# 2020

# Annual Report


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

## Cover

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

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

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

ASR Nederland N.V.

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# 2020

# Annual Report

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# Contents

# Sustainable investment policy

# 1

# About a.s.r.

a.s.r. wants to play a prominent role in sustainable business practice through its sustainable investment policy

For a.s.r., sustainable investing is a means rather than an end. This is the best option for all stakeholders in the long term.

All investments managed by a.s.r. asset management are screened for their social and environmental aspects and governance criteria, based on a.s.r.'s SRI (Socially Responsible Investment) policy. Countries and companies that fail to uphold these criteria will be excluded, whereas a.s.r. will increase investments in those that make a positive contribution to a sustainable society.

a.s.r. believes in engagement through constructive dialogue with the companies it invests in, with the aim of increasing long-term shareholder value and the social return on investment.

a.s.r.'s sustainable investment policy was devised to enable sustainable and responsible investment while minimising the negative consequences for investment returns.

# 1.1 At a glance

## Company facts

Founded in 1720, deeply rooted in Dutch society

**4,042**
employees (FTEs)

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

Head office in Utrecht

## Group and business performance

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

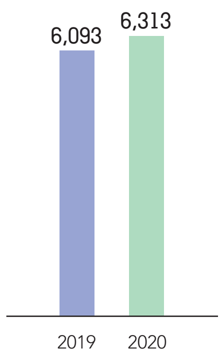
**IFRS net result** (in € million)
656
2019: **972**

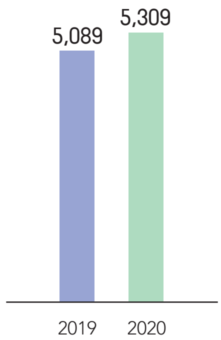
**Operating return on equity** (in %)
15.3
2019: **15.1**

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

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

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

**Total equity** (in € million)


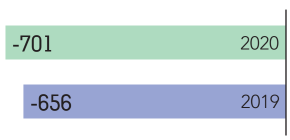

**Total equity attributable to shareholders** (in € million)



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

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

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

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

**Operating expenses** (in € million)



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



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

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

**Share buyback** (in € million)
75

**Credit rating** (S&P)
A
2019: **A**

## Non-financial performance

**Net Promoter Score**

49 ↑

2019: **44**

**Impact investing**
(in € billion)

1.7 ↑

2019: **0.9**

**Carbon footprint**
(in % of portfolio for own account)

93 ↑

2019: **89**

**Employee contribution to local society** (in hours)

4,398 ↓

2019: **12,413**

**Supervisory Board**
(in %)

Female 33

Male 67

2019: **33 / 67**

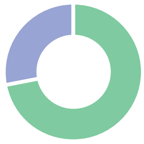
**Executive Board**
(in %)

Female 67

Male 33

2019: **33 / 67**

**Senior management**
(in %)

Female 28

Male 72

2019: **25 / 75**

**Other employees**
(in %)

Female 43

Male 57

2019: **42 / 58**

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

82 ↑

2019: **73**

**Sustainalytics**
(100-0, lower is better)

14.7 ↓

2019: **13.6**

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

C ↓

2019: **B**

**Vigeo Eiris**
(0-100)

Number
60 ↑

2018: **52**[1]

**MSCI**
(CCC to AAA)

BBB →

2019: **BBB**

**ISS Oekom**
(D- to A+)

C (prime) →

2019: **C** (prime)

**FTSE4Good**
(0 - 5)

4.3 ↓

2019: **4.9**

**Fair insurance guide**
(out of 9 largest Dutch insurers)

Number
1 →

2019: **1**

For the multi-year overview, please refer to Appendix A Facts and figures.

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

## a.s.r. operating segments and brands

| Non-life | ASR Nederland N.V. | Asset Management |
|---|---|---|
| Life | | Distribution and Services |
| | Holding and Other | |

## ASR Nederland N.V.

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

Find out more on page 74

**Gross written premiums**
(in € million)

5,276 ↑

2019: **4,666**

**Operating result**
(in € million)

885 ↑

2019: **858**

## Non-life

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

Find out more on page 77

**Gross written premiums**
(in € million)

3,643 ↑

2019: **3,192**

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

93.6 ↓

2019: **93.5**

**Operating result**
(in € million)

241 ↑

2019: **226**

**Cost ratio**
(in %)

8.1 ↓

2019: **8.4**

**Brands**

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

DE AMERSFOORTSE een merk van a.s.r.

europeesche verzekeringen een merk van a.s.r.

Ditzo een merk van a.s.r.

Loyalis een merk van a.s.r.

## Life

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

Find out more on page 85

**Gross written premiums**
(in € million)

1,810 ↑

2019: **1,619**

**Operating result**
(in € million)

730 ↑

2019: **696**

**Life operating expenses on basic life provision**
(in bps)

45 ↓

2019: **53**

**Brands**

## Asset Management

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

Find out more on page 89

**Assets under management for third parties**
(in € billion)

25.4 ↑

2019: **22.0**

**Operating result**
(in € million)

31 ↑

2019: **24**

**Brands**

## Distribution and Services

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

Find out more on page 94

**Total income**
(in € million)

99 ↑

2019: **90**

**Operating result**
(in € million)

25 ↑

2019: **23**

**Brands**

# 1.2 Message from the CEO

**It is now a year ago – 15 March 2020 to be precise – that we decided that all employees had to work from home. COVID-19 was then beginning to gain a hold on the country and the government responded by introducing what became the first lockdown. Apart from a brief period during which our employees were permitted a limited return to the office, we are still in a state of lockdown and working from home. We are therefore delighted that in spite of this, we have not only reported a strong financial performance for 2020, but have also been able to further strengthen our good relationship with our customers and intermediaries over the past year. Furthermore we have been able to offer practical solutions to those of our customers particularly hard hit by the COVID-19 crisis, e.g. in the form of payment schemes.**

**Our performance**
We are satisfied with the company's results for 2020. a.s.r. either met or surpassed its financial targets, an achievement to which all the business lines contributed. Our operating result went up, gross written premiums (GWP) for Non-life and Life showed a rising trend, as did solvency. Mortgage production rose sharply and we also saw growth in our fee business. Our organic capital creation (OCC) remained stable despite the impact of lower interest rates. However, the net IFRS result for 2020 was below the 2019 result, partly due to volatility on the financial markets as a result of the COVID-19 crisis. In the light of our results for 2020 and in line with our dividend policy, we will be paying our shareholders an annual dividend of up to € 2.04 per share, a growth of 7% compared to 2019. Based on our robust solvency position and OCC, we have decided to repurchase € 75 million of our own shares in 2021.

We have maintained our high level of service in 2020, and customer satisfaction has actually improved. Our Net Promoter Score (NPS) has gone up by five points to 49, this is well above our target of > 44 as well as being the highest NPS a.s.r. has achieved to date. The intermediaries we work with also appreciate our efforts. At the annual Adfiz survey (association of independent intermediaries) a.s.r. won all three awards for Best Partner in terms of efficiency, insurability, business and customisation. These themes are crucial for good cooperation with the intermediary and ensure good customer service.

a.s.r.'s purpose is to help customers share risks and accumulate assets for later, using sustainable solutions to benefit people, the environment, society and future generations. We are glad to report that this is progressively being recognised and acknowledged, with a.s.r. increasingly featuring in the top echelon of sustainability rankings and benchmarks. The most significant appreciation we were given in 2020 was our inclusion in the Dow Jones Sustainability World Index. This means we are among the 10% top-performing insurers worldwide in terms of sustainable business operations.

**Working from home**
We have done and continue to do our utmost to make it as easy as possible for our employees to thrive at their work, even when working from home. Both physically, by providing good IT and office equipment, and mentally by providing training, courses and tips & tricks for keeping fit and active. We also give employees the opportunity to periodically take time off to spend on personal matters such as childcare and informal care. Together, these measures have kept morale, motivation and vitality high throughout the COVID-19 crisis so far. These levels are measured weekly using a mood monitor we have developed ourselves. Another positive introduction has been the a.s.r. Vitality programme, which is also offered to employees and customers, helping people to remain fit and active.

Due to lockdown restrictions and social distancing rules, our employees have not been able to do as much of the volunteer activities we typically do for society, which is one of our non-financial medium term targets. To protect the health of our employees and the people involved in these projects, we had to either cancel or scale down these activities. In some cases, we have been able to convert to digital versions. As soon as social distancing measures are lifted, we will scale them up again.

**Strategy**
During the past year, the Executive Board (EB) regularly discussed the strategy of a.s.r. and concluded that our current strategy still allows us to operate successfully on the Dutch market. We will therefore continue to adhere to its roll-out and to our aim of creating sustainable value for our stakeholders, in which our goal is to grow both organically and through targeted acquisitions. The focus is on Non-life, Asset Management and Distribution. Another priority for 2021 will be the ongoing digitisation of our organisation and customer service, and the further sharpening of customer focus throughout the organisation. The goal is to digitise our customer service as far as possible, since we know that customers can and want to do more online. Doing so improves customer satisfaction and it is also more sustainable because it means we can significantly cut down on paperwork.

In doing so, we will factor in the interests and role of the independent intermediaries.

Another noteworthy milestone for 2021 is that we will be saying farewell to De Amersfoortse as a separate brand. a.s.r. will continue with the same employees, insurance products and level of service to offer itself as a trustworthy partner for self-employed persons, employers and advisors alike. By moving forward as a single brand we will strengthen the a.s.r. brand and further consolidate our market position.

**Governance**
Two new EB members joined a.s.r. in late 2019 and begin 2020: Ingrid de Swart and Annemiek van Melick. Like the rest of the company, the EB was affected by the measures taken in response to COVID-19. Nonetheless, we were able to work closely together and I am greatly impressed by how quickly and effectively they have mastered their roles at a.s.r. under these circumstances.

Kick van der Pol, who has been Chairman of the Supervisory Board (SB) for the last 12 years, will be standing down at the Annual General Meeting (AGM) of Shareholders this year. Kick made an invaluable contribution to a.s.r. during his years in office. This includes, not least, his efforts to ensure an independent role for a.s.r. on the Dutch insurance market and our Initial Public Offering (IPO) in 2016. Moreover, his analytical skills and ability to ask the right questions always provided us with inspiration as well as challenge. We will miss Kick, but are grateful that he will be followed by a worthy successor in the person of Joop Wijn, who joined the SB in autumn 2020. I have every confidence in Joop as the new Chairman of the SB and look forward to working with him.

**Looking forward**
In 2020 we managed to mitigate the impact of COVID-19 on our business and we remain on track to meet our 2021 targets as communicated on our Capital Markets Day (CMD) in 2018. The impact of COVID-19 going forward is however still impossible to accurately predict. This depends on the speed with which the pandemic is being contained and therefore the rate at which the current restrictions are lifted, as well as on the impact on society and the economy also after the government support measures have been completed. Specifically the GWP growth in Non-life could be affected by the economic situation for small and medium-sized enterprises (SME), corporates and self-employed post COVID-19.

These uncertainties do not only hit us but of course also our customers and intermediaries. a.s.r. will do the utmost it can to help resolve this issue, in which prevention will be an important element. This is our role as an employer and as a sustainable business partner in society.

Also in a broader perspective, we will exercise our responsibility as an insurer and make the choices needed to help build a sustainable and sound economy and a society in which everyone counts and feels free to take part and to gain from opportunities presented to them.

We also want to take steps in this regard within our own organisation. Surveys have shown that our employees feel respected and enjoy equal opportunities. This is underlined with the latest Gender Equality report by Equileap, in which a.s.r. is included in the top 100 out of 3,500 companies worldwide. Nonetheless, we continue to further improve diversity and inclusion at a.s.r. We have therefore started a process to encourage these topics to be addressed at all levels in the organisation. The EB and senior management have been among the first to have taken training in this area, to be followed by all employees.

**Acknowledgement**
Over the past year, we have invested a great deal in maintaining contact with employees, customers and our shareholders. And while we are aware that it is not always easy to do everything over a video or phone link, we are pleased that we have nevertheless managed to retain these contacts. We have been able to maintain contact with analysts and investors to answer questions and tell them what we do, hold regular digital employee sessions with the entire company and seamlessly transfer all our customer contacts from our call centres to the homes of our employees.

We would like to thank all our employees, customers and shareholders for their ongoing support and the confidence they have placed in a.s.r. We hope that during the course of 2021 we will to some extent be able to return to the pre-COVID situation, to enjoy genuine face-to-face contact and restore social cohesion.

Jos Baeten
CEO and Chairman of the Executive Board

# 1.3 Value creation model

a.s.r. is committed to create sustainable, long-term value for its stakeholders. This value may be economic, social or environmental.

The value creation model shows the creation of this value from the resources or 'capitals' which a.s.r. utilises in its business, to the economic, social or environmental value created (output, outcome and impact) as a result of its activities. This model is based on the framework developed by the International Integrated Reporting Council (IIRC).

## Input

### Financial
- GWP: € 5,276 million
- Assets under management (Aum) for third parties: € 25.4 billion
- Total equity: € 6,313 million
- Total liabilities: € 70.9 billion
- IFRS net result: € 656 million

### Manufactured
- IT infrastructure
- Head office a.s.r.
- Best in class operator

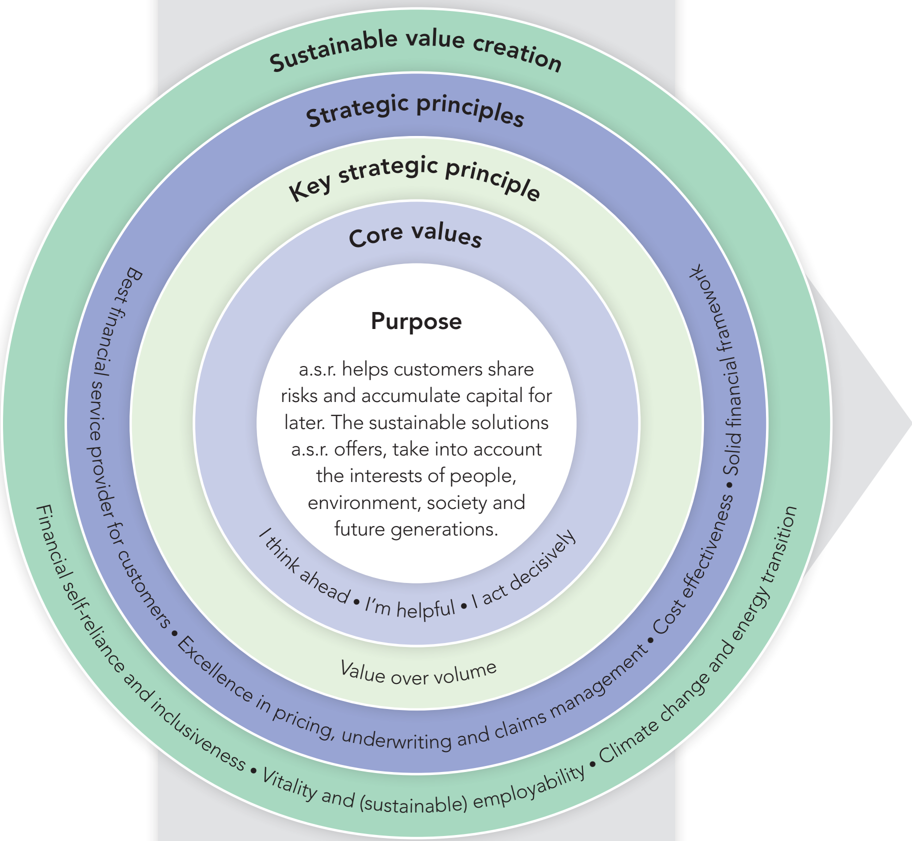
### Intellectual
- Smooth internal processes and excellent service to Life, Non-life, Asset Management and other customers
- Intelligence to prevent fraud and cybercrime
- Craftsmanship in pricing, underwriting and claims management

### Human
- Employees: 4,365 (headcount)
- Training spending per FTE: € 1,285
- Responsible business including sustainable policies, the a.s.r. code of conduct, the a.s.r. Collective Labour Agreement (CLA) and a.s.r.'s Vitality programme

### Social
- Customers: > 1.5 million
- Intermediaries: > 5,000
- Business partners and suppliers
- Employee turnover rate: 10.0%
- Number of employees volunteering in a.s.r. foundation: 427

### Natural
- Energy consumption per m²: 78 kWh

## Business model




### Key trends
- Technological
- Environmental and demographic
- Economic and financial markets
- Political and regulatory

| Output | Outcome | Impact: Positive impact | Impact: Negative impact |
|---|---|---|---|
| **Financial**<br>• Claims and benefits paid: € 5.1 billion<br>• Dividend to be paid: € 282 million<br>• Interest expenses: € 331 million<br>• Solvency II ratio: 199%<br>• Organic capital creation (OCC): € 500 million<br>• Standard & Poor's (S&P) rating: A<br>• Financial leverage: 28.3%<br>• Combined ratio (COR): 93.6%<br>• Operating result: € 885 million<br>• Operating expenses: € 701 million<br>• Salaries and wages paid: € 276 million | **Financial**<br>a.s.r. pays out pensions, insurance claims and investment returns. a.s.r. pays taxes and other contributions to society.<br>a.s.r. maintains a strong balance sheet and takes a disciplined approach to capital management, aiming to fulfil its long term commitments to policyholders and to provide attractive and sustainable returns for its investors. | • Correct and smooth claim handling and payment to customers<br>• Stable annual dividend per share<br>• Payment of interest to investors<br>• Solid financial results | |
| **Manufactured**<br>• IT business system supports all employees working from home<br>• Enhanced digital services and efficient processes for a.s.r. customers through robotisation and artificial intelligence (AI)<br>• Know-how in migrating and optimising (acquired) portfolios in a.s.r. IT systems | **Manufactured**<br>Investments in a reliable IT infrastructure enables a.s.r.'s employees to work from home, resulting in a smooth continuation of a.s.r.'s business processes. Enabling a.s.r. to serve its customers optimally resulting in a positive customer journey. | • Good accessibility for a.s.r.'s customers<br>• Improved efficiency | • Number of complaints |
| **Intellectual**<br>• 89 complaints relating to privacy<br>• 14 notifications of data leaks to the Dutch Data Protection Authority (DPA)<br>• NPS: 49 | **Intellectual**<br>a.s.r. creates intellectual value and applies this against to the benefit of its stakeholders. By deploying intellectual capital, a.s.r. reduces the consequences of money laundering, cybercrime and fraud to a minimum. Additionally this leads to more sustainable and reliable products and services. | • Up-to-date digital customer solutions | • Prevention of cybercrime and fraud<br>• Active contribution to avoid money laundering |
| **Human**<br>• Employee engagement score: 89 percentile<br>• Employability through training and development<br>• Diverse and inclusive workforce<br>• A healthy and vital workforce | **Human**<br>a.s.r. creates value for its employees by paying fair salaries and offering attractive secondary employee benefits, including pension contributions. a.s.r. also invests in the personal and professional development of its employees through training and development to enhance sustainable employability. a.s.r. encourages the vitality of its employees by providing them with a safe working environment in combination with the a.s.r. Vitality programme. | • Sustainable employability of a.s.r.'s workforce<br>• Diverse and inclusive workforce<br>• Equal remuneration for females and males<br>• Healthy and vital workforce | • Prevention of incapacity for work and no longer being able to participate in the labour market |
| **Social**<br>• NPS: 49<br>• Impact investing: € 1.7 billion<br>• SRI policy<br>• Tax and social security benefits paid: € 772 million<br>• Voluntary contribution to local society: 4,398 hours | **Social**<br>a.s.r. creates value by taking responsibility, for example preventing payment arrears with its customers.<br>In addition, a.s.r. delivers an active contribution to the financial development of (future) customers by financially educating both adults and children.<br>Sustainable investment is of crucial importance. a.s.r. applies the same strict criteria when investing on behalf of its customers as it does when investing for itself. | • Support to local initiatives<br>• Fair tax payments<br>• Improved financial awareness and social security benefits<br>• Contribution to financial self-reliance | • Reduction of financial vulnerability of individuals |
| **Natural**<br>• 2,728 tonnes of $CO_2$ emissions of own operations<br>• 2,667,397 tonnes of $CO_2$ emissions of investment portfolio (for own account)<br>• Impact investing: € 1.7 billion | **Natural**<br>a.s.r. creates value, for example by continuously investigating where its business operations could become even more sustainable. For investments a.s.r. follows its own SRI policy.<br>a.s.r.'s investments aim at long-term value creation.<br>a.s.r. takes into consideration the fact that the present generation has inherited the earth, hoping to pass it on to the next generation in a healthy shape. | • Investment portfolio in line with SRI policy | • Environmental impact |

# Sustainability mortgage

# 2

# Operating environment

a.s.r.'s mortgage customers can take out an extra loan to make their homes more eco-friendly

In order to contribute to the Paris Agreement, it is important to encourage home improvements aimed at sustainability rather than solely allowing sustainable houses into the a.s.r. mortgage portfolio. This is why a.s.r. has introduced the Verduurzamingshypotheek (Sustainability mortgage), which makes energy conservation measures easier and cheaper to finance.

a.s.r. offers the Verduurzamingshypotheek as a standard feature alongside its mortgages. This loan has an extra low interest rate and the money is available to the householder for up to two years. There are many advantages to making homes more energy-efficient: it increases comfort, reduces energy bills and helps cut $CO_2$ emissions.

# 2.1 The story of a.s.r.

a.s.r. is deeply rooted in Dutch society. In 2020, a.s.r. marked its 300th anniversary and through all these centuries, customers' needs and interests have been at the forefront of a.s.r.'s attention, as this is essential to a.s.r. a.s.r. is committed to delivering products and services that are sustainable, clear and transparent. a.s.r. continuously innovates and develops new products and services based on its expertise to meet its clients' needs in a fast-changing world. a.s.r. values the provision of independent third party advice to customers as reflected in its strong position in the intermediary channel.

## 2.1.1 300 years of a.s.r.

Only companies that cherish their history have a future. This is certainly true for a.s.r., because the a.s.r. of 2020 innovates, works every day to serve its customers even better, and considers sustainability to be an integral part of its strategy.

This ambition to offer customers excellent products and services goes back to 1720, when two businessmen conceived the idea of setting up an insurance company to satisfy the economic need for investments. This was initially done to insure shiploads, but they soon spotted opportunities to further expand their activities. The N.V. Maatschappij van Assurantie, Discontering en Beleening der Stad Rotterdam Anno 1720 became a success despite a stock market crash.

In parallel to this another organisation was founded in the nineteenth century to respond to the need for a proper funeral in order to avoid the shame of having a 'poor man's' funeral. This, too, became a success and was also an early example of 'helping by doing'. This insurer, Let op Uw Einde, would eventually result, via De Utrecht, in a name we still remember today: AMEV.

The second half of the 20th century was a time of growth, takeovers, consolidations and IPOs in the world of insurance. In 1990, ASR Verzekeringsgroep was formed, which, following a merger with AMEV, continued as part of Fortis under the name Fortis ASR.

Unfortunately, things went wrong in 2007 when the financial crisis reared its head, and its repercussions were felt across the world. Fortis, together with Banco Santander and Royal Bank of Scotland, underestimated the consequences of the takeover of ABN AMRO.

Following the downfall of Fortis, a.s.r. continued as a state owned independent insurer from 2008. a.s.r. set about creating an independent *raison d'être*, based on the concept of 'helping by doing', which had originally been the starting point for the a.s.r. of old. And which would in turn be refined to 'a.s.r. doet het' (a.s.r. does it).

The IPO in 2016 was a crucial milestone towards future success. A future that a.s.r. celebrated in 2020 then marking its 300 years of history. One that is worth experiencing in all kinds of ways. a.s.r.'s long history does not only consists of highlights, but unfortunately also darker periods. Such as the role a.s.r. played in the history of slavery and in relation to unpaid Jewish life insurance policies after World War II.

In the heyday of the Dutch East India Company (VOC), colonial products such as spices and coffee were produced by slaves on plantations. As an insurer for ships and slaves, a.s.r played a role in this. At the time it was no exception, but seen from the current perspective, this way of acting is unquestionably to be disapproved and regrettable.

During the World War II, Jewish property, including insurance money, was claimed by the Nazis as part of the Holocaust. After the war, Holocaust survivors started legal proceedings for unpaid Jewish life insurance policies. Nowadays there is still a need to answer questions regarding Jewish life insurance policies.

