2021

SFCR
ASR Nederland N.V.

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

ASR Nederland N.V.

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2021

SFCR
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Contents

Introduction

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

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

Summary

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

A Business and performance

The Solvency II ratio stood at 196% (excluding financial institutions) on 31 December 2021, after the proposed dividend. The ratio is based on the Standard Formula as a result of € 8,189 million Eligible Own Funds (EOF) and € 4,185 million Solvency Capital Requirement (SCR).

Having generated € 5,859 million in Gross written premiums (GWP) in 2021, a.s.r. is one of the larger insurance companies in the Netherlands.

The operating result was significantly higher than last year and increased by € 136 million to € 1,021 million (2020: € 885 million). This significant increase reflects improvements in all segments. The (indicative) impact of COVID-19 amounted to € 77 million (2020: € -1 million), primarily driven by lower claims in Property & Casualty (P&C) and a limited benefit in Health, partly offset by higher claims in Disability and lower direct investment income.

Organic capital creation (OCC) increased by € 94 million to € 594 million (2020: € 500 million), mainly due to the improved performance in the Non-life segment, which reflects an incidental COVID-19 benefit as well as an increase in investment returns.

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

B System of governance

General

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

The SB is responsible for advising the EB, supervising its policies and the general state of affairs relating to a.s.r. and its group entities. 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 a Risk Management framework in place based on internationally recognised 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 applicable to a.s.r. group and the underlying (legal) business entities.

Control environment

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

Full details on a.s.r.'s system of governance are described in chapter B System of governance (page 29).

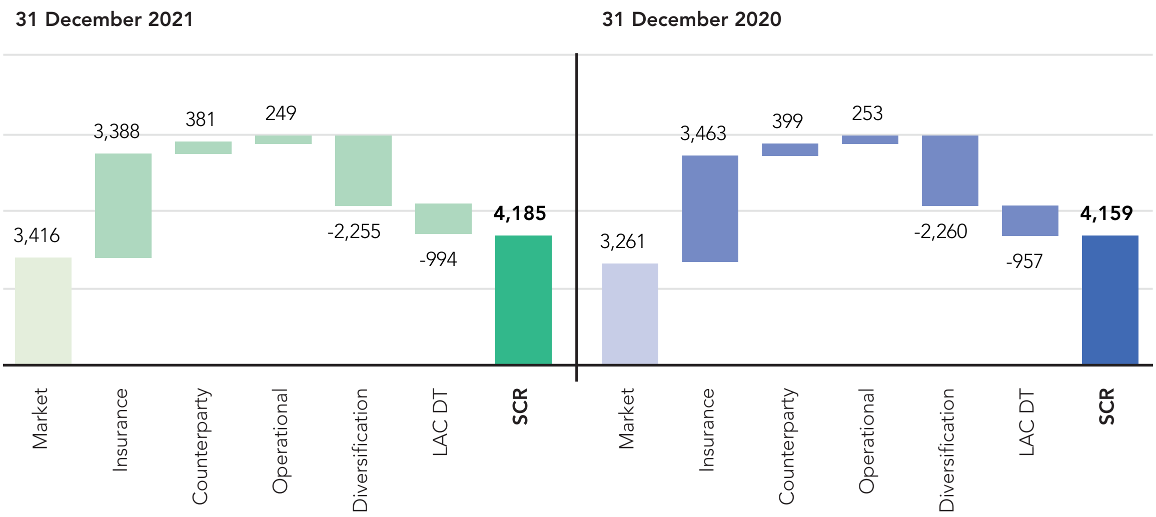
C Risk profile

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

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

The SCR is build up as follows:

Solvency capital requirement



The required capital stood at € 4,185 million at 31 December 2021 (31 December 2020: € 4,159 million). This increase was driven by increased equity risk due to higher equity valuations and higher insurance risk related to Non-life due to the growth of the business, partly offset by lower required capital for insurance risk Life due to higher interest rates and an increased LAC DT due to an increase in the corporate tax rate from 25.0% to 25.8%.

Full details on the a.s.r.'s risk profile are described in chapter C Risk profile (page 66).

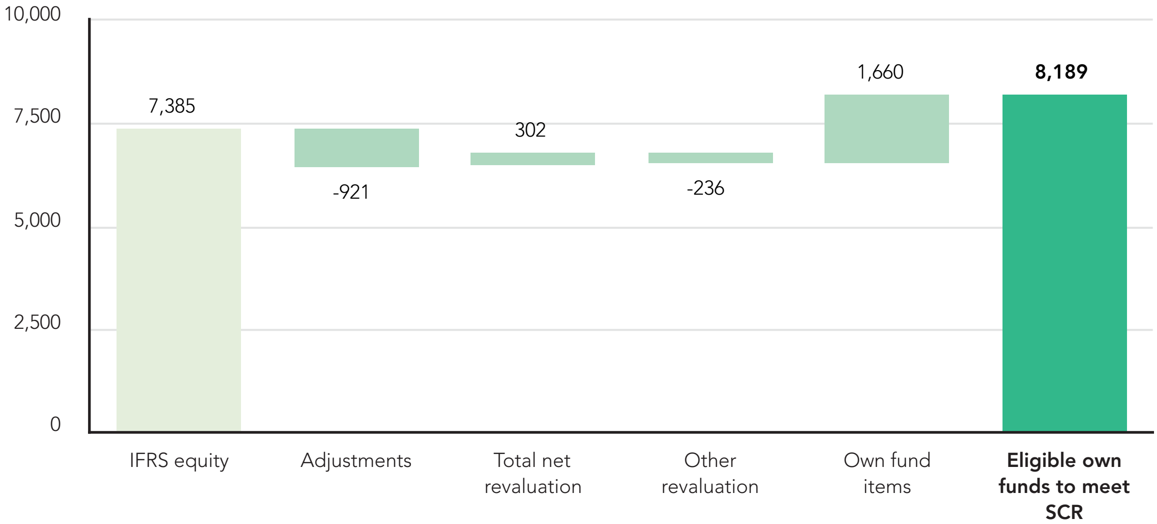
D Valuation for Solvency purposes

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

The reconciliation of IFRS equity to Solvency EOF can be summarised as follows:
- Adjustment of other equity instruments (the other equity instruments excludes any discretionary interest);
- Total net revaluation as a result of revaluation differences of items which are valued different than fair value in the IFRS balance sheet;
- Derecognition of items on the Solvency II economic balance sheet which are admissible on the IFRS balance sheet;
- Recognition of Own Fund items like subordinated liabilities, other equity instruments excluding any discretionary interest), foreseeable dividends valuation difference of financial institutions which are in accordance with the Delegated Regulations part of the EOF.

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

Reconciliation total equity IFRS vs EOF Solvency II



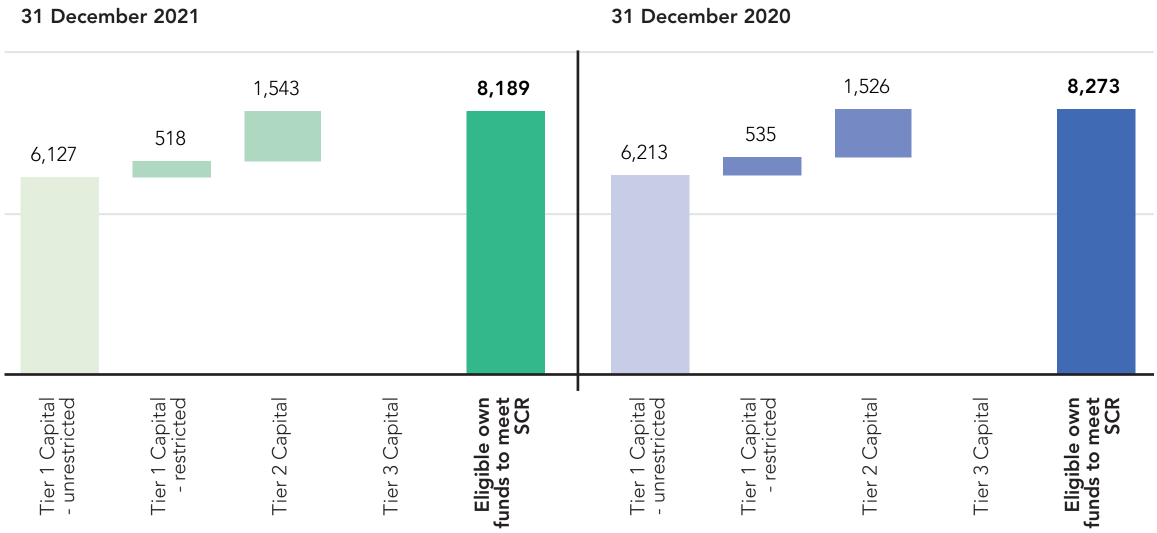
The full details on the reconciliation between a.s.r.'s economic balance sheet based on Solvency II and consolidated financial statements based on IFRS are described in chapter D Valuation for solvency purposes (page 97).

E Capital Management

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

a.s.r. follows the SII Standard model for the determination of the group solvency. a.s.r. maintains an internal minimum and management target for the Solvency II ratio. The internal minimum Solvency II ratio for a.s.r. as formulated in the risk appetite statement is 120%. The management threshold level for the Solvency II ratio is above 160%. The lower limit solvency target is 140%. The solvency ratio was 196% at 31 December 2021.

The EOF is build up as follows:

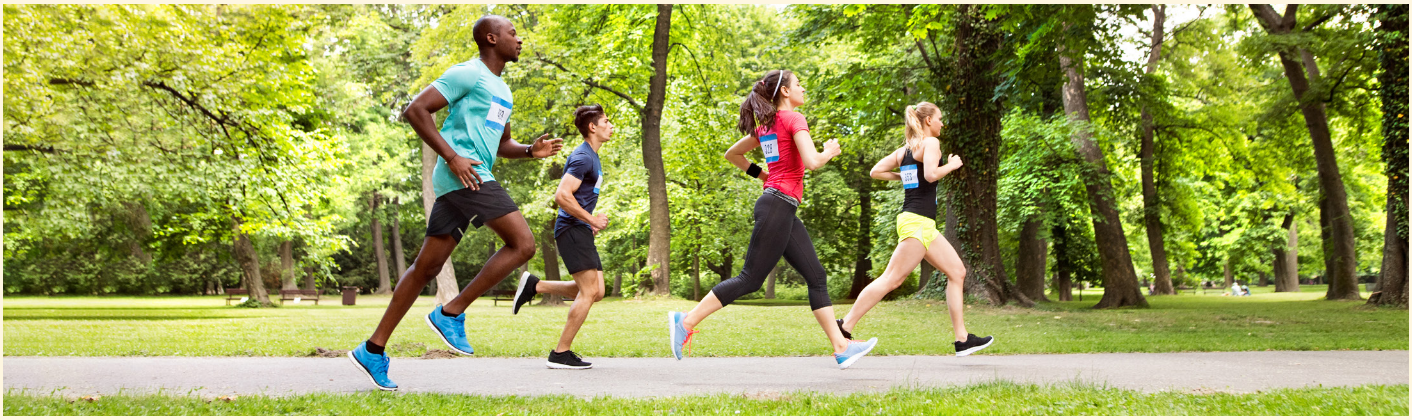


The EOF decreased to € 8,189 million (31 December 2020: € 8,273 million). The contribution of the organic capital creation, higher equity markets and interest and spread developments were offset by a lower VA, the UFR reduction, the impact of higher inflation and capital distributions such as dividend.

Full details on the Capital management of a.s.r. can be found in chapter E Capital management (page 108).

A Business and performance

A.1 Business and performance



Operating result
(in € million)

1,021 ↑

2020: 885

IFRS net result
(in € million)

942 ↑

2020: 657

Organic capital creation
(in € million)

594 ↑

2020: 500

Total equity
(in € million)

Total equity attributable to shareholders
(in € million)

Solvency II ratio
(standard formula, in %)

196 ↓

2020: 199

Operating return on equity
(in %)

16.3 ↑

2020: 15.3

IFRS return on equity
(in %)

15.3 ↑

2020: 11.7

Dividend per share
(in €)

2.42 ↑

2020: 2.04

Total dividend
(in € million)

329 ↑

2020: 282

Share buyback
(in € million)

75 →

2020: 75

Interest coverage ratio
(in x)

13.8 ↑

2020: **9.5**

Financial leverage
(in %)

24.8 ↓

2020: **28.3**

Credit rating
(S&P)

A →

2020: **A**

Gross written premiums
(in € million)

5,859 ↑

2020: **5,276**

New business Life segment
(APE, in € million)

151 ↑

2020: **124**

Operating expenses
(in € million)

Combined ratio P&C and Disability
(in %)

Net Promoter Score (NPS-c)
(-100 to +100)

49 →

2020: **49**

Impact investing
(in € billion)

2.5 ↑

2020: **1.7**

Carbon footprint
(in % of portfolio for own account)

96 ↑

2020: **93**

Employee contribution to local society
(in hours)

5,571 ↑

2020: **4,398**

A.1.2 General information

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

a.s.r. is listed on Euronext Amsterdam and is included in the MidKap index. a.s.r. has a total of 4,155 internal FTEs (2020: 4,042).

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

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

The financial statements for 2021 were approved by the Supervisory Board (SB) and authorised for issue by the Executive Board (EB) on 21 March 2022. The financial statements 2021 will be presented to the Annual General Meeting (AGM) of Shareholders for adoption on 25 May 2022.

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

Name and contact details of the supervisory authority

Name:	De Nederlandsche Bank
Visiting adress:	Spaklerweg 4, 1096 BA Amsterdam
Phone number (general):	+31 800 020 1068
Phone number (business purposes):	+31 20 524 9111
Email:	info@dnb.nl

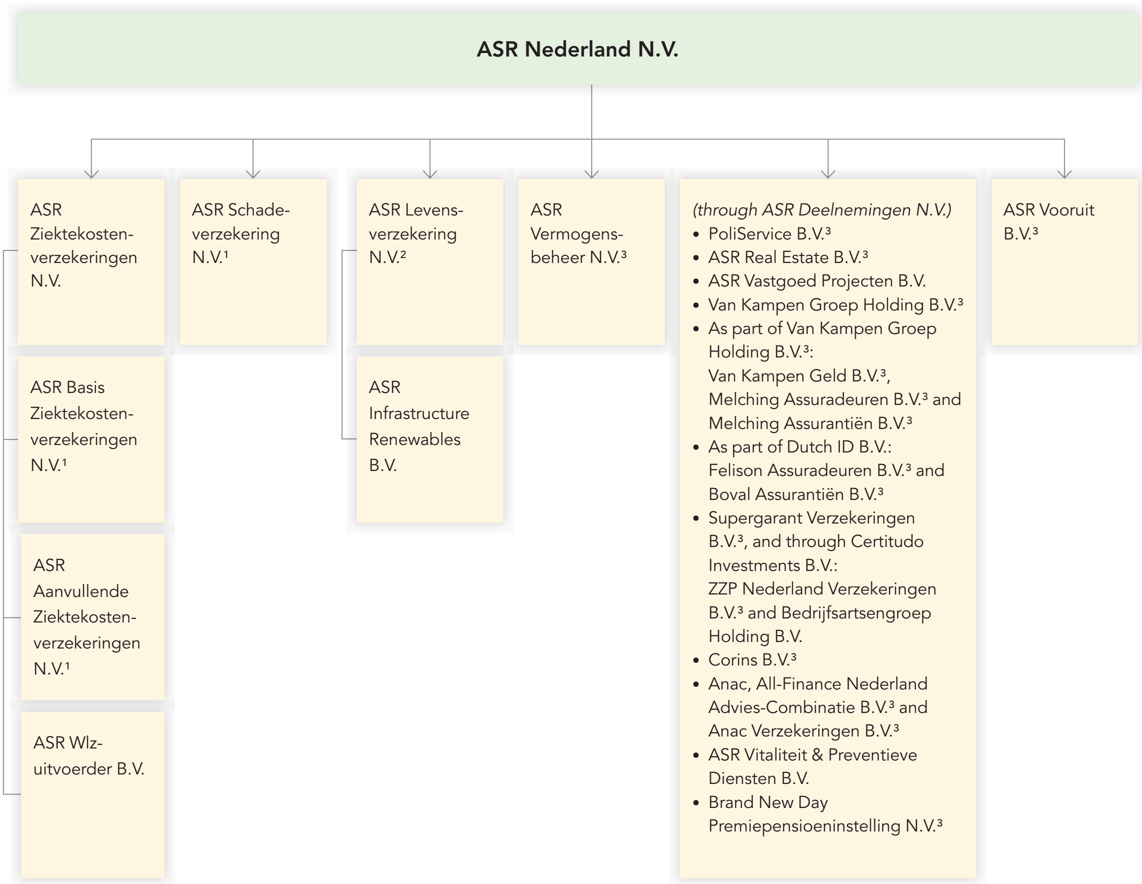
Name and contact details of the external auditor

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

A.1.3 Structure

A.1.3.1 **Group structure**
The a.s.r. group comprises a number of operating and holding companies. On 1 April 2021, a.s.r. completed the acquisition of Brand New Day Premiepensioeninstelling N.V. (Brand New Day IORP) by acquiring all issued and outstanding shares for a total consideration of € 70 million. a.s.r. already had 50% interest in Brand New Day IORP and with this acquisition becomes the full owner of the institution for occupational retirement provision.

Legal Structure of the most significant a.s.r. group entities as per 31 December 2021



1 Registered non-life insurance companies.
2 Registered life insurance companies.
3 Other Wft registered companies.

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

Following the recent acquisition, Brand New Day IORP is included in the Life segment.

In 2021, a.s.r. established ASR Infrastructure Renewables B.V. This entity comprises of sustainable energy production plants like the acquired wind farm Wieringermeer.

Insurance activities
Insurance entities are entities that accept the transfer of insurance risks from policyholders. The Non-life segment consists of non-life insurance entities and their subsidiaries. These non-life insurance entities offer Non-life insurance contracts such as disability insurance and property and casualty insurance. The Life segment comprises the life insurance entity and its subsidiaries. This life insurance entity offers financial products such as life insurance contracts and life insurance contracts on behalf of policyholders. The Life segment also includes Brand New Day IORP, which offers investment contracts to policyholders that bear no insurance risk and for which the actual return on investments allocated to the

contract is passed on to the policyholder. The Non-life and Life segments have different levels of profitability and growth opportunities, as well as a different outlook and risk profile.

Other activities
The other activities consist of:
- The Asset Management segment involves all activities related to asset management including investment property management. These activities include amongst others ASR Vermogensbeheer N.V., ASR Financieringen B.V., ASR Real Estate B.V. and ASR Hypotheken B.V.;
- The Distribution and Services segment includes the activities related to distribution of insurance contracts and include amongst others the financial intermediary business of PoliService B.V., Van Kampen Groep Holding B.V. (and its subsidiairies), Van Kampen Geld B.V., Dutch ID B.V., SuperGarant Verzekeringen B.V. (and ZZP Nederland Verzekeringen B.V., and as of October 2020 Bedrijfsartsengroep B.V.), Corins B.V., Anac, All-Finance Nederland Advies-Combinatie B.V., Anac Verzekeringen B.V. and ASR Vitaliteit & Preventieve Diensten B.V. (Vitality); and
- The segment 'Holding and Other' consists primarily of the holding activities of a.s.r. (including the group related activities), other holding and intermediate holding companies, the real estate development business (ASR Vastgoed Projecten B.V.), ASR Vooruit B.V., the investment firm that performs activities related to private investing for customers, and the activities of ASR Deelnemingen N.V.

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

Segment information has been prepared in accordance with the accounting principles used for the preparation of a.s.r.'s consolidated financial statements (see chapter 6.3). Goodwill and other intangibles are presented in the related CGU's segment. Intersegment transactions are conducted at arm's length conditions. In general, cost related to centralised services are allocated to the segments based on the utilisation of these services.

A.2 **Underwriting performance**

A.2.1 Financial performance ASR Nederland N.V.

The a.s.r. group consists of a number of operating and holding companies. The operations of a.s.r. are divided into five operating segments, the main ones being Non-life and Life, which perform all insurance activities. The other activities are performed by three separate segments; Asset Management, Distribution and Services, and Holding and Other.

Operating result

The operating result increased by € 136 million to € 1,021 million (2020: € 885 million). This significant increase reflects improvements in all segments.

The (indicative) impact of COVID-19 amounted to € 77 million (2020: € -1 million), primarily driven by lower claims in Property & Casualty (P&C) and a limited benefit in Health, partly offset by higher claims in Disability and lower direct investment income.

Gross written premiums

Gross written premiums (GWP) increased by 11.1% to € 5,859 million (2020: € 5,276 million). The Non-life segment increased by 13.2%, to € 4,124 million (2020: € 3,643 million) due to organic growth of P&C and Disability (5.2%) and organic growth in Health (38%), the latter due to a substantial growth in the number of customers. The Life segment increased by 4.6%, to € 1,893 million (2020: € 1,810 million) driven by strong growth in Pensions DC.

Operating expenses

The operating expenses increased by € 24 million to € 725 million (2020: € 701 million). This increase reflects the inclusion of various acquisitions, comprising several smaller acquisitions in the Distribution and Services segment (€ 16 million) and the acquisition of Brand New Day IORP as of 1 April 2021 (€ 6 million).

Excluding the impact of acquired businesses, operating expenses remained fairly stable and offset additional (run) costs of several new growth initiatives. The expense ratio in the Non-life segment (excluding Health) improved by 0.1%-points to 8.0% (2020: 8.1%) partly due to revenue growth and IT synergies from the integration of Loyalis and Veherex. In the Life segment, the operating expenses in basis points (bps) of the basic Life provision remained stable at 45 bps (2020: 45 bps), which is at the lower end of the target range (45-55 bps).

Result before tax

The result before tax increased by € 380 million to € 1,209 million (2020: € 829 million), mainly due to the higher operating result (€ 136 million) and higher indirect investment income (€ 107 million), reflecting fair value gains / losses and capital gains and losses, the recovery on the financial markets and several non-recurring items in 2020.

With an effective tax rate of 22.4% (2020: 20.7%), net IFRS profit amounted to € 942 million (2020: € 657 million).

Operating return on equity
The operating return on equity increased by 1.0%-points to 16.3% (2020: 15.3%), exceeding the medium-term target range of 12-14%. The strong growth in the operating result was the main driver of this increase. The IFRS return on equity improved 3.6%-points to 15.3% (2020: 11.7%), primarily reflecting the higher IFRS net result.

Solvency II ratio and organic capital creation
The Solvency II ratio, using the standard formula, decreased by 3%-points to 196% (31 December 2020: 199%), including a 10%-points deduction for the dividend (€ 329 million) and the share buyback (SBB) programme (€ 75 million) executed in 2021. The positive impact from higher interest rates and higher organic capital creation were offset by the deployment of capital in acquisitions as well as various market and operational developments (e.g. volatility adjustment (VA), Ultimate Forward Rate (UFR) and inflation).

Organic capital creation increased by € 94 million to € 594 million (2020: € 500 million), mainly due to the improved performance in the Non-life segment, which is partly driven by an incidental COVID-19 benefit, as well as an increase in investment returns.

Dividend and capital distribution
In line with the dividend policy, a.s.r. proposed a dividend for 2021 of € 2.42 per share, an increase of 18.6% compared to 2020. Taking into account an interim dividend of € 0.82 per share paid in September 2021, the final dividend amounts to € 1.60 per share.

a.s.r. announced a € 75 million SBB programme, in line with its commitment for the 2019-2021 plan period. The buyback of shares starts on 24 February 2022 and will end on 24 May 2022 at the latest. The SBB programme falls within a.s.r.'s General Meeting of Shareholders' mandate granted to the Executive Board on 19 May 2021. a.s.r. will ask the General Meeting to cancel these shares in due course.

a.s.r. has appointed an independent broker to execute the SBB programme. The exact timing of the buyback will be determined by this broker, independently and without interference from a.s.r. The execution of the SBB programme depends on the market conditions. Based on the closing price of € 42.37 per 15 February 2022 and the amount of € 75 million as starting point, the number of shares to be bought would amount to 1,770,120.

The progress of the SBB programme will be announced weekly on a.s.r.'s website: www.asrnl.com.

COVID-19

Impact on financial results

In € million	2021	2020	2019
Operating result	1,021	885	858
of which impact COVID-19[1]	77	-1	-
Combined ratio	91.8%	93.6%	93.5%
of which impact COVID-19[1]	3.1%	0.6%	-
Organic capital creation (OCC)	594	500	501
IFRS Net result	942	657	972

Operating result in the years 2021 and 2020 excluding one-off COVID-19 impact, is above operating result of the year 2019. Even without the one-off COVID-19 impact, a.s.r. shows strong results for the years 2021 and 2020. These are mainly driven by a strong business performance in all segments and higher investment margins.

Excluding the positive COVID-19 impact in 2021, the COR for Non-life (P&C and Disability) remains strong and within the target range of 94-96%.

The increase of OCC mainly reflects the strong business performance of the various segments and the increased one-off positive effect of COVID-19, mainly in the Non-life segment.

The IFRS net result shows a volatile course over the years, partly due to the sentiment of financial markets. Especially the year 2020 was affected by lower indirect investment income, reflecting lower fair value gains and losses, capital gains and losses and increased impairments, with a visible recovery of financial markets in 2021.

