SFCR
ASR Schade-verzekering N.V.
2022

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

SFCR ASR Schadeverzekering N.V.

2022

Contents

Introduction

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

All amounts in this report, including the amounts quoted in the tables, are presented in millions of euros (€ million), being the functional currency of ASR Schadeverzekering N.V. (hereafter referred to as a.s.r. non-life), unless otherwise stated.

Summary

The 2022 SFCR provides a.s.r. non-life stakeholders insight in:

A. Business and performance

The Solvency II ratio stood at 160% as at 31 December 2022 including the deduction of a plannen dividend upstream to a.s.r. Group, as a result of € 2,017 million Eligible Own Funds (EOF) and € 1,264 million Solvency Capital Requirement (SCR). Excluding the deduction of the planned dividend upstream the ratio stood at 167%.

a.s.r. non-life generated € 3,156 million in Gross Written Premiums (GWP) in 2022 (2021: € 2,892), due to organic growth both in P&C and Disability.

The net result for 2022 (€ -61 million) was € 319 million lower than for 2021 (€ 258 million). The decrease was mainly driven by fair value revaluations. An increase in market interest rates led to negative revaluations of derivatives and mortgage funds and impairments on participations in fixed income funds.

Operating expenses (including investment cost) increased by € 14 million to € 246 million (2021: € 231 million) mostly driven by organic volume growth at relatively fixed costs. The combined ratio decreased slightly to 91.7% (2021: 91.8%) due to a decrease in the commission ratio and expense ratio that more than offset the increase in the claims ratio.

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

B. System of governance

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

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

The SB is responsible for advising the EB, supervising its policies and the general state of affairs relating to a.s.r. and its group entities. Next to the EB, there is also a Business Executive Committee (BEC). The task of the BEC is to support the EB in implementing and realising a.s.r.'s objectives and executing the (business) strategy with the associated risk profile.

Risk management
It is of great importance to a.s.r. that risks within all business lines are timely and adequately controlled. In order to do so, a.s.r. has 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 department is to enhance and ensure a controlled and sound business operation. The Audit Department evaluates the effectiveness of governance, risk management and internal control processes, and gives practical advice on process optimisation.

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

C. Risk profile

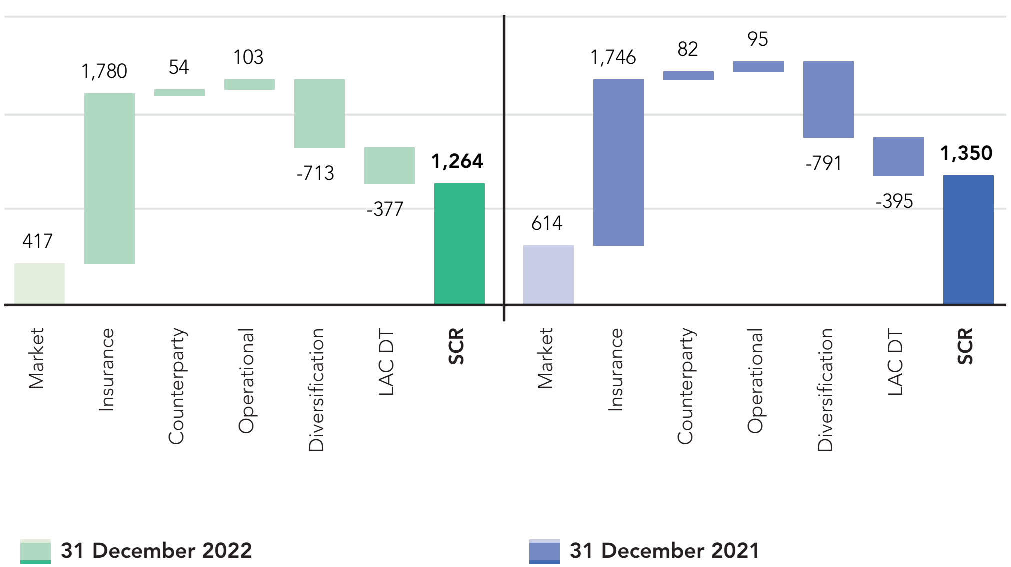
a.s.r. non-life applies an integrated approach in managing risks, ensuring that our strategic goals (customer interests, financial solidity and efficiency of processes) are maintained. This integrated approach ensures that value will be created by identifying the right balance between risk and return, while ensuring that obligations towards our stakeholders are met.

Risk management supports a.s.r. non-life in the identification, measurement and management of risks and monitors to ensure adequate and immediate actions are taken in the event of changes in a.s.r. non-life's risk profile.

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

The SCR is build up as follows:

Solvency capital requirement



Full details on the a.s.r. non-life's risk profile are described in chapter C Risk profile (page 33).

D. Valuation for Solvency purposes

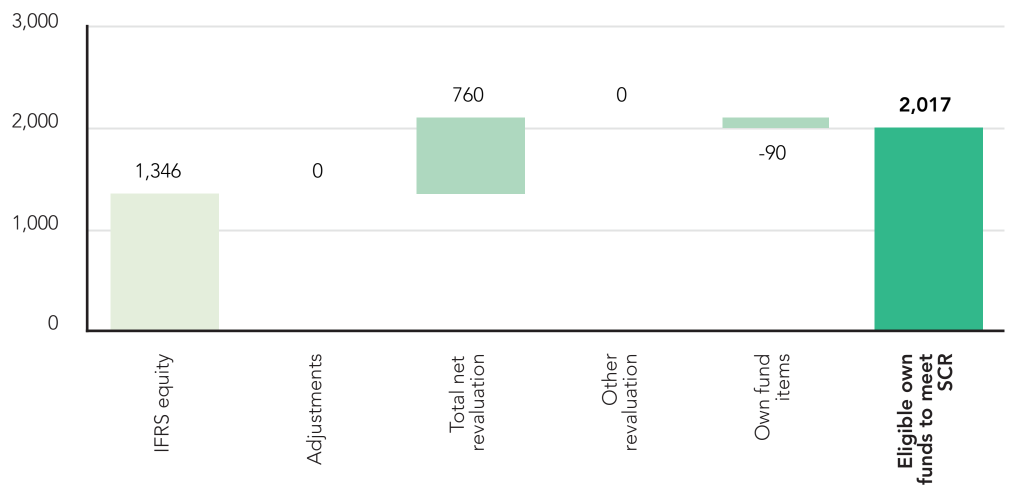
a.s.r. non-life values its Solvency II balance sheet items on a basis that reflects their economic value. Where the IFRS fair value is consistent with Solvency II requirements, a.s.r. non-life follows IFRS for valuing assets and liabilities other than technical provisions.

The reconciliation of IFRS equity and Excess Assets over Liabilities (Solvency II basis) can be summarised as follows:

- derecognition of items on the Solvency II economic balance sheet which are admissible on the IFRS balance sheet, for instance goodwill, pre-paid commissions and other intangible assets;
- revaluation differences on mainly insurance liabilities and other assets which are valued other than fair value in the IFRS balance sheet.

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

Reconciliation total equity IFRS vs EOF Solvency II



Full details on the reconciliation between a.s.r. non-life's economic balance sheet based on Solvency II and consolidated financial statements based on IFRS are described in chapter D Valuation for solvency purposes (page 57).

E. Capital management

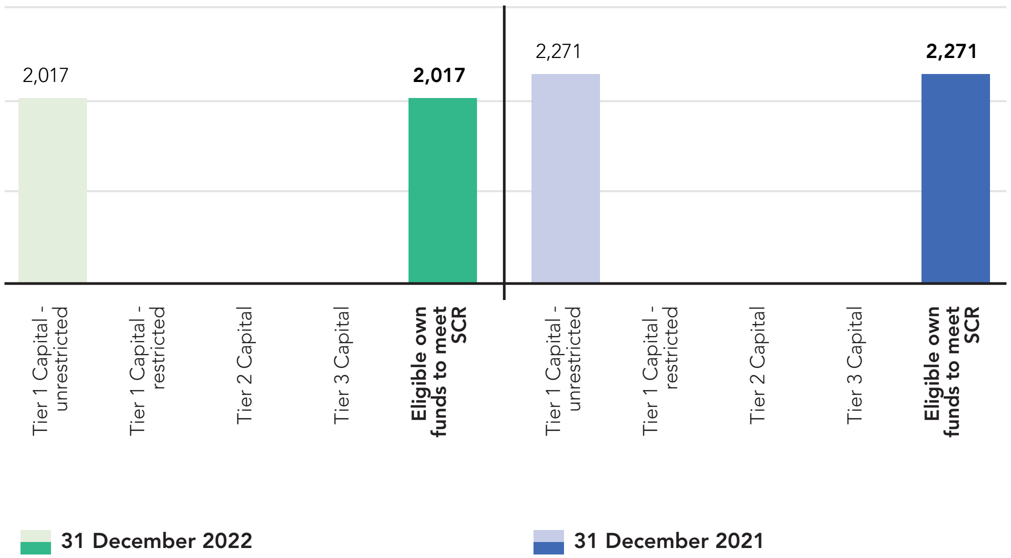
Overall capital management is administered at group level. Capital generated by operating units and future capital releases will be allocated to profitable growth of new business or repatriated to shareholders, beyond the capital that is needed to achieve management's targets.

a.s.r. non-life has no internal model and follows the default method for the determination of the group solvency.

a.s.r. non-life maintains an internal minimum and management target for the Solvency II ratio. The internal minimum Solvency II ratio for a.s.r. non-life as formulated in the risk appetite statement is 110%. The management threshold level for the Solvency II ratio is above 150% a.s.r. only distributes cash dividends if the interest of the policyholders has been ensured (i.e. a Solvency II ratio above 130%). The Solvency II ratio stood was 160% at 31 December 2022.

The EOF is build up as follows:

Eligible Own Funds



The EOF decreased to € 2,017 million at 31 December 2022 (31 December 2021: € 2,271 million).

Full details on the capital management of a.s.r. non-life can be found in chapter E Capital Management (page 67).

A Business and performance

A.1 **Business**

A.1.1 Profile

Object of the company
ASR Schadeverzekering N.V. (a.s.r. non-life) is a subsidiary of ASR Nederland N.V. (a.s.r. or group). a.s.r. non-life intends to enable people to be insured against risks they are unable or unwilling to bear themselves. a.s.r. non-life is convinced that its main strategic principle is justified by thinking in terms of customer interests and perception. The products and services of a.s.r. non-life must be in line with this.

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

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

Also a lot of attention is paid to our social role and sustainability. A concrete example of this is the option for customers claiming on their residential fire insurance to spend 10% extra on top of the damage claimed on making their home climate neutral. Besides promoting sustainable damage repair, a.s.r. non-life opened a sustainability desk for advisors with questions about new, sustainable initiatives and whether these are insurable with a.s.r. non-life. a.s.r. was again rated as the most sustainable insurance company worldwide by Sustainalitics on their Environmental, Social and Governance (ESG) Risk Rating in September 2022. According to Sustainalitics, a.s.r. has a negligible risk for several ESG criteria relevant to insurers, for example integration of ESG in insurance products. a.s.r. joined the Net-Zero Insurance Alliance (NZIA) to reduce CO_2 emissions in its insurance portfolio. Target of the partnership is to make the insurance portfolio climate neutral by 2050.

Core activities
a.s.r. non-life offers all forms of non-life insurance to retail and commercial customers. These cover the risks of damage to motor vehicles, damage caused by fire or severe weather conditions, travel and recreation, bodily injury, personal liability, legal assistance and disability.

P&C
a.s.r. non-life ranks among the top three property and casualty (P&C) insurers in the Netherlands, with a market share of 13.8%[1] in 2021 (2020: 14.1%), measured by gross written premiums (GWP).

a.s.r. non-life offers P&C products for the retail and commercial markets under the brands a.s.r., Ditzo and Europeesche Verzekeringen. The a.s.r. brand focuses on the retail and commercial markets via advisors and mandated brokers, and Ditzo via direct online distribution to individuals.

Additionally, the underwriting company Corins operates independently on the Dutch co-insurance market. In addition to a.s.r. non-life, Corins represents a panel of reputable international (re)insurers, serving VNAB brokers on the Dutch insurance exchange market. a.s.r. non-life's market position has been significantly strengthened in recent years through the acquisition of Generali and through strong organic growth in a market characterised by disciplinary and economic pricing. Europeesche Verzekeringen offers travel and recreational insurance via travel agents. The combined ratio (COR) was 93.9% (2021: 91.9%). Despite the increase of 2%-points, the combined ratio and underlying business performance remained strong. 2021 was impacted positively by COVID-19 restrictions, partly offset by the July floods and reserve strengthening. This year, weather related calamities (the 'triple storm'in February) and large claims had a higher impact than last year, and the level of claims rose due to increased traffic intensity as lockdown measures were lifted.

1 Source: Market shares DNB 2021. Market shares 2022 are not available yet.

Combined ratio P&C

(in %)

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

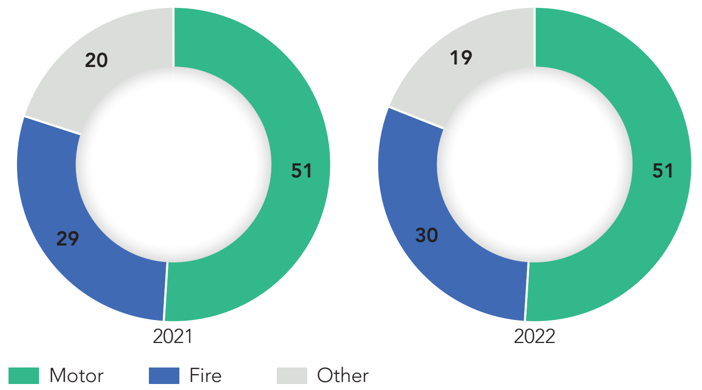
Motor
Motor policies for retail and commercial customers provide third party liability coverage for motor vehicles and commercial fleets, property damage and bodily injury as well as coverage against theft, fire and collision damage;

Fire
Fire policies for retail and commercial customers provide coverage against various property risks, including fire, flood, storms and burglary. Private coverage is provided on both a single- and multi-risk basis, with multi-risk policies providing coverage both against loss of, or damage to, dwellings and damage to personal goods;

Other
Other P&C insurance products such as liability, legal aid, travel and recreation, and transport insurance.

Product share P&C

(in %)



Disability
a.s.r. non-life is the market leader with a market share of 32.7% (2021: 30.6%) in terms of GWP. The income insurance market grew slightly in size to € 3.97 billion[1].

The combined ratio of Disability dropped to 89.3% (2021: 91.6%) mainly due to a reduction in cost of claims and cost control.

Combined ratio Disability

(in %)

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

1 Source: Market shares DNB 2021. This does not include foreign providers licensed for the Dutch insurance market. 2022 market shares are not available yet.

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;
- Products for employees to cover the payment of fixed expenses in the event of sickness or disability, or to cover loss of income above the wage limit in the event of sickness or disability.

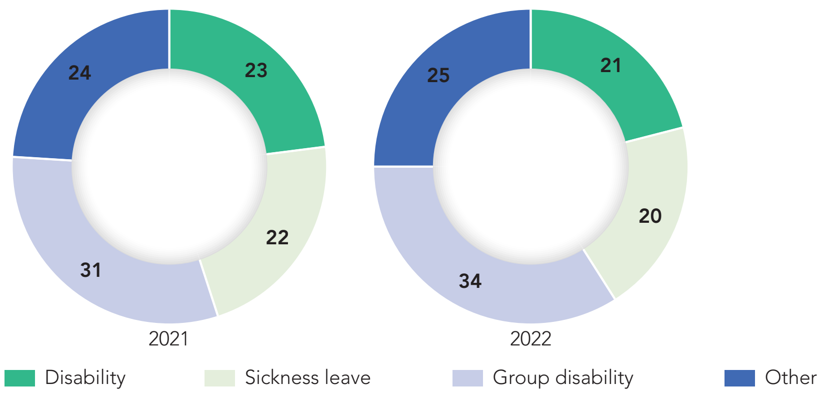
Sickness leave
Products for employers to cover the costs associated with the employers' obligation to continue to pay wages in the event of employee sickness for a maximum of two years.

Group disability
- Products for (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 WIA.

Services
A broad range of preventive and re-integration services focused at sustainable employability.

Product share Disability[1]

(in %)



1 Source: PM report fourth quarter 2021

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

Brands
a.s.r. non-life focuses on retail and commercial customers and serves them with four strong brands: a.s.r., Ditzo, Europeesche Verzekeringen and Loyalis, via the intermediary channel as well as the direct channel. These brands have their own distinctive roles and they reinforce each other in that role.
- Through the brand of a.s.r. P&C products as well as disability products are offered to private and commercial customers. The a.s.r. brand is built around the concept of 'helping by doing'. This is exemplified by the offering of additional products and services alongside insurance cover, like the promotion of sustainable damage repair and services in the field of sustainable employability;
- Ditzo is the online provider of non-life insurances for customers who prefer to arrange everything themselves online;
- De Europeesche Verzekeringen provides travel insurance and cancellation insurance by travel agencies;
- Under the Loyalis brand a.s.r. non-life offers (semi) collective disability (WIA and WGA) and sickness leave products directly to mid and large sized corporates.

