2021

SFCR ASR Levensverzekering N.V.

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

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 ASR Levensverzekering N.V. (hereafter referred to as a.s.r. life), unless otherwise stated.

Summary

The 2021 SFCR provides a.s.r. life stakeholders insight in:

A Business and performance

The Solvency II ratio stood at 186% as at 31 December 2021, based on the standard formula as a result of € 5,716 million Eligible Own Funds (EOF) and € 3,079 million Solvency Capital Requirement (SCR).

a.s.r. life generated € 1,893 million in Gross Written Premiums (GWP) in 2021 (2020: € 1,810 million). This increase was mostly the result of strong growth in Pension DC. The result before tax decreased to € 695 million (2020: € 825 million) as higher (in)direct investment income, driven by recovery of financial markets with less adverse COVID-19 effects on the investment margin and further optimisation of the investment portfolio, was more than offset. This was primarily the result of strengthened technical provisions as a result of the outcome of the Liability Adequacy Test (LAT) and had a negative income statement impact of € 289 million before tax. In 2021, operating expenses decreased by € 5 million to € 165 million (2020: € 170 million). Project costs for the implementation of the new (SaaS) pension platform were offset by efficiencies and cost synergies achieved with the completion of insurance portfolio conversions in 2020 (Loyalis and VvAA life) and lower investment charges.

Full details on the a.s.r. life's business and performance are described in chapter A Business and performance (page 8).

B System of governance

This paragraph contains a description of group policy, which is applicable for the solo entity.

General
ASR Nederland N.V. (hereafter referred to as 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. Next to the EB, there is also a Business Executive Committee (BEC). The task of the BEC is to support the EB in implementing and realising a.s.r.'s objectives and executing the (business) strategy with the associated risk profile.

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 implemented a Risk Management framework based on internationally recognized and accepted standards. With the aid of 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 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 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 provides a professional and independent assessment of the governance, risk management and internal control processes with the aim of aiding management in achieving the company's objectives. The Audit Department evaluates the effectiveness of governance, risk management and internal control processes, and gives practical advice on process optimisation.

Full details on the a.s.r.'s system of governance are described in chapter B System of governance (page 17).

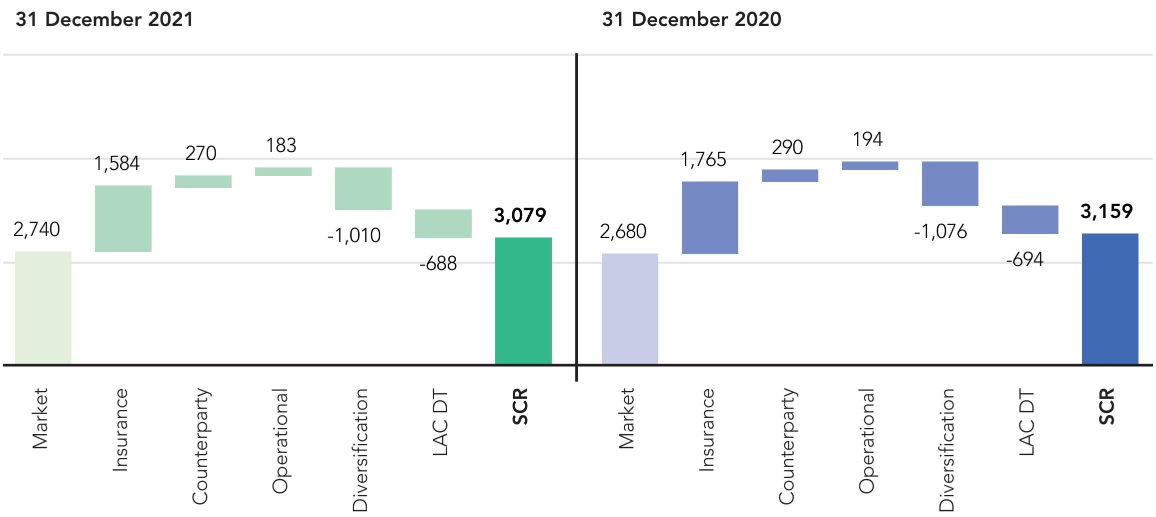
C Risk profile

a.s.r. life 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. life 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. life's risk profile.

a.s.r. life is exposed to the following types of risks: insurance risk, market risk, counterparty default risk, liquidity risk, operational risk and strategic 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:

SCR



Full details on the a.s.r.'s risk profile are described in chapter C Risk profile (page 38).

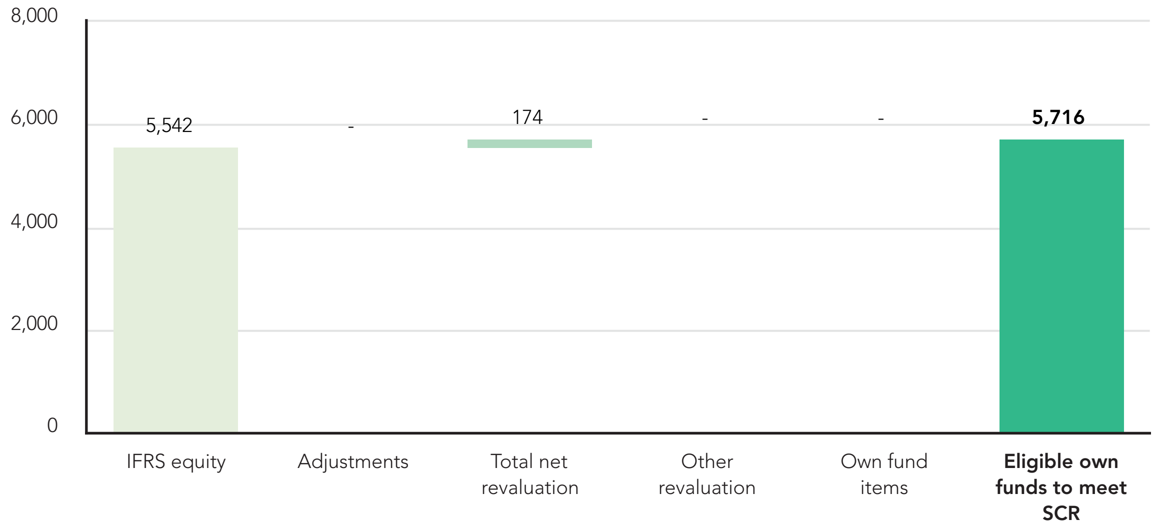
D Valuation for Solvency purposes

a.s.r. life 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. life follows IFRS for valuing assets and liabilities other than technical provisions.

The reconciliation of IFRS equity and Excess Assets over Liabilities (Solvency II basis) can be summarised as follows:
- derecognition of items on the Solvency II economic balance sheet which are admissible on the IFRS balance sheet, for instance goodwill, and other intangible assets;
- revaluation differences on mainly insurance liabilities and other assets which are valued other than fair value in the IFRS balance sheet.

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

Reconciliation from Solvency II to EOF



Full details on the reconciliation between a.s.r. life'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 64).

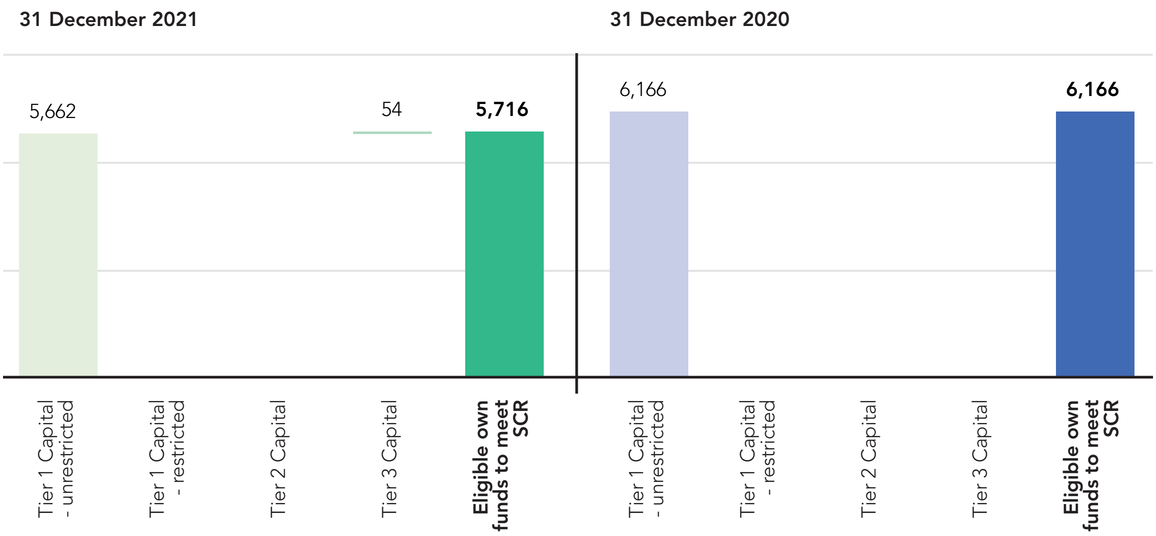
E Capital management

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. life has no internal model and follows the default method for the determination of the group solvency. a.s.r. life maintains an internal minimum and management target for the Solvency II ratio. The internal minimum Solvency II ratio for a.s.r. life as formulated in the risk appetite statement is 120%. The management threshold level for the Solvency II ratio is above 160%. a.s.r. only distributes cash dividends if the interest of the policyholders has been ensured (i.e. a Solvency II ratio above 140%). The Solvency II ratio was 186% at 31 December 2021.

The EOF is build up as follows:

Eligible Own Funds



The EOF decreased to € 5,716 million at year-end 2021 (2020: € 6,166 million). The contribution of the organic capital creation, higher equity markets and interest and spread developments were offset by a lower VA, the UFR reduction, the impact of higher inflation, and dividend upstreams to a.s.r. group.

Full details on the capital management of a.s.r. life can be found in chapter E Capital Management (page 74).

A Business and performance

A.1 Business

A.1.1 Profile

Object of the company
a.s.r. life is a subsidiary of ASR Nederland N.V. (a.s.r.). a.s.r. life wants to enable people to insure themselves against risks they are unable or unwilling to bear. a.s.r. life is convinced that its right to exist is justified by thinking and acting in terms of customer interests and perception. The products and services of a.s.r. life must be in line with this.

Understandability and simplicity of our insurance policies and services combined with efficient business processes and a solid financial position are essential. Customers can count on their risk coverage being held by an insurer that works sustainably, listens to them, thinks along with them and is accessible through various channels.

Customers need transparent products, clear communication and personal service. a.s.r. life has made its main goal to meet these needs. For example, activities and objectives of a.s.r. life are tested against the interests of the customer and products are presented to customer panels. Customer demands and the wishes expressed by customers are included in product development. Ultimately, this is reflected in the valuation of customers as measured by the Net Promotor Score (NPS). The NPS measures the extent to which customers would recommend a.s.r. life to their relatives and friends.

Also a lot of attention is paid to our social role and sustainability. a.s.r. joined the Net-Zero Insurance Alliance (NZIA) to reduce CO_2 emissions in it's insurance portfolio. Target of the partnership is to make the insurance portfolio climate neutral by 2050. Furthermore, a.s.r. life is starting dialogues with corporate customers to make them aware of the potential negative impact on the climate of their activities.

Core activities
a.s.r. life comprises Pensions, Individual life and Funeral. a.s.r. life offers insurance policies that involve asset building, immediate (pension) annuities, asset protection, term life insurance and funeral expenses insurance for consumers and business owners. The insurances are offered via the brands a.s.r. and Ardanta. The market share (measured in gross written premiums) of a.s.r. life in 2020 was 14.8% (2019: 13.3%)[1].

Legal structure of the company
a.s.r. life is a wholly-owned subsidiary of a.s.r. 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. is registered with the Dutch Chamber of Commerce under number 30070695.

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 Euronext Amsterdam and Euronext Dublin (Ticker: ASRNL).

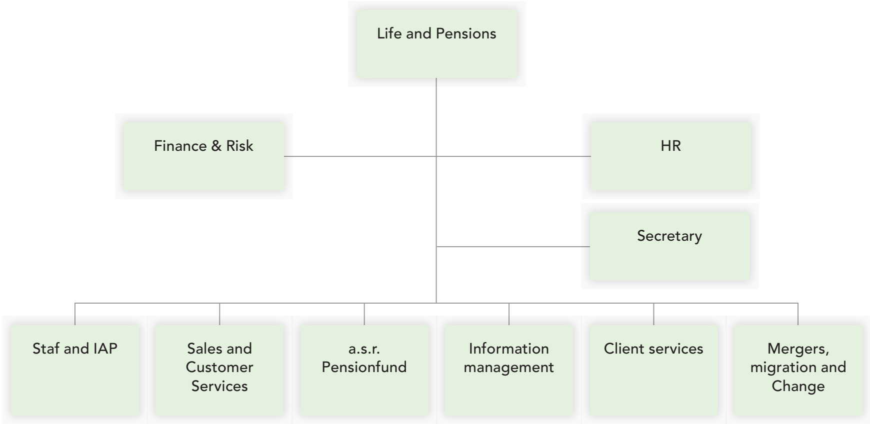
Internal organisational structure and staffing
In 2021, a.s.r. life consists of two product lines: Life & Pensions and Funeral. a.s.r. life split the Pensions, Individual life and APFS activities per 1 March 2022. The Individual life and APFS activities will be managed as service books in conjunction with the Funeral activities (see chapter 1.3). Funeral will preserve its own management and reports.

Various services are purchased internally from a.s.r. (a.o. Payment Centre, HR, Finance & Risk, Group Balance Sheet Management (GBSM), Asset Management and Information Technology & Communication (IT&C)). All employees of a.s.r. life are employed by a.s.r.

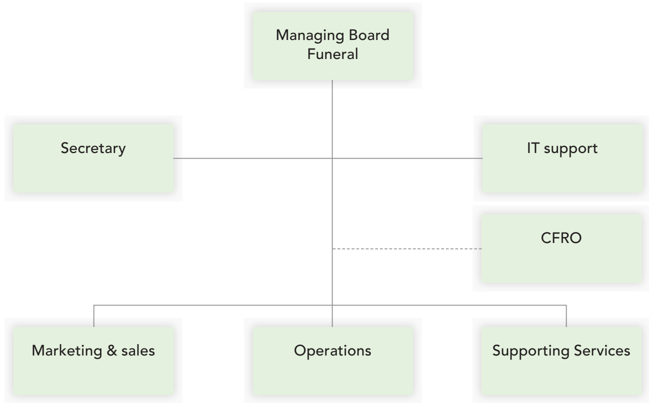
Organisational charts
Below, the organisational charts of the two product lines within a.s.r. life are presented:

1 Source: Market shares DNB 2020, market shares 2021 not available yet.

Life & Pensions



Funeral



Headcount
Total internal workforce of a.s.r. life (including former Loyalis and VvAA life staff) decreased to 440 FTEs (2020: 460 FTEs). The FTEs were employed by a.s.r.

Key elements of policy pursued

The Life segment comprises the life insurance entities Life & Pensions and Funeral. The segment offers insurance policies that involve asset building, immediate (pension) annuities, asset protection, term life insurance and funeral expenses for consumers and business owners.

Life & Pensions

a.s.r. life is a major provider of pension insurance in the Netherlands. The Defined Benefit (DB) product still forms the largest part of the existing pension portfolio, followed by the growing Defined Contribution (DC) proposition. The current customer base of these portfolios comprises approximately 27,800 companies and 793,000 participants. a.s.r. life is the second largest provider of individual life insurance products in the Netherlands, measured in GWP.

With the acquisition of the remaining 50% of Brand New Day Premiepensioeninstelling N.V. (Brand New Day IORP) on 1 April 2021, a.s.r. has strengthened its position on the Dutch pension market, giving substance to its ambition to grow as a provider of capital-light pension solutions. The integration of some parts of Brand New Day IORP activities within a.s.r. life is expected to be completed in 2022. Brand New Day IORP is a separate legal entity and therefore not included in the figures of a.s.r. life.

The negative indicative impact of COVID-19 on the 2021 operating result of Life & Pensions was limited and mainly concerns lower dividends and rental income. The impact on the mortality result is negligible, due to diversification of the various business lines.

Products
a.s.r. life provides DC pension products with recurring premiums, in which benefits are based on investment returns on selected funds, in some cases with guarantees. a.s.r. life's DC proposition concerns the employee pension product (Werknemers Pensioen (WnP)). In 2021, WnP had almost 130,000 active participants and € 3.0 billion in AuM all invested in SRI funds. The number of active participants at Brand New Day IORP grew to 120,000 and the invested capital to € 1.9 billion. In addition to the fixed annuity product, a.s.r. life also has the variable pension annuity. This offers customers a product for the payout phase of their pension, with an appropriate balance between risk and return. a.s.r. life also offered DB products, but due to market changes these products are no longer actively sold.