The long-term effects of COVID-19 on society and results going forward is unknown and difficult to predict reliable. a.s.r. remains cautious for the effects in the longer term.

1 Indicative figures

A.2.2 Financial Performance Non-life segment

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

Operating result

The Non-life operating result increased by € 84 million to € 325 million. This was mainly driven by an improvement of the claims ratio in Disability and profitable organic growth in all three business lines within Non-life.

The total (indicative) impact of COVID-19 was € 93 million (2020: € 21 million). Technical provisions for Disability were further strengthened this year due to revised expectations with regard to long-term COVID-19 related absenteeism, but to a lesser extent compared to last year, as well as a lower direct investment income primarily related to rental income.

P&C market share in the Netherlands
(in %, in 2020)

14.3

2019: 14.3

Lower claims in P&C, particularly in motor and fire, and a limited positive impact in Health, led to an increased positive impact overall.

The 2021 operating result includes the negative impact from claims due to floods in Limburg in the second half of the year (€ 20 million), in addition to the strengthening of reserves in P&C (primarily related to motor vehicle liability) in the first half of the year.

Combined ratio

The combined ratio (COR) of the Non-life segment (excluding Health) improved by 1.9%-points to 91.8%, mainly due to a decrease in the claims ratio. The claims ratio benefited from the COVID-19 impact (approximately 3%-points), this is more favourable than last year (2020: approximately 1%-point). This reflects a less adverse impact on Disability compared to 2020. The impact of the July floods and reserve strengthening, mainly in P&C, partly offset the positive COVID-19 impact.

In P&C, the COR amounted to 91.9% (2020: 92.5%). This reflects a favourable claims environment, particularly in motor and fire, primarily driven by COVID-19 related restrictions in the Netherlands. There was a negative impact from reserve strengthening, primarily related to motor vehicle liability, including the effect from a further, sector-wide, lowering of the actuarial interest rate for personal injury.

In Disability, the COR amounted to 91.6% (2020: 95.1%). The underlying performance improved, thanks to pricing actions and improvements made in the sickness leave portfolio via claims control and a further focus on prevention and re-integration. Reserves were strengthened in group disability and sickness leave, reflecting new insights into the impact of long-term (psychological) absenteeism after falling ill to COVID-19. However, this impact is less severe than last year.

The COR of Health improved by 1.6%-points to 96.2%. The improvement was mainly due to a strong underlying business performance driven by profitable growth of the portfolio. The COVID-19 related contribution from the Health insurance fund, based on Section 33 of the Health Insurance Act, was slightly positive.

Gross written premiums

Gross written premiums increased by 13.2% (€ 480 million) to € 4,124 million (2020: € 3,643 million), due to organic growth in all business lines. The total organic growth of Disability and P&C combined was 5.2% (€ 143 million), driven by increased sales volumes and tariff adjustments (mainly in Disability). The growth in Health of 38% (€ 338 million) reflects the commercial success of the recently introduced benefit-in-kind policy. In maintaining its financial discipline and pricing products rationally, a.s.r. benefited from an opportunity in the Dutch Health insurance market to grow profitably last year.

Operating expenses

The operating expenses increased by € 12 million to € 269 million, while the expense ratio of the Non-life segment decreased by 0.5%-points. The expense ratio for Non-life (excluding Health) improved by 0.1%-points to 8.0% (2020: 8.1%). Growth of the premium volume in Disability and Health led to a limited increase in expenses.

Result before tax

The result before tax increased by € 97 million to € 357 million (2020: € 261 million) and was largely in line with the increase in the operating result (€ 84 million). Indirect investment income increased by € 16 million due to lower impairments.

P&C

a.s.r. ranks among the top three P&C insurers in the Netherlands, with a market share of 14.3%[1] in 2020, measured by GWP. a.s.r. offers a broad range of P&C products for the private and commercial markets under the brands a.s.r., Ditzo and Europeesche Verzekeringen. The a.s.r. brand focuses on the private and commercial markets via advisors and mandated brokers, and Ditzo on direct online distribution to private individuals. Europeesche Verzekeringen offers travel

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

and recreational insurance via travel agents. In 2021, the COR was 91.9%, partly due to a lower amount of claims (as a result of COVID-19 measures, e.g. lock down, working from home, less travel).

Combined ratio P&C

(in %)

Market

The Dutch P&C market has consolidated strongly in recent years. The three top P&C insurers have a combined market share of 64%[1]. Consolidation has also occurred among the distribution parties and mandated brokers. COVID-19 led to a lower level of claims in the Dutch market, in particular for road accident claims. However, risks are rising due to climate change, as shown by the losses for flooding claims in Limburg and amount of single claim rises due to higher inflation. Another aspect of COVID-19 is the acceleration in digitisation, as the government measures led to greater use of digital means of communication for e.g. online shopping and video calls. This creates opportunities for further digitisation of customer service commission by insurers and their distribution partners, such as more online distribution, the use of My environments (customer portals), advice via video calls and the use of live chats.

A relevant market development is that the Minister of Finance intends to make service commission for private P&C insurance transparent by the end of 2022. This means that advisors will be required to actively inform customers of the nominal amount of commission per product and per person. This could provide a stimulus for change in the distribution landscape.

The direct claims settlement regulation (covenant) entered into force on 1 July 2021. Insurers must ensure that private customers can contact their own insurers for compensation for their material damage to a passenger car after a collision.

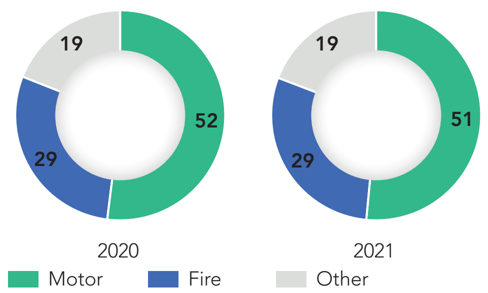
Products

a.s.r. offers a wide range of P&C products in the private and commercial markets. This includes products in the following categories:

- Motor: third party and comprehensive insurance for vehicles and vehicle fleets.
- Fire: cover for damage to buildings and contents due to causes including fire, storm and secondary flood.
- Other: other P&C insurance products such as liability, legal aid, travel and recreation, and transport insurance.

Product share P&C

(in %)



Strategy and achievements

a.s.r. holds a strong position in the Dutch P&C insurance market. P&C is structurally profitable, with a good customer appreciation score. The growth target is in line with the growth of the gross domestic product (GDP). a.s.r. is strongly represented among advisors, mandated brokers and in the co-insurance market, via Corins. In the direct channel the revenue of a.s.r. (via the Ditzo label) is stable and profitable. COVID-19 is also having an impact on the travel market and consequently, on the turnover of Europeesche Verzekeringen. a.s.r. began offering sustainable P&C insurance at the end of 2021, via ASN Bank (see www.asrnl.com for more information).

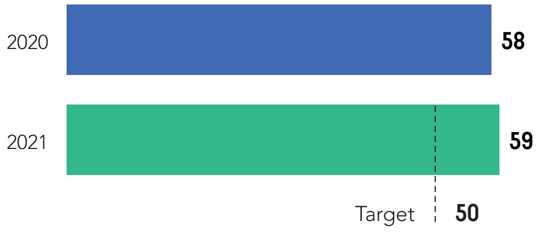
1 Source: Market shares DNB 2020, market shares 2021 not available yet.

Simplifying and modernising the IT landscape is an important part of the strategy. In 2021, the P&C platform AXON was set up for the commercial products and the commercial portfolio was converted from the old IT landscape to AXON. The entire provincial independent advisors portfolio is now on the AXON platform. This is an important basis for further digitisation of the chain, improvement of service commission to customers and advisors, and for cost reduction.

Through further digitisation, the My environment for customers has been expanded. At the end of 2021 over 80,000 customers are digital customers and have created accounts for the My environment (2020: around 25,000 digital customers). Customers assign P&C a NPS-c score of 59.

NPS-c P&C

(-100 to +100, only the a.s.r. brand)



New sustainable elements are continually added to a.s.r.'s products and services. Cover for solar panels, charging units, (mini) wind turbines, heat pumps, green roofs and secondary flooding is already available. For damage repair, a.s.r. works with a sustainable repair network (affiliated to Stichting Groen Gedaan). Business customers receive sustainability advice during the risk inspection. The acceptants consider here whether risks that are more difficult to insure from a technical insurance point of view, but that have a strong positive impact on climate change, can nevertheless be insured, partly in order to stimulate such initiatives. To encourage customers to improve the sustainability of their homes, a.s.r. has set up a content platform in partnership with PorteRenee.nl. The platform provides content to customers on how to save energy (and money).

Outlook 2022

Outlook for 2022 P&C expects further growth of the portfolio, by 3-5% per annum, with growth opportunities primarily in the commercial market and via ASN Bank. The COR target (combined with Disability) for 2022 is 93-95%. In order to strengthen its position in the commercial market, a.s.r. will further improve and simplify the business proposition. a.s.r. aims to take major steps towards further digitisation of the chain, in order to improve its customer service. The My environment for customers will be further expanded and further digitisation of the claims handling process is planned. This will enable more customers to register as digital customers. Products and services will become more sustainable, partly through further stimulation of sustainable damage repair (e.g. replacement with refurbished items) and the addition of new sustainable cover for brand products, such as tiny houses and other buildings. a.s.r. is investigating possibilities for setting up its own repair chain for damage to buildings. a.s.r. has ambitious plans to realise a fully sustainable product range by 2025.

Disability

a.s.r. is the market leader in the Disability segment measured in GWP. In 2020 a.s.r. had a market share of 30.6%[1]. The disability insurance market amounts to € 3,921 billion[1]. The COR of Disability fell to 91.6% (2020: 95.1%) despite considerable efforts to reduce cost of claims in all product lines, including absence insurance and cost control.

Combined ratio Disability

(in %)

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

Market

The distribution of disability insurance mainly takes place via independent advisors. a.s.r. holds an excellent position in the distribution market for small and medium-sized enterprises (SMEs). With the Loyalis brand, a.s.r. also has a strong position in the wholesale sector. Distribution via mandated brokers has risen sharply between 2016 and 2020, from € 305 million to € 600 million, which is 15% of the market[1]. At a.s.r., 23%[2] of the GWP takes place via mandated brokers.

In the current coalition agreement, reference is made to the pension agreement for working out the details of the compulsory insurance. The advice from the Stichting van de Arbeid (Labour Foundation) is used for further completion of the current disability insurance policies and opt-out for new customers. The sector is in constructive consultation with the various stakeholders via the Verbond van Verzekeraars.

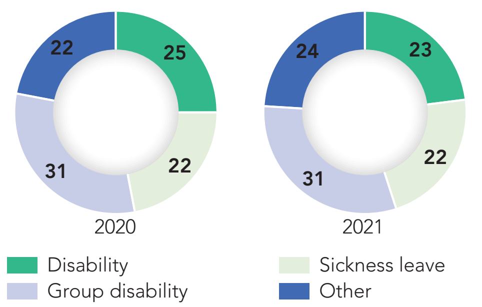
Products

In the disability insurance market a.s.r. offers different products divided among the following product lines:

- Individual disability: products for self-employed persons to protect themselves against loss of income in the event of sickness or disability until the age of retirement and products for employees to protect:
  - The payment of fixed expenses in the event of sickness or disability.
  - To cover loss of income above the wage limit in the event of sickness or disability.
- Sick leave insurance: products for employers to cover the costs associated with the employers' obligation to continue to pay wages in the event of employee sickness for a maximum of two years.
- Group disability:
  - Products for (very large) employers to cover their own risk carrier status under the Return to work (Partially Disabled) Regulations (WGA).
  - Products for the benefit of employees (taken out by employers) to cover loss of income due to an inability to (fully) perform work as a result of disability as defined by the Work and Income Act (WIA).

Product share Disability[3]

(in %)



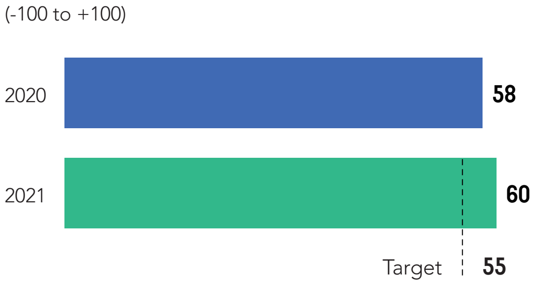
Strategy and achievements

In 2021, the recently-formed (autumn of 2020) a.s.r. reintegration business further expanded its services, thereby increasing its responsibility for promoting sustainable employability for businesses and their employees. In December, an external audit showed that the quality management system complies with ISO requirements. This makes the a.s.r. reintegration business the first business line with an ISO 9001 certificate. a.s.r. has a long service record of good support for the self-employed and their businesses through close cooperation between claims handlers, medical consultants and occupational health and safety experts. In April 2021 a.s.r. discontinued the De Amersfoortse brand and all activities were successfully transferred to the a.s.r. brand.

The NPS-c of Disability increased to 60 in 2021 (2020: 58).

1 Source: Marktrapport Volmachten 2020 Verbond van Verzekeraars and NVGA
2 Source: PM report
3 Source: PM report fourth quarter 2021

NPS-c Disability



The NPS score for the independent advisors for the business operations for Individual Disability is +32 (2020: +31)[1]. For Group Disability the NPS score is +14 (2020: +12)[1].

In 2021, in addition to the further development of commission for prevention and reintegration in the event of sickness and disability, major efforts were made to increase digitisation and automation of customer processes. This generates fewer paper flows and is more convenient for customers. Examples of this include the development of the My environment for individual insurance and the implementation of salary links for uniform administration of participants for Sickness Leave and Group Disability insurance. Digital links were also created between the occupational health and safety service and a.s.r. To contribute to a uniform administration of sickness leave for both a.s.r. and the registered chain partners.

In 2021, a.s.r. called attention to the growing problem of absences for mental health reasons in a large-scale campaign, with a specific focus on early identification of signs that could indicate a burn-out, preventing sickness leave. The widespread attention that the campaign attracted, including in the media, confirms the social importance of this theme.

Outlook for 2022

No impactful changes in social security that will affect the insurance portfolio are expected in Disability in 2022. Disability expects further growth of the portfolio, by 3-5% per annum, the COR target (combined with P&C) for 2022 is 93-95%. Disability will continue to focus on the ecosystem of sustainable employability, with the aim of remaining the market leader by continuing to monitor the market critically and aiming for chain integration.

1 Source: IG&H performance monitor Disability

Health

With a market share of 3.6% (2020: 2.4%)[1], a.s.r. was the sixth largest provider of health insurance products in the Dutch market in 2021, measured by the number of customers. The market share of the four biggest health insurers remained virtually unchanged from the year before, at 85%. a.s.r. saw the biggest rise in market share in 2021 (+41.2%), partly due to the combination of competitive premiums and products and services such as a.s.r. Vitality and its image as a sustainable insurer. In 2021, a.s.r. offered its health insurance under the De Amersfoortse and Ditzo brands until 19 April 2021. Per this date the disability and health insurance of the De Amersfoortse were offered under the a.s.r. brand. De Amersfoortse as a separate brand no longer exists.

The COR of Health improved by 1.5%-points to 96.2% (2020: 97.7%). This improvement is partly due to an increase of in-kind policies and a COVID-19 benefit.

Combined ratio Health

As in 2020, COVID-19 again placed enormous pressure on the Dutch health system in 2021. Together with other health insurers, a.s.r. took measures to secure the continuity of health care, the duty of care and the information supply to its insured parties. As a result of solidarity agreements, the extra costs resulting from COVID-19 were evenly divided among health insurers.

Market

The health insurance market in the Netherlands comprises two product types: basic insurance and supplementary insurance. The market is highly regulated, with all Dutch residents obliged to take out basic health insurance. Basic coverage has limited variations across all insurers, since it is a statutory requirement and the content is prescribed by the government. Although supplementary insurance coverage is not obligatory, 84.9% of the market opted for a form of supplementary health insurance in 2021. Health insurance contracts are taken out on an annual basis. Generally, 6-7% of customers switch between health insurance providers each calendar year. This trend has been relatively stable over the past five years. In 2021, the number of customers that switched was 1.1 million, i.e. 6.5%[1].

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

Products

a.s.r.'s health insurance product range can be divided into the following categories:

- Basic health insurance which provides broad coverage of healthcare costs, the contents of which are prescribed by the government on an annual basis. a.s.r. offers three types of basic health insurance:
  - in-kind policy
  - restitution policy
  - combination of in-kind and restitution
- Supplementary health insurance which covers specific risks not covered by basic insurance, such as the costs of dentistry, physiotherapy, orthodontics and medical support abroad.

An in-kind policy, under which all healthcare costs are covered by the basic insurance if the insured party goes to a contracted healthcare provider, is the most common kind of policy on the Dutch market: 77%[1] of the insured population have an in-kind policy. An in-kind policy is also referred to as contracted care. In 2021, 59% of a.s.r.'s healthcare customers had an in-kind policy.

Strategy and achievements

The Health strategy was revised on 1 January 2021. With this, a.s.r. aims to realise ambitions and build on the transition to a healthcare business that works for a generation of customers who opt for a healthy lifestyle. Offering different health services, including a.s.r. Vitality, is intended to help and motivate people to care for their own health. By switching from

1 Source: Zorgthermometer Verzekerden in Beeld 2021

reactive to more proactive customer contacts, a.s.r. can work to help customers more effectively, encourage them to make their own health choice and provide them with a more positive experience and better service.

Health aims to encourage its customers to make good choices. An example of this is the four-month participation campaign during the 2020-2021 healthcare season, in which, via a.s.r. Vitality, a.s.r. offers all its customers (new and existing) four months free access to the Vitality programme on the contracting or renewal of their health insurance. In addition, the Doorgaan proposition is a unique combination of healthcare insurance, disability insurance and services aimed at vitality and sustainable employability for entrepreneurs and their employees and provides products and services for their mental and physical wellbeing. With the focus on health and vitality, rewarding healthy choices and sustainable employability, a.s.r. aims to play a role in improving the lives of individuals and of society as a whole. New health services were introduced for both brands in 2021. One example is the Ditzo Running Programme, in which a.s.r. aims to raise customer enthusiasm for running and to encourage customers to exercise.

In 2021, a.s.r. launched a partnership with Arts & Zorg (Physician & Healthcare) to enable smart healthcare choices for its customers. A pilot programme will be set up to allow insured parties to make more use of the healthcare digital channels. This responds to the increasing customer demand to obtain more healthcare or advice digitally, and to find a solution for the growing shortage of general practitioners.

Health customers are increasingly price sensitive and active online. a.s.r. devotes close attention to an optimal customer experience. It puts considerable effort into improving customer contacts by organising these quickly and efficiently with the aid of digitisation. One example of this is the introduction of Live Chat, an accessible live chat function with which customers receive immediate assistance and fast and clear answers to questions. a.s.r. devotes a great deal of time and energy into the evaluation of its products and services, in order to remain a customer-oriented organisation.

With an NPS-c score of 49 in 2021 (2020: 49), customer satisfaction of Health remained stable.

NPS-c Health

(-100 to +100)

Outlook 2022
a.s.r. expects COVID-19 to continue and to again have an impact on society as a whole, and the healthcare sector in particular in 2022. The focus of the healthcare insurer remains on compliance with the duty of care and on helping customers and employees to take care of their health as far as possible. Digitisation and customer convenience are also subjects that will receive attention in 2022. Finally, efforts will continue to improve the customer experience and to enthusing customers with information, products and services, including in the fields of health and vitality. In the healthcare market, price competition is increasing. Competitors are willing to use equity capital to increase their market share. This most probably will lead to market share loss in the healthcare season as not all customers that a.s.r. won last year will stay at a.s.r.

A.2.3 Financial Performance Life segment
The Life segment comprises the life insurance businesses Pensions, Individual life and Funeral. The segment offers insurance policies that involve asset accumulation, immediate (pension) annuities, asset protection, term life insurance and funeral expenses insurance. Its customers are individual consumers and companies. The market share of Life in 2020 was 13.2% (2019:13.3%) [1]measured in GWP.

Operating result
The operating result increased by € 33 million to € 763 million (2020: € 730 million), mainly due to the investment margin, which more than offset a decreased technical result.

The investment margin improved by € 62 million to € 682 million (2020: € 620 million), mainly driven by further optimisation of the investment portfolio, resulting in higher investment income and less adverse COVID-19 effects on investment income. Lower dividends from real estate funds, including rental discounts, were partly offset by increased dividend income. The required interest on technical provisions decreased due to the regular run-off in the Individual life portfolio. In addition, the technical result decreased by € 30 million, reflecting lower result on disability cover in pensions as well as the regular run-off of the Individual life portfolio.

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

The total negative (indicative) impact of COVID-19 was estimated at € 16 million (2020: € 22 million), which primarily reflects lower rental income. The impact on the mortality result is negligible, due to diversification of the various product lines.

Gross written premiums

The gross written premiums increased by € 82 million to € 1,893 million (2020: € 1,810 million), mainly due to the strong increase in recurring premiums in defined contribution (DC). The Pensions DC product Werknemers Pensioen (Employee Pension) continued its commercial success this year as the number of active participants increased to almost 130 thousand (2020: almost 104 thousand) and recurring premiums rose by € 172 million (37%) to € 634 million, including the own pension scheme for a.s.r. employees.

Operating expenses

The operating expenses increased by € 3 million to € 173 million (2020: € 171 million). The additional cost base from the acquisition of Brand New Day IORP (1 April 2021) and project costs for realising a new IT landscape for the pension portfolio were largely compensated by the efficiency and cost synergies achieved with the completion of insurance portfolio conversions in 2020 (Loyalis and VvAA life) and lower investment charges.

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

Life operating expenses, expressed in basis points of the basic Life provision remained stable at 45 bps (2020: 45 bps), which is at the lower end of the target range (45-55 bps) for 2021. Operating expenses in relation to the premiums (measured in APE) amounted to 9.5% (2020 9.1%). This increase is mainly due to the additional cost base from the acquisition of Brand New Day IORP (1 April 2021) and the project costs for realising a new IT landscape for the pension portfolio.

Result before tax

The result before tax increased by € 234 million to € 981 million (2020: € 747 million), driven by an increase in incidental investment income, non-recurring items in 2020 and a higher operating result.

The increase in incidental investment income by € 69 million to € 208 million (2020: € 139 million) reflects the recovery of financial markets this year through positive revaluations. The impact of other incidental items increased by € 132 million and was limited to € 11 million, mainly due to non-recurring items in 2020 related to a goodwill impairment (€ 90 million) and refinement of the calculation methodology for disability insurance in the pension portfolio (€ 33 million).

Life & Pensions

a.s.r. 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. is the second largest provider of individual life insurance products in the Netherlands, measured in GWP[1].

With the acquisition of Brand New Day PPI (BND PPI) 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 BND IORP activities within a.s.r. is expected to be completed in 2022. BND IORP is a separate legal entity and therefore not included in the figures.

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.

Market

a.s.r. expects the pension market to continue to move from DB to DC solutions in the coming years. With the acquisition of BND PPI, 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 enable digital self-service, given that customers expect to be able to arrange their financial affairs online.

Products

a.s.r. provides DC pension products with recurring premiums, in which benefits are based on investment returns on selected funds, in some cases with guarantees. a.s.r.'s DC proposition concerns the employee pension product

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

Werknemers Pensioen (WnP). In 2021, the WnP had almost 130,000 active participants and € 3.0 billion in AuM all invested in SRI funds. The number of active participants at BND PPI grew to 120,000 and the invested capital to € 1.9 billion. In addition to the fixed annuity product, a.s.r. also has the variable pension product. This offers customers a product for the payout phase of their pension, with an appropriate balance between risk and return. a.s.r. also offered DB products, but due to market changes these products are no longer (actively) sold.

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

Strategy and achievements

In 2021, Life & Pensions launched the Ik denk vooruit 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.

NPS-c Life & Pensions

The average NPS-c 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-c ratings improved again well above target level.

Outlook 2022

Whilst taking into consideration the volume of a.s.r.'s funeral portfolio there is still potential for organic growth. The customer contact strategy will be further developed resulting in new marketing campaigns focused on digital access for customers. The aim is to create awareness amongst customers of their existing insurance asking them to check whether this is still appropriate.

Aligned with a.s.r.'s digital strategy, the digitisation programme will continue. In 2022, the focus will be the processes relating to existing customers and on activating customers to do business digitally. With this continuing digitisation, special attention will be devoted to vulnerable groups, such as those with low literacy and those without digital devices

Funeral

As at 31 December 2021, the funeral portfolio of Ardanta, a.s.r.'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.

Due to the COVID-19 related measures, employees largely served customers from home in 2021. This did not lead to a negative effect on service levels or customer satisfaction.

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. 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.

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 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 advisor process and the process for digital contracting of new insurance policies were positive. The conventional form, in which customers and advisors 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.

NPS-c Funeral

(-100 to +100)

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.

Outlook 2022

Whilst taking into consideration the volume of a.s.r.'s funeral portfolio there is still potential for organic growth. The customer contact strategy will be further developed resulting in new marketing campaigns focused on digital access for customers. The aim is to create awareness amongst customers of their existing insurance asking them to check whether this is still appropriate.

Aligned with a.s.r.'s digital strategy, the digitisation programme will continue. In 2022, the focus will be the processes relating to existing customers and on activating customers to do business digitally. With this continuing digitisation, special attention will be devoted to vulnerable groups, such as those with low literacy and those without digital devices.