Legal structure of the company
a.s.r. non-life is a wholly-owned subsidiary of a.s.r. a.s.r. is a public limited company under Dutch law having its registered office located at Archimedeslaan 10, 3584 BA in Utrecht, the Netherlands, and registered with the Dutch Chamber of Commerce under number 30070695. a.s.r. has chosen the Netherlands as 'country of origin' (land van herkomst) for the issued share capital and corporate bonds which are listed on Euronext Amsterdam and Euronext Dublin (Ticker: ASRNL).

Internal organisational structure and staffing
a.s.r. non-life consists of two product lines, each with its own management team (MT). In 2022, Ditzo ceased to be a seprate product line. The Ditzo staff migrated to the different departments within P&C, especially Retail.

P&C
The organisational structure of the P&C product line is in line with its growth ambition and its vision for 2020 - 2025. It is now divided into the following departments:

- Retail;
- Small and Medium Enterprises (SME);
- Authorised agents & Intermediary distribution;
- Personal injury;

- Product & Customer;
- Digital, Data & Change.

Disability
The Disability business consists of the following departments: Group disability (including Sickness leave), Disability self-employed, Re-integration and Services, Information management, Loyalis, Marketing and Sales. The Loyalis operations are located in the Heerlen office.

Headcount
The total internal work force of a.s.r. non-life at year-end 2022 is 1,310 (2021: 1,287). The FTEs were employed by a.s.r.

Employees of a.s.r. non-life

in FTE	2022	2021
P&C	716	661
Disability (including Loyalis)	594	578
Ditzo	-	48

Strategy and achievements

P&C
a.s.r. non-life has a strong track record being profitable, with a good customer appreciation score. Long-term growth is typically driven by the increase of the gross domestic product. a.s.r. non-life 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. non-life (via the Ditzo label) is stable and profitable. a.s.r. non-life expanded its traditional product portfolio with offering sustainable P&C insurance at the end of 2021 via ASN Bank. In 2022, more products have been launched.

Simplifying and modernising the IT landscape is an important part of the strategy. In 2022, the P&C commercial portfolio was converted to the AXON platform, and the old systems were decommissioned. This enables further digitalisation of the chain, improvement of services to customers and advisors, and cost reduction.

Through further digitalisation, the "My environment" for customers has been expanded. By the end of 2022 over 166,000 customers had created accounts for the "My environment" (2021: approximately 80,000). Customers assign P&C a NPS-c score of 59 (2021: 59).

NPS-c P&C

(-100 to +100)

New sustainable features are continually added to a.s.r. non-life'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. non-life works with a sustainable repair network (affiliated to Stichting Groen Gedaan). Corporate customers receive sustainability advice after the risk assessment. The underwriters assess whether risks that are more difficult to insure from a technical insurance perspective, but that have a strong positive impact on climate change, can nevertheless be insured, partly in order to stimulate such initiatives. To encourage corporate customers to improve the sustainability of their companies, a.s.r. non-life has set up a pilot in partnership with Klimaatroute. Consumers and intermediairies may find information for example on how to make an energy transition or how to adapt to climate change on our 'sustainable living' internet platform.

Disability
a.s.r. non-life aims to serve customers with best-in-class insurance products, prevention and reintegration services and an excellent service. Customers (self-employed individuals and employers) want to stay employable and prevent their employees from dropping out. And if that is not possible for a while, to be well assured of an income.The mission of a.s.r. non-life is that it wants to keep all its customers employable and insured. Through a.s.r. non-life's prevention and reintegration services, a.s.r. non-life helps its customers to ensure optimal employability of themselves and their employees. This helps reduce absenteeism among customers and control the cost of claims, keeping risks affordable and insurable.

a.s.r. non-life focuses on further improving its service by digitising customer processes, reducing paper flows, offering convenience and personalised customer service. Examples include the further development of the My Environment and the implementation of salary links for a uniform and user-friendly participant administration.

There are digital links with health and safety services so that a.s.r. non-life can unburden the employer and pass on sickness and recovery reports of sick employees to chain partners.

Within the semi-public segment, a large master contract was signed in 2022 under the Loyalis label in the healthcare sector with a high conversion rate. This is partly due to the fully automated application process that participating institutions can use to ensure speed, convenience and predictability of the operational process. a.s.r. has launched a fully digital application process, allowing advisers and business owners to benefit from shorter lead times and have more insight into the progress of the acceptance process.

Besides a.s.r. non-life's professionalism and the skills of its employees, a.s.r. non-life's service is characterised by speed, quality and a personal approach. a.s.r. non-life aims to build long-term relationships with its customers and insurance advisors. Customer appreciation is a key performance indicator. This is measured, among other things, through a NPS related to customer contact moments and a NPS related to the execution of operational processes.

The NPS-c of Disability improved to 65 in 2022 (2021: 60).

NPS-c Disability

Market and distribution developments

P&C

The Dutch P&C market is fairly consolidated. The three top P&C insurers have a combined market share of 66%[1] (2020: 64%). Consolidation has also occurred among the distribution parties and mandated brokers.

Government measures in recent years due to COVID-19 drove further digitalisation of customer service such as more online distribution, the use of customer portals, advice via video calls and the use of live chats. The ending of the COVID-19 lockdown measures had a positive impact on the travel market and consequently, on the turnover of Europeesche Verzekeringen.

The government intends to make service commission for retail P&C insurance transparent. Advisors will be required to actively inform customers of the average amount of commission per product and per person. This could provide a stimulus for change in the distribution landscape.

Disability

Distribution of income insurance products is mainly through insurance advisors. With the a.s.r. label, a.s.r. non-life is well positioned in the distribution channel serving self-employed individuals and SMEs. With the Loyalis label, a.s.r. non-life has a good position in the government and education, transport, healthcare and other (semi-)public sectors.

Distribution through mandated agents has increased in recent years, reaching € 664 million[2]. This is 16.7% (2020: 15%) of the total market (GWP) for income protection insurance. At a.s.r. non-life, 24.1% (2021: 23%) of its Disability GWP was realised through mandated agents in 2022.

Internal control of processes and procedures

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

Every quarter, the outcomes are reported to the Business Risk Committees (BRC) of the relevant product lines, as well as to the Non-Financial Risk Committee (NFRC) of a.s.r. This report also focuses on the management of strategic and compliance risks.

New products and services with the corresponding customer brochures are subjected to an internal ‘Product Approval and Review Process’ (PARP). Submitting products and services to customer and intermediary panels is often part of this before the PARP board gives its approval. It is assessed to what extent the wishes and ideas of customers can be included in the product development.

Existing products and services are regularly tested against the changing customer needs based on PARP. In addition, work processes are reviewed from a customer’s point of view. In this context, a process (for example, making a notice of a claim) from the first to the last step is presented to customers and their comments are taken into account in order to improve the process so that it better meets the needs and expectations of the customer. Ultimately, this is reflected in the customer’s valuation as measured by the NPS. In addition to this customer survey, the customer has also been asked since 2013 to give his opinion after direct contact with a.s.r. non-life. This ‘Closed Loop Feedback’ has shown a continuously rising trend line in customer appreciation since 2014. In 2022, a.s.r. non-life started a new initiative to improve the quality of its processes: regular service recovery calls with customer who just had a handled claim. These calls give more in-depth insight in the experiences of customers with the claim handling process.

1 Source: Market shares DNB 2021. Market shares 2022 are not available yet.
2 Source: Mandated brokers 2021 market report Dutch Association of Insurers and NVGA, published in March 2022

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

Quality control

a.s.r. non-life is a financial service provider that prioritises the protection of everything that is important to customers. After all, providing security to customers is our main strategic principle. a.s.r. non-life's quality management is aimed at putting the client's interests first and achieving the highest possible customer satisfaction and service. The quality management contains policies, guidelines and principles about how a.s.r. non-life wants to serve (internal and external) customers and wants to cooperate with business partners. This is put into practise in all contacts with customers and business partners. The policy aims to set a standard for a.s.r. non-life. It is used in actively complying with the quality standards for providing customer-focused insurance and a continuous improvement of service provision.

In order to achieve this, the customer-oriented objectives were translated into operational KPI's that are managed on a daily basis. The results are shared periodically at all levels within a.s.r. non-life. Quality management is assured by means of the Management in Control framework referred to above.

Finance

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

a.s.r. actively manages its in-force business, which is expected to result in free capital generation over time. Additionally, business improvement and balance sheet restructuring should improve the capital generation capacity while advancing the risk profile of the company. a.s.r. non-life is capitalised separately, and excess capital over management's targets are intended to be up-streamed to the holding company to the extent local regulations allow and within the internal risk appetite statement. In 2022, total capital upstreams of € 176 million (2021: € 142 million) to the holding company took place.

A.1.2 General information

The SFCR has been prepared by and is the sole responsibility of the Company's management. Selected Own Funds and SCR information are also reported in a.s.r. financial statements. KPMG has examined the 2022 financial statements and issued an unqualified audit report thereon. The SFCR is not in scope of the KPMG audit.

Name and contact details of the supervisory authority

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

Name and contact details of the external auditor

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

A.2 Key figures

- The net result for the year amounted to € -61 million (2021: € 258 million);
- GWP increased by 9.1% to € 3,156 million (2021: € 2,892 million);
- Operating expenses increased by 6.1% to € -246 million (2021: € -231 million);
- Combined ratio decreased slightly to 91.7% (2021: 91.8%).

Key figures a.s.r. non-life

(in €)	2022	2021
Gross written premiums	3,156	2,892
Operating expenses	-246	-231
Result before tax from continuing operations	-93	342
Income tax (expense) / gain	32	-84
Result for the year	-61	258
Net result attributable to holders of equity instruments	-61	258
Combined ratio	**91.7%**	**91.8%**
- Claims ratio	65.4%	64.9%
- Commission ratio	18.4%	18.8%
- Expense ratio	7.8%	8.0%

Gross written premiums

GWP increased by 9.1% (€ 263 million) to € 3,156 million, due to organic growth both in P&C and Disability. Disability increased by € 198 million, driven by increased sales volumes, tariff adjustments (mainly in Disability) and the closing of a new collective disability insurance agreement as part of the collective labour agreement for the nursing and home care employee sector. P&C increased by € 66 million, mostly in the commercial market and in travel insurance after lockdown restrictions were lifted.

Operating expenses

Operating expenses (including investment costs) increased by € 14 million (6.1%) to € 246 million (2021: € 231 million), mostly driven by organic volume growth at relatively fixed costs. As a result, the cost ratio of a.s.r. non-life improved to 7.8% (2021: 8.0%).

Result for the year

The net result for 2022 (€ -61 million) was € 319 million lower than for 2021 (€ 258 million). The decrease was mainly driven by fair value revaluations. An increase in market interest rates led to negative revaluations of derivatives and mortgage funds and impairments on participations in fixed income funds.

Combined ratio

The COR decreased slightly to 91.7% (2021: 91.8%) due to a decrease in the commission ratio and expense ratio that more than offset the increase in the claims ratio.

In P&C, the COR amounted to 93.9% (2021: 91.9%). Despite the increase of 2%-points, the combined ratio and underlying business performance remained strong. 2021 was impacted positively by COVID-19 restrictions, partly offset by the July floods and reserve strengthening. This year, weather related calamities (the 'triple storm'in February) and large claims had a higher impact than last year, and the level of claims rose due to increased traffic intensity as lockdown measures were lifted.

In Disability, the COR amounted to 89.3% (2021: 91.6%). The COR improved by 2.3%-point mainly due to improved underwriting results in Individual Disability and Sickness leave. The impact of the 8% extra increase of the minimum wage to a total of 10% was excluded from the COR. The COR including this impact amounted to 95.6%. (+6.2%-points).

A.3 Investment performance

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

A.3.1 Financial assets and derivatives

Investments

	31 December 2022	31 December 2021
Available for sale	4,561	6,006
At fair value through profit or loss	2,758	2,648
	7,319	**8,654**

Breakdown of investments

	31 December 2022			31 December 2021		
	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	2,058	-	2,058	3,041	-	3,041
Corporate bonds	1,482	-	1,482	1,621	-	1,621
Asset-backed securities	48	-	48	92	-	92
Preference shares	61	-	61	63	-	63
Equities and similar investments						
Equities	606	2	608	908	2	910
Real estate equity funds	-	706	706	-	712	712
Mortgage equity funds	303	466	769	278	726	1,003
Private debt equity funds	-	90	90	-	65	65
Other participating interests	5	-	5	4	-	4
Subsidiaries	-	1,494	1,494	-	1,144	1,144
Total investments	**4,561**	**2,758**	**7,319**	**6,006**	**2,648**	**8,654**

Government bonds decreased mainly due to redemptions and negative revaluations due to increasing interest rates. The equities consist primarily of listed equities and investment funds. The equities decreased due to disposals and negative revaluations.

Subsidiaries at fair value through profit or loss relates to the investment in ASR Separate Account Mortgage Fund (ASR SAM).

All investments at fair value through profit or loss are designated as such by a.s.r. non-life upon initial recognition. Within investments in real estate equity funds and mortgage equity funds are the associates, for which a.s.r. non-life applies the option to measure these associates as at fair value through profit or loss under IAS 39.

Based on their contractual maturity, an amount of € 3,193 million (2021: € 4,141 million) of fixed income investments is expected to be recovered after more than one year after the balance sheet date. For assets without a contractual maturity date, it is expected that they will be recovered after more than one year after the balance sheet date.

Breakdown of investment income per category

	2022	2021
Interest income from receivables due from credit institutions	1	-
Interest income from investments	80	54
Interest income from amounts due from customers	4	1
Interest income from derivatives	22	18
Other interest income	2	1
Interest income	**109**	**75**
Dividend on equities	19	19
Dividend on real estate equity funds	20	17
Dividend on mortgage equity funds	18	17
Dividend on private debt funds	2	1
Rentals from investment property	1	1
Dividend and other investment income	**60**	**56**
Total Investment income	**169**	**130**

The effective interest method has been applied to an amount of € 85 million (2021: € 56 million) of the interest income from financial assets not classified at fair value through profit or loss. Interest income includes € 1 million (2021: nil) in interest received on impaired fixed-income securities.

A.3.2 Consolidated statement of comprehensive income

Consolidated statement of comprehensive income for the year ended 31 December

(in € millions)	Note	2022	2021
Net result		-61	258
Unrealised change in value of available for sale assets		-776	19
Realised gains/(losses) on available for sale assets reclassified to profit or loss		-171	-44
Shadow accounting		159	179
Income tax on items that may be reclassified subsequently to profit or loss		187	-31
Total items that may be reclassified subsequently to profit or loss		**-600**	**123**
Total other comprehensive income, after tax		**-600**	**123**
Total comprehensive income		**-660**	**381**

A.3.3 Information about investments in securities

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

A.4 **Performance of other activities**

No other activities are material.

A.5 **Any other information**

Triple storms in February

In February 2022, the Netherlands were hit by a series of three heavy storms named Dudley, Eunice and Franklin, of which the second one caused by far the most damage. Due to the rapid succession of the storms, two out of three could be claimed as a single event with the reinsurance company. The net impact on the P&L of non-life was € 39 million, equal to 2.4%-points on the combined ratio.

As damage assessment was done by own staff, a.s.r. non-life was able to react quickly on all incoming claims. Customer satisfaction as expressed by the NPS-c score remained high and even above the internal target.

B System of governance

B.1 **General information on the system of governance**

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

B.1.1 Corporate governance

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

The EB currently consists of three members. The General Meeting of Shareholders appoints the members of the EB and may suspend or dismiss any member of the EB at any time.
The SB may also suspend any member of the EB. A suspension by the SB may be raised by the General Meeting of Shareholders at any time.

Apart from the EB, each division of a.s.r. non-life has its own management team (MT).

Supervisory Board
The composition of the SB of a.s.r. non-life is the same as that of a.s.r. The SB performs its duties on the basis of three roles; the supervisory role, the advisory role and the employer's role. The SB supervises the policy pursued by the EB and the general course of affairs at a.s.r. and its group entities. Specific powers are vested in the SB, including the approval of certain decisions taken by the EB.

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

B.1.1.1 **Supervisory Board Committees**
The SB of a.s.r. has three committees that discuss specific issues and prepare items on which the full SB takes decisions. The chairperson of each committee reports on the main points of discussion and the resulting recommendations are discussed at the subsequent SB meeting. The minutes of the committee meetings are available to the members of the SB.

The three committees are:

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

B.1.1.2 **Corporate Governance**
a.s.r. is the group's holding company. a.s.r. non-life is one of the supervised entities (OTSOs) within this group. a.s.r. is a public limited company which is listed on the Euronext Amsterdam Exchange and governed by Dutch corporate law. It has a two-tier board governance structure consisting of an Executive Board (EB) and a Supervisory Board (SB). The EB is responsible for the realisation of the company's corporate objectives, the strategy with its associated risks and the delivery of the results. The SB is responsible for advising the EB, supervising its policies and for the general state of affairs relating to a.s.r. and its group entities.

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

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

Certain resolutions made by the EB require the approval of the SB and/or the General Meeting of Shareholders. 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 of a.s.r. specify that the EB must consist of a minimum of two members, including at least a CEO and CFO. Only candidates found to meet the fit and proper test under the Dutch

Financial Supervision Act are eligible for appointment. The EB currently consistes of the following three members: the CEO, Jos Baeten, the CFO, Ewout Hollegien and the COO/CTO, Ingrid de Swart.