Term life insurance, the sole individual life proposition actively sold, consists of traditional life insurance policies which provide death benefits payments without a savings or investment feature. a.s.r. life'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 2021, Life & Pensions launched the Ik denk vooruit (I think ahead) platform, which helps customers to improve their financial health and provides more insight into their financial situation, in order to take the right financial decisions. Via the platform, customers have an opportunity to register for the Targeted Investment product, with which they can choose between three sustainable ASR Vooruit mixed funds.

The competitive position is strengthened through the creation of further economies of scale and a focus on digital transformation and consolidation opportunities.

The Life & Pensions strategy is focused on:

- Serving the needs of its clients. Excellent operational performance with a high client satisfaction, data driven orientation and compliance with legislation;
- Realising growth by having the right product propositions in place for further growth and looking for opportunities in ongoing market consolidation to acquire portfolios or companies;
- Drawing the attention of new and existing customers to the Ik denk vooruit platform, to help customers increase their financial health, providing more insight into their financial situation and helping them to make the right financial decisions;
- Realising a new IT landscape to administer the pension portfolio. This new target IT landscape will contribute to the efficient implementation of changes in laws and regulations (among which the new pension legislation) and to further reduce costs;
- Continuing with the digitalisation and optimisation of the processes.

The average NPS rating during 2021 was slightly below the 2020 level, due to a temporary decrease in customer satisfaction in the first half of 2021 following longer lead times on policy holder requests. In the second half of 2021 the NPS ratings improved again well above target level.

Funeral
As at 31 December 2021, the funeral portfolio of Ardanta, a.s.r. life's funeral brand, consisted of 6.2 million policies and 3.6 million customers. Based on the volume of premiums, Ardanta is the third largest funeral insurer in the Netherlands.

The impact of COVID-19 on the 2021 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 2021 (see chapter 2.1.2). Due to the measures in connection with COVID-19, employees largely served customers from home in 2021. This did not lead to a negative effect on service levels or customer satisfaction.

Products
Ardanta's primary objective is to insure funeral expenses. Since September 2021, with the introduction of the Ardanta Funeral Insurance product, Ardanta only offers a capital insurance product. This new product is a modern and comprehensive funeral insurance. It is a flexible insurance policy for which customers determine for themselves how long they wish to pay premiums (minimum of five years, maximum age of 85). There are also many options for retaining the value of the insured sum: the customer can opt to follow the price index figure or for an annual increase by a percentage of 2 to 5%. Choices can be changed during the term of the policy on the basis of new customer requirements and/or insights. The free choice of undertaker is also important. The customer determines who provides the funeral and the payee for the benefits.

Strategy and achievements
Ardanta focuses on the provision of good and innovative services to its customers. The 100% digital programme was launched in 2019. This digital transformation involves a fundamental change in customer interaction, value propositions, business models, operational processes and customer experience. The initial results of the digitisation of the intermediary process and the process for digital contracting of new insurance policies were positive. The conventional form, in which

customers and advisers contact Ardanta (by telephone and mail) is diminishing. In 2021, digital services accounted for 55% of Ardanta's outgoing annual output.

Customer satisfaction (NPS-c) remained stable at 47 in 2021 (2020: 47). Ardanta also offers practical guidance to its customers and their relatives on matters relating to bereavement, through initiatives such as a funeral coach, who assists relatives in the days immediately after a relative has died.

Ardanta continues to focus on capital generation and the further strengthening of its competitive position. Efficient operations, reflected in the costs per policy, form an important driver for this. Ardanta's distinguished proposition is recognised in the market: organic growth targets were exceeded in 2021 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 which were lost over the decades. In addition, an active search is conducted to trace the relatives of long-deceased customers in order to settle outstanding financial entitlements.

Market and distribution developments

Life & Pensions market

a.s.r. life expects the pension market to continue to move from DB to DC solutions in the coming years. With the acquisition of Brand New Day IORP, a.s.r. has further expanded its product range in DC solutions.

The switch from DB to DC gives rise to a shift in risk from employer to employee/participant. This switch also leads to declining cost coverage in the market. a.s.r. is taking further steps to cope with this declining cost coverage, for instance via enabling digital self-service, as the customers expect to be able to arrange their financial affairs online.

Funeral market

In recent years, there has been a significant degree of consolidation in this market. Also in 2021, as the acquisition of Yarden by Dela was announced and settled. This acquisition further reduces the number of active providers of funeral insurance, the largest peers of a.s.r. are Dela and Monuta. The consolidation in the funeral insurance market is expected to slow down in the coming years, however a.s.r. does continue to search for opportunities.

Internal control of processes and procedures

Risk management is an integral part of a.s.r.'s daily business operations. a.s.r. applies an integrated approach to managing risks ensuring that strategic objectives are met. The Risk Management Function (RMF) supports and advises a.s.r. life in identifying, measuring and managing risks, and monitors that adequate and immediate action is taken in the event of developments in the risk profile. a.s.r. life is exposed to the following types of risk: market risk, counterparty default risk, liquidity risk, insurance risk, strategic risk and operational risk. The risk management approach is described in more detail in paragraph B.3.

The quality of internal control within a.s.r. life is assured by means of a Risk and Control Matrix (RCM) as part of a.s.r.'s Operational Risk Management (ORM) policy. This framework has been developed from an integral risk management perspective and, based on the framework and the a.s.r. ORM policy, the effectiveness of key controls in the core processes is periodically tested and management is informed of the results.

The results are reported to the Business Risk Committee of a.s.r. life as well as to the Non-financial Risk Committee of a.s.r. on a quarterly basis. The report also focuses on the management of strategic and compliance risks. New products and services with the corresponding customer brochures are subjected to an internal 'Product Approval and Review Process (PARP)'. Submitting products and services to customer and intermediary panels is often part of this before the PARP board gives its approval. It is assessed to what extent the wishes and ideas of customers can be included in the product development.

Existing products and services are regularly tested against the changing customer needs based on PARP. In addition, work processes at customers are tested on the basis of a customer journey. In this context, a process from the first to the last step is presented to customers and their comments are taken into account in order to improve the process so that it better meets the needs and expectations of the customer. Ultimately this can be seen in the customer's valuation as measured by the Net Promoter Score (NPS).

The risks due to outsourcing are mitigated by periodically monitoring Service Level Agreements and controls based on ISAE3402 reports.

Quality control

The quality management of a.s.r. life contains policies, procedures and principles about how to serve its customers. The quality management is aimed at achieving optimal customer satisfaction and is taken into account in all contacts with customers. Internal standards have been set and are used to actively comply with the a.s.r. life quality standards and in the continuous improvement of a.s.r.'s services.

For the operational departments, including the client contact offices (front office) and the back office, the objectives in terms of customer focus and the internal standards of a.s.r. life have been translated into operational KPIs. These contribute to the control of communication with customers in terms of being error-free, transparency and speed of processing. Handling complaints is also central in this context. The KPIs are managed on a daily basis by the relevant management and staff. The results of the KPIs are periodically shared and discussed at all levels within a.s.r. life. Collaboration in risk governance contributes to ensuring customer satisfaction and putting the client's interests first.

Training of employees
a.s.r. life believes it is important to continuously educate its employees in knowledge and skills. Various training initiatives have been set up for this purpose. The initiatives receive continuous attention at both a general level and an individual level.

Continuous training takes place through:

- Twice a year the compulsory Permanent Training sessions for all employees;
- At individual level, the training tool of a.s.r. is used and appropriate education is provided at job level. The aim is to ensure that every employee is and remains permanently trained and up-to-date;
- A training plan is drawn up for new employees and updated after each evaluation session based on experience;
- The Gamification tool is available to all employees, which helps them interactively to refresh and deepen their knowledge of, among other things, integrity issues on a daily basis;
- Awareness programme on various themes as for instance information (cyber) security risk and the General Data Protection Regulatory.

Finance
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% (management threshold level) with the objective of creating value for its shareholders. If and when a.s.r. operates at a level (which may change over time) that is considerably above the management threshold level and it believes that it cannot invest this capital in value-creating opportunities for a prolonged period of time, it may decide, but is not obliged, to return (part of this) capital to 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 optimise the capital generation capacity while advancing the risk profile of the company. a.s.r. life is capitalised separately, and excess capital over management's targets are intended to be up-streamed to the holding company to the extent local regulations allow and within the internal risk appetite statement. In 2021 a.s.r. life made a dividend distribution of € 501 million (2020: € 618 million) to the holding company.

A.1.2 General information

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. KPMG has examined the 2021 financial statements and issued an unqualified audit report thereon. The SFCR is not in scope of the KPMG audit.

Name and contact details of the supervisory authority

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Visiting address:	Spaklerweg 4, 1096 BA 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 Accountantants N.V.
Visiting address:	Laan van Langerhuize 1, 1186 DS Amstelveen
Phone number	+31 20 656 7890

A.2 Key figures

- The result before tax decreased to € 695 million (2020: € 825 million);
- Gross written premiums increased by 4.6% to € 1,893 million (2020: € 1,810 million);
- Operating expenses decreased to € 165 million (2020: € 170 million).

Key figures a.s.r. life

(in € millions)	2021	2020
Gross written premiums	1,893	1,810
Operating expenses	-165	-170
Result before tax from continuing operations	695	825
Income tax (expense) / gain	-155	-150
Result for the year	541	674
New business (APE)	151	124

Gross written premiums

The increase of GWP by € 82 million to € 1,893 million (2020: € 1,810 million) was driven by strong growth in Pension DC.

The employee Pension DC product WnP continued its commercial success as the number of active participants increased to almost 130,000 (2020: almost 104,000) and recurring premiums rose by € 172 million (or 37%) to € 634 million, including the own pension scheme for a.s.r. employees. Assets under Management (AuM) of WnP further increased to € 3.0 billion (2020: € 1.9 billion). The growth in WnP offsets the decrease in the 'closed book' portfolio comprising of the existing DB/DC Pension portfolio. GWP of Individual life decreased partly as a result of an increased number of surrenders of nominal policies to 1.2% (2020: 1.0%), mainly related to savings linked mortgages as a result of the continuing low interest rate environment. GWP of Funeral remained stable.

Operating expenses

The operating expenses decreased by € 5 million to € 165 million (2020: € 170 million). Project costs for the implementation of the new (SaaS) pension platform were offset by efficiencies and cost synergies achieved with the completion of insurance portfolio conversions in 2020 (Loyalis and VvAA life) and lower investment charges. Furthermore, operating expenses decreased due to the decline of the Individual Life portfolio.

Life operating expenses, expressed in basis points of the basic life provision remains stable at 45 bps (2020: 45 bps) which is at the lower end of the target range (45-55 bps) for 2021.

In preparation for the pension reforms, which will take full effect as of 1 January 2027, an important step was taken in selecting the new (SaaS) pension platform. This platform offers our customers enhanced digital services and enables a.s.r. to respond more quickly and efficiently to the changing needs of the market while variabilising the costs.

Result before tax

The result before tax from continuing operations decreased by € 129 million to € 695 million (2020: € 825 million). Higher (in)direct investment income, driven by recovery of financial markets with less adverse COVID-19 effects on the investment margin and further optimisation of the investment portfolio, was more than offset. This was primarily the result of strengthened technical provisions as a result of the outcome of the Liability Adequacy Test (LAT) and had a negative income statement impact of € 289 million before tax. Furthermore, technical result decreased, reflecting lower result on disability cover in pensions as well as the regular run-off of the Individual life portfolio.

The outcome of the LAT has shown a decreasing surplus for years, due to the declining life and pension books in combination with the continuing low interest rate, rising inflation and a decrease in spreads on the new investments. With respect to the LAT development in a.s.r. life, a relatively limited shortfall in the liability adequacy test for the best estimate liabilities versus IFRS4 liabilities arose by the end of 2021. As a result, IFRS4 provisions were strengthened and back at the level of the best estimate.

The impact of the COVID-19 pandemic on the operational performance was limited. Mortality result was marginally affected, partly due to diversification effects between the Pension, Individual and Funeral portfolio.

New business (APE)

New business in APE increased by € 27 million to € 151 million (2020: € 124 million). This is mainly due to renewals of ANW Hiaat (‘ANW-gap’) insurance contracts during this year. Furthermore, switching from the pension DB-book to WnP increased.

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 Financial assets and derivatives

Investments

	31 December 2021	31 December 2020
Available for sale	23,364	26,851
At fair value through profit or loss	4,567	3,978
	27,931	**30,830**

Breakdown of investments

	31 December 2021			31 December 2020		
	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	10,345	-	10,345	13,556	-	13,556
Corporate bonds	9,083	-	9,083	9,977	-	9,977
Asset-backed securities	438	-	438	256	-	256
Preference shares	249	-	249	254	-	254
Equities and similar investments						
Equities	3,129	16	3,145	2,690	19	2,709
Real estate equity funds	-	1,784	1,784	-	1,628	1,628
Mortgage equity funds	120	55	175	118	54	173
Subsidiaries	-	2,712	2,712	-	2,277	2,277
Total investments	**23,364**	**4,567**	**27,931**	**26,851**	**3,978**	**30,830**

The equities consist primarily of listed equities and investment in investment funds. Equities increased mainly as a result of positive revaluations.

Cash collateral received on derivatives were reinvested in government bonds. As derivatives decreased, cash collateral decreased and government bonds were sold. Corporate bonds decreased mainly due to the disposal of covered bonds. The increase in subsidiaries is mainly related to the investments in ASR Private Debt Fund (PDF) and ASR Infrastructure Renewables B.V.

For the real estate equity funds and the mortgage equity fund for which a.s.r. life has significant influence, being DMOF, DPRF, 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.

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

Based on their contractual maturity, an amount of € 17,423 million (2020: € 19,151 million) of fixed income investments is expected to be recovered after more than 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.

Investment income

Breakdown of investment income per category	2021	2020
Interest income from receivables due from credit institutions	109	123
Interest income from investments	273	279
Interest income from amounts due from customers	239	245
Interest income from derivatives	556	491
Other interest income	54	48
Interest income	**1,231**	**1,186**
Dividend on equities	58	43
Dividend on subsidiaries	32	11
Dividend on real estate equity funds	46	47
Dividend on mortgage equity funds	4	3
Dividend on private debt funds	-	-
Rentals from investment property	29	43
Other investment income	-	1
Dividend and other investment income	**168**	**147**
Total Investment income	**1,399**	**1,333**

The effective interest method has been applied to an amount of € 620 million (2020: € 645 million) of the interest income from financial assets not classified at fair value through profit or loss. Interest income includes € 3 million (2020: € 3 million) of interest received on impaired fixed-income securities.

The COVID-19 developments led to a lower contribution of dividend income of indicative € 16 million (2020: € 21 million).

A.3.2 Consolidated statement of comprehensive income

Consolidated statement of comprehensive income for the year ended 31 December (in € millions)	2021	2020
Net result	**541**	**674**
Unrealised change in value of property for own use	-9	13
Income tax on items that will not be reclassified to profit or loss	2	-3
Total items that will not be reclassified to profit or loss	**-7**	**9**
Unrealised change in value of available for sale assets	-418	961
Realised gains/(losses) on available for sale assets reclassified to profit or loss	-411	-259
Shadow accounting	1,150	-598
Segregated investment pools	-89	1
Income tax on items that may be reclassified subsequently to profit or loss	-41	-42
Total items that may be reclassified subsequently to profit or loss	**190**	**64**
Total other comprehensive income, after tax	**184**	**73**
Total comprehensive income	**724**	**748**

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. life 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 for a.s.r. life.

B System of governance

B.1 General information on the system of governance

This paragraph contains a description of group policy, which is also applicable for a.s.r. life.

B.1.1 Corporate governance

Executive Board

The composition of the EB of a.s.r Life is the same as that of a.s.r. The EB is collectively responsible for the day-to-day conduct of business of a.s.r. as a whole and for its strategy, structure and performance. In performing its duties, the EB is guided by a.s.r.'s interests, which include the interests of the businesses connected with a.s.r., which, in turn, include the interests of customers, shareholders, employees and society in general. For the performance of its duties, the EB is accountable to the SB and to the General Meeting of shareholders.

The EB currently consists of three members. The General Meeting of Shareholders appoints the members of the EB and may suspend or dismiss any member of the EB at any time. The SB may also suspend any member of the EB. A suspension by the SB may be initiated by the General Meeting of Shareholders at any time.
In addition to the EB, the divisions of a.s.r. life each have their own management team (MT).