A.3 **Investment performance**

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

A.3.1 Revenues and costs of all assets

Investments

	31 December 2021	31 December 2020
Available for sale	30,333	33,774
At fair value through profit or loss	3,216	2,825
	33,550	**36,599**

The investments available for sale decreased € -3,441 million in 2021, whereas investments at fair value through profit and loss increased by € 392 million, this can be explained by the table below.

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	14,149	-	14,149	17,390	-	17,390
Corporate bonds	10,827	-	10,827	11,817	-	11,817
Asset-backed securities	530	-	530	404	-	404
Preference shares	311	-	311	316	-	316
Rural property contracts	-	215	215	-	143	143
Equities and similar investments						
Equities	4,111	18	4,129	3,447	62	3,510
Real estate equity funds	-	2,202	2,202	-	2,029	2,029
Mortgage equity funds	398	781	1,179	393	590	983
Private debt equity funds	-	-	-	-	-	-
Other participating interests	7	-	7	7	-	7
Total investments	**30,333**	**3,216**	**33,550**	**33,774**	**2,825**	**36,599**

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

In 2021, government bonds decreased to € 14,149 million (2020: € 17,390 million) mostly due to negative revaluations and the disposal of government bonds. Cash collateral received on derivative instruments was reinvested into government bonds, cash collateral decreased due to increasing interest rate, therefore these government bonds were sold.

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

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

Based on their contractual maturity, an amount of € 21,400 million (2020: € 23,681 million) of fixed income investments is expected to be recovered after one year after the balance sheet date. For assets without a contractual maturity date, it is expected that they will be recovered after more than one year after the balance sheet date.

Breakdown of investment income per category

	2021	2020
Interest income from receivables due from credit institutions	110	124
Interest income from investments	331	339
Interest income from amounts due from customers	278	258
Interest income from derivatives	574	507
Other interest income	54	54
Interest income	**1,347**	**1,282**
Dividend on equities	78	60
Dividend on real estate equity funds	58	63
Dividend on mortgage equity funds	21	20
Rentals from investment property	64	60
Other investment income	3	4
Dividend and other investment income	**224**	**206**
Total Investment income	**1,571**	**1,488**

The effective interest method has been applied to an amount of € 715 million (2020: € 719 million) of the interest income from financial assets not classified at fair value through profit or loss. Included within interest income is € 4 million (2020: € 5 million) of interest received on impaired fixed-income securities.

The COVID-19 developments led to lower dividends received from real estate equity funds mainly due to lower rental income from retail property. Dividend income on equities have recovered from the COVID-19 impact shown in prior year.

A.3.2 Information about profit and losses in equity

Consolidated statement of comprehensive income for the year ended 31 December

(in € millions)	2021	2020
Net result	**939**	**656**
Remeasurements of post-employment benefit obligation	249	-316
Unrealised change in value of property for own use	-7	13
Income tax on items that will not be reclassified to profit or loss	-49	76
Total items that will not be reclassified to profit or loss	**193**	**-227**
Unrealised change in value of available for sale assets	-389	1,090
Realised gains/(losses) on available for sale assets reclassified to profit or loss	-456	-304
Shadow accounting	1,260	-552
Segregated investment pools	-6	5
Income tax on items that may be reclassified subsequently to profit or loss	-79	-48
Total items that may be reclassified subsequently to profit or loss	**330**	**191**
Total other comprehensive income, after tax	**523**	**-37**
Total comprehensive income	**1,461**	**619**
Attributable to:		
Non-controlling interests	-3	-1
- Shareholders of the parent	1,416	572
- Holders of other equity instruments	48	48
Total comprehensive income attributable to holders of equity instruments	**1,465**	**620**

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

A.3.3 Information about investments in securities

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

A.4 Performance of other activities

No other activities are material.

A.5 Any other information

No other information is applicable.

B System of governance

B.1 General information on the system of governance

B.1.1 Corporate governance

B.1.1.1 Supervisory Board Committees

The SB has three committees that discuss specific issues and prepare items on which the full SB takes decisions. The chair 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 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 & ESG Committee. The three committees are:

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

Audit & Risk Committee

- Sonja Barendregt (chair)
- Herman Hintzen
- Gerard van Olphen

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

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

The committee held six regular meetings in 2021. In accordance with the A&RC Rules of Procedure, committee meetings are also attended by the CFO, the Director of Group Risk Management, the Director of Finance, Risk and Performance Management, the Manager of Compliance, the Director of Audit and the independent external auditor. Outside the regular meetings, the committee met on two occasions with the Audit, Compliance, Risk Management and Actuarial Function (AF) in their roles as countervailing powers.

After each financial quarter, the committee discussed the financial results based on detailed financial, risk, compliance and internal and external audit reports and analyses. Progress on the recommendations of the internal and external auditor as well as of the AF was monitored. The full 2021 reporting year was discussed in the first quarter of 2022, based on the (quarterly) internal finance report, the press release, the Annual Report, the financial statements, the Board report and the actuarial report. The discussion of the actuarial report was also attended by the AF.

The committee issued positive opinions on the Annual Report and on the financial statements to the SB. It discussed and adopted the external auditor's letter of engagement and the audit plan for 2021. The external auditors' independence and additional fees were reviewed each quarter. The management letter of the external auditor highlighting key internal control observations was discussed. The audit results report of the external auditor was also discussed and special attention was given to the reported key audit matters. The A&RC approved the updated charters and annual plans for 2022 of the Actuarial and Risk Management Function and the Compliance Function. It advised the SB to approve the updated charter and the audit plan 2022 of the internal Audit Function; this advice was followed.

Specific topics discussed in the committee included (i) impact of COVID-19 on the financial performance and prospects of a.s.r., (ii) continuing low interest rates, inflation and impact on solvency through the balance sheet plan 2021 and projection updates, (iii) cyber risks and IT security, (iv) fraud issues (both from external clients - e.g. inappropriate claims behaviour – and from employees) and measures taken, and (v) compliancy with rules and regulations, including CDD. Medium-term target-setting was also discussed by the committee; these targets were announced by a.s.r. at the Investor Update of 7 December 2021. Furthermore the progress of the implementation of IFRS 17 / 9 was discussed.

a.s.r.'s solvency position was reviewed and discussed each quarter. Specific attention was paid to the Ultimate Forward Rate (UFR) effect within the Solvency II framework, continuing low interest rates, inflation and a.s.r.'s view on a more economic UFR scenario. The A&RC discussed the risk scenarios and the outcomes of the ORSA, plus the balance sheet plan and the related projection updates. In all the ORSA risk scenarios, the solvency ratio remains within the boundaries set by a.s.r., demonstrating the robustness of a.s.r.'s solvency and the effectiveness of certain management actions. Future solvency ratio projections include the gradual decrease of the UFR as prescribed by the European Insurance and Occupational Pensions Authority (EIOPA).

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

The A&RC regularly monitored the status of the risk appetite during the year through a.s.r.'s Integrated Risk Dashboard and the status report on the management of risk priorities, and at the end of the year, the A&RC was informed of the outlines of the reinsurance programme for 2022.

Remuneration Committee

- Gisella van Vollenhoven (chair)
- Herman Hintzen
- Joop Wijn

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

The RC met five times in 2021. Its meetings were also attended by the CEO (except when issues relating to the EB were discussed) and the Director of Human Resources. The committee solicits support and advice from departments such as Group Risk Management, Compliance, Audit and Human Resources. Where needed, it consults independent legal and pay & benefit experts.

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

In accordance with the remuneration policy of a.s.r., approved by the AGM in 2019, the RC performed two separate benchmarks for both the EB and the SB, in order to follow trends (including the effects of COVID-19). The 2020 Remuneration Report was submitted to the AGM for an advisory vote. 90% of the votes cast were for the report and 10% were against. The RC has further examined the voting results and concluded that there is increasing support for the current remuneration policy of a.s.r. However, a number of shareholders will (continue to) vote negatively on the remuneration policy due to the absence of a variable remuneration scheme.

At the end of 2021, the a.s.r. remuneration policy was updated in line with new regulations and the results of the internal audit report on the application of a.s.r.'s remuneration policy were discussed.

Nomination & ESG Committee

- Joop Wijn (chair)
- Gisella van Vollenhoven
- Gerard van Olphen

The N&ESGC advises the SB on its duties and prepares the SB's decision-making in this respect. The Committee advises the SB on ESG-topics, selection and appointment procedures and the composition of the EB and SB; it also prepares the (re)appointment of members. The N&ESGC met six times in 2021. Its meetings were also attended by the CEO (except when issues relating to the EB were discussed) and the Director of Human Resources.

In 2020 a suitable successor was found for Kick van der Pol, chair of the SB, in the person of Joop Wijn. Joop Wijn succeeded Kick van der Pol as chair of the SB at the end of the AGM in May 2021.

Due to the resignation of Annemiek van Melick as CFO and member of the EB, the N&ESGC began a search for a suitable successor. This process led to the nomination of Ewout Hollegien as CFO and member of the EB. Following the EGM on 30 November 2021, the SB appointed Ewout Hollegien as CFO and member of the EB as from 1 December 2021.

Other topics discussed by the N&ESGC were the revised Diversity, equality and inclusion policy and the strategic personnel plan for the organisation, in which a.s.r. anticipated the developments in the (labour) market. The committee also discussed the annual appraisals of senior management. A nine-box grid was used to evaluate senior managers and to discuss their individual development and possible successors. The committee was also informed of the results of the Denison scan, a tool used to measure the success of the organisation.

With regard to ESG, the N&ESGC discussed the various developments in this field and related legislation and what this means for a.s.r. as a sustainable insurer, such as progress on the targets of the various themes, with a focus on the strategic pillars from the strategic framework for sustainability (described in chapter 2.2 of the Annual report of a.s.r.) and internal and external developments in this area such as sustainability, climate change and biodiversity. In addition, progress on the non-financial targets was discussed and advice was given on new medium-term targets in that area.

Financial statements and dividend

The EB prepared the 2021 Annual Report and discussed it with the SB in the presence of the external auditor. The 2021 financial statements will be submitted for adoption by the AGM on 25 May 2022. a.s.r. will propose a dividend of € 2.42 per ordinary share, or € 329 million in total, including the interim dividend paid.

Appreciation

The SB wishes to express its gratitude to all the employees of a.s.r., both permanent and external employees, for their dedication to a.s.r. in 2021, and in particular for their efforts while working from home , occasionally under difficult circumstances. All employees worked collectively to achieve a.s.r.'s mission by helping customers share risks and build capital for the future, and in particular by helping those who were in need during the pandemic. Together, we are building an insurance company that is both valuable and sustainable. The SB also wishes to express its gratitude to the members of the EB and the senior management for their impressive remote leadership during these difficult times and for achieving a good operational result and increased customer satisfaction. The SB greatly appreciates the ongoing and constructive open dialogue and cooperation with the EB.

Utrecht, The Netherlands, 22 March 2022

Joop Wijn (chair)
Herman Hintzen
Sonja Barendregt
Gerard van Olphen
Gisella van Vollenhoven

B.1.1.2 **Corporate Governance**
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 EB and a SB. The EB is responsible for the realisation of the company's corporate targets, 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 SB also acts as employer of the EB. 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 targets and executing the (business) strategy with the associated risk profile.

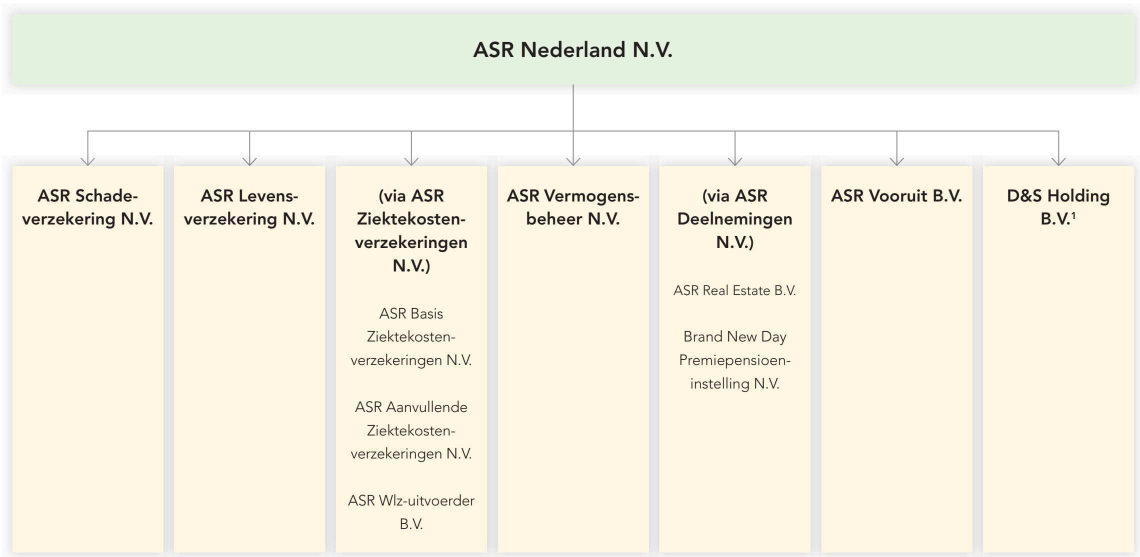
Legal structure
ASR Nederland N.V. is the Group’s holding company. The supervised entities (OTSOs) within the Group are ASR Schadeverzekering N.V., ASR Levensverzekering N.V., ASR Basis Ziektekostenverzekeringen N.V. and ASR Aanvullende Ziektekostenverzekeringen N.V.

A union exists between ASR Nederland N.V., ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. through cross-membership of the EB and the SB. ASR Basis Ziektekostenverzekeringen N.V. and ASR Aanvullende Ziektekostenverzekeringen N.V. have their own EBs. The SBs of these entities consist of a combination of members of the EB and members of the SB of ASR Nederland N.V.

ASR Vermogensbeheer N.V. and ASR Real Estate B.V. are two Alternative Investment Fund Managers Directive (AIFMD) licensed AIFMs. These entities have their own EBs.

The acquisition of Brand New Day Premiepensioeninstelling N.V. (Brand New Day IORP) was completed on 1 April 2021. This entity has its own EB and SB.

ASR Vooruit B.V. operates as an investment firm and insurance advisor since 15 October 2021. The EB of this company consists of one member of the EB of ASR Nederland N.V. and two other members. D&S Holding B.V. operates as a holding company for the entities within the segment Distribution & Services.



1 Per 1 January 2022

Total issued share capital represented at AGM
(in %, with voting rights)

72

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

Due to developments surrounding COVID-19, a.s.r. took additional safety measures in relation to the AGM in accordance with the guidelines set out by ASR Nederland N.V., the central government and the RIVM (Dutch National Institute for Public Health and the Environment). In 2021, the AGM on 19 May was held entirely virtually without the physical presence of shareholders. A total of 72.15% of the total issued share capital with voting rights was represented by an electronic proxy with voting instructions. The agenda of the AGM included for advisory vote the 2020 remuneration report and the proposals to adopt the financial statements, the dividend payments for the financial year 2020, the proposal to grant a discharge to each (former) member of the EB and SB from liability in respect of the exercise of their duties in the 2020 financial year, the proposals to extend the authorisation of the EB to issue ordinary shares and / or to grant rights to subscribe for ordinary shares, to restrict or exclude the statutory pre-emptive right and to acquire the company's own shares and the proposals to cancel shares held by a.s.r. and to amend the articles of association for the cancellation of the shares held by a.s.r. All agenda items were approved by the AGM. The resignation of Kick van der Pol as member and chair of the SB and the succession of Joop Wijn as chair of the SB were also discussed. The next AGM will be held on Wednesday 25 May 2022.

An Extraordinary General Meeting (EGM) was held on 30 November 2021. The agenda included the proposal by the SB to appoint Ewout Hollegien as a member of the EB and as CFO of a.s.r. There were no voting items on this agenda.

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

Anti-takeover measures

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

B.1.1.3 Executive Board

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

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

Composition of the Executive Board

The articles of association specify that the EB must consist of a minimum of two members, including at least a CEO and CFO. Only candidates found to meet the fit and proper test under the Dutch Financial Supervision Act are eligible for appointment. In accordance with Article 17.1 of the articles of association of ASR Nederland N.V., the SB appoints the members of the EB and may suspend or dismiss any EB member at any time. The SB also notifies the AGM of proposed (re)appointments. On 12 October 2021, a.s.r. confirmed the resignation with immediate effect of Annemiek van Melick as EB member and CFO of a.s.r. On 14 October 2021, a.s.r. announced the nomination of Ewout Hollegien as candidate for CFO and EB member. Ewout Hollegien was appointed by the SB with effect on 1 December 2021. After the EGM, the EB consisted of the following three members: the CEO, Jos Baeten, the CFO, Ewout Hollegien and the COO / CTO, Ingrid de Swart.

Executive Board

Name	Years in Board	Date of initial appointment	Date of reappointment	Appointed until
Jos Baeten	12	26 January 2009	AGM 2020	AGM 2024
Ewout Hollegien	-	1 December 2021	-	AGM 2025
Ingrid de Swart	2	1 December 2019	-	AGM 2023

Business Executive Committee

The BEC supports the EB, and shares responsibility for the implementation and realisation of the business strategy. A further purpose of the BEC is to strengthen a.s.r.'s innovation power and improve customer focus. The BEC consists of the members of the EB, the Chief Risk Officer (CRO) and senior managers representing specific business areas and staff departments. Only the members of the EB have voting rights in BEC meetings.

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

Sustainability governance and culture

Governance

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

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

Diversity, equality and inclusion

a.s.r. aims towards diverse representation and an inclusive culture, where differences are recognised, valued and contributed. In early 2021, a.s.r.'s Diversity, equality and inclusion (DGI) policy was revised and published on www.asrnl.com. At a.s.r., diversity means attention, respect and space for all aspects in which people differ from one another. These aspects, such as age, sexual orientation, gender identity and expression, cultural, social and ethnic backgrounds, competences, work styles, educational levels and diversity of thought are what make people authentic and unique. In an inclusive culture, people experience the freedom and security to be their authentic and unique selves. Employees who don't see their identities reflected in their workplace feel a lesser sense of belonging, and this can lead to higher employee churn and lower productivity. Creating a corporate culture where employees feel safe bringing their best selves to work requires the fostering of a strong sense of belonging for all employees. Equality at a.s.r. means that everyone can participate fully by creating equitable opportunities that address the different barriers people have faced. With a focus on these areas, the result will be a wide range of perspectives that make those involved feel empowered to contribute. In this way, a.s.r. also acknowledges demographic developments in society. a.s.r. believes that diverse representation, equality and belonging reinforce the success and relevance of a.s.r. as a socially desirable insurer and are necessary to create business models and develop (new) products that serve the whole of society. The DGI policy describes a.s.r.'s targets in this area. See for the targets about both diversity and inclusion chapter 3.3 of the Annual report of a.s.r.

In 2021, a.s.r. adjusted its recruitment process and developed a range of initiatives aimed at encouraging inclusive dialogue, more transparency in the recruitment process and awareness of diversity, equality and inclusion in the workplace. At the moment, it is not legally possible for employers to ask for and register other specific aspects of (potential) employees. In 2021, the Cultural Diversity Barometer of Statistics Netherlands was conducted within a.s.r. The Cultural Diversity Barometer provides a.s.r. with insight into the cultural diversity of its workforce by analysing an anonymised version of the workforce. The results will be included in the evaluation of the DGI policy in 2022 and may be used to set additional targets in this area. a.s.r. closely follows developments in this area and is affiliated with Diversity in Business, an initiative of the Social Economic Council, among others. By doing so, a.s.r. encourages and commits to diversity and inclusion in the workplace.

At the end of 2021, the EB consisted of one female and two male board members; the current composition of the EB therefore meets the gender target of having at least one-third female and one-third male board members. a.s.r. will aim for an adequate and balanced composition of the EB in its future appointments by taking into account its DGI Policy and all relevant selection criteria such as executive experience, experience in finance and experience in the political and social environment.

Code of Conduct

The Code of Conduct is the guideline for behaving with due care and integrity. When starting work at a.s.r., all employees receive the Code of Conduct, which is part of the employment agreement. All a.s.r. employees (both internal and external) take an oath or make a solemn affirmation within three months of commencing employment. During a specially organised ceremony, employees promise or declare to comply with the Code of Conduct. In this way, a.s.r. contributes to the trust that society has in financial institutions and in a.s.r. as an insurer.

The Code of Conduct contributes to optimum customer service and prescribes certain standards of behaviour in the working environment. This is then linked up with and referred to in various ways. Several workshops are organised throughout the year to discuss specific dilemmas in the workplace, moderated by a.s.r.'s internal ethicist. These workshops are open to all employees. In addition, the internal awareness programme, Gamification, ensures that the

Code of Conduct and specific topics such as incentives, conflicts of interest and outside business activities receive attention throughout the year.

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 Finance, Risk & Performance Management (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.

Remuneration

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

Executive Board

J.P.M. (Jos) Baeten
Chair of the Executive Board (CEO)

Responsible for
- Group Risk Management
- Human Resources
- Legal & Integrity
- Corporate Communications
- Audit

Male, Dutch, 1958

Additional positions
- Member of the Executive Board of the Dutch Association of Insurers
- Member of the Supervisory Board of the Efteling B.V.
- Member of the General Administrative Board of VNO-NCW
- Board Member of Stichting Grote Ogen
- Member of the Advisory Board of the Nyenrode Executive Insurance Programme

E. (Ewout) Hollegien
Chief Financial Officer (CFO)

Responsible for
- Finance, Risk & Performance Management
- Group Balance Sheet Management
- Asset Management
- Real Estate

Male, Dutch, 1985

Additional positions
- Ewout Hollegien does not hold any additional positions at the moment

I.M.A. (Ingrid) de Swart
Member of the Executive Board (COO / CTO)

Responsible for
- IT&C
- Customer experience & Digital
- Life & Pensions
- Disability
- P&C
- Funeral
- Mortgages
- Health
- Ditzo
- Distribution and Services

Female, Dutch, 1969

Additional positions
- Board member of Thuiswinkel.org
- Member of the Supervisory Board of Thuiswinkel B.V.
- Member of the Supervisory Board of HumanTotalCare B.V.

For more information about the biographies see www.asrnl.com

Former member (resigned with effect from 12 October 2021)

A.T. J. (Annemiek) van Melick
Chief Financial Officer (CFO)

Female, Dutch, 1976

Diversity (female / male)

B.1.1.4 **Supervisory Board**

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

Composition of the Supervisory Board

In line with a.s.r.'s articles of association, the SB should consist of at least three members. According to the rotation schedule, the last term of office of Kick van der Pol expired at the close of the 2021 AGM. Kick van der Pol therefore duly resigned as a member and chair of the SB at the end of the 2021 AGM. Joop Wijn, who was appointed by the EGM in 2020 as new member of the SB, succeeded Kick van der Pol as chair of the SB at the close of the AGM in 2021.

The SB 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 targets 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 aim 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.

Supervisory Board

Name	Years in Board	Date of initial appointment	Date of reappointment	End of current term of appointment[1]	End of the term of appointment at AGM[2]
Joop Wijn	1	28 October 2020	-	AGM 2024	2032
Herman Hintzen	6	1 January 2016	20 May 2020	AGM 2024	2028
Sonja Barendregt	4	31 May 2018	-	AGM 2022	2030
Gerard van Olphen	2	30 October 2019	-	AGM 2023	2031
Gisella van Vollenhoven	2	30 October 2019	-	AGM 2023	2031

Independence and conflicts of interest

In line with the Dutch Corporate Governance Code, SB members are appointed by the AGM for a four-year term. They can be reappointed for a single additional four-year term and subsequently reappointed for a period of two years, which appointment may be extended by two years at most. Reappointments following an eight-year period must be justified in the SB report. SB members retire no later than by the AGM immediately following the end of their term of appointment. All the SB members passed the fit and proper test required under the Dutch Financial Supervision Act. In 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

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

- 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 chairmanship 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 EB and management to achieve these targets. 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.

Supervisory Board

J. (Joop) **Wijn**

- Chair of the Supervisory Board
- Member of the Remuneration Committee
- Chair of the Nomination & ESG Committee

Male, Dutch, 1969

Additional positions
- Member of the Supervisory Board and member of the Audit Committee and the Risk Policy and Compliance Committee of NIBC Bank

H.C. (Herman) **Hintzen**

- Vice-chair of the Supervisory Board
- Member of the Audit & Risk Committee
- Member of the Remuneration Committee

Male, Dutch, 1955

Additional positions
- Non-Executive Board Member of VCM Holdings Ltd.

S. (Sonja) **Barendregt**

- Member of the Supervisory Board
- Chair of the Audit & Risk Committee

Female, Dutch, 1957

Additional positions
- Member of the Supervisory Board and chair of the Audit & Risk Committee of Robeco Institutional Asset Management B.V.