Permanent education and evaluation

The 2022 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 EB looks back positively on an exciting and intense year with many internal and external developments. These included remaining COVID-19 restrictions, geopolitical tensions and resulting economic uncertainty at the beginning of the year, the Aegon Transaction in the second half of the year, and CLA negotiations at the end of the year. Cooperation within the EB, in the first full year of its current composition, was evaluated as positive, constructive and open. Issues and dilemmas were discussed freely, focusing on content without impacting personal relationships. Within the organisation the EB is seen as a natural, cohesive, and confident team, with complementary skillsets that ensure stakeholder interests are addressed in a balanced way. Communication with the SB is assessed as transparent and positive, whereby the intensified collaboration during the Aegon Transaction process further strengthened the relationship between the EB and the SB. The EB looks forward to maintaining these constructive dynamics with the new composition of the SB after closing of the Aegon Transaction.

Focus areas for 2023 include the closing of the Aegon Transaction and the subsequent integration process, as well as realisation of the ambitious medium term targets. Sustainability and long-term value creation are increasingly and naturally integrated into the business, but in the coming years further developments in these areas will also remain important focus points for the new combination.

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 2022, specific sessions were also organised jointly with the SB for the benefit of further education. The first session, led by Asset Management, provided an overview and update on the interest rate and inflation sensitivity of the a.s.r. balance sheet, as well as recent inflation developments and drivers of inflation in the short and long term. The second session focused on the implementation of a partial internal model for the envisaged business combination of a.s.r. and Aegon Nederland. During this session, led by Group Balance Sheet Management and Group Risk Management, the SB and EB were given an overview of internal models in the Dutch insurance sector as a whole, the internal model used at Aegon Nederland, the advantages of implementing an internal model for the new business combination and the steps required to do so. The session was the first in a series, to be continued in 2023.

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

B.1.1.4 **Supervisory Board**

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

Composition of the Supervisory Board

In line with a.s.r.'s articles of association, the SB should consist of at least three members.

The SB currently consists of five members: Joop Wijn (chair), Herman Hintzen, Sonja Barendregt, Gerard van Olphen and Gisella van Vollenhoven. The composition of the SB of ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. is the same as that of ASR Nederland N.V.

Furthermore, in accordance with the rotation schedule the first term of office of Gisella van Vollenhoven and Gerard van Olphen will expire at the close of the 2023 AGM. Both Gisella van Vollenhoven and Gerard van Olphen were nominated by the SB for a reappointment for a further four-year term. The proposal to reappoint Gisella van Vollenhoven and Gerard van Olphen will be submitted to the AGM in 2023.

Diverse representation

The SB has drawn up a projected profile for its size and composition, taking into account the nature of a.s.r.'s business, its activities and the desired expertise and background of its members. The SB profile can be viewed on www.asrnl.com.

One of the objectives of a.s.r.'s DGI policy is to achieve a SB consisting of at least one-third female and at least one-third male members. In 2022, the composition of the SB met this gender ratio, with 40% female and 60% male members.

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

Independence and conflicts of interest

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

All the SB members passed the fit and proper test required under the Dutch Financial Supervision Act. In 2022, 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 2022 was based on a questionnaire and interviews with members of the SB and the EB. The following aspects were assessed:

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

The outcome of the assessment was discussed by the members of the SB and the Company Secretary, and at a later stage with the members of the EB.

The current composition of the SB is assessed as good and diversified; dynamics within the SB are transparent and positive. 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. In 2022 the Aegon Transaction demanded significant extra flexibility and commitment from the SB. The SB was an important sparring partner and advisor for the EB during this process, which strengthened the relationship between the members. The evaluation of the remuneration policy was another extra focus area in 2022.

The Aegon Transaction will bring new challenges for a.s.r., including in terms of governance. The SB looks forward to the appointment of Daniëlle Jansen Heijtmajer and Lard Friese (conditional upon closing of the Aegon Transaction), whose specific knowledge and expertise will be valuable in achieving a successful integration. Attention will be given to smoothly onboarding the new members and to maintaining the currently existing open and constructive dynamics within the SB.

The SB is also satisfied with the division of roles between and within the SB committees. The SB looks forward to welcoming Daniëlle Jansen Heijtmajer to the Nomination and ESG Committee and Lard Friese to the Audit & Risk Committee after closing of the Aegon Transaction.

In 2022, specific sessions were also organised jointly with the SB for the benefit of further education. The first session, led by Asset Management, provided an overview and update on the interest rate and inflation sensitivity of the a.s.r. balance sheet, as well as recent inflation developments and drivers of inflation in the short and long term. The second session focused on the implementation of a partial internal model for the envisaged business combination of a.s.r. and Aegon Nederland. During this session, led by Group Balance Sheet Management and Group Risk Management, the SB and EB were given an overview of internal models in the Dutch insurance sector as a whole, the internal model used at Aegon Nederland, the advantages of implementing an internal model for the new business combination and the steps required to do so. The session was the first in a series, to be continued in 2023.

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

B.1.1.5 Governance codes

The current articles of association (dated 3 August 2021) of a.s.r. are published on www.asrnl.com. The SB and EB rules of a.s.r. are also available on the corporate website. These rules were most recently amended and adopted in 2022 respectively 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 of its website, a.s.r. also publishes a detailed comply or explain list indicating which principles and best practices of the Dutch Corporate Governance Code (2016) do not apply to it.

Professional oath

On 1 January 2013, the Dutch financial sector introduced a mandatory oath for EB and SB members of financial institutions licensed in the Netherlands. With regard to insurance companies, in addition to the EB and SB members, individuals holding a management position immediately below the EB who are responsible for staff who could have a significant influence on the risk profile of the insurance company are also required to take the oath, as are certain other employees. This includes individuals who may (independently) significantly influence the risk profile of the undertaking as well as those who are or may be involved in the provision of financial services.

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

Decision concerning disclosure of non-financial information and Decision concerning disclosure of diversity policy
a.s.r. also wishes to be transparent concerning the non-financial information in its Management Report. Since the 2017 reporting year, the relevant legal requirements have been extended for large companies of public interest. Such organisations, which include a.s.r., are expected to clarify how they deal with environmental, social and personnel issues, respect for human rights and the fight against corruption and bribery in their business operations and value chain. Large listed companies must also provide insight into their policy on diversity in relation to the EB and SB. In addition, as from 1 January 2022, large companies of public interest must publish information about how and to what extent their activities are associated with economic activities (eligibility) that qualify as environmentally sustainable as defined in Regulation (EU) 2020/852 (EU Taxonomy Regulation).

B.1.2 Related-party transactions

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

a.s.r. non-life regularly enters into transactions with related parties during the conduct of its business. These transactions mainly involve loans and receivables and allocated expenses, and are conducted on terms equivalent to those that prevail in arm's length transactions.
- The remuneration of the key management personnel of a.s.r. non-life is described in chapter 6.7.5 of the annual report 2022 of a.s.r.;
- The operating expenses are predominantly intercompany, consisting of allocated expenses from head office, support functions and expenses related to personnel;
- Transactions with a.s.r. concern the payment of taxes as a.s.r. heads the fiscal unity.

Positions and transactions between a.s.r. non-life and other related parties

The table below shows the financial scope of the related party transactions of a.s.r. non-life with associates and other related parties (including a.s.r. and its subsidiaries).

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

	Associates	Other related parties	Total
2022			
Balance sheet items with related parties as at 31 December			
Loans and receivables	4	-	4
Other liabilities	-	212	212
Transactions in the income statement for the financial year			
Interest expenses	-	1	1
Commission expenses	-	51	51
Operating expenses excluding restructuring provision expenses	-	8	8

	Associates	Other related parties	Total
2021			
Balance sheet items with related parties as at 31 December			
Loans and receivables	4	-	4
Other liabilities	-	48	48
Transactions in the income statement for the financial year			
Interest expenses	-	1	1
Commission expenses	-	46	46
Operating expenses excluding restructuring provision expenses	-	6	6

In 2022, a.s.r. non-life purchased mortgages from a.s.r. life at a market value of € 523 million. The realised gain on these transactions (€ 57 million) has been added to the liabilities arising from insurance contracts.

In 2022, a.s.r. non-life sold mortgages to a.s.r. health basic at a market value of € 90 million.

No provisions for impairments have been recognised on the loans and receivables for the years 2022 and 2021.

During 2022, a.s.r. non-life paid a dividend to a.s.r. in the amount of € 176 million (2021: € 142 million).

B.1.3 Remuneration of Supervisory Board and Executive Board

The members of the EB and SB of a.s.r. non-life are the same members in the EB and SB of a.s.r. The amount of compensation paid for the services provided by the EB and the SB of a.s.r. was not charged to a.s.r. non-life, and is subsequently not accounted for in the result of a.s.r. non-life The remuneration policy of the EB and SB members is determined in accordance with the current Articles of Association of ASR Nederland N.V. An overview of these remunerations is described in the consolidated financial statements of a.s.r. Group.

B.2 **Fit and Proper requirements**

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

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

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

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

This paragraph contains a description of group policy, which is applicable for the solo entity. 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 (RM) framework based on internationally recognised and accepted standards (such as COSO ERM and ISO 31000 RM 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 RM 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 RM framework as applied by a.s.r.

Risk Management framework

The RM framework consists of risk strategy (including risk appetite), risk governance, systems and data, risk policies and procedures, risk culture, and RM process. The RM framework contributes to achieving the strategic, tactical and operational objectives as set out by a.s.r. The overall effectiveness of the RM framework is evaluated as part of the regular internal review of the system of governance.

Risk strategy (incl. risk appetite) Risk strategy is defined to contain at least the following elements:

- Strategic, tactical and operational objectives that are pursued;
- The risk appetite in pursuit of those strategic, tactical and operational 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 B.3.1.1 Risk strategy and risk appetite).

Risk governance

Risk governance can be seen as the way in which risks are managed, through a sound risk governance structure and clear tasks and responsibilities, including risk ownership. a.s.r. employs a risk governance framework that entails the tasks and responsibilities of the RM organisation and the structure of the Risk committees (see chapter B.3.1.2 Risk governance).

Systems and data
Systems and data support the RM 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 RM process by giving guidance to and insights into the key risk indicators, risk tolerance levels, boundaries and actions, and remediation plans to mitigate risks (see chapter B.3.1.3 Systems and data).

Risk policies and procedures: Risk policies and procedures at least[1]:

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

The classification of risks within a.s.r. is performed in line with, but is not limited to, the Solvency II risks. Each risk category consists of one or more policies or procedures that explicates how risks are identified, measured and controlled within a.s.r. (see chapter B.3.1.4 Risk policies and procedures).

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

Within a.s.r. risk culture is an important element that emphasizes the human side of RM. The EB has a distinguished role in expressing the appropriate norms and values (tone at the top). a.s.r. employs several measures to increase the risk awareness and, in doing so, the risk culture (see chapter B.3.1.5 Risk culture).

Risk management process
The RM 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 RM framework. At a.s.r., the RM process is used to implement the risk strategy in the steps mentioned. These five steps are applicable to the risks within the company to be managed effectively (see chapter B.3.1.6 Risk Management process).

1 EIOPA-BoS-253-Guidelines_on_System_of_Governance_EN.pdf

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.

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, measuring 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. 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 RM 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.

As of 1 January 2023, Business Risk Management (BRM) will be hierarchically part of GRM. An important goal for this change is to realise a future proof and efficient RM organisation (regarding the organisation, processes and the execution of non financial risk management) taking into account the impact of the intended acquisition of Aegon Nederland. For the implementation a maximum period of 2-3 years is expected.

Enterprise Risk Management
Enterprise Risk Management (ERM) is responsible for second-line strategic and operational (including IT) RM and the enhancement of the risk awareness for a.s.r. and its subsidiaries. The responsibilities of ERM include the development of risk policies and procedures, the annual review and update of the risk strategy (risk appetite), the coordination of the SRA process leading to the risk priorities and emerging risks 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 RM 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 RM 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
Model Validation (MV) 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.

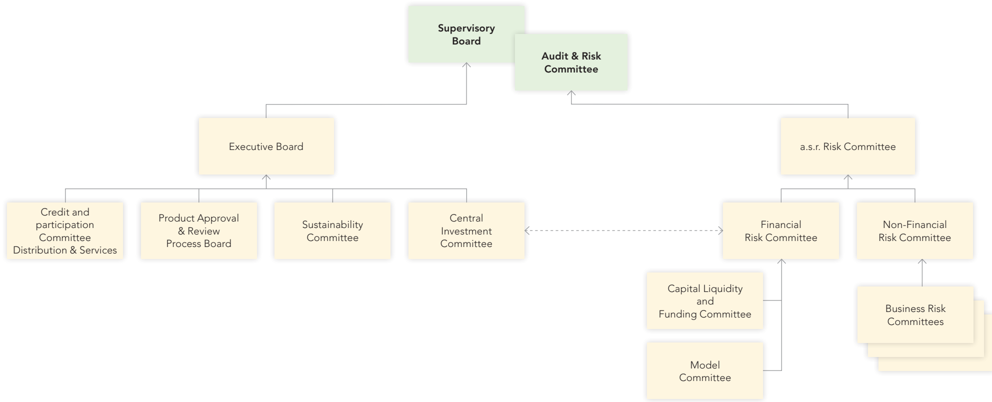
Compliance
Compliance is responsible for the execution of the compliance function. An important task of Compliance is to be the countervailing power to the EB and other management in managing compliance risks for a.s.r. and its subsidiaries. The mission of the compliance function is to enhance and ensure 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 RM on which Compliance reports to the relevant risk committees. In doing so, Compliance uses a compliance risk and monitoring framework. In line with RM, 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 AF and the RMF;
- 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 and emerging risks 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 non-financial 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, advises and decides upon financial risk policies. The most relevant financial risk policies are approved by the a.s.r. risk committee. The FRC monitors that 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 NFR 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 Model Validation (MV) that assures the quality of the validation process. The chairman of the MC is the Director of Finance, Risk and Performance Management (FRPM).

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

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

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

B.3.1.3 **Systems and data**
GRC tooling is implemented to support the RM 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. These standards describes best practices for the implementation of information security.

There are technical solutions for accomplishing this, by enforcing a layered approach (defence-in-depth) of technical measures to avoid unauthorised persons to compromise a.s.r. 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. On top of technical measures a.s.r. implemented physical measures and measures that help create the desired level of awareness of personnel as part of the information security environment. The resilience of these measures 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 information 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 RM.

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. a.s.r. has drawn up an integrated policy calendar which includes all risk related documents. This guarantees that policies are drawn up and reassessed in a timely manner and that tasks and responsibilities are clear.

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 RM, 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 RM 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 solemn affirmation 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 RM 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, tactical and operational 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

1 Based on COSO ERM en ISO 31000.

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 four 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.

RM 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 RM 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 RM strategies. On the other hand, the RM framework (including the risk management processes) is evaluated by the RM function, in order to continuously improve the effectiveness of the RM 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. In addition, a.s.r. recognises sustainability risks arising from environmental, social or governance (ESG) events or conditions. These risks can be financial and non-financial and can be both strategic and operational. This means that all six main risk categories that a.s.r. recognises can be affected by sustainability risks. In chapter 4.9.2 Climate change a.s.r. briefly describes how a.s.r. identifies, measures and manages climate risks and opportunities for its business.

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

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

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

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

Operational risk
Operational risk is the risk of losses caused by weak or failing internal procedures, weaknesses in the action taken by personnel, weaknesses in systems or because of external events. The following subcategories of operational risk are used:
- 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:
- Macro-economic
- Climate change and energy transition
- Cyber security
- Pandemics
- Regulation
- Biodiversity
- Social tensions
- Geopolitical instability

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 and indirect risk, both to its assets and liabilities. In chapter 4.7.3 Identified risks of the Annual

report of a.s.r. and 4.9.2 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 change related risks have had no direct impact on the valuation in 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 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 confidentiality, integrity and availability of ICT, including End User Computations. The logical access control for key systems used in the financial reporting process remains a high priority in order to enhance the integrity of applications and data. The logical access control procedures also prevents fraud by improving segregation of duties and by offsetting current and desired access levels within the systems and applications. Proper understanding of information, security and cyber risks is essential and the reason for which continuous actions are carried out to create awareness among employees. All of a.s.r.’s security measures are tested periodically. To increase cyberresilience, a.s.r. is participating in de DNB Threat Intel Based Ethical Red Teaming exercise.

Business Continuity Management

Operational management can be disrupted significantly by unforeseen circumstances or calamities which could ultimately disrupt the execution of critical and operational processes. Business Continuity Management enables a.s.r. to resume its daily business with limited interruptions 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. The factors that can threaten the availability of those tools necessary for the critical processes are identified in the Threat Analysis.

a.s.r. defines a crisis as: one or more business lines are (in danger of being) disrupted in their operations, due to a calamity, or when there is a reputational threat. In order to manage the crisis, and to be able to react timely, efficiently and effectively, a.s.r. has set up 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 business line. The continuity of activities and the systems supporting critical activities are regularly tested and crisis teams are trained annually. The objective of the training is to give the teams insights in how they function during emergencies and to help them perform their duties more effectively during such situations. Some important training scenarios used are scenarios that include 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 supports the organisation in various scenarios of extreme financial stress. The Preparatory Crisis Plan describes and quantifies the measures that can be applied to handle a crisis situation and to resume business. 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 clients and operational effects are also assessed. The main purpose of the Preparatory Crisis Plan is to increase the chances of early intervention in the event of a financial crisis situation and to further guarantee that the interest of clients 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 department (Compliance) is a centralised function within a.s.r., headed by the compliance manager for both a.s.r. and the supervised entities. Being part of the second line of defence, Compliance is considered a key function in line with the Solvency II regulation. The CEO bears ultimate responsibility and the compliance manager has a direct reporting line and access to the CEO.