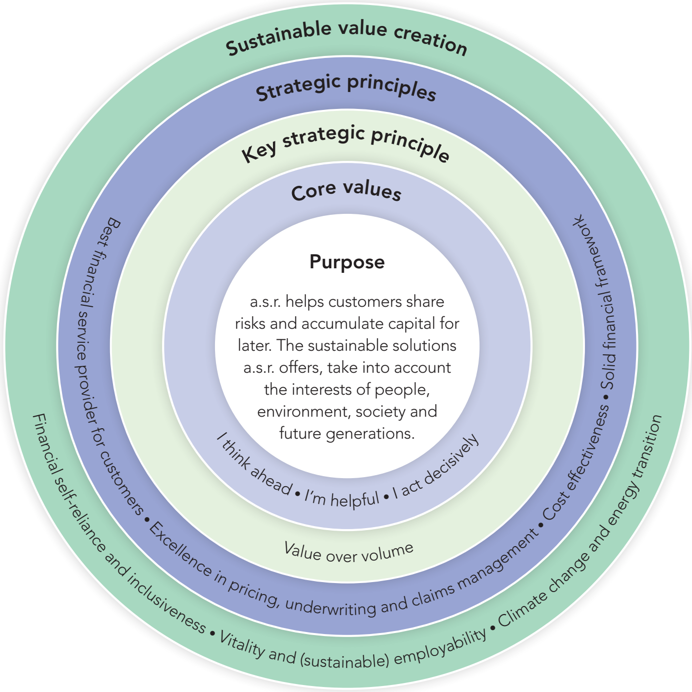
More information and background can be found on a.s.r.'s website www.asrnl.com.

## 2.1.2 Strategy

a.s.r.'s strategy as presented in the figure on the next page is based on a.s.r.'s purpose and the idea of sustainable value creation. This means that sustainability is part of everything a.s.r. does and that volume growth must add value to a.s.r. and its stakeholders at all times.

### Purpose

a.s.r.'s purpose is to help people ensure their financial stability by sharing risks and accumulating capital for later. The sustainable solutions a.s.r. offers, take into account the interests of people, environment, society and future generations. It helps them by mitigating the financial risks they are unable or unwilling to bear themselves, and assisting them to accumulate capital for their financial needs later on in life. Through its expertise, a.s.r. contributes to long-term solutions for societal issues relating to financial self-reliance and inclusiveness, vitality and (sustainable) employability and climate change and energy transition.




## Core values

a.s.r. believes its objectives can only be achieved through motivated and engaged employees. Having a talented, qualified and healthy workforce is key in enabling a.s.r. to achieve its business targets. The employees are guided by a.s.r.'s core values:

- I'm helpful. Employees are approachable, listen attentively and help customers with solutions using their expertise, experience and commitment;
- I think ahead. Employees empathise and think ahead to proactively help customers, intermediaries and colleagues;
- I act decisively. Employees keep a close eye on content and process, and come up with solutions. They coordinate, are persistent and stand by their commitments.

## Key strategic principle

- *Value over volume*
  In the insurance industry, price competition is an effective instrument and volume growth can be relatively easily achieved by lowering premiums. However, this short-term growth may attract loss-generating business and is therefore unattractive to a.s.r. in the long term. At all times, growth must meet a.s.r.'s minimum return hurdles and as such add value to a.s.r., whether this is in the form of organic growth or growth through acquisitions.

## Strategic principles

- *Best financial service provider for customers*
  a.s.r. serves its customers' needs. As mentioned in chapter 2.2 SWOT analysis, there are important trends and developments ongoing that affect insurers, their business models and customer behaviour. a.s.r. must stay on top of these trends and developments and be flexible and agile enough to become the best financial service provider.
- *Excellence in pricing, underwriting and claims management*
  To remain competitive, a.s.r. continues to build on its expertise, which it refers to as craftsmanship. a.s.r. excels in disciplined pricing, underwriting and claims management.
- *Cost-effectiveness*
  a.s.r. applies a 'no waste' cost principle. Cost-effectiveness is not about large one-off cost reduction processes every couple of years, but something a.s.r. believes should be ever-present and embedded in day-to-day operations. Cost-effectiveness is part of the foundation of sustainable and profitable business models.
- *Solid financial framework*
  a.s.r. is a highly diversified insurer with solid solvency and profitable, capital generating businesses. Its sound capital base allows a.s.r. to fulfill its long-term obligations and absorb shocks while taking advantage of opportunities to invest in organic growth as well as in selective acquisitions.

## Sustainable value creation

a.s.r. seeks to be a leader in sustainable business practices in the financial sector, based on a sustainable business model. It strives to meet the needs of existing and potential customers while simultaneously adding value for its other stakeholders. a.s.r. feels a responsibility to adopt a long-term approach as the starting point for its decisions and activities. And it believes it can make a positive and sustainable contribution to addressing societal challenges.

There are three areas in which a.s.r. believes it has the most impact – and where it can potentially create the most value for its stakeholders:

- *Financial self-reliance and inclusiveness*
  As a financial service provider, a.s.r. feels it is important for people to have financial continuity in their lives, to be able to take risks responsibly and make well-informed financial decisions. It therefore helps customers to gain insight into their financial situation and is helping people to make conscious financial decisions. As an insurer, a.s.r. wants its customers to be financially secure, now and in the future. a.s.r. is an insurer for people living and working in the Netherlands. a.s.r. includes vulnerable target groups and operates on the basis of financial solidarity. This requires that a.s.r. pays careful attention to inclusiveness and appreciation for diversity on the basis of equality. Examples of relevant products include the WelThuis Startershypotheek and the Interest only mortgage.
- *Vitality and (sustainable) employability*
  There is growing attention for health and vitality, prompted partly by social trends and challenges such as a later retirement age and rising health care costs. In its products and services, a.s.r. focuses on the prevention of illness, absenteeism and disability, and on encouraging sustainable employability. It promotes the sustainable employability of its customers and employees by investing in personal development, vitality and facilities that offer flexible working conditions. Furthermore, a.s.r. offers products and services that contribute to vitality and sustainable employability, such as the Langer Mee AOV, the Doorgaan Verzekering, and the Vitality programme that customers can participate in.
- *Climate change and energy transition*
  Financial institutions increasingly need to take into account the risks associated with climate change and declining biodiversity. a.s.r. contributes to the transition to a low carbon economy through its SRI and sustainable products and services; an example is the Verduurzamingshypotheek.

Based on these three areas, a.s.r. invests, develops and promotes products and services to create sustainable value for its stakeholders. At the same time the company recognises its duty to minimise the negative impact of its business activities, including its investment policy. Therefore, a.s.r. has adopted a strict SRI policy that is continuously being updated, as part of its efforts to be a frontrunner in sustainable and responsible investment. In doing so, a.s.r. makes sure that its investments are responsible, taking a holistic view on risk, return and costs and ensuring that these are taken into account.

## 2.1.3 Portfolio and execution of strategy

The strategy described earlier is the driver of the composition of a.s.r.'s business portfolio. a.s.r. reviews its business portfolio for its current and potential future value accretion on an ongoing basis. Based on the value contribution and growth outlook of the businesses, a.s.r. divides its portfolio into four categories:

| Business domains in Non-life with growth potential | Asset management related growth businesses |
|---|---|
| **Activities that provide stable cash flows and generate value with relatively strong growth potential**<br>P&C<br>Disability<br>Health<br>Distribution and Services | **Activities that offer business enhancement opportunities, typically capital-light**<br>Asset Management<br>Pensions DC |
| **Robust and predictable service books** | **Non-core businesses** |
| **Businesses that represent robust and predictable service books and contribute to profitability**<br>Individual life<br>Pensions DB<br>Funeral | **Non-core activities which are being scaled down or eventually divested**<br>Bank (divested per 1 December 2020) |

### Business domains in Non-life with growth potential

Within the non-life domain, a.s.r. focuses on the continued growth of P&C, Disability, Health and Distribution and Services, both organically and inorganically. Selected insurance and distribution and service companies have been acquired in recent years to facilitate this growth and to enable a.s.r. to become an even more services-orientated company.

The basis for creating value and growing profitability in P&C is underpinned by the following capabilities of a.s.r.: Insurance craftsmanship, i.e. its underwriting skills - risk selection and pricing, claims management and cost-effective operations - resulting in a strong COR;

- Leading position in the intermediary channel and its in-house distributors and serviceproviders;
- Know-how in integrating and optimising the portfolios and businesses it has acquired. a.s.r.'s IT systems and platforms can onboard businesses quick and efficient.

In P&C, a.s.r. can continue to grow organically by gaining market share at the targeted COR and, where available, by adding books of business without materially increasing operational expenses, consequently benefiting from economies of scale. The distribution partners in the portfolio can facilitate the organic growth.

a.s.r. is well-equipped to benefit from the trends in disability insurance that are driving demand for services surrounding sustainable employability. a.s.r. has a strong position in an evolving ecosystem in sustainable employability, which includes:

- Insurance intermediaries, in-house distributors and service providers which provide access to customer groups;
- Services to assist employees and a growing cohort of self-employed individuals;
- Partnership with Discovery's Vitality;
- Disability prevention services;
- Disability treatment and reintegration services.

Sustainable employability is an opportunity for a.s.r. to serve its customers across all parts of the value chain.

In October 2020, a.s.r. and Nationale-Nederlanden (NN) split-up the joint venture Keerpunt B.V. (Keerpunt). Keerpunt is a high quality provider of working condition services, case management, reintegration and sustainable deployment. The split-up of this joint venture allows a.s.r. to expand its services and knowledge in the area of disability insurance. It also provides a.s.r. with the opportunity to further strengthen its leading position as a provider of integrated sustainable employment solutions for employers.

In 2020, a new business unit was established within a.s.r.'s disability organisation: a.s.r. reintegration & services. Through it, a.s.r. intends to further grow its service offering in the sustainable employability domain, by focusing on three areas:
- Reintegration services;
- Sustainable employability consultancy;
- Innovation and quality services.

Combining teams with the relevant expertise within a.s.r. allows the pooling of knowledge and innovation power, enabling a.s.r. to accelerate the development of relevant services in the sustainable employability domain. The Keerpunt employees who have joined a.s.r. are part of the a.s.r. reintegration & services business unit.

With the health proposition, a.s.r. stimulates and supports customers to make healthy choices. The combination of health insurance and health services that a.s.r. provides helps to motivate and retain customers. The close relationship with customers provides further organic growth potential for P&C and Disability offerings through cross sell.

## Asset management-related growth businesses
Growth of asset management and in the Defined Contribution (DC) pension business continue to be part of a.s.r.'s strategy.

In 2020 a.s.r. announced that it would strengthen its position in the Dutch DC pension market by obtaining 100% of the shares in Brand New Day Premiepensioeninstelling N.V. (Brand New Day Institution for Occupational Retirement Provision (IORP)), of which it already owned 50%. This process is likely to be finalised in the first half of 2021. With this transaction, a.s.r. further fulfilled its ambition to grow as a provider of 'capital-light' pension solutions. Brand New Day IORP is a rapidly growing player in the field of pensions and currently serves 6,239 employers with 158,038 participants in pension schemes (2019: 5,048 and 126,789 respectively).

AuM for third parties amounted to € 25.4 billion as at the end of 2020 (2019: € 22.0 billion). a.s.r. has been able to succesfully expand its third party AuM. It pursues a buy and build strategy to add scale and skills to its asset management business.

In 2020 Pensions completed the integration of the last remaining Generali Nederland portfolio, after which the Generali Nederland book was fully closed.

The basis of its operations lies in multiple aspects, given that a.s.r. has gained extensive experience and expertise in:
- Niche asset classes such as Dutch mortgages;
- Unique proposition in real estate;
- Environmental, Social and Governance (ESG)-driven asset management solutions;
- Capital-light pension solutions;
- Liability-driven investment (LDI) management solutions based on managing its own insurance liabilities and related assets.

## Robust and predictable service books
The existing life books' contribution to the operating result and capital generation is expected to remain substantial in the medium to long term. Life premiums account for 35% of total premiums. The robustly capitalised books that a.s.r. manages as service books are traditional Defined Benefit (DB) pensions, individual life and funeral books. The DB pension book will be formally closed for new business from 1 January 2021. Both individual life and funeral books are still open, although production has reduced over time due partly to the low interest rate environment and a.s.r.'s value over volume key strategic principle.

a.s.r.'s profitability in this segment has its origin in effective and simplified processes based on low and variable cost operations, in the excellent migration and conversion of books of business and in the optimisation of Solvency II capital and investment returns. In 2020 Life completed the integration of the VvAA and Loyalis portfolio.

Growth opportunities within life insurance are:
- a.s.r. continues to be a consolidator of funeral books;
- a.s.r. continues to pursue individual life consolidation;
- Benefits that may be achieved by leveraging a.s.r.'s operational efficiency in the segment.

## Non-core businesses
a.s.r. completed the sale of almost all of its banking activities to the Dutch insurance company Achmea in 2019. The remainder of the banking activities was sold to Van Lanschot Bankiers, a Dutch bank, a transaction that was finalised in the first half of 2020. With effect from 1 December 2020, the banking license was withdrawn by the European Central Bank (ECB) at a.s.r.'s request. No non-core activities remained within a.s.r. at the end of 2020.

# 2.2 SWOT analysis

a.s.r. operates in a changing and highly regulated environment and needs to stay on top of trends that impact its business models. It aims to be adaptive so that it can benefit from opportunities as well as mitigate risks to its business models. a.s.r. has compiled the following non-exhaustive list of its strengths and weaknesses and opportunities and threats. The various elements could be affected by the COVID-19 pandemic.

### Strengths

- Strong solvency position and high quality capital
- Diversified and large Dutch insurer with leading positions in attractive market segments
- Skilled, experienced management focused on execution and delivery of high performance
- Excellence in pricing, underwriting and claims handling
- Focus on sustainable customer solutions needs
- Proven cost reduction capability and continuous focus on operational efficiency
- Track record of attractive return on equity (ROE), capital and cash generation, value-creating acquisitions and proven integration skills
- Robust LDI Asset Management platform with solid SRI policy

### Weaknesses

- Gradually declining (individual) life book impacting long-term cost effectiveness and profitability
- Legacy systems due to changes in regulations and developments in technology, as well as past acquisitions
- Limited differentiation across distribution channels due to strong focus on independent intermediaries
- Limited use of the direct channel

### Opportunities

- Products that fit in well with the growing demand for sustainable, transparent and straightforward insurance products
- Technological developments enabling improved customer services, products and increasing awareness of sustainable investment
- Growing demand for complementary services, enhancing customers' relevance
- Growing demand for sustainable employability driven by the increase in self-employed people, higher pension age and work-life balance (in line with the Borstlap committee)
- With the new pensions deal and a shift to DC pensions, there is potential demand to accumulate capital on an individual basis
- Consolidation potential in the closed books for individual life and funeral insurance
- Evolving risks due to climate change or cyber attacks require insurance solutions
- The shift towards digital channels, further escalated by COVID-19
- Ongoing consolidation of the Dutch market

### Threats

- Prolonged low interest rate environment
- Long-term financial obligations providing interest rate sensitivity
- Financial markets turmoil
- Disadvantageous changes in regulations
- Increasing life expectancy with impact on certain life insurance service books (Pension DB)
- Further deterioration of solidarity, undermining the risk sharing
- Growing insecurity for businesses and self-employed people due to the economic impact of COVID-19
- Disruption by new entrants and technologies
- Development of the consumption-based vs the ownership-based economy
- Interest of private equity parties into the consolidation of life insurance portfolios
- Future legal proceedings regarding unit-linked file insurance policies
- Potential financial impact of climate change
- The risk of a (potential future) pandemic developing, including COVID-19

# 2.3 Stakeholders and material topics

In creating sustainable (long-term) value, it is essential to maintain an ongoing dialogue with stakeholders concerning trends, developments and the strategy and activities of a.s.r. The stakeholders have varying interests and expectations. a.s.r. identifies customers, employees, investors and society at large as its key stakeholder groups. The interests of these stakeholder groups determine the strategy of a.s.r. and are conversely affected by the organisation's activities, products and services and performance.

**Customers**
Customers expect to obtain good value for the premiums they pay. They need to be confident that their funds are being managed skilfully and in a socially responsible way, and that their rights are respected and protected by a.s.r. Customer expectations change continuously and a.s.r. needs to be able to adapt accordingly to fulfill customer needs, now and in the future. a.s.r. is committed to a high level of customer service in its product offering in order to sustain successful customer relationships in the future. a.s.r. distributes the majority of its products and services through independent advisors and intermediaries. They have broad knowledge of the insurance market, including products, prices and providers, and an acute sense of the needs of insurance purchasers. Their specific knowledge and experience with local markets and customers is valuable for a.s.r. and its customers.

**Employees**
Employees want a professional working environment where they can self-manage and make choices in their work and career and enhance their sustainable employability. They want good terms of employment, work that is enjoyable, a good work-life balance, attention for their health and wellbeing and an appreciation of the contribution they make. They also want to be recognised for who they are and to feel included and 'at home' at a.s.r. A satisfactory response to these requirements makes for strong employee engagement, which in turn benefits a.s.r. and the other stakeholders.

**Investors**
Investors rely on a.s.r.'s management to devise and succesfully execute the best strategy in order to maximise the value of the organisation. They are guided by delivery of its financial and non-financial targets. They expect management to seize the opportunities that arise and to continuously monitor risks. Dividends and share price developments as well as coupons should offer an attractive total return on investment for shareholders and bond-holders. Investors are also increasingly interested in the social relevance of the companies they invest in. It is important for them that a.s.r. represents the interests of all stakeholders in order to create long-term value and return on capital.

**Society at large**
Beyond the aforementioned stakeholders, a.s.r. has a range of other stakeholders to take into account when doing business, including business partners, regulators, tax authorities, trade unions, suppliers and civil society organisations. Depending on the topic and type of relationship involved, expectations and interests may vary from responsible investments, complying with regulations and supporting people with financial self-reliance to constructive cooperation with business partners in different contexts. Overall, these diverse stakeholders expect a.s.r. to create sustainable and responsible societal value.

## Material topics
In 2020, a.s.r. carried out a stakeholder dialogue, with separate sessions for internal and external stakeholders. Due to COVID-19, these dialogues were conducted as online interactive sessions, with all members of the EB present to listen to the views of the stakeholders and to participate in the dialogues. These dialogues and other sources were used to review the materiality analysis. This annual report is based on the material topics which are presented on the next pages. The results of the stakeholder dialogues are used to evaluate and reformulate a.s.r.'s strategy. A full description can be found in Annex E Materiality analysis and stakeholder dialogue. More information about the integrated business strategy can be found in chapter 2.1 The story of a.s.r.

## Connectivity table

| Material topic | Strategic principles | KPIs & targets | Results 2020 | Impact on stakeholders | Chapter reference |
|---|---|---|---|---|---|
| **Meeting customer needs**<br>Continuously focusing on improving levels of customer satisfaction in terms of quality and availability of services, comprehensible communication and customer focus. | • Best financial service provider for customers | • NPS > 44 by 2021 | 49 | Customers | 2.4, 3.1, 4.1 |
| **Developing and promoting sustainable products/services**<br>To offer sustainable products and services and encourage customers to positively and actively choose them. | • Climate change and energy transition<br>• Vitality and sustainable employability<br>• Financial self-reliance and inclusiveness<br>• Best financial service provider for customers | • Increase of the percentage of sustainable repair to cars and property to 80% and 50% respectively, of all repairs in 2021<br>• 18% of new mortgage customers opt for a Verduurzamingshypotheek | NA<br><br>15% | Customers<br>Society at large | 3.1, 3.2, 3.6, 4.1 |
| **Socially responsible investments**<br>Investing with due regard for ethical standards, policies and procedures, in line with the interests of a.s.r.'s stakeholders, where the integration of ESG criteria is key. This includes respect for human rights, labour rights, the environment and adequate corporate governance. a.s.r. aims to have a positive impact with a special focus on the transition towards a low carbon and inclusive society. | • Climate change and energy transition<br>• Vitality and sustainable employability<br>• Financial self-reliance and inclusiveness | • € 1.2 billion impact investments (for own account) by 2021<br>• 100% compliant with a.s.r. SRI policy | € 1.7 billion<br><br>100% compliant | Customers<br>Investors<br>Society at large | 2.4, 3.2, 3.6 |
| **Mitigating and adapting to the consequences of climate change**<br>Taking into account the impacts of climate-related risks and opportunities, taking measures to mitigate the effects of climate change and accelerate the transition to a low carbon economy (for clients). | • Climate change and energy transition<br>• Solid financial framework<br>• Best financial service provider for customers | • Carbon footprint: 95% of investment and mortgages portfolio (for own account) measured in 2021<br>• a.s.r. is working with suppliers to enrich data and will test the SBTi (Science-Based Targets initiative) methodology in 2021<br>• 100% of P&C's insurance products as far as they are influenced by climate risks and opportunities to make them more resilient and enhance them with (more) sustainable covers in 2025 | 93% | Investors<br>Customers<br>Employees<br>Society at large | 2.4, 3.1, 3.2, 4.4 |

| Material topic | Strategic principles | KPIs & targets | Results 2020 | Impact on stakeholders | Chapter reference |
|---|---|---|---|---|---|
| **Robust financial framework**<br>A financially reliable and stable institution which is strong enough to meet its financial targets and objectives and can fulfill its short- and long-term obligations and commitments to all its stakeholders. | • Solid financial framework | • Solvency II ratio safely above 160%<br>• Operating ROE 12-14% per annum<br>• Dividend pay-out ratio 45-55%<br>• OCC > € 500 million in 2021<br>• Financial leverage < 35%<br>• Rating S&P Single A | 199%<br>15.3%<br>45%<br>€ 500 million<br>28.3%<br>A | Investors<br>Customers<br>Employees<br>Society | 2.4, 4.1, 6 |
| **Contributing to financial self-reliance**<br>Offering knowledge and skills to help people avoid getting into debt or getting out of debt and to help people make conscious financial choices. | • Financial self-reliance and inclusiveness | • +5% employee contribution to local society per annum (base year 2018) | -54% | Society<br>Customers | 2.4, 3.6 |
| **Supporting vitality**<br>Helping employees and customers improve and maintain a healthy lifestyle and providing (self-employed) customers with services to support mental and physical fitness. | • Vitality and sustainable employability | • Absenteeism rate: 3.4%<br>• Nil absenteeism: up to 55% of total work force<br>• Number of Vitality subscribers | 3.6%<br>63%<br>46,565 | Employees<br>Customers<br>Society at large | 3.1, 3.3 |
| **Contributing to sustainable employability**<br>Encouraging and supporting employees to professionally develop themselves with the aim of enhancing their opportunities on the internal and external labour market and helping customers reduce the risk of (long-term) disability and encouraging sustainable employability. | • Vitality and sustainable employability | • Vacancies filled internally: at least 40%<br>• Number of Vitality subscribers | 43%<br>46,565 | Customers<br>Employees | 3.1, 3.3 |
| **Fostering diversity and inclusion**<br>A balanced workforce compostion based on age, gender, cultural or social origin, skills, views and working styles. Being an insurer for all people who live and work in the Netherlands. | • Financial self-reliance and inclusiveness<br>• Vitality and sustainable employability | • At least 30% of the Supervisory Board (SB), Executive Board (EB) and senior management to be female or male<br>• Number of employees through the Participation Desk: 70 in 2026 | SB: 33/67%<br>EB: 67/33%<br>SM: 28/72%<br>37 | Employees<br>Customers<br>Society at large | 3.3, 3.6, 5.1 |

| Material topic | Strategic principles | KPIs & targets | Results 2020 | Impact on stakeholders | Chapter reference |
|---|---|---|---|---|---|
| **Biodiversity and ecosystem services**<br>Taking into account biodiversity and ecosystem services, which include necessities such as food provision, water security and regulation of air quality, that are vital to maintaining the health and stability of communities and economies. | • Climate change and energy transition | • Initiatives yet to be determined[1] | | Society at large<br>Investors<br>Customers | 3.2, 4.4 |

1 Biodiversity and ecosystem services is a new material topic for a.s.r. It was identified as a material topic through stakeholder dialogue, societal developments and various reports published in 2020. Although the topic is a new material topic for a.s.r., a.s.r. has been quite active in this area and taken part in a number of activities and industry initiatives related to biodiversity. In the coming years, a.s.r. will develop more policies and processes and monitor progress on this topic.

# 2.4 Strategic targets and results

The direct effects of COVID-19 have so far been limited. a.s.r. remains cautious for the effects in the longer term. The ultimate impact of COVID-19 on the results going forward is still impossible to accurately predict. This depends on the speed with which the pandemic is being contained and therefore the rate at which the current restrictions are lifted, as well as on the impact on society and the economy also after the government support measures have been completed.

On the CMD on 10 October 2018, a.s.r. announced its targets for the 2019-2021 period. These are divided into group and business targets and into financial and non-financial targets.

## Group targets 2019 - 2021[1]

a.s.r. has set itself ambitious group targets, positioning itself for profitable growth. a.s.r. aims to maintain a strong capital position and a Solvency II ratio safely above 160% (Standard Formula). This enables a.s.r. to deploy capital for entrepreneurial purposes, to absorb certain financial shocks and to be able to pay cash dividends. The Solvency II ratio (after proposed full year dividend) increased by 5% points to 199% (2019: 194%) and was well above the target of 'safely above 160%'.

Given the confidence a.s.r. has in its businesses for the medium term and their strong performance in recent years, a.s.r. has set a target for Operating ROE in the range of 12-14%. The Operating ROE over 2020 was 15.3% (2019: 15.1%).

a.s.r. has also set a target for organic capital creation (OCC). In 2019 a new definition of OCC was introduced resulting in a reset of the OCC target. Based on this definition, the OCC target for 2021 is set at more than € 500 million. The 2020 OCC result was € 500 million (2019: € 501 million).