Supervisory Board

The composition of the SB of a.s.r. Life is the same as that of a.s.r. The SB performs its duties on the basis of three roles; the supervisory role, the advisory role and the employer's role. 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 the approval of certain decisions taken by the EB.

The SB currently consists of five members. The General Meeting of Shareholders appoints the members of the SB and may suspend or dismiss any member of the SB at any time.

B.1.1.1 Supervisory Board Committees

The SB of a.s.r. 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.

In 2021, the SB of a.s.r. discussed in more detail the set-up and composition of the committees for a more deepening focus on the theme of corporate sustainability due to the many developments in the field of sustainability and a.s.r.'s ambitions in this context. As of 1 October, the Selection and Appointment Committee was renamed the Nomination and ESG Committee. The three committees are:

- the Audit & Risk Committee (A&RC)
- the Remuneration Committee (RC)
- the Nomination & ESG Committee (N&ESGC)

B.1.1.2 Corporate Governance

a.s.r. is the group's holding company. a.s.r. Life is one of the supervised entities (OTSOs) within the group. a.s.r. is a public limited company which is listed on the Euronext Amsterdam Exchange 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 the company's 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 for the general state of affairs relating to a.s.r. and its group entities.

The EB members and SB members of a.s.r. life are the same as those of a.s.r.

B.1.1.3 **Executive Board**

The Executive Board (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 Supervisory Board (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. The EB currently consistes of the following three members: the CEO, Jos Baeten, the CFO, Ewout Hollegien and the COO/CTO, Ingrid de Swart.

Permanent education and evaluation

The 2021 self-evaluation session of the EB was conducted on the basis of a questionnaire and discussed with the members of the EB and the company secretary. The overall impression was positive.

The EB looks back positively on the process of the strategy review last year and the new medium-term targets that were announced during the Investor Update (IU) on 7 December 2021. One of the main topics of the evaluation over 2021 was the transition to the new composition of the EB per December 2021. The EB acted professionally on the (unexpected) departure of Annemiek van Melick. The succession could be arranged quickly, partly because of the succession plan.

Since the announcement of Ewout Hollegien as intended CFO, the EB as a team energetically started preparing the already planned IU. The EB looks back positively on this IU and its preparation contributed to a successful team formation. The collaboration within the new team is positive and transparent, there is no hesitation in sharing dilemmas or divergent views. In the past year, a.s.r. of course also had to handle the consequences of COVID-19 on the organisation and the business activities. The EB hopes that the measures that impact both the employees as well as the customers of a.s.r. will be phased out quickly in 2022. 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 inflation. Other emphasis will be added, 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. 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 2021, specific sessions were also organised jointly with the SB for the benefit of further education. The first session was a follow-up on the explanation of IFRS 17, the new accounting standard for insurance contracts, led by FRPM. The new regulations will impact future external reporting on insurance contracts. The implementation of IFRS 17 is a major project within a.s.r. The second session focused on the Distribution and Services segment of a.s.r. This knowledge session was led by VKG and Dutch ID, two of a.s.r.'s distribution businesses and took place in the second half of the year. During this session, the SB and EB were given an update on the developments, strategic vision and achievements in the distribution landscape.

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

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.

The SB currently consists of five members: Joop Wijn (chair), Herman Hintzen, Sonja Barendregt, Gerard van Olphen and Gisella van Vollenhoven. 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.

Furthermore, in accordance with the rotation schedule the first term of office of Sonja Barendregt will expire at the close of the 2022 AGM. Sonja Barendregt was nominated by the SB for a reappointment for a further four-year term. The proposal to reappoint Sonja Barendregt will be submitted to the AGM in 2022.

Diverse representation

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 www.asrnl.com.

One of the objectives of a.s.r.'s DGI policy is to achieve a SB consisting of at least one-third female and at least one-third male members. In 2021, the composition of the SB met this gender ratio, with 40% female and 60% male members.

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 DGI policy and all relevant selection criteria such as executive experience, experience in finance and experience in the political and social environment.

Independence and conflicts of interest

In line with the Dutch Corporate Governance Code, SB members of a.s.r. 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 2021, 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. The maximum number of other mandates for a member of the SB is set at 5.

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 self-assessment for 2021 was based on a questionnaire and interviews with members of the SB and the EB. 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, several face-to-face private sessions and informal meetings were sorely missed in the past year. The SB hopes that these meetings can be held again in the course of 2022. The transfer of the chairship of the SB from Kick van der Pol to Joop Wijn went well. The current composition of the SB is assessed as good and pluriform. The SB is at this moment of the opinion that it has all the necessary competencies on board. There is a good division of roles between the committees and the full SB. In addition, the SB is pleased with the change of the Selection and Appointment Committee into the Nomination & ESG Committee, whereby the composition has also changed. Within this committee it is possible to delve further into the trends and developments in the field of ESG. Last year there was much talk about the formation of the updated strategy and the new medium-term targets. The SB looks back on this process with satisfaction and there is confidence in the management to achieve these objectives. In the coming year, specific attention will be paid to talent development and broader succession plans. In addition, the evaluation process was recalibrated last year and will have to be put into practice next year.

In 2021, specific sessions were also organised jointly with the SB for the benefit of further education. The first session was a follow-up on the explanation of IFRS 17, the new accounting standard for insurance contracts, led by FRPM. The new regulations will impact future external reporting on insurance contracts. The implementation of IFRS 17 on 1 January 2022 is a major project within a.s.r. The second session focused on the Distribution and Services segment of a.s.r. This knowledge session was led by VKG and Dutch ID, two of a.s.r.'s distribution businesses and took place in the second half of the year. During this session, the SB and EB were given an update on the developments, strategic vision and achievements in the distribution landscape.

The individual SB members attended (leadership) sessions on various topics in their capacity as supervisory members at other organisations.

B.1.1.5 Governance codes

The current articles of association (dated 9 June 2016) of a.s.r. are published on www.asrnl.com. The SB and EB rules of a.s.r. 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. complies 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 indicating 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.

Notwithstanding the above, a.s.r. has decided that all employees and other individuals carrying out activities under its responsibility must also 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 extended for large companies of public interest. Such organisations, which include a.s.r., are 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. In addition, as from 1 January 2022, large companies of public interest must publish information about how and to what extent their activities are associated with economic activities (eligibility) that qualify as environmentally sustainable as defined in Regulation (EU) 2020/852 (EU Taxonomy Regulation).

B.1.2 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. life include a.s.r. and its subsidiaries, 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.

a.s.r. life regularly enters into transactions with related parties during the conduct of its business. These transactions mainly involve loans and receivables, allocated costs and premiums received, and are conducted on terms equivalent to those that prevail in arm's length transactions.

- The remuneration of the key management personnel of a.s.r. life is described in chapter B.1.2 of the SFCR of a.s.r.;
- The operating expenses are predominantly intercompany, consisting of allocated expenses from head office, support functions and expenses related to personnel;
- Transactions with a.s.r. concern the payment of taxes as a.s.r. heads the fiscal unity;
- The post-employment benefit plan of a.s.r. has been insured by a.s.r. life. The premium income in the following table concerns the premiums related to this post-employment benefit plan.

Positions and transactions between a.s.r. life, associates and other related parties

The table below shows the financial scope of the related party transactions of a.s.r. life:

- Associates;
- Other related parties (including a.s.r. and its subsidiaries).

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

	Associates	Other related parties	Total
2021			
Balance sheet items with related parties as at 31 December			
Loans and receivables	10	437	447
Other assets	-	4	4
Insurance liabilities	-	3,055	3,055
Other liabilities	177	375	552
Transactions in the income statement for the financial year			
Premium income	-	155	155
Insurance claims and benefits	-	213	213
Interest expenses	-	5	5
Commission expenses	-	1	1
Operating expenses	-	34	34

	Associates	Other related parties	Total
2020			
Balance sheet items with related parties as at 31 December			
Loans and receivables	11	377	388
Other assets	-	47	47
Insurance liabilities	-	3,132	3,132
Other liabilities	135	235	370
Transactions in the income statement for the financial year			
Premium income	-	176	176
Interest income	-	3	3
Insurance claims and benefits	-	220	220
Fair value losses	-	21	21
Commission expenses	-	1	1
Operating expenses	-	38	38

In 2021, a.s.r. life sold mortgages to a.s.r. non-life at a market value of € 563 million. The realised gain on these transactions (€ 11 million) has been added to the liabilities arising from insurance contracts.

An amount of € 8 million rental income from a.s.r. is included in the investment income (2020: € 8 million). From 1 January 2022 a.s.r. will rent fewer square meters of the head office of a.s.r. As a result a lump sum of € 4 million has been settled in 2021, which is presented as investment income.

No provisions for impairments have been recognised on the loans and receivables for the years 2021 and 2020.

All transactions were conducted at arm's length.

During 2021, a.s.r. life paid a dividend to a.s.r. in the amount of € 501 million (2020: € 618 million).

B.1.3 Remuneration of Supervisory Board and Executive Board

The members of the EB and SB of a.s.r. life are the same members in the EB and SB of a.s.r. The amount of compensation paid for the services provided by the EB and the SB of a.s.r. was not charged to a.s.r. life, and is subsequently not accounted for in the result of a.s.r. life.

The remuneration policy of the EB and SB Board members is determined in accordance with the current Articles of Association of a.s.r. An overview of these remunerations is described in the consolidated financial statements of a.s.r. group.

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 recognized and accepted standards (such as COSO ERM and ISO 31000 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 Executive Board (EB) and the Supervisory Board (SB) (see chapter B.3.1.1 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 organization and the structure of the Risk committees (see chapter B.3.1.2 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 B.3.1.3 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 Own Risk & Solvency Assessment (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 B.3.1.4 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 emphasizes 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 B.3.1.5 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 B.3.1.6 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 a.s.r. risk committee and approved by the SB.

The statements are evaluated yearly to maintain alignment with the strategy. The NFR statements have been strengthened in 2021, but not materially changed. FR statements have not been changed at a.s.r group level.

Risk appetite statement ASR Nederland N.V. 2021

1	ASR Nederland N.V. places long-term value creation at the forefront of its (strategic) operations and ensures that all stakeholders' interests are met in a balanced and sustainable way.	NFR
2	ASR Nederland N.V. acts in a sustainable and (socially) responsible manner.	NFR
3	ASR Nederland N.V. has effective and controlled (business) processes, whereby the customer data quality is in order.	NFR
4	ASR Nederland N.V. has reliable financial reports, whereby IFRS and Solvency II data quality is in order.	NFR
5	ASR Nederland N.V. manages its internal and external outsourcing in a controlled and effective way.	NFR
6	ASR Nederland N.V. processes information safely (in accordance with availability, confidentiality and integrity requirements) and is cyber threat resilient.	NFR
7	ASR Nederland N.V. has controlled projects (in terms of timeliness, budget and/ or quality).	NFR
8	ASR Nederland N.V. and those working for or on behalf of a.s.r. act in accordance with applicable laws and regulations, self-regulation, and ethical and internal standards. a.s.r. meets the legitimate expectations and interests of its stakeholders and puts the customer's interests at the heart of its proposition. a.s.r. therefore provides products and services that are cost-efficient, useful, safe and understandable for customers, distribution partners, society and a.s.r. itself. Acting with integrity protects and strengthens a.s.r.'s reputation.	NFR
9	ASR Nederland N.V. has a minimum SCR ratio of 120%.	FR
10	ASR Nederland N.V. remains within the bandwidth of periodically reassessed market risk budgets.	FR
11	ASR Group (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
12	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
13	ASR Nederland N.V. has a maximum financial leverage ratio of 40%. Financial leverage ratio = Debt / (Debt + Equity).	FR
14	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
15	ASR Nederland N.V. has a minimum interest coverage ratio of between 4 and 8. Interest coverage ratio = EBIT operational / interest expense.	FR
16	a. ASR Nederland N.V. is capable of releasing liquidities worth up to € 1 billion over a 1-month period following stress. b. ASR Nederland N.V. remains capable of meeting its collateral requirements in the event of an (instant) increase of 3% interest rate.	FR
17	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
18	ASR Nederland N.V. (excl. ASR Ziektekosten) has a maximum combined ratio of 99%.	FR
19	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 prioritise the risks. The main strategic risks are translated into 'risk priorities' and 'emerging risks' at group level and are monitored throughout the year. Important changes in risk priorities and emerging risks are reported to the a.s.r. risk committee and the Audit & Risk Committee. 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 strategic and 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 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. 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. Other responsibilities of financial risk management are e.g. monitoring Solvency II compliancy (e.g. changes in Solvency II regulation), updating policies on valuation and risk, activities related to the DNB (National Supervisor), assessment of the ORSA (financial parts), assessment of strategic initiatives.

Model validation
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. MV is responsible for supervising compliance with the model validation policy, discussing and challenging the (draft) validation reports and advising the Model Committee. The MV is a separate sub-department within GRM. The MV is part of the RMF and operates independent of the AF.

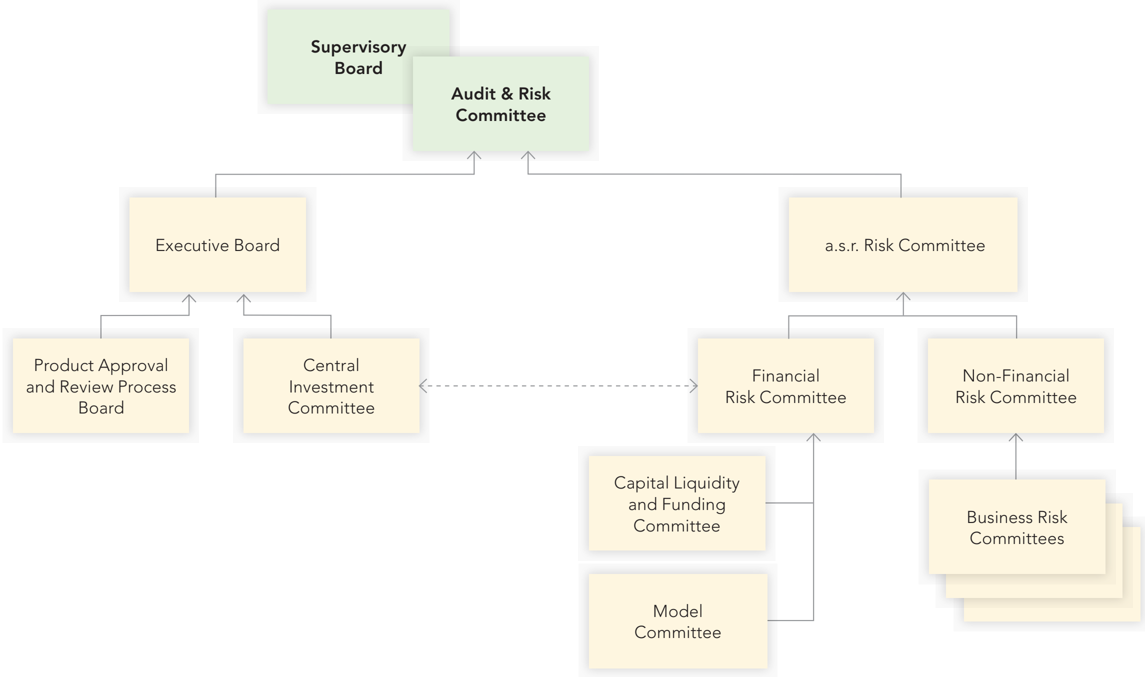
Compliance
Compliance is responsible for the execution of the compliance function. An important task of Compliance is to be the countervailing power to the EB and other management in managing compliance risks for a.s.r. and its subsidiaries. The mission of the compliance function is to enhance and ensure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

a.s.r. risk committee

The a.s.r. risk committee monitors a.s.r.'s overall risk profile on a quarterly basis. At least annually, the a.s.r. risk committee 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 a.s.r. risk committee also monitors the progress made in managing risks included in the Risk Priorities of the EB.

All members of the EB participate in the a.s.r. risk committee, 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.

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 a.s.r. risk committee. 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 a.s.r. risk committee. 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 a.s.r. risk committee. 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 a.s.r. risk committee. 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) department 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

Adherence to this policy is ensured by the three lines of defence risk governance model. With a new Central Data Office and a Data Quality Improvement Programme, additional measures are taken to increase maturity in data management practices.

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 market standards, like ISO 2700x, COBIT 2019, NIST Cybersecurity framework, SOC2 principles, PCI DSS, COSO, BS 25999, ISO 31000, ITIL en PMF. These standards 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) and Compliance are positioned as such, that they 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.

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

1 Based on COSO ERM en ISO 31000.

- 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:
- Sustainability
- 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 change and energy transition
- Crime
- Pandemics
- Regulation
- Technology
- Interest rates

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, monitor, report 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 priorities' and 'emerging risks', 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 is used to gain additional insights into the likelihood and impact. One single risk priority can take multiple risks into account. In this manner, the risk priorities 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 in the a.s.r. risk committee and the Audit & Risk Committee. 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.