To enhance and ensure a controlled and sound business operation, Compliance 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 stipulating 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.

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 to allow it to operate autonomously.

The compliance manager issues quarterly reports on compliance matters and on the progress made regarding advised business measures and actions at the Group level, supervised entity (OTSO) level and business line level. The quarterly report at the divisional level is discussed with the management responsible, with the relevant Business Risk committees and where applicable with the (A&RC of the) SB. The quarterly report at the Group and OTSO levels is presented to and discussed with the individual members of the Executive Board, with the Non-Financial Risk Committee, with the Risk Committee and with the A&RC of the SB. The report is shared and discussed with Dutch Central Bank (De Nederlandsche Bank; DNB), the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten; AFM), and the internal and external auditors.

Compliance risks
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 2022 a.s.r. paid specific attention to:

- Customer Due Diligence (CDD);
- Privacy laws and regulations, including the GDPR. a.s.r. considers it important that personal data are handled with care. More information on this topic can be found in chapter 4.8.2 of the Annual report of a.s.r.;
- Sustainability regulation, such as the SFDR, the EU Taxonomy Regulation and the CSRD. Increasing attention has been given to sustainability and the implementation of regulations as part of the EU Green Deal. Detailed information can be found in chapter 4.9.1 of the Annual report of a.s.r.

Customer Due Diligence (CDD)-related risks (including anti-money laundering) are relevant to a.s.r. Commissioned by the Business Executive Committee (BEC), the Central CDD Review project was launched in 2020 with the following objectives:

- Making the review results of all business units transparent through central recording;
- Strengthened continuous demonstrable compliance with the a.s.r. CDD policy;
- Implementing central management of assessment failures, monitoring and reporting, and establishing (decentralised) knowledge rules regarding the assessments to be performed;
- Establishing the processes required for this, and for governance and its implementation.

Within the investigation department, a central CDD- Ultimate Beneficial Owner (UBO) desk has been set up for the central handling of business customers (e.g. if the UBO cannot be determined automatically and in the case of hits on Politically Exposed Person (PEP) and/or sanction lists). In 2023, a.s.r. will complete the central process handling to identify UBO's. The centralised review of private relationships is also in progress. This process will be completed in 2023.

In addition, a.s.r. has set up a CDD Center that centrally manages compliance with CDD policy and reports centrally on this. The CDD Center has drawn up an action plan to further shape compliance with the relevant laws and regulations. The CDD Center uses the advice of the central desk consisting of Compliance, Investigations, Legal and representatives of the business segments.

a.s.r. monitors sound and controlled business operations, including reputational risks. The framework for monitoring and reviewing is based on the rules, regulations and standards of a.s.r. itself, including the a.s.r. code of conduct. In 2022, a.s.r. monitored compliance with e.g. the rules, regulations and policies on CDD, privacy, remuneration, the digital agenda, sustainability, the product approval and review process, handling of client requests, intra-group outsourcing, and the registration and reporting of data breaches, and the quality of information provided to customers.

In addition, a.s.r. focused in 2022 on further improving ongoing monitoring activities by reviewing the compliance risk and monitoring framework and its translation into the business units' Risk Control Matrix (RCM). Also in 2022, Compliance launched a behaviour and culture pilot on the subject of professional competence. It is the ambition of a.s.r. to increasingly integrate behaviour and culture into its monitoring surveys. Good insight into behaviour and culture, together with the analysis of process design and monitoring, provides an integral picture of the control environment. In addition, behaviour and culture influence the ethical and controlled business operations and are a deciding factor in decision-making. Thus, they become an important part of the compliance monitoring activities. Behaviour and culture studies will be part of the compliance monitoring activities and the monitoring cycle in 2023.

B.5 Internal audit function

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

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

The persons carrying out the internal audit function do not assume any responsibility for any other (key) function. The Audit Department has periodic consultations with the supervisors (DNB and AFM) to discuss the risk assessment, findings and audit plan. The Audit Department's risk assessment is performed in close consultation with the independent external auditor. The department also takes the initiative to organise a 'tripartite consultation' with DNB and the independent external auditor at least once a year. In 2021, no tripartite consultation was held. The tripartite consultation was postponed to January 2022.

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

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

Audit applies the standards of the IIA, NBA and NOREA for the profession of internal auditing. Each year, Audit performs a self-assessment and an internal quality review and reports the results to the chairman of the board and to the members of the Audit and Risk Committee. In accordance with the standards of the IIA, an external quality review is performed every five years. During the last review in 2016, Audit was approved by the IIA and received the Institute's quality certificate. The next external quality review is planned to be performed in 2022.

B.6 Actuarial function

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

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

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

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

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

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

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

B.7 **Outsourcing**

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

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

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

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

B.8 **Any other information**

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

C Risk profile

This paragraph contains a description of group policy, which is applicable for the solo entity. Risk management is an integral part of a.s.r.'s day-to-day business operations. a.s.r. applies an integrated approach to managing risks, ensuring that strategic targets are met. Value is created by striking the right balance between risk, return and capital whilst ensuring that obligations to stakeholders are met. In the following paragraphs a.s.r. non-life's approach to managing risks is described.

Risk governance

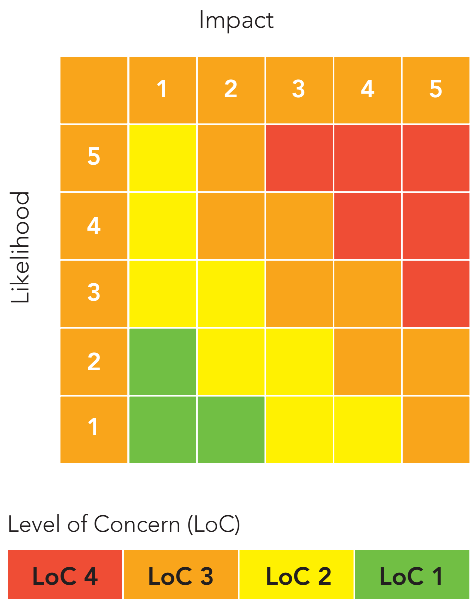
The risks identified are clustered into:

- Strategic risks (including emerging risks);
- Financial risks;
- Non-financial risks.

Management of strategic risks

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

Risk scale



Management of financial risks

Financial risk appetite statements (RAS) are in place to manage a.s.r. non-life's financial risk profile within the limits. a.s.r. non-life aims for an optimum trade-off between risk, return and capital. Steering on risk, return and capital 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 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. non-life applies additional mitigating measures.

In 2022, 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 and supporting the Risk Management Function (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 (RAS) are in place to manage a.s.r.'s non financial risk profile within the limits. The non financial 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. non-life 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. For example sustainability risk and more specifically Environmental, Social, and Governance (ESG) factors to understand and identify material risks was and still is an important topic. In addition, risk management employees keep their knowledge and skills up to date through training courses - among which in the context of permanent education - that cover specific risk-related topics.

Risk appetite

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

According to the annual risk management cycle in 2022, 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.

Identified risks

The risks identified are clustered into:

- Strategic risks (including emerging risks);
- Financial risks;
- Non-financial risks.

Strategic risks

In 2022, a.s.r. non-life's main strategic risks (risk priorities) were:

- Interest rates and inflation;
- Climate change and energy transition;
- Cyber- and information security;
- Impact of supervision, legislation and regulations and juridification of society.

Interest rate and high inflation

The past decade was characterised by many years of stable inflation and low interest rates, well below long-term equilibrium levels. Following very high inflation, we saw a significant rise in interest rates in 2022. Looking ahead, the current situation may continue (stagflation). However, the possibility of the economy going into recession and interest rates falling cannot be ruled out.

According to economic theory, high inflation is linked to high interest rates - at least in the medium term. Depending on the positioning of the interest rate hedge and inflation hedge, the adverse effect of high inflation (higher indexation of benefits and increase in wage costs) is offset by higher interest rates (lower Ultimate Forward Rate (UFR) drag). A rise in interest rates also leads to increasing liquidity needs for collateral of the interest rate derivatives. If the interest rate development lags behind expected inflation, this may have a negative effect on balance. A fall in interest rates can also be detrimental to the solvency.

a.s.r. non-life monitors and assesses relevant developments for possible risks, and implements appropriate control measures.

In the annual SAA study, a.s.r. examines several possible economic scenarios, including stagflation. In the interim, follow-up analyses can be carried out. If necessary, this results in adjustments in the investment policy, in order to reduce solvency risks.

Depending on economic developments, interest rate and inflation hedges will be adjusted, taking into account the indirect effects from other asset classes.

Depending on the level and duration of inflation - and thus the impact on a.s.r. due to, among other things, higher claims costs - possible premium increases will be implemented to offset inflation.

Climate change and energy transition

Climate change and energy transition affect insurable risks and investments. a.s.r. non-life wants to minimise its negative impact on the climate and, where possible, make a positive contribution to climate mitigation and adaptation through its investments, products and services.

Climate-related risks are divided into physical, transition and reputational risks. Physical risks can be acute, such as extreme weather events, or chronic when they arise from gradual changes such as water shortages, rising temperatures or rising sea levels. 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. Chronic climate change could lead to biodiversity loss. The Netherlands is also experiencing greater variations in weather patterns and climatic changes. The transition to a climate-neutral society involves changes in legislation and regulations, adapted supervision, technological developments, market changes and changes in consumer preferences/needs.

a.s.r. non-life monitors and assesses relevant developments for possible risks, and implements appropriate control measures.

Developments from climate change are taken into account in the products and services that a.s.r. develops and offers. Examples include offering flood cover, the sustainability mortgage and offering sustainable damage repair. To mitigate transition risks, a.s.r. cooperates with several research institutes, reinsurers and other insurers, and knowledge holders to gain as much knowledge as possible about the new technologies. These cooperations enable a.s.r. to determine the right price and conditions to insure these risks in a responsible manner.

a.s.r. expresses a clear ambition in the field of sustainability, partly to comply with the Paris Agreement (to which a.s.r. committed in 2015). a.s.r. also supports the energy transition through impact investments in, for example, wind and solar farms and a strict Socially Responsible Investment (SRI) policy to reduce CO_2-eq emissions in the investment portfolio. In addition, a.s.r. has joined the Net Zero Insurance Alliance (NZIA), committing to a climate-neutral insurance portfolio by 2050. In 2023, a.s.r. will develop shorter-term targets (2030) in this context. In terms of investments, a.s.r. has also committed to net-zero by 2050.

Finally, a.s.r. also encourages its (potential) customers to take preventive measures to avoid climate damage and/or save energy. Business customers can obtain advice through a risk inspection. For individuals, a.s.r. has the digital Sustainable Living platform. For this, a.s.r. works with PorteRenee.nl to get (potential) customers to make their homes more sustainable and save energy.

To continue to adequately address mitigation and adaptation of climate risks, a.s.r. will continuously tighten its policies and measures.

Cyber and information security

Technological development results in opportunities and threats through ongoing digitisation and automation at both a.s.r., its IT suppliers, and its customers. IT risks related to cyber, information security, IT outsourcing and data are persistently high, due to a constant threat from cyber criminals and the visible growth of ransomware attacks. In addition, the use of IT outsourcing (including the use of cloud services), the growing volume of (sensitive) data, the increased use of new applications for digitisation (including the use of data) and automation, increases the importance of IT risk management. Geopolitical tensions are not yet leading to visibly increased criminal activity but are a reason to remain highly vigilant. Cyber risks increase when IT systems are not secured adequately or because of the human factor.

a.s.r. non-life monitors and assesses relevant developments for possible risks, and implements appropriate control measures both internally and at its suppliers.

a.s.r. has implemented a system of measures based on international standards. a.s.r. actively monitors the threat landscape and invests in prevention, detection and response skills and technology to strengthen its cyber resilience so that customers can continue to rely on a.s.r.'s secure digital services. If a.s.r. is hit by a serious comprehensive ransomware attack, only an 'offline backup' can restore business continuity. Due to the time required to investigate the cause of the cyber attack and the time required for recovery, the impact is very high. a.s.r. is taking several other measures, including an information security awareness programme, to improve employee awareness and behaviour towards information security. Specific tooling is used to increase the necessary mindset and skillset, such as Gamification and phishing campaigns.

a.s.r. is actively involved in partnerships with financial institutions and public governing bodies, such as the National Cyber Security Centre, Digital Trust Center, Insurance-ISAC, Insurance-CERT, and the DNB Threat Intel Based Ethical Red-team programme (TIBER-NL). The aim is to share information to improve the financial sector's resilience to cyber risks. Being cyber resilient is important for a.s.r. as it contributes to its customer-oriented strategy. Customer trust is a great asset in this regard, and cyber resilience contributes to this.

a.s.r. informs those affected in case of high risks and/or possible consequences and when those affected are required to take measures to mitigate risks.

Impact of supervision, legislation and regulations and juridification of society

Legislation and regulations, including Solvency II, IFRS, sustainability (ESG), Customer Due Diligence (CDD), General Data Protection Regulation (GDPR), and sanctions legislation and regulations, are increasing, as well as their complexity and amendments to them. A large amount of new regulations, as announced under the EU Sustainable Financial Regulations (SFR), need to be interpreted and implemented within a short period of time. The field of cyber/information security has seen an increase in legislation and regulations, such as the European AI Regulation, the Digital Markets Act and the Data Act, Cyber Resilience Act and requirements from the new Corporate Governance Code regarding the role of directors in cybersecurity measures. At the same time, not all regulations are final at this point. Related developments, such as the Solvency II review and the UFR, affect a.s.r.'s capital requirement and solvency. The implementation and continuous tightening of (additional) control measures to comply with legislation and regulations leads to an increase in required capital.

Another dimension is the impact of possible political choices such as government intervention in the social insurance and pension system. This may have an impact on a.s.r.'s strategic direction and products as an insurer. Among other things, these developments lead to more personal responsibility and choices for citizens. This places heavier demands on providers to support and guide their customers in this respect (digitally).

There is also an ongoing focus by regulators, government and society on privacy, the use of data and the gatekeeper function of the financial sector in the fight against money laundering, terrorist financing and tax evasion, among others. This is characterised by more data-driven and rule-based supervision and stricter requirements for demonstrable (non-)financial risk management. Another aspect of this risk is the juridification of society. One example is the introduction of legislation in the field of settlement of large-scale losses in class actions and uncertainty about the outcome of legal disputes at a.s.r. and other market participants.

a.s.r. non-life monitors and assesses relevant developments for possible risks, and implements appropriate control measures.

On key themes, programmes and/or projects are set up to ensure sound implementation, such as the implementation of sustainability (ESG) legislation and regulations. Depending on the consequences of legislation and regulations, supervisory climate and juridification of society -and thus the impact on a.s.r. through, among other things, higher internal costs - possible premium increases will be implemented to offset these consequences.

CDD

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. a.s.r. has set up a CDD Center that centrally manages compliance with CDD policy and reports centrally on this. The CDD Center has drawn up an action plan to further shape compliance with the relevant laws and regulations. The CDD Center uses the advice of the central CDD desk consisting of Compliance, Investigations, Legal and representatives of the business segments.

In response to Russia's invasion of Ukraine, a large number of natural persons, legal entities and institutions have been placed on EU sanctions lists since 23 February 2022 through various sanctions packages. The business units are immediately notified of new additions to the sanctions lists, which require immediate additional screening. In addition to continuous screening, all business units have been asked to carry out additional checks on client portfolios, including those that are clients of a.s.r. through intermediaries or agents. Agents have been reminded to be extra vigilant.

As a result, Compliance notified supervisory authorities of 10 business relations (companies) in which (sometimes several) UBOs produced a hit on the sanctions lists (total of 26). In all cases it concerns hits on regulations dating after 23 February 2022. Immediately after the discovery of a (possible) hit, the business relations were frozen. In the case of several 'hits', it was decided to part company relations (implementation of exit policy). In some cases, in collaboration with a legal advisor, it was assessed whether sufficient guarantees could be received from the business relations in question that the relationship could be continued. The aim is to establish that no funds flow from a.s.r.'s business client to a sanctioned UBO(s) and that adequate organisational measures are in place to prevent the sanctioned UBO(s) from having or exercising control.

IFRS 17/9

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 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 accounting for 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. In 2022, the programme IFRS 17 and IFRS 9 entered its final implementation phase. Systems were brought into production or are being further improved. The opening balance sheet and comparative figures 2022 have been prepared and analysed and included in the audit process. a.s.r. expects all systems, processes and the control environment to be implemented before the end of 2023. IFRS 17 and IFRS 9 had a major impact on the Group's primary financial processing and reporting and had significant effect on financial statements and related KPIs. Finance, Risk, Audit and the business lines have all been given due attention in the programmes due to the need to develop an integrated vision.

