR	A	Stable	23 August 2012
ASR Levensverzekering N.V.	CCR	A	Stable	23 August 2012
ASR Schadeverzekering N.V.	FSR	A	Stable	23 August 2012
ASR Schadeverzekering N.V.	CCR	A	Stable	23 August 2012

CCR: counterparty credit rating
FSR: financial strength rating

Rating reports can be found on the corporate website: http://asrnl.com/investor-relations/ratings.

E.3 Use of standard equity risk sub-module in calculation of Solvency Capital Requirement

Transitional measure for equity risk applies for shares in portfolio at 01-01-2016. The SCR equity shock is 22% at 01-01-2016, and linear increasing to (i) 39% + symmetric adjustment for type I shares and (ii) 49% + symmetric adjustment for type II shares.

E.4 Differences between Standard Formula and internal models

a.s.r. solvency is governed by a standard formula, rather than the self-developed internal model. The EB believes that this should enhance transparency and consistent interpretation.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

As a.s.r. has not faced any form of non-compliance with the MCR or significant non-compliance with the SCR during the reporting period or at the reporting date, no further information is included here.

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We like to receive feedback or questions from our stakeholders on our annual report. If you want to give us feedback, please feel free to contact us.

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