Climate change
One of the areas within Strategic Risk Management concerns climate change. For a.s.r., climate change is a direct risk, both to its assets and liabilities. In chapter 4.5 Climate change of the annual report of a.s.r., the relevant climate related risks for a.s.r. are discussed including how these risks are managed. Climate related risks have had no impact on the current accounting and disclosures of a.s.r.'s assets and liabilities.

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, outsourcing, project, reporting 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 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 auditing 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 a.s.r. risk committee.

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. All of a.s.r.'s security measures are tested frequently. In case of cyber risks a.s.r. is participating in the DNB TIBER, Threat Intel Based Ethical Hacking exercise.

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 a 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. In 2021 a.s.r. established its Preparatory Crisis Plan. 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. Two times a year a model inventory is performed by the productlines to determine if and

when a model (re)validation is required. Triggers for model (re)validation are diverse, e.g. regulation, conversions, analysis of change. 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). The model inventories are discussed in the Model Committee.

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

B.4.2 Compliance function

The Compliance function is a centralised function which is headed by the 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 compliance manager has a direct reporting line and access to the CEO.

The compliance manager also has an escalation line to the chair of the A&RC and / or the chair of the SB in order to safeguard the independent position of the compliance function and allows it to operate autonomously. The 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 legislation 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 2021

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 2021, a.s.r. paid specific attention to the main compliance risks described below.

- Customer Due Diligence (CDD) related risks (including anti-money laundering) remain relevant for a.s.r. in order to guarantee sound and controlled business operations. To ensure that a.s.r. performs the CDD process correctly and in full, parts of the CDD screening and tooling have been centralised. The central CDD desk, consisting of Compliance, Investigations, Legal and representatives of the business lines, functions as an expertise centre and recommends ensuring a consistent screening approach. On the basis of the monitoring of compliance with CDD regulation and policy performed in 2020, compliance has been further assured and the governance has been sharpened. The central CDD desk has developed an uniform monitoring framework for demonstrable compliance with the CDD policy with the business lines and is intensifying the training programme.
- Increasing attention has been given to sustainability and the implementation of regulations as announced under the EU Taxonomy Regulation. Detailed information can be found in chapter 4.4 of the Annual report of a.s.r.
- a.s.r. considers it important that personal data are handled with care. After the General Data Protection Regulation (GDPR) entered into force in 2018, attention was devoted to this in the recent years. The following themes were included in the monitoring study performed in 2021: the rights of data subjects, the policy on keeping data, keeping data out of sight and awareness on the topic. The resulting actions are almost completed. More information on this topic can be found in chapter 3.4.5 of the Annual report of a.s.r.

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 ASR Nederland N.V. 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. risk committee and to the Audit and Risk Committee.

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 2021, no tripartite consultation was held. The tripartite consultation was postponed to January 2022.

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. The next external quality review is planned to be performed in 2022.

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 a.s.r. Risk Committee (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 a.s.r. Risk Committee 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 periodically 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' in Dutch) 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 business targets 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. life's approach to managing risks is described below.

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

Management of strategic risks
a.s.r. life's risk priorities and emerging risks are defined annually by the EB, based on strategic risk analyses. a.s.r. life's risk priorities are defined as the main strategic risks which could materially affect its strategic and financial and non-financial targets. To gauge the degree of risk, a.s.r. life 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. life's risk priorities has a gross and net risk Level of Concern 3 or 4, outside risk appetite boundaries. The risk priorities and emerging risks are described in Strategic risks and in Emerging risks.

Management of financial risks
a.s.r. life aims 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 Product Approval & Review Process (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. life applies additional mitigating measures.

In 2021, 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 (NFR) are adequately managed. Should the risk profile exceed the risk appetite, the NFRC will decide on the steps to be taken.

a.s.r. employees gain risk management knowledge and skills through the implementation of risk management policies, procedures and practices and the execution and testing of controls within business processes for sound and controlled business operations. Training courses that cover main risk-related topics, presentations, workshops, gamification and the use of governance, risk & compliance tooling also contribute to this. In addition, risk management employees keep their knowledge and skills up to date through training courses that cover specific risk-related topics and/or continuous education.

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

According to the annual risk management cycle in 2021, 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 risks identified are clustered into:
- strategic risks
- emerging risks
- financial risks

- non-financial risks

Strategic risks
In 2021, a.s.r. life's main strategic risks (risk priorities) were:
- low interest rate environment
- COVID-19 / repeated pandemics
- impact of supervision, laws and regulations and juridification of society
- climate change and energy transition
- pressure on business model
- IT / cyber risk

Low interest rate environment
In 2021 interest rates remained at historically low levels, partly due to the quantitative easing of central banks that was expanded during COVID-19. This potentially puts pressure on capital generation. Since returns on regular bonds are unattractive, demand for other assets went up and pushed their valuations to higher levels. The risk of a negative price correction may have increased.

The solvency and interest rate position are continuously monitored and findings are reported to the FRC. The consequences of potentially low investment returns and fluctuations in interest rates and inflation are examined in more detail in the annual SAA study, the annual Own Risk and Solvency Assessment (ORSA) and the quarterly balance sheet prognosis.

COVID-19 / repeated pandemics
In December 2019, a pneumonia outbreak was reported in China which in 2020 rapidly developed into what is now commonly referred to as COVID-19. COVID-19 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 COVID-19. Both COVID-19 and the countermeasures have had a significant impact on Dutch society and the economy. The economic impact was mitigated in the short term by significant economic relief programmes presented by the government to support both companies and individuals financially impacted by COVID-19. The longer term economic impact of the countermeasures taken to mitigate COVID-19 is uncertain. For more details on the impact on a.s.r. life, see the explanation of the non-financial risks regarding the operational impact on a.s.r. life and the explanation of financial risks regarding the financial implications on a.s.r. life.

Impact of supervision, laws and regulations and juridification of society
Due to growing regulatory pressure, there is a risk that:

- a.s.r. life'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. life will have administrative fines or sanctions imposed on it for failure to comply with requirements (on time).
- Regulatory solvency position and / or performance change due to changes in regulations and supervision, such as IFRS 9, IFRS 17 and Solvency II.

a.s.r. life 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.

CDD risk (including anti-money laundering) remains relevant for a.s.r. life in order to guarantee sound and controlled business operations. To mitigate the risks of non-compliance relating to CDD, a.s.r. centralised a major part of its CDD screening and tooling. The central CDD desk consisting of Compliance, Investigations, Legal and representatives of the business lines plays a key role in ensuring a consistent screening approach within a.s.r. The CDD desk also functions as an expertise centre.

The Group has become subject to increasing sustainability regulations, such as Regulation (EU) 2019/2088 of 10 March 2021 relating to disclosures (SFDR), and may also become subject to Regulation (EU) 2020/852 (partially) from 1 January 2022 relating to a framework to facilitate sustainable investment (the EU Taxonomy Regulation). These regulations will require the Group to include information at entity and product level as to whether certain financial products take account of an adverse impact on sustainability, promote environmental or social characteristics and meet one or more of the environmental targets set out in the EU Taxonomy Regulation. The EU Taxonomy Regulation will also require the Group to include in its non-financial statement how and to what extent the Group's activities are associated with economic activities that qualify as environmentally sustainable. The sustainability regulations also include the amendment of existing directives and regulations such as Solvency II, Insurance Distribution Directive (IDD), Markets in Financial

Instruments Directive (MiFID II), Alternative Investment Fund Managers Directive (AIFMD), and Benchmarks Regulation (BMR). The sustainability regulations will therefore also have an impact on product development and advice, Know Your Customer (KYC), risk management, solvency requirements and the disclosure of financial products. Since some of the sustainability regulations are still being developed, their full impact on the Group is as yet unclear. The Group will have to implement these regulations and is likely to have to implement more sustainability-related regulations in the future.

In June 2020, the International Accounting Standards Board (IASB) published the revised International Financial Reporting Standard 17 (IFRS 17) which was endorsed by the EU. The new standard for insurance contracts will replace the existing IFRS 4 standard and will be effective from 1 January 2023. 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. life 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. IFRS 17 and IFRS 9 will have a major impact on the Group's primary financial processing and reporting and could have a significant effect on 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 22 September 2021, the European Commission adopted a review package of Solvency II legislation. It consists of various changes to the Solvency II framework, affecting most notably the liability discount curve, the risk margin and the volatility adjustment (VA). The next step is for the European Parliament and the member states in the Council to negotiate the final legislative texts based on the Commission's proposals. The changes are expected to take effect in 2024 at the earliest and some measures will include a phase-in period of up to eight years, to 2032.

Political, regulatory and public attention has focused on unit-linked life insurance policies for some time now. Elements of a.s.r. life'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. life 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 varied. Since the record of (a.s.r. life'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. life'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. life Consequently, the consequences of any current and/or future legal proceedings brought upon a.s.r. life could be substantial for a.s.r. life's life insurance business and have a potential materially adverse effect on a.s.r. life's financial position, business, reputation, revenues, operating results, solvency, financial condition and / or prospects. a.s.r. life monitors complaints and legal affairs every quarter.

a.s.r. life is currently subject to three collective actions. The claims are all based on similar grounds and have been rejected by a.s.r. life. a.s.r. life is defending itself in these legal proceedings. The timing and outcome of these collective actions is currently uncertain and deferred. The main reason for this deferral lies with developments regarding 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.

On 12 February 2022, the Supreme Court has answered the preliminary questions from Court of Appeal The Hague on information obligations for unit-linked policies. The Supreme Court primarily considers that Dutch civil law is applicable to the legal relationship between insurer and insured. It is up to lower courts to decide whether Dutch civil law entails obligations to provide information in addition to the obligations arising from specific regulations and, if so, which obligations. The Supreme Court holds that potential additional information obligations must satisfy the criteria formulated by the Court of Justice of the EU in 2015. The collective actions against a.s.r. that have been deferred in view of the preliminary questions before the Supreme Court, will be resumed.

Compensation scheme for unit-linked products

In 2008, a.s.r. life 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. life's income statement up to 2021 was € 1,025.5 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 2021 amounted to € 42.7 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.

Climate change and energy transition
Climate change brings opportunities and risks for a.s.r. life, its customers and society at large. On the one hand, climate-related risks have an impact on the investment portfolio and the cost of claims. On the other hand, a.s.r. life can make a positive contribution to climate mitigation and adaptation through its investments, products and / or services.

Identified climate-related / transition risks are:

- Pricing
- Loss of biodiversity.
- 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 Strategic Finance Action Plan (EU SFAP).

A possible higher mortality because of climate change in combination with low interest rates could lead to that pricing of various products would no longer be profitable. Which could have negative impact on the insurability of various groups and of cost recovery. To ensure a.s.r. life's pricing is sufficiently, it monitors frequently here pricing policy and carries out risk analysis.

Loss of biodiversity can accelerate climate change. Loss of biodiversity not only entails risks for nature and society, but also financial risks, for example for a.s.r.'s agricultural portfolio.

The extent of transition risks and their impact depend in part on the speed of the energy transition, government policies, technological developments and changing consumer behaviour. An abrupt climate transition will potentially have major consequences for the economy, business models and financial stability.

Climate change is a source of reputational risk as consumer sentiment towards organisations regarding the organisation's contribution to the energy transition is changing. a.s.r. life 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. a.s.r also invests in its own office building and parking facilities to make it more sustainable: e.g. in 2021 many solar panels and a bi-directional charging system for electric cars were added.

The EU SFAP entails a large amount of new regulation which must be interpreted and implemented in a short period of time. At the same time, not all regulation is as yet definitive. This entails the risk that a.s.r. life will make incorrect interpretations which could lead to negative publicity and / or fines and lawsuits.

Pressure on business model
This risk priority concerns the contraction of the individual life insurance market combined with a more competitive insurance market, leading to margin and volume decreases. a.s.r. life continuously focuses on process improvement and lowering costs.

The run-off of the life portfolio is proceeding more slowly than initially anticipated and will continue to make a significant contribution to both the organic capital creation (OCC) and the operating result in the coming years. a.s.r. life 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.

IT / cyber risk
IT risk, including cyber, is constantly increasing and evolving. Malicious actors are (covertly) probing and intruding, pushing the development of more sophisticated attacks. The battle against cybercrime is ongoing and continued to dominate risk reports in 2021, especially with regard to ransomware attacks. In order to be cyber resilient, a.s.r. has a centralised programme to improve its cyber capabilities such as identification, protection, detection, respond and recover. a.s.r. life will be focused on increasing cyber risk awareness and organizes for example training and awareness sessions.

Digitalisation is an important strategic target for a.s.r. life, one which requires the trust of customers in a.s.r. life's digital services. To build this trust, a.s.r. life continues to monitor the threat landscape and invests accordingly in prevention, detection and response skills and technology to strengthen its cyber resilience. At the same time, digitisation is leading to growing dependencies in the value chain ecosystem. The focus on, and increased awareness for, cyber risks is therefore a continuous challenge for both a.s.r. life and its value chain ecosystem. Cloud and cloud security are important aspects of digitalisation. In 2021 a.s.r. life further strengthened its ability to protect itself against malicious actors for the on premises and cloud solutions.

a.s.r. is also actively involved in partnerships with financial institutions and public agents, such as the Dutch Nationaal Cyber Security Centrum (National Cyber Security Centre (NCSC)), i-CERT and DNB Threat Intelligence-Based Ethical Red team programme (TIBER-NL), to share information and improve the resilience of the financial industry against cyber risks. Cyber resilience is important for a.s.r., and in 2021 it therefore took part in a TIBER exercise for the second time.

Emerging risks

Emerging risks are part of a.s.r. life's risk priorities. They are defined by a.s.r. life as new or existing risks with a potentially major impact, in which the level of risk is hard to define. The following identified emerging risk is described in more detail below:

Longevity risk

If the life expectancy of a.s.r. life's policyholders improves significantly compared to current (expected) mortality due to relatively sudden (medical and/or technological) developments in health care there is a chance that a.s.r. life's policyholders will live significantly longer compared to the current mortality assumptions, this will have an impact on a.s.r. life. Some improvements and unexpected breakthroughs could even ultimately result in a lower solvency for a.s.r. life. a.s.r. life monitors the longevity developments of its own portfolio, and mitigating measures such as longevity reinsurance are continuously analysed from a risk management perspective. Based on the analysis, it was concluded that the longevity risk could if necessary be reinsured and therefore it could be considered as a lower emerging risk.

Financial risks

Although the strategic risks also contain financial risks, a.s.r. life additionally describes other relevant financial risk aspects below. These topics are:

- COVID-19
- Inflation
- return on investment
- Solvency II regulations

COVID-19

The effect of COVID-19 and the measures taken by the Dutch government are impacting a.s.r. life's technical result. The effect on the individual life business is limited due to excess mortality in old age (70+) in the Netherlands. Excess mortality has impacted (limited) the funeral and pension business.

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. life is financially healthy and its capital position is solid. a.s.r. life continues to closely monitor the impact of COVID-19 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.

In 2021, the Actuarial Society analysed the potential impact of COVID-19 on life expectancy in the Netherlands and concluded that it had no material impact and also that the 2020 mortality table was still valid.

Inflation

Inflation went up in the last two years, contrary to the development in interest rates, and had a negative impact on the solvency ratio. Divergence of interest rates and inflation is expected to disappear in time and not to grow. Although, a longer period of divergence is not unimaginable. The sensitivity of the Solvency II ratio is +7%-points in case an interest of +1.0% and -2% in case an inflation of +0.3%. Based on historical data correlation exists between increased interest and higher inflation, the combined sensitivity in case an interest of +1.0% and an inflation of +0.3% is +5%-points.

Return on investment

When a.s.r. life receives low return on their investment portfolio, this could lead to pressure on its solvency position. a.s.r. has a clear governance structure with a strict investment framework and monitoring policy. a.s.r. maintains a study about its strategic asset allocation every year.

Solvency II regulations

As a result of changes in legislation and regulations (UFR, for example), there is a risk that a.s.r. life's solvency ratio will fall sharply. a.s.r. monitors changes in legislation and regulations closely. In addition a.s.r. has various reports on interest rate risk.