Solvency II

The Solvency II Directive came into force on 1 January 2016 and provided for two review clauses in its texts, a review in 2018 and a review in 2020. As part of the 2020 review, the European Commission (EC), the European Council and the European Parliament all published draft amendments to the Directive. Changes to the Solvency II Delegated Regulations are also in scope. The proposed amendments consist of various changes to the Solvency II framework, affecting most notably the liability discount curve, the risk margin and the volatility adjustment (VA). The trialogue negotiations (EC, Council and Parliament) will start in 2023. The implementation date is not yet known, but will probably not be before 1 January 2025. Some measures could include a phase-in period.

Sustainability Regulation

The Group has become subject to increasing sustainability regulations, such as SFDR, and to the EU Taxonomy Regulation, which is intended to facilitate sustainable investment. The EU Taxonomy Regulation will enter into force in stages and will be further developed over time. These regulations require the Group to report certain, additional information at the entity and product level. The sustainability regulations also include the amendment of existing directives and regulations such as Solvency II, IDD, and the Markets in Financial Instruments Directive (MiFID II), Alternative Investment Fund Managers Directive (AIFMD), and Benchmarks Regulation (BMR). These amendments have an impact on product development and advice, CDD, risk management, solvency requirements and the disclosure of financial products. Other European sustainability legislation has been developed as well, such as the Corporate Sustainability Reporting Directive (CSRD) and draft Corporate Sustainability Due Diligence Directive (CSDDD). The CSRD will require the Group to disclose information on how it operates and manages social and environmental challenges. The main elements of the CSDDD are identifying, bringing to an end, preventing, mitigating and accounting for negative human rights and environmental impacts in the company's own operations, their subsidiaries and their value chains. The developments in sustainability regulations and the impact of these developments on a.s.r. are continuously monitored.See chapter 4.9 of the Annual report of a.s.r. for more detailed information on climate-related risks and opportunities, and Emerging risks.

Emerging risks

a.s.r. non-life's emerging risks 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. In 2022, a.s.r.'s emerging risks were:

- Biodiversity loss and damage to natural ecosystems;
- Changes in society;
- Geopolitical instability.

Biodiversity loss and damage to natural ecosystems

Biodiversity comprises the variety of natural ecosystems that, among other things, help regulate the climate and protect against (the effects of) climate change. As a result of environmental degradation such as air, water and soil pollution and deforestation caused mainly by human action, the quality of ecosystems is deteriorating with irreparable consequences for nature, society and the economy. The effects can be divided into acute and chronic. Estimating the chronic effects and subsequent possible systemic risks is particularly challenging. Missing information on the chronic effects of disturbance in ecosystems plays a role in this context. But these effects are almost certainly negative. Examples include lower food productivity, less healthy crops (nutrient loss) or water shortages.

Biodiversity legislation is under development as a result of the agreements made at the COP15 in Montreal (December 2022). In addition, the topic of biodiversity will be increasingly prominent in questions from stakeholders, benchmarks and ratings. Within a.s.r., this mostly applies to the rural property portfolio. Steps are already being taken to encourage leaseholders to produce in more nature-friendly ways.

a.s.r. non-life monitors and assesses relevant developments for possible risks, and implements appropriate control measures.

Developments from biodiversity loss and ecosystem damage are taken into account in the products and services that a.s.r. develops and offers. The actual impact on a.s.r.'s investments, products and services will be mapped by 2024 through application of the Taskforce on Nature-related Financial Disclosures (TNFD) framework. To identify key developments and anticipate them in a timely manner, business units of a.s.r. have formulated responsibilities in governance and participate in various collaborations with third parties.

a.s.r. non-life monitors and assesses relevant developments for possible risks, and implements appropriate control measures.

Developments from biodiversity loss and ecosystem damage are taken into account in the products and services that a.s.r. develops and offers. The actual impact on a.s.r.'s investments, products and services will be mapped by 2024 through application of the Taskforce on Nature-related Financial Disclosures (TNFD) framework. To identify key developments andanticipate them in a timely manner, business units of a.s.r. have formulated responsibilities in governance and participate in various collaborations with third parties.

a.s.r. is committed to making its own investment portfolio more sustainable by increasing its exposure to impact investments. This includes investments in green and sustainable projects and businesses, including investments that have a positive impact on biodiversity. In 2020, a.s.r. signed the Finance for Biodiversity Pledge. By doing so, a.s.r. committed itself to measuring, monitoring and improving its investment impact on biodiversity in a targeted way, for example by setting targets for the end of 2024. Due in part to the limited availability of data, the further development of consistent and widely applied standards for measuring and reporting biodiversity risks is important. a.s.r. Vermogensbeheer partners with other financial institutions and shares knowledge on assessment methodologies, biodiversity-related KPIs, targets and funding approaches for creating positive impact. In addition, a.s.r. conducted several pilots with data providers to understand the impact of the investment portfolio on biodiversity. Cooperation is also being sought with research institutes to improve mapping of the impact. The investment portfolio is already being adjusted to reduce investments in polluting and vulnerable companies and increase impact investments, biodiversity being one of the focus themes in this context.

Together with ASN bank, Non-life (P&C) participates in Naturalis' research programme Knowledge Naturally! which focuses on increasing knowledge relating to bio-based building, housing and living to gain more knowledge on new technological developments in nature-inclusive building, housing and living. Also, Non-life, in cooperation with a.s.r. Mortgages, provides customers with advice on home biodiversity, through the Sustainable Living platform.

To continue to adequately address the mitigation and adaptation of environmental risks, a.s.r. non-life will continuously tighten its policies and measures.

Changes in society

Society in the Netherlands has become further fragmented, (rising tensions), polarised (division within society) and individualised (decline in solidarity). Social dynamics of the changing welfare state (social system) also play a role. There are circumstances that allow some people to hold their own better than others. Causes include:

- Demographic trends including urbanisation, ageing, more singles and single-parent families and an increase in immigration. Moreover, inequality can be triggered by government intervention;

- Financial developments including increasing disparities between rich and poor resulting in greater political uncertainty, i.e. populism;
- Social developments including increasing differences between the theoretically educated and the more practically educated and changes in livelihood security through contract forms and jobs. In addition, conspiracy thinking and anti-government thinking are on the rise;
- Technological developments including automation, digitisation, big data (including artificial intelligence and machine learning), Internet of Things (IoT), new forms of mobility such as (shared) electric cars and 'pay for use' propositions.

The role insurers have in society is changing as these new developments impact the way an insurer invests, markets its products, and delivers its services. Supporting processes and technology also need adaptation to align with new demands, as well as implementing data-driven requirements needed by customers and regulators in light of this changing society.

a.s.r. monitors and assesses relevant developments for possible risks and implements appropriate control measures. In doing so, a.s.r. periodically monitors the progress of claims and determines what impact a.s.r. has on the changing society through its investments, products and services. To identify key developments and anticipate them in a timely manner, business units of a.s.r. have formulated responsibilities in governance and participate in various (Alliance) collaborations.

Measures taken by a.s.r. are the continuous improvement of processes, systems, products, services - including insurability and insurance rate - and data quality for data-driven applications as well as implementing technological developments including learning to use algorithms and understanding their capabilities and potential risks.

Geopolitical instability

Geopolitical tensions have risen sharply in recent years. There is decreasing interdependence and integration between certain units around the world (deglobalisation). There are conflicts between countries which range from sanctions and protectionist measures to wars and terrorist attacks. These include, for instance, the sharply deteriorating relationship between the West and Russia and trade relations with China. These conflicts could impact, for example, energy prices, inflation and interest rates. Central bank policies and the (in)direct impact of other strategic risks, including the impact of (new) pandemics, can also bring economic uncertainty.

a.s.r. monitors and assesses relevant developments for possible risks, and implements appropriate control measures.

Financial risks

Currently, financial risks arise in particular from the war in Ukraine (see also the description under emerging risk 'Geopolitical instability'). There is high inflation that may persist for longer than initially expected. Central banks are raising interest rates to limit inflation. Lower consumer and investor confidence could hurt the real economy. Fears of a global stagflation scenario have increased.

Non-financial risks

In addition to strategic and financial risks, a.s.r. non-life has recognised several non-financial risks. In 2022, the most relevant of these were:

- Outsourcing risk
- Data quality

Outsourcing risk

Outsourcing risk continues to be relevant for a.s.r., especially in view of cyber resilience and growing dependence on suppliers. The risks related to outsourcing are managed and reported as part of the overall operational risk profile. An outsourcing framework is in place to define responsibilities, processes, risk assessments and mandatory controls. In 2022, a.s.r. started the implementation of a database which will increase the oversight of key suppliers. In 2023, a.s.r. aims to expand the available information from this database, as well as the number of connected suppliers. The insight obtained from this database supports the implementation of regulatory developments on suppliers such as CSRD and DORA. Furthermore a.s.r. has drawn up a code of conduct to provide clarity about key principles in the field of sustainable procurement. The code of conduct will be part of contractual agreements from 2023. a.s.r. invites suppliers to work together on solutions that support sustainable business.

Data quality

Sound data quality is important for a.s.r. in relation to financial (including regulatory) reporting (SII, IFRS) and the digital transformation and ambitions it pursues. In this regard, insufficient data quality could pose a threat to the degree to which:

- 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 the defence risk governance model. With a dedicated Central Data Office and a Data Quality Improvement Programme, additional measures are taken to increase maturity in data management practices.

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

The sensitivities of the solvency ratio as at 31 December 2022, expressed as the impact on the a.s.r. non-life Solvency II ratio (in percentage points) are as presented in the table below. The total impact is split between the impact on the Solvency II ratio related to movement in the available capital and the required capital. The sensitivities are based on the situation per 31 December 2022. The Solvency II ratios presented are not final until filed with the regulators.

Solvency II sensitivities

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
UFR 3.2%	-	-1	-	-	-	-1
Interest rate +1% (2022 incl. UFR 3.45% / 2021 incl. UFR 3.6%)	-2	-2	-1	+8	-2	+6
Interest rate -1% (2022 incl. UFR 3.45% / 2021 incl. UFR 3.6%)	+1	+1	-4	-9	-3	-9
Interest steepening +10 bps	-	-1	-	-	-	-1
Volatility Adjustment -10bp	-2	-3	-	-1	-2	-3
Government spread + 50 bps / VA +10 bps (2021: VA: +11 bps)	-2	-4	-	+1	-2	-3
Mortgage spread +50 bps	-4	-4	-	+1	-4	-4
Equity prices -20%	-4	-8	+3	+8	-2	-
Property values -10%	-4	-4	+1	+1	-3	-3
Spread +75bps/ VA +18bps (2021: VA +19bps)	+1	+2	-	+2	+1	+4
Inflation +30 bps	-2	-3	-	-1	-1	-3

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 3.45% for 2022 (3.6% for 2021).
Interest rate risk (incl. UFR 3.45%/3.6%)	Measured as the impact of a parallel 1% upward and downward movement of the interest rates. For the liabilities, the extrapolation to the UFR (3.45% for 2022 and 3.6% for 2021) 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 10 bps (2021: +11 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 18 bps (2021: +19bps) based on reference portfolio.
Inflation risk	Measured as the impact of a 30 bps parallel increase of the inflation rates (EUSWI-curve). The extrapolation of the UFI remains unchanged.

The Solvency sensitivity spread +75 bps / VA +18bps decreased in 2022. Due to the increase of the interest rates the VA sensitivty of health disability risk changed.

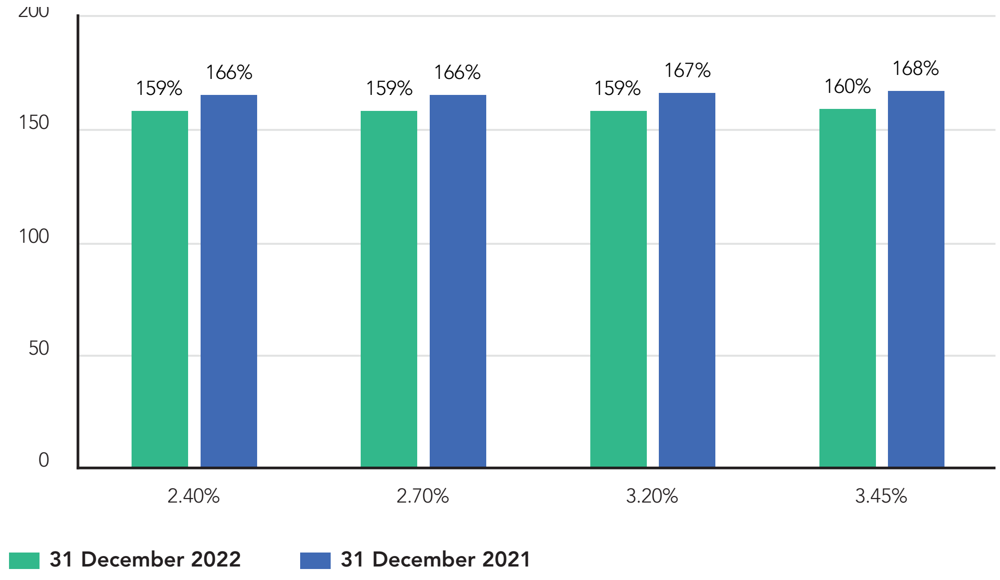
Expected development UFR

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

The UFR will decrease by 15 bps per year. In 2022 the UFR was 3.45% (2021: 3.6%). After the decline of the UFR by 15 bps the solvency ratio is still above internal solvency targets.

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.

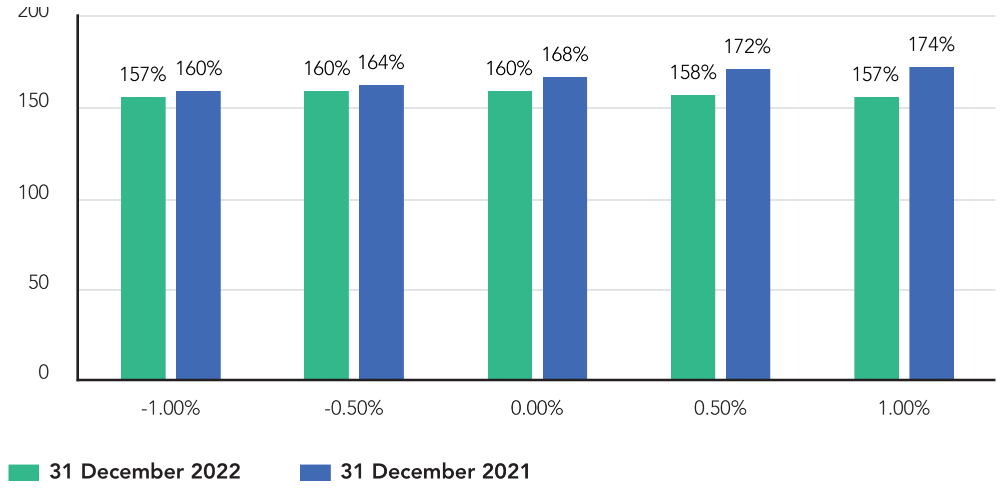
Sensitivity Solvency II ratio to UFR



Interest rate sensitivity of solvency 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.

Sensitivity Solvency II ratio to interest rate



Equity risk

The 2022 the SCR equity risk decreased mainly due to declining share prices and the decrease of the equity dampener.

Interest risk

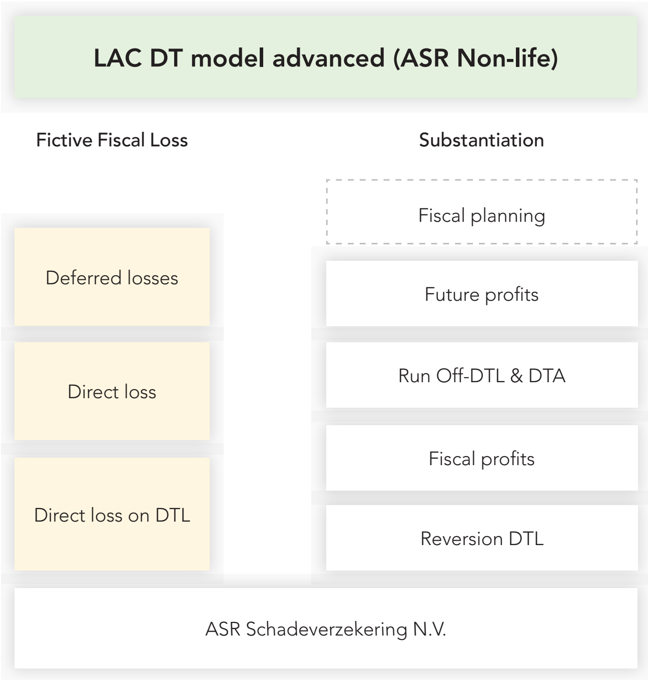
The SCR interest risk decreased in 2022, mostly due changes in the liability cash flows.

The sensitivity to spread risk is measured as the impact of an increase of spread on loans and corporate bonds of 75 bps. The volatility adjustment is based on a reference portfolio. An increase of 75 bps of the spreads on loans and corporate bonds within the reference portfolio leads to an increase of the VA with 18 bps in 2022 (2021: 19 bps).

Loss absorbing capacity of deferred tax

a.s.r. non-life uses the following methodology for the calculation of the Loss Absorbing Capacity Deferred Tax (LAC DT) benefit in euros of a.s.r. non-life.

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



The outcome is an unrounded LAC DT factor.