G. (Gerard) **van Olphen**

- Member of the Supervisory Board
- Member of the Audit & Risk Committee
- Member of the Nomination & ESG Committee

Male, Dutch, 1962

Additional positions
- Member of the Supervisory Board of the Heart Foundation
- Chair of the Supervisory Board of de Volksbank

G. (Gisella) **van Vollenhoven**

- Member of the Supervisory Board
- Chair of the Remuneration Committee
- Member of the Nomination & ESG Committee

Female, Dutch, 1970

Additional positions
- Member of the Supervisory Board of Waarborgfonds Sociale Woningbouw and chair of the Remuneration Committee
- Member of the Supervisory Board of the Pensioenfonds Vervoer
- Member of the Supervisory Board of BUNQ
- Member of the Supervisory Board of MUFG BANK (Europe) N.V.
- Member of the Strategic Audit Committee of the Ministry of Foreign Affairs (BZ)
- (Substitute) council with the Enterprise Chamber of the Amsterdam Court of Appeal

For more information about the biographies see www.asrnl.com

Characteristics

Independence (in %)	Female members (in %)	Male members (in %)	Average age (in years)
100	40	60	58
2020: 100	2020: 33	2020: 67	2020: 60

Attendance

	Supervisory Board		Audit & Risk Committee		Remuneration Committee		Nomination & ESG Committee	
Joop Wijn	13/13	100%	-		5/5	100%	6/6	100%
Herman Hintzen	13/13	100%	6/6	100%	5/5	100%	3/3[1]	100%
Sonja Barendregt	12/13	92%	6/6	100%	-		-	
Gerard van Olphen	12/13	92%	6/6	100%	-		3/3[1]	100%
Gisella van Vollenhoven	13/13	100%	-		5/5	100%	6/6	100%

1 The composition of the Nomination & ESG Committee changed per 1 October 2021.

Competences

	General business management strategy	Finance (balance, solvency & reporting)	Financial markets / Disclosure, communication	Audit, risk, compliance, legal & governance	Insurance (Life, Non-life and Asset Management)	M&A	IT / Digital & innovation	Social / Employment	Sustainability / Climate change / Policies
Joop Wijn	●	●	●	●	○	●	●	○	●
Herman Hintzen	●	●	●	●	●	●	○	○	○
Sonja Barendregt	●	●	●	●	●	○	○	●	○
Gerard van Olphen	●	●	●	●	●	○	●	●	●
Gisella van Vollenhoven	●	●	●	●	●	○	○	○	●

B.1.1.5 **Corporate Governance Codes and regulations**
The current articles of association (dated 9 June 2016) are published on www.asrnl.com. The SB and EB rules are also available on the corporate website (rules recently amended in 2021).

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 on www.asrnl.com, 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 employees 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). The information requirements regarding the disclosure of non-financial and diversity information can be found in chapter 4.4 and chapter 7.12 of the Annual report of a.s.r.

B.1.2 Remuneration report

The remuneration policy is simple and transparent:
- A fixed salary within a salary scale (no variable remuneration system or payment in shares).
- The system of salary scales and the way in which the members of the Executive Board (EB) progress through the scales corresponds to that of a.s.r. employees.

In favour of Remuneration Report
(in % of the votes cast)

90

The Remuneration Report is submitted annually to the AGM for advice. In 2021, 90.14% of the votes cast were in favour of the report and 9.86% against. The Remuneration Committee has further examined the voting results and concludes that there is growing support for a.s.r.'s current remuneration policy. However, a number of shareholders will (continue to) vote negatively on the remuneration policy due to the lack of a variable remuneration scheme. This probably also explains the difference in voting results in this area compared to other Dutch-listed insurers. The remuneration policy is under constant evaluation and the Remuneration Committee will start an evaluation process of the remuneration policy towards the AGM 2023. This includes all relevant aspects and views of the stakeholders.

a.s.r. is of the opinion that it also meets the other requirements of the Shareholder Rights Directive II (as incorporated into Dutch law) in so far as they apply to a.s.r. The current remuneration policy was adopted by more than 75% of the votes cast. The remuneration policy is clear and comprehensible. It was explained how the remuneration policy contributes to a.s.r.'s strategy, sustainability and the interests of its stakeholders. The identity and positioning of a.s.r. and the remuneration relationships within a.s.r. were also taken into account. This has been achieved through providing a framework for the four perspectives: the organisational perspective, the internal perspective, the external perspective and the stakeholder perspective.

Finally, this 2021 Remuneration Report will also be submitted to the AGM for advice.

B.1.2.1 **Remuneration policy**
The current remuneration policy of a.s.r. applies from 1 January 2020.

a.s.r.'s starting point is that society experiences it as a useful insurer which deals responsibly with the funds entrusted to it and the environment in which it operates. With this in mind, the following four perspectives are used as a basis for the remuneration policy:
1. The organisational perspective: in line with how a.s.r. presents itself as a company.

2. The internal perspective: consistency in the internal salary structure.
3. The external perspective: competitive with the external market.
4. The stakeholders' perspective: taking account of the views on remuneration of different stakeholder groups: customers, shareholders, employees and society.

1. The organisational perspective
It is a.s.r.'s view that society may expect it to be an efficient insurer which handles the funds entrusted to it and the environment in which it operates, in a responsible way. With respect to the remuneration of the EB, society may expect this to be appropriate to a.s.r.'s character, and that the remuneration policy and the level of the remuneration of directors can be explained in accordance with that perspective.

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

2. The internal perspective
All a.s.r. employees have job-weighted salaries based on a classification of salary scales that they progress through in stages. The remuneration of the EB members is also fixed on the basis of a classification of salary scales. This creates a link with the salary scales for the other employees. The EB and other employees are covered by a salary scale ranging from 70% to 100%. For both groups, this maximum is just below the median of the adjusted reference group.

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

3. The external perspective
a.s.r. pays its employees a market-compliant salary. Market compliance is determined against a reference group. The reference group for the EB consists of Dutch organisations only, many of which have a social nature, distinguished according to comparable Dutch-listed companies and Dutch financial institutions, including insurance companies. The non-financial institutions must meet at least two of the three criteria set with respect to similar sized companies for inclusion in the reference group. These criteria are: turnover, market capitalisation and employee complement[1]. a.s.r. lies around the middle of this reference group. In addition, all remuneration data of the organisations in the reference group must be published individually. The median is established using a conversion factor of 0.5 of the 'at target' variable to the fixed salary for the companies in the reference group which have a variable remuneration component.

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

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

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

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

The performance of each EB member is reviewed annually, based on a set of financial and non-financial targets approved by the SB. The targets for 2021 can be summarised as follows:

- Shareholder: realisation of the external financial targets and the financial KPIs in the multi-year budget within the established risk appetite. In addition, a visible focus on sustainable and long-term value creation.
- Customer: targets to improve the service of a.s.r. and retain its customers over a long(er) period. This target is measured on the development of both the NPS and the scores of the yearly reputation survey. Also the expansion with additional services (for instance a.s.r. Vitality) and further digitisation in the interest of the customer.
- Employee: an improvement in the annual Denison scan score compared with 2020, with a specific improvement in diversity and inclusion.
- Society: further expansion of the positioning of a.s.r. as a long-term value-creating insurer and socially aware financial institution. This is measured by different ratings and benchmarks.

These targets are complemented by specific strategic priorities for each board member, such as the preparations for the implementation of IFRS 17 and IFRS 9, and the details of the digitisation roadmap. The targets are periodically discussed during the various evaluation meetings between the SB and (the members of) the EB. After assessing the financial and non-financial targets of a.s.r. and the performance of the EB, all in light of the perspectives of the remuneration policy, the SB has the scope to adjust the growth path of the EB members within their salary scale. Each year, the SB determines a growth rate of between 0% and 6%. The SB accounts for this in the annual remuneration report.

Contractual aspects

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

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

Pay ratio

a.s.r. is transparent concerning the remuneration of the EB. Not only in terms of actual amounts, but also in accordance with Dutch law and the Dutch Corporate Governance Code as compared with the average of the remuneration of all employees of a.s.r. As laid down in the remuneration policy of a.s.r., the ratio between the remuneration of the CEO and the average of the remuneration of the employees at a.s.r. will at all times be less than 20. The current pay-ratio is 11.03. The SB feels that this pay ratio is reasonable. When the actual remuneration of the EB is compared to the remuneration of other executive directors of comparable companies it is among the lowest.

Pay ratio[1]

	2021	2020[2]	2020 (reported)	2019
Annual total compensation for the highest-paid individual (€)[3]	1,108,000	1,420,000	824,000	1,145,000
Average annual total compensation for all employees (€)	100,000	102,000	62,000	98,000
Pay ratio (%)	11.03	13.85	13.29	11.70

1 In 2021, the calculation method of the pay ratio was changed in accordance with the Dutch Corporate Governance Code. The new calculation method is based on: i) The total annual remuneration of the CEO includes all remuneration components (such as fixed remuneration, variable remuneration in cash (bonus), the share-based part of the remuneration, social contributions, pension, expense allowance, etc.), as included in the (consolidated) financial statements on an IFRS basis. ii) The average annual remuneration of the employees is determined by dividing the total wage costs in the financial year (as included in the (consolidated) financial statements on an IFRS basis) by the average number of FTEs during the financial year. iii) Pro rato must be taken into account when hiring external employees, insofar as they are hired for at least three months during the financial year.

2 The pay-ratio of 2020 excluding the extraordinary items is in accordance with the new calculation method 12.38.

3 The annual total compensation for the highest-paid individual is less high in 2021 because of the new defined contribution plan started from 1 January 2021. All employees participate in the defined contribution plan. The annual pension expenditure is based on a premium table.

B.1.2.2 **Executive Board**

The remuneration of current and former EB members is in accordance with the remuneration policy. Neither a.s.r. nor any undertaking belonging to the group provides any loans, advances or guarantees on behalf of a member of the EB.

Annual remuneration for members of the Executive Board

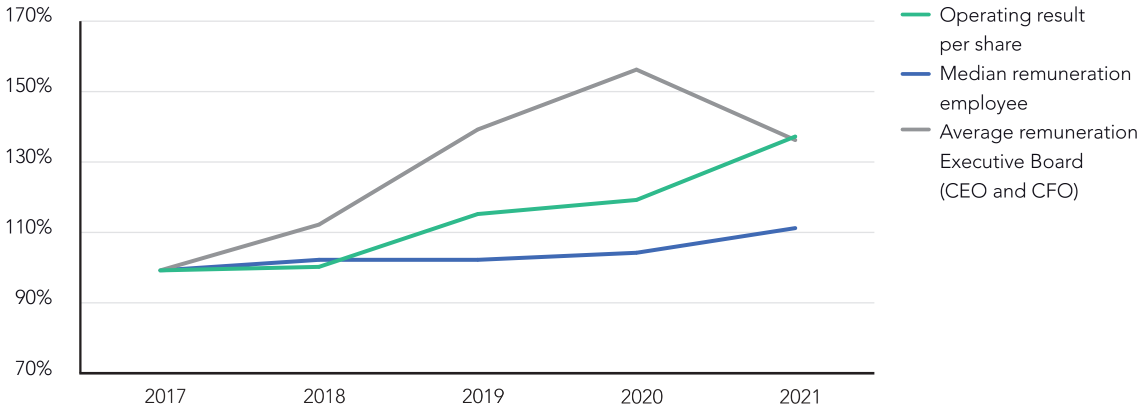
Amounts for 2021 in € thousand	Fixed remuneration			Variable remuneration					
Executive Board member	Base salary	Fees	Fringe benefits[1]	One-year variable	Multi-year variable	Extraordinary items	Pension expense[2]	Total remuneration	Fixed portion of the total remuneration
Jos Baeten, CEO	861	-	13	-	-	-	233	1,108	100%
Ewout Hollegien, CFO[3]	51	-	2	-	-	-	3	57	100%
Ingrid de Swart, COO/CTO	713	-	16	-	-	-	141	869	100%
Former member									
Annemiek van Melick[4]	653	-	14	-	-	-	95	762	100%
Total	**2,279**	**-**	**44**	**-**	**-**	**-**	**473**	**2,796**	**100%**

1 Variations arise as a result of the fiscal treatment of lease vehicles depending on the price and private use of the car, personal allowance and social security.
2 The post-employment defined benefit plan of a.s.r. ended 31 December 2020. A new defined contribution plan started from 1 January 2021. The defined benefit obligation will continue to exist, but no further regular annual premium contributions will be paid to the plan. All members of the Executive Board participate in the defined contribution plan. The annual pension expenditure is based on a premium table. Further changes in the cost of pension benefits are mainly due to the impact of age. The pension costs include defined contribution pensions based on maximum pensionable salary cap, compensation for the maximum pensionable salary cap (to be used for pensions at the employees' discretion in total), and VPL.
3 Ewout Hollegien was appointed as CFO and member of the EB of a.s.r. on 1 December 2021. The remuneration figures for 2021 reflect a partial year as a member of the EB.
4 Annemiek van Melick stepped down as member of the EB of a.s.r. on 12 October 2021 and left a.s.r. on 1 December 2021. The remuneration figures for 2021 reflect a partial year as a member of the EB.

Annual remuneration for members of the Executive Board

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

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



A comparative chart is included above concerning the remuneration and company performance over the last five reported financial years. Company performance is expressed in terms of operating result per share. The median remuneration of employees (who are not EB members) is also shown, and this is also used for the aforementioned pay ratio. Finally, the average EB remuneration (CEO and CFO) is presented.

1 Variations arise as a result of the fiscal treatment of lease vehicles depending on the price and private use of the car, personal allowance and social security.
2 After the successful IPO in 2016, The SB and EB decided in 2017 to make a one-off extra payment to all employees in the form of a gross monthly salary. By order of the supervisor (DNB), the distribution had to be paid in installments to the identified staff (the members of the EB and other identified staff). The extraordinary items 2020 relate to this final distribution (40%) of the one-off payment.
3 The commitment on pensions did not change in 2020. The increase in annual pension expenses was due to a decrease in interest rates. The calculation of annual pension expenditure was based on the total pension rights granted during the term of service at a.s.r. Further changes in the cost of pension benefits were mainly due to the impact of age, terms of service, gender and age-differentiated disability, mortality and other actuarial assumptions. The pension costs included pensions based on maximum pensionable salary cap, compensation for the maximum pensionable salary cap (to be used for pensions at the employees' discretion) amounting to € 345,000 (2019: € 285,000) in total, and VPL. The pension benefits, excluding compensation for the maximum pensionable salary cap, represent post-employment benefits.
4 The extraordinary items 2020 regarding Jos Baeten relates to a one-off 40-year anniversary payment (2020: € 136.000) and the final distribution of the one-off payment in the form of a monthly salary in 2017 (2020: 15,000), also mentioned above (see 6). All employees receive an anniversary payment of two fixed monthly salaries in the event of a 40-year employment contract (one gross and one net monthly salary).
5 The extraordinary items 2020 regarding Karin Bergstein and Michel Verwoest relates to the final distribution (40%) of the one-off payment in the form of a monthly salary in 2017 to all employees (2020: 10,000). Karin Bergstein and Michel Verwoest left the EB on 1 February 2019 and left a.s.r. on 1 August 2019, observing the applicable cancellation period of 6 months.
6 The extraordinary items 2020 regarding Chris Figee relates to the final distribution (40%) of the one-off payment in the form of a monthly salary in 2017 to all employees (2020: 10,000). Chris Figee left the EB and a.s.r. on 1 February 2020. The remuneration figures for 2020 reflect a partial year as a member of the EB of a.s.r.

The full remuneration policy can be found at www.asrnl.com.

Pensions
The calculation of annual pension expenses is based on the total pension rights granted during a term of service at a.s.r. pension costs include:
- Pensions based on a maximum pensionable salary cap (€ 112,189, fiscal maximum).
- Compensation for the maximum pensionable salary cap (to be used for pensions at the employee's discretion).
- Pension benefits related to historically awarded pension rights.
- VPL (early retirement and life cycle; 'VUT, Prepensioen en Levensloop').

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

Remuneration in 2022
Based on the benchmark and the mitigation principle, the salary of the CEO is currently at a level of between € 682,000 and € 1,026,845. A salary scale of € 530,000 to € 796,200 applies for the CFO. For the COO, a scale of € 505,000 to € 760,392 applies. The maximum for the salary scale of the CEO is currently set at approximately 10% below the median for the reference group. The maximum for the salary scale of the CFO and COO are currently set at about 5% below the median for the reference group. The benchmark is set every two years. The positioning, the scale maximum and the resulting bandwidth of the scale are then assessed and may be adjusted in relation to the resulting median.

The reference group 2021, which consists of 20 companies, is shown hereafter.

Reference group

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

Those employees who have not yet reached the end of their salary scale are paid a yearly guaranteed increase of 3% until they reach the maximum of their salary scale. EB members who have not reached the maximum of their salary scale can be paid a yearly increase of between 0% and 6% (not guaranteed) until they reach the maximum of their scale. Although market conditions have changed due to COVID-19, the results of a.s.r. are undiminished good. The financial results for 2021 are excellent and in addition, all externally published medium-term targets for the period 2019-2021 have been achieved. With exception of the target on employee contribution through the a.s.r. foundation, but this is due to COVID-19 related lockdowns and contact restrictions. As far as the shareholders are concerned, the interim dividend for 2021 has been paid regularly and a solid total dividend for 2021 will also be paid. In the view of the SB there are also (currently) no negative consequences for other stakeholders of a.s.r., such as customers or employees. A very thorough process was completed last year in the context of the updated strategy and careful preparation for the targets 2022-2024, which were presented during a successful Investor Update on 7 December 2021. On the advice of the Remuneration Committee, it was therefore decided to grant a salary increase of 6% to all members of the EB as of 1 January 2022 (with the exception of Ewout Hollegien due to his appointment as of 1 December 2021).

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

Participation in a.s.r. shares

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

As of 1 March 2022, the current EB members will hold the following shares:
- Jos Baeten 7,655 (42.6% of latest gross salary)
- Ewout Hollegien 472 (5.7% of latest gross salary)
- Ingrid de Swart 3,078 (31.0% of latest gross salary)

B.1.2.3 **Supervisory Board**

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

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

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

An overview of the remuneration is shown below:

Type of remuneration

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

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

Remuneration of the Supervisory Board members in 2021

The remuneration of current, and former, members of the SB is in accordance with the remuneration policy. Neither a.s.r. nor any undertaking that is part of the same group provides loans, advances or guarantees on behalf of a member of the SB.

The Dutch Corporate Governance Code states that the remuneration of members of the SB should reflect the time spent on the function and the responsibility involved. A basic principle of a.s.r.'s remuneration policy (both for the EB and the SB) is that remuneration should be just below the median for the reference group. The responsibilities and time spent by a.s.r.'s SB have increased in recent years due to changes in governance, legislation and regulation. In 2020 a benchmark study was conducted based on reference group compensation data which is publicly available, retrieved from Annual

Reports. This benchmark study shows that the current remuneration levels of the members and chairman of the SB are significantly below the median for the reference group. For various reasons, the SB decided not to submit a proposal for amendment to the coming AGM. A benchmark study will also be carried out next year, after which this will be evaluated further.

Annual remuneration for members of the Supervisory Board

Amounts for 2021 in € thousand	Fixed remuneration			
	Base salary[1]	Fees[2]	Total remuneration	Fixed portion of the total remuneration
Joop Wijn[3]	44	13	57	100%
Herman Hintzen[4]	35	19	54	100%
Sonja Barendregt[5]	35	19	54	100%
Gerard van Olphen[6]	35	11	46	100%
Gisella van Vollenhoven[7]	35	18	53	100%
Former member				
Kick van der Pol[8]	21	8	29	100%
Total	**205**	**88**	**292**	**100%**

Annual remuneration for members of the Supervisory Board

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

B.1.3 Related party transactions

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

1 Remuneration as a SB member or chair of the SB of a.s.r.
2 Remuneration as a committee chair or member of the SB of ASR Bank N.V. (2020) or SB of ASR Basis/Aanvullende Ziektekostenverzekeringen N.V.
3 Joop Wijn was appointed as chair of the SB on 19 May 2021. The fees relate to the amounts received as a committee member (later chair) of the N&ESG Committee (€ 7,917) and as a committee member of the Remuneration Committee (€ 5,000). The remuneration figures for 2020 reflect a partial year as a member of the SB.
4 The fees relate to the amounts received as a committee member of the Audit & Risk Committee (€ 10,000), a partial year as a committee member of the N&ESG Committee (€ 3,750) and as a committee member of the Remuneration Committee (€ 5,000).
5 The fees relate to the amounts received as chair of the Audit & Risk Committee (€ 15,000) and as a committee member of the SB of ASR Basis/Aanvullende Ziektekostenverzekeringen N.V. (€ 4,000).
6 The fees relate to the amounts received as a committee member of the Audit & Risk Committee (€ 10,000) and a partial year as a committee member the N&ESG Committee (€ 1,250).
7 The fees relate to the amounts received as a committee member of the N&ESG (€ 5,000), chair of the Remuneration Committee (€ 10,000) and a partial year as a committee member of the SB of ASR Basis/Aanvullende Ziektekostenverzekeringen N.V. (€ 3,000).
8 Kick van der Pol left the SB as of 19 May 2021. The remuneration figures for 2021 reflect a partial year as a member of the SB. The fees relate to the amounts received as chair of the N&ESG Committee (€ 4.167) and as a committee member of the Remuneration Committee (€ 2,083) and as a committee member of the SB of ASR Basis/Aanvullende Ziektekostenverzekeringen N.V. (€ 1,667).
9 The remuneration figures for 2020 for Cor van den Bos reflect a partial year as a member of the SB and chair of the Audit & Risk Committee.

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

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

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

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

	Associates	Joint ventures	Total
2021			
Balance sheet items with related parties as at 31 December			
Loans and receivables	21	12	33
Other liabilities	177	-	177
Transactions in the income statement for the financial year			
Fee and commission income	57	-	57
Fee and commission expenses	1	-	1

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

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

The members of the Business Executive Committee (BEC) have mortgage loans amounting to € 596 thousand (2020: € 815 thousand) with a.s.r. that have been issued, subject to normal employee conditions. For the members of the EB is the amount of mortgage loans with a.s.r. € 556 thousand (2020: nil). The employee conditions include limits and thresholds to the amounts that qualify for a personnel interest-rate discount. For mortgage loans higher than € 340 thousand arm's length condition apply. The average interest on the mortgage loans (for members BEC and EB) is 2.4% (2020: 2.1%). In 2021 the mortgage loans of BEC-members were settled for an amount of € 79 thousand (2020: € 304 thousand) and for EB-members for an amount of € 61 thousand (2020: nil).

B.1.4 Consolidation method and aggregation of data

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

Overview of consolidation method for Solvency II purposes

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

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

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

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

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

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

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

B.2 **Fit and Proper requirements**

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

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

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

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

It is of great importance to a.s.r. that risks within all business lines are timely and adequately controlled. In order to do so, a.s.r. implemented a Risk Management framework based on internationally recognised and accepted standards (such as COSO ERM and ISO 31000 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, reported and evaluated. The framework is both applicable to a.s.r. group and the underlying (legal) business entities.

B.3.1 Risk Management Framework

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

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

Risk strategy (incl. risk appetite)
Risk strategy is defined to contain at least the following elements:
- Strategic objectives that are pursued;
- The risk appetite in pursuit of those strategic objectives.

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

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

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

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

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

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

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

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

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

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

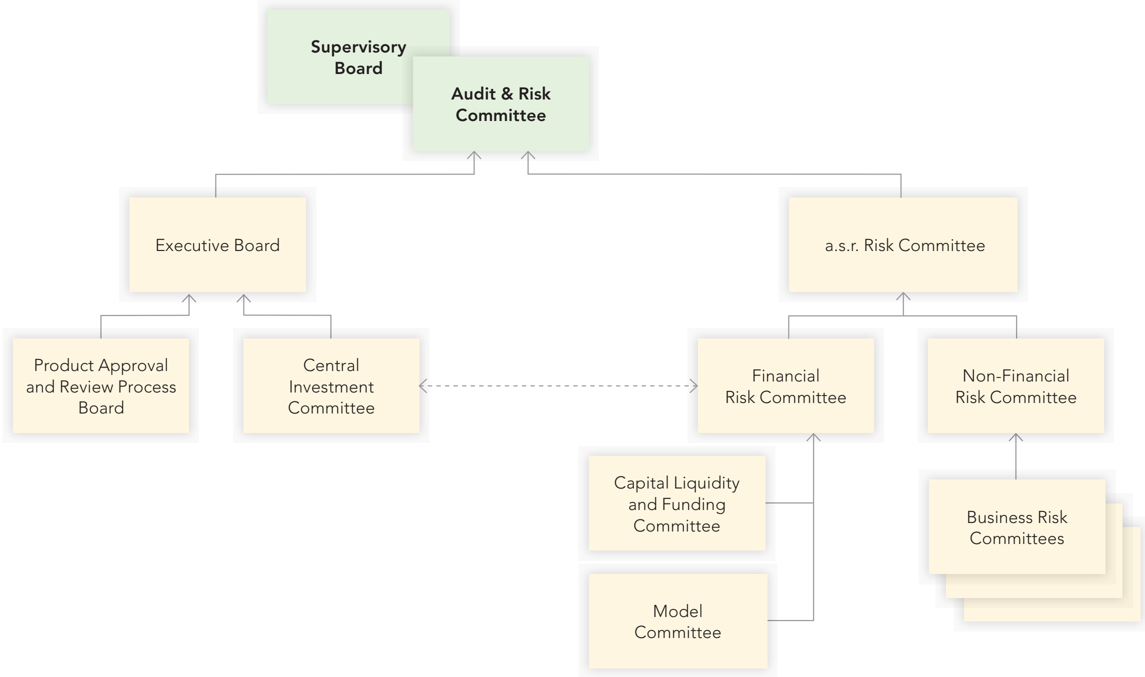
Compliance
Compliance is responsible for the execution of the compliance function. An important task of Compliance is to be the countervailing power to the EB and other management in managing compliance risks for a.s.r. and its subsidiaries. The mission of the compliance function is to enhance and ensure 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 a.s.r. is participating in de DNB Threat Intel Based Ethical Hacking exercise. This exercises test a.s.r. on the highest level of threats with sophisticated attack methods.