The maximum level of financial leverage has been set at 35% and supports a.s.r.'s S&P (Single) A rating target. The financial leverage stood at 28.3% at year-end 2020 (2019: 29.2%) and the S&P rating was confirmed at (single) A during the year.

a.s.r. has a dividend policy which comprises a pay-out ratio of 45–55% of the net operating result attributable to shareholders (i.e. after tax and net of costs related to the hybrid capital instruments) as well as an ambition to offer shareholders a stable dividend per share. Management proposes a total dividend of € 2.04 per share for the full year of 2020 (2019: € 1.90 per share). This is a 7.4% increase compared to the cash dividend of 2019.

a.s.r. aspires to create sustainable value for all its stakeholders and has set four non-financial targets as an integral part of its strategy.

Customers are at the heart of a.s.r.'s purpose and its strategy is aimed at meeting their needs. a.s.r. measures how customers experience its services using the NPS. The NPS is measured separately for all business lines. a.s.r.'s NPS is determined by the arithmetic mean of the scores of the business lines. In 2020 the NPS stood at 49 points[2] (2019: 44).It is a.s.r.'s goal to maintain a NPS score of at least 44 points by 2021.

a.s.r. monitors the carbon footprint of the investments for its own account. The results are published on a quarterly basis on www.asrnl.com. The metrics are partially calculated in accordance with the methodology of the Partnership for Carbon Accounting Financials (PCAF). a.s.r. actively contributes to the development of metrics for additional asset classes as well as for indirect investments. The target is to regularly measure at least 95% of a.s.r.'s entire investment portfolio for its own account by 2021. The percentage shown is calculated by dividing the value of the investments for which the carbon footprint is known by the value of the total investment portfolio for own account, which includes Asset Management, Real Estate and Mortgages. At 31 December 2020, 93% [2] of the total investment portfolio was measured (2019: 89%).

In the investment process, Asset Management pays special attention to impact investing to make a sustainable contribution to society, for instance, through investments in waste recycling, renewable energy (solar and wind), social enterprises or in health(care) improvements. The value of the impact investments is calculated as the sum of all impact investments in Asset Management, Real Estate and Mortgages. In 2018, a.s.r. set the target of increasing impact investments for its own account at € 300 million per year to a total of € 1.2 billion of impact investments (for own account) in 2021. By the end of 2020, a.s.r.'s exposure to listed and non-listed impact investments addressing specific environmental

1 Targets are based on the assumption of normal market, environmental and economic conditions and no material regulatory changes and on a stand-alone basis.
2 This indicator has been part of reasonable assurance, see chapter 4.6 Assurance report of the independent auditor.

or societal needs stood at over € 1.7 billion[1] (2019: € 0.9 billion). All asset classes contributed to reaching the target by a large margin which confirms a.s.r.'s ambition to play a substantial role in impact investing.

a.s.r. encourages its employees to support local society and communities by devoting part of their time to helping on a voluntary basis individuals and/or groups with financial difficulties. a.s.r. provides financial educational courses for children, helps families to understand and improve their financial planning and assists communities in more general ways. a.s.r. aims for an annual growth of 5% of time spent by employees compared to the base year 2018 by participating in the activities of the a.s.r. foundation.

The COVID-19 measures have challenged the employees' voluntary efforts. a.s.r. put the safety and health of its employees and the people who needed help first. Due to social distancing required by COVID-19 many of the planned activities could not take place. The hours spent by employees amounted to 4,398[1], a decline of -54% compared to the base year 2018 (8,733 hours).

For the definitions of the four non-financial targets see Annex C Glossary.

**Solvency II**

(Standard Formula)

194%
199%
Safely above 160%

Substantial capital for entrepreneurship

**Dividend pay-out ratio**

(% of net operating result after hybrid expenses[2])

45%
45%
45 - 55%

Ambition to offer a stable to growing dividend per share.

**Credit rating**

(S&P)

Single A
Single A
Single A

At least

**Organic Capital Creation**

€ 501 million
€ 500 million
> € 500 million

**Operating return on equity**

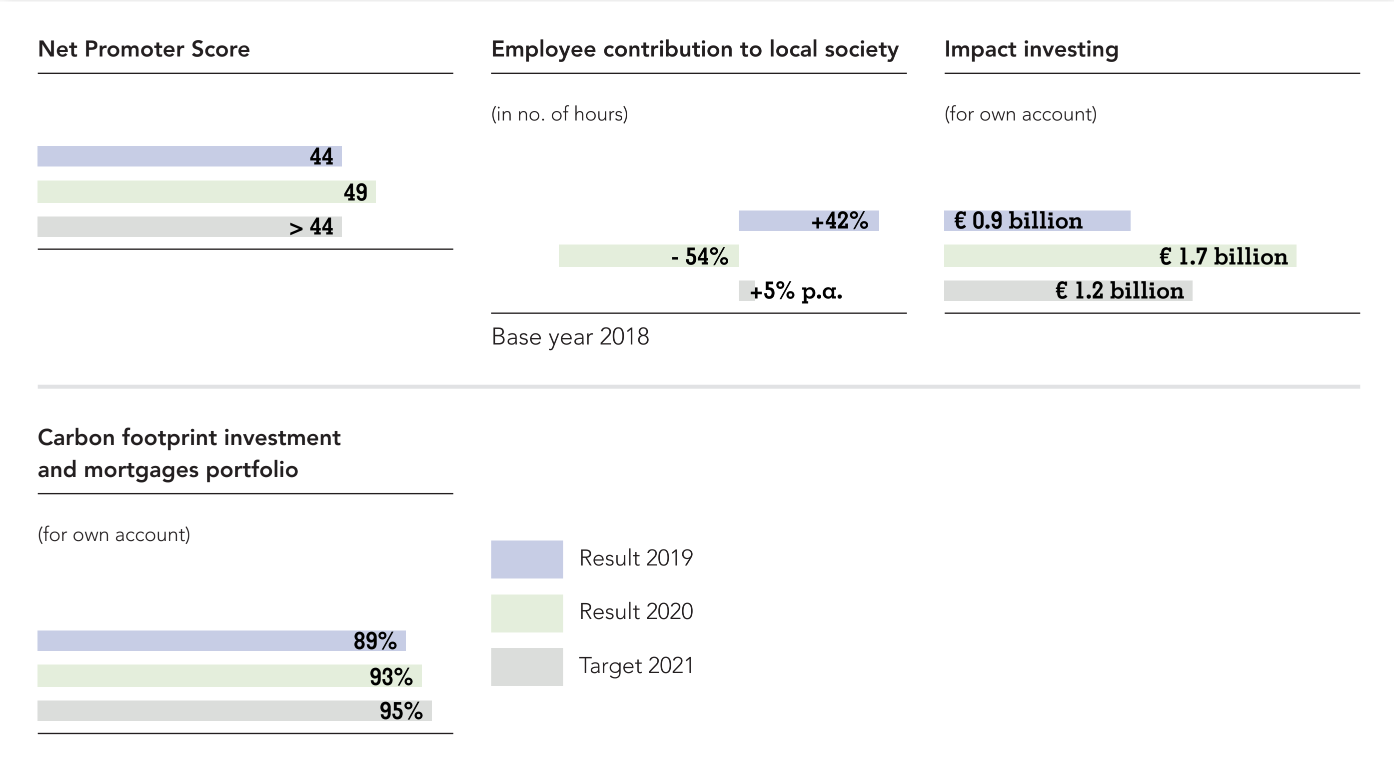
15.1%
15.3%
12 - 14%

**Financial leverage**

29.2%
28.3%
< 35%

Result 2019
Result 2020
Target 2021

1 This indicator has been part of reasonable assurance, see chapter 4.6 Assurance report of the independent auditor.
2 In general, a.s.r. does not expect to pay cash dividends if the Solvency II ratio (calculated in accordance with the standard formula) falls below 140%.




## Business targets 2019-2021[1]

In P&C and Disability combined, a.s.r. aims to achieve a COR in the range of 94-96%. This reflects a.s.r.'s leadership to manage these businesses profitably whilst remaining competitive. The range also allows a.s.r. to absorb a certain level of calamities, such as major fires and heavy storms. a.s.r. expects that in a year with an average level of storms and large claims, it can deliver a COR of < 96%. Health is excluded from the target as the pricing and profitability of this business line has different dynamics, which in addition to rational economics also includes an elevated level of political scrutiny. At 99%, the target for Health stand-alone remains stable compared to previous years. The COR for P&C and Disability combined amounted to 93.6% for 2020 (2019: 93.5%) and outperformed the target range of 94-96%. Whilst the overall impact of COVID-19 on the Non-life segment amounted to only € 21 million, within the segment there were considerable offsetting effects between P&C and Disability. P&C benefitted for an amount of € 88 million (-6% points in COR) while Disability was negatively impacted for an amount of € -71 million (+6% points in COR).

Importantly, ambition for profitable growth is connected with a.s.r.'s GWP growth target for P&C and Disability combined. a.s.r. aims to grow this organically by 3-5% per annum while remaining within the targeted COR range. In pursuit of profitable growth, a.s.r. will not forfeit its key strategic principle of value over volume. The GWP growth for P&C and Disability, amounted to 4.6% over 2020 (2019: 4.0%).

a.s.r. aims to keep its operating result in Life at least stable compared to 2017 levels for the period up to and including 2021. In addition, a.s.r. aims to decrease the Life operating expenses from 57 basis points (bps) on its basic life provision in 2017 to within the range of 45-55 bps. The operating result for the Life segment amounted to € 730 million in 2020 (2019: € 696 million), well in excess of the target, and the expenses in relation to the basic life provision amounted to 45 bps in 2020 (2019: 53 bps), within the stated target range.

a.s.r.'s fee-generating businesses in the segments Asset Management and Distribution and Services are growing in terms of absolute and relative contributions to operating results. a.s.r. aims to achieve more than € 40 million of operating result for the two segments combined and expects to increase its operating results by 5% per annum thereafter. The operating result of the fee-based businesses amounted to € 57 million in 2020 (2019: € 48 million).

1 Targets are based on the assumption of normal market, environmental and economic conditions and no material regulatory changes and on a stand-alone basis.

**Combined ratio P&C and Disability**

| | |
|---|---|
| Result 2019 | 93.5% |
| Result 2020 | 93.6% |
| Target 2021 | 94 - 96% |

**Life operating result**

| | |
|---|---|
| Result 2019 | € 696 million |
| Result 2020 | € 730 million |
| Target 2021 | € 633 million |

Stable, compared to € 633 million in 2017

**Life operating expenses**

| | |
|---|---|
| Result 2019 | 53 bps |
| Result 2020 | 45 bps |
| Target 2021 | 45 - 55 bps |

Of basic life provision

**GWP P&C and Disability annual organic growth**

| | |
|---|---|
| Result 2019 | 4.0% |
| Result 2020 | 4.6% |
| Target 2021 | 3 - 5% |

Non-life (P&C and Disability)

**Combined operating result fee based business**[1]

| | |
|---|---|
| Result 2019 | € 48 million |
| Result 2020 | € 57 million |
| Target 2021 | € 40 million |

5% growth per annum thereafter

Result 2019
Result 2020
Target 2021

1 Asset Management and Distribution and Services.

# 2.5 Sustainable Development Goals

The 17 UN Sustainable Development Goals (SDGs), launched in 2015, represent a global call to action to end poverty, protect the planet and improve political and economic stability globally. a.s.r. has identified six SDGs relating to its integrated business strategy, to which it has most to contribute as a sustainable insurer, investor, employer and socially engaged business partner.

SDGs 1, 3, 7, 8, 13 and 17 are the most closely connected to a.s.r.'s strategy. The table below shows how the SDGs and the relevant underlying SDG targets can be connected to relevant a.s.r. targets and other activities by a.s.r. For SDG 17 in particular examples are provided of how a.s.r.'s activities are connected to the overall goal of SDG 17.

### Financial self-reliance and inclusiveness

| | Relevant SDG target | a.s.r. target | a.s.r.'s activities connected to the SDG targets |
|---|---|---|---|
| **Economic growth must be inclusive to provide sustainable jobs and promote equality.** | By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions (SDG target 1.2). | • +5% employee contribution to local society per annum (base year 2018). | • a.s.r. supports the financial education of children and young people (reading and teaching) and households with (a risk of) problematical debts;<br>• a.s.r. complies with the 10 principles of the Ethical Manifesto to ensure that customers are financially self-reliant and can gain access to insurance services should payment arrears and problems arise. |
| **Promote inclusive and sustainable economic growth, employment and decent work for all.** | By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value (SDG target 8.5). | • At least 30% of the SB, EB and senior management to be female or male;<br>• Number of employees employed via the Participation Desk: 70 in 2026. | • a.s.r. is committed to fostering an inclusive culture in which difference is recognised, valued and used to the fullest. The principles of a.s.r.'s policy on diversity include 'Participation of people with limited labour market potential' and 'Equal development opportunities for all employees'. Therefore, a.s.r. has launched a company wide programme on diversity and inclusion. |

| | Examples of relevant partnerships and sector initiatives |
|---|---|
| **Strengthen the means of implementation and revitalise the global partnership for sustainable development.** | • Sector initiative Platform Living Wage Financials (PLWF) which encourages and monitors investee companies in addressing the non-payment of living wage in global supply chains;<br>• Partnership with FC Utrecht football club to contribute to the improvement of financial awareness in the province of Utrecht;<br>• Partnership with Stichting Lezen & Schrijven (Reading & Writing Foundation) to reduce the number of illiterate people in the Netherlands;<br>• Partnership with Diversion to contribute to the prevention of poverty and debts among young people through the peer education programme Moneyways. |

### Vitality and (sustainable) employment

| | Relevant SDG target | a.s.r. target | a.s.r.'s activities connected to the SDG targets |
|---|---|---|---|
| **Ensure healthy lives and promote well-being for all at all ages.** | Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all (SDG target 3.8). | • € 1.2 billion impact investments (for own account) including investments contributing to health improvements by 2021. | • a.s.r. offers insurance to cover (the costs of) health care, available at one price (per brand) for anyone who is eligible for this type of insurance under Dutch law;<br>• a.s.r. plays an active social role in helping people recognise health risks, advising on possible interventions and increasing awareness of the importance of health. |
| **Promote inclusive and sustainable economic growth, employment and decent work for all.** | By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value (SDG target 8.5). | • Number of employees employed via the Participation Desk: 70 in 2026. | • a.s.r. provides job opportunities for people with an occupational disability. |

| | Examples of relevant partnerships and sector initiatives |
|---|---|
| **Strengthen the means of implementation and revitalise the global partnership for sustainable development.** | • Partnerships with several companies and foundations, such as ArboNed, HumanCapitalCare and the Johan Cruyff Foundation, to encourage a healthy lifestyle. |

## Climate change and energy transition

| | Relevant SDG target | a.s.r. target | a.s.r.'s activities connected to the SDG targets |
|---|---|---|---|
| **Ensure access to affordable, reliable, sustainable and modern energy.** | By 2030, increase substantially the share of renewable energy in the global energy mix (SDG target 7.2). | • € 1.2 billion impact investments (for own account) by 2021 contributing to the production and distribution of renewable energy. | • a.s.r. increases renewable energy generated on site by the placement of wind and solar farms on rural real estate and the use of energy storage and placing PV panels on the roofs of offices, retail and residentials. |
| **Take urgent action to combat climate change and its impacts.** | Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning (SDG target 13.3). | • Carbon footprint: 95% of investment and mortgages portfolio (for own account) measured in 2021;<br>• 50% carbon reduction target by 2030, using a 2015 baseline, applying to all a.s.r.'s internally managed portfolio (for own account) in listed equities, corporate bonds and government bonds;<br>• Direct footprint of a.s.r. head office is climate-neutral;<br>• 50% reduction of $CO_2$ emissions of a.s.r. head office in 2025 (base year 2018). | • a.s.r. makes insurance products more resilient as far as these are influenced by climate risks and opportunities (e.g. by adding coverage for damage to flooding) and enhances them with (additional) sustainable cover;<br>• a.s.r. develops climate maps, improves risk and claims assessments and helps intermediaries and customers with information to prevent damages from climate risks. |

| | Examples of relevant partnerships and sector initiatives |
|---|---|
| **Strengthen the means of implementation and revitalise the global partnership for sustainable development.** | • Partnership on impact investment with Triodos Bank;<br>• Partnership with Rabobank and water company Vitens to develop the Open (source) Soil Index (OSI);<br>• Partnership with ASN Bank for distribution and further development of sustainable P&C insurance products;<br>• Partnership with multiple sustainable repair companies to offer sustainable repair options;<br>• Partnership with energy company Essent to encourage mortgage clients to make their homes more sustainable;<br>• Sector initiative PCAF to work together to jointly develop open source methodologies to measure the carbon footprint of investments;<br>• SBTi intended to increase corporate ambition on climate action by mobilising companies to set greenhouse gas emission reduction targets;<br>• Coalitie van Anders Reizen (the Coalition of Travelling Differently) to reduce the $CO_2$ emissions of business-related travelling to 50% (of the emissions in 2016). |

### Assessing impact on the SDGs through investments

In late 2020, a.s.r. launched a pilot project to assess its positive and negative impact on the SDGs through its investment portfolio. By using machine learning, the pilot helps a.s.r. understand how 2,000 listed companies in its portfolio measure up against the SDGs. In the pilot, a.s.r.'s service provider Util mines worldwide academic knowledge to map and quantify the impact of a.s.r.'s portfolio, as well as a.s.r.'s own impact going back five years, in order to measure trends and changes. This data can be compared with data that was self-reported by the 2,000 companies. The pilot will result in a co-authored white paper which a.s.r. will publish in April 2021.

# Diversity and inclusion

# 3

# Sustainable value creation

a.s.r. believes in the added value of a diverse and inclusive organisation

a.s.r. is working to achieve an inclusive corporate culture where differences is acknowledged, valued and utilised, and no-one is excluded. a.s.r. is consequently striving towards a balanced composition of its employees, based on age, gender, cultural, social and ethnic background, competencies, diversity of thought and work styles. a.s.r. is developing a range of initiatives aimed at encouraging inclusive dialogue and awareness of diversity, equality and inclusion in the workplace.

# 3.1 Sustainable insurer

For a.s.r., being a sustainable insurer essentially means creating long-term value. Customers rely on a.s.r. being able to meet its financial liabilities, now and in the future. a.s.r. strives to continuously improve its processes in order to provide its customers with an even better service and to be able to develop sustainable products and services with long term value. a.s.r. offers solutions that align with the needs of its customers and help solve societal challenges. a.s.r. also supports clients and insurance intermediaries by actively sharing relevant content and practical guidance for damage prevention.

a.s.r. helps customers to share risks and accumulate capital for later. a.s.r. serves over 1.5 million customers, mainly via a network of about 5,000 intermediaries and through its online channel. These intermediaries are independent financial advisors who advise their clients in the field of insurance, mortgages and pensions. Their specific knowledge of the local market and customers is especially valuable for a.s.r. and its customers. New products and solutions are developed in close cooperation to ensure that they are competitive and meet the ever-changing needs of customers.

Based on its purpose and core values, a.s.r. strives to ensure that customers experience it as a sustainable insurer. To achieve this goal, a.s.r. invests in improving and further digitising the services it provides.

## 3.1.1 Sustainable products

There is a growing demand for sustainable and socially responsible products which increase positive and reduce negative impacts. Developing and marketing these products is part of a.s.r.'s business strategy.

### Insurance

**Flood insurance**
Responding to climate change, a.s.r. was the first insurer in the Netherlands to offer flood cover.

**Doorgaan Verzekering**
Doorgaan Verzekering is a single policy offering both occupational disability insurance and group medical cover. It includes extended cover, psychological support and advice from a.s.r.'s medical and vocational experts.

**Langer Mee AOV**
a.s.r. offers a solution for the social challenge of the rising age of retirement. Working with a.s.r. on sustainable employability enables customers to remain at work in good health for longer.

**MKB Verzuimontzorgverzekering**
At the MKB Verzuimontzorgverzekering an ontzorgmanager is the single point of contact during reintegration and has knowledge of all relevant legislation and regulations. The employee is in control of his or her own reintegration.

## Investments

**a.s.r. funds**
All investments managed by a.s.r. asset management are screened on their social, environmental and governance criteria, based on a.s.r.'s SRI policy.

**a.s.r. ESG Funds**
For its ESG fund range including euro sovereign bonds, euro credits and European equities, a.s.r. has additional guidelines on ESG indicators over and above the strict overall a.s.r. SRI policy. These guidelines resulted in ESG funds with a lower absolute carbon footprint compared to their respective benchmarks for credits and equities.

## Mortgages

**Verduurzamingshypotheek**
a.s.r.'s Verduurzamingshypotheek is designed to encourage its clients to install energy conservation measures in their homes. This helps to cut $CO_2$ emissions while increasing comfort in the home and reducing energy consumption and costs.

**WelThuis Startershypotheek**
The WelThuis Startershypotheek is designed for first-time buyers and offers lower monthly expenses, flexibility and certainty. The exended duration of the mortgage ensures a lower monthly amount.

**WelThuis Levensrentehypotheek**
The WelThuis Levensrentehypotheek (life-interest mortgage) is an interest-only mortgage with a lifetime interest rate and fixed monthly payments and is intended for customers who have reached their state retirement age and wish to take up surplus value from their home. This mortgage was introduced in 2020.

# 3.1.2 Sustainable services

In addition to the sustainable products mentioned in the previous chapter a.s.r. also provides services that help customers to become more sustainable and live healthier lives.

### Sustainable repair

In the event of damage to a property or car, the customer can choose to have this damage repaired by one of the sustainable repair companies in P&C's sustainable repair network. Customers can contact these sustainable repair companies directly online. The sustainable repair network has nationwide cover. The sustainable repair companies in a.s.r.'s network are regularly tested for their environmentally-friendly repair methods, levels of energy consumption, processing of waste, re-use of materials, care for the sustainable employability of their employees, recycling and use of non-harmful products. a.s.r.'s goal is to further increase the percentage of sustainable repairs to cars and property to 85% and 50% in 2025 respectively, of all repairable damage. Not all items and damage are suitable for repair; in some cases, replacement is the only option. In 2020, there was a significant growth in sustainable glass repairs.

### a.s.r. Vitality

Vitality is a behavioural science-based health programme which encourages customers to take exercise and live healthier lives. The Vitality programme was developed by the South African insurer Discovery. It has been successfully implemented in over 20 countries with over 40 million members.

The COVID-19 pandemic has without doubt highlighted the importance of being healthy, and an active and healthy lifestyle is a major contributor to illness prevention and recovery. a.s.r. is proud to support 46,565 Vitality participants to date. Its members achieved relatively high goal completion rates throughout 2020, including during the lockdown phases. a.s.r. sees this as proof that the programme works: it helps members to integrate exercise into their daily lives and make adjustments to sustain this lifestyle despite substantially changing circumstances.

a.s.r. offers this programme to customers with a disability or health insurance to help prevent them becoming ill or disabled. Customers can opt to take out membership of a.s.r. Vitality. The a.s.r. Vitality app initially gives customers insight into their own health. Exercise targets are subsequently set and they can then get moving. If they achieve their weekly, monthly and annual targets, they are rewarded immediately with vouchers as well as with an annual cashback on their insurance premium.

a.s.r. is seeing an increase in the interest and active involvement of companies in the Vitality programme. For companies joining the programme, a.s.r. notices relatively high engagement numbers (with about 45-50% of employees actively joining the programme), confirming the value of the programme for both employer and employee. Companies joining the a.s.r. Vitality programme may earn a cashback on their disability insurance premiums.

a.s.r. continues to expand the programme and makes improvements to offer its customers meaningful encouragement and motivation to adopt and maintain a healthy lifestyle. a.s.r. is also exploring opportunities to expand the programme to include a broader set of healthrelated topics such as mental wellbeing, food and sleep.

## 3.1.3 Product Approval & Review Process

The Product Approval & Review Process (PARP) is one of the internal processes for assessing the quality of products and services and their relevance for the target market. The aim of this process is to ensure that customers' interests are taken into account in a balanced way with the development of new products and through the review of existing products. This drives continuous improvement, for example based on feedback from customers, consultants and changes in legislation and regulations. The PARP is applicable to products that are actively being offered, as well as to inactive products and services that are also reviewed on a regular basis. In accordance with the Dutch Authority for the Financial Markets (AFM) assessment framework, and in line with legislation and regulations, a.s.r. has set up the PARP tests, which cover cost-efficiency, usefulness, safety and comprehensibility.

The PARP assesses the cost efficiency, focus on sustainable customer solutions and usefulness of a product and/or service: i.e. to what extent does the product respond to the actual need of the target group and does it generate sufficient added value? The safety test concerns the outcome for the target group, which should be explicable and acceptable in a range of scenarios. The comprehensibility test examines whether the target group can properly assess the usefulness of a product based on the information the customer receives from a.s.r. This includes tests for comparability, completeness of the information provided and whether product characteristics are clearly defined.