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

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. For a.s.r. non-life LAC TP is applicable in some SLT-products.

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. The non-life portfolio covers the property and casualty, disability and healthcare sectors.

Risk-mitigating measures are used to reduce and contain the volatility of results or to decrease the possible negative impact on value as an alternative for the capital requirement. Proper pricing, underwriting, reinsurance, claims management, and diversification are the main risk mitigating actions for insurance risks.

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

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

The insurance risk arising from the insurance portfolio of a.s.r. non-life is as follows:

Insurance risk - required capital

	31 December 2022	31 December 2021
Health insurance risk	1,171	1,155
Non-life insurance risk	609	591
Total excluding diversification between insurance risks	**1,780**	**1,746**

Solvency II sensitivities a.s.r. non-life has assessed the impact of various sensitivities on the Solvency II ratio. The sensitivities as at 31 December 2022 expressed as impact on the a.s.r. non-life solvency ratio (in percentage points) are as follows:

Solvency II sensitivities - insurance risks

Effect on:	Available capital		Required capital		Ratio	
Type of risk (%-points)	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Expenses +10%	-5	-5	-2	-2	-7	-7
Lapse rates -10%	+1	+1	-1	-1	-1	-1

Solvency II sensitivities - explanation

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

The impact on the ratio is the opposite if a reversed scenario is taken into account. These shocks had no impact on total equity, or on the profit for these years, because a.s.r. non-life still passed the IFRS Liability Adequacy Test (LAT).

C.1.1 Health insurance risk and Non-life insurance risk

C.1.1.1 **Health insurance risk**

The Health insurance portfolio of a.s.r. non-life 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 for income protection are sold primarily to retail and wholesale clients through intermediaries.

The Health insurance portfolio of a.s.r. non-life 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 not applicable 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. For investment costs only an increase of 10% applies, since there is no inflation component in the method used to project investment costs in the best estimate liability.

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 future management action (FMA) as noted in article 23 of the Delegated Acts.

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

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

- 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 NSLT 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. In 2022 due to hybrid working this was roughly comparable.

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 2022	31 December 2021
Health SLT	964	977
Health Non-SLT	304	264
Catastrophe Risk (subtotal)	80	76
Diversification (negative)	-176	-161
Health (Total)	**1,171**	**1,155**
Mortality risk	-	-
Longevity risk	52	50
Disability-morbidity risk	779	781
Expense risk	135	157
Revision risk	205	233
Lapse risk	270	228
Diversification (negative)	-478	-472
Health SLT (subtotal)	**964**	**977**
Medical expenses insurance and proportional reinsurance	-	-
Income protection insurance and proportional reinsurance	303	264
Diversification (negative)	-	-
Health Non-SLT (subtotal)	**304**	**264**
Mass accident risk	27	27
Accident concentration risk	66	62
Pandemic risk	35	35
Diversification (negative)	-49	-48
Catastrophe risk (subtotal)	**80**	**76**

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

SLT Health portfolio - technical provision	31 December 2022	31 December 2021
Best estimate	3,389	4,152
Risk margin	371	481
Technical provision	**3,760**	**4,633**

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

NSLT Health portfolio - technical provision	31 December 2022	31 December 2021
Income protection insurance		
Best estimate	308	317
Risk margin	39	34
Technical provision	**347**	**351**

C.1.1.2 **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.

The reinsurance program of 2023 has changed due to a hardened reinsurance market, which has the most impact on natural catastrophe risk.

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 2022	31 December 2021
Premium and reserve risk	548	552
Lapse risk	52	52
Catastrophe risk	159	107
Diversification (negative)	-149	-121
Non-life insurance risk	**609**	**591**
Natural catastrophe risk	132	74
Man-made catastrophe risk	86	75
Other non-life catastrophe risk	20	20
Diversification (negative)	-79	-62
Catastrophe risk (subtotal)	**159**	**107**

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

Non-life portfolio - technical provision per segment

	31 December 2022	31 December 2021
Motor vehicle liability insurance		
Best estimate	1,015	1,074
Risk margin	56	62
Technical provision	**1,071**	**1,135**
Other motor insurance		
Best estimate	16	11
Risk margin	4	4
Technical provision	**20**	**15**
Marine, aviation and transport insurance		
Best estimate	30	27
Risk margin	2	2
Technical provision	**32**	**29**
Fire and other damage to property insurance		
Best estimate	166	160
Risk margin	10	9
Technical provision	**176**	**170**
General liability insurance		
Best estimate	231	230
Risk margin	14	16
Technical provision	**245**	**246**
Credit and suretyship insurance		
Best estimate	7	5
Risk margin	1	1
Technical provision	**8**	**6**
Legal expenses insurance		
Best estimate	1	1
Risk margin	0	0
Technical provision	**1**	**1**
Assistance		
Best estimate	-	-
Risk margin	-	-
Technical provision	**-**	**-**
Miscellaneous financial loss		
Best estimate	13	30
Risk margin	2	3
Technical provision	**15**	**33**

C.1.1.3 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, several measures have been taken to improve profitability and reduce risk. Examples of these measures 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. non-life 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. non-life'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. non-life through underwriting criteria and a proactive reintegration policy. a.s.r. non-life also mitigates its disability risk through suitable reinsurance.

Concentration risk
Geographically, the risk exposure of a.s.r. non-life 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. non-life 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 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 and summarises the required capital for market risks based on the standard model.

Market risk - required capital

	31 December 2022	31 December 2021
Interest rate	75	103
Equity	128	321
Property	169	181
Currency	24	27
Spread	161	161
Concentration	-	-
Diversification (negative)	-140	-179
Total	**417**	**614**

The main market risks of a.s.r. non-life are equity, property and spread risk. This is in line with the risk budgets based on the strategic asset allocation study.

The value of investment funds at year-end 2022 was € 1,689 million (2021: € 1,657 million). a.s.r. non-life applies the look through approach for investment funds to assess the market risk.

The interest rate risk is the maximum loss of (i) an upward shock or (ii) a downward shock of the yield curve. a.s.r. non-life the upward 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 (or SLT 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 in 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 2022	31 December 2021
SCR interest rate risk up	-75	-103
SCR interest rate risk down	-	-
SCR interest rate risk	**75**	**103**

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

Solvency II sensitivities - interest rate

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
UFR 3.2%	-	-1	-	-	-	-1
Interest rate +1% (2022 incl. UFR 3.45% / 2021 incl. UFR 3.6%)	-2	-2	-1	+8	-2	+6
Interest rate -1% (2022 incl. UFR 3.45% / 2021 incl. UFR 3.6%)	+1	+1	-4	-9	-3	-9
Interest steepening +10 bps	-	-1	-	-	-	-1
Volatility Adjustment -10bp	-2	-3	-	-1	-2	-3

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

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

C.2.2 Equity risk

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

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

a.s.r. applied the transitional measure for equity risk for shares, which came to an end at 31 December 2022.

Equity risk - required capital

	31 December 2022	31 December 2021
SCR equity risk - required capital	128	321

The 2022 SCR equity risk decreased with € 193 million. This decrease is mainly the result of lower share prices which leads to a lower SCR equity risk, both due to an decreased exposure to equities and also due to a lower risk charge as a result of the symmetric adjustment. Besides the impact of decreased share prices, SCR equity risk slightly increased due to the run-off of the transitional measure of equity risk.

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

Solvency II sensitivities - equity prices

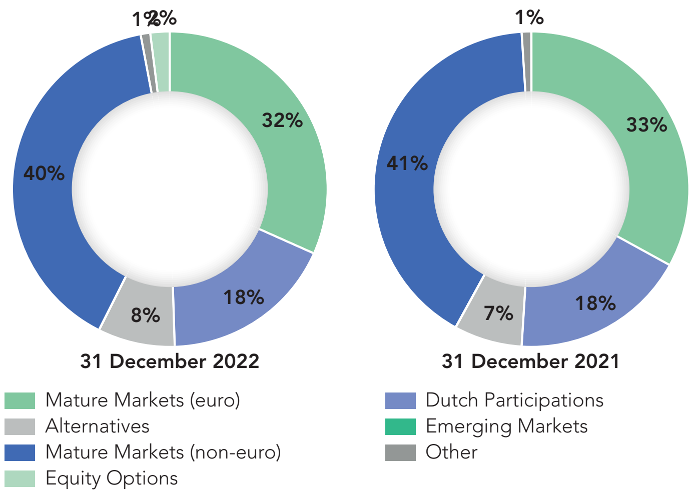
Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Equity prices -20%	-4	-8	+3	+8	-2	-

Composition of equity portfolio

The fair value of equities and similar investments at year-end 2022 was € 440 million (2021: € 732 million). The increase in 2022 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. In 2022 a portfolio of put options with a value of € 8 million (2021: € 1 million) is in place to mitigate the equity risk.

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

Composition of equity portfolio



C.2.3 Property risk

The property risk depends on the total exposure to real estate. In order to maintain a good understanding of the actual property risk, a.s.r. 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. There is one exception for AIE (Agrarische Index Erfpacht) real estate, where a lower drop in property prices is taken into account (average of 6.5%).

Property risk - required capital

	31 December 2022	31 December 2021
SCR property risk - required capital	169	181

The 2022 SCR property risk decreased with € 12 million. The real estate exposure decreased due to (i) transactions and improved look through data of property funds and (ii) higher property prices. Besides this, the average SCR charge of AIE decreased from 10.8% to 6.5%.

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

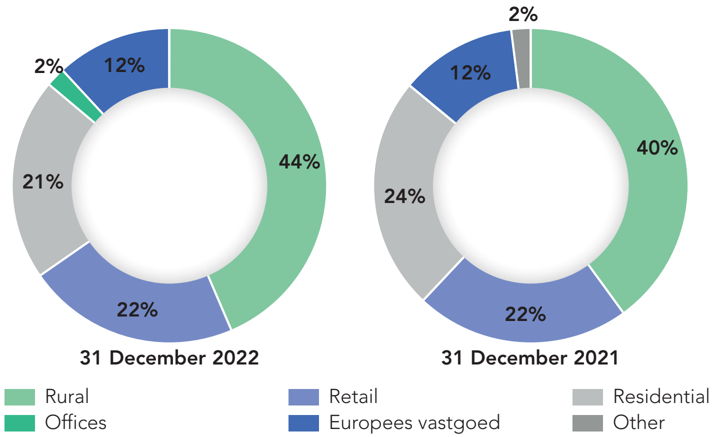
Solvency II sensitivities - property values

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Property values -10%	-4	-4	+1	+1	-3	-3

Composition of property portfolio

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 € 747 million at year-end 2022 (2021: € 777 million). The decrease in 2022 (approximately € -30 million) was a result of transactions (approximately € -42 million), improved look through data of property funds (approximately € -17 million) and increases in property prices (approximately € 29 million).

Composition of property portfolio



C.2.4 Currency risk

Currency risk measures the impact of losses related to changes in currency exchange rates. The table below provides an overview of all currencies with exposure on liabilities and the currencies with the largest exposures. a.s.r. non-life has currency risk to insurance products in mainly American dollars (USD). 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

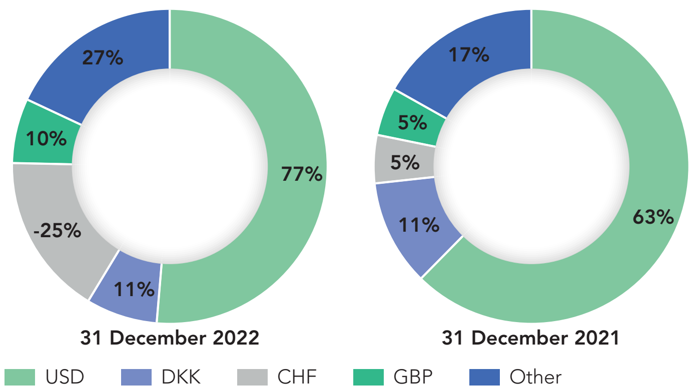
	31 December 2022	31 December 2021
SCR currency risk - required capital	24	27

In 2022 the SCR Currency risk has slightly decreased with € 3 million.

Specification currencies with largest exposure

The exposure to non-euro equity has decreased due to (i) the reduction of the target hedge ratio for USD credits and Emerging Market Debt and (ii) lower exposure in non-euro equities.

Composition of currency portfolio



The total foreign exchange exposure at year-end 2022 was € 70 million (2021: € 120 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 2022	31 December 2021
SCR spread risk - required capital	161	161

The SCR spread risk did not change in 2022.

Solvency II sensitivities - spread risk

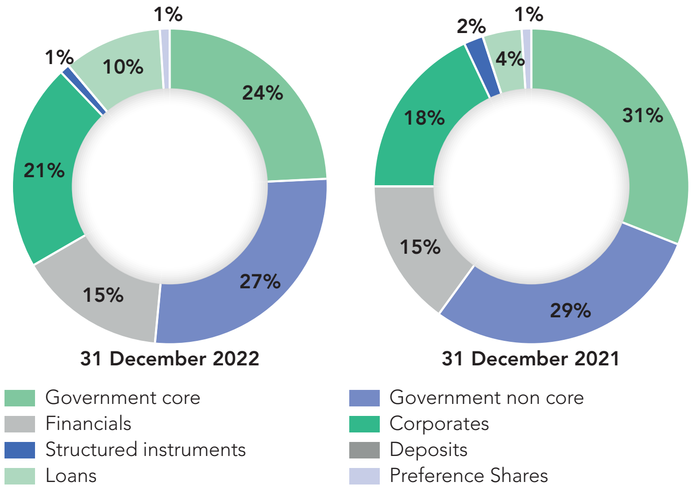
Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Spread +75bps/(2022: VA +18bps/2021: VA +19bps)	+1	+2	-	+2	+1	+4

Composition of fixed income portfolio

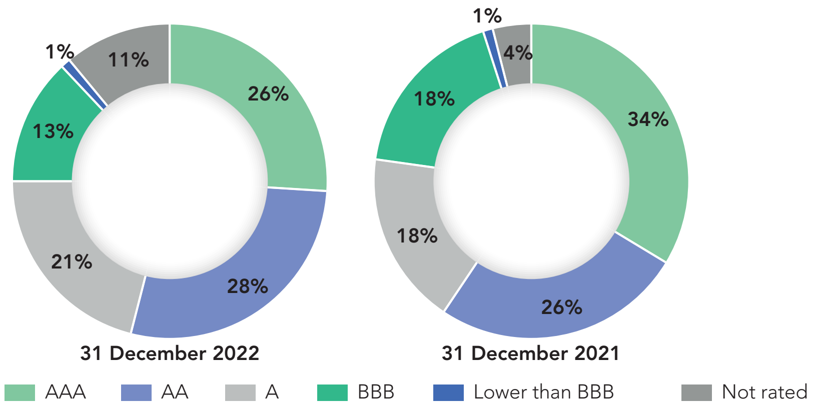
Spread risk is managed on a portfolio basis within limits and risk budgets established by the relevant risk committees. Where relevant, credit ratings provided by the external rating agencies are used to determine risk budgets and monitor limits. A limited number of fixed-income investments do not have 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 € 4,159 million (2021: € 5,136 million). The portfolio composition is similar to 2021.

Composition of fixed income portfolio by sector



Composition of fixed income portfolio by rating



C.2.6 Market risk concentrations

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

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

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

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

The required capital for market risk concentrations is nil per year-end 2022.

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 default 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

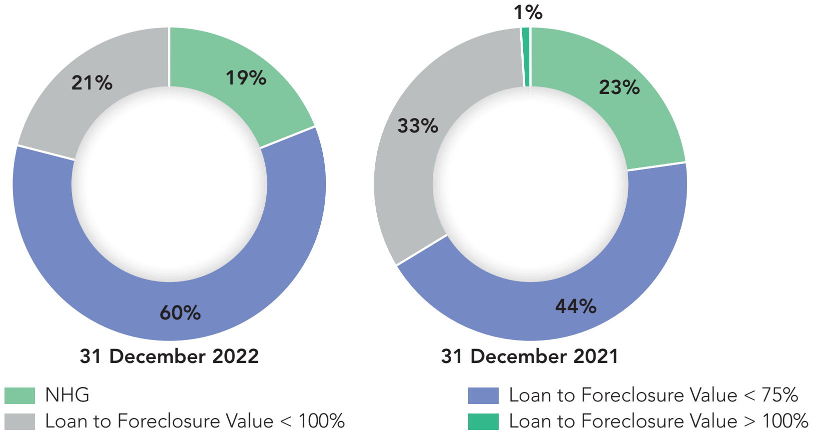
	31 December 2022	31 December 2021
Type 1	23	16
Type 2	34	69
Diversification (negative)	-4	-3
Total	**54**	**82**

The counterparty default risk type 1 has increased mainly due to increase of the cash position. The counterparty risk type 2 has decreased due to the descrease of the LGD of Mortgage Portfolio. The LGD mortgage portfolio has descreased mainly due to the market value descrease, which is the result of a considerable increase in the interest rates during 2022 year. The total counterparty default risk has descreased by € 28 million.

C.3.1 Mortgages

Mortgages are granted for the account and risk of third parties and for a.s.r. non-life's own account. The a.s.r. non-life portfolio consists only of Dutch mortgages with a limited counterparty default risk. The fair value of a.s.r. non-life's mortgage portfolio was € 1,733 million at year-end 2022 (2021: € 1,791 million).