Non-financial risks

In addition to strategic and financial risks, a.s.r. life has identified several non-financial risks. In 2021, the most relevant of these were:

- COVID-19
- outsourcing risk
- data quality
- digitalisation

COVID-19
In the first half of 2021, the Central Crisis Team (CCT) continued to manage the impact of COVID-19. a.s.r.'s offices gradually reopened on 25 May to allow meetings and face-to-face gatherings to take place once more. The CCT was scaled down as of 18 June; the COVID-19 working group remained active to prepare decision-making on COVID-19 related issues. After the government dropped the 1.5 meter measure, the offices opened their doors to more employees from 25 September, whilst retaining a number of measures to regulate use and prevent too many people from visiting the offices. In response to the fourth wave of infections and in line with government advice, all employees worked from home from 15 November till 31 December; the a.s.r. offices were only open for necessary work.

a.s.r. life has identified strategic and operational risks relating to COVID-19. The impact on a.s.r. life's operational processes in 2021 was also limited. The course of COVID-19 and its long-term consequences for a.s.r. life, the economy and society are inherently uncertain and might be considerable. There is also a risk that society will see a repetition of new global viral diseases in the future, with similar (global) reflexes to COVID-19.

From an operational perspective, prolonged working from home affects the vitality of employees and the social cohesion of business lines and of a.s.r. as a whole. The measures taken in this regard in 2020, such as virtual employee meetings, training opportunities and online workouts, were continued into 2021. In order to monitor how a.s.r. employees were doing while working entirely from home, a.s.r. continued to deploy the Employee Mood Monitor. The results gave an insight into the pillars of dedication, job satisfaction and vitality and a reason to discuss these issues within teams or use targeted interventions by management.

COVID-19 has clearly shown that employees have been presented with a substantial change as a result of combining working from home with working in the office. In the second quarter of 2021, the policy on office-based working was developed in the wake of the pandemic. It creates a framework for the hybrid situation in which employees work both in the office and at home, and formulates basic principles for implementing this. For example, a.s.r.'s customers and their needs are central; employees work independently of time and place; and employees are given the confidence and space to manage their tasks as they see fit. Another principle is that employees work at least two days a week in the office on average. The office has been upgraded in 2021 to provide new (hybrid) meeting and contact facilities. The implementation of this policy (re-boarding) is a learning and organic process in which adjustments are made when necessary.

Outsourcing risk
In 2021 a.s.r. life further strengthened the governance of outsourcing by centralising responsibility for it. Outsourcing risk (internal and external) is managed and reported as part of the overall operational risk. a.s.r. life reports about outsourcing risk and level of control every quarter. Outsourcing risk remains relevant for a.s.r. life, especially in view of cyber resilience and growing dependence on suppliers. a.s.r. life 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. a.s.r. life plans to expand the available information using an external database, which allows it to increase the insight of key suppliers.

Data quality
Sound data quality has become increasingly important for a.s.r. life in relation to financial (including regulatory) reporting (Solvency II, IFRS) and 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.
- The front-end of business can be transformed.
- Customer and intermediary relationships / connections can be enhanced.

As such, a.s.r. life recognises the importance of sound data quality (both financial and non-financial). Findings on data quality are reported and are followed up in a timely manner. To uphold the reliability and confidentiality of its data, a.s.r. life 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. With a new Central Data Office and a Data Quality Improvement Programme, additional measures are taken to increase maturity in data management practices.

Digitalisation
As mentioned earlier, digitalisation is an important strategic target for a.s.r. life. Therefore, agility and risk both drive the rate of change as they coincide in digitising the customer experience. Agility breaks down complexity and delivers focus while risk reduces uncertainty and insures value. a.s.r. life shifts from traditional to digital communication channels whichchanges risk exposure and this leads to policy realignment. On an operational level, digitalisation is an enabler to reduce effort in monitoring business processes and to automate risk management controls. At a strategic level, digitalisation enables data-driven insight by combining process and customer experience data. The continuous change

that digitalisation brings about requires development risks to be integrated in automated pipelines in order to minimise risks without hindering the continuous delivery of business value.

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

Solvency II sensitivities

The sensitivities of the solvency ratio as at 31 December 2021, expressed as the impact on the a.s.r. life Solvency II ratio (in percentage points) are as presented in the table below. The total impact is split between the impact on the Solvency II ratio related to movement in the available capital and the required capital. The sensitivities are based on the situation per 31 December 2021. The Solvency II ratios presented are not final until filed with the regulators.

Solvency II sensitivities - market risks

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
UFR 3.2%	-12	-18	-1	-2	-13	-20
Interest rate +1% (2021 incl. UFR 3.6% / 2020 incl. UFR 3.75%)	-12	-8	+20	+19	+7	+10
Interest rate -1% (2021 incl. UFR 3.6% / 2020 incl. UFR 3.75%)	+14	+12	-14	-10	-1	+1
Interest steepening +10 bps	-4	-5	-1	-1	-4	-6
Volatility Adjustment -10bp	-12	-13	-2	-2	-14	-15
Government spread + 50 bps / VA +11 bps (2020: VA: +10 bps)	-	-	+1	+1	+1	+1
Mortgage spread +50 bps	-8	-5	+1	-	-7	-4
Equity prices -20%	-11	-10	+17	+13	+5	+2
Property values -10%	-10	-9	+4	+4	-6	-6
Spread +75bps/ VA+19bps (2020: VA +15bps)	+13	+10	+6	+4	+19	+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 3.6% for 2021 (3.75% for 2020).
Interest rate risk (incl. UFR 3.6%/ 3.75%)	Measured as the impact of a parallel 1% upward and downward movement of the interest rates. For the liabilities, the extrapolation to the UFR (3.6% for 2021 and 3.75% for 2020) after the last liquid point of 20 years remained unchanged.
Interest steepening	Measured as the impact of a linear steepening of the interest rate curve between 20Y and 30Y of 1 bps to 10 bps.
Volatility Adjustment	Measured as the impact of a 10 bps decrease in the Volatility Adjustment.
Government spread	Measured as the impact of an increase of spread on Government bonds of 50 bps. At the same it is assumed that the Volatility Adjustment will increase by 11 bps (2020: +10 bps).
Mortgage spread	Measured as the impact of a 50 bps increase of spreads on mortgages.
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 19bps (2020: + 15bps) based on reference portfolio.

The interest rate sensitivity scenario "Interest rate +1%" decreased due to the increase in interest rates in 2021.

The positive impact of the sensitivity of equity risk increased due to an increase of the equity put options portfolio in 2021.

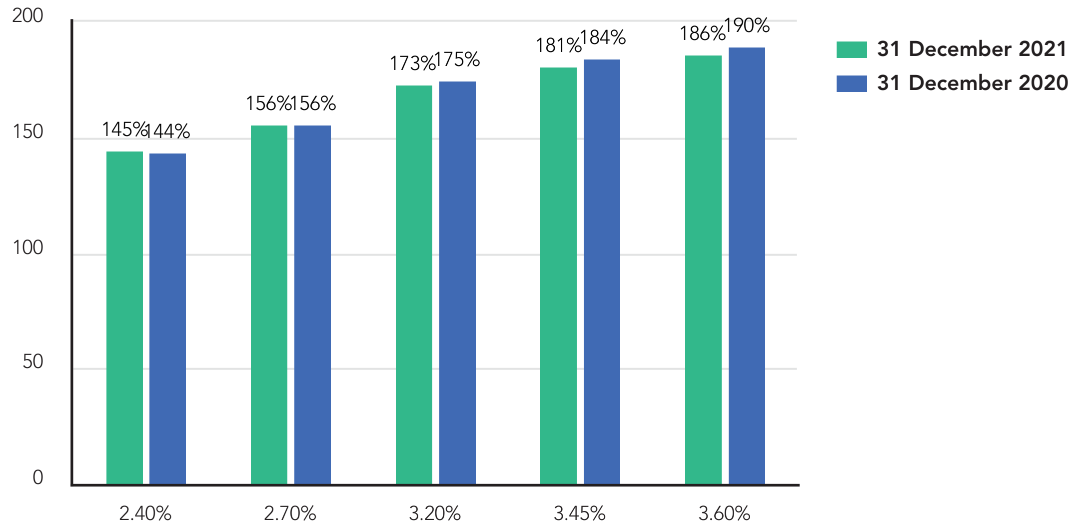
Expected development UFR

European Insurance and Occupational Pensions Authority (EIOPA) may 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 by 15 bps per year. In 2021 the UFR was 3.6% (2020: 3.75%). After the decline of the UFR by 15 bps 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.

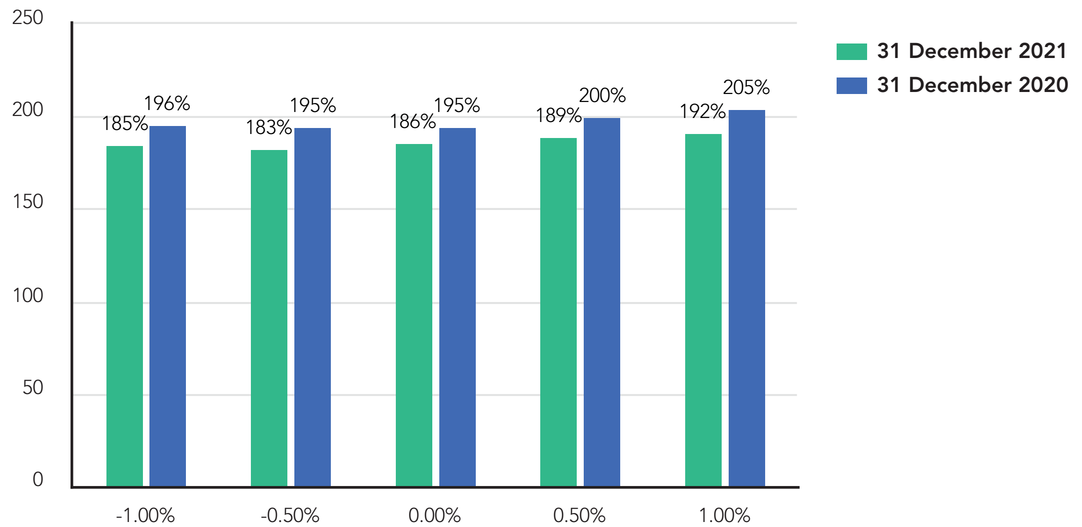
Sensitivities Solvency II ratio to UFR



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 that in 2020 there was no downside sensitivity due to the hedge policy. For 2021 a small downside risk is recognised.

Sensitivity Solvency II to interest rate



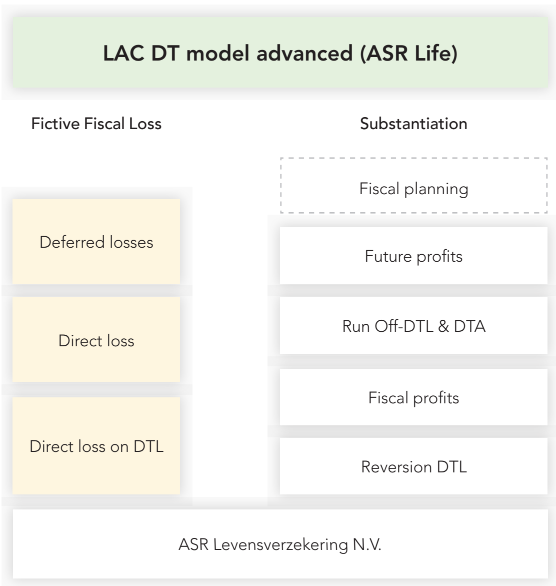
Equity risk
In 2021 the equity risk increased mainly due to higher share prices which leads to a higher equity risk, driven by an increased exposure to equities and a higher risk charge as a result of the symmetric risk adjustment. Furthermore, the SCR equity risk increased due to the run-off of the transitional measure of equity risk, which is partly mitigated by the expansion of the option hedge.

Spread risk
The SCR spread risk on balance was almost unchanded in 2021. On the one hand SCR spread risk decreased due to the shortening duration of the credit portfolio. On the other hand SCR spread risk increased due to re-risking.

The sensitivity to spread risk is measured as the impact of an increase of spread on loans and corporate bonds of 75 bps. The volatility adjustment 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 19 bps in 2021 (2020: 15 bps).

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

LAC DT Components



The outcome is an unrounded LAC DT factor.
1. In the advanced model that a.s.r. life applies, the unrounded LAC DT factor is determined based on Fiscal profits in the current year and carry back year and the reversion on the DTL position to offset the direct losses. Furthermore, to substantiate the deferred losses, future profits and the run-off of the post DTL/DTA position is taken into account. Fiscal planning is currently not used.
2. Moreover, an outlook and sensitivities are made for the substantiation of the LAC DT factor,divided over the separate components. The 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. life in euros, resulting in financial stability of the solvency position of a.s.r. life.
3. The LAC DT factors, sensitivities and theoutlook 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.

A 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 (LAC TP)
Loss Absorbing Capacity of Technical Provisions (LAC TP) 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. LAC TP 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.

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.

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

a.s.r. life measures its risks based on the standard model as prescribed by the Solvency II regime. The 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. life is as follows, after application of the Loss Absorbing Capacity of the Technical Provisions (LAC TP).

Life insurance risk - required capital

	31 December 2021	31 December 2020
Life insurance risk	1,584	1,765

The life insurance risk decreased with € 181 million, mainly as a result of the increase of the interest rates and the natural outflow of the portfolio.

Solvency II sensitivities

a.s.r. life has assessed the impact of various sensitivities on the Solvency II ratio. The sensitivities as at 31 December 2021 expressed as impact on the a.s.r. life 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 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Expenses +10%	-5	-6	-1	-1	-7	-7
Mortality rates, all products -5%	-5	-6	-	-	-6	-6
Lapse rates -10%	-	-	-	-	-	-1

Solvency II sensitivities - explanation

Risk	Scenario
Expense risk	Measured as the impact of a 10% increase in expense levels.
Mortality risk	Measured as the impact of a 5% decrease in all mortality rates.
Lapse risk	Measured as the risk of a 10% decrease in lapse rates.

At the end of 2021, a shortfall in the LAT for the insurance liabilities has arisen. The continuing low interest rate combined with rising inflation in 2021, the expiring life and pension books and a decrease in the spreads on investments has caused an increase in the best estimate provision (Solvency II provision) of the in-force policies. The test of this best estimate versus the insurance liabilities shows a shortfall of € 289 million. The liabilities from insurance contracts at a.s.r. life have been increased accordingly so that the provision will meet the level of the best estimate.

The insurance liabilities are deemed to be adequate following the performance of the LAT taking into account the UFR of 3.60% for 2021. In 2022 the UFR will decrease to 3.45%, which would result in additional strengthening of the insurance liabilities amounting to € 180 million in order to meet the IFRS-LAT.

C.1.1 Life insurance risk

The life portfolio can be divided into funeral, individual life and group pension. 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 and used as a subset of a homogeneous risk group. The model points are sufficiently homogeneous and therefore netting between positive and negative risks 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 portfolio's 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. 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%. However for the Life portfolio, disability and recovery rates are not modelled because of the 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%.

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.

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.

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. life, but by another party, which is the case for most of these policies, the interest that a.s.r. life reimburses to the policyholder is claimed from the party that has provided the mortgage loan. The cashflow of interests from the provider of the mortgage loan to a.s.r. life 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

a.s.r. has insured the post-employment benefit plans for a.s.r.'s employees with a.s.r. life. Though the liability of this plan is classified as employee benefits on the balance sheet of a.s.r. and determined according to IFRS principles, for a.s.r. life the post-employment benefit plan for a.s.r.'s employees is a group pension contract and is treated that way both in IFRS-accounts and in Solvency II.

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 risk. 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 2021 to € 99 million (2020: € 74 million).

Life insurance risk - required capital

	31 December 2021	31 December 2020
Mortality risk	238	267
Longevity risk	1,166	1,317
Disability-morbidity risk	3	5
Lapse risk	260	287
Expense risk	612	662
Revision risk	-	-
Catastrophe risk (subtotal)	76	82
Diversification (negative)	-770	-855
Life insurance risk	**1,584**	**1,765**

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 provision per segment

	31 December 2021	31 December 2020
Insurance with profit participation		
Best estimate	18,623	21,038
Risk margin	880	1,128
Technical provision	**19,503**	**22,166**
Other life insurance		
Best estimate	17,300	17,711
Risk margin	916	1,040
Technical provision	**18,217**	**18,752**
Index-linked and unit-linked insurance		
Best estimate	11,846	10,265
Risk margin	89	77
Technical provision	**11,935**	**10,342**
Total		
Best estimate	47,769	49,014
Risk margin	1,886	2,246
Technical provision	**49,655**	**51,260**

In 2021 the technical provisions decreased with € 1,605 million, this was mainly caused by increased interest rates, the run-off of the portfolio, which is partly offset by the increases of the unit linked value.

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. life is willing to accept. Policyholders may be subjected to medical screening for individual life 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. life 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. life amounts to € 173 million per 31 December 2021.

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 and summarises the required capital for market risks based on the standard model.