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. In 2021, the Authority for the Financial Markets (AFM) conducted an investigation into compliance of the Wet ter voorkoming van witwassen en financieren van terrorisme (Anti-Money Laundering and Anti-Terrorist Financing Act) and the 1977 Sanctions Act at the business line Asset Management. The AFM noted that Asset Management is compliant on many aspects. However, some shortcomings have been identified regarding tailoring CDD to the risk sensitivity of some customer files. The AFM has not proceeded with formal enforcement and has closed the investigation in view of the findings. Measures are drafted to address the shortcomings.
  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.

Other monitoring activities at Group and business line level included compliance with the rules and regulations and the policy on remuneration, the PARP, handling of customer requests, intra-group outsourcing, internal exchanges of business-sensitive and / or price-sensitive information and the registration and reporting of data breaches and the quality of information provided to customers. Compliance was also involved with a.s.r. Vooruit and Brand New Day IORP.

Moreover, in order to guarantee sound and controlled business operations, a.s.r. has taken a number of control measures to prevent, identify and combat unethical behaviour, including corruption. In 2020 a.s.r. introduced computerised in-employment screening. The implementation of tooling to further improve monitoring and awareness throughout the business with respect to insiders, incentives and outside business activities and material non-public recording of information took place in the course of 2021.

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

B.5 Internal audit function

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

The Audit Department has an independent position within a.s.r., as set down in the Audit Charter. The SB of a.s.r. 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 of a.s.r. and has a reporting line to the chairman of the SB of a.s.r. health basic and to the chairman of the a.s.r. Audit and Risk Committee. The Chief Audit Executive is appointed by the SB of a.s.r. In order to maintain the independence and impartiality of the internal audit function, the audit function is not influenced by the EB of a.s.r. and the managing board of a.s.r. health basic 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 Department's risk assessment is performed in consultation with the independent external auditor. The audit plan is approved by the a.s.r. 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 a.s.r. Audit and Risk Committee.

All Audit officers took the oath for the financial sector and are subject to disciplinary proceedings. All Audit officers 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.'s approach to managing risks is described below.

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

Management of strategic risks
a.s.r.'s risk priorities and emerging risks are defined annually by the EB, based on strategic risk analyses. a.s.r.'s risk priorities are defined as the main strategic risks which could materially affect its strategic and financial and non-financial targets. To gauge the degree of risk, a.s.r. uses a risk scale based on likelihood and impact (Level of Concern). For each risk priority, the degree of risk is determined for the gross and net risks. Gross risk is the degree of risk when no (control) measures are in place. Net risk is the degree of risk with mitigating (control) measures in place. Each of a.s.r.'s risk priorities has a 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. 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. 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. is willing to bear in order to meet its targets while maintaining the right balance between risk, return and capital. a.s.r.'s risk appetite contains a number of qualitative and quantitative RAS and gives direction to the management of both FR and NFR. The statements highlight the organisation's risk preferences and limits and are viewed as key elements for the realisation of a.s.r.'s strategy.

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.'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., see the explanation of the non-financial risks regarding the operational impact on a.s.r. and the explanation of financial risks regarding the financial implications on a.s.r.

Impact of supervision, laws and regulations and juridification of society

Due to growing regulatory pressure, there is a risk that:
- a.s.r.'s reputation will suffer if new requirements are not complied with in time.
- Available resources will largely be utilised to align the organisation with new legislation, leaving fewer resources to spend on core customer processes.
- Processes will become less efficient and pressure on the workforce will increase.
- a.s.r. will have administrative fines or sanctions imposed on it for failure to comply with requirements (on time).
- 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. 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. 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. 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. For more information see chapter 6.3.3 of the Annual report of a.s.r., not yet effective in 2021.

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.'s unit-linked life insurance policies are challenged on multiple legal grounds in current legal proceedings and may continue to be challenged in the future. There is a risk that one or more of the current and / or future claims and / or allegations will be upheld. To date, a number of rulings relating to unit-linked life insurance products have been issued by the Financial Services Complaints Board (FSCB) and (appeal) courts in the Netherlands against a.s.r. and other insurers in specific cases. In these proceedings, different (legal) approaches have been taken to arrive at a ruling. The outcomes of these rulings are varied. Since the record of (a.s.r.'s) policies dates back many years, it contains a wide variety of products with different features and conditions and, since rulings are so diverse, no reliable estimate can be made of the timings and outcomes of these current and future legal proceedings. Although the financial consequences of these developments could be substantial, a.s.r.'s exposure cannot be reliably estimated or quantified at this point.

If one or more of these legal proceedings succeed, there is a risk that a ruling, though only legally binding for the parties involved in the proceedings, could be applied to, or be relevant for, other unit-linked life insurance policies sold by a.s.r. Consequently, the consequences of any current and/or future legal proceedings brought upon a.s.r. could be substantial for a.s.r.'s life insurance business and have a potential materially adverse effect on a.s.r.'s financial position, business, reputation, revenues, operating results, solvency, financial condition and / or prospects.

a.s.r. is currently subject to three collective actions. The claims are all based on similar grounds and have been rejected by a.s.r. a.s.r. 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. concluded an outline agreement with two leading consumer protection organisations to offer compensation to unit-linked policyholders if the cost and / or risk premium exceeded a specified maximum. A full agreement on the implementation of the compensation scheme was reached in 2012. The total recognised cumulative financial costs relating to the compensation scheme for Individual life in a.s.r.'s income statement up to 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., 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. can make a positive contribution to climate mitigation and adaptation through its investments, products and / or services.

Identified climate-related / transition risks are:
- The physical risks associated with climate-induced extreme weather events.
- 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).

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

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. 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. 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. The shrinkage in 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. 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.

Digitalisation is an important strategic target for a.s.r., one which requires the trust of customers in a.s.r.'s digital services. To build this trust, a.s.r. 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. and its value chain ecosystem. Cloud and cloud security are important aspects of digitalisation. In 2021 a.s.r. 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.'s risk priorities. They are defined by a.s.r. as new or existing risks with a potentially major impact, in which the level of risk is hard to define. The following identified emerging risks are described in more detail below:
- longevity risk
- changes in society and deglobalisation

Longevity risk
If the life expectancy of a.s.r.'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.'s policyholders will live significantly longer compared to the current mortality assumptions, this will have an impact on a.s.r. Some improvements and unexpected breakthroughs could even ultimately result in a lower solvency for a.s.r. a.s.r. monitors the longevity developments of its own portfolio, and mitigating measures such as longevity reinsurance are continuously analysed from a risk management perspective. 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.

Changes in society and deglobalisation
Society seems to continue to fragment and further polarise, also solidarity is declining. If these trends continue, this may impact customer behaviour, customer expectations and demand for insurance products. There is a trend of growing populism in many countries, leading to deglobalisation. Populist leaders tend to favour protectionist measures such as trade tariffs. This could result in less cross-border trade and lower economic growth, with a potential impact on the returns on a.s.r.'s investment portfolio. a.s.r.'s investment department regularly assesses the economic outlook and its impact on the asset classes' risks and return. Relevant developments such as deglobalisation are taken into account.

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

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

At this point in time, there remains uncertainty over the long-term effects and the impact of COVID-19 on the global economy and financial markets. As stated earlier in this report, a.s.r. is financially healthy and its capital position is solid. a.s.r. continues to closely monitor the impact of 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 +10%-points in case an interest of +1.0% and -2% in case of 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 +8%-points.

Non-financial risks
In addition to strategic and financial risks, a.s.r. 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. has identified strategic and operational risks relating to COVID-19. For Disability (reduction of COVID-19 support measures) and Europeesche Verzekeringen (modified strategy), the possible consequential loss due to the increased (economic) uncertainty relating to COVID-19 is classified as a strategic high risk and thus potentially affects long-term value creation. The impact on a.s.r.'s operational processes in 2021 was also limited. The course of COVID-19 and its long-term consequences for a.s.r., 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 staff 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. 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. Outsourcing risk remains relevant for a.s.r., especially in view of cyber resilience and growing dependence on suppliers. a.s.r. is fully aware of these potential risks and regulatory developments. An outsourcing framework is in place to define responsibilities, processes, risk assessment and mandatory controls. a.s.r. 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. 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 advisory relationships / connections can be enhanced.

As such, a.s.r. recognises the importance of sound data quality (both financial and non-financial). To uphold the reliability and confidentiality of its data, a.s.r. has an explicit data quality policy in place defining the data quality (including control) framework and data governance. Adherence to this policy is ensured by the three lines of defence risk governance model. 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. 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. shifts from traditional to digital communication channels which changes risk exposure and this leads to policy realignment. On an operational level, digitalisation is an enabler to reduce effort

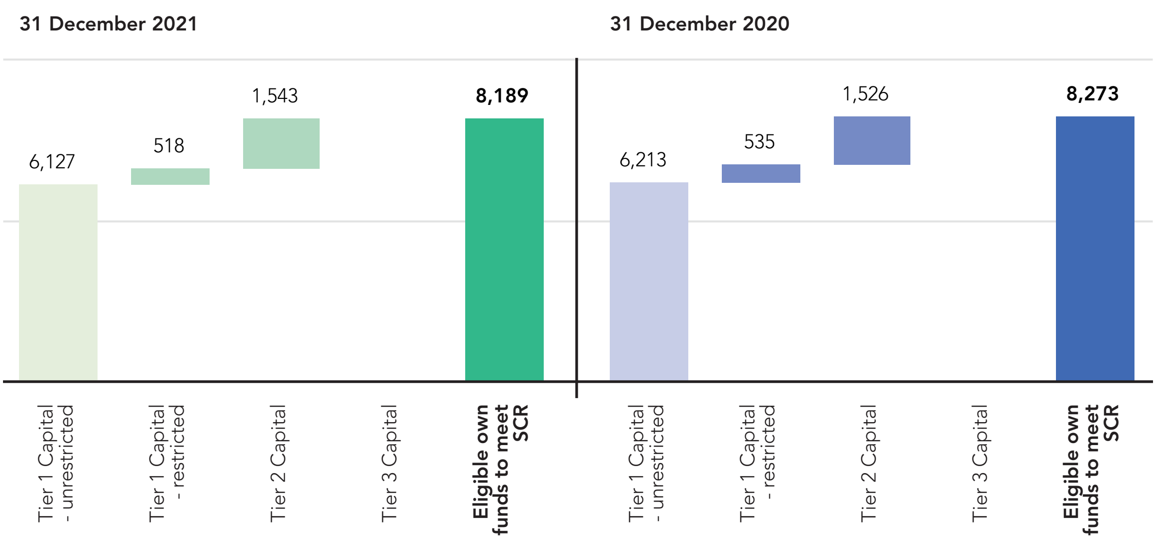
in monitoring business processes and to automate risk management controls. At a strategic level, digitalisation enables data-driven insight by combining process and customer experience data. The continuous change that digitalisation brings about requires development risks to be integrated in automated pipelines in order to minimise risks without hindering the continuous delivery of business value.

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

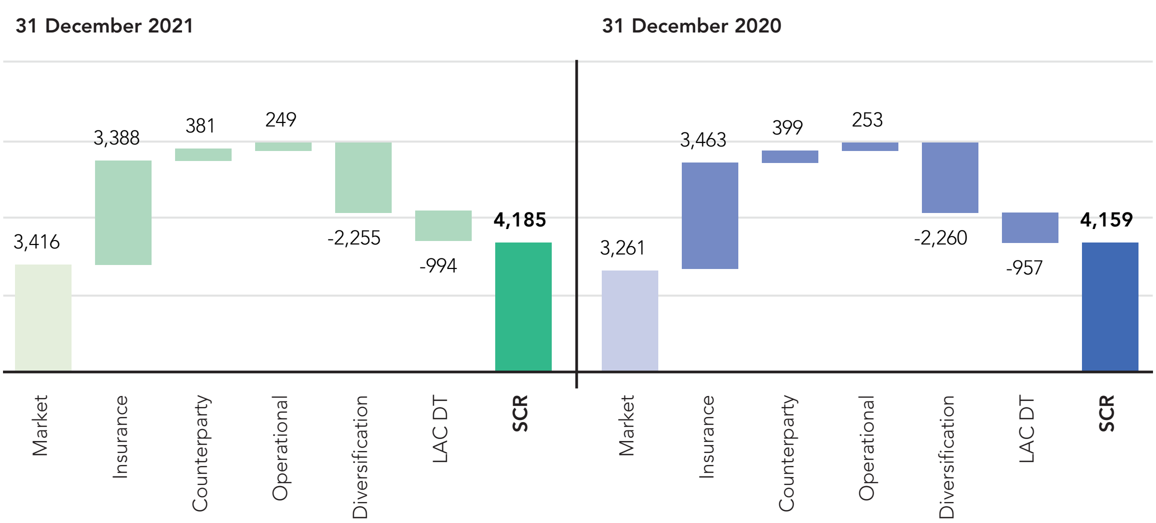
Solvency II ratio in 2021

In 2021, the solvency ratio decreased from 199% (31 December 2020) to 196% excluding financial institutions (after deduction of the proposed dividend) at year end. This can be explained by the analysis of change as shown in the graph below. The Solvency II ratios presented are not final until filed with the regulators.

Eligible own funds



SCR



The eligible own funds decreased to € 8,189 million (31 December 2020: € 8,273 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 capital distributions such as dividend.

The required capital stood at € 4,185 million at 31 December 2021 (31 December 2020: € 4,159 million). This increase was driven by increased equity risk due to higher equity valuations and higher insurance risk related to Non-life due to the growth of the business, partly offset by lower required capital for insurance risk Life due to higher interest rates and an increased LAC DT due to an increase in the corporate tax rate from 25.0% to 25.8%.

Solvency II sensitivities

The sensitivities of the solvency ratio as at 31 December 2021, expressed as the impact on the group solvency ratio (in percentage points) are as presented in the table below. The total impact is split between the impact on the solvency ratio related to movement in the available capital and the required capital. The sensitivities are based on the situation per 31 December 2021.

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%	-8	-13	-1	-1	-9	-14
Interest rate +1% (2021 incl. UFR 3.6% / 2020 incl. UFR 3.75%)	-7	-4	+18	+16	+10	+12
Interest rate -1% (2021 incl. UFR 3.6% / 2020 incl. UFR 3.75%)	+7	+5	-13	-10	-7	-5
Interest steepening +10 bps	-3	-3	-	-	-3	-3
Volatility Adjustment -10bp	-9	-10	-2	-1	-10	-11
Government spread + 50 bps / VA +11 bps (2020: VA: +10 bps)	-2	-2	-	+1	-2	-1
Mortgage spread +50 bps	-7	-4	+1	-	-7	-4
Equity prices -20%	-11	-10	+18	+13	+6	+3
Property values -10%	-9	-8	+4	+3	-6	-5
Spread +75bps/ VA+19bps (2020: VA +15bps)	+15	+14	+5	+3	+20	+17

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 impact of the interest rate sensitivitie (+1%) deceased, due to higher interest rates.

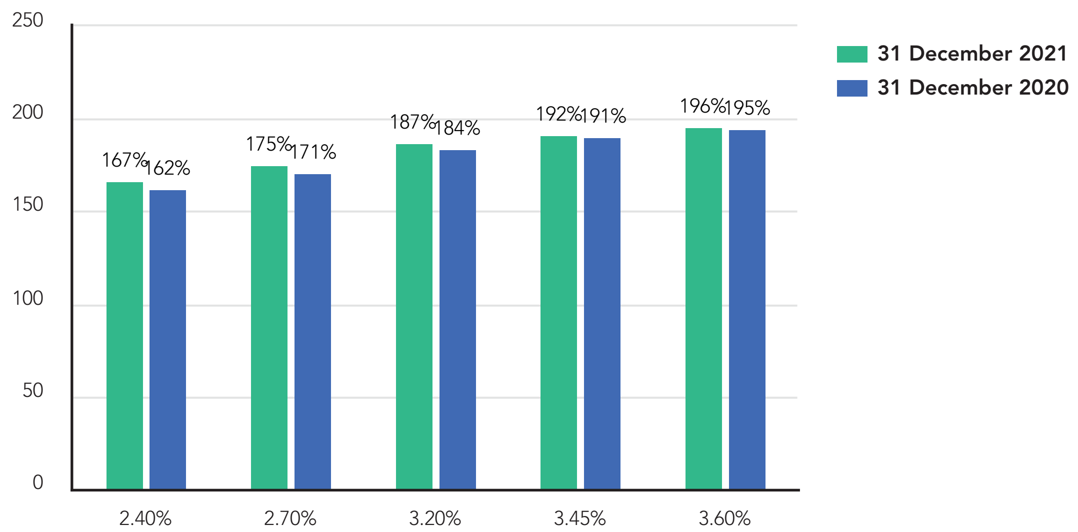
Corporate spread widening (+75bps) includes impact of spread widening on IAS19 pension provision. The positive impact of the sensitivity of equity risk increased due to an increase of the equity put options portfolio in 2020.

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

The UFR will decrease by 15 basis points per year. In 2021 the UFR was 3.6% (2020: 3.75%). After the decline of the UFR by 15 basis points the solvency ratio is still above internal solvency objectives.

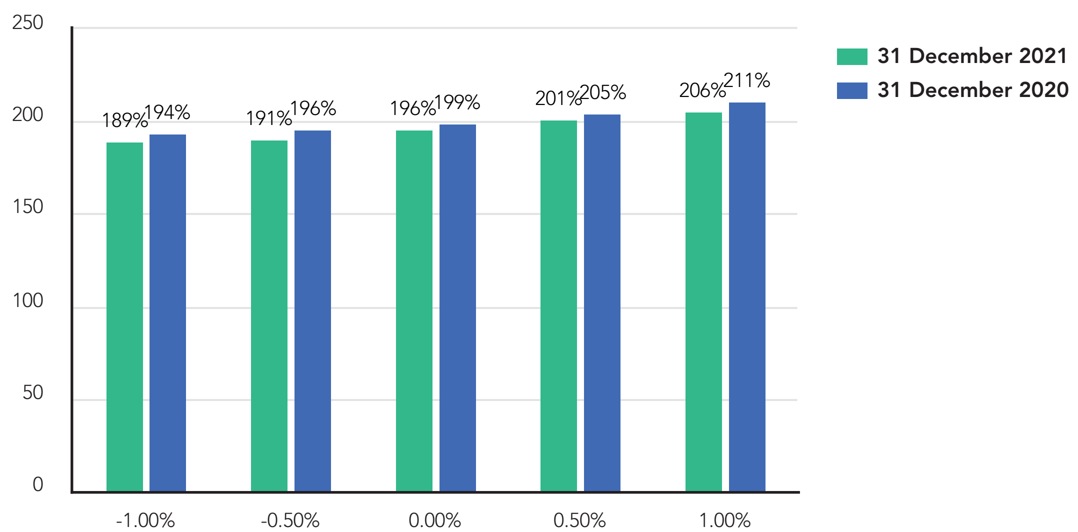
Changes in the UFR have an almost linear effect on the solvency ratio. The impact on the solvency ratio of various UFR levels is stated below.

Sensitivities Solvency II ratio to UFR



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

Sensitivities Solvency II ratio to interest rate



Equity risk
In 2021 the equity risk increased, mainly due to higher share prices which leads to a higher SCR equity risk, both driven by an increased exposure to equities and a higher risk charge as a result of the symmetric 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 alsmonst unchanged in 2021. On the one hand SCR spread risk decreased due the shortening duration of the credit portfolio. On the other hand SCR spread risk increased due to re-risking.

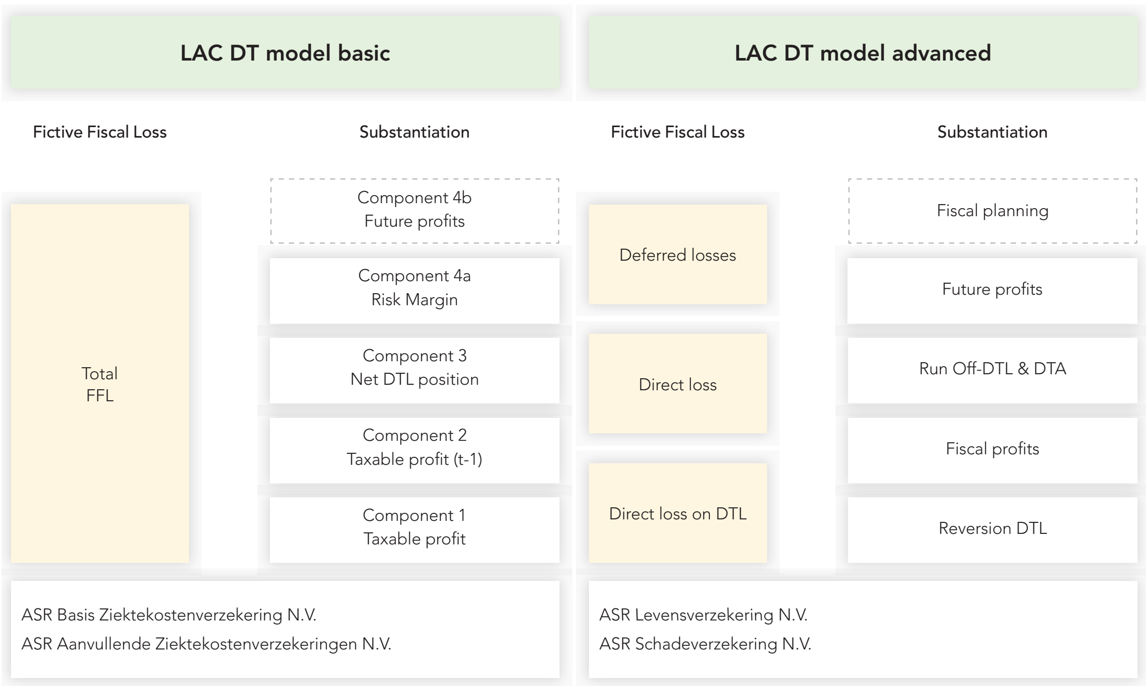
The spread sensitivity of the solvency ratio increased from +17% at 31 December 2020 to +20% at 31 December 2021. This sensitivity is based on a scenario in which the average spread rises by 75 bps and the Volatility Adjustment (VA) rises by 19 bps (15 bps at 31 December 2020). As the VA is used in the calculation of the best estimate liabilities and spread movement only has an impact on the credit portfolio and IAS19, the impact of the VA increase is bigger than the impact of the spread increase. Therefore, the solvency ratio rises in the event of an increase in the average spread.

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

For each separate entity an unrounded LAC DT factor is calculated. The LAC DT factor that results is the maximum factor to be used per entity. a.s.r. life and a.s.r. non-life use an advanced model, taking future fiscal profits into account. For the health entities a basic model is used. Both types of models are reviewed and properly documented. Hence usage of the models is agreed upon with DNB.

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.

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



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

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

To ensure a stable LAC DT factor, a code of conduct is taken into account. An increase is only possible in case it is sustainable and significant.

Loss Absorbing Capacity of Technical Provisions
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. Insurance risk manifests itself in both the Non-life and the Life portfolio. The Non-life portfolio covers the property and casualty, disability and healthcare sectors. The Life portfolio consists of funeral, individual life and pensions business.

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

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

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

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

Insurance risk - required capital

	31 December 2021	31 December 2020
Life insurance risk	1,584	1,765
Health insurance risk	1,213	1,151
Non-life insurance risk	591	547
Total excluding diversification between insurance risks	**3,388**	**3,463**

The Life insurance risk decreased as a result of the increase of the interest rates, the update of the non economic assumptions and the development of the insured population. The Health and Non life insurance risk increased as a result of update of the non economic assumptions and the growth of the insured population.

Solvency II sensitivities

a.s.r. has assessed the impact of various sensitivities on the solvency ratio. The sensitivities as at 31 December 2021 and 2020, expressed as impact on the group solvency ratio (in percentage points) are as follows:

Solvency II sensitivities - insurance risks

Effect on:	Available capital		Required capital		Ratio	
Type of risk (%-points)	31 December 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%	-4	-5	-	-	-5	-5
Lapse rates -10%	-	-	-	-	-	-

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.

The table above shows that the SCR sensitivities in 2021 are (almost) similar to the sensitivities of 2020. The impact on the ratio is the opposite if a reversed scenario is taken into account.

In accordance with a.s.r.'s accounting policy, the LAT is performed at the Segment Life level (for the consolidated financial statements of a.s.r.) and at that level there is a LAT-surplus.

However, at the end of 2021, at a.s.r. Life 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.

C.1.1 Life Insurance risk

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

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

The SCR for Life insurance risks is determined on the level of model points. A model point is a group of policies with equal characteristics 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 where payments are contingent on longevity risk. The required capital is calculated as the change in own funds of a permanent decrease of mortality rates by 20%.