In 2020, the PARP Board approved two new propositions, eight product adjustments and 11 reviews of existing products, explicitly taking into account (economic) developments resulting from COVID-19. Inherent to almost all the reviews is that product modifications will follow. This year, on the advice of the PARP Board, a target group-specific proposition was reconsidered by the business lines. Examples of the PARP Committee's approval include: DigiThuis hypotheek and WelThuis Levensrente hypotheek.

## 3.1.4 IT and the Digital strategy

Digital services are becoming increasingly important for a.s.r. as an insurer. In recent years, the focus has mainly been on reducing complexity and replacing outdated systems. With the integration of acquisitions such as Generali Nederland and Loyalis, a.s.r. has again demonstrated its ability to successfully convert portfolios and realise the intended synergy benefits. Both integration processes have now been completed.

The focus on reducing complexity will be continued over the coming period in the disability and pensions business. Disability will use a low code platform to replace a number of outdated systems. Pensions has launched a programme to replace the current DB and DC administrations with a modern Software as a Service (SaaS) solution. Robotics is being used even more extensively to achieve higher efficiency. a.s.r. has implemented a hybrid cloud strategy to achieve scalability on which existing applications and innovative solutions can be exploited. a.s.r. maintains its own infrastructure for solutions where a cloud business case is not delivering a better performance.

Under the name The Digital Agenda, a.s.r. has developed a strategy to bring customer experience to a higher level. Intermediaries remain crucial for a.s.r., which is why digital cooperation with this group forms a key part of the The Digital Agenda. Multidisciplinary teams build new digital solutions with which the intermediary and customer will experience the best service in the market. In addition, the programme will increase cost savings for both a.s.r. and the intermediary and substantially reduce the ecological footprint caused by the use of paper (90% reduction per 2023, base year 2020).

Themes such as digital customer activation and the continuous improvement of the digital user experience through the customer portal Mijn a.s.r. will be important in the years ahead. a.s.r. will seek to meet ever-increasing customer expectations in digital services and contribute to its strategy of becoming a sustainable and socially-engaged insurer. As part of the Digital strategy a.s.r. will invest in new contact channels based on the high tech, high touch philosophy. In 2020 Health performed a pilot on live chat with a dedicated team optimising customer satisfaction, employee satisfaction and efficiency.

### Customer validation as standard
In 2020 a.s.r. launched a customer panel under the name 'De raad van doen' to reflect the importance it attaches to the feedback and needs of its customers and advisors. The customer panel is part of the proces with which digitalisation teams apply low-threshold and short cyclical customer research and customer validation in the development and optimisation process. Based on this input, concrete adjustments are made to products and services.

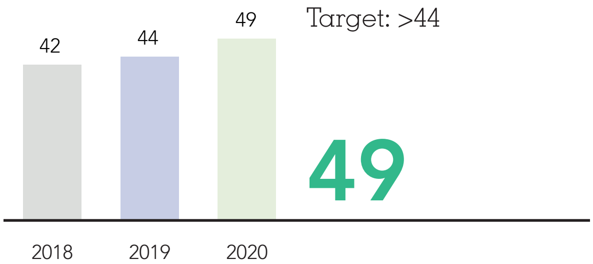
- The healthcare company helps customers choose the right product by focusing on their care needs and from there guides them to the appropriate insurance.
- A redesign of the 'becoming a customer' process has been introduced for entrepreneurs in the orientation phase of a new disability insurance. a.s.r. removes as many uncertainties as possible by involving customers in the process more effectively from the outset.
- The claims process has been improved for customers with motor insurance. By reassuring customers proactively during the whole process, a.s.r. has realised 40% fewer status calls and reduced the total lead time by 11%. The improvement in the NPS process score from -4.5 at Q2 2019 to +12 per end 2019 and +32 per end 2020 shows that the customer feels that he or she has been helped more effectively.
- The digital application accelerator helps customers take out mortgages more quickly and easily. Following the application by the advisor, the customer gives a.s.r. permission via an app to retrieve relevant information directly from the source (e.g. Mijn Overheid, Mijn Pensioenoverzicht and Mijn Belastingdienst). Which in turn provides more reliable data and a shorter lead time for the mortgage application.

## 3.1.5 Customer satisfaction

### Personal customer experience
In order to become more relevant and personal for customers, communication will be more closely attuned to the target group and the relevant phase of the customer journey. In customer communication, current events will be incorporated as quickly as possible by a.s.r. The COVID-19 dialogues in the chatbot help customers to find answers to their questions quickly and easily.

### Net Promoter Score
a.s.r. continuously monitors the NPS for a.s.r. and its business lines (the overall score is based on the simple average of the business lines). The NPS reflects the satisfaction of an organisation's customers.

In the questions put to the customer, emphasis is placed on interaction with the a.s.r. employee. 'How likely are you to recommend a.s.r. to your family, friends and colleagues based on your experience with the a.s.r. employee?' a.s.r. uses the NPS as the main key performance indicator (KPI) for monitoring the level of its service. Customers indicate on an ongoing basis how they experience a.s.r.'s service. a.s.r. wants its customers to feel that it is continuously improving its service and strives for an increase of the NPS. In 2020, the NPS customer contact moment increased by five points during the year, from 44 (2019) to 49 (2020). The NPS for each business line is presented in chapter 4.1 Group and segment performance and Annex A Facts and figures.




### Complaints management
a.s.r. takes the view that complaints handling requires specific knowledge and skills. Which is why complaints officers keep their knowledge and skills up to date through continuous education, for example by following the course Dealing with Emotion and Aggression. Customers give a.s.r.'s complaints officers a score of 8.4 on a scale of 10 (2019: 8.0).

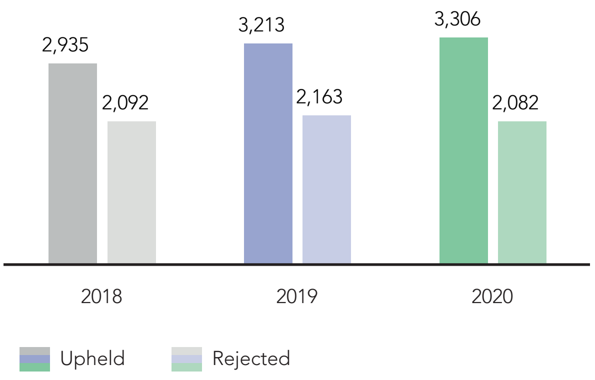
The Complaints Management Team monitors the implementation of a.s.r.'s complaints policy and manages the complaints scheme. Complaints handling itself is decentralised within the organisation. Core principles and objectives of complaints management are:

- a.s.r. is open to complaints, making it easy for customers to submit a complaint;
- a.s.r. communicates its views and the resolution of the complaint in a comprehensible manner;
- a.s.r. wants to learn from complaints.

The complaints settled figures show the number of accepted/rejected complaints. Accepted complaints are those that are considered partially or fully justified. These include accepted complaints concerning advisors, where a.s.r. acts as mediator. Rejected complaints are those a.s.r. considers unjustified, i.e. it does not accept the customer's argument and/or arguments it regards as unfounded. The latter are addressed to a.s.r. but are not intended for it.

**Complaints settled**

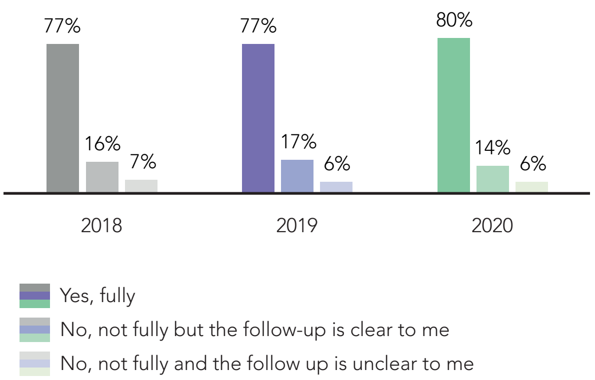
(in numbers)




The complaints handled figures represent the percentage of complaints that are fully, partially or incompletely settled and are unclear to the complainant. Most of the complaints a.s.r. receives relate to data modifications (51%) and the payment of claims (22%). Administrative actions relating to the surrender and expiry of life contracts account for a substantial share of complaints about movements. With regard to the payment of claims, customers complain about whether and to what extent damage or loss is covered, or else do not accept the level of reimbursement.

**Complaints handled**

One of the questions is whether the complaint has been settled, in the customer's opinion (in numbers)




More detailed information about customers can be found in Annex A Facts and figures.

# 3.2 Sustainable investor

As an institutional investor, a.s.r. takes ownership of social responsibility through the use of ethical decisions and sustainability criteria in its investment policy. All investments are screened on the basis of this strict SRI policy, which includes various ESG criteria.

## 3.2.1 a.s.r. asset management

First implemented in 2007, a.s.r.'s SRI policy covers all its investments, both for proprietary assets (or own account) and those managed on behalf of third party clients. Over the years, a.s.r. has expanded its efforts from its original focus on exclusions to making a positive contribution to a more sustainable world. A regular update of a.s.r.'s efforts can be found in the quarterly ESG reports; see www.asrnl.com.

All investments managed by a.s.r. asset management are screened against its SRI policy (see www.asrnl.com) by Vigeo Eiris, which focuses on a wide range of ESG criteria such as climate change, human rights, biodiversity and executive remuneration. Countries and businesses which do not meet the criteria are excluded.

a.s.r. also assesses businesses on their level of compliance with international conventions such as the Organisation for Economic Cooperation and Development (OECD) guidelines, the UN Guiding Principles on Business and Human Rights (UNGPs) and the UN Global Compact principles (UNGC).

### 100% compliance with own SRI policy

a.s.r. safeguarded the full compliance of its SRI policy using a three-step process: internal teams' implementation (investment departments), compliance process (risk department) and an independent external assurance (by Forum Ethibel). a.s.r. will also adhere to this target in respect of acquirements and mergers.

**SRI policy compliance**

| Target | 2018 | 2019 | 2020 |
|---|---|---|---|
| 100% compliance with own SRI policy | ☑ | ☑ | ☑ |

### Sustainable and responsible investing

a.s.r. understands the importance of, and responsibility expected from, its role as an investor, both as asset owner and asset manager. Sustainability is therefore an essential part of a.s.r.'s investment beliefs. The integration of ESG criteria in the management of investments contributes directly to the reduction of risks (both financial and reputational) and has a positive effect on its long-term performance. The SRI policy has been integrated into internal investment practice through:

- **ESG integration for best-in-class investments of positive selection**
  Best-in-class investing is part of a.s.r.'s selection process for companies based on ESG best practices and products. a.s.r. favours companies that achieve an above-average performance in ESG policy and implementation. Based on research carried out by its data providers Vigeo Eiris and MSCI ESG, companies are classified as best-in-class using a relative, sector-based ranking for ESG themes such as: environment, labour practices, good governance, social impact, human rights and forward-looking carbon data. A detailed description of these criteria is published on www.asrnl.com. For sovereign bonds, a.s.r. applies a best-in-class selection of countries based on their SDG performance, in line with the SDG country ranking published by the SDG Index: the weighted average score of the a.s.r. sovereign portfolio is ranked in the first quartile (best-in-class) of the SDG Index.

- **Exclusion criteria for countries and companies**
  a.s.r. pursues a strict exclusion policy for controversial activities which it applies to all internally managed portfolios, both for its own account and for third parties. With regard to investments in sovereign debt, a.s.r. has excluded 81 countries that are poor performers in the annual Freedom in the World report, or which achieve a low ranking on the Corruption Perceptions Index or the Environmental SDGs. For excluded companies, see the table on the following page.

**Screened companies excluded due to**

| In numbers | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Human rights violations | 7 | 7 | 6 | 3 | 3 |
| Labour rights violations | 2 | 3 | 2 | 3 | 3 |
| Environmental violations | 8 | 7 | 13 | 6 | 6 |
| Armaments | 124 | 153 | 100 | 107 | 68 |
| Tobacco | 19 | 16 | 15 | 17 | 15 |
| Gambling | 52 | 49 | 44 | 39 | 3 |
| Coal-mining | 8 | 10 | 47 | 63 | 55 |
| Tar sands and shale oil | 8 | 5 | 4 | 10 | NA |
| Coal-fired electricity generation | 11 | 13 | NA | NA | NA |
| Nuclear energy-related activities | 10 | 8 | 9 | 5 | 5 |
| **Total number of exclusions[1]** | **249** | **271** | **240** | **253** | **158** |

## Engagement

In 2020, a.s.r. continued increasing its engagement efforts to actively promote higher sustainability practices. The list of engaged companies is published on the a.s.r. website www.asrnl.com, including the reason and status of the engagement.

### Active engagement dialogues: at least 25 engagement projects per calendar year

a.s.r. is actively engaged with a total of 29 companies. It engages with companies that have either shown controversial behaviour (e.g. UNGC violations) or are controversial in another way, for example as a result of societal discussions.

a.s.r. defines three types of engagement:

I. *Engagement for the purpose of influencing:* this type of engagement is used to move companies towards better sustainable practices. In 2020, the issues addressed included:
   - UNGC breaches through a.s.r.'s partnership with Robeco: the updated list of companies under engagement and their status can be found on www.asrnl.com.
   - The COVID-19 crisis has affected us all. a.s.r. has entered into an engagement with pharmaceutical companies requesting access to medicines and vaccines for all, and responsible and transparent pricing. a.s.r. also discussed the risks associated with COVID-19 in vulnerable production chains such as the textile and meat processing industries with different production companies.
   - Responsible sourcing of natural resources: society increasingly depends on the sourcing of minerals and other natural resources, e.g. for the energy transition. a.s.r. engaged with the automotive sector on the responsible sourcing of cobalt and with mining companies on their water management practices. A full list of companies engaged with is available on the a.s.r. website www.asrnl.com.
   - a.s.r. employed several initiatives in relation to biodiversity and deforestation. For example, a.s.r. joined an investor coalition that will use satellite imagery to address deforestation. a.s.r. also took part in United Nations Principles for Responsible Investment (UN PRI) initiatives to express concern over the proposed deregulation of environmental protections in Indonesia and to the Brazilian government on high deforestation rates and fires in the Amazon.
   - Living wages through the PLWF, a collaborative partnership between 15 financial institutions to engage listed companies in the garment, agri-food and retail sectors in order to address living wage issues in their supply chain. In 2020, a.s.r. actively contributed to the engagement of eight of the companies;

II. *Engagement for the purpose of monitoring*: Sustainability is a standard topic on a.s.r.'s agenda at meetings with companies from its investment portfolio. a.s.r. has also been in dialogue with other players in the investment landscape, such as fund and index providers, to actively encourage a further ESG integration for their role in the investment chain. In 2020, a.s.r. conducted 15 of these conversations.

III. *Public engagement*: In 2020, a.s.r. continued to actively participate in the implementation of the International Responsible Business Conduct (IRBC) agreements in conjunction with peers, the public sector and various non-governmental organisations (NGOs). a.s.r. played an active role in three working groups (general assembly, development of specific guidelines for a climate policy and the extra annual 'Do Good' working group for the sector). a.s.r. also signed the Green Recovery Statement urging the Dutch government to consider sustainability and inclusion in its recovery plans after COVID-19.

a.s.r. continued to contribute to the development of a global carbon accounting standard through PCAF and was an active member of four working groups operated by the Dutch PCAF organisation.

1 Includes doublecounts due to the fact that some companies are excluded on more than one criteria.

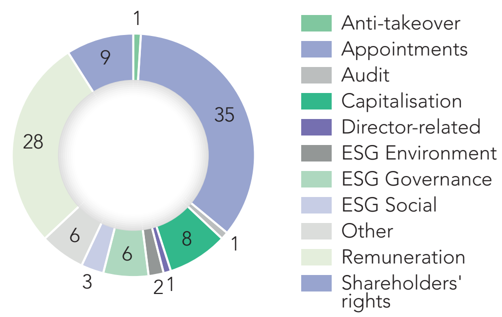
In 2020, a.s.r. took part in the Biodiversity Working Group under the Sustainable Finance Platform of De Nederlandsche Bank (DNB) and signed the Finance for Biodiversity Pledge.

### Impact investing
In 2020, a.s.r. further increased its impact investments among all asset classes. It also launched a pilot with fintech company Util to further develop its impact measurement capabilities. a.s.r. was one of the initiators and board members of the National Advisory Board for impact investing (NAB), which was launched in October 2020. For more information, see chapter 2.5 Sustainable Development Goals and see for a.s.r.'s target on impact investing chapter 2.4 Strategic targets and results.

### Voting policy
A shareholders' right to vote is essential for the proper functioning of a corporate governance system. a.s.r. exercises this right whenever relevant. a.s.r.'s voting policy was developed in accordance with the Dutch Corporate Governance Code and a.s.r.'s own SRI policy. This policy is applicable to all internally managed listed equities. In 2020, a.s.r. developed further specifications with its proxy voting provider to flag up ESG-related issues. In 2020, a.s.r. voted at nearly 97% of the shareholder meetings held. Of the 1,128 shareholders meetings, 455 had at least one vote Against, Withheld or Abstained from. 352 of the 1,241 proposals voted against adressed remuneration for the EB or SB and 433 meetings had one or more votes against appointments. The voting accountability report provides a quarterly review of how a.s.r. exercised its voting rights at shareholder meetings. The voting policy and voting reports are available on a.s.r.'s website www.asrnl.com.

**Votes against management in 2020**

(in %)




### Externally managed assets
The external providers' SRI policy is a key criterion in the selection of external managers. a.s.r. seeks to appoint managers who apply an SRI policy that is as close as possible to its own and, as a minimum condition, requires exclusion of controversial weapons as per the Sustainable Investing Code of the Dutch Insurance Association and the best possible effort to be a signatory to the UN PRI and UN Global Compact principles. a.s.r. also engages with its external managers to enhance their SRI policy, implementation and transparency. In 2020, a.s.r. actively engaged with new and existing managers, such as BlackRock, to develop ESG products. a.s.r. receives frequent sustainability reporting from its external managers and, where possible, requests impact metrics in addition to the sustainability reporting.

### Climate change and energy transition
a.s.r. has integrated climate change and energy transition into its Strategic Asset Allocation (SAA) as an explicit theme since 2016 and has also taken measures to implement its commitment across the investment portfolio. a.s.r. has analysed and identified risks for the investment portfolio, both bottom-up – covering the consideration of stranded assets and changing business models in the mining and energy sectors – and top-down, in its SAA. In 2020, a.s.r. again acquired updated data from Ortec Finance to incorporate climate scenarios into the SAA. These scenarios served as input for the reporting on climate risks and opportunities, in accordance with the Task Force on Climate-related Financial Disclosures (TCFD); see chapter 4.4 Approach to addressing climate change.

### External recognition
In 2020, a.s.r.'s ESG investing policy was recognised by a number of external parties.

- a.s.r. was awarded number 1 position in the Dutch Fair Insurance Guide for the 6th consecutive time. It gained the highest scores in 7 out of 9 themes and in 8 out of 10 sectors.
- a.s.r. was again included as best practice by the Dutch Insurers Benchmark by the Dutch Association of Investors for Sustainable Development (VBDO).
- a.s.r.'s sustainable investment strategy was awarded the highest score by the UN PRI assessment, scoring the same or better than the sector average in all areas, with the highest possible score of A+ given for its strategy and governance and the ESG management of its equity investments.
- UN PRI furthermore highlighted a.s.r.'s incorporation of climate factors into its SAA as an industry best practice.

## 3.2.2 a.s.r. real estate

As a real estate investment manager focusing on long-term value creation, a.s.r.'s efforts to make its real estate portfolios more sustainable are an important objective. a.s.r. real estate believes in long-term relationships with its stakeholders. In partnership with them, a.s.r. real estate aims to reduce its carbon footprint, increase the share of renewable energy used in its real estate and focus on the reusability of materials. However, ESG goes beyond simply pursuing the sustainable management of real estate. a.s.r. real estate also wants to have a positive impact on both the environment and society by investing in local neighbourhoods, biodiversity and participating in the national energy transition process, among other things. The funds and business lines are continuously striving to enhance the sustainability of the portfolio through acquisitions and renovations and to improve the environmental efficiency of standing investments, with a keen eye on the energy efficiency of the buildings and the use of sustainable materials and methods and greenery. a.s.r. real estate continuously investigates and implements new developments and applications, such as solar parks, energy-neutral dwellings, charging points for electric cars, electric car-sharing and green rooftops.

## Carbon footprint data coverage
In 2018 a.s.r. set an objective to improve the carbon footprint's data coverage of at least 95% of all investments in 2021. As at 31 December 2020, a.s.r. real estate had insight into 94% of its portfolio. It will focus on increasing this percentage in the years to come.

## Impact investing
a.s.r. real estate defines impact investing based on the GIIN (Global Impact Investing Network) as adopted by a.s.r., and aligns with the INREV (European Association for Investors in Non-Listed Real Estate Vehicles) definition, i.e.: (real estate) investments made with the intention to generate positive social and environmental impact alongside a financial return.
Impact investments should comply with the following key elements:
- *Intentionality*
  An investor's intention to have a positive social or environmental impact through investments is essential to impact investing;
- *Financial return*
  A positive financial return;
- *Measurability*
  The commitment of the investor to measure and report the social and environmental performance and progress of underlying investments, ensuring transparency and accountability while informing the practice of impact investing and building the field;
- *Additionality*
  The positive impact that would not have occurred without the investment.

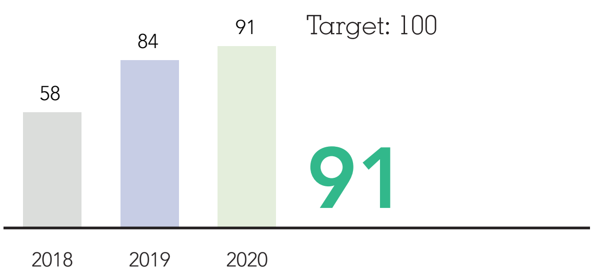
a.s.r. real estate has defined two impact investment themes in 2020:
1. Affordable Housing;
2. Dutch Science Parks.

a.s.r. real estate contributed to the addition of affordable dwellings to the Dutch residential market and the quality of science park ecosystems in the Netherlands. The residential fund delivered three new projects with 216 dwellings. These are assets under management in the rental range between € 737 and € 1,250 per month. The science park fund invested in two assets for scale-ups on the TU Delft and University of Twente campuses and commenced construction of two additional buildings for tenants with strong research links with TU Delft. These themes are important and acknowledge challenges which can be traced back to impact markers in the UN PRI Impact Investing Market Map. a.s.r. real estate expects to add more impact investment themes as of 2021.

## Rural real estate portfolio asbestos-safe
a.s.r. aims to minimise the presence of asbestos in its existing Dutch real estate investments. To achieve this, the entire portfolio of retail, office and residential properties has been made asbestos-safe. a.s.r. also aims to make its rural real estate portfolio fully asbestos-safe. The final steps towards achieving a 100% asbestos-safe rural real estate portfolio were taken in 2020. a.s.r. real estate is now proud to report that 91% of its rural real estate portfolio has been made asbestos-safe within the given timeframe. It is now in contact with the ground lessees and municipalities for the completion of its target for the remaining 15 properties.

**Rural portfolio asbestos safe**

(in % of the holdings in the portfolio that were declared asbestos-safe)



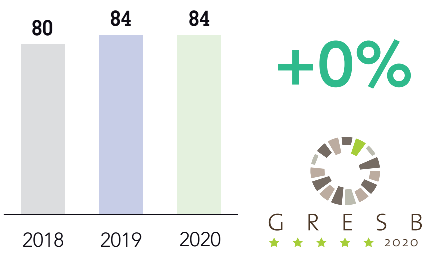

## Green Leases for commercial tenants
a.s.r. real estate seeks to sign 'green lease' contracts for all its new lease agreements for commercial tenants. In these green lease contracts, the landlord and tenant agree on how the leased asset will be used in the most responsible and sustainable manner. In 2020, all new rental contracts under the ASR Dutch Prime Retail Fund (ASR DPRF) and the ASR Dutch Mobility Office Fund (ASR DMOF) were green lease contracts.

As at 31 December 2020, the total percentage of green lease contracts was 56% for ASR DMOF and 55% for ASR DPRF. Over the next few years, the funds will aim to further increase the number of green lease contracts and hold more substantive discussions with tenants on achieving green lease objectives.

## Sustainable investing – GRESB benchmark
The a.s.r. real estate sector funds were assessed on their sustainability performance by Global Real Estate Sustainability Benchmark (GRESB) in 2020, the global sustainability benchmark. The ASR Dutch Core Residential Fund (ASR DCRF) and the ASR DMOF were each awarded the maximum score of five stars. This means that a.s.r. real estate's residential and office funds are among the top 20% best-performing GRESB funds worldwide. The ASR DPRF also saw an improved performance this year, with a four-star score. The results confirm a.s.r. real estate's ongoing commitment to sustainability.