Market risk - required capital

	31 December 2021	31 December 2020
Interest rate	517	565
Equity	827	720
Property	921	920
Currency	92	159
Spread	961	941
Concentration	-	5
Diversification (negative)	-580	-631
Total	**2,740**	**2,680**

The main market risks of a.s.r. life are spread, property, equity and interest rate risk. This is in line with the risk budgets based on the strategic asset allocation study. Market risk increased mainly driven by increased share prices during 2021 and re-risking of the investment portfolio.

The value of investment funds at year-end 2021 was € 3,604 million (2020: € 3,314 million). a.s.r. life 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. life the downward shock (€ 517 million) 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 100 bps;
- the yield curve after the downward shock is limited to zero (no negative interest rates);
- the yield curves of all currencies are shocked simultaneously.

Solvency II sensitivities - market risks

	31 December 2021	31 December 2020
SCR interest rate risk up	-212	-100
SCR interest rate risk down	-517	-565
SCR interest rate risk	**517**	**565**

a.s.r. life 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. The interest rate risk decreased as a result of an increase in the interest rates in 2021.

Solvency II sensitivities - interest rate

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
UFR 3.2%	-12	-18	-1	-2	-13	-20
Interest rate +1% (2021 incl. UFR 3.60% / 2020 incl. UFR 3.75%)	-12	-8	+20	+19	+7	+10
Interest rate -1% (2021 incl. UFR 3.60% / 2020 incl. UFR 3.75%)	+14	+12	-14	-10	-1	+1
Interest steepening +10 bps	-4	-5	-1	-1	-4	-6
Volatility Adjustment -10bp	-12	-13	-2	-2	-14	-15

The interest rate sensitivity scenario "Interest rate +1%" decreased due to the increase in interest rates in 2021.

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 profitsharing 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

Equity risk arises from the sensitivity of the value of assets and liabilities to changes in the level or in the volatility of market prices of 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. Besides the equity portfolio, a.s.r. holds put-options to mitigate part of 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 equities, 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).

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% + symmetric adjustment for type I shares and (ii) 49% + symmetric adjustment for type II shares. This resulted in a reduction of the average risk charge of equity risk of about 1.1% per 31 December 2021.

Equity risk - required capital

	31 December 2021	31 December 2020
SCR equity risk - required capital	827	720

The equity risk at 31 December 2021 increased € 107 million, mainly due to higher share prices driven by an increased exposure to equities and a higher risk charge as a result of the symmetric adjustment. Next to this, the equity risk increased due to the run-off of the transitional measure of equity risk. The increased SCR equity risk is partly mitigated by the expansion of the option hedge.

In case the transitional measure would not be used, SCR equity risk would increase to € 852 million.

Solvency II sensitivities - equity prices

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Equity prices -20%	-11	-10	+17	+13	+5	+2

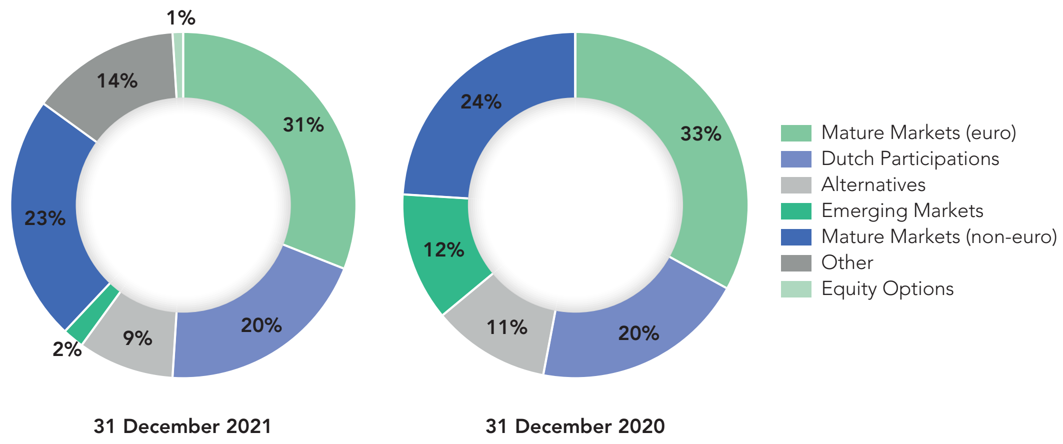
Composition of equity portfolio

The fair value of equities and similar investments at year-end 2021 was € 2,397 million (2020: € 1,898 million). The increase in 2021 was mainly due to the positive returns on the equity markets.

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 € 28 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. In 2021 a.s.r. has sold a significant part of the emerging market portfolio. The increase in the category Other is mainly due to the investment in the wind farm Wieringermeer (€ 333 million).

Composition of 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. life 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. The product Agrarische Impact Erfpacht (AIE) has effectively a lower charge (average of 10.8%) due to the underlying risk mitigating characteristics of this product.

Property risk - required capital

	31 December 2021	31 December 2020
SCR property risk - required capital	921	920

a.s.r. life applies the look through approach for participations which activities are primarily real estate investments.

The real estate exposure increased due to both transactions and increases in property prices. Also, the AIE real estate has on average a lower charge (10.8%), which results in a decrease in property risk. As a result of these two effects, the required capital for property risk slightly increased.

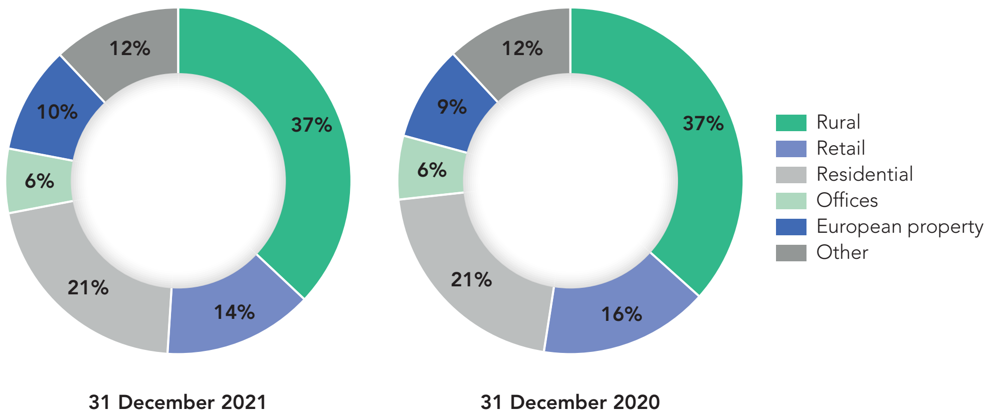
The sensitivity of the solvency ratio to changes in property value is monitored on a monthly basis. The sensitivity of the regulatory solvency (Solvency II) to changes in property prices is shown in the following table.

Solvency II sensitivities - property values

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Property values -10%	-10	-9	+4	+4	-6	-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 € 4,173 million at year-end 2021 (2020: € 3,885 million). The increase in 2021 (approximately € 288 million) was a result of both transactions (approximately € 129 million) and increases in property prices (approximately € 159 million).

Composition of property portfolio



The compostition of the property portfolio 31-12-2020 has been restated to include new look-through information about several property funds.

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 the currencies with the largest exposures. a.s.r. life has currency risk to insurance products in mainly American dollars (USD), Danish crown (DKK) and Hong Kong dollars (HKD). 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.

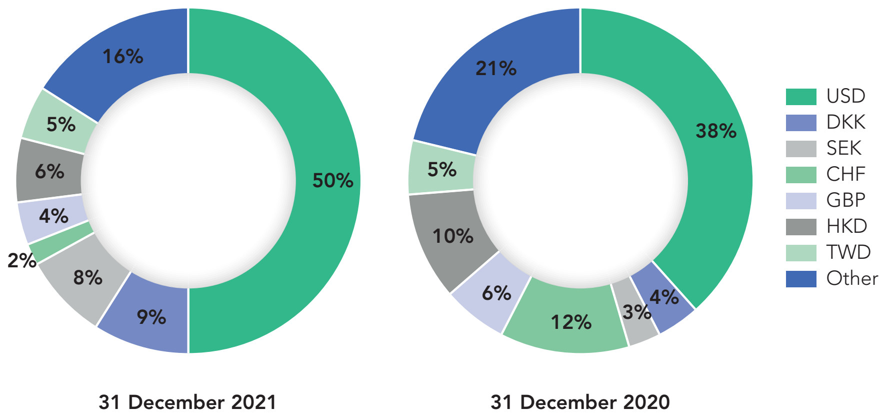
The required capital for currency risk is determined by calculating the impact on the available capital due to a change in exchange rates. Both assets and liabilities are taken into account and a look-through approach is applied for investment funds. For each currency the maximum loss due to an upward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

Currency risk - required capital

	31 December 2021	31 December 2020
SCR currency risk - required capital	92	159

In 2021 the SCR currency risk has decreased with € 67 million, mainly due to the increased currency hedge for the non-euro equity portfolio.

Composition of currency portfolio



The total foreign exchange exposure at year-end 2021 was € 385 million (2020: € 668 million).

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 2021	31 December 2020
SCR spread risk - required capital	961	941

The SCR spread risk increased slightly (€ 20 million) compared to 2020.

The sensitivity to spread risk is measured as the impact of an increase of spread on loans and corporate bonds of 75 bps. The volatility adjustment 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 19 bps in 2021 (2020: 15 bps).

Solvency II sensitivities - spread risk

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Spread + 75bps/(2021: VA + 19bps/2020: VA + 15bps)	+13	+10	+6	+4	+19	+15

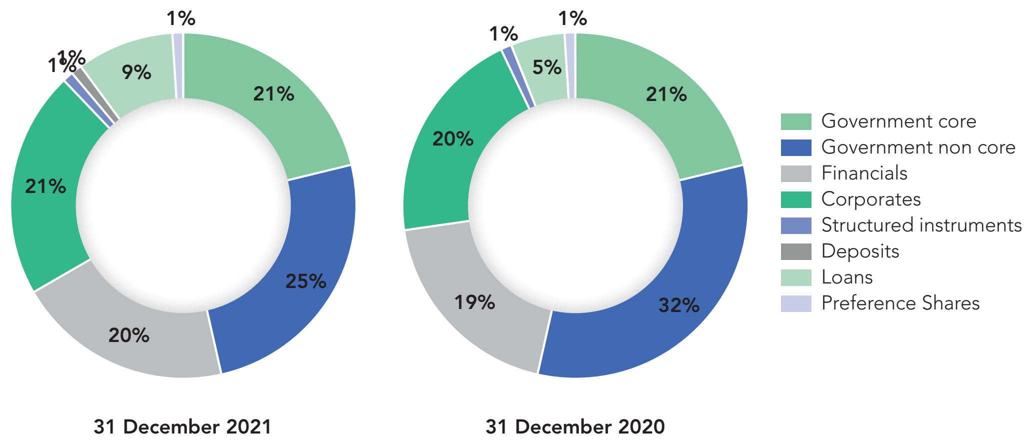
Composition of fixed income portfolio

Spread risk is managed on a portfolio basis within limits and risk budgets established by the relevant risk committees.

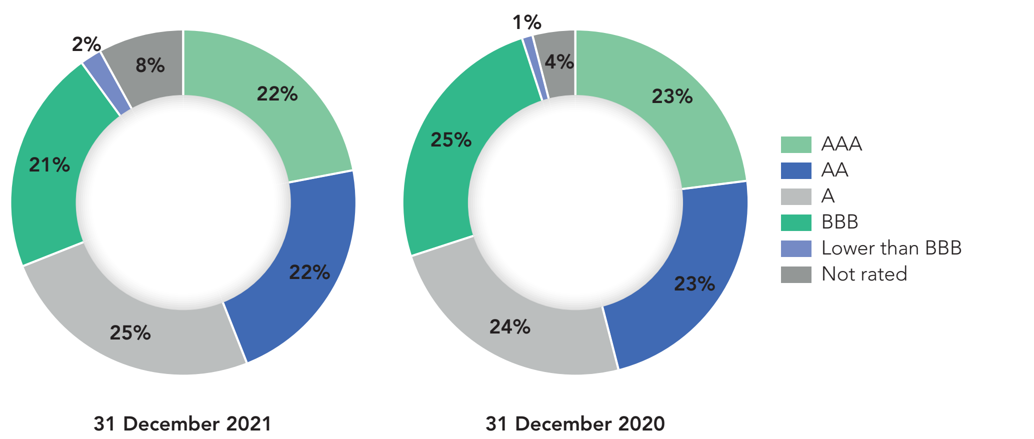
Where relevant, credit ratings provided by the external rating agencies are used to determine risk budgets and monitor limits. A limited number of fixed-income investments do not have an external rating. These investments are generally assigned an internal rating. Internal ratings are based on methodologies 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 was € 22,795 million (2020: € 25,770 million). The portfolio composition is similar to 2020.

Fixed income portfolio by sector



Fixed income portfolio by rating



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 fulfill certain conditions.

Concentration risk - required capital	31 December 2021	31 December 2020
SCR concentration risk - required capital	-	5

a.s.r. continuously monitors exposures in order to avoid concentrations in a single obligor outside of the risk appetite and has an overall limit on the total level of the required capital for market risk concentrations. The calculation of the market risk concentrations applies to the total investment portfolio, where, in line with Solvency II, government bonds are not included.

The required capital for market risk concentrations is nil per year-end 2021.

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
- 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 2021	31 December 2020
Type 1	91	78
Type 2	195	227
Diversification (negative)	-16	-15
Total	**270**	**290**

The counterparty default risk type 1 has increased due to the increased cash position and the addition of the loan positions on all scheduled payments by a third party in which this guarantee satisfies the requirements of Articles 213(3-5) and 215 Solvency II Delegated Regulation.

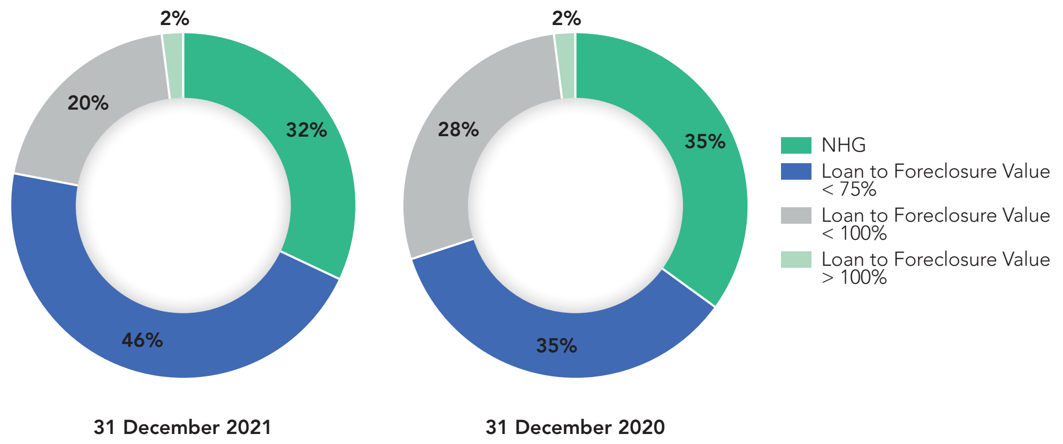
The counterparty default risk type 1 has not changed materially due to the fact that saving deposits without collateral agreement are now considered in the spread risk module. This led to a decrease in the counterparty default risk type 1. However, the saving deposits with collateral agreement are split in the outstanding part and corresponding interest (zero risk) and the future premiums and corresponding interest that are treated as the uncollaterised derivative contract in the counterparty default risk type 1 module. The latter resulted in an increase of the counterparty default risk type 1. On balance the net change was not material.

The counterparty default 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 has increased by 17% on average in 2021. The total counterparty risk has decreased by € 20 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. life portfolio consists only of Dutch mortgages with a limited counterparty default risk. The fair value of a.s.r. life's mortgage portfolio was € 9,390 million at year-end 2021 (2020: € 8,412 million).