Disability-morbidity risk

Morbidity or disability risk is associated with all types of insurance compensating or reimbursing losses (e.g. loss of income, adverse changes in the best estimate of the liabilities) caused by changes in the morbidity or disability rates. Solvency II prescribes a 35% increase in disability rates for the first year, 25% for subsequent years, combined with a decrease in recovery rates of 20%. However for the Life portfolio, disability and recovery rates are not modelled because of the 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., but by another party, which is the case for most of these policies, the interest that a.s.r. reimburses to the policyholder is claimed from the party that has provided the mortgage loan. This cashflow of interests from the provider of the mortgage loan to a.s.r. represents an asset. The cashflow and value of this asset depends on the cashflow of the linked savings policy. Therefore, the change in this asset value due to mortality or lapse is taken into account when determining the SCR for Life insurance risks.

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

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

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

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

The table below summarises the required capital for abovementioned life insurance risks based on the standard model after application of Loss Absorbing Capacity of Technical Provisions (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 provisions per segment	31 December 2021	31 December 2020
Insurance with profit participation		
Best estimate	15,216	17,414
Risk margin	880	1,128
Technical provision	**16,096**	**18,542**
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	44,362	45,391
Risk margin	1,886	2,246
Technical provision	**46,247**	**47,636**

In 2021 the technical provisions decreased with € 1,389 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 insurance liabilities, expenses and risks.

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

Reinsurance

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

In order to optimise its balance sheet risks, a.s.r. entered into a reinsurance agreement with Legal and General Re in 2015. The share of Legal and General Re is on behalf of a specific buy-out portfolio. The total share of the reinsurances for a.s.r. amounts to € 173 million per 31 December 2021.

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

C.1.2.1 Health insurance risk

The Health insurance portfolio of a.s.r. is diverse. The portfolio can be divided into two main product types:
- SLT Health portfolio (Similar to Life Techniques) Income Protection, which can be divided into:
  - Individual Disability (Zelfstandigen)
  - Group Disability (WIA)
- NSLT Health portfolio (Not Similar to Life Techniques), which can be divided into:
  - Income Protection (Sickness, and Individual and Group Accident)
  - Medical Expenses (Basic and Supplementary)

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

The Health insurance portfolio of a.s.r. contains the following insurance risks:

- SLT Health risk
  - This risk is applicable to the SLT Health portfolio. The calculation is scenario-based. The scenarios are similar to the scenarios that are used to calculate the Life insurance risk.
- NSLT Health risk
  - This risk is applicable to the NSLT Health portfolio. The calculation is factor-based. The risk is calculated similarly to the Non-life insurance risk.
- Health Catastrophe risk
  - This risk is applicable to the entire Health portfolio. The calculation is scenario-based.

SLT Health Risk

Mortality risk

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

Longevity risk

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

Disability-morbidity risk

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

Expense risk

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

Revision risk

The revision risk is the risk that a higher benefit is caused by either inflation or a revision of the disability percentage. Benefits that are sensitive to inflation and / or an increase in the disability percentage will be increased by 4%.

Lapse risk

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

Future management action

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

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

NSLT Health Risk

NSLT Premium and reserve risk

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

The NSLT Premium and reserve risk can be split into the following insurance risks:

- Medical Expense
  - A health catastrophe for the NSLT Health portfolio is an unexpected future event with a duration of one year. The risk is determined ultimo year. The amount of catastrophe risk is apparent from the number of insured and parameters for mass accident scenario and pandemic scenario that have been approved by DNB in consultation with Health Insurers Netherlands. Accident concentration is not applicable for NSLT Health. The catastrophe risk has a projection of one year (T) following from the contract boundary of one year in accordance with the Dutch Health Insurance Act. After year T the risk is 'zero'. Catastrophe risk for a.s.r. health supplementary equals zero because these contracts have a maximum compensation for claims.
- Income Protection
  - This component is calculated for policies for which an increase in mortality rates or morbidity rates or disability rates leads to an increase in the best estimate. There are three scenarios, which are calculated for all SLT Health and portfolios.

NSLT lapse risk

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

Health catastrophe risk

Mass accident scenario

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

Accident concentration scenario

In this scenario, an accident takes place on site, with the most of our insured at the same location. The risk is that 10% of those present are killed, 3.5% are permanently disabled, 16.5% are disabled for 12 months and 30% need medical attention. In 2020 and 2021, due to COVID-19 most employees of a.s.r. worked at home, therefore the input of this scenario changed.

Pandemic scenario

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

Health insurance risk - required capital

	31 December 2021	31 December 2020
Health SLT	977	929
Health Non-SLT	347	328
Catastrophe Risk (subtotal)	78	72
Diversification (negative)	-189	-178
Health (Total)	**1,213**	**1,151**
Mortality risk	-	-
Longevity risk	50	44
Disability-morbidity risk	781	785
Expense risk	157	133
Revision risk	233	195
Lapse risk	228	164
Diversification (negative)	-472	-391
Health SLT (subtotal)	**977**	**929**
Medical expenses insurance and proportional reinsurance	129	120
Income protection insurance and proportional reinsurance	264	251
Diversification (negative)	-46	-43
Health Non-SLT (subtotal)	**347**	**328**
Mass accident risk	28	25
Accident concentration risk	62	59
Pandemic risk	39	33
Diversification (negative)	-50	-45
Catastrophe risk (subtotal)	**78**	**72**

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

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

SLT Health portfolio - technical provisions per segment

	31 December 2021	31 December 2020
Best estimate	4,152	4,192
Risk margin	481	443
Technical provision	**4,633**	**4,635**

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

NSLT Health portfolio - technical provisions per segment

	31 December 2021	31 December 2020
Best estimate	564	507
Risk margin	47	44
Technical provision	**611**	**551**

C.1.2.2 Non-life insurance risk

Non-life Insurance risk can be broken down into:
- Premium and reserve risk
- Non-life catastrophe risk
- Lapse risk

Premium- and reserve risk

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

Non-life Catastrophe Risk Module

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

Lapse risk

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

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

Non-life insurance risk - required capital

	31 December 2021	31 December 2020
Premium and reserve risk	552	510
Lapse risk	52	50
Catastrophe risk	107	102
Diversification (negative)	-121	-116
Non-life insurance risk	**591**	**547**
Natural catastrophe risk	74	74
Man-made catastrophe risk	75	68
Other non-life catastrophe risk	20	20
Diversification (negative)	-62	-59
Catastrophe risk (subtotal)	**107**	**102**

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

Non-life portfolio - technical provisions per segment

	31 December 2021	31 December 2020
Best estimate	1,538	1,389
Risk margin	97	82
Technical provision	**1,634**	**1,471**

C.1.2.3 Managing Health and Non-life insurance risk

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

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

Claims frequency, size of claim and inflation

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

Handling time

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

Benefit and claims handling costs

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

Disability risk

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

Concentration risk

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

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

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

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

C.2 Market risk

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

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

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

Market risk - required capital

	31 December 2021	31 December 2020
Interest rate	550	603
Equity	1,194	967
Property	1,125	1,124
Currency	120	194
Spread	1,118	1,112
Concentration	-	-
Diversification (negative)	-692	-740
Total	**3,416**	**3,261**

The main market risks of a.s.r. are equity, property and spread risk. This is in line with the risk budgets based on the strategic asset allocation study. Market risk increased mainly driven by increased equity risk, partly offset by higher interest rates and reduced currency risk.

The value of investment funds at year-end 2021 was € 5,307 million (2020: € 4,687 million). a.s.r. applies the look through approach for investment funds to assess the market risk.

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

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

C.2.1 Interest rate risk

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

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

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

Interest rate risk - required capital

	31 December 2021	31 December 2020
SCR interest rate risk up	-239	-91
SCR interest rate risk down	-550	-603
SCR interest rate risk	**550**	**603**

In 2021 the interest rate risk decreased due to the increase in interest rates.

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

Solvency II sensitivities - interest rate

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
UFR 3.2%	-8	-13	-1	-1	-9	-14
Interest rate +1% (2021 incl. UFR 3.60% / 2020 incl. UFR 3.75%)	-7	-4	+18	+16	+10	+12
Interest rate -1% (2021 incl. UFR 3.60% / 2020 incl. UFR 3.75%)	+7	+5	-13	-10	-7	-5
Interest steepening +10 bps	-3	-3	-	-	-3	-3
Volatility Adjustment -10bp	-9	-10	-2	-1	-10	-11

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

An interest rate risk policy is in place for a.s.r. 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). Investments of a strategic nature are shocked by 22%. Equity qualifying as an infrastructure investment (e.g. wind farm Wieringermeer) are shocked by 30% together with 77% of the symmetric adjustment of the equity capital charge.

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 1.0% per 31 December 2021.

Equity risk - required capital

	31 December 2021	31 December 2020
SCR equity risk - required capital	1,194	967

In 2021 the equity risk increased € 228 million, mainly due to higher share prices which leads to a higher SCR equity risk, both driven by an increased exposure to equities and a higher risk charge as a result of the symmetric 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.

In case the transitional measure would not be used, SCR equity risk would increase to € 1,226 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	+18	+13	+6	+3

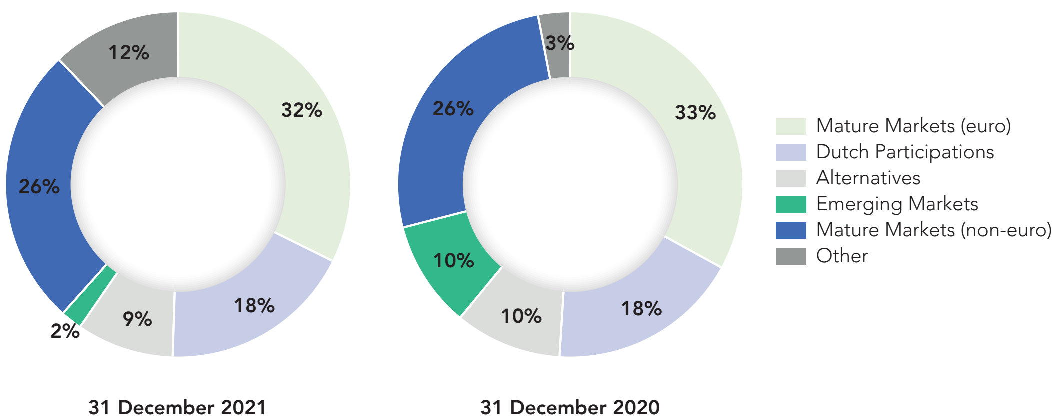
Composition of equity portfolio

The fair value of equities and similar investments at year-end 2021 was € 3,259 million (2020: € 2,633 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 the result of the investment in the wind farm Wieringermeer (€ 333 million).

Composition equity portfolio



C.2.3 Property risk

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

The required capital for property risk is determined by calculating the impact on the available capital due to an immediate drop in property prices by 25%. Both assets and liabilities are taken into account. 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	1,125	1,124

a.s.r. applies 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 effects, the required capital for property risk is slightly higher.

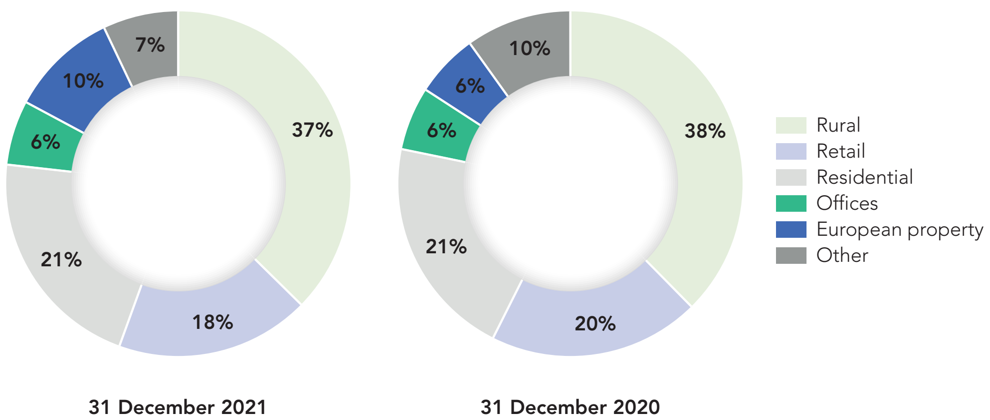
The sensitivity of the solvency ratio to changes in property value is monitored on a monthly basis. Sensitivity of regulatory solvency (Solvency II) to changes in property prices is shown in the following table.

Solvency II sensitivities - property values

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Property values -10%	-9	-8	+4	+3	-6	-5

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 € 5,031 million at year-end 2021 (2020: € 4,688 million). The increase in 2021 (approximately € 343 million) was a result of both transactions (approximately € 150 million) and increases in property prices (approximately € 193 million).

Composition property portfolio



C.2.4 Currency risk

Currency risk measures the impact of losses related to changes in currency exchange rates. The table below provides an overview of all currencies with exposure on liabilities and the currencies with the largest exposures. In 2021 a.s.r. has currency risk to insurance products in mainly American dollars (USD), Danish crown (DKK) and Hong Kong dollars (HKD).

In 2021 a.s.r. implemented a new hedge policy for currency risk. For different investment categories a.s.r. has defined a target hedge ratio. 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 (a.o. Danish crown).

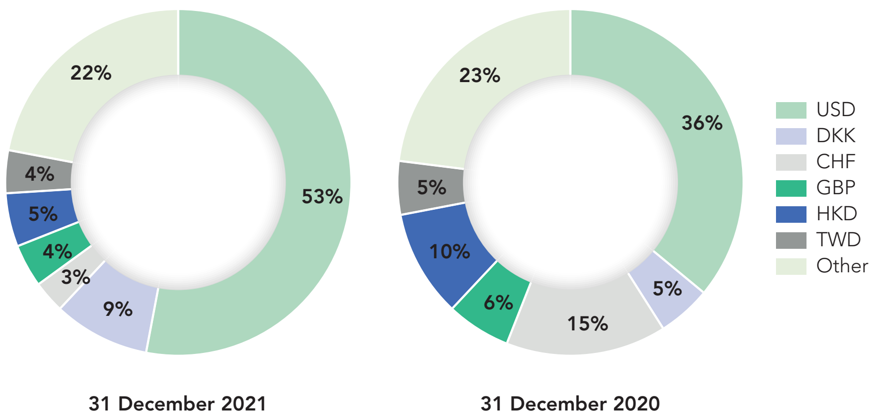
Currency risk - required capital

	31 December 2021	31 December 2020
SCR currency risk - required capital	120	194

In 2021 the SCR currency risk has decreased with € 74 million. The main reason for this reduction is the increased currency hedge for the non-Euro equity portfolio.

Specification currencies with largest exposure
The exposure to non-Euro equity has substantially decreased due to the increased currency hedge for the non-Euro equity portfolio. The non-Euro liabilities have further decreased as a result of a run-off of the portfolios.

Composition currency portfolio



The total foreign exchange exposure at year-end 2021 was € 506 million (2020: € 819 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	1,118	1,112

The SCR spread risk slightly increased in 2021.

The sensitivity to spread risk is measured as the impact of an increase of spread on loans and corporate bonds of 75 bps. The VA is based on a reference portfolio. An increase of 75 bps of the spreads on loans and corporate bonds within the reference portfolio leads to an increase of the VA with 19 bps in 2021 (2020: 15 bps). The credit spread sensitivity increased from +17 to +20.

Solvency II sensitivities - spread risk

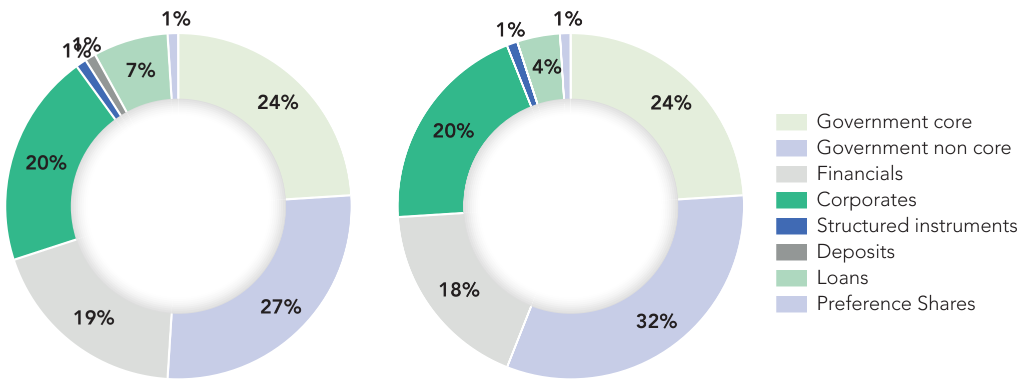
Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Spread +75bps/ VA +19bps (2020: VA + 15bps)	+15	+14	+5	+3	+20	+17

Composition of fixed income portfolio

Spread risk is managed on a portfolio basis within limits and risk budgets established by the relevant risk committees. Where relevant, credit ratings provided by the external rating agencies are used to determine risk budgets and monitor limits. A limited number of fixed-income investments do not have an external rating. These investments are generally assigned an internal rating. Internal ratings are based on methodologies and rating classifications similar to those used by external agencies.

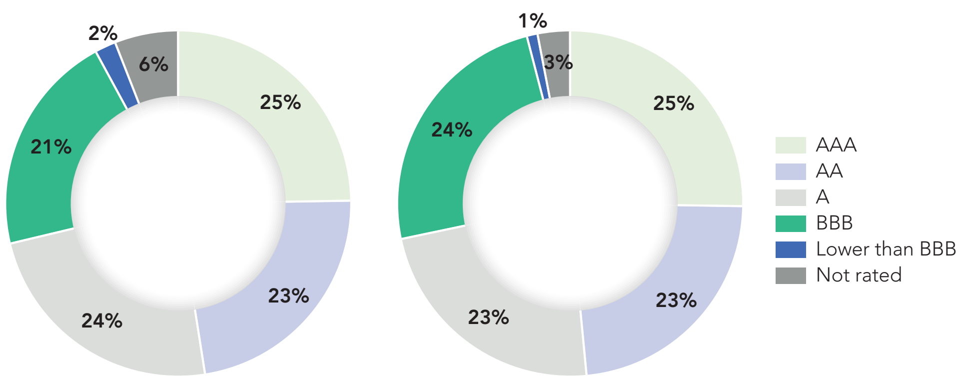
The following tables provide a detailed breakdown of the fixed-income exposure by (i) rating class and (ii) sector. Assets in scope of spread risk are, by definition, not in scope of counterparty default risk. The total exposure of assets in scope of spread risk is € 28,562 million (2020: € 31,695 million). The composition of the portfolio is similar to 2020.

Composition fixed income portfolio by sector



31 December 2021 | 31 December 2020

Composition fixed income portfolio by rating



31 December 2021 | 31 December 2020

C.2.6 Market risk concentrations

Concentrations of market risk constitute an additional risk to an insurer. Concentration risk is the concentration of exposures to the same counterparty. Other possible concentrations (region, country, etc.) are not in scope. The capital requirement for concentration risk is determined in three steps:
1. determine the exposure above threshold. The threshold depends on the credit quality of the counterparty;
2. calculation of the capital requirement for each counterparty, based on a specified factor depending on the credit quality;
3. aggregation of individual capital requirements for the various counterparties.

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

Concentration risk - required capital

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

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 as 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	113	108
Type 2	289	312
Diversification (negative)	-21	-21
Total	**381**	**399**

The Counterparty risk type 1 has increased due to the addition of the loan positions given as a guarantee 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.

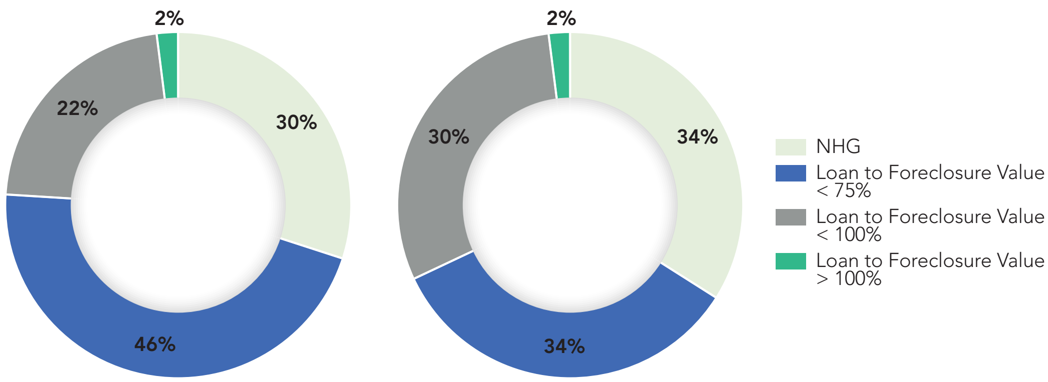
The counterparty default risk type 1 has not changed materially due to the fact that saving deposits without collateral agreement are now considered in the spread risk module. This led to a decrease in the counterparty default risk type 1. However, the saving deposits with collateral agreement are split 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 risk type 2 has decreased due to the decrease of the exposure to the mortgage portfolio. The latter 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 € 18 million.

C.3.1 Mortgages

Mortgages are granted for the account and risk of third parties and for a.s.r.'s own account. The a.s.r. portfolio consists only of Dutch mortgages with a limited counterparty default risk. The fair value of a.s.r.'s mortgage portfolio was € 11,181 million at year-end 2021 (2020: € 9,464 million).

Composition mortgage portfolio



31 December 2021　　31 December 2020

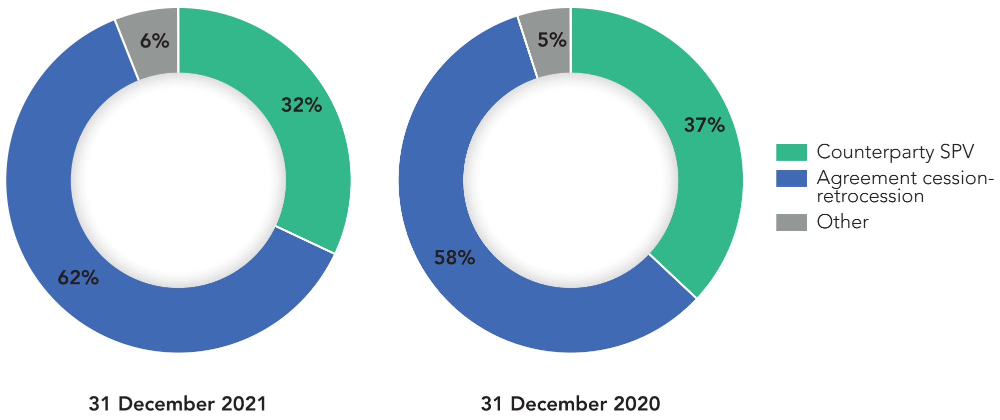
The Loan-to-Value ratio is based on the value of the mortgage according Solvency II principals with respect to the a.s.r. calculated collateral. The percentage of mortgages which are in arrears for over three months has decreased from 0.03% in December 2020 to 0.02% in December 2021.

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

C.3.4 Reinsurance

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

The table above shows the exposure to reinsurers per rating. The total exposure to reinsurers at year-end 2021 was € 419 million (2020: € 493 million).

Composition reinsurance counterparties by rating

	31 December 2021	31 December 2020
AAA	0%	0%
AA	93%	90%
A	6%	6%
NR	1%	3%
Total	**100%**	**100%**

C.3.5 Receivables

The receivables increased to € 853 million in 2021 (2020: € 856 million), mainly driven by higher other receivables per year-end. The composition of the receivables is presented in the table below.

Composition receivables

	31 December 2021	31 December 2020
Policyholders	75	109
Intermediaries	89	88
Reinsurance operations	96	175
Health insurance fund	148	107
Other	446	377
Total	**853**	**856**

C.3.6 Cash and cash equivalents

The current accounts on the balance sheet amounted € 1,517 million in 2021 (2020: € 1,590 million).

Composition cash accounts by rating

	31 December 2021	31 December 2020
AAA	-	15
AA	-	-2
A	1,489	1,568
Lower than A	28	9
Total	**1,517**	**1,590**

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

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

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

In managing the liquidity risk from financial liabilities, a.s.r. holds liquid assets comprising cash and cash equivalents and investment grade securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements. As at 31 December 2021, a.s.r. had cash (€ 1,211 million), short-term secured deposits (€ 1,298 million) and liquid government bonds (€ 14,265 million). Furthermore, a.s.r. has access to committed cash facilities and an unsecured revolving credit facility in order to meet its liquidity needs in times of stress.

The following table shows the contractual undiscounted cash flows of the insurance liabilities based on Solvency II. All other line items as well as the total carrying value are based on IFRS principles.

The insurance liabilities include the impact of expected lapses and mortality risk as well as non profit sharing cash flows. Profit sharing cash flows of insurance liabilities are not taken into account, nor are equities, property and swaptions. Since the portfolio of Brand New Day IORP is fully consolidated, an extra line-item relating to liabilities arising from investment contracts, is included. Furthermore, cash flows of the pension benefit obligations are taken into account.