Composition of mortgage portfolio



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

The percentage of mortgages which are in arrears for over three months has increased from 0.02% in December 2021 to 0.03% in December 2022.

C.3.2 Savings-linked mortgage loans

a.s.r. non-life has no saving loans on the balance sheet.

C.3.3 Derivatives

a.s.r. non-life has a small portfolio of (i) interest rate swaps and (ii) put options to manage equity risk.

C.3.4 Reinsurance

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

Composition reinsurance counterparties by rating

	31 December 2022	31 December 2021
AAA	0%	0%
AA	77%	89%
A	22%	9%
NR	1%	2%
Total	**100%**	**100%**

The table above shows the exposure to reinsurers per rating. The total exposure to reinsurers at year-end 2022 was
€ 185 million (2021: € 263 million).

C.3.5 Receivables

The receivables increased to € 222 million in 2022 (2021: € 204 million). The composition of the receivables is presented in the table below.

Composition receivables

	31 December 2022	31 December 2021
Policyholders	88	26
Intermediaries	63	88
Reinsurance receivables	63	83
Other receivables	8	7
Total	**222**	**204**

C.3.6 Cash and cash equivalents

The current accounts amounted € 253 million in 2022 (2021: € 105 million).

Composition cash accounts by rating

	31 December 2022	31 December 2021
AAA	0	0
AA	0	0
A	252	101
Lower than A	1	4
Total	**253**	**105**

a.s.r. non-life had no deposits in scope of counterparty default risk.

C.4 Liquidity risk

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

a.s.r. non-life recognises different levels of liquidity management. First, short-term liquidity management which covers the day-to-day cash requirements and aims to meet short term liquidity risk targets. Second level covers the long-term liquidity management. This, among others, considers the strategic matching of liquidity & funding needs in different business conditions in which market liquidity risk could 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.

Due to rising interest rates in 2022, a.s.r. experienced liquidity outflow as a result of cash variation margin outflow related to the ISDA/CSA- and Clearing agreements of derivatives. The cash outflow was financed by returning earlier received cash collateral to counterparties. As at 31 December 2022 a.s.r. remained a net receiver of cash collateral. Other sources of liquidity risk are (unexpected) lapses in the insurance portfolios and catastrophe risk. 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. For long-term liquidity management purposes, liquidity is also taken into account in the asset allocation process.

a.s.r. non-life's liquidity management principle consists of three components. First, a well-diversified funding base in order to provide liquidity for cash management purposes. A portion of assets must be held in cash and invested in unencumbered marketable securities so it can be used for collateralised borrowing or asset sales. In order to cover liquidity needs in stress events a.s.r. 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. non-life relies on holding 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 2022, a.s.r. non-life had cash (€ 234 million), liquid government bonds (€ 2,081 million) and other bonds and shares.

The following table shows the contractual cash flows of liabilities broken down in four categories. For liabilities arising from insurance contracts, expected lapses and mortality risk are taken into account.

Contractual cashflows

	Payable on demand	< 1 years	1-5 years	5-10 years	> 10 years	Carrying value
31 December 2022						
Insurance liabilities	-	-90	2,651	1,611	2,730	6,746
Derivatives liabilities	-	31	152	127	49	315
Financial liabilities	30	306	1	-	2	338
Future interest payments	-	-	-	-	-	-
Total	**30**	**246**	**2,804**	**1,738**	**2,781**	**7,399**

	Payable on demand	< 1 years	1-5 years	5-10 years	> 10 years	Carrying value
31 December 2021						
Insurance liabilities	-	100	2,370	1,391	2,418	6,757
Derivatives liabilities	-	24	14	17	10	64
Financial liabilities	93	105	11	-	2	211
Future interest payments	-	-	-	-	-	-
Total	**93**	**228**	**2,396**	**1,408**	**2,430**	**7,031**

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

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

EPIFP

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

EPIFP

	31 December 2022	31 December 2021
EPIFP	683	308

The EPIFP increased € 375 million, mainly driven by increased interest rates and new business. Inflation had a decreasing effect.

C.5 **Operational risk**

Operational risk concerns the risk of direct and / or indirect losses which can occur within a.s.r. as a result of inadequate or failing (changing) internal processes, people, systems and/or as a result of external events. Operational risks occurred are most times being caused by the failure of processes, people, systems, external events or a combination of these factors.

Operational risk - required capital

	31 December 2022	31 December 2021
SCR operational risk - required capital	103	95

The SCR for operational risk amounts to € 103 million at year-end 2022 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.

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

Not applicable for a.s.r. non-life.

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.

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. non-life 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 NV as their asset manager.

a.s.r. non-life ensures that assets of policyholders or other stakeholders are managed in a prudent manner. a.s.r. non-life complies with the "Prudent Person Principle" by investing only in assets and instruments which a.s.r. non-life 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. Group Risk Management, acting as the second line of defence, is responsible for the review. Internal Audit acts as the third-line of defence.

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

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

D Valuation for Solvency purposes

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

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

Information for each material line item is based on the balance sheet below. For each line item is described:

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

The numbering of the line items refers to the comments below.

Based on the differences in this template a reconciliation is made between IFRS equity and Solvency equity.

Reconciliation IFRS balance sheet and Solvency II balance sheet

Balance sheet	31 December 2022 IFRS	Revaluation	31 December 2022 Solvency II
1. Deferred acquisition costs	-	-	-
2. Intangible assets	6	-6	-
3. Deferred tax assets	-	-	-
4. Property, plant, and equipment held for own use	-	-	-
5. Investments - Property (other than for own use)	32	-	32
6. Investments - Equity	3,732	14	3,747
7. Investments - Bonds	3,627	-	3,627
8. Investments - Derivatives	180	-	180
9. Unit-linked investments	-	-	-
10. Loans and mortgages	308	-4	304
11. Reinsurance	271	-1	270
12. Cash and cash equivalents	234	-	234
13. Any other assets, not elsewhere shown	486	-50	437
Total assets	**8,877**	**-46**	**8,831**
14. Technical provisions (best estimates)	6,746	-1,569	5,176
15. Technical provisions (risk margin)	-	499	499
16. Unit-linked best estimate	-	-	-
17. Unit-linked risk margin	-	-	-
18. Pension benefit obligations	-	-	-
19. Deferred tax liabilities	13	264	277
20. Subordinated liabilities	-	-	-
21. Other liabilities	772	-	772
Total liabilities	**7,531**	**-806**	**6,724**
Excess of assets over liabilities	**1,346**	**760**	**2,107**

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

Reconciliation excess of assets over liabilities to Eligible Own Funds

	Gross of tax	31 December 2022
IFRS equity		**1,346**
Revaluation assets		
i. Intangible assets	-6	
ii. Loans and mortgages	11	
iii. Reinsurance	-1	
iv. Cash and cash equivalents	-	
v. Any other assets, not elsewhere shown	-50	
Subtotal		**-46**
Revaluation liabilities		
i. Technical provisions (best estimates)	1,569	
ii. Technical provisions (risk margin)	-499	
iii. Unit-linked best estimate	-	
iv. Unit-linked risk margin	-	
v. Subordinated liabilities	-	
vi. Other liabilities	-	
Subtotal		**1,071**
Total gross revaluations		1,025
Tax percentage		25.8%
Total net revaluations		**760**
Other Revaluations		
i. Goodwill	-	
ii. Participations	-	
Subtotal		**-**
Solvency II equity		**2,107**
Own fund items		
i. Subordinated liabilities		-
ii. Foreseeable dividends		-90
Eligible Own Funds Solvency II		**2,017**

D.1 Assets

Valuation of most financial assets is based on fair value. In the paragraph below, this valuation methodology is described.

For different line items will be referred to this method. In this paragraph line items 1 – 13 from the simplified balance sheet above are described.

D.1.1 Fair value measurement

In accordance with the Delegated Regulation, Solvency II figures are based on fair value. In line with the valuation methodology described in article 75 and further of the Delegated Regulation and articles 9 and 10, the following three hierarchical levels are used to determine the fair value of financial instruments and non-financial instruments when accounting for assets and liabilities at fair value:

Level 1: Fair value based on quoted prices in an active market.
Level 1 includes assets and liabilities whose value is determined by quoted (unadjusted) prices in the primary active market for identical assets or liabilities.

A financial instrument is quoted in an active market if:

- Quoted prices are readily and regularly available (from an exchange, dealer, broker, sector organisation, third party pricing service, or a regulatory body); and
- These prices represent actual and regularly occurring transactions on an arm's length basis.

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

Level 2: Fair value based on observable market data
Determining fair value on the basis of Level 2 involves the use of valuation techniques that use inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices of identical or similar assets and liabilities). These observable inputs are obtained from a broker or third party pricing service and include:

- Quoted prices in active markets for similar (not identical) assets or liabilities;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Input variables other than quoted prices observable for the asset or liability. These include interest rates and yield curves observable at commonly quoted intervals, volatility, loss ratio, credit risks and default percentages.

This category primarily includes:

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

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

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

This category primarily includes:

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

D.1.2 Assets per asset category

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

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

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

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

3. Deferred tax assets
The basis for the deferred tax assets (DTA)/deferred tax liabilities (DTL) position in the IFRS balance sheet is temporary differences between fiscal and commercial valuation. This DTA / DTL position is the base for this line item on the Solvency II balance sheet, adjusted for Solvency II revaluations. The largest DTL mutation is mainly caused by the higher (valuation) mortgages and change of savings linked mortgages. The 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. non-life contains a DTL.

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

5. Investments - Property (other than for own use)
a.s.r. recognises the following categories of investment property; the method for calculating their fair value has been added:

- Residential –based on reference transaction and discounted cash flow method (DCF method);
- Retail – based on reference transaction and income capitalisation method;
- Rural – based on reference transaction and DCF method;
- Offices – based on reference transaction and DCF method;
- Other – based on reference transaction and DCF method;
- Under construction - based on both DCF and income capitalisation method.

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

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

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
Not applicable for a.s.r. non-life.

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

Many of the savings-linked mortgages that a.s.r. has sold in the past were combined with a mortgage loan from an external bank. This bank has undertaken to pay mortgage interest on the savings accrued in the insurance policy. To this end, the insurer transfers the premiums to a special deposit account with the bank. According to IFRS, both the insurance policy and the loan are measured at amortised cost. For the purpose of Solvency II, they are both measured at fair value, allowing for any securities the insurer receives on the funds deposited with the bank. The liability is measured separately (in accordance with the Delegated Regulation and the guidance provided by DNB).

The valuation method used to determine the fair value of a.s.r.'s mortgage portfolio bases the spread on the interest rate curve for discounting the mortgage portfolio cash flows on consumer rates. The valuation according to IFRS is based on amortised cost.

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

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

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

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

13. Any other assets, not elsewhere shown
The valuation of these assets is based on the Solvency II valuation method. Other assets include different investments and interest income, property developments, tax assets and accrued assets.

D.2 **Technical provisions**

D.2.1 Introduction

In this section, the policies regarding methodology and assumptions for the technical provisions are described. These liabilities arise from insurance contracts issued by a.s.r. non-life that transfer significant insurance risks from the policyholder to a.s.r. non-life.

The following lines of business are distinguished:
- Health insurance (both NSLT as SLT);
- Non-life insurance.

In this paragraph line items 14+15 from the simplified balance-sheet above are described. In the following lines of business a.s.r. non-life is active in the following lines of business: Health NSLT Income Protection, Property and Casualty, and Health SLT Income Protection.

D.2.2 Technical provisions methods

D.2.2.1 **Income protection insurance (NSLT)**

The provisions for Income protection insurance have been determined making allowance for the following four homogeneous risk groups:
- Sickness absence insurance, "Provinciaal"
- Sickness absence insurance, "Volmachten"
- Accident, "Provinciaal"
- Accident, "Volmachten"

“Volmachten” concerns a liability for which we take over the risk by proxy from another undertaking.

The outstanding claims provision is determined by making an estimate of the expected future benefits per homogeneous risk group (HRG). This is done on a chain ladder method.

The premium provision is determined per HRG and relates to future claim periods in which future profits are based on the Best estimate assumptions.

Risk margin methodology
The risk margin is determined using the Cost of Capital (CoC) method, using a CoC rate of 6%, in line with the Delegated Regulation. The risk margin is based on the SCR of all insurance risks, operational risk and counterparty default risk for all reinsurance arrangements.

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. The SCRs are aggregated in each future year, making allowance for the correlations between risks using correlation factors as defined in the standard model.

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

D.2.2.2 **Property and casualty**

Claim provisions
The best estimate for the provision for claims outstanding relates to claim events that have already occurred, regardless of whether the claims arising from those events have been reported or not. The best estimate is calculated as the present value of expected outgoing cash flows, which consists of the cash flows for claims payments and expenses. The undiscounted claim provision is determined using chain-ladder techniques. For the determination of the net best estimate for the claim provision, the impact of reinsurance is taken into account.

Premium provisions
The best estimate for the premium provision relates to the future claim events falling within the contract boundary (see below). The best estimate is calculated as the present value of expected incoming and outgoing cash flows based on expected claim events till the end of the contract, for liabilities after valuation date. The cash flows arise from the unearned premium and the future premium of existing contracts. Within the future premium the recognition is taken into account. The expected incoming cash flow is based on the future premium income. The expected outgoing cash flows include commissions payments, service charges, claims handling costs and claims payments. The estimates for claims payments are derived from the (triangle)analyses used to determine the claim provision. The assumptions for service charges, claims handling costs and commissions payments are based on the Forecast and Multi-Year Budget. For the determination of the net best estimate for the premium provision, the impact of reinsurance is taken into account.

Expense provisions
The technical provision (claim) also include a provision for claims handling costs. The methodology used for projecting the claims handling costs is based on the development of the number of open claims. For the reference year, the total of (direct and indirect) claims handling costs is allocated per homogeneous risk group. Per homogeneous risk group, the average costs per handled claim in the reference year is derived. A projection for the future expenses for claims handling is made based on the expected percentage of the remaining (open) claims per future calendar year.

Risk margin methodology
The risk margin is determined using the Cost of Capital (CoC) method, using a CoC rate of 6%, in line with the Delegated Regulation. The risk margin is based on the SCR of all insurance risks, operational risk and counterparty default risk for all reinsurance arrangements.

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. The SCRs are aggregated in each future year, making allowance for the correlations between risks using correlation factors as defined in the standard model.

The risks that are factored into the risk margin are catastrophe risk, premium and reserve risk, lapse risk, counterparty default risk and operational risk.

Composition of homogeneous risk group
A homogeneous risk group (HRG) encompasses a collection of policies with similar risk characteristics, which are generally recorded separately. This is also the level at which outstanding claims provisions are tested. This grouping has been defined specifically for a.s.r.'s non-life business. An HRG grouping is a refinement of the usual Solvency II grouping; this involves a breakdown of the Solvency II grouping by distribution channel.

Contract boundaries
The contract boundaries have been determined according to article 18 of the Delegated Regulation. By calculating the best estimates of the premium provisions, contract boundaries and recognition are taken into account. This means that only contracts have been taken into account of which a.s.r. does not have the unilateral right to cancel the contract, reject premiums or amend premiums or benefits to reflect the underlying risk at some future point in time. Specifically this implies that future premiums of existing contracts are taken into account till the end of the contractual term. In addition, future premiums of contracts with an expiration date within 2 months after the valuation date are taken into account (recognition).

D.2.2.3 **Health insurance contracts (SLT)**
The provision has been determined making allowance for the following four homogeneous risk group and is applicable for Solvency II:

1. Disability Insurance (Individual)
2. WGA-ERD Insurance
3. WIA related disability Insurance
4. WAO-Gat Insurance

Contract boundaries
The contract boundaries have been determined according to article 18 of the Delegated Regulation. The following distinction is made: Health SLT with an individual medical risk assessment, Health SLT without an individual medical risk assessment and Health NSLT.

In the portfolio with Individual contracts, the contract boundary is the end age because the contracts are non-cancellable and premiums cannot be adjusted to an adequate level at the individual level.

The contract boundary of the Health SLT policies with an individual risk assessment (Individueel) is determined at the last date that a payment could be made; for these policies, renewals are considered to be within the contract boundary.

In the portfolio without individual contracts (Collectief), the contract boundary is the expiration date because premiums can be adjusted to an adequate level at portfolio level.

The contract boundary of the Health SLT policies without an individual risk assessment (Collectief) is determined at the expiration date of the contract. For contracts, that would expire within a month after the reporting date, the contract boundary is considered as the expiration date of the contract after one extension of the contract.

Health SLT insurances (AOV and WIA) are considered as life insurance obligations. Health NSLT insurances (Ziekteverzuim and Ongevallen) are considered as non-life insurance obligations.

The contract boundary of the Health NSLT policies is determined at the expiration date of the contract. For contracts, that would expire within a month after the reporting date, the contract boundary is considered as the expiration date of the contract after one extension of the contract. For the calculation of the premium risk volume measure, only the realized premiums in the current year and the expected premiums in the following year are considered. The premiums after the following year are considered to be not material, because for the Ziekteverzuim product only new production has a longer contract period than one year. The premiums after the following year for the Ongevallen product are also considered not to be material, because of the size of the Ongevallen portfolio.