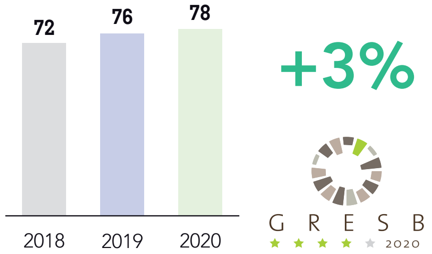
**ASR Dutch Core Residential Fund**

(0-100)



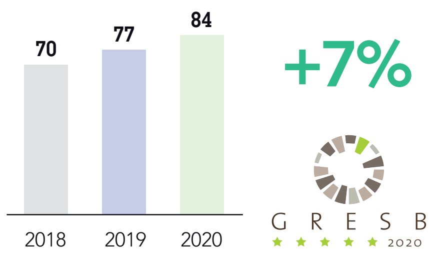

**ASR Dutch Prime Retail Fund**

(0-100)




**ASR Dutch Mobility Office Fund**

(0-100)




## Young Farmers Groundlease

a.s.r. believes in a strong and vital rural area, now and in the future. With reference to the 'climate smart agriculture' investment framework, a.s.r.'s aim is for its farmers to have a sustainably-generated income. a.s.r. has therefore launched the Young Farmers Groundlease to help safeguard the continuation of farming. This product will enable the next generation of farmers to start their own sustainable agricultural company. a.s.r. gives young farmers a kick-start by taking a higher stake in the overall investment, giving the young farmers the much-needed working capital for their business. To guarantee better soil for the future, a.s.r. defines sustainability requirements with these young farmers and shares their soil data with the OSI; see below. This tool gives the farmer insight into the current soil condition and provides him with an inspiration list of measures to improve the soil. Through these efforts, a.s.r. aims to make a positive impact for the next generation of farmers and sustainable soil management.

## Open (source) Soil Index

a.s.r. believes that farmers can make a significant contribution to the various ecological services such as water quality, water retention, biodiversity, etc. Sustainable soil management is key to this process, and acknowledged by every farmer. However, due to financial constraints, sustainable soil management is not implemented in full by every farmer. a.s.r. therefore developed the OSI in close collaboration with its charter coalition partners Rabobank and water company Vitens. OSI was given national recognition when it was integrated into the public-private partnership Beter Bodembeheer (Better Soil Management). At the beginning of 2020 the OSI consortium comprising Farmhack, Nutrients Management Institute (NMI) and Wageningen University & Research (WUR), handed over OSI to its assignor. The coalition intends to host OSI through a foundation which will underline its independency. The foundation will further develop OSI by appointing an experts' panel to improve OSI as more soil and farmer management data becomes available. The OSI will simultaneously be challenged by a group of farmers in order to improve its user-friendliness. Once these steps have been taken, a.s.r. will aim to start a roll-out strategy within the rural real estate portfolio.

## Generate renewable energy

Alongside its determined efforts to reduce energy consumption, a.s.r. real estate maintains a firm focus on increasing the renewable energy generated on-site. Since its portfolios encompass both farmland and the built environment, a.s.r. real estate is in an interesting position to contribute to the Dutch energy transition.

In recent years a.s.r. has already installed around 4,000 solar panels on the roofs of its residential assets. In 2020, the focus was on fitting solar panels on the roofs of its offices and retail assets. Supermarkets in particular appeared to be suitable for the installation of solar panels due to their large roof area and high energy demand.

In 2021, a.s.r. will continue to install solar panels on its properties and will also expand the storage of energy in batteries in multi-familiy buildings. In the rural real estate portfolio, opportunities are being exploited to expand wind and solar energy.

## Monitor and adapt to climate change

By understanding and anticipating the long-term risks of climate change, a.s.r. strives to build a portfolio that is progressively adaptable. The Royal Netherlands Meteorological Institute (KNMI) broadly distinguishes four major climate risks which will increasingly affect the portfolio. The indicators used are based on the 'Klimaateffectatlas' (Climate Impact Atlas), which is managed by Climate Adaptation Services (CAS).

The TCFD framework, used for managing climate risk for a.s.r.'s business (reported in chapter 4.4. Approach to addressing climate change), serves as a basis for the consistent disclosure of climate-related financial risks and opportunities. Adhering to the framework, a.s.r. real estate has set objectives to mitigate the risks of heat, drought and extreme weather.

### 3.2.3 a.s.r. mortgages

In 2020, a.s.r. mortgages continued to offer the Verduurzamingshypotheek, first introduced in 2019. The Verduurzamingshypotheek is a mortgage which can be used for housing improvements that improve the sustainability performance of a home. A new a.s.r. customer can easily add this mortgage onto a standard WelThuis mortgage. To promote the Verduurzamingshypotheek, a low interest rate is offered for this mortgage.

The Startershypotheek was initiated in 2018, and made it possible for customers with low or fluctuating incomes to continue to afford their mortgage by offering lower monthly payments. In 2020, a.s.r. continued to offer this mortgage. No customers with a Startershypotheek experienced payment problems in 2020.

In November 2020, a.s.r. launched the Levensrente mortgage, which caters specifically to retired seniors with surplus value in their homes. Many seniors have paid off their existing mortgage but are not necessarily financially well-off. Much of their wealth is locked in the value of their homes. In order to allow these seniors to capitalise on the value of their homes, a.s.r. provides an interest-only mortgage with a lifetime fixed interest rate which can be accessed directly. This allows seniors to remodel their homes so that they can continue to live there, contribute to the housing needs of their (grand)children, purchase in-home care or spend their capital in some other way.

Since the Verduurzamingshypotheek can only be used to promote sustainability, it is a form of impact investing. It also contributes directly to a reduction in the total carbon footprint of a.s.r.'s mortgage portfolio. In order to contribute to the Paris Accord, it is important to encourage home improvements aimed at sustainability rather than solely allowing sustainable houses into the a.s.r. mortgage portfolio.

a.s.r. mortgages also contributes to the non-financial targets of a.s.r. by improving the measurement of the carbon footprint of its mortgage portfolio. In 2020, a total of 96% of the $CO_2$ output of a.s.r.'s mortgage portfolio was measured in accordance with established PCAF methodology. a.s.r. mortgages also contributes to the strategic target of impact investing, since investments in the Verduurzamingshypotheek fall into this category. The Verduurzamingshypotheek can only be used for sustainable investments and is thus an investment which can reduce carbon emissions, contributing to a reduction of environmental impact.

More detailed information about responsible investments can be found in Annex A Facts and figures.

# 3.3 Sustainable employer

Having a competent, agile, engaged, diverse and vital workforce is key in enabling a.s.r. to achieve its business targets. a.s.r. is therefore committed to attracting, retaining and inspiring the most suitable employees, offering them extensive opportunities for training and development, and facilitating a sound work/life balance. This has been especially important in 2020, when due to COVID-19 all employees had to work from home.

### The a.s.r. culture

Everyone at a.s.r. abides by the organisation's core values, which set out the basic approach and are used as a behavioural compass. These core values are:
- I'm helpful;
- I think ahead;
- I act decisively.

### The influence of COVID-19

2020 was dominated by this pandemic. The measures deemed necessary by the government to contain the virus had a major impact on society. On 10 March 2020, a.s.r. conducted a test with working from home to see whether all systems wereable to cope with this load. The test was very successful, and, since 16 March 2020, all of a.s.r.'s more than 4,000 employees have been able to work from home. With the exception of a brief period in the summer, employees continued to work from home for the rest of 2020. During this period, a.s.r. has paid much attention to the work-life balance and the other consequences of working from home.

## 3.3.1 Organisational success and employee engagement

At the end of March, during the first lockdown, a.s.r. carried out the Denison Organisation Success Survey. This annual survey measures the success of an organisation in several areas, including employee engagement. The results are compared with a global benchmark of more than 1,200 large organisations.

78% of the workforce completed the scan (2019: 74%). a.s.r.'s score was high in almost all areas. There was a clear improvement in the results with regard to strategic direction and purposefulness, and on core values and behaviour the score was higher. The same applied to customer focus, although there was still room for improvement here. The scan also showed that clear improvements had been realised in leadership and culture.

Employee engagement is measured by means of four themes: vision, core values, empowerment and knowledge development. Engagement rose from the 77th percentile in 2019 to the 89th percentile in 2020. This figure is a relative score compared to the benchmark.

In 2020 for the first time, a.s.r.'s scores on diversity and inclusion were compared with the benchmark. The high score obtained showed that many employees felt that all employees within a.s.r. were treated with respect and were given equal opportunities for personal development. However they also felt that diversity was not yet sufficiently encouraged within the organisation. The low score on equal opportunities for promotion requires attention. Based on these results, an in-depth study was carried out. It showed, among other things, that there was insufficient clarity about what diversity and inclusion at a.s.r. implies. Also, more transparency was desired in recruitment and selection processes and appointments. This led to higher awareness in the area of diversity and inclusiveness and a number of adjustments in the recruitment and selection process; for more details, see chapter 3.3.3.6 Diversity and inclusiveness.

**Relative score for employee engagement in Denison scan compared to the benchmark**

| In percentile | 2020 | 2019 | 2018 |
|---|---|---|---|
| a.s.r.[1] | 89 | 77 | 76 |

## 3.3.2 The Mood Monitor and eNPS

### Mood Monitor

a.s.r. introduced the Mood Monitor to keep a finger on the pulse during the periods of home-working necessitated by COVID-19. This is a self-developed weekly pulse check that consists of three questions about:
- Work-related happiness, engagement and motivation;
- Dedication, productivity and performance;
- Vitality, mental and physical well-being.

All employees are invited to complete the Mood Monitor. The general mood of a.s.r. is published via the intranet and managers receive a weekly dashboard with the results of their own team. The results give rise to

1 From 2020 onwards, the employee engagement is measured on four instead of three themes. Previous years have been recalculated accordingly.

team discussions on topics such as job satisfaction, dedication, vitality and connectedness. In addition, the HR department uses the results for alterations to ensure that the (HR) policy remains appropriate.

On average, approximately 2,500 out of 4,365 employees completed the Mood Monitor each week in 2020. The overall mood, expressed in a number, varied from 6.1 to 8.4 on a scale of 1 to 10. On average the overall mood score was 7.5. The Mood Monitor will continue to be deployed in 2021. There was considerable interest from external parties in a.s.r.'s Mood Monitor. A pilot was therefore started with Disability to offer the instrument to business customers as well.

### eNPS
The Employee Net Promoter Score (eNPS) expresses the extent to which employees would actively recommend a.s.r. as an employer. The eNPS is measured via the Mood Monitor and averaged +48 in 2020. Within the insurance sector at large, the eNPS is around +35. Just as the Mood Monitor the eNPS was introduced in 2020.

## 3.3.3 HR strategy

a.s.r. needs competent, agile, diverse and vital employees with an entrepreneurial and versatile attitude to execute its strategy. Employees who can and dare to take control of their day-to-day work, including their own careers, and who can handle change within a.s.r. as well as in the market in which it operates.

The strategy is to ensure that a.s.r. has a skilled and motivated workforce with which it can achieve its objectives. a.s.r. focuses on the following:
- Positive employee experience;
- Strategic workforce planning;
- Total workforce management;
- Agility and leadership;
- Vitality;
- Diversity and inclusivenes.

### 3.3.3.1 Positive employee experience
A positive employee experience is understood by a.s.r. as:
- Employees experiencing the freedom to take control and make choices in their work and career;
- Employees enjoying their work, feeling connected and being physically and mentally healthy;
- Employees feeling included, recognised and valued for who they are.

a.s.r. gives employees the opportunity to take control and make choices in their work and career. A mature working relationship and trust are at the heart of this. The facilities a.s.r. offers in the area of personal development ensure that employees can also make those choices. In Het Andere Gesprek, the capstone of a.s.r.'s CLA, employees and managers discuss (the progress made on) objectives, but also work-life balance, personal development, vitality and career. a.s.r. gives considerable attention to vitality, engagement and job satisfaction and provides employees with ample opportunity to create a good work-life balance and to work on their health.

### 3.3.3.2 Strategic workforce planning
Insight into the quality, quantity and potential of the workforce is essential for strategic workforce planning. a.s.r. formulates a strategic workforce plan for each business line in collaboration with the business. This includes input from the annual employee review and succession planning.

#### Employee review, succession planning and talent development
In order to ensure the continuity of business operations and prevent talent from leaving, a.s.r. invests in employees who have been identified as (future) top talents. An annual employee review is carried out for the total employee population, in which performance, agility and potential are determined for each employee. The results of this review are discussed individually with each employee and used for strategic personnel planning, succession planning, mobility and recruitment, as well as the targeted implementation of the development programmes.

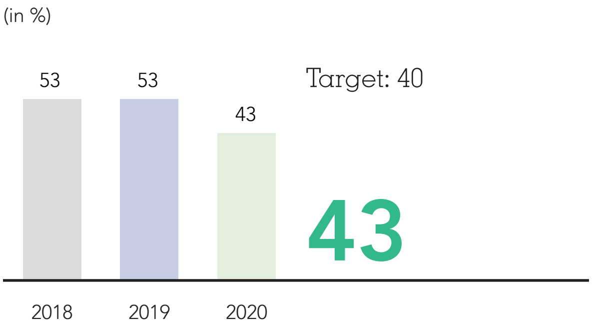
#### Trainee programme
a.s.r. operates a trainee programme in which young talents carry out various assignments over an 18-month period. Trainees also follow a customised development programme. The general trainee programme is intended to attract young talents who can be groomed for higher positions within a.s.r. Due to COVID-19, no new trainees started in 2020, but the trainee programme will be restarted in 2021.

#### IT Talent Traineeship
Because a.s.r. has an ambitious digital agenda, an IT Talent Traineeship was developed in 2020. With this programme, a.s.r. wants to make IT talent enthusiastic for an IT career at a.s.r. Participants will follow a development programme for two years, obtain IT certificates and do assignments in different departments. The first five candidates started begin 2021.

### 3.3.3.3 Total workforce management
Through total workforce management, a.s.r. ensures that the best solution is sought for every capacity requirement. This can be a permanent employee or a flex worker, but also possibly a robot. The vacancy can be filled via internal transfer but also via external recruitment.

#### Filling vacancies
a.s.r. strives to fill at least 40% of all vacancies internally. In this way, knowledge of the company is retained and employees are given the opportunity to develop further within the organisation. In 2020, 199 vacancies of the total of 464 were filled internally, which means that 43% of all vacancies were filled by internal candidates.

**Vacancies filled internally**




## 3.3.3.4 Agility and leadership

In an environment where automation and digitisation are gaining ground, attention to employee development is more important than ever. Continuous development is therefore central to the HR policy, agility and leadership remain important themes in the development programmes and the other training programmes and is part of the plotting in the fleet review.

### Continuous development

a.s.r. employees are encouraged to continuously work on their development. They can make use of an extensive range of training programmes and courses to maintain their professional knowledge and improve their skills and agility. Employees receive support to work on their sustainable employability through career coaching and workshops. In order to enable employees to continue to work on their development during the COVID-19 crisis, a large part of the training package was moved online in cooperation with external suppliers.

### Personal Leadership

To realise its targets, a.s.r. needs employees who take responsibility for their work and careers and show initiative. This is encouraged through agreements laid down in De Andere Cao (CLA) with regard to the working relationship, employment conditions (time- and place-independent work, no annual appraisal cycle) and development range.

In order to help managers develop and maintain their expertise and leadership skills, a.s.r. has developed a modular Leadership Education (LE) programme. The programme includes workshops, intervision, 360-degree feedback and a Learning Agility Scan. Points can be earned by participating in parts of the programme. It was also determined that in 2020-2021, as a result of COVID-19, managers would have two years rather than one to achieve their compulsory 12 LE points.

**Employee development training**

| In numbers | 2020 | 2019 | 2018 |
|---|---|---|---|
| Employees have completed job-related training | 1,725 | 1,912 | 1,512 |
| Employees took part in one of the development programmes | 382 | 534 | 719 |
| Employees followed a workshop on sustainable employability | 391 | 343 | 792 |
| Employees have completed an individual coaching programme | 296 | 487 | 486 |
| Employees were given guidance in the context of redundancy | 85 | 157 | 154 |

## 3.3.3.5 Vitality

a.s.r. invests in the vitality of its employees, for example through its a.s.r. Vitality programme which is offered free of charge to all a.s.r. employees. Other means used to promote vitality include periodic medical examinations, internal sports facilities, vitality workshops, vitality software, a healthy selection of foods range in the company restaurants and fresh fruit supplied free of charge. The company fruit was donated to various health care facilities during the first lockdown period.

Vitality specialists support the management of the business units in developing the vitality and absenteeism policy and provide guidance on absenteeism case files.

### In Beweging

The platform In Beweging (Get Moving) inspires, motivates and mobilises a.s.r. employees to work on their personal development and their vitality and to get the best out of themselves. They thus contribute to a healthy organisation.

Employees can find content and the full range on offer on the platform. The platform consists of four pillars:

- My health;
- My personal development;
- My work and private life in balance;
- My social commitment.

a.s.r.'s basic principle is that employees should take control of their own vitality and employability.

### Vitality while working from home

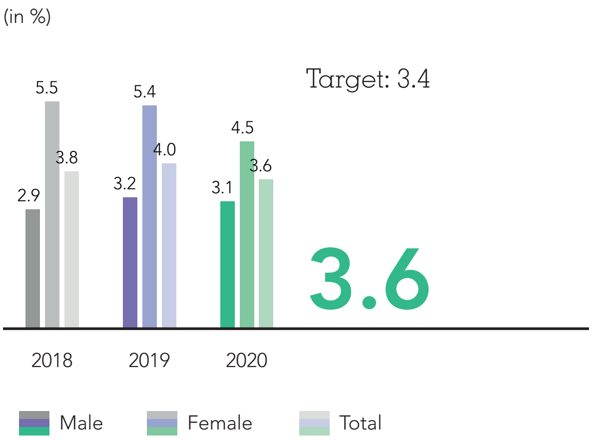
During the periods of working from home due to COVID-19, extra attention was paid to the mental and physical health of employees. During the lockdowns, when the schools were also closed, employees were allowed to take a few hours off every day for care tasks. Consultation specialists are provided, employees can request a virtual home office workplace check and have an office chair and a monitor delivered from the office.

A great deal of attention was also paid to maintaining social cohesion remotely. The EB and members of senior management produced regular blogs and vlogs and a number of online employee meetings were organised. Employees received tokens of attention at home. An inspiration square was set up on the infonet with tips for working together remotely and staying connected. Managers also received a toolkit. Extra attention was paid to vitality by offering e.g. tailor-made online workouts.

### Absenteeism

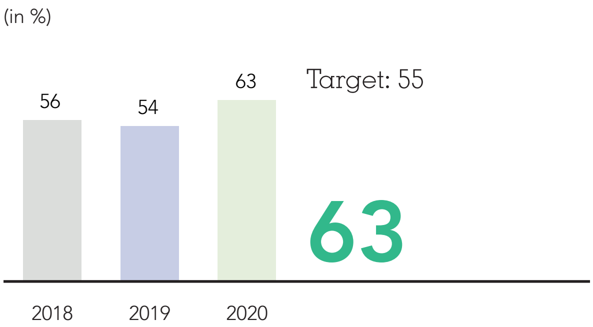
The absenteeism rate for 2020 was 3.6% (2019: 4.0%). After the first lockdown in March 2020, absenteeism rates initially rose slightly, then dropped and finally ended slightly lower than the previous year. a.s.r. continues to pay considerable attention to the development of absenteeism and provides assistance in this respect, since a longer period of working from home can pose risks to the mental health of employees. Employees can experience more anxiety and stress and less social connectedness and insufficient opportunities to do something else during the day.

**Absenteeism rates**[1]




Short absences (and hence also the reporting frequency) decreased considerably compared to 2019. This was probably because working from home gives employees the ability to arrange their work more flexibly. The recovery time for short- and medium-term absenteeism was longer compared to 2019. a.s.r. will maintain its efforts to improve the health and vitality of its employees in 2021. Due to the COVID-19 situation, the focus will be on the risk of dropping out due to mental issues.

**Nil absenteeism**[2]




During 2020, 63% of all employees were at no time absent due to illness (2019: 54%).

## 3.3.3.6 Diversity and inclusiveness

The fundamental principles of a.s.r.'s diversity policy are:

- A balanced workforce composition based on age, gender, cultural or ethnic origin, physical and mental capacity, beliefs and working styles;
- Promotion of a balanced composition of management through a policy of gender and cultural diversity;
- Equal development opportunities for all employees;
- Participation of people with limited labour market potential.

### Female/male

At least 30% of the SB, EB and senior management are to be female or male. In 2020, the SB had two female members (33%) and four male members (67%), the EB had two female members (67%) and one male member (33%). On 31 December 2020, senior management consisted of 18 members, five of whom are female (28%) and 13 were male (72%). a.s.r's diversity policy is part of the recruitment process and the employee review, in which succession planning, among other things, is discussed.

**Breakdown gender diversity**

| In % | 2020 | 2019 | 2018 |
|---|---|---|---|
| Supervisory Board (female / male) | 33 / 67 | 33 / 67 | 40 / 60 |
| Executive Board (female / male) | 67 / 33 | 33 / 67 | 25 / 75 |
| Senior management (female / male) | 28 / 72 | 25 / 75 | 29 / 71 |
| Management excluding sr. and jr. management (female / male) | 22 / 78 | 21 / 79 | 20 / 80 |
| Junior management (female / male) | 34 / 66 | 35 / 65 | 31 / 69 |
| Other employees (female / male) | 43 / 57 | 42 / 58 | 40 / 60 |

### Participation Desk

To reduce the distance from the labour market for candidates with a work disability, a.s.r. has established 'The Participation Desk'. This desk employs people with a Work and Employment Support for Disabled Young Persons benefit (Wajong) on various assignments. During a two-year period (maximum), they gain work experience and develop employee skills. They receive intensive guidance and a tailor-made development programme. The aim is to prepare them for a permanent position,

1 Excluding maternity leave.
2 Nil absenteeism is the percentage of employees who have not reported sick during the reporting period.

preferably within a.s.r. a.s.r. is committed to employing at least 70 people through the Participation Desk by 2026. At the end of 2020, 37 employees with a work disability were employed through the Participation Desk. At present, 16 employees with a work disability hold permanent posts.

**Participation Desk**

| In numbers | Target 2026 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Employees employed through the Participation desk | 70 | 37 | 35 | 29 |

### Performance Ladder for Social Business
a.s.r. has reached the initial performance level on the Performance Ladder for Social Business (PSO). This measurement instrument and quality mark from the Dutch Organisation for applied scientific research (TNO) reflects the degree of social entrepreneurship achieved. More specifically, this means that a.s.r. is structurally contributing to the employment of people with a distance to the labour market, and takes this into account when purchasing and tendering from suppliers.

### Adjustments in the recruitment and selection process
In 2020, a number of adjustments were made to more effectively incorporate the principles of diversity and inclusiveness policy into the recruitment and selection process. To prevent recruitment and selection from being subconsciously guided by the candidates' age or cultural background, external candidates may omit their date and place of birth from their CVs.

a.s.r.'s position on diversity and inclusion is made clear in vacancy texts and at www.werkenbijasr.nl. This position is illustrated by authentic experience stories and photos of colleagues with different diversity features on the site. New agreements have also been made regarding the composition of the interviewers in an application procedure; all managers attended a workshop on how to interview and select candidates objectively. A recruitment and selection committee has been set up to ensure that application procedures are objective and transparent.

### Awareness and dialogue
At the end of 2019, a start had already been made on the reassessment of diversity and inclusion policy. In 2020, a further impulse was given to the realisation of a more diverse and inclusive working environment. The EB and senior management had an off-site meeting on this topic and diversity and inclusion has been included as a theme in the LE programme. The multidisciplinary Diversity and Inclusion working group formulated an action plan aimed at sharing knowledge, facilitating dialogue and creating awareness. The training on diversity and inclusion is mandatory for all management. A Diversity and Inclusion section was set up on the intranet. Dialogue sessions and ethics cafe meetings were also held at which employees discussed this topic with each other.

## 3.3.4 Working conditions

### De Andere Cao
De Andere Cao is a.s.r.'s own CLA, which took effect on 1 January 2018. The basic premises of the CLA: self-management, a mature working relationship and increased employability of staff. Freedom of choice is possible, though not obligatory, and the CLA proceeds on the basis of trust rather than control.

In November 2020, discussions began between a.s.r. and the trade unions on the continuation of the CLA from 1 January 2021.

In February 2021 negotiations between a.s.r. and the trade unions FNV Finance, De Unie en CNV Vakmensen resulted in a new CLA for 2021-2022. See www.asr.nl for more detailed information about the CLA.

### Pension scheme
Negotiations with the trade unions on a new pension scheme were concluded in 2020. With effect from 1 January 2021, a.s.r. employees will have a new scheme, Het Andere Pensioen. This scheme runs from 1 January 2021 to 31 December 2025. Het Andere Pensioen is an individual DC scheme. Investments are made by means of a 'lifecycle', i.e. employees can opt for a defensive or offensive lifecycle or for free investing. Employees are informed in detail about the new scheme through a brochure, an individual pension statement, webinars and individual interviews with a pension advisor.