Contractual cash flows

	Payable on demand	< 1 years	1-5 years	5-10 years	> 10 years	Total carrying value
31 December 2021						
Insurance liabilities	-	5,240	10,134	9,722	33,335	52,404
Liabilities arising from investment contracts	-	12	89	227	1,624	1,952
Pension Benefit Obligation	-	54	468	638	3,288	3,990
Derivatives liabilities	-	230	183	185	293	759
Financial liabilities	6,155	597	250	67	1,060	8,117
Future interest payments	-	45	177	218	664	-
Total	**6,155**	**6,177**	**11,301**	**11,056**	**40,264**	**67,223**

	Payable on demand	< 1 years	1-5 years	5-10 years	> 10 years	Total carrying value
31 December 2020						
Insurance liabilities	-	4,476	9,788	9,425	32,704	54,617
Pension Benefit Obligation	-	50	428	594	3,385	4,228
Derivatives liabilities	-	221	556	227	434	1,419
Financial liabilities	8,353	616	242	22	1,003	10,227
Future interest payments	-	43	170	213	705	-
Total	**8,353**	**5,406**	**11,184**	**10,480**	**38,231**	**70,491**

The insurance liabilities per 31 December 2020 have been restated to include the cash flows of the other life insurance and exclude the cash flows for the own pension contract. Furthermore, the pension benefit obligation has been added.

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

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

Expected profit included in future premiums

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

EPIFP

	31 December 2021	31 December 2020
EPIFP	908	847

The expected profit included in future premiums increased in 2021 due to the increase in interest rates.

C.5 Operational risk

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

Operational risk - required capital

	31 December 2021	31 December 2020
SCR operational risk - required capital	249	253

The SCR for operational risk amounts to € 249 million at the end of 2021 (2020: € 253 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 slightly lower mainly as a result of 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
Off balance sheet positions different from the financial statements do not exist.

C.7.2 Reinsurance policy and risk budgeting

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

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

To limit risk concentration, reinsurance contracts are placed with various reinsurance companies. a.s.r. requires the counterparties to be rated at least single A-. The reinsurance programme has remained largely the same as in previous years in terms of cover and limits. In 2020, a.s.r. purchased excess of loss reinsurance for accident year 2021 for Windstorm in excess of € 35 million with a limit of € 535 million.

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

C.7.3 Monitoring of new and existing products

Group Risk Management, Compliance, and Legal Affairs participate in the Product Approval 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 II purposes are described. Separately for each material class of assets a quantitative and qualitative explanation of any material difference between the valuation for Solvency II purposes and valuation in the financial statements. When accounting principles are equal or when line items are not material, line items are clustered together.

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

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

Reconciliation IFRS balance sheet and Solvency II balance sheet

Balance sheet	31 December 2021 IFRS	Revaluation	Deconsolidation Financial Institutions	31 December 2021 Solvency II
1. Deferred acquisition costs	-	-	-	-
2. Intangible assets	428	-428	-	-
3. Deferred tax assets	-	591	-	591
4. Property, plant, and equipment held for own use	187	-	-	187
5. Investments - Property (other than for own use)	2,669	-	-	2,669
6. Investments - Equity	7,938	12	82	8,031
7. Investments - Bonds	25,762	-	-	25,762
8. Investments - Derivatives	6,403	216	-	6,620
9. Unit-linked investments	13,521	-	-1,952	11,569
10. Loans and mortgages	14,209	1,083	-	15,292
11. Reinsurance recoverables	513	37	-	550
12. Cash and cash equivalents	2,406	160	-94	2,471
13. Any other assets, not elsewhere shown	1,047	-68	-10	969
Total assets	**75,084**	**1,602**	**-1,975**	**74,711**
14. Technical provisions (best estimates)	37,797	973	-	38,770
15. Technical provisions (risk margin)	-	2,421	-	2,421
16. Unit-linked best estimate	14,566	-2,721	-	11,846
17. Unit-linked risk margin	-	89	-	89
18. Pension benefit obligations	3,990	-	-	3,990
19. Deferred tax liabilities	69	696	-	765
20. Subordinated liabilities	1,996	65	-	2,061
21. Other liabilities	10,201	-	-1,961	8,240
Total liabilities	**68,620**	**1,523**	**-1,961**	**68,182**
Excess of assets over liabilities	**6,464**	**79**	**-14**	**6,529**

The Unit Linked investments and the other liabilities in the deconsolidation collumn consist mainly of the Brand New Day IORP.

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

Reconciliation excess of assets over liabilities to Eligible Own Funds

	Gross of tax	31 December 2021
IFRS equity		7,385
i. Hybrid loans		-1,004
ii. Own shares		83
IFRS equity adjusted		**6,464**
Revaluation assets		
i. Intangible assets	-205	
ii. Loans and mortgages	1,471	
iii. Reinsurance	37	
iv. Cash and cash equivalents	-	
v. Any other assets, not elsewhere shown	-69	
Subtotal		**1,234**
Revaluation liabilities		
i. Technical provisions (best estimates)	-973	
ii. Technical provisions (risk margin)	-2,421	
iii. Unit-linked best estimate	2,721	
iv. Unit-linked risk margin	-89	
v. Subordinated liabilities	-65	
vi. Other liabilities	-	
Subtotal		**-827**
Total gross revaluations		406
Tax percentage		25.8%
Total net revaluations		**301**
Other Revaluations		
i. Goodwill	-224	
ii. Participations	-	
iii. Valuation difference Financial Institutions	-14	
iv. Valuation difference Own shares	1	
Subtotal		**-236**
Solvency II equity		**6,529**
Own fund items		
i. Subordinated liabilities		2,061
ii. Deduction Participations Financial Institutions		-82
iii. Foreseeable dividend		-217
iv. Own shares		-84
v. Non-available minority interests		-18
Eligible Own Funds Solvency II excl Financial Institutions		**8,189**

D.1 **Assets**

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

D.1.1 Fair value measurement

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

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

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

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

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

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

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

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

D.1.2 Assets per asset category
The balance sheet reports specify different asset categories. In this section, we describe the valuation of each material asset category. The figures correspond to the extended balance sheet which has been reported as QRT S.02.01.

1. Deferred acquisition costs
a.s.r.'s accounting policy is that all costs incurred to acquire insurance contracts (acquisition costs) are charged directly to the income statement, generally within one year.

2. Intangible assets
The intangible assets related to goodwill and other intangible assets are not recognised in the Solvency II framework and are set to nil.

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. group contains a DTA and a DTL .

1 Not measured at fair value on the balance sheet and for which the fair value is disclosed.

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

5. Investments - Property (other than for own use)
a.s.r. recognises the following categories of investment property; the method for calculating their fair value has been added:
- Residential –based on reference transaction and discounted cash flow method (DCF method);
- Retail – based on reference transaction and income capitalisation method;
- Rural – based on reference transaction and DCF method;
- Offices – based on reference transaction and DCF method;
- Other – based on reference transaction and DCF method;
- Under construction - based on both DCF and income capitalisation method.

On 23 December 2021 a.s.r. completed the acquisition of part of the Princess Ariane Wind farm by acquiring the assets and liabilities of Vattenfall Windpark Wieringermeer Ext B.V. (Windpark Wieringermeer). The value of the acquired assets is under IFRS classied as property, plant & equipment, under Solvency II as Property other than for own use.

6. Investments – Equity
Valuation of listed equities is based on the level 1 method of the fair value hierarchy. Unlisted fixed-interest preference shares are valued based on the level 2 method of the fair value hierarchy. The valuation techniques for financial instruments start from present value calculations; derivatives are valued based on forward-pricing and swap models. The observable market data contains yield curves based on company ratings and characteristics of unlisted fixed-interest preference shares. The main non-observable market input for private equity investments is the net asset value of the investment as published by the private equity company (or partner).

Valuation of private equity investments is based on the level 3 method of the fair value hierarchy. The main non-observable market input for private equity investments is the net asset value of the investment as published by the private equity company (or partner).

The revaluation from IFRS to Solvency II can be explained mainly by the deconsolidation of financial institutions. The deconsolidation amounted to € 82 million.

7. Investments – Bonds
The valuation of these assets is consistent with the IFRS fair value hierarchy as described in paragraph D.1.1.

8. Investments – Derivatives
The valuation of these assets is consistent with the fair value hierarchy as described in paragraph D.1.1. The valuation of listed derivatives is based on the level 1 method of the fair value hierarchy. The valuation of unlisted interest rate contracts is based on the level 2 method of the fair value hierarchy. The valuation techniques for financial instruments start from present value calculations; derivatives are valued based on forward-pricing and swap models. The observable market data contains yield curves based on company ratings and characteristics of unlisted fixed-interest preference shares.

9. Unit-Linked investments
The valuation of these assets is consistent with the IFRS fair value hierarchy described in paragraph D.1.1.

10. Loans and mortgages
The valuation of loans is based on the level 2 and level 3 (mortgages) method of the fair value hierarchy. The fair value of the loans is based on the discounted cash flow method. It is obtained by calculating the present value based on expected future cash flows and assuming an interest rate curve used in the market that includes an additional spread based on the risk profile of the counterparty. This asset category includes savings linked mortgages.

Many of the savings-linked mortgages that a.s.r. has sold in the past were combined with a mortgage loan from an external bank. This bank has undertaken to pay mortgage interest on the savings accrued in the insurance policy. To this end, the insurer transfers the premiums to a special deposit account with the bank. According to IFRS, both the insurance policy and the loan are measured at amortised cost. For the purpose of Solvency II, they are both measured at fair value, allowing for any securities the insurer receives on the funds deposited with the bank. 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. to third parties are accounted for as reinsurance contracts, and are classified as outgoing reinsurance.

The amounts that can be collected from reinsurers are estimated using a method that is in line with the reinsurance contract and the fair-value method for determining liabilities arising from reinsurance contracts described in Section D.2.

Assets arising from reinsurance contracts are recognised under reinsurance contracts, including receivables from reinsurers. At each reporting date, a.s.r. assesses whether objective evidence of impairment exists. If a reinsurance asset is impaired, its carrying amount is reduced to its recoverable amount. Therefore, current receivables from reinsurers are valued comparable with IFRS.

12. Cash and cash equivalents

The valuation of cash and cash equivalents is based on the level 1 method of the fair value hierarchy. Cash and cash equivalents include cash in hand, deposits held at call with banks, cash collateral and other short-term highly liquid investments with original maturities of three months or less.

13. Any other assets, not elsewhere shown

The valuation of these assets is based on the Solvency II valuation method.
Other assets include different investments and interest income, property developments, tax assets and accrued assets.

D.2 Technical provisions

D.2.1 Introduction

In this section, the policies regarding methodology and assumptions for the technical provisions are described. These liabilities arise from insurance contracts issued by a.s.r. that transfer significant insurance risks from the policyholder to a.s.r. The following lines of business are distinguished:

- Life insurance
- Health insurance
- Non-life insurance In this paragraph line items 14 – 17 from the simplified balance-sheet above (from paragraph D) are described.

The table below provides an overview of the legal entities within a.s.r. and the lines of business involved.

Legal entities within a.s.r. and the lines of business involved

Legal entity	Life insurance	Non-life		Health		
	Traditional Life	Unit-linked and Index-linked	Property and Casualty	Health SLT Income Protection	Health NSLT Income Protection	Health NSLT Medical Expenses
ASR Levensverzekering N.V.	✓	✓				
ASR Schadeverzekering N.V.			✓	✓	✓	
ASR Basis Ziektekostenverzekeringen N.V.						✓
ASR Aanvullende Ziektekostenverzekeringen N.V.						✓

D.2.2 Technical provisions methods

This section describes the general methodology for calculating the technical provisions.

The technical provision is the sum of the best estimate and the risk margin. The best estimate includes the intrinsic value and the time value of options and guarantees (TVOG).

14 and 16. Technical Provisions and Unit – linked (best estimates)

The intrinsic value is the net present value of projected cash flows from insurance contracts, i.e. benefits and claims, profit-sharing liabilities and costs less premiums. These cash flows are estimated using best estimate assumptions with respect to mortality, morbidity, disability, recovery, claims experience, lapse, expense and inflation. Where applicable, the participating features of the insurance contracts, such as profit-sharing, are taken into account in the future cash flows. The cash flows are discounted using the term structure of risk-free interest rates (including volatility adjustment) as prescribed under Solvency II for the valuation of underwriting liabilities. The TVOG is calculated using stochastic techniques with respect to interest scenarios.

In unit-linked contracts, the best estimate equals the fund value of the contract less the net present value of future margins on mortality and expense. For unit-linked contracts with a guaranteed minimum benefit on maturity the best estimate is increased with the loss on maturity date because of this guarantee if a loss occurs in the best estimate scenario.

15 and 17. Technical Provisions and Unit – linked (risk margin)
The risk margin is determined using the Cost of Capital (CoC) method, using a Cost-of-Capital rate of 6%, in line with the Delegated Regulation. The risk margin is based on the SCR of all insurance risks, operational risk, unavoidable market risk (excluding interest rate risk) and counterparty default risk for reinsurance arrangements, SPVs and other material exposures which are closely related to insurance liabilities.

The SCRs involved are determined at the valuation date under the assumption that no VA is applicable. They are projected separately into the future using suitable risk drivers per risk group. These SCRs are aggregated in each future year, making allowance for the correlations between risks using correlation factors as define in the standard model.

In determining the risk margin, allowance is also made for diversification benefits between risk groups within a legal entity.

The risks that are factored into the risk margin are mortality risk, longevity risk, disability-morbidity risk, lapse risk, catastrophe risk, expense risk and operational risk.

Risk-free yield curve
The basis for the reference rate of the best estimate is the swap rate at the date of valuation (31 December 2021). The following adjustments have been made to the swap curve:
- Reduction by 10 basis points to account for counterparty default risk (31 December 2020: 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 of 3 basis points, as provided by EIOPA, to the zero rates for the first 20 years (31 December 2020: volatility adjustment 7 bps).

Impact volatility adjustment
a.s.r. applies the volatility adjustment for discounting cash flows to determine the best estimate and in determining the capital requirement under the SCR. The following table shows the impact of this volatility adjustment on the financial position and own funds of a.s.r. including other financial institutions ASR Vermogensbeheer, ASR Vastgoed Vermogensbeheer, ASR Vooruit and BND PPI).

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	53,126	54,293	53,272	54,673	146	380
SCR	4,233	4,200	4,242	4,222	10	22
MCR	1,878	1,899	1,883	1,912	5	13
Basic own funds (total)	8,189	8,273	8,080	7,988	-108	-285
Eligible own funds	8,270	8,351	8,162	8,066	-108	-285

Basic own funds (total) is presented excluding financial institutions.

The EOF and the SCR of a.s.r. excluding other financial institutions is equal to € 8,189 million and € 4,185 million respectively.

D.2.3 Level of uncertainty

a.s.r. distinguishes between two sources of uncertainty with regard to the level of the technical provisions. These sources are model risk and process risk. The uncertainty associated with these risks has been mitigated as described below.

Process risk
The process risk is mitigated using the Risk Control Matrix (RCM), which creates a reasonable degree of assurance as to the reliability of financial reports. Key controls have been identified and to a larger extend implemented for the calculation process. In addition, the effectiveness of the RCM framework is verified by an independent party and supplementary checks are performed where needed. As part of RCM or the additional checks, the four-eye principle has demonstrably been applied to the calculation of the technical provision.

Model risk
The second risk that a.s.r. has identified in relation to the technical provisions is model risk. Regular procedures have provided adequate certainty with regard to this risk. To illustrate, the reporting manager in charge signs off documents to demonstrate that the reported figures do not contain any material mistakes or that no key facts have been omitted. In addition, FRM, in its role as the second line of defence, performs an independent internal review of the technical provisions as described in the previous phase.

D.2.4 Reinsurance and special purpose vehicles

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

Assets arising from reinsurance contracts are recognised under reinsurance contracts, except for current receivables from reinsurers, which are included under reinsurance receivables. At each reporting date a.s.r. assesses whether objective evidence of impairment exists. If a reinsurance asset is impaired, its carrying amount is reduced to its recoverable amount.

Therefore, current receivables from reinsurers are valued comparable with IFRS.

a.s.r. life has reinsured a substantial part of all underwriting risk of a certain group pension contract on a proportional basis.

a.s.r. non-life can be split in:

P&C
For reinsurance contracts the premiums and claims are administered. When applicable, reinstatement premiums are taken into account. For a first (early) estimation of the (gross) impact of (new) catastrophes also external models (for example from brokers and/or Verbond voor Verzekeraars) are used . The reinsurance part can be derived from this estimation. The actuarial department estimates the ultimate claims. If applicable, in this calculation the reinsurance limit is also taken into account.

For the Best Estimate claim provision the ratio of the total net and gross provision is used and is projected on the total gross Best Estimate claim provision to derive the net Best Estimate claim provision. For the reinsurance part of the Best Estimate premium provision the outgoing (premium) cash flow and expected incoming (claim payments) cash flow is taken into account.

Health
The Individual Health SLT portfolio and a small part of the Group Health SLT portfolio is reinsured by a proportion reinsurance contract. This reinsurance contract is not active since 1 January 2017. The reinsuring cash flows concern existing claims and are calculated separately in the cash flows models. The reinsured best estimate is € 222 million.

For the 2017 to 2019 WGA-ERD claims of Loyalis, a quota-share reinsurance contract has been concluded in which claims are 50% reinsured. This contract has been terminated from 1 January 2020.

The Health NSLT portfolio is not reinsured.

Special purpose vehicles
a.s.r. does not make use of special purpose vehicles (SPVs).

D.2.5 Technical provisions

In this table a reconciliation is made between the Solvency II and the IFRS valuation of provisions. Solvency figures are part of the balance sheet S.02.01. The table below describes a brief explanation of these differences.

Technical provisions: IFRS versus Solvency II

31 December 2021	IFRS	Revaluation	Solvency II
Non-life			
Best estimate	-		1,538
Risk margin	-		97
Technical provision	**1,691**	**-57**	**1,634**
Similar to non-life			
Best estimate	-		564
Risk margin	-		47
Technical provision	**720**	**-109**	**611**
Similar to life			
Best estimate	-		4,152
Risk margin	-		481
Technical provision	**4,640**	**-7**	**4,633**
Life			
Best estimate	-		32,516
Risk margin	-		1,796
Technical provision	**30,747**	**3,565**	**34,312**
Index-linked and unit-linked			
Best estimate	-		11,846
Risk margin	-		89
Technical provision	**14,566**	**-2,631**	**11,935**
a.s.r. total			
Best estimate	**-**		**50,616**
Risk margin	**-**		**2,510**
Technical provision	**52,364**	**762**	**53,126**

D.2.6 Reconciliation between IFRS and Solvency II

Under Solvency II, the technical provisions are calculated using a different method compared to IFRS. In this section the reconciliation between IFRS and Solvency II is described per business line. More details can be found in the SFCR of the underlying entity.

Non-life

The revaluation for non-life is mainly caused by:
- The applied yield curve for the Best Estimate;
- Different methods for the Risk Margin;
- In IFRS is no expected profit taken into account;
- Different methods for determine Best Estimate premium liabilities;
- Investment costs are taken into account under Solvency II.

Similar to Non-life

The revaluation for similar to Non-life (medical expense) is caused by:
- Ex post
- The IFRS LAT margin

The revaluation for Similar to Non-life (income protection) is caused by:

- The main difference between IFRS and Solvency II best estimate and risk margin is different assumptions with respect to disability and recovery.

Similar to Life
For Similar to Life the main difference between the IFRS technical provisions and Best estimate and risk margin (Solvency II) is different assumptions with respect to disability and recovery.

Life
The IFRS technical provisions are determined with assumptions that are equal to the assumptions underlying the premium. For longevity risk additional provisions are set up. Also under IFRS provisions are set up for realised capital gains, interest rate swaptions and shadow accounting (unrealised gains on bonds). In case that the policy-duration exceeds the length of the premium-paying period, a provision for administrative expenses is set up for the period where no premiums are due.
The Solvency II provision consists of a best estimate and a risk margin. The best estimate includes a time value of option and guarantees with respect to profit sharing. The best estimate is determined on best estimate assumptions and covers future benefits and future expenses to the extent that they are not covered by future premiums.

Index-linked and unit-linked
The technical provision for unit-linked policies under IFRS equals the fund value of the underlying assets of the units. Extra provisions are set up in case of minimum guarantees on the maturity-value provided by a.s.r. life and for the transparency issue.

The Solvency II technical provision consist of the fund value less the net present value of the best estimate value of the future profits. For policies where a guarantee with respect to the maturity-value is given, the value of the guarantee is determined on a market consistent basis. Also for the transparency issue a provision is set up.

Technical provisions Pension scheme a.s.r.-employees
As of 1 January 2021 a DC pension scheme is in place. The existing defined benefit plan has ended and will not be renewed. The accrued pensions (until 1 January 2021) will remain guaranteed at a.s.r. life and are not transferred to the defined contribution plan.

For a.s.r. life the old DB-pension scheme of a.s.r.-employees is involved on the balance sheet under technical provision life. On a.s.r. group level this old DB-scheme is eliminated from the figures and is presented as an employee benefit obligation based on IAS19 valuation.

D.3 **Other liabilities**

D.3.1 Valuation of other liabilities
In line with the valuation of assets, the accounting principles for other liabilities used in the Pillar III reports are generally also based on the IFRS as adopted by the EU. Any differences between the methods for IFRS and Solvency II purposes are addressed in detail per liability category. In this paragraph line items 18-21 from the simplified balance sheet above are described.

18. Pension benefit obligations
a.s.r. has a number of defined benefit plans for own staff in place. These are schemes, under which staff are awarded pension benefits upon retirement, usually dependent on one or more factors such as years of service and salary. The defined benefit obligation is calculated by independent actuaries at each reporting date.

Pension obligations are calculated using the projected unit credit method. Inherent to this method is the application of actuarial assumptions to discount rates, mortality rates and consumer price indices.
The assumptions are reviewed and updated at each reporting date based on available (market) data.

As of 1 January 2021 a defined contribution plan is in place. The existing defined benefit plan has ended and will not be renewed. The accrued pensions (until 1 January 2021) will remain guaranteed at a.s.r. life and are not transferred to the defined contribution plan. The plan amendment is recognised directly through profit of loss.

The financing cost related to employee benefits are included in interest expense. Current service costs are included in operating expenses.

The discount rate (31 December 2021: 0.90%) is based on the return (zero coupon rate) of high-quality corporate bonds (AA rating) and the cash flow pattern of the pension obligation. All other methods used for determining the post-employment benefit defined obligation and assumptions are consistent with those applied in 2020. For SCR purposes, the IFRS value of the own pension contract is based on the IAS19 valuation methodology. The explanatory guidelines explain that the IAS19 valuation is consistent with Solvency II.

A risk margin with respect to the employee benefits is recognised based on the risk margin of the internal insurance contract.

19. Deferred tax liabilities
See 3. Deferred tax assets.

20. Subordinated liabilities
In IFRS the perpetual hybrid loans are classified as equity as there is no requirement to settle the obligation in cash or another financial asset or to exchange financial assets or financial liabilities under conditions that are potentially unfavourable for a.s.r.

According to IFRS, the perpetual hybrid loans are measured at amortised cost. For the purpose of Solvency II, they are both measured at fair value. Directed by the regulator, in Solvency II reporting the perpetual hybrid loans are classified as subordinated liabilities.

21. Other liabilities
Other liabilities contains different line items:

Other long-term employee benefits
Plans that offer benefits for long-service leave but do not qualify as post-employment benefit plans, such as jubilee benefits, are measured at present value using the projected unit credit method and changes are recognised directly through profit or loss.

Other post-retirement obligations
Plans that offer post-retirement benefits, such an arrangement for mortgage loans at favourable interest rates. The entitlement to these benefits is usually conditional on the employee remaining in service up to their retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology that is similar to that for defined benefit plans.

Vacation entitlements
A liability is formed for leave days not taken at year-end.

The regulatory curve is used to determine the discount rate under Pillar 3. For IFRS purposes, the discount rate is determined based on the return (zero coupon rate) on high-quality corporate bonds (AA rating). All assumptions and the projected unit credit calculation method are consistent with those applied in the accounting policies used in the IFRS financial statements.

Debts owed to credit institutions
The valuation of these liabilities follows the Solvency II fair value hierarchy as described in paragraph D.1.1.

Financial liabilities other than debts owed to credit institutions
The valuation of these liabilities follows the IFRS fair value hierarchy as described in paragraph D.1.1.

The valuation has to be consistent with the requirements of Article 75 of the Solvency II directive. Therefore, no adjustments to take account of the change in own credit standing shall take place. However, adjustments for changes in the risk-free rate must be accounted for. This means that the subordinated loans are discounted using the risk-free rate plus a credit spread at inception of the liability.

Insurance and Intermediaries payables
The valuation of these liabilities follows the Solvency II fair value hierarchy as described in paragraph D.1.1 This category is subject to the same valuation as the asset category Cash and Cash equivalents.

Trade payables (non-insurance)
The valuation of these liabilities follows the Solvency II fair value hierarchy as described in paragraph D.1.1 This category is subject to the same valuation as the asset category receivables.

Any other liabilities not disclosed elsewhere
The valuation of these liabilities follows the Solvency II fair value hierarchy as described in paragraph D.1.1. This item consists primarily of tax payables.

Contingent liabilities
Contingent liabilities are defined as:
- a possible obligation depending on whether some uncertain future event occurs, or
- a present obligation but payment is not probable or the amount cannot be measured reliably.

Contingent liabilities are recognised on the IFRS balance sheet if there is a probability of >50% that the contingent liability leads to an 'outflow of resources'. These liabilities are also recognised on the Solvency II balance sheet.