Outstanding claims and premium provisions
The best estimates of the regular payments are calculated on an item-by-item basis (homogeneous risk groups 1-6) or using an approximation method (see simplifications for parts of homogeneous risk group 3 and 6, paragraph 3.2.5). The technical provision is made up of the expected value (i.e. best estimate)

of the provisions plus a risk margin. The expected value is calculated based on the present value of the cash flows from the best estimate settlement of the portfolio, making allowance for realistic assumptions with respect to mortality, disability, rehabilitation, lapse and expenses based on own data. The negative actuarial premium provision has, contrary to IFRS, not been set at nil.

- Assumptions with respect to disability for the first and second homogeneous risk group (individual, self employed or employed persons) are based on observations from our own portfolio.
- For the WAO products no rehabilitation is assumed (homogeneous risk groups 3-5).
- Assumptions with respect to the WIA-products (homogeneous risk group 6) are based on the report "Kansenstelsel WGA-ERD" written by "Verbond van Verzekeraars".

Expense

The total of expenses allocated to the modelled insurance activities in scope are based on the Multi Year Budget. They include business operating costs (exclusive acquisition costs), investments costs and group head office expenses.

Expense allocation

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

Risk margin methodology

The risk margin is determined using the Cost of Capital (CoC) method, using a CoC rate of 6%, in line with the Delegated Regulation. The risk margin is based on the SCR of all insurance risks, operational risk and counterparty default risk for all reinsurance arrangements.

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. The SCRs are aggregated in each future year, making allowance for the correlations between risks using correlation factors as defined in the standard model.

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

Impact volatility adjustment

The validated risk driver consists of the Best Estimate present value of premiums and payments for active and inactive policyholders, such that the SCR on future projection moment t can be calculated as the SCR on extraction date multiplied by the value of the risk driver on time t divided by the valuation risk driver at time 0. This is proven to be the most representative risk driver compared to an exact calculation of the projected SCR.

Impact of applying VA = 0 bps

	VA = 19 bps	VA = 3 bps	VA = 0 bps		Impact	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
TP	5,675	6,619	5,751	6,634	77	16
SCR	1,264	1,350	1,262	1,352	-3	2
MCR	569	608	568	608	-1	1
Basic own funds (total)	2,017	2,271	1,907	2,259	-109	-12
Eligible own funds	2,017	2,271	1,907	2,259	-109	-12

D.2.3 Level of uncertainty

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

Process risk

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

Model risk

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

D.2.4 Reinsurance and special purpose vehicles (SPVs)

Contracts that transfer a significant insurance risk from a.s.r. non-life 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. non-life assesses whether objective evidence of impairment exists. If a reinsurance asset is impaired, its carrying amount is reduced to its recoverable amount. So current receivables from reinsurers are valued comparable with IFRS.

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

For the Best Estimates technical provisions the ratio of the total net and gross provision is used and is projected on the total gross Best Estimate provision to derive the net Best Estimate provision.

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 € 132 million.

The Health NSLT portfolio is not reinsured.

Special purpose vehicles

a.s.r. non-life does not make use of SPVs.

D.2.5 Technical provisions

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

Provisions IFRS versus Solvency II

31 December 2022	IFRS	Revaluation	Solvency II
Non-life			
Best estimate	-		1,479
Risk margin	-		88
Technical provision	**1,871**	**-304**	**1,567**
Similar to non-life			
Best estimate	-		308
Risk margin	-		39
Technical provision	**413**	**-66**	**347**
Similar to life			
Best estimate	-		3,389
Risk margin	-		371
Technical provision	**4,461**	**-701**	**3,760**

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.

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 no expected profit is taken into account
- Different methods to 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 (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) are different assumptions with respect to disability and recovery.

D.3 **Other liabilities**

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

18. Pension benefit obligations
Not applicable for a.s.r. non-life.

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.

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

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

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

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

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

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

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

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

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

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

Contingent liabilities are recognized 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 recognized 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.

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

D.3.2 Reconciliation from Solvency II equity to EOF
The differences described in the above sections are the basis for the reconciliation of IFRS equity to equity Solvency II. To reconciliate from Solvency II Equity to EOF, the following movements are taken into consideration:

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

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

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

Tier 3 Limitations In accordance with the Delegated Regulation EOF is divided in tiering components. There are boundary conditions related to the size of these components. Excess of this limits results in capping of EOF. For a.s.r. non-life capping does not apply per the fourth quarter of 2022.

D.4 **Alternative methods for valuation**

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

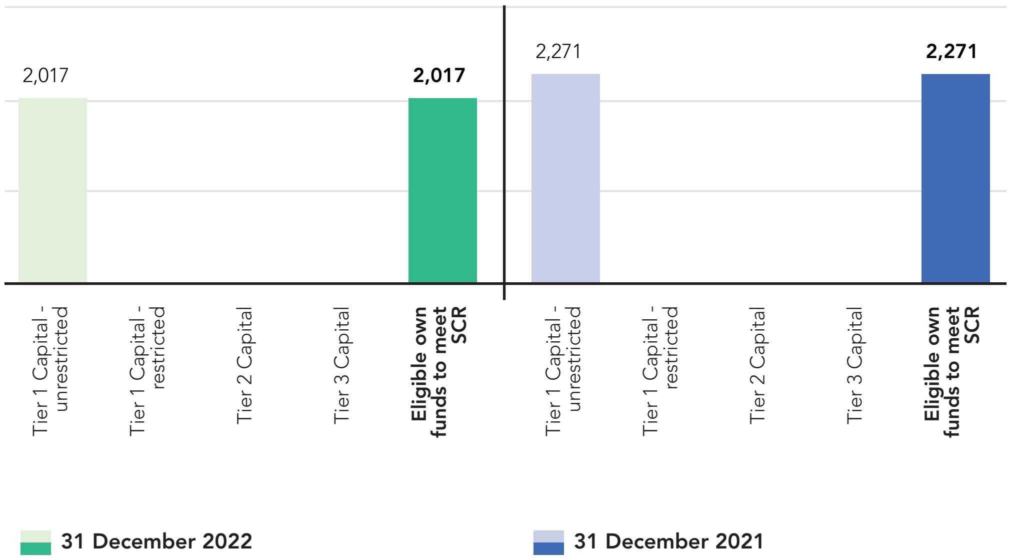
D.5 **Any other information**

Not applicable for a.s.r. non-life.

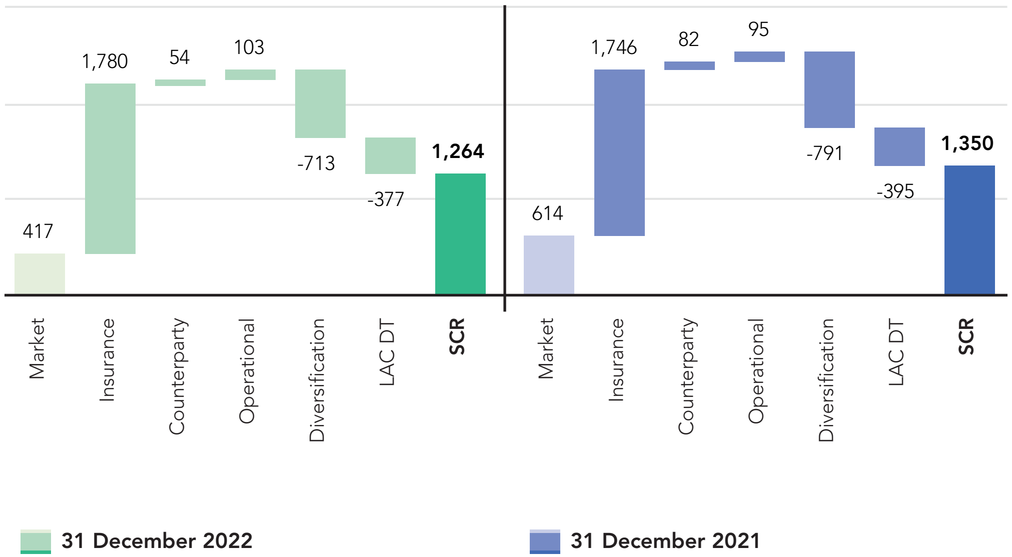
E Capital management

Key figures

Eligible own Funds



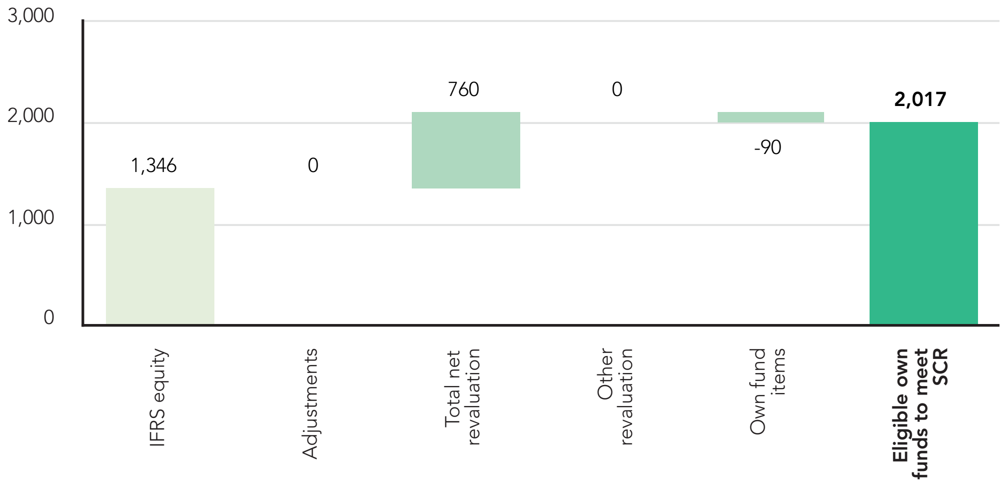
SCR



The solvency ratio stood at 160% as at 31 December 2022 based on the standard formula as a result of € 2,017 million EOF and € 1,264 million SCR.

Note that the ratio of 160% is presented after deduction of a planned dividend upstream to a.s.r. Group. Excluding the deduction of the planned dividend upstream the ratio stood at 167%.

Reconciliation total equity IFRS vs EOF Solvency



The table above presents the reconciliation of IFRS equity to the solvency II as per 31 December 2022. The difference between the IFRS equity and the eligible own funds at year-end 2022 is mainly the result of the technical provisions (€ 810 million) as well as cancelling of prepaid commissions which are not recognised under Solvency II (€ -50 million). The Own fund items relate to the foreseen dividend upstream in 2023 of € 90 million to a.s.r. for the acquisition of Aegon Nederland.

E.1 **Own funds**

E.1.1 Capital management objectives

Management

Overall capital management is administered at group level. a.s.r. currently plans to consider investing capital above the Solvency II ratio (calculated based on the standard formula) of 160% (management threshold level) with the objective of creating value for its shareholders. If and when a.s.r. operates at a level considerably above the management threshold level and it believes that it cannot invest this capital in value-creating opportunities for a prolonged period of time, it may decide to return (part of this) capital to shareholders. If a.s.r. chooses to return capital, it plans to do so in a form that is efficient for shareholders at that time. a.s.r. actively manages its in-force business, which is expected to result in free capital generation over time. Additionally, business improvement and balance sheet restructuring should improve the capital generation capacity while advancing the risk profile of the company. The legal entities are individually capitalised and excess capital over management's targets for the legal entities is intended to be up-streamed to the holding company as far as is needed for amongst others covering external dividend, coupon payments on hybrids/senior financing instruments and holding costs and in so far the local regulations and the internal risk appetite statement allow.

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.

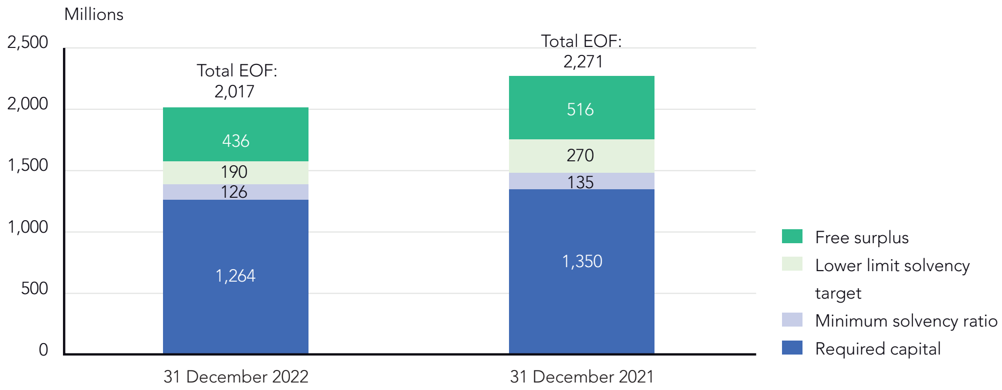
The SCR is reported on a quarterly basis and proxies are made on both a monthly and weekly basis. The internal minimum solvency ratio for a.s.r. non-life as formulated in the risk appetite statement is 110%. The lower limit solvency target is 125%. The management threshold level for the solvency ratio is above 140%. The solvency ratio stood at 160% at 31 December 2022, which was above the internal requirement of 110% and the management threshold level of 140%. Note that the ratio of 160% is presented after deduction of a planned dividend upstream to a.s.r. This differs from previous years when no planned dividends were foreseen and taken into account. Excluding the deduction of the planned dividend upstream the ratio stood at 167%.

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

In accordance with a.s.r.'s dividend policy, the liquidity of the underlying entities is not taken into account for the liquidity position of the group. However, the capital is recognised in the capital position of the group, since a.s.r. has the ability to realise the capital of this OTSO, for example by selling the entity. If a.s.r. non-life elects to return capital, it intends to do so in the form that is efficient for shareholders at that time. In 2022, € 176 million dividend upstream took place.

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

- Tier 1 capital consists of Ordinary Share Capital and Reconciliation reserve.
- Tier 2 capital consists of ancillary own funds and basic Tier 2. Ancillary own funds consist of items other than basic own funds which can be called up to absorb losses. Ancillary own fund items require the prior approval of the supervisory authority. a.s.r. non-life has no ancillary own fund items.
- Tier 3 consists of Deferred tax assets. a.s.r. non-life has no Tier 3 own fund items. a.s.r. non-life has a deferred tax liability of € 277 million.

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 2022	31 December 2021
Tier 1 capital - unrestricted	2,017	2,271
Tier 1 capital - restricted	-	-
Tier 2 capital	-	-
Tier 3 capital	-	-
Eligible own funds to meet SCR	**2,017**	**2,271**

E.1.3 Own funds versus MCR

The MCR calculation is based on the standard formula.

Eligible Own Funds to meet the MCR

	31 December 2022	31 December 2021
Tier 1 capital - unrestricted	2,017	2,271
Tier 1 capital - restricted	-	-
Tier 2 capital	-	-
Tier 3 capital	-	-
Eligible own funds to meet MCR	**2,017**	**2,271**

According to (Directive 2009/138 EU article 230 Sub 2a) the Solvency Capital Requirement of a.s.r. non-life shall have as a minimum the sum of the following:
a) the Minimum Capital Requirement as referred to in Article 129 of the participating insurance or reinsurance undertaking;
b) the proportional share of the Minimum Capital Requirement 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 (€ 569 million) of a.s.r. non-life equals the sum of the MCR of the related insurance undertakings.

E.1.4 List of hybrid loans

There are no hybrid loans at a.s.r. non-life.

E.2 **Solvency Capital Requirement**

Capital requirement

The required capital stood at € 1,264 million per 31 December 2022. The required capital (before diversification) consists for € 417 million out of market risk, € 54 million counterparty risk and the insurance risk amounted to € 1,780 million as per 31 December 2022.

The table below presents the solvency ratio as at the date indicated. The Solvency II ratios presented are not final until filed with the regulators.

Solvency II ratio

	31 December 2022	31 December 2021
Eligible Own Funds Solvency II	2,017	2,271
Required capital	1,264	1,350
Solvency II ratio	**160%**	**168%**

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. non-life included a beneficial effect on its solvency ratio(s) due to the application of the LAC DT. The LAC DT benefit of a.s.r. non-life amounted to € 377 million (2021: € 395 million).

Relevant regulation and current guidance (Delegated Regulation, Level 3 guidelines, Dutch Central Bank Q&As and IAS 12) is taken into account in the development of the LAC DT methodology. a.s.r. 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.

On 22 September 2021 the European Commission published its proposal for the revision of Solvency II. 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). In July 2022, the Council reached an agreement on their common position. The Parliament has tabled many amendments and will vote on their final position in early 2023. The next step then is for the European Parliament, the Council to negotiate the final legislative texts of the revision of Solvecy II. It is expected that the changes will come into effect in 2025 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. non-life on 9 September 2022 and on 27 October 2022 for a.s.r. including Aegon Nederland.

Ratings

Ratings Standard & Poor's	Type	Rating	Outlook	Rating & outlook since
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: insurer financial strength rating

Rating reports can be found on the a.s.r. website: http://asrnl.com/investor-relations/ratings.

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

The transitional measure for equity risk applies for shares in portfolio at 01-01-2016 and ended per 31 December 2022. 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 Executive Board 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. non-life has not faced any form of non-compliance with the MCR or significant non-compliance with the SCR during the reporting period or at the reporting date, no further information is included here.

ASR Nederland N.V.

Archimedeslaan 10
P.O. Box 2072
3500 HB Utrecht
The Netherlands

www.asrnl.com

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