### Het Andere Plan
Het Andere Plan is a.s.r.'s social plan. It centres on guidance from work to work with an emphasis on the development and sustainable employability of employees. The training and development budgets and the financial safety net employees receive when they have to leave the company due to reorganisations remained unchanged from 2018. Since 2020, the financial safety net has been reduced and the personal budget for sustainable employability has increased. The agreements will continue to apply up to and including 2021.

In 2020, 180 employees made use of the facilities of Het Andere Plan (2019: 157) and 122 employees left a.s.r. under this social plan (2019: 97).

## Remuneration

a.s.r.'s remuneration policy is based on the principle that the average level of total remuneration should be just below the median of the peer group. Every three years (for the EB every two years), an independent consultant is hired to perform a market comparison-based remuneration benchmark. The relevant peer group for a.s.r. employees (excluding the EB of ASR Nederland N.V., a.s.r. asset management and a.s.r. real estate) is the general market. The relevant peer groups for a.s.r. asset management and a.s.r. real estate are the asset management market and real estate positions. In line with the remuneration policy, the remuneration of a.s.r. employees consists solely of a fixed payment. The EB's peer group is described in chapter 5.3 Remuneration report.

a.s.r. does not have a company-wide variable remuneration scheme; for more information, see chapter 5.3 Remuneration report. In 2020, however, one type of variable remuneration was in place for exceptional, additional performances by specific employees: the Boter-bij-de-vis (incidental bonus). This reward cannot be agreed in advance but is awarded for exceptional performance. In 2020, 102 employees (2019: 153) were given a Boter-bij-de-vis bonus.

a.s.r. also has a few other special forms of variable remuneration, such as retention allowances, a welcome bonus and a buy-out, which are applied only occasionally. All types of variable remuneration are in line with legislation and regulations. The same applies to severance pay. In 2020, five employees (2019: two) received this kind of special remuneration.

At a.s.r., jobs are weighted regardless of gender. Women and men with comparable work experience, achievements and potential are given equal pay.

The differences in hourly wages between women and men shown in the table below are caused by the higher average number of years of service of men. This difference has remained virtually stable over the past three years and varies between 3.5 and 3.7 years. Because men have served for an average of 3.6 years more than women, they have reached on average a relatively higher position on the salary scale for a given job.

For the complete a.s.r. remuneration policy and the Remuneration Disclosure, see: www.asrnl.com.

**Gross average wages split by gender (gross hourly wages)**

| | 31 December 2020 | | 31 December 2019 | | 31 December 2018 | |
|---|---|---|---|---|---|---|
| In € | Female | Male | Female | Male | Female | Male |
| Executive Board[1] | 277 | 337[2] | 269 | 288 | 191 | 223 |
| Senior management | 107 | 106 | 101 | 101 | 91 | 98 |
| Management excluding sr. and jr. management | 57 | 61 | 55 | 59 | 54 | 56 |
| Junior management | 35 | 37 | 34 | 35 | 32 | 36 |
| Other employees | 24 | 28 | 23 | 27 | 22 | 26 |

**Average years of service**

| In years | 2020 | 2019 | 2018 |
|---|---|---|---|
| Female | 12.2 | 12.7 | 13.1 |
| Male | 15.8 | 16.4 | 16.6 |
| **Difference** | **3.6** | **3.7** | **3.5** |

## Employee share purchase plan

Since 2019 a.s.r. has an employee share purchase plan (ESPP). Employees of a.s.r. are thereby given the opportunity to acquire a.s.r. shares at a discount. a.s.r. can suspend or withdraw the plan at any time. There is no option under the plan for either a.s.r. or the employee to settle in cash or other assets. Therefore the plan is an equity-settled share-based payments plan.

The members of the EB are required to participate in the plan by investing a predetermined part of their remuneration in a.s.r. shares. Other employees participate voluntarily.

Under the terms of the plan the granting and vesting is predefined, after the publication of the full year and half year results. The grant date of the plan is the moment the employee registers to participate in the plan. The shares vest immediately on the transaction date when cash is received of the employee, unconditionally, subject only to a post-vesting transfer restriction of five years. Otherwise, there are no specific restrictions to the share (i.e. voting power, dividend restrictions).

The employees purchase the shares at a discount of 18.5%. The fair value of the a.s.r. share with a lock-up of

1 The figures for the EB include CEO's compensation.
2 Excluding CEO's compensation, the male average hourly wage of the EB would not be applicable as a.s.r. does not have male EB members.

five years at the grant date equals the purchased price by the employee.

The ESPP has an impact on equity through the adjustment in the treasury shares and retained earnings. Refer to chapter 6.7.6 Employee Share Purchase Plan for more information.

The number of shares purchased by employees during the reporting period was 122 thousand for an amount of € 3.25 million (2019: 101 thousand for an amount of € 2.66 million).

Please find more detailed information about employees in Annex A Facts and figures.

# 3.4 Sustainable management

As a financial serviceprovider, a.s.r. considers it of great importance to gain and maintain the confidence of its stakeholders. Aspects such as data and privacy protection, integrity, paying fair taxes, human rights and reducing a.s.r.'s environmental impact play a major part in being a trusted company.

## 3.4.1 Socially responsible taxpayer

a.s.r.'s tax policy contributes to its ambition to be a financially reliable and stable organisation in order to ensure that both its short- and long-term commitments towards customers and stakeholders can be met, thus creating long-term value. In addition, the outcome of its tax policy is that as a member of society, a.s.r. contributes its fair share to enable and maintain the very society of which it is part.

### Tax strategy

a.s.r. aims to be a socially responsible taxpayer based on professionally executed tax compliance. It does not apply any tax-aggressive positions. In optimising its tax planning, business considerations are always leading.

a.s.r.'s tax strategy was approved and endorsed by the EB. The Audit & Risk Committee (A&RC) supervises the tax policies pursued in line with the Dutch Corporate Governance Code. Tax policy and tax risks are discussed annually in the A&RC.

Tax is a recurring topic on the agenda of the stakeholders' dialogue (see Annex E Materiality analysis and stakeholder dialogue).

In view of its tax strategy, a.s.r. has the following objectives:

- a.s.r. only supports transactions or products with well-documented business objectives and within its tax risk appetite;
- The basic premise is that a.s.r. acts in accordance with the spirit and letter of tax legislation and regulations in the countries in which it operates;
- a.s.r. does not use any structures aimed at tax avoidance, nor will it allocate profits to jurisdictions with low tax regimes or make use of tax havens;
- a.s.r. has no products that help customers avoid or evade taxes;
- a.s.r. optimises its fiscal position in order to ease its tax liability. This is done within the framework of making a sustainable contribution to society;
- a.s.r. ensures the timely payment of its tax liabilities;
- a.s.r. presents relevant (tax) positions it has or will adopt as soon as possible to the tax authorities and provides them with active insight into all relevant facts, circumstances, positions, and its view of the associated legal consequences;
- a.s.r. actively manages its tax risks. In view of its open and transparent relationship with the tax authorities, it proactively coordinates the tax consequences of various transactions in advance with the tax authorities.

### Tax control

Group Tax plays a central role in the tax function of a.s.r. and therefore has an important role in embedding the tax strategy in the organisation's day to day operations. Group Tax is responsible for the establishment, maintenance and testing of the Tax Control Framework that is part of the broader a.s.r. organisation. The Risk Management Framework sets out the various processes, risks and existing control measures of which taxation is a part. The tax key controls are periodically tested and the results are discussed with the relevant teams.

Group Tax is the single point of contact with the tax authorities and has periodic and ad hoc consultations with them. External tax advisors are only consulted following the involvement and/or approval of Group Tax.

Group Tax is consulted on key agreements such as product development, acquisitions and internal reorganisations. This 'sign off' is used to safeguard compliance with the tax strategy. Tax issues are also regularly discussed with the CFO.

a.s.r. is actively implementing technological solutions to control tax risks, for example by means of data analysis. a.s.r. uses a financial system in which financial consolidation and reporting, tax accounting and the corporate tax return have been integrated.

a.s.r. strives for an open and honest culture and considers it important that employees and third parties can report, in a careful and safe way, (suspicions of) abuses within a.s.r., in accordance with the Whistleblowers Act (see www.asrnl.com). a.s.r.'s whistleblowers' scheme also applies to abuses in the sphere of tax.

The individual monitoring plan is in line with a.s.r.'s governance, the resulting tax strategy and objectives. The individual monitoring plan also contains operational elements for which the monitoring activities have been formulated.

## Tax burden and tax payments

a.s.r. operates almost exclusively in the Netherlands, which means that nearly all tax payments are made to the Dutch tax authorities, with the exception of:

- Payments relating to insurance tax for, in particular, non-life insurance covered by insurance tax jurisdiction in other countries;
- Withholding taxes deducted from foreign investment income.

a.s.r. pays taxes on profits realised by the economic activities in accordance with the OECD guidelines for multinational enterprises.

**Tax payments**

| In € million | 2020 | 2019 | 2018 |
|---|---|---|---|
| Profit before taxes | 829 | 1,210 | 904 |
| Corporate income tax in P&L | 172 | 240 | 196[1] |
| Nominal tax burden | 25.0% | 25.0% | 25.0% |
| Effective tax burden[2] | 20.7% | 19.8% | 21.7%[1] |
| | | | |
| *The Netherlands* | | | |
| Corporate income tax and withholding taxes | 59 | 42 | 47 |
| Domestic and foreign taxes levied at source, offset against Dutch corporate income tax | 13 | 6 | 7 |
| Dividend tax | 42 | 40 | 50 |
| Payroll taxes benefits | 307 | 269 | 259 |
| Employee payroll taxes | 138 | 132 | 132 |
| Insurance tax | 156 | 150 | 142 |
| Turnover tax | | | |
| - Turnover tax not offset | 47 | 42 | 34 |
| - Turnover tax not paid | 10 | 2 | 3 |
| **Total of tax payments in the Netherlands** | **772** | **683** | **675** |
| | | | |
| *Abroad* | | | |
| Foreign insurance tax | 1 | 1 | 1 |
| **Total of tax payments abroad** | **1** | **1** | **1** |
| | | | |
| **Deferred tax asset** | | | |
| Deferred tax asset as at year-end[3] | 177 | 197 | 275 |
| | | | |
| **Number of employees** | | | |
| Number of employees in FTEs, all of them employed in the Netherlands | 4,042 | 3,906 | 3,683 |

## Relationship with the Dutch Tax Authority

In January 2013, a.s.r.'s EB and the Dutch tax authorities signed the Horizontal Monitoring Covenant. This sets out how a.s.r. and the tax authorities should engage with one another: with mutual trust and in an open, transparent manner. By signing this covenant, a.s.r. undertakes to develop and maintain a system of internal management, together with internal and external controls relating to tax (Tax Control Framework). The Horizontal Monitoring has been further developed by the tax authorities into an Individual Monitoring Plan (IMP), and the IMP replaced the covenant in 2020.

## Tax rulings

In some cases, it is desirable for a.s.r. to obtain certainty from the tax authorities in advance concerning the application of (often complex) tax legislation and regulations. In such cases, a.s.r. will ask the tax authorities for a prior tax ruling on a tax position a.s.r. has adopted. All such rulings, consulting in an early stage with and other arrangements with the tax authorities are always in line with a.s.r.'s tax strategy. Doing so ensures that the tax position in the financial statements contains fewer uncertainties, which in turn adds to the confidence that stakeholders can derive from a.s.r.'s tax position. Since a.s.r. operates almost exclusively in the Netherlands, there are no international tax rulings.

1 Restated for International Accounting Standards (IAS) 12 amendment.
2 The effective tax burden differs from the (nominal) statutory tax rate. This is caused, in particular by applying the participation exemption.There is also an effect of the change in corporate income tax rate in 2021. The tax rate then becomes 25%. For a reconciliation of the nominal tax burden to the effective tax rate, reference is made to chapter 6.6.12 Income tax of the financial statements.
3 The corporate income tax rate for 2020 is 25%. The 2021 rate is 25%. The rate reduction was taken into account when valuing the amount of the deferred (net) tax claim at year-end 2019.

## Tax and investments

### Direct investments

For its investments (equities and corporate bonds) in companies, a.s.r. uses ESG research from the research firm Vigeo Eiris. The assessment of companies also includes tax criteria, in particular on the basis of (inter)national guidelines. In this way, a.s.r. avoids possible ESG risks in its investment portfolio in relation to e.g. tax havens and offshore financial centres. More information on this can be found on a.s.r.'s website: www.asrnl.com.

### Investments via external funds

Investments through external funds are never prompted by tax considerations. A business case is assessed on the basis of the strategy of the investment fund and the quality of the asset manager. The tax assessment from an a.s.r. perspective serves solely to avoid any double and/or unnecessary taxation.

a.s.r. has a preference for regulated funds in the European Union (EU) because of the relevant expertise for institutional investors combined with a responsible and transparent tax policy. In addition, a.s.r. can invest in funds offered from other OECD countries, provided their legislation and regulations are comparable to those in the EU, and the fair-share principle is met. a.s.r. avoids investments in countries with a reputational risk relating to tax, a relatively weak legal system and insufficient regulation and/or transparency.

# 3.4.2 Human Rights

In line with its status as a signatory to the UNGC, a.s.r. works to ensure that human rights are respected. a.s.r. also endorses the UNGPs, setting out the global standards for preventing and addressing the risk of adverse human rights impacts linked to business activities, as well as other standards such as the OECD Guidelines for Multinational Enterprises or the Equator Principles for the financial sector. As such, a.s.r. integrates human rights risk management and due diligence into existing business processes across relevant operations.

The largest link with challenging human rights situations is considered to be found in asset management activities, i.e. in the (production chains of) companies a.s.r. invests in. In addition, causing or contributing to human rights violations may occur in a.s.r.'s own operations, through business partners or in the supply chain.

## Own operations

a.s.r. strives for an inclusive workforce with equal opportunities and treatment, and fosters a culture in which people from a variety of backgrounds can thrive and feel comfortable in expressing their identity and opinions. But also an environment in which individuals with an occupational impairment have the opportunity to secure a fully-fledged job. To foster and strengthen this culture, a.s.r. established a cross-functional Diversity and Inclusion working group in 2019. This working group has been in charge of sharpening a.s.r.'s diversity policy and increasing awareness of this issue. It was also responsible for developing a variety of activities in 2020 to implement this policy, ranging from the adaptation of a.s.r.'s recruitment processes (such as anonymous applications) to boosting awareness of unconscious bias as part of a.s.r.'s management training. For more information on a.s.r.'s policy and activities regarding diversity and inclusion, see chapter 3.3 Sustainable employer, in this annual report.

The a.s.r. code of conduct outlines the desired attitude and behaviour expected of all employees, including respectful cooperation and working together on an equal basis. The code also states that a.s.r. respects and upholds fundamental human rights as laid down internationally in the Universal Declaration on Human Rights. In most cases, if there is an area of concern which includes discrimination, an employee's supervisor or the HR department is in the best position to address this. In the event of (suspected) violations, employees and/or third parties, including former employees, clients and other contracting parties, can report alleged malpractice anonymously, freely and without fear under the whistleblower scheme. Once a potential violation is reported, a.s.r.'s compliance officer will decide if it is eligible, allow the individual to elaborate on it and decide whether further investigation is required. Further investigation is carried out by a.s.r.'s safety department and, where necessary, appropriate action to mitigate the violation is decided on by the Chairman of the EB. No violations were reported in 2020.

Respecting the human rights of customers is very important to a.s.r., which is committed to putting the interests of the customer first. Customers' human rights should therefore never be violated in respect of a.s.r.'s products and services. One specific risk relates to complaints concerning breaches of customer privacy or loss of customer data. a.s.r. complies with the General Data Protection Regulation (GDPR) which came into force in 2018. More information about a.s.r. privacy policies and measures can be found in chapter 3.4.5 Privacy and in a.s.r.'s privacy statement (www.asrnl.com). A further risk relates to the effect of big data and AI on solidarity in the insurance market, where some risks may become too expensive for traditional insurance companies to cover. a.s.r. will continue to apply the principle of solidarity to manage such risks and has furthermore supported the Dutch Association of Insurers (Verbond van Verzekeraars) to create an ethical framework to guide responsible use of big data and AI for the insurance market in the Netherlands as a whole. More information can be found in chapter 3.4.4 Ethical dilemmas.

In 2021, a.s.r. will conduct a structured analysis of potential risks throughout its own operations and in its underwriting and client acceptance processes. The aim is to strengthen a.s.r.'s human rights due diligence and ensure there is a full understanding of where human rights risks may occur.

### Asset management
a.s.r.'s asset management activities are overseen by an SRI policy in which human and labour rights are a key element. The SRI policy is used in its assessments of countries and companies, both to avoid controversial practices and risks and to identify best practices and opportunities. As a consequence, a.s.r. favours companies that perform well in their policies on and implementation of human rights, such as in conducting ongoing human rights due diligence studies, setting targets to promote diversity, respecting the right to privacy or promoting collective bargaining. At the same time, a.s.r. excludes investments in companies if they are complicit in systematic and/or gross violations of human or labour rights, including child labour, forced labour or serious malpractice in the supply chain. Countries with a low score in the Freedom of the World Index (civil rights) are also excluded. This list is updated twice a year and can be publicly consulted at www.asrnl.com. The SRI guidelines adhere to the standards defined by Forum Ethibel, and SRI research is carried out by Vigeo Eiris.

a.s.r. has been an active member of the PLWF since 2018. Together with 15 other institutional investors, a.s.r. engages with companies in the garment, retail and agri-food sector to address the (non-)payment of living wages in their supply chain. Living wage or living income can be seen as a key driver in addressing human rights issues, and payment of a living wage contributes to a cascade of development objectives. Members of the platform use a joint methodology to measure the investee companies' performance on living wages and their progress. In 2020, PLWF expanded its engagement with companies in the food and agri and retail sectors and presented the first assessment results at the annual (digital) seminar. Other human rights-focused initiatives in 2020 included engagement on the responsible sourcing of cobalt, access to medicine and sound social management in the tech sector. More details on the criteria applied and the way in which a.s.r. pursues human and labour rights policies can be found at www.asrnl.com.

### Supply chain
Human rights is part of a.s.r.'s procurement processes, at group level and in the business lines.

a.s.r.'s current contract management policy stipulates that screenings are to be carried out periodically. If in a.s.r.'s opinion there is reason to doubt the integrity of a supplier, appropriate measures will be taken. a.s.r. makes additional requirements of its strategic suppliers in environment, human rights and working conditions. These requirements form part of the procurement contracts concluded between a.s.r. and its strategic suppliers.

An example of a procurement process in the business lines is a.s.r.'s healthcare procurement policy, which details how Health negotiates contracts with healthcare providers. The policy explains how a.s.r.'s procurement protects patients' interests, ensures affordable care and makes a meaningful contribution to society.

In 2021, a.s.r. aims to sharpen its procurement processes at group level by taking into account more human rights-related aspects, such as criteria on social return and labour standards, and by developing a Supplier Code of Conduct which follows the UNGPs.

## 3.4.3 Integrity

Integrity and ethical conduct are prerequisites for a.s.r.'s reputation as a trustworthy insurer. In addition to the use of clear frameworks, sound and controlled business operations are above all driven by sound, intrinsically embedded core values and ethical behaviour.

The a.s.r. code of conduct sets out the required attitude and behaviour of a.s.r.'s employees. The aim of the code is to protect a.s.r.'s reputation through the integrity and professional conduct of all its employees. For more information about the a.s.r. code of conduct, see www.asrnl.com.

a.s.r. continuously emphasises the importance of the a.s.r. code of conduct and underlying policies and rules, and invests in awareness-raising. In 2020, it took various initiatives to further improve knowledge on integrity-related subjects. a.s.r. employees keep their knowledge up to date through compliance training, presentations and dialogue, but also, for example, through (voluntary) 'gamification'. By answering relevant questions each day, employees can refresh their knowledge of the code of conduct. Training of employees covers the main compliance-related topics, with a focus on the code of conduct, conflicts of interest (e.g. insider trading, outside business activities and incentives), Customer Due Diligence (CDD), privacy and cyber-risk.

a.s.r. has taken a number of control measures to prevent, recognise and defy unethical behaviour, including combating corruption. Examples of control measures include integrity screening carried out by the Investigations department prior to hiring new employees. All employees have taken an oath or made a solemn affirmation, promising that they will comply with legislation and regulations and codes of conduct and observe ethics in their actions. This also applies to everyone who regularly works for a.s.r., including suppliers and brokers. Anyone who carries out work at or for a.s.r. must take the professional oath or make a solemn affirmation within three months of taking up their duties. In this way, a.s.r. seeks to prevent the risk of physical, financial or reputational damage to the company, its customers and/or other business relations.

a.s.r. has an anti-fraud policy at group and divisional level. This policy provides for identifying and detecting fraud during the processes of acceptance and claims handling. a.s.r. investigates signals of unethical behaviour, including corruption and fraud, from employees, intermediaries and suppliers. Should integrity be compromised, including through corruption and/or fraud, a.s.r. will take appropriate measures, with due regard for the applicable laws, regulations and sector-based protocols. The risk of corruption is dealt with in various policies, including a.s.r.'s incentive policy and its anti-corruption policy. a.s.r. operates a policy of zero-tolerance. In mid-2020, a.s.r. launched an awareness programme on avoiding conflicts of interest.a.s.r. uses the definition formulated by the DNB: 'The risk of corruption is the risk of financial companies in the Netherlands being involved in bribery and/or conflicts of interest which impair the integrity of, and trust in, that company or in the financial markets'.

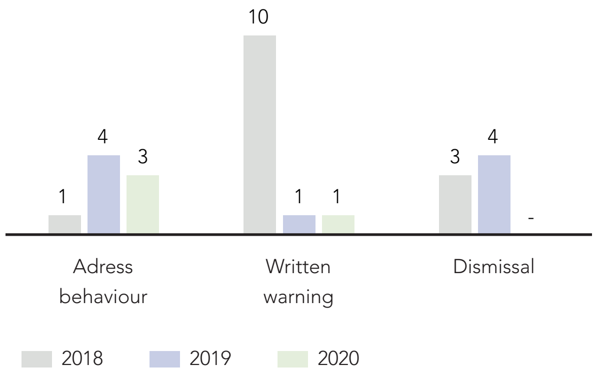
Under the whistleblower scheme, employees and third parties, including former employees, clients and other contracting parties, can report alleged malpractice anonymously, freely and without feeling threatened.

a.s.r. has a central Compliance department which monitors the sound and controlled business operations, including reputational risks, of a.s.r. 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 2020, the Compliance department monitored compliance with e.g. the regulation on CDD, the Insurance Distribution Directive (IDD), the outsourcing policy, remuneration, product approval and review process, GDPR and the registration and reporting of data breaches and the quality of information provided to clients. The Compliance department played an important role in a.s.r.'s CDD optimisation project. In order to guarantee sound and controlled business operations, a.s.r. has taken a number of control measures to prevent, recognise and defy unethical behaviour, including combatting corruption.

In 2020, 92 cases of alleged lack of integrity (2019: 108) were investigated by the Investigations department. 49 disciplinary measures (2019: 41) were taken in the case of a proven lack of integrity in the conduct of an employee, intermediary or supplier. With respect to employee conduct, four employees were found to have violated the a.s.r. code of conduct. Following investigation, a lack of integrity, e.g. fraud and inappropriate conduct or behaviour, was proven. These employees were disciplined for infringement of the company's principles. This resulted in addressing undesirable behaviour, a written warning or dismissal. The Investigations department reports quarterly on the number of incidents and measures taken. This report is discussed with the EB and the SB.

**Violations measures taken**

(in numbers)




## 3.4.4 Ethical dilemmas

Integrity and ethical conduct are prerequisites for a.s.r.'s reputation as a trustworthy insurer. a.s.r. is committed to conducting its business according to the principles of honesty, integrity and fairness. This commitment to observing the ethical standards is designed to ensure compliance with laws and regulations in the context of which a.s.r. operates, to earn the continued trust of customers, shareholders, employees, business partners and society.

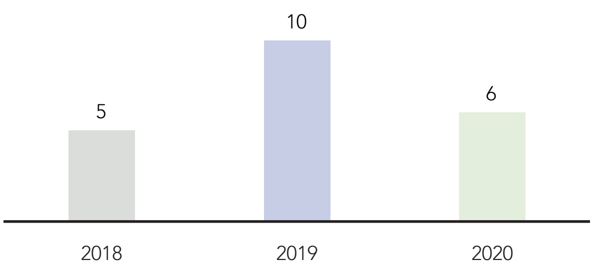
a.s.r. fulfils different roles, which sometimes makes it challenging to serve all relevant stakeholder interests in the decision-making process. To give weight to these challenges, a.s.r. has been facilitating open dialogue throughout the company since 2018, centred around ethical dilemmas and challenges in its business. Practicing ethical reflection and dialogue concerning dilemmas helps to involve a wider range of perspectives and interests from all relevant stakeholders. This open dialogue is practiced by organising ethics workshops and dilemma sessions.