Composition mortgage portfolio



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

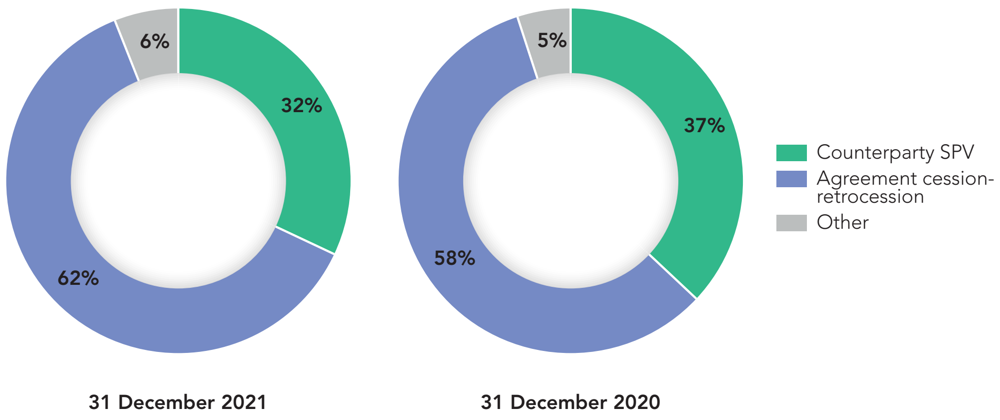
The percentage of mortgages which are in arrears for over three months has decreased from 0.03% at 31 December 2020 to 0.02% at December 2021.

C.3.2 Savings-linked mortgage loans

The counterparty default risk of the savings-linked mortgage loans ('Spaarlossen') depends on the counterparty. For 32% 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 62% of the portfolio, for which the risk is limited. Effectively, a.s.r. recognises the underlying receivable from the counterparty (or in the case of insolvency of the counterparty the mortgage loans transfers as collateral), mitigating the counterparty default risk of the savings-linked mortgage loans.

On September 1, 2021 DNB issued the Q&A and Good Practices document on the treatment of saving mortgages and in December, the Dutch Association of Insurers shared its additional guidance on this subject. These documents provide further requirements and guidelines on the valuation, risk calculations and balance sheet classification. Saving deposits without collateral agreement are considered in the SCR spread risk module. The saving deposits with collateral are treated in the counterparty risk module. Furthermore the collaterised deposits are split in two: a) the outstanding part and corresponding interest are considered in the SCR counterparty risk type 2 (zero risk); b) the future premiums and corresponding interest are treated as the uncollaterised derivative contract of SCR counterparty risk type 1.

Composition savings-linked mortgage loans portfolio



C.3.3 Derivatives

Over the Counter (OTC) derivatives are primarily used by a.s.r. life 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

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.

Composition reinsurance counterparties by rating

	31 December 2021	31 December 2020
AAA	0%	0%
AA	100%	98%
A	0%	2%
NR	0%	0%
Total	**100%**	**100%**

The table above shows the exposure to reinsurers per rating. The total exposure to reinsurers at year-end 2021 was € 156 million (2020: € 160 million).

C.3.5 Receivables

The receivables increased to € 363 million in 2021 (2020: € 350 million). The composition of the receivables is presented in the table below.

Composition receivables

	31 December 2021	31 December 2020
Policyholders	23	43
Intermediaries	2	3
Reinsurance operations	13	13
Other	325	291
Total	**363**	**350**

C.3.6 Cash and cash equivalents

The current accounts amounted € 1,253 million in 2021 (2020: € 1,139 million).

Composition cash accounts by rating

Current accounts	31 December 2021	31 December 2020
AAA	-	12
AA	-	-1
A	1,228	1,121
Lower than A	25	7
Total	**1,253**	**1,139**

As of 2020, a.s.r. has no deposits in scope of counterparty default risk.

C.4 Liquidity risk

Liquidity risk is the risk that a.s.r. life 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. life, and is therefore separately discussed here.

a.s.r. life 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 materialise. 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. life 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. life'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. life 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. life 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 2021, a.s.r. life had cash (€ 944 million), short-term deposits (€ 1,298 million) and liquid government bonds (€ 10,425 million). Furthermore a.s.r. life 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 including 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. The insurance liabilities per 31 December 2020 have been restated to include the cash flows of the other life insurance.

Contractual cash flows

	Payable on demand	< 1 years	1-5 years	5-10 years	> 10 years	Undiscounted cash flows	Total carrying value
31 December 2021							
Insurance liabilities	-	5,032	8,079	8,914	33,916	55,941	48,498
Derivatives liabilities	-	203	169	168	283	822	694
Financial liabilities	6,247	513	169	19	-	6,949	6,949
Future interest payments	-	-	-	-	-	-	-
Total	**6,247**	**5,748**	**8,416**	**9,102**	**34,200**	**63,712**	**56,140**

	Payable on demand	< 1 years	1-5 years	5-10 years	> 10 years	Undiscounted cash flows	Carrying value
31 December 2020							
Insurance liabilities	-	4,394	7,624	8,603	33,632	54,254	50,655
Derivatives liabilities	-	213	527	212	419	1,371	1,354
Financial liabilities	8,430	462	118	19	-	9,030	9,030
Future interest payments	-	-	-	-	-	-	-
Total	**8,430**	**5,069**	**8,268**	**8,834**	**34,052**	**64,654**	**61,038**

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.

EPIFP

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 2021	31 December 2020
EPIFP	571	688

The EPIFP decreased in 2021 mainly due to natural outflow of the portfolio, decrease of the UFR and model changes.

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 2021	31 December 2020
SCR operational risk - required capital	183	194

The SCR for operational risk amounts to € 183 million at the end of 2021 (2020: € 194 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 decreased mainly driven by lower best estimate liabilities due to the increased interest rates in 2021.

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;
- Climate risk and sustainability 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
a.s.r. life has no off-balance sheet positions per year-end 2021.

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 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.

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 and Review Process Board. 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 purposes are described. Separately for each material class of assets a quantitative and qualitative explanation of any material difference between the valuation for solvency purposes and valuation in the financial statements. When accounting principles are equal or when line items are not material, some 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 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 equity.

Reconciliation IFRS balance sheet and Solvency II balance sheet

Balance sheet	31 December 2021 IFRS	Revaluation	31 December 2021 Solvency II
1. Deferred acquisition costs	-	-	-
2. Intangible assets	-	-	-
3. Deferred tax assets	115	553	667
4. Property, plant, and equipment held for own use	142	-	142
5. Investments - Property (other than for own use)	345	-	345
6. Investments - Equity	8,075	1	8,076
7. Investments - Bonds	20,070	-	20,070
8. Investments - Derivatives	6,275	216	6,491
9. Unit-linked investments	11,569	-	11,569
10. Loans and mortgages	12,603	987	13,589
11. Reinsurance	167	19	186
12. Cash and cash equivalents	2,044	160	2,205
13. Any other assets, not elsewhere shown	441	8	449
Total assets	**61,846**	**1,944**	**63,790**
14. Technical provisions (best estimates)	33,932	1,992	35,924
15. Technical provisions (risk margin)	-	1,796	1,796
16. Unit-linked best estimate	14,566	-2,721	11,846
17. Unit-linked risk margin	-	89	89
18. Pension benefit obligations	-	-	-
19. Deferred tax liabilities	-	613	613
20. Subordinated liabilities	-	-	-
21. Other liabilities	7,806	-	7,806
Total liabilities	**56,304**	**1,770**	**58,074**
Excess of assets over liabilities	**5,542**	**174**	**5,716**

This chapter contains also the reconciliation between the excess of assets over liabilities to EOF.

Reconciliation excess of assets over liabilities to Eligible Own Funds	Gross of tax	31 December 2021
IFRS equity		**5,542**
Revaluation assets		
i. Intangible assets	-	
ii. Loans and mortgages	1,364	
iii. Reinsurance	19	
iv. Cash and cash equivalents	-	
v. Any other assets, not elsewhere shown	8	
Subtotal		**1,391**
Revaluation liabilities		
i. Technical provisions (best estimates)	-1,992	
ii. Technical provisions (risk margin)	-1,796	
iii. Unit-linked best estimate	2,721	
iv. Unit-linked risk margin	-89	
v. Subordinated liabilities	-	
vi. Other liabilities	-	
Subtotal		**-1,157**
Total gross revaluations		235
Tax percentage		25.8%
Total net revaluations		**174**
Other Revaluations		
i. Goodwill	-	
ii. Participations	-	
Subtotal		**-**
Solvency II equity		**5,716**
Own fund items		
i. Subordinated liabilities		-
ii. Foreseeable dividends		-
Eligible Own Funds Solvency II		**5,716**

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 – 15 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 Solvency II directive 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);
- These prices represent actual and regularly occurring transactions on an arm's length basis.

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.

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.

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 recognized in the Solvency II framework and are set to nil.

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 deferred tax effects involve a correction related to the fact that (most of) the revaluations as described in this chapter are gross of tax. The tax effect is calculated at 25.8%.
In accordance with the Delegated Regulation and the recommendations of DNB, netting is only allowed with same tax authority and with same timing. Based on this netting principles, a.s.r. life contains a DTA and a DTL .

4. Property plant, and equipment held for own use
a.s.r. life recognises property at market value, equal to Solvency II measurement.

5. Investments - Property (other than for own use)
a.s.r. life owns 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).

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. Future payments from saving-linked mortgages has to be reported as a derivative contract 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. life 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 D2.

Assets arising from reinsurance contracts are recognised under reinsurance contracts, including current receivables from reinsurers. At each reporting date, a.s.r. life 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. life that transfer significant insurance risks from the policyholder to a.s.r. life.

In this paragraph line items 14-18 from the simplified balance-sheet above are described.

D.2.2 Technical provisions methods

In this paragraph the methodology for calculating the technical provisions is described.

14 and 16. Technical Provisions and Unit – linked (best estimates)
Intrinsic Value
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, 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 best estimate assumptions regarding mortality and longevity include recent trend assumptions for life expectancy in the Netherlands, as provided by the Dutch Actuarial Association.

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.

Time value of options and guarantees
The time value of options and guarantees (TVOG) is calculated using stochastic techniques with respect to interest scenario's. It concerns the costs associated with the granted financial options and guarantees, such as profit-sharing and guarantees on maturity value in some index-linked and unit-linked policies. Only the time value of these options is added to the expected value; their intrinsic value has already been recognised in the expected value.

15. and 17. Technical Provisions and Unit – linked (risk margin)
The risk margin is determined using the Cost of Capital (CoC) method, using a CoC 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.

Best estimate assumptions
The valuation date is the end date of the reporting period and the starting point for projecting. Assumptions are calculated on the presumption that a.s.r. will pursue its business as a going concern reflecting the organisation's or industry's most realistic view.

Assumptions are considered to be best estimates when they represent the mean or probability-weighted average of possible outcomes of an uncertain event. The assumptions distinguish between economic assumptions and operating assumptions.

Economic assumption
Volatilities and correlations:
- The volatilities are set for each asset category: equities, property and fixed income.
- The correlations are set between each of the asset categories.

Expense inflation
The applied long-term expense inflation curve is based on an inflation curve as derived from available and liquid market instruments, corrected with two spreads. The reference for the market inflation curve is the European inflation swap sourced from Bloomberg with ticker EUSWI-CMPL Currency. The first applied spread is to translate the European price inflation curve to a Dutch inflation curve (CPI curve). The second applied spread is to increase the Dutch inflation curve with an additional wage inflation component. Due to the high volatility of the short maturities of the inflation curve a

different methodology is used for the first one or two years. In these years the wage inflation is based on the wage inflation as determined in the collective labor agreement (CAO) of a.s.r.

The expense inflation curve is set every quarter on the applicable reference date. The spreads are set once a year. For the current valuation model, it is necessary to translate the inflation curve to a single inflation parameter. This parameter is set in such a way that applying the curve or the parameter leads to the same present value of costs. At the valuation date, 31 December 2021, the expense inflation (parameter) was set at 2.15%.

Operating assumptions
Operating or non-economic assumptions generally capture risks directly related to movements and uncertainty as a result of underwriting. Operating assumptions are generally based on analyses of recent experience. The goal is to make a best estimate of future experience, but staying cautious if there is broad scope for judgment. Operating assumptions are specific to the entity and rely on a combination of analysis of past experience and assessments of future trends. The operating assumptions are updated once a year. Operating assumptions are set by the product lines.

Mortality, longevity
The principles underlying mortality are two-fold: assumptions for developments in the mortality of the average population and assumptions for developments in the difference between the mortality rate of insured persons and the general population (mortality experience).

a.s.r. life bases its assumptions for developments in the mortality rate of the general population on recent external life expectancy tables. As of the third quarter of 2020 this is based on 'Prognosetafel AG 2020'.

a.s.r. life considers Prognosetafel AG 2020 the best table for forecasting the mortality rate of the Dutch population. It is the most recent life expectancy table and it is based on the latest academically validated techniques.

The experience factors for the mortality rate among insured persons are derived from own portfolio observations. These factors, which are broken down by age and gender, concern the mortality rate measured in insured amounts.

Surrenders, lapses, paid-up
A policy is assumed to become paid-up when the policyholder decides to terminate the contractual payments before the end of the policy term. A policy is assumed to be surrendered/lapsed when the policyholder decides to terminate the contract before the end of the policy term and agrees to receive the applicable contractually agreed surrender benefits.

In the product lines Life Individual and Funeral, the principles for lapses and early surrenders were determined based on:
- the elapsed duration of the policy;
- a series of historical observations for each system of records and by type of product.

On this basis, frequencies were extrapolated for the surrender of regular premium policies, conversion of regular premium policies into paid-up policies, surrender of paid-up policies and surrender of single premium policies. The surrender pattern for individual unit-linked portfolios has been subject to a different pattern since the miss-selling of such policies came to light in 2010. The determination of best estimate lapse rates for unit linked policies is based on the usual statistical methods, including back testing, taking into account the increased lapse after 2010 but with special attention to the most extreme years in the historical data.

Pension policies do not usually lend themselves to lapses and early surrender. The pension contracts and/or master agreements that a.s.r. life signs with employers can be terminated only at the expiry date of the contract. Only then can a policy be renewed, converted into a paid-up policy or transferred.

Expenses
The total of expenses allocated to modelled insurance activities in scope represents the actual expenses for the reporting period. They include direct operating expenses, local overhead expenses as well as investment expenses and group head office expenses. Expenses allocated to modelled business covers all expenses incurred to manage the total business, including investments in current systems required to support that business.

To determine the investment cost assumption, we start with the total actual investment costs, as known for a.s.r. group. The total investment costs of a.s.r. group are broken down into various activities and assigned to a.s.r. life. The total costs of a.s.r. life are then divided among the various product groups, whereby the starting point is that the distribution takes place on the basis of the extent to which the investments in characteristics match the obligations (BEL and RM). The investment cost parameter is then used to project the investment costs to the future.

Investment expenses related to managing assets that have already been deducted from related service fees are not included in the expenses. Investment expense that is already included in the valuation of the asset, which is the case for mortgages, are not included in the valuation of the best estimate.

The maintenance expense assumption is set before information about the actual expenses is available. The assumption is based on available data from the first two quarters of recent year and an estimate of the expenses incurred in the remaining period of most recent year. If any significant change in the actuals or expected costs occur in the last two quarters of the year, the best estimate is adjusted accordingly. The expenses related to the insurance portfolio are divided between acquisition and maintenance expenses according to their nature. Projected maintenance expenses include expense inflation.

The maintenance costs are divided into fixed costs, partially variable costs, variable costs and highly variable costs. Variable costs are considered to be scalable. Fixed costs however are considered not to be scalable, but are maximized in the projection. It is not realistic to assume that the remaining policies have to carry exponentially high costs. It is therefore taken into account that in the future a proportionate share of the fixed costs will be carried by new business. Also, expected expense reductions based on Future Management Actions (FMA) are included in the estimation of the fixed costs. Due to limitations of the current projection model it is not possible to use a fixed costs component separately. Therefore, the choice has been made to include the fixed costs component using a fixed spread as an addition to the inflation rate. These fixed spreads are determined for every product line separately.

Except from fixed costs, expected or anticipated expense reductions, e.g. because of productivity gains, are excluded from the calculations beyond what has been achieved in the current reporting period. Recurring expenses include development costs when they are recurrent and arise to safeguard the ability of the total business to continue as a going concern. These development cost are typically run off over a shorter term than other recurring expenses. These current costs are included for the estimated duration.

Expense allocation
Costs are allocated in line with IFRS financial statements. Costs are carefully allocated using cost drivers. This also applies to the cost allocations to the various products. Cost allocation is documented and reported.

Profit sharing/bonus rate
Some of the portfolio is subject to profit-sharing. The portfolio has been divided into groups with similar profit-sharing systems and rules. The time value and intrinsic value of any profit-sharing option is calculated for each group (model point).

Renewal assumptions
The renewal assumption for the collection commission has been determined for each portfolio based on the most recent available accounting records. The recognised collection commission is divided by gross premiums.

Morbidity and Disability
The assumption for disability-morbidity has been determined for each portfolio based on the most recent available accounting records and prior years. The provision, premiums, benefits and results relating to disability-morbidity have been used to define the assumption.