Solvency II prescribes that all contingent liabilities be recognised on the Solvency II balance sheet. This covers cases where the amount cannot be measured reliably or when the probability is <50%. For these cases, a regular process is in place to determine whether contingent liabilities should be recognised on the Solvency II balance sheet.

Using a calculation based on 'opportunity' and 'impact', an amount contingent liabilities is determined. This amount has no material impact on SII balance sheet. As a result the a.s.r. Solvency II capital ratio does not include contingent liabilities.

Actuarial assumptions may differ considerably from actual results due to changes in market conditions, economic developments, mortality trends and other assumptions. Any change in these assumptions can have a significant impact on the defined benefit obligation and future pension costs. Changes in the expected actuarial assumptions and differences with the actual actuarial outcomes are recognised in actuarial gains and losses included in other comprehensive income (component of total equity).

D.3.2 Reconciliation from Solvency II equity to EOF

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

Subordinated liabilities
In accordance with the Delegated Regulation, the subordinated liabilities are part of the EOF. Further information of this liabilities is described in section E.1.4.

Foreseeable dividends and distributions
Dividends for 2021 that are approved after the reporting date are deducted from the available capital position as foreseeable dividends and distributions.

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

Own shares
In accordance with the Delegated Regulation, the amount of own shares held by the insurance and reinsurance undertaking should be eliminated.

Tier 3 limitations
In accordance with the Delegated Regulation, the EOF is divided in tiering components. However, these components have to meet boundary conditions and an exceedance of these limits results in a capping of the EOF.
For a.s.r., capping does not apply per year-end 2021.

D.4 Alternative methods for valuation

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

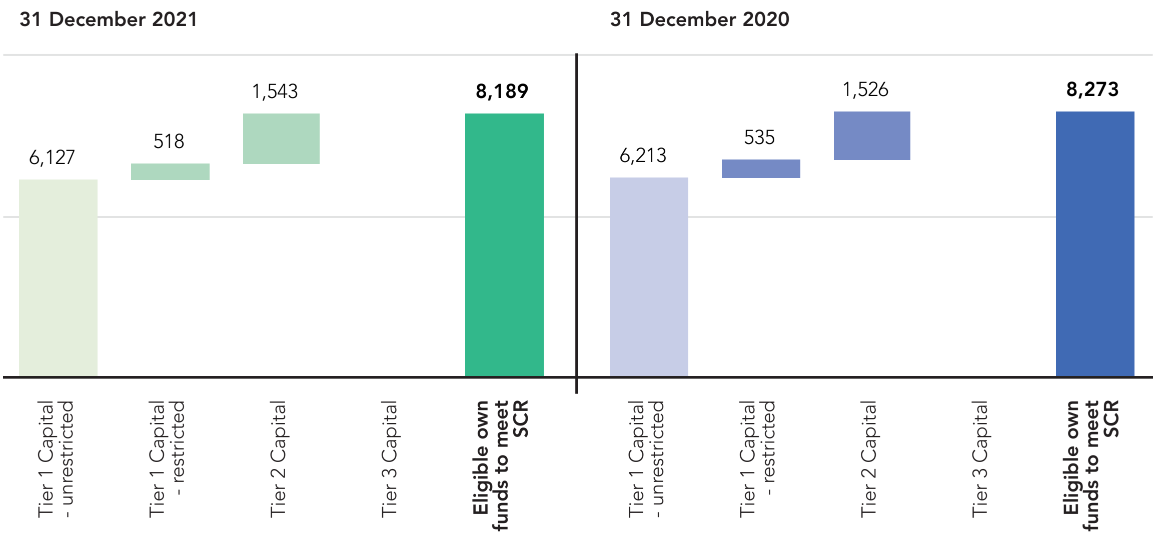
D.5 Any other information

Other material information about valuation does not apply.

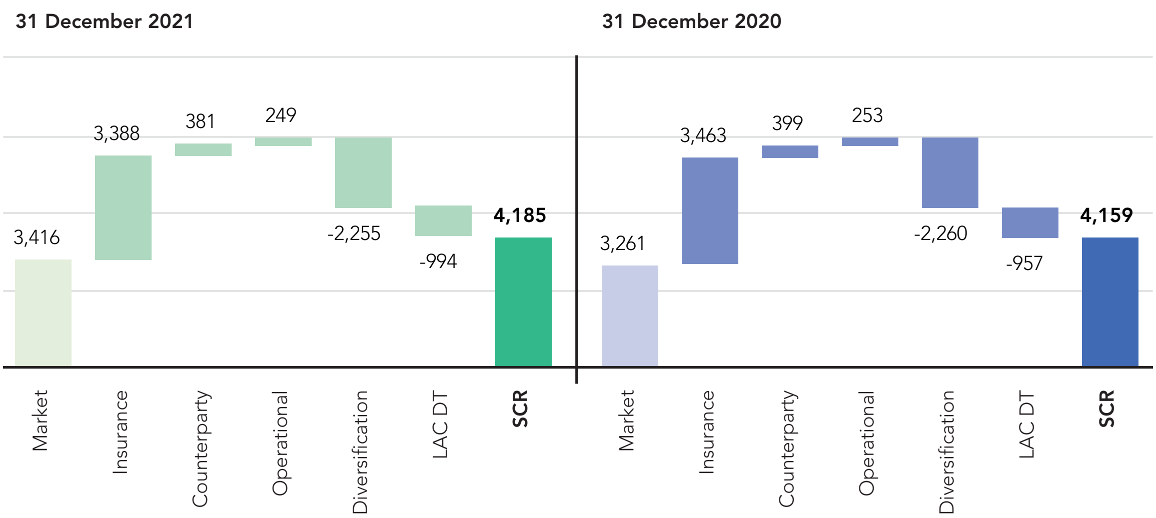
E Capital management

Key figures

Eligible own funds



SCR

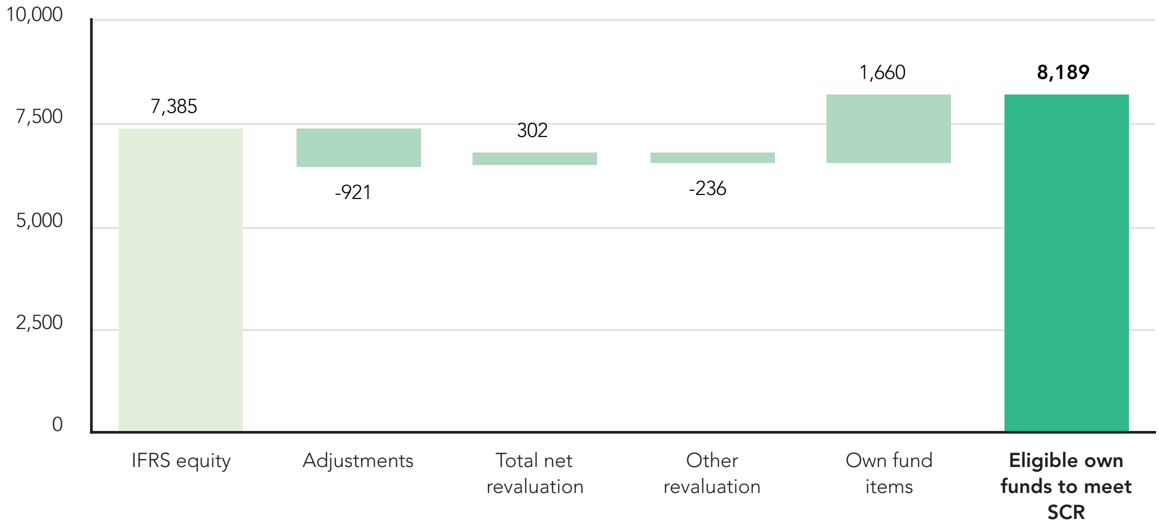


The solvency ratio stood at 196% as at 31 December 2021 after distribution of the proposed dividend and is based on the standard formula as a result of € 8,189 million EOF and € 4,185 million SCR.

The decrease of EOF was mainly driven by the contribution of the organic capital creation, higher equity markets and interest and spread developments partly offset by a lower VA, the UFR reduction, the impact of higher inflation and capital distributions such as dividend.

This increase of the SCR was driven mainly by increased equity risk due to higher equity valuations and higher insurance risk related to Non-life due to the growth of the business, partly offset by lower required capital for insurance risk Life due to higher interest rates and an increased LAC DT due to an increase in the corporate tax rate from 25.0% to 25.8%.

Reconciliation total equity IFRS vs EOF Solvency II



The table above presents the reconciliation of IFRS equity to the solvency II as per 31 December 2021. The main differences between the IFRS equity and EOF Solvency II are:
- Adjustment of other equity instruments (the other equity instruments excludes any discretionary interest);
- Total net revaluation of assets, such as loans and mortgages, and revaluation of the technical provisions;
- Other revaluations mainly elimination of goodwill;
- Own fund items, for example addition of subordinated liabilities, other equity instruments (excluding any discretionary interest), foreseeable dividend and valuation difference of financial institutions.

E.1 Own funds

E.1.1 Capital management objectives

Management

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

If a.s.r. chooses to return capital, it plans to do so in a form that is efficient for shareholders at that time. a.s.r. actively manages its in-force business, which is expected to result in free capital generation over time. Additionally, business improvement and balance sheet restructuring should improve the capital generation capacity while advancing the risk profile of the company. The legal entities are individually capitalised and excess capital over management's targets for the legal entities is intended to be 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. Excess capital that is upstreamed to the holding company is added to and managed in the holding cash buffer until it is further distributed and used to cover dividends, coupons and other holding expenses. The capital and cash attribution to the holding is closely monitored and managed on a continuous basis.

Objectives

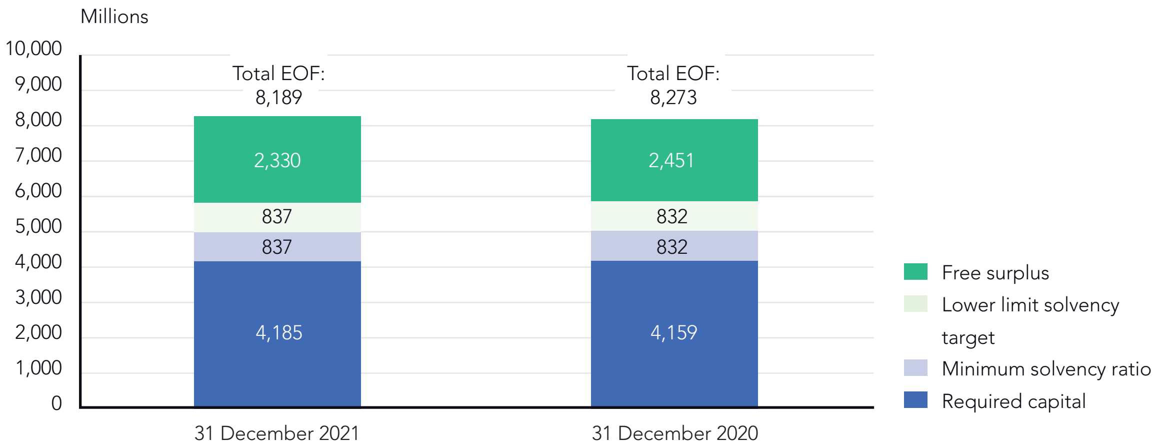
The group is committed to maintain a strong capital position in order to be a robust and sustainable insurer for its policyholders and other stakeholders. The objective is to maintain a solvency ratio well above the minimum levels as defined in the risk appetite statements and above the relevant management threshold levels. Sensitivities are periodically performed for principal risks and annual stress tests are performed to test a.s.r.'s robustness to withstand moderate to severe scenarios. An additional objective is to achieve a combination of a capital position and a risk profile that is at least in line with a 'single A' rating by Standard & Poor's.

The SCR is reported on a quarterly basis and proxies are made on both a monthly and weekly basis. The internal minimum solvency ratio for a.s.r. as formulated in the risk appetite statement is 120%. The lower limit solvency target is 140%. The management threshold level for the solvency ratio is above 160%. The solvency ratio stood at 196% at 31 December 2021 after final dividend, which was comfortably above the internal requirement of 120% and the management threshold level of 160%.

In accordance with a.s.r.'s dividend policy, the liquidity of the underlying entities is not taken into account for the liquidity position of the group. However, the capital is recognised in the capital position of the group, since a.s.r. has the ability to realise the capital of this OTSO, for example by selling the entity. Specifically regarding a.s.r. health basic in 2021, no dividend or capital withdrawals have taken place.

The table below shows how the eligible own funds of a.s.r. relate to the different capital targets.

Market value own funds under SCR



E.1.2 Tiering own funds

The table below details the capital position of a.s.r. as at the dates indicated. With respect to the capital position, Solvency II requires the insurers to categorise own funds into the following three tiers with differing qualifications as eligible available regulatory capital:

- Tier 1 capital consists of Ordinary Share Capital, Reconciliation reserve and restricted capital as described below;
- Tier 2 capital consists of ancillary own funds and basic Tier 2. Ancillary own funds consist of items other than basic own funds which can be called up to absorb losses. Ancillary own fund items require the prior approval of the supervisory authority. a.s.r. has no ancillary own fund items;
- Tier 3 of a.s.r. capital consists of Deferred tax assets.

The rules impose limits on the amount of each tier that can be held to cover capital requirements with the aim of ensuring that the items will be available if needed to absorb any losses that might arise

Eligible Own Funds to meet the SCR

	31 December 2021	31 December 2020
Tier 1 capital - unrestricted	6,127	6,213
Tier 1 capital - restricted	518	535
Tier 2 capital	1,543	1,526
Tier 3 capital	-	-
Eligible own funds to meet SCR	**8,189**	**8,273**

The perpetual hybrid loans are classified as equity, as there is no requirement to settle the obligation in cash or another financial asset or to exchange financial assets or financial liabilities under conditions that are potentially unfavourable for a.s.r. To be sure that the perpetual hybrids may be classified under Own Funds, terms and notes are proposed with DNB.

Together with the consultation regarding the perpetual hybrids, also the tiering is part of this consultation.

E.1.3 Own funds versus MCR

The minimum capital requirement (MCR) calculation is based on the standard formula.

Eligible Own Funds to meet the MCR

	31 December 2021	31 December 2020
Tier 1 capital - unrestricted	6,127	6,213
Tier 1 capital - restricted	518	535
Tier 2 capital	376	380
Tier 3 capital	-	-
Eligible own funds to meet MCR	**7,021**	**7,127**

According to (Directive 2009/138 EU article 230 Sub 2a) the consolidated group SCR shall have as a minimum the sum of the following:

a. the MCR as referred to in Article 129 of the participating insurance or reinsurance undertaking;
b. the proportional share of the MCR of the related insurance and reinsurance undertakings. According to Delegated Regulation article 248 to 251 the MCR of the related insurance and reinsurance undertakings is calculated as a linear function of premiums, technical provisions and capital at risk. The MCR (€ 1,878 million) of a.s.r. equals the sum of the MCR of the related insurance undertakings.

E.1.4 List of hybrid loans

a.s.r. has issued hybrid loans. The details of these loans are shown in the following table:

Hybrid loans

Nr	Description	Nominal amount	Issue date	Tiering
1	ASR NEDERLAND_4.625%_19/04/2199	500,000,000	19-07-2017	1
2	ASR NEDERLAND_5%_30/09/2099	500,000,000	30-09-2014	2
3	ASR NEDERLAND_5.125%_29/09/2045	500,000,000	29-09-2015	2
4	ASR_30NC10_3,375%_02/05/2049	500,000,000	02-05-2019	2

Tiering of the loans is based on self-assessments. These self-assessments have been reviewed by DNB.

E.1.5 Additional information

1. Mergers and Acquisitions

On 26 August 2020, a.s.r. announced the intended acquisition of 50% of the Brand New Day Premiepensioeninstelling N.V. (Brand New Day IORP) shares from Brand New Day Houdstermaatschappij N.V. a.s.r. already held 50% of the shares and is now the sole owner of Brand New Day IORP. The transaction was closed on 1 April 2021.

On 23 December 2021, a.s.r. completed the acquisition of part of the Princess Ariane windpark by acquiring the assets and liabilities of wind farm Wieringermeer. As a result, a.s.r. will be the owner of part of the largest Dutch onshore wind farm. In this way, a.s.r. makes a positive contribution to the energy transition and to preserving a sustainable living environment. The a.s.r. Solvency II ratio is not significantly impacted as a result of the acquisition.

2. Capital Market transactions

a.s.r. did not redeem or issue hybrid or subordinated capital in 2021.

3. Share buyback programme

a.s.r. made additional capital distributions of € 75 million per annum in 2020 and 2021 and intends to distribute another € 75 million in 2022. a.s.r. has the further intention for the medium term after 2022 to make an additional capital distribution of at least€ 100 million per year, on top of the progressive regular dividend. Any additional capital distribution shall be conditional upon our Solvency II ratio (based on the standard formula) to remain above 175% (lowered from 180%), as a.s.r. aims to maintain a robust balance sheet. The additional distribution will be financed from the available OCC, taking into account the regular dividend, room for potential bolt-on acquisitions and re-risking. If there are opportunities for larger acquisitions, this may have implications for the annual additional capital distribution .a.s.r. will assess the possibility of an additional distribution on an annual basis. a.s.r. decided to buy back € 75 million of own shares, starting on 24 February 2022 and to be completed on or before 24 May 2022. Based on a.s.r. reporting policies, the announced share buyback in 2022, is not part of the presented Solvency II ratio per 31 December 2021.

4. Dividend
a.s.r. has proposed a total dividend per share of € 2.42 over the full year 2021 (2020: € 2.04 per share). Taking into account the interim dividend of € 0.82 per share, the final dividend amounts to € 1.60 per share. The final dividend amounts to € 217.3 million based on the number of shares per 31 December 2021. From 2022 onwards, a.s.r. will apply a progressive dividend.

On 18 December 2020, DNB reiterated the recommendation from the European Systemic Risk Board (ESRB) to take the impact of COVID-19 and the low interest rate environment into account in their prospective analysis as part of the dividend proposals. a.s.r. has taken the recommendation into account in preparing the dividend proposal.

5. Deferred tax asset / liabilities
In accordance with the Delegated Regulation and the recommendations of DNB, netting on de balance sheet is only allowed with same tax authority and with same timing. Based on this netting principles, a.s.r. group contains a DTA and a DTL on the balance sheet. For tiering principles the split in DTA and DTL is not applicable.

E.2 **Solvency Capital Requirement**

E.2.1 Method for determining the group solvency capital

Group supervision
a.s.r. is subject to group supervision in accordance with article 212 of the Solvency II directive.
No entities have been excluded from group supervision in accordance with article 214 of the Solvency II directive.

Group solvency
The Solvency II directive prescribes two methods for the calculation of the group solvency:
- method 1 - Standard method based on consolidation of financial statements (Solvency II Directive - article 230, Delegated Regulation - articles 336-340);
- method 2 - Alternative method based on deduction and aggregation (Solvency II Directive - article 233, Delegated Regulation - article 336-342).

a.s.r. applies method 1 (Solvency II Standard method) for the determination of the group solvency. The basis for this is the consolidation structure used for the IFRS financial statements, with exemption of financial institutions.

The consolidated data are calculated based on the consolidated financial statements, which is valued in accordance with the Solvency II regulations concerning the determination and valuation of the balance sheet, as well as the inclusion and treatment of the associated companies.

The Solvency II ratio excluding and including financial institutions are both presented in the next paragraph. However, in external publications only the Solvency II ratio excluding financial institutions is reported, as the majority of the a.s.r. activitities are insurance related.

Group solvency is calculated as the difference between:
a) the own funds eligible to cover the SCR, calculated based on consolidated data;
b) the SCR at group level calculated based on consolidated data.

The determination of the group Solvency II requirement and EOF is discussed below.

Group capital add-on If the consolidated group SCR does not appropriately reflect the risk profile of the group, a capital add-on to the SCR may be imposed.

The group capital add-on consists of the following components:
- risk profile capital add-on;
- governance capital add-on.

a.s.r. applies no group capital add-on.

Calculation of the group consolidated Solvency Capital Requirement
The starting point in determining the consolidated SCR of the group is the consolidated Solvency II balance sheet as described above. The risk calculations are performed on the following basis:
- market risks are based on the consolidated balance sheet;
- insurance risks are based on the sum of the underlying insurance risks for each insurance undertaking;
- counterparty default risk is based on the consolidated balance sheet;
- operational risk is based on the consolidated balance sheet.

Differences may arise between the results of the risk calculations of the group and the sum of the underlying entities:

- diversification benefits within the market risk as a result of using consolidated data. a.s.r. calculates the market risk for the insurance entities and for the group. At group level all subsidiaries are consolidated, which results in additional market risk (equity risk) for these entities;
- intercompany relationships between entities, and between entities and the holding company are eliminated at group level.

For the calculation of the required capital that should be held for the participations, it is of interest if the look-through approach is applicable or not. The underlying investments should be shocked by the relevant SCR modules (interest rates, real estate, counterparty concentration) if the look through approach is applicable.
a.s.r. applies Method 1 for consolidation; this means that, amongst others, the ancillary service entities are to be consolidated on line-by-line basis. The individual SCRs are calculated on this basis. The look through approach has to be applied.

Finally, at group level the SCR of financial institutions are added. Financial institutions are not consolidated. All other entities within the group are consolidated.

E.2.2 Solvency ratio and a.s.r. ratings

Capital requirement
The required capital stood at € 4,185 million per 31 December 2021 (2020: € 4,159 million). The required capital (before diversification) consists for 2021 € 3,416 million out of market risk and the insurance risk amounted to € 3,388 million.

a.s.r.'s Solvency II ratio, including financial institutions, complied during 2021 with the applicable externally imposed capital requirement. The capital requirements of the financial institutions fall under a different sectoral supervision regime.

The table below presents the solvency ratio at group level as at the date indicated.

Eligible own funds to meet the SCR

	31 December 2021	31 December 2020
Eligible Own Funds Solvency II	8,189	8,273
Required capital	4,185	4,159
Solvency II ratio excluding Financial Institutions	**196%**	**199%**
Eligible Own Funds Solvency II	8,270	8,351
Required capital	4,233	4,200
Solvency II ratio including Financial Institutions	**195%**	**199%**

The Solvency II ratio stood at 196% (excluding financial institutions) as at 31 December 2021 (2020: 199%). The Solvency II ratio including financial institutions stood at 195% as at 31 December 2021 (2020: 199%). The Solvency II ratios presented are not final until filed with the regulators.

Based on the knowledge and insights we have today we expect both positive as well as negative impact on the business and financial performance from the COVID-19 crisis. However, this has up to now had a limited impact on the solvency position of a.s.r.

Under Solvency II it is permitted to reduce the required capital with the mitigating tax effects resulting from a 1-in-200-year loss (Shock loss). There is a mitigating tax effect to the extent that the Shock loss (BSCR + Operational risk) is deductible for tax purposes and can be compensated with taxable profits. This positive tax effect can only be taken into account when sufficiently substantiated ('more likely than not'). a.s.r. included a beneficial effect on its solvency ratio(s) due to the application of the LAC DT. The LAC DT benefit was € 994 million at year-end 2021.

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

a.s.r. uses an advanced model for the LAC DT of both a.s.r. life and a.s.r. non-life and a 'basic' model for a.s.r. health basic and supplementary. In the advanced model future fiscal profits are used to underpin the LAC DT, while in the basic model no future profits are used. Both models are and will be updated in case constrained by additional guidance or legislation provided.

The a.s.r. solvency ratio does not include any contingent liability potentially arising from any of the current and / or future legal proceedings in relation to unit-linked insurance contracts or for other products sold, issued or advised on by a.s.r.'s insurance subsidiaries in the past, the reason being that it is impossible at this time to make reliable estimates because the book of policies of a.s.r. dates back many years, contains of a variety of products with different features and conditions and because of the fact that rulings are diverse.

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 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., a.s.r. life and a.s.r. non-life on 14 September 2021.

Ratings per legal entity

Ratings Standard & Poor's	Type	Rating	Outlook	Rating & outlook since
ASR Nederland N.V.	CCR	BBB+	Stable	15 May 2014
ASR Levensverzekering N.V.	FSR	A	Stable	23 August 2012
ASR Levensverzekering N.V.	CCR	A	Stable	23 August 2012
ASR Schadeverzekering N.V.	FSR	A	Stable	23 August 2012
ASR Schadeverzekering N.V.	CCR	A	Stable	23 August 2012

CCR: counterparty credit rating
FSR: financial strength rating

Rating reports can be found on the corporate website: www.asrnl.com

E.3 Use of standard equity risk sub-module in calculation of Solvency Capital Requirement

Transitional measure for equity risk applies for shares in portfolio at 01-01-2016. The SCR equity shock is 22% at 01-01-2016, and linear increasing to (i) 39% + symmetric adjustment for type I shares and (ii) 49% + symmetric adjustment for type II shares.

E.4 Differences between Standard Formula and internal models

a.s.r. solvency is governed by a standard formula, rather than the self-developed internal model. The EB believes that this should enhance transparency and consistent interpretation.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

As a.s.r. has not faced any form of non-compliance with the MCR or significant non-compliance with the SCR during the reporting period or at the reporting date, no further information is included here.

Contact details

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We like to receive feedback or questions from our stakeholders on our annual report. If you want to give us feedback, please feel free to contact us.

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