Three ethical workshops and three dilemma sessions were organised in 2020 to develop ethical awareness at employee, (senior) management, EB, department and a.s.r. level, by engaging in ethical dialogue about daily dilemmas from different perspectives. The workshops and sessions were led by the ethical specialist of the Compliance department. This ethical dilemma programme is also an integral part of the a.s.r. academy.

Fewer ethical workshops and dilemma sessions were held in 2020 due to the COVID-19 pandemic. a.s.r. has since resumed the normal pace with a digital alternative.

**Ethical workshops**

(in numbers)




Ethical workshops centre around daily dilemmas, providing opportunities for all employees and decision-makers in the company to engage in critical reflection and dialogue. This helps people to practice navigating the ethical playing field, employing insights from different ethical theories to signal moral dimensions and to carefully classify relevant stakeholders and their interests. Dilemma sessions are hosted to tackle recurring themes and issues within different departments in order to reflect on these issues and create practical ethical guidance tailored to specific circumstances.

a.s.r. strives to remain as inclusive as possible in its acceptance policies, providing access to essential financial products and services, including to vulnerable groups in society. On the other hand, societal expectations and a.s.r.'s sustainability policies are increasingly playing a role in determining which clients and companies it decides to do business with. Tailored ethical guidance is developed in conjunction with departments to support their acquisition and acceptance policies with relevant ethical criteria and considerations. In addition to formally implemented measures such as the CDD policy and exclusion lists based on international sanctions, this guidance moves the decision-making process beyond the question 'can a.s.r. accept a particular client?' and towards the more ethical consideration 'does a.s.r. want to accept a particular client?' This tailored guidance helps to ethically reflect on the types of clients a.s.r. deems to be socially acceptable for its business and stakeholders, now and in the future.

Through these general and tailored ethical initiatives and policies, a.s.r. aims to develop company-specific guidelines to help reflect on how it deals with dilemmas in the different contexts of its various business activities, enabling it to gauge its ethical culture and consider to what degree daily decisions express its core values and contribute to society in valuable ways.

By creating opportunities for dialogue about dilemmas, a.s.r. strives to be better equipped to deal with changing societal norms and circumstances as an organisation and to stimulate the growth of ethical awareness among its employees.

Two examples of current dilemmas a.s.r. is discussing are described below.

## Healthy lifestyle: a choice?

As a health care and disability insurance provider, a.s.r. is keen to help people stay healthy. In late 2019, a.s.r. began offering a new vitality concept in the Netherlands together with Vitality Group: a.s.r. Vitality. This is a proven platform based on behavioural science that rewards customers who actively work on achieving and maintaining a vital and healthy lifestyle. a.s.r. Vitality is the first vitality programme in the Netherlands directly related to a disability and health insurance product. The concept ties in with a.s.r.'s strategy to keep people healthy and vital in the context of sustainable employability and the reduction of health care costs in society. With this partnership, a.s.r. offers a so-called 'shared-value concept' for disability and health insurance products. This means that customers who live a vital and healthier life may receive rewards or even a premium discount. This benefits a.s.r. by reducing the amount of claims by customers and benefits society by reducing health care costs, which will also help keep premiums affordable.

The ethical dilemma this poses is the degree to which the programme is inclusive. Can everyone who wants to participate actually do so? How to ensure that people with a physical or mental impairment can also participate within their capabilities? Ongoing dialogue on this issue is encouraged within a.s.r., including with external stakeholders. The programme offers flexibility in its design, and hence can be altered based on emerging or new insights that stimulate further inclusion. Because a.s.r. wants to appeal and cater to a diverse range of companies and individuals, it is actively exploring opportunities to expand the programme to include team sports, cycling and a broader set of health-related topics such as mental well-being, food and sleep.

**Ethical framework for data-driven applications and decision-making**

Technological developments in the area of big data AI are moving ever faster. This has significantly impacted current products and services and presents new challenges for existing business models. Data-driven insights could for example better position insurers to deliver new customer-centric products and services through a clearer understanding of customer needs and preferences, or assist them in improving the prevention of their risks through analysis of current and future behaviour patterns.

However, data also emphasises the need for financial companies to adequately comply with the GDPR and take their clients' privacy and broader societal interests into account. An example of broader societal interests which a.s.r. sees as an ethical dilemma is the effect that data-driven insights have on solidarity in the insurance market, where some risks may become too expensive for traditional insurance companies to cover.

For this reason, a.s.r. has helped to create an ethical framework to guide responsible use of big data and AI for the entire insurance market in the Netherlands, in conjunction with the Dutch Association of Insurers. To align this framework with its own strategy, a.s.r.'s internal framework safeguards several key parameters, such as customer autonomy, transparency and explicability, availability of necessary financial services, moral solidarity and privacy. Several pilots with the framework were organised in 2020 to help further develop its content and underlying guidance for relevant internal stakeholders to implement it in their daily practice and policies.

Please find more dilemmas on the news section on the a.s.r. asset management's website www.asrvermogensbeheer.nl.

## 3.4.5 Privacy

Customers or employers applying for an insurance or other financial service will be asked to provide personal data. These data are provided by them to a.s.r. either through an advisor or else directly, for example via the a.s.r. website, email or telephone.

In addition to the information provided by customers, a.s.r. may receive data from third parties, such as employers or others, such as Statistics Netherlands (CBS), the Credit Registration Office (BKR), the Employee Insurance Agency (UWV), working conditions services or market research firms. a.s.r. records which sources it has received data from.

Healthcare data are only collected when necessary. a.s.r. employees have a duty to maintain confidentiality in respect of the data that is processed. Healthcare data are only processed by qualified employees under the responsibility of a medical adviser. a.s.r. adheres to the professional code for medical advisers involved in private insurance and/or personal injury cases. a.s.r. processes the healthcare data of a.s.r. Vitality members in the corresponding mobile application, such as exercise information from activity tracking. To ensure that healthcare data are processed only within a.s.r. Vitality and is not shared with a.s.r. insurance departments, a.s.r. has set up a separate legal entity: a.s.r. Vitality B.V.

Personal data are necessary for the performance of a.s.r.'s services. Using personal data helps a.s.r. to improve its products, carry out marketing activities. All data are handled with due care, and adequate technical and organisational measures have been taken to ensure proper protection levels. a.s.r. has put in place technical and organisational measures to protect data against unauthorised or unlawful processing, and accidental loss, destruction or damage. These include measures to ensure the safe use of a.s.r.'s websites and IT systems, to guard against abuse and to protect any physical areas where data are stored. a.s.r. has an information security policy in place and arranges training programmes for its staff in personal data protection. Data can only be viewed and processed by authorised staff.

Data leaks can affect access to, the deleting and/or amendment of, or the inadvertent posting of personal data from the organisation. In accordance with the GDPR, a.s.r. is obliged to report data leaks which could have serious consequences for those involved, directly to the Dutch Data Protection Authority (DPA). These notifications are made by the data protection officer. While the data leaks that were reported could have had serious consequences for those involved, there were no reports of any damage relating to the misuse or abuse of leaked data in 2020. Most data leaks were due to human error. a.s.r. took appropriate measures to mitigate any risks relating to reported and unreported data leaks. a.s.r. does not believe that any of the leaked data will have a serious impact for those involved. In 2020, a.s.r. received a letter from the DPA asking it to ensure that notifications did not exceed the notification period of 72 hours following detection. In response to the letter from the DPA, the process for notifying data leaks is thorougly reviewed and tightened. An a.s.r. wide awareness campaign has also been started and a.s.r. closely monitors closely the data leak procedures. The internal process for notifying data leaks is periodically evaluated to ensure that such requirements are met.

## Data leaks

| In numbers | 2020 | 2019 | 2018 |
|---|---|---|---|
| Notifications of data leaks to the Dutch Data Protection Authority | 14 | 19 | 58 |

Compliance and the data protection officer report quarterly on the number and type of data leaks to the responsible management, the EB, the a.s.r. Business Executive Committee (BEC) and the A&RC of the SB. Where necessary, a.s.r. implemented measures to improve processes for, and awareness of, dealing with data to avoid any future data leaks. Some retention periods for data are prescribed by law. a.s.r. has a retention period policy in place to ensure that data are not kept for longer than is needed.

Data are only provided to third parties if permitted by law and where necessary for a.s.r.'s business operations. Occasionally, a.s.r. is legally required to transfer specific personal data to the authorities, e.g. disclosures concerning life insurance policies to the tax authorities. To ensure a sound acceptance and risk policy and to prevent fraud, a.s.r. records data in the Central Information System of the CIS foundation in The Hague. This concerns data on claims received by insurance companies or concerning individuals who have intentionally deceived the insurance company or driving disqualifications by the Ministry. The CIS foundation supports insurers in their acceptance and claims processes. With regard to information concerning the CIS foundation, a.s.r. is permitted under strict conditions to exchange information via the CIS foundation. More information on this can be found on the website of the CIS foundation.

Financial institutions can record the behaviour of (legal) persons who have been or could be detrimental to financial institutions in an Incident Register. If data are shared with organisations, companies or third parties outside the European Economic Area (EEA), arrangements are made with them to ensure that a.s.r. complies with the rules applicable in the EEA at all times.

## Complaints

| In numbers | 2020 | 2019 | 2018 |
|---|---|---|---|
| Complaints relating to customer privacy | 89 | 58 | 85 |

Data subjects have various rights, e.g. transparency of information, right of access, rectification and erasure and the right of restriction to processing. a.s.r. has processes and instructions in place to comply with any requests from data subjects. a.s.r. provides information about data processing in its privacy statement on the a.s.r. websites.

The use of social media is everyone's responsibility. a.s.r.'s privacy statement does not apply to the way in which social media platforms handle the personal data provided by individuals.

a.s.r. generates profiles of its customers based on the data collected with the purpose of analysing it and obtaining insight into (future) actions and preferences. In doing so, a.s.r. complies with relevant legislation and regulations. This means, among other things, that it asks permission in advance if required by law.

In July 2020, the Court of Justice of the EU ruled that the adequacy of the protection of personal data by the US-EU Data Protection Shield (privacy shield) was invalid. The judgement of the Court also appeared to invalidate the Standard Contractual Clauses (SCC). As a result of this judgement, organisations within the EU must now take alternative measures to exchange personal data with the United States (US). The European Data Protection Board (EDPB) announced that it would be issuing guidelines concerning the exchange of personal data with the US in accordance with the GDPR.

### Cyber security risks

Information (cyber) security risks are constantly evolving and imminent. The trend of cyber attacks continues where it left off in 2019, i.e. more sophisticated attacks are being seen around the world. Since the battle against malicious intentions is ongoing, cyber security efforts continued to dominate risk reports in 2020.

Continuous focus on known and emerging cyber security risks is a daily requirement for a.s.r. and its supply chain. a.s.r. invests a significant percentage of the IT budget on prevention, detection and response skills and techniques. a.s.r. participates in the i-CERT (Cybersecurity Partnership between insurance companies), in which relevant information is exchanged with other companies. An external agency has also benchmarked a.s.r.'s IT security organisation against a best in class IT security organisation. Under the auspices of DNB, a.s.r. also participated in the TIBER programme to further improve levels of cyber-resilience and implemented the lessons learned there.

a.s.r. is aware of the trust invested in it by its customers, and makes conscious choices in the risk exposure it is willing to tolerate. A dedicated cyber security team, regular testing and continuous awareness programmes all ensure that a.s.r. is fully aware of its risks and takes measures where appropriate. All measures are continuously monitored and regularly reported to the BEC. See www.asrnl.com for more detailed information.

## 3.4.6 Political engagement

a.s.r. takes part in open dialogues within politics and with its stakeholders. To this end, it holds meetings with government bodies, financial institutions and socially relevant organisations on an ongoing basis to explore societal issues.

In view of the challenges that society as a whole is faced with, a.s.r. believes it is vital to cooperate – as partners, government bodies and institutions – and to identify sustainable solutions. a.s.r. engages itself in political lobbies as part of the democratic process and contributes its expertise and knowledge to support the government's policy development. Another example of a.s.r.'s contribution to societal issues are the reputation sensitive files that have been discussed in the House of Representatives (Tweede Kamer) on topics such as P&C insurances, asbestos, solar panels, uninsurability, legal counsel and personal injury. This has resulted in a more positive stance of the Dutch government towards the insurance sector. a.s.r. also made a substantial contribution to the round tables that led to the compostion of the National Climate Agreement of the Netherlands.

a.s.r. shares its insights in order to assist in solutions to regulatory and macro economic challenges. a.s.r. ensures that all public affairs, lobbying and political network activities are carried out in line with the Code of Conduct of the Dutch Association for Public Affairs (BVPA), which is a minimum obligatory standard governing contacts with representatives from politics, the private sector and society. Through the BVPA, a.s.r. is a signatory to the EU Transparency Code of Conduct. Public Affairs of a.s.r. monitors developments in the area of legislation and regulations while providing appropriate answers in its political contacts.

Public Affairs of a.s.r. supports the operational entities in relation to regulatory and political strategies and monitors regulatory and political subjects within a.s.r. a.s.r. is committed to democracy and wishes to play a neutral yet substantive role in this. a.s.r. therefore does not support political parties financially in any way whatsoever. The total of annual monetary contributions made and expenditures incurred with regard to trade associations in 2020 was € 3,174,000 (2019: € 2,320,000). The largest membership contribution in 2020 was paid to the Dutch Association of Insurers € 3,124,000 (2019: € 2,281,000).

## 3.4.7 Carbon footprint own operations

The pursuit of climate neutral operations is part of the a.s.r. strategy. COVID-19 has had a significant positive effect on the carbon footprint of own operations, which means that the target for both KPIs[1] was achieved in 2020.

a.s.r. is actively managing waste management, mobility, energy consumption and carbon emissions in order to minimise its impact on the environment. a.s.r. places a special focus on its carbon footprint, which is of two types:

- Indirect footprint as a result of investment activities (see chapter 3.2 Sustainable investor);
- Direct footprint due to its own operations, as explained below.

It is a.s.r.'s goal to reduce its direct $CO_2$ emissions by 50% in 2025 compared to the base year 2018. To achieve this, it is constantly striving to reduce emissions while those remaining are offset by the Verified Carbon Standard (VCS) and the Climate, Community and Biodiversity Standard (CCB) certificates.

a.s.r.'s absolute carbon footprint fell by 66% compared to the base year 2018. The sharp drop in $CO_2$ emissions at a.s.r. was largely due to the effect of COVID-19 on commuting and business mobility.

Approximately 91% of all a.s.r. 3,686 staff (headcount) work from the Utrecht head office. a.s.r. has a total of 100,302 square metres of office space in use, of which the head office represents the major share of 92%. This makes the head office and its employees the most material part of a.s.r.'s direct footprint. The figures on the next page are based on a.s.r.'s head office. a.s.r. uses the Greenhouse Gas Protocol's scope classification, which defines three different scopes.

1 KPI 50% $CO_2$ emission reduction in 2025 and KPI 50 kWh energy consumption per $m^2$ BVO (gross floor area) in 2030, according to the DGBC definition.

**a.s.r.'s own $CO_2$ emissions[1,2]**

| | 2020 | | 2019 | | 2018 | |
|---|---|---|---|---|---|---|
| Category of carbon emissions | in % | tonnes of $CO_2$ | in % | tonnes of $CO_2$ | in % | tonnes of $CO_2$ |
| **Scope 1** | | | | | | |
| Fuel and heat | 0.3 | 8 | 0.5 | 37 | 1.1 | 88 |
| Cooling | 1.3 | 37 | 0.7 | 51 | 0.7 | 56 |
| Business travel as a result of lease car fleet | 40.8 | 1,113 | 26.5 | 2,078 | 27.0 | 2,172 |
| | **42.4** | **1,158** | **27.7** | **2,166** | **28.8** | **2,317** |
| **Scope 2** | | | | | | |
| Electricity | - | - | - | - | - | - |
| | **-** | **-** | **-** | **-** | **-** | **-** |
| **Scope 3** | | | | | | |
| Business travel excluding lease car fleet | 3.2 | 87 | 4.2 | 329 | 4.0 | 322 |
| Commuter travel | 51.6 | 1,408 | 66.0 | 5,148 | 65.0 | 5,229 |
| Waste | 2.8 | 76 | 2.1 | 160 | 2.2 | 177 |
| | **57.6** | **1,571** | **72.3** | **5,638** | **71.2** | **5,727** |
| | | | | | | |
| **Total** | **100** | **2,728** | **100** | **7,804** | **100** | **8,044** |

## Scope 1: Emissions resulting from fuel consumption

a.s.r. assigns the emissions from fuel and heat, cooling and from lease cars to scope 1.
With regard to the definition of the business travel component, a.s.r. has opted for the ‘operational control’ approach. In this approach, a.s.r. assumes that it has an impact on the efficiency of the lease fleet. The emissions of the a.s.r. lease fleet are included in scope 1.

### Results in 2020

a.s.r. stopped consuming gas in mid-2019; its head office is now heated and cooled by means of a heat pump.

a.s.r. achieved savings of approx. 1,160 tonnes of $CO_2$-equivalents in 2020, compared to the base year 2018. The main savings took place in the sphere of ‘business traffic’.

During 2020, a.s.r.'s business traffic was affected by the measures taken in the context of COVID-19. In mid-March 2020, during the first lockdown, a.s.r.'s employees began working from home. As a result of this decision, the number of business kilometres travelled was drastically reduced. During the summer, a limited number of employees began working again in the office and the number of business kilometres rose. In the autumn, the second COVID-19 wave manifested itself and a new period of working from home began.

The decline in $CO_2$ emissions from business traffic was also due to changes within the lease car fleet. Both the increase in the number of electric and hybrid cars and the improved fuel efficiency of petrol-driven cars made a positive contribution to the lower emissions of the total fleet.

### Outlook

It is not known how long and to what extent the COVID-19 pandemic will continue to affect business travel. a.s.r. assumes that the COVID-19 pandemic will permanently change patterns of travel. It is expected that in the future, people will work from home more often. As a result, of which the number of home-work will increase, business kilometres travelled will decrease and the number of leased cars will go down. Future mobility trends will be determined in 2021.

a.s.r. aims to replace all fossil-fuelled lease cars with electric cars by 2025 at the latest. From 2021, only fully electric cars are alllowed.

## Scope 2: Emissions resulting from electricity

### Results in 2020

Scope 2 emissions remained at zero because all electricity consumed was carbon-neutral. The vast majority of this electricity is generated through Danish wind turbines. As in previous years, a proportion of the electricity was self-generated by solar cells.

1 The figures are based on a.s.r.’s head office (91,912 $m^2$ gross floor area). The offices in Enschede (1,830 $m^2$ gross floor area), Rotterdam (approx.1,000 $m^2$ gross floor area of office space and 3,900 $m^2$ gross floor area of archives), Heerlen (2,815 $m^2$ gross floor area) and Hoorn (3,745 $m^2$ gross floor area) are not included.
2 According to the Greenhouse Gas Protocol.

Electricity consumption in 2020 was strongly influenced by the consequences of COVID-19. Due to the fact that much less work was done in the office, electricity consumption fell sharply[1].

#### Outlook

Solar panels will be installed above a.s.r.'s parking deck in 2021. The yield of these panels is estimated at 800,000 kWh of electricity per year. This additional capacity will be used to charge the heat pumps and the growing number of electric cars. a.s.r.'s parking deck will become the largest bi-directional charging facility in the world.

### Scope 3: Emissions resulting from mobility and waste

a.s.r. assigns emissions from business travel, other than to a.s.r.'s lease cars, commuting and waste, to scope 3.

#### Results in 2020

Due to COVID-19, emissions fell by 4,156 tonnes of $CO_2$ equivalent. As a result, the planned savings of 50% in the period 2018 - 2025 had already been met by 2020.

#### Outlook

What the post COVID-19 period will look like is uncertain. a.s.r. believes that the mobility pattern will permanently change and that employees will work from home more often.

### Trees for All

a.s.r.'s emissions as a result of the above activities (scope 1, 2 and 3) expressed in tonnes of $CO_2$ equivalent, were fully offset by the planting of trees. In addition, a.s.r. has fully over-compensated for the strong $CO_2$ decrease in 2020. a.s.r. has instructed the foundation 'Trees for All'[2] to carry out this planting. In 2020, a.s.r. had approximately 27,826 trees planted as part of the Kibale Forest project in Uganda.

### Energy consumption

In 2020, the head office used 49 kWh (scope 1 and scope 2) of purchased energy per $m^2$ (gross floor area). If a.s.r. is to meet the Paris Accord targets for its head office, it must reduce its purchased energy consumption to 50 kWh/$m^2$ gross floor area by 2050 at the latest.

More detailed information on a.s.r.'s role as a trusted company can be found in Annex A Facts and figures.

1 Approx. 12% of the a.s.r. building has been sublet since mid-2020. The energy onsumption of a.s.r. includes the consumption by the sub-tenant.

2 Within the framework of an agreement with a.s.r., the Trees for All foundation is responsible for an investment in $CO_2$ sequestration in certified sustainable forest projects in such a way that the $CO_2$ absorption remains fixed in the long term. The $CO_2$ compensation for a.s.r. took place in 2020 through the Kibale Forest project in Uganda. The planting of forest enlarged the wildlife habitat and contributed to the protection of primeval forest. This form of offset also made a positive contribution to the climate.

# 3.5 Investor community

a.s.r. is listed on Euronext Amsterdam and is included in the AEX (Amsterdam Exchange Index), the index of the 25 largest listed companies of the Amsterdam stock exchange. a.s.r. wants to be a sustainable company for investors, attractive to invest in and creating value in both the short- and long-term. a.s.r. does so by disciplined execution of its strategy and delivery on a set of medium-term financial objectives.

a.s.r. attaches great value to a strong relationship with the investor community in the broadest sense and sets high standards with respect to transparent communication and fair disclosure. The aim of a.s.r.'s investor relations is to provide all relevant information which can help investors make well-informed investment decisions. a.s.r. makes every possible effort to ensure that the information it discloses is accurate, complete and timely.

a.s.r. provides relevant insight into its activities through selected financial and non-financial disclosures. To that end, it regularly updates the markets on its financial performance, the progress it is making on the execution of its strategy and any other relevant developments through press releases, webcasts, conference calls and other forms of communication.

In 2020, a.s.r.'s management continued to actively seek dialogue with its existing investor base and potential investors. Due to the COVID-19 crisis almost all meetings, roadshows and conferences, were converted into conference calls or video meetings.

a.s.r. publishes its financial results twice a year in the form of half-year results and full-year results. To inform the market in a timely manner on the (potential) impact of COVID-19 on its financial performance and business operations, a.s.r. provided an extraordinary Q1 trading update ahead of its AGM on 20 May 2020.

For more information about a.s.r.'s policy on fair disclosure and bilateral dialogue, see www.asrnl.com.

## a.s.r. shares

a.s.r.'s shares are listed on Euronext Amsterdam (symbol: ASRNL, ISIN: NL0011872643) since 10 June 2016. Since 19 March 2018, a.s.r. has been included in the AEX index. Each share has one vote. The free float, as defined by Euronext Amsterdam, is 95%.

On 19 February 2020, a.s.r. announced a share buyback programme for an amount of € 75 million, which was completed on 2 October 2020. A total of 2,942,796 shares were repurchased in this programme in 2020. At 31 December 2020, there were 137,928,303 shares outstanding. During 2020 the number of outstanding shares decreased mainly due to the share buyback programme.

**Shares**

| | Year-end 2020 | Year-end 2019 | Year-end 2018 |
|---|---|---|---|
| Authorised capital | 350,000,000 | 350,000,000 | 350,000,000 |
| Issued share capital | 141,000,000 | 141,000,000 | 141,000,000 |
| Own shares held by a.s.r. | 3,071,697 | 251,201 | - |
| Outstanding shares | 137,928,303 | 140,748,799 | 141,000,000 |

## Dividend

a.s.r.'s dividend policy is based on a pay-out ratio of 45-55% of net operating result distributable to shareholders (i.e. net of tax and hybrid costs), while taking into account the aim to offer a stable regular dividend per share.

a.s.r.'s dividend policy includes an interim dividend, which is set at 40% of the total dividend for the previous year. The interim dividend falls within the dividend policy and is conditional on achieving adequate results and solvency. a.s.r. holds cash at the holding company to cover operating holding costs and hybrid expenses for the next 12 months, and cash to pay the final and interim dividend.

The payment of the final dividend for 2019 and the share buyback programme were temporarily postponed following the recommendations of the European Insurance and Occupational Pensions Authority (EIOPA) and the DNB to the (European) insurance sector in April 2020. a.s.r. resumed dividend payments and made up for the postponed final dividend of 2019 and reinitiated its share buyback programme for the remainder in September 2020.

| Dividend per share | | | |
|---|---|---|---|
| In € | 2020 | 2019 | 2018 |
| Interim dividend | 0.76 | 0.70 | 0.65 |
| Final dividend | 1.28 | 1.20 | 1.09 |
| Total dividend | **2.04** | **1.90** | **1.74** |

Baed on its financial performance in 2020, a.s.r. proposes to pay a total dividend of € 2.04 per share, which is paid as an interim dividend of € 0.76 per share (in September 2020) and a final dividend of € 1.28 per share (to be paid in May 2021). The total dividend of € 2.04 per share represents an increase of 7% compared to the proposed total dividend over 2019 (2019: € 1.90 per share). The dividend reflects a.s.r.'s continued strong operational and financial performance throughout 2020, despite the impact from the COVID-19 crisis. Following the approval of the AGM on 19 May 2021, the final dividend will be payable from 26 May 2021. The a.s.r. shares will trade ex-dividend on 21 May 2021.