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 2021). The following adjustments have been made to the swap curve:
- Reduction by 10 bps to account for counterparty default risk (30 December 2021: 10 bps);
- Extrapolation from year 20 to the ultimate forward rate of 3.6% in year 60 using the Smith-Wilson extrapolation method;
- Inclusion of a volatility adjustment (VA) of 3 bps, as provided by EIOPA, to the zero rates for the first 20 years (31 December 2020: VA 7 bps).

Impact volatility adjustment a.s.r. life applies the volatility adjustment for discounting cash flows to determine the best estimate and in determining the Required Capitals for the SCR. In the next table the impact is shown of this volatility adjustment on the financial position and own funds of a.s.r. life.

Impact of applying VA = 0 bps

	VA = 3 bps	VA = 7 bps	VA = 0 bps		Impact	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
TP	49,655	51,260	49,800	51,643	145	383
SCR	3,079	3,159	3,248	3,180	169	21
MCR	1,203	1,285	1,207	1,296	4	11
Basic own funds (total)	5,716	6,166	5,608	5,879	-108	-287
Eligible own funds	5,716	6,166	5,608	5,879	-108	-287

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 (SPVs)

Contracts that transfer a significant insurance risk from a.s.r. life to third parties are accounted for as reinsurance contracts, and are classified as outgoing reinsurance.

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. life does not make use of 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 next paragraph describes a brief explanation of these differences.

Technical provisions: IFRS versus Solvency II

31 December 2021	IFRS	Revaluation	Solvency II
Life			
Best estimate	-		35,924
Risk margin	-		1,796
Technical provision	**33,932**	**3,788**	**37,720**
Index-linked and unit-linked			
Best estimate	-		11,846
Risk margin	-		89
Technical provision	**14,566**	**-2,631**	**11,935**

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.

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.
For a.s.r. life the pension scheme of a.s.r.-employees is involved on the balance sheet under technical provision life. On a.s.r. group level this scheme is mentioned as an employee benefit obligation.

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 valuation 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
Not applicable for a.s.r. life.

As per 31 December 2020 the contribution to the DB pension scheme ended. On group level a.s.r. has a defined contribution plan for own staff in place as of 1 January 2021. Current costs for the OTSOs are included in operating expenses.

19. Deferred tax liabilities
Reference is made to 3. Deferred tax assets.

20. Subordinated liabilities
Not applicable for a.s.r. life.

21. Other liabilities
Other Liabilities contains different small line items:

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

Subsequent valuation has to be consistent with the requirements of Article 75 of the Solvency II directive. Therefore, no subsequent 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 subsequently. 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 recognized 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 recognized on the Solvency II balance sheet.

The a.s.r. life Solvency II capital ratio does not include contingent liabilities.

D.3.2 Reconciliation from Solvency II equity to EOF

The differences described in the above sections are the basis for the reconciliation of IFRS equity to Solvency II equity. To reconciliate from Solvency II equity to EOF, the following movements are taken into consideration:

Subordinated liabilities
Not applicable for a.s.r. life.

Foreseeable dividends and distributions
Not applicable for a.s.r. life.

Deductions for participations in financial and credit institutions Participations in financial and credit institutions exceeding 10% are not supervised by the Solvency II framework and are therefore excluded from the eligible own fund items.

Tier 3 Limitations
In accordance with the Delegated Regulation EOF is divided in tiering components. There are boundary conditions related to the size of these components. Excess of this limits results in capping of EOF. For a.s.r. life capping does not apply per year-end 2021.

D.4 **Alternative methods for valuation**

a.s.r. life does not apply alternative methods for valuation.

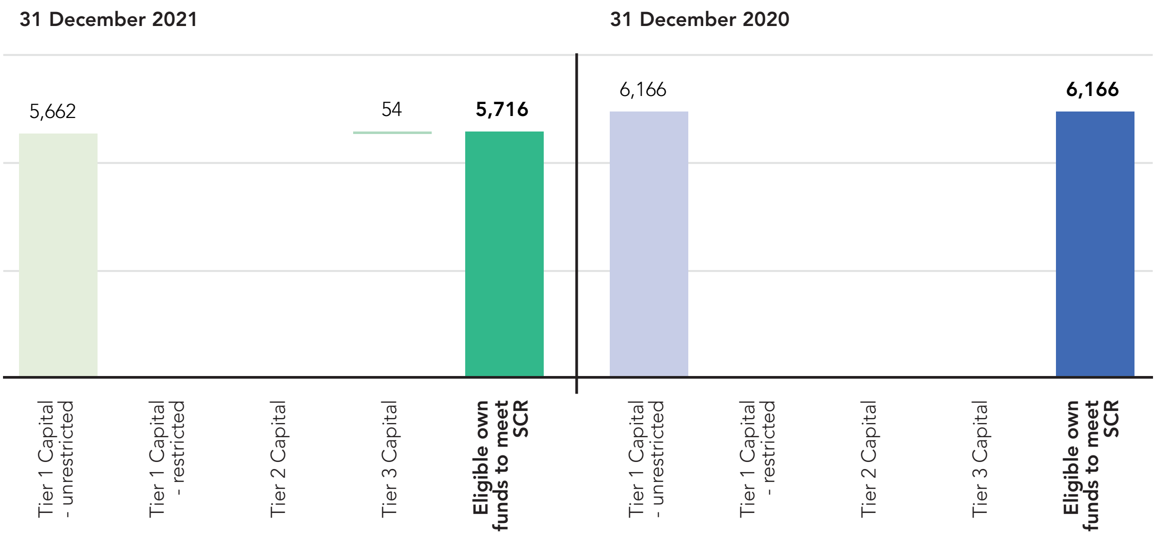
D.5 **Any other information**

Not applicable for a.s.r. life.

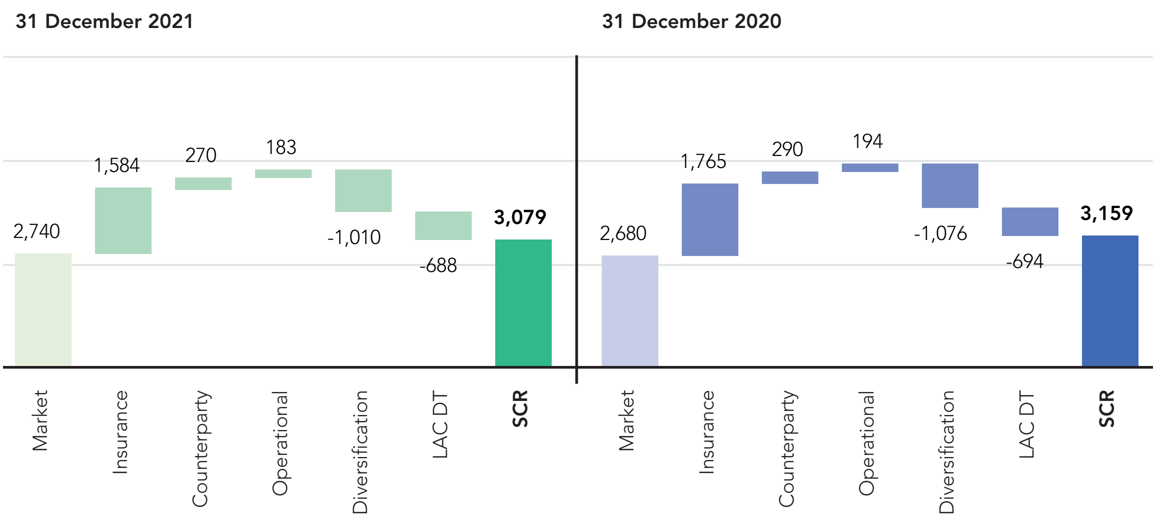
E Capital management

Key figures

Eligible own funds

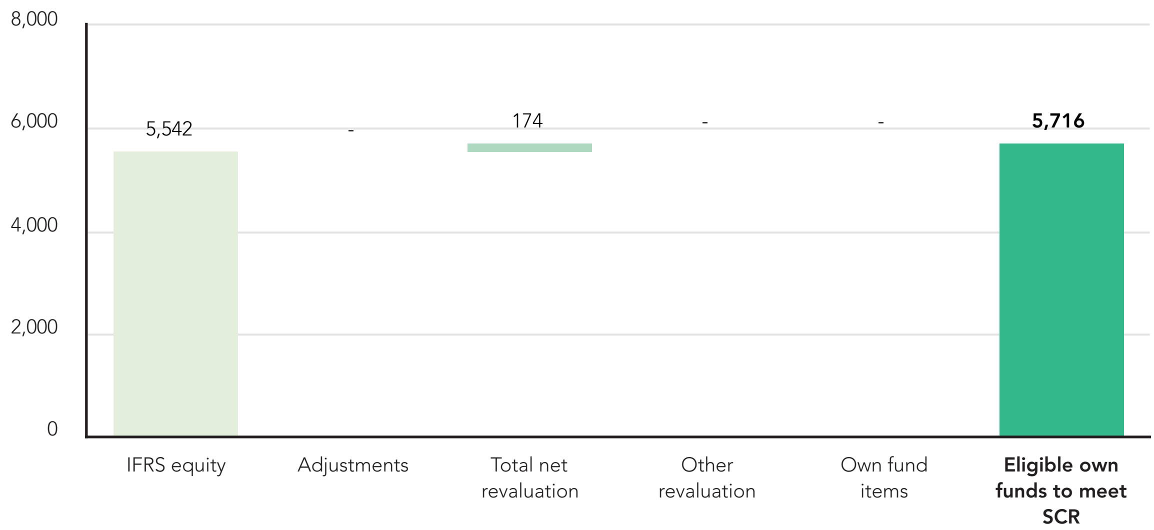


SCR



The solvency ratio stood at 186% as at 31 December 2021 (2020: 195%) based on the standard formula as a result of € 5,716 million EOF and € 3,079 million SCR. The decrease was mainly the result of the reduction of the UFR, lowering of the Volatility Adjuster, increasing inflation and dividend upstream to the group. This was partly compensated by organic capital creation, higher interest rates and tightened mortgage spreads.

Reconciliation total equity IFRS vs EOF Solvency II



The difference between the IFRS equity and the eligible own funds at year-end 2021 is mainly due to the revaluation of loans and mortgages and the technical provisions (€ 174 million).

An extensive explanation of the reconciliation from IFRS equity to Solvency II eligible own funds was presented in section D.3.2.

E.1 **Own funds**

E.1.1 Capital management objectives

Management

Overall capital management is administered at group level. a.s.r. currently plans to consider investing capital above the Solvency II ratio (calculated based on the standard formula) of 160% (management threshold level) with the objective of creating value for its shareholders. If and when a.s.r. operates at a level considerably above the management threshold level and it believes that it cannot invest this capital in value-creating opportunities for a prolonged period of time, it may decide to return (part of this) capital to 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 upstreamed 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.

Objectives

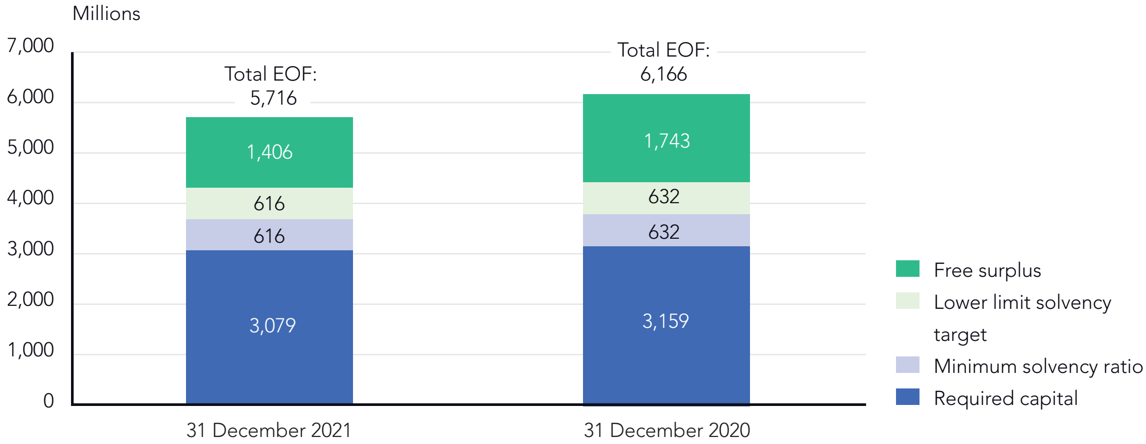
The group is committed to maintain a strong capital position in order to be a robust and sustainable insurer for its policyholders and other stakeholders. The objective is to maintain a solvency ratio well above the minimum levels as defined in the risk appetite statements and above the relevant management 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. life 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 186% at 31 December 2021, which was comfortably above the internal requirement of 120% and the management threshold level of 160%.

The capital policy of a.s.r. focuses on the best possible use of available capital within the group and the different entities. In doing so, a.s.r. applies two principles: i) dividend distributions and capital contributions from or to a.s.r. life are made to satisfy the defined targets for capital, own funds and liquidity positions, and ii) available capital is maintained at a.s.r. life for the creation of return and capital generation.

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. If a.s.r. life elects to return capital, it intends to do so in the form that is efficient for shareholders at that time. In 2021, € 501 million dividend upstream took place.
The table below shows how the EOF of a.s.r. life relates 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. life 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 and Reconciliation reserve.
- 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. life has no ancillary own fund items.
- Tier 3 consists of Deferred tax assets. a.s.r. life has Tier 3 own fund items amounting to € 54 million at year-end 2021 (2020: nil).

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 2021	31 December 2020
Tier 1 capital - unrestricted	5,662	6,166
Tier 1 capital - restricted	-	-
Tier 2 capital	-	-
Tier 3 capital	54	-
Eligible own funds to meet SCR	**5,716**	**6,166**

E.1.3 Own funds versus MCR

The MCR calculation is based on the standard formula.

Eligible Own Funds to meet the MCR	31 December 2021	31 December 2020
Tier 1 capital - unrestricted	5,662	6,166
Tier 1 capital - restricted	-	-
Tier 2 capital	-	-
Tier 3 capital	-	-
Eligible own funds to meet MCR	**5,662**	**6,166**

According to Delegated Regulation article 248 to 251 the MCR (€ 1,203 million) of a.s.r. life is calculated as a linear function of premiums, technical provisions and capital at risk.

E.1.4 List of hybrid loans
There are no hybrids loans at a.s.r. life.

E.2 **Solvency Capital Requirement**

Capital requirement
The required capital stood at € 3,079 million per 31 December 2021. The required capital (before diversification) consists for € 2,740 million out of market risk, € 1,584 million of insurance risk and the counterparty default risk amounted to € 270 million at 31 December 2021.

a.s.r. life's Solvency II ratio complied during 2021 with the applicable externally imposed capital requirement. The table below presents the solvency ratio as at the date indicated.

Solvency II ratio	31 December 2021	31 December 2020
Eligible Own Funds Solvency II	5,716	6,166
Required capital	3,079	3,159
Solvency II ratio	**186%**	**195%**

The Solvency II ratio stood at 186% at 31 December 2021 (2020: 195%). 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 had up to now no material impact on the solvency position of a.s.r. life.

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 of a.s.r. life amounted to € 688 million (2020: € 694 million).

Relevant regulation and current guidance (Delegated Regulation, Level 3 guidelines, Dutch Central Bank Q&As and IAS 12) is taken into account in the development of the LAC DT methodology. a.s.r. life uses an advanced model for the LAC DT. In the advanced model future fiscal profits are used to underpin the LAC DT. The model will be updated in case constrained by additional guidance or legislation provided (a.o. for 2021 an increase of tax rate from 25% to 25.8%).

The a.s.r. life 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. life's insurance subsidiaries in the past, the reason being that it is impossible at this time to make reliable estimates of the number of expected proceedings, possible future precedents and the financial impact of current and possible future proceedings.

On 22 September 2021 the European Commission adopted a 'review package' of Solvency II legislation. It consists of various changes to the Solvency II framework, affecting most notably the liability discount curve, the risk margin and the volatility adjustment (VA). The next step is for the European Parliament and the Member States in the Council to negotiate the final legislative texts on the basis of the Commission's proposals. It is expected that the changes will come into effect in 2024 at the earliest and it is expected that some measures will include a phase-in period. Quantitative impact of the EC proposal has been analysed and appears to be more favourable compared to the earlier EIOPA advice, but a conclusion is only possible after specifications have been finalised.

Standard & Poor’s confirmed the single A rating of a.s.r. life on 14 September, 2021.

Ratings

Ratings Standard & Poor's	Type	Rating	Outlook	Rating & outlook since
ASR Levensverzekering N.V.	FSR	A	Stable	23 August 2012
ASR Levensverzekering N.V.	CCR	A	Stable	23 August 2012

CCR: counterparty credit rating
FSR: financial strength rating

Rating reports can be found on the a.s.r. 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. life 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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