Since the IPO on 10 June 2016, a total cash amount of € 1,539 million has been returned to shareholders (including the proposed final dividend over 2020). This includes € 255 million of share buybacks in 2017 during the sell-down process by NL financial investments (NLFI) and the share buyback programme of € 75 million in 2020. a.s.r. announced a € 75 million share buyback program for 2021.

## Shareholders

The a.s.r. shares are held by an international and diversified shareholder base. By the end of 2020, institutional investors in the US and the United Kingdom (UK), based on public filings and company information, represent the majority of a.s.r. shareholders, who own approximately 55% of the outstanding shares. The remainder is held mainly by investors based in the Netherlands, Germany, France, Norway and the rest of Europe. Approximately 1% of the shares are held by retail investors in the Netherlands.

## Major shareholders

Dutch law requires shareholders to report their holdings in Dutch-listed companies to the AFM if they exceed 3% of total outstanding share capital (and at certain higher thresholds). As per the AFM register at 31 December 2020, the following shareholders held a position in a.s.r. of more than 5%: BlackRock and Norges and between 3% and 5%: Dimensional, UBS, Janus Henderson, BrightSphere, SAS Rue la Boetie, BNP Paribas.

## Shares and share price performance

At the end of 2020 the share price stood at € 32.85 (2019: € 33.36). Total shareholder return amounted to 5.1% in 2020 (including a dividend reinvestment in a.s.r. shares) and amounted to 105.3% following the IPO. The Euronext AEX index and the STOXX Europe 600 Insurance Index appreciated by respectively 3.3% and -13.5% in 2020.


| Share price performance | | | |
|---|---|---|---|
| In € | 2020 | 2019 | 2018 |
| Introduction price as at 10 June 2016: € 19.50 | - | - | - |
| Starting price as at 1 January | 33.36 | 34.58 | 34.31 |
| Highest closing price | 37.66 | 39.91 | 42.18 |
| Lowest closing price | 18.46 | 30.30 | 33.70 |
| Closing price as at 31 December | 32.85 | 33.36 | 34.58 |
| Market cap as at 31 December (million) | 4,531 | 4,695 | 4,876 |
| Average daily volume shares (#) | 635,603 | 422,419 | 474,054 |

a.s.r. is included in the following indices:
- AEX since 19 March 2018;
- FTSE4Good Index Series, confirmed on 5 August 2020;
- Ethibel Sustainability Index (ESI) Excellence Europe, confirmed on 8 May 2020;
- Euronext Vigeo Eiris (Eurozone 120), confirmed on 29 May 2020;
- DJSI World Index, since 23 November 2020;
- a.s.r. is also included in several MSCI indices.

## Analysts

Eighteen equity analysts have a price target and recommendation on the share price of a.s.r. with an average price target of € 37.03 per year-end 2020 and 15 buy recommendations and three hold recommendations.

## Bonds

a.s.r. has four debt instruments outstanding for a total nominal amount of € 2 billion, one Restricted Tier 1 (RT1) for € 500 million and three Tier 2 bonds for € 500 million each.

**Bonds**

| | Nominal value | Coupon | First call date |
|---|---|---|---|
| Perpetual Tier 2 Capital Securities | € 500 million | 5.000% | 30 September 2024 |
| Fixed to fixed Tier 2 Capital Securities | € 500 million | 5.125% | 29 September 2025 |
| Perpetual Restricted Tier 1 Capital Securities | € 500 million | 4.625% | 19 October 2027 |
| Fixed to fixed Tier 2 Capital Securities | € 500 million | 3.375% | 2 May 2029 |

## Credit ratings

a.s.r. is rated by S&P. In 2020, a.s.r. had several conference calls with the rating agency and a virtual meeting to discuss developments both at a.s.r. and in the Dutch insurance market. This resulted in a comprehensive S&P analysis report on a.s.r. on 23 September 2020, which confirmed the ratings and outlook. The single A rating of the insurance entities apply since 29 September 2008, and the stable outlook since 23 August 2012.

More information on a.s.r.'s bonds and ratings can be found on the website: www.asrnl.com.

**Ratings**

| Standard & Poor's | Type | Rating | Outlook | Since |
|---|---|---|---|---|
| ASR Nederland N.V. | CCR | BBB+ | Stable | 15 May 2014 |
| ASR Levensverzekering N.V. | CCR | A | Stable | 23 August 2012 |
| ASR Levensverzekering N.V. | IFSR | A | Stable | 23 August 2012 |
| ASR Schadeverzekering N.V. | CCR | A | Stable | 23 August 2012 |
| ASR Schadeverzekering N.V. | IFSR | A | Stable | 23 August 2012 |
| | | | | |
| 5.000% Tier 2 hybrid bond | | BBB- | | 16 September 2014 |
| 5.125% Tier 2 hybrid bond | | BBB- | | 29 September 2015 |
| 3.375% Tier 2 hybrid bond | | BBB- | | 1 May 2019 |
| 4.625% Tier 1 hybrid bond | | BB+ | | 18 July 2019 |

## ESG ratings

a.s.r. is rated by several ESG research agencies.

**ESG ratings**

| | Score low | Score high | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Dow Jones Sustainability Index (DJSI) | 0 | 100 | 82 | 73 | 71 |
| MSCI | CCC | AAA | BBB | BBB | BB |
| ISS Oekom | D- | A+ | C (prime) | C (prime) | C- |
| FTSE4Good | 0 | 5 | 4.3 | 4.9 | 3.5 |
| Vigeo Eiris | 0 | 100 | 60 | NA | 52 |
| Carbon Disclosure Project (CDP) | D- | A | C | B | B |
| Sustainalytics ESG Risk Rating | 100 | 0 | 14.7 | 13.6 | NA |

More information on a.s.r.'s ESG ratings can be found on the website: www.asrnl.com.

# 3.6 Role in society

As a financial service provider, a.s.r. believes it is important that people have financial continuity in their lives and are able to take responsible risks and make conscious financial choices, in such a way that they have their finances in order in the long and short term – in short, that they are financially self-reliant. Some people do not find this easy and require help. a.s.r. therefore initiates projects which help people make conscious financial choices. Being able to read and being numerically literate, able to manage money and keep proper financial records are all part of this. It is a.s.r.'s aim to prevent people from getting into debt, or to help them escape from it.

a.s.r. has a separate sponsorship and donation policy which is in line with its strategy to encourage financial self-reliance and inclusiveness in society.

## 3.6.1 a.s.r. foundation

a.s.r. foundation encourages employees to contribute to society, as part of a team or at home. a.s.r. sets aside time and financial resources for this on an annual basis. a.s.r. foundation initiates projects through the voluntary efforts of colleagues in relation to two themes:

- Financial self-reliance: helping to prevent people from getting into debt or getting them out of debt through the voluntary commitment of employees;
- Helping by doing: inspiring, motivating and mobilising a.s.r. employees to engage in community activities in a broad sense.

### Financial self-reliance

In 2020, the economic effects of COVID-19 caused hundreds of thousands of families to experience a significant and long-term loss of income. If the imbalance between income and expenditure persists for a prolonged period of time, this can ultimately lead to problematic debt, insufficient resources to meet financial obligations in the foreseeable future, and problems that accumulate, both personally and socially. As a result of COVID-19, the number of households in debt could grow to between 1.5 and 2.6 million by 2021, of which 41% are problematic.

The chances of someone ending up with a debt burden that is hard to resolve is due to a combination of factors. However, it appears that a disorganised personal administration, lack of proper financial education and low literacy rates increase the risk of debt. a.s.r. foundation provides support:

- To promote the financial education of children and young people (reading and teaching). To prevent children and young people from getting into financial difficulties, a.s.r. supports them to become financially mature and independent.
- To help release households with a risk of problematic financial debts from their debts and build a healthy financial future. As Financial Volunteers at Home, employees help households improve their financial and administrative knowledge, and put their administration in order. They help them to prepare financial overviews and planning schedules, sort mail, master digital banking and apply for allowances.

### Helping by doing

a.s.r. considers it important to play a broad social role in the community. This ties in well with the desire of many employees to be actively involved in the community in a meaningful way. a.s.r. makes time and finance available for this each year.

- In a team context – Social Team Activity (STA). A growing number of departments within a.s.r. extend their help as a team to a social organisation. This produces a combination of team-building and 'helping by doing'. The STA activities were divided into two categories: Rolling up your sleeves (active day-jobs or a day out) and Fresh Looks (helping with a strategic issue).
- At home – Encouragement Plan. An individual Encouragement Plan was compiled to encourage volunteering in employees' private environment. When colleagues voluntarily commit themselves to a civil society organisation, a financial contribution of up to € 500 per plan by a.s.r. foundation is provided as an extra backing. If an idea is exclusively about receiving a financial contribution, the proposal will be rejected. Employees can apply for an Encouragement Plan once per calendar year.

### Developments in 2020

In October 2018, a.s.r. announced a series of non-financial targets, including one on its contribution to society: since 2019, a.s.r. has been helping employees to volunteer 5% more hours per year (base year: 2018) by participating in activities of a.s.r. foundation.

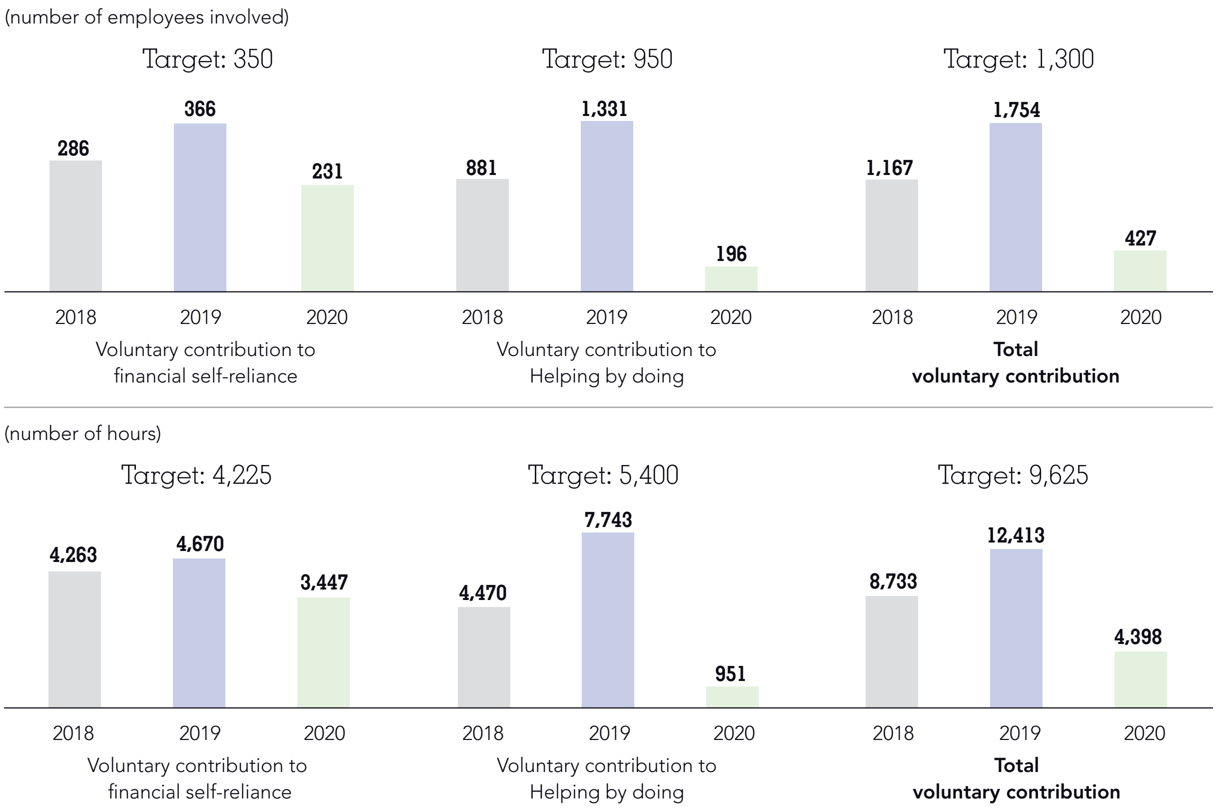
The COVID-19 measures has put pressure on the voluntary commitment of employees. a.s.r. has put the safety and health of its employees and the people who needed help first. Many of the planned activities at schools could not go ahead. a.s.r. did however make a contribution to accelerating the conversion of training programmes into digital programmes, such as MoneyWays.

The support in getting the financial administration in order has also taken place by a.s.r. as much as possible.

Particularly through digital contact moments and the setting up of a digital training week Debt management during and after COVID-19. Despite all the digital adjustments, this effort has not been able to match the level of 2019.

Please find more detailed information about a.s.r. foundation at www.asrnl.com.

**Total contribution to a.s.r. foundation**




## 3.6.2 Contributing to prevent payment problems for customers

a.s.r. makes a significant effort to ensure that customers are financially self-reliant. This ties in with its core values. a.s.r. strives to reduce the number of customer cancellations caused by payment arrears and problems. It also strives to reduce situations in which customers are confronted with cost-increasing measures. In all cases, a.s.r. strives to avoid non-payment.

In 2016, a.s.r. joined a group of companies committed to helping customers with late payments to proactively find a solution. These companies have joined together in a coalition which has laid down ten rules of conduct in an Ethical Manifesto which a.s.r. has signed.

a.s.r.'s businesses have put the ten rules of the Ethical Manifesto into effect. An a.s.r.-wide working group shares relevant market information and exchanges succesful business practices. This allows customer processes to be more effectively coordinated and a.s.r. to be of greater service to its customer.

Actions taken to help customers prevent or solve payment problems included:

- Health has organised a pilot to supported customers who came out of debt restructuring and re-defaulted. Together with these customers, a solution has been sought for them to pay their premium. a.s.r. managed to reach a third, and obtained a solution with 80% of them. a.s.r. intends to expand the project.
- Several business units started using machine learning (AI) for its payments. The aim is to help a customer pay at an earlier stage in the process. AI will eventually helps a.s.r. to predict which customers may find it difficult to pay.
- Customers at Disability could make use of interrupted cover.

At P&C and Disability, a pilot was launched in which customers could be referred to geldfit.nl. This website gives people insight into their financial situation through a simple online test. The anonymous test offers people targeted help in getting or keeping their finances in order. From debt prevention to debt assistance. geldfit.nl is a national initiative in which people are offered help at a local level.

Shortly after the outbreak of the COVID-19 pandemic, a.s.r. made an inventory of the possible consequences for its customers. In line with the purpose of a.s.r. to help its customers mitigate their risks, the risks for various customer groups have been charted.

In general , a.s.r. saw an increase in 2020 in the number of clients who signed up for a payment scheme or other form of assistance around a payment problem. a.s.r. offered additional specific COVID-19 services such as:
- Suspension of premium payment;
- Making a payment arrangement;
- Granting temporary cover;
- Maintaining cover if the customer is temporarily unable to pay.

During 2020, customers have made limited use of these specific COVID-19 possibilities.

## 3.6.3 Sponsor and donation policy

a.s.r.'s sponsorship and donation policy (see www.asrnl.com) fits in with its strategy to encourage financial self-reliance and inclusiveness in society. Purely financial support is rarely if ever given. It is often a combination of material and substantive support.

The following organisations do not qualify for sponsorship or donations:
- Organisations or projects that serve only individual interests;
- Organisations or projects that discriminate on the basis of race, faith, sexuality, religion, gender, disability or age;
- Organisations or projects affiliated to politics, legislation, lobbies and/or business that are directly or indirectly operated for the benefit of a government official or a person closely related to a government official;
- Organisations or projects, the supporters, participants or organisers of which promote or display offensive behaviour.

**Donations, gifts and social partnerships**

| In € | 2020 | 2019 | 2018 |
|---|---|---|---|
| Cash contributions[1] | 652,797 | 739,052 | 729,042 |
| Time | 423,140 | 683,320 | 523,140 |
| In-kind giving | 128,224 | 188,811 | 105,026 |
| **Total** | **1,204,161** | **1,611,183** | **1,357,208** |

1 This amount also includes donations, gifts and social partnerships and a calculation of the time spent by a.s.r. staff on volunteer work.

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# Sustainable repairs

# 4

# Business performance

## Sustainable repairs: effective, faster, better

Why replace something when you can fix it? Replacing a product sets off a lengthy process which is extremely costly for both man and the environment. Whereas repairs can be just as effective and satisfying. What's more, they're often much faster and simpler to achieve. a.s.r. is therefore encouraging its customers to opt for sustainable repairs. a.s.r. has access to a large network of professional repair companies that will repair damage as quickly as possible.

# 4.1 Group and segment performance

## 4.1.1 ASR Nederland N.V.

### Financial performance

**Key figures**

| (in € million, unless stated otherwise) | 2020 | 2019 | Delta (%) |
|---|---|---|---|
| **Operating result** | **885** | **858** | **3.2%** |
| - Non-life | 241 | 226 | 6.5% |
| - Life | 730 | 696 | 4.9% |
| - Asset Management | 31 | 24 | 28.8% |
| - Distribution and Services | 25 | 23 | 9.5% |
| - Holding and Other / Eliminations | -143 | -112 | 27.6% |
| | | | |
| **Incidental items (not included in operating result)** | **-56** | **353** | **-115.8%** |
| - Investment income | 185 | 343 | -46.1% |
| - Incidentals | -241 | 10 | -2494.0% |
| | | | |
| **Result before tax** | **829** | **1,210** | **-31.5%** |
| - Non-life | 261 | 292 | -10.6% |
| - Life | 747 | 913 | -18.1% |
| - Asset Management | 30 | 24 | 28.3% |
| - Distribution and Services | -6 | 21 | -127.9% |
| - Holding and Other / Eliminations | -203 | -39 | 422.9% |
| | | | |
| Income tax expense | -172 | -240 | -28.4% |
| Result after tax from continuing operations | 657 | 971 | -32.3% |
| Result after tax from discontinued operations | -2 | 1 | -227.1% |
| Non-controlling interest | -1 | - | -1922.8% |
| Result attributable to holders of equity instruments | 657 | 972 | -32.4% |
| | | | |
| **Organic capital creation** | **500** | **501** | **-0.2%** |
| | | | |
| **Operating return on equity** | **15.3%** | **15.1%** | **0.2%-p** |
| Return on equity | 11.7% | 19.1% | -7.3%-p |
| | | | |
| **Earnings per share** | | | |
| Operating result per share (€) | 4.52 | 4.22 | 7.1% |
| Dividend per share (€) | 2.04 | 1.90 | 7.4% |
| Basic earnings per share on IFRS basis (€) | 4.38 | 6.47 | -32.3% |
| | | | |
| **Gross written premiums** | **5,276** | **4,666** | **13.1%** |
| - Non-life | 3,643 | 3,192 | 14.1% |
| - Life | 1,810 | 1,619 | 11.8% |
| - Eliminations | -177 | -145 | 22.1% |

| (in € million, unless stated otherwise) | 2020 | 2019 | Delta (%) |
|---|---|---|---|
| **Operating expenses** | **-701** | **-656** | **6.9%** |
| - Non-life | -257 | -240 | 7.0% |
| - Life | -171 | -192 | -10.8% |
| - Asset Management | -94 | -87 | 8.0% |
| - Distribution and Services | -72 | -60 | 21.2% |
| - Holding and Other / Eliminations | -106 | -76 | 38.8% |
| | | | |
| Operating expenses associated with ordinary activities | -640 | -597 | 7.2% |
| Provision for restructuring expenses | -7 | -30 | -77.6% |

| | 31 december 2020 | 31 december 2019 | Delta (%) |
|---|---|---|---|
| **Number of internal FTEs** | 4,042 | 3,906 | 3.5% |
| **Capital management** | | | |
| Solvency II ratio (Standard Formula, post proposed (interim) dividend) | 199% | 194% | 5%-p |
| Financial leverage | 28.3% | 29.2% | -0.9%-p |
| Double leverage | 103.7% | 102.0% | 1.7%-p |
| Total equity attributable to holders of equity instruments (IFRS-based) | 6,313 | 6,093 | 3.6% |

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

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

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

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

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

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

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

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

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

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

## Operating return on equity

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

## Solvency II ratio and Organic capital creation

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

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

## Dividend and capital distribution

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

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

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

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

## 4.1.2 Non-life

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

### Financial performance

#### Performance

**Gross written premiums**
(in € million)

3,643 ↑

2019: **3,192**

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

93.6 ↓

2019: **93.5**

**Operating expenses**
(in € million)

-257 ↑

2019: **-240**

**Operating result**
(in € million)

241 ↑

2019: **226**

#### Brands

**P&C**

**Disability**

**Health**

### Operating result

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

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

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

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

### Combined ratio

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

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

### Gross written premiums

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

### Operating expenses

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

### Result before tax

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

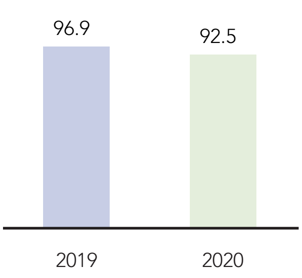
## P&C

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

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

**Combined ratio P&C**

(in %)




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

### Market

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

Insurers distribute their insurance policies direct or through provincial intermediairies, mandated agents or banks. Distribution is shifting from provincial intermediairies to mandated agents. The mandated agents market has grown strongly in the last decade and now totals approximately € 3.1 billion in GWP for P&C products (2019[2]).

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

### Products

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

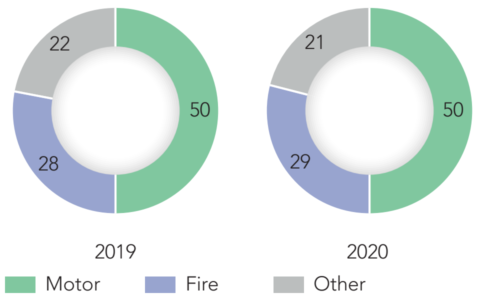
- Motor policies for retail and commercial customers provide third party liability coverage for motor vehicles and commercial fleets, property damage and bodily injury as well as coverage against theft, fire and collision damage;
- Fire policies for retail and commercial customers provide coverage against various property risks, including fire, flood, storms and burglary. Private coverage is provided on both a single- and multi-risk basis, with multi-risk policies providing coverage both against loss of, or damage to, dwellings and damage to personal goods;

1 Source: DNB (based on SII) - At the moment of writing, the market share figures for 2020 are unknown.
2 Source: Marketreport Volmachten (Authorised agents), 2019 Verbond van Verzekeraars

- Other Non-life insurance products such as travel, leisure, transport goods in transit only, liability, agricultural and construction motorised vehicles, construction all risk and assistance.

**Product share P&C**

(in %)

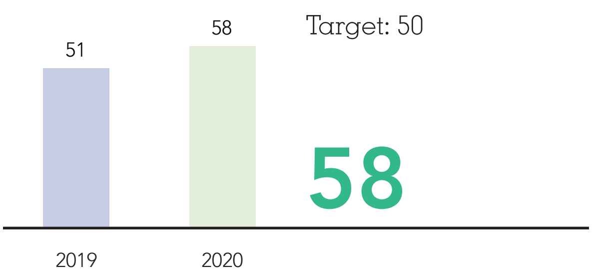



## Strategy and achievements

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

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

**NPS P&C**




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

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

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

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

## Ditzo and Europeesche Verzekeringen

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

Key themes in their business strategies are:

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

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

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

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

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

### Outlook for 2021

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

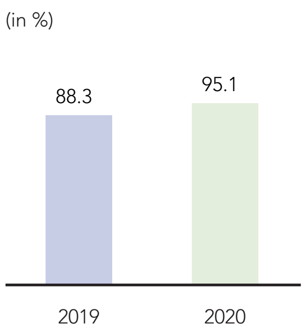
Based on preliminary research and expectations, 2021 shows a slowly recovering market for travel insurance. Although the travel and leisure market and associated products face an uncertain future as regards the scope and pace of recovery. COVID-19 has also shown the need for online distribution models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

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

## Disability

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

**Combined ratio Disability**




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

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

### Market

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

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

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

- Accidents (approximately 6% of market GWP).

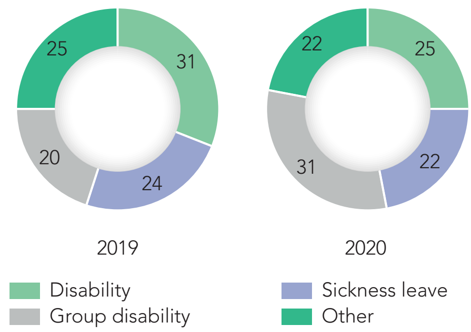
The top three disability insurers have a market share of approximately 78%. In terms of revenue the disability market grew by approximately 4% in 2019, partly due to premium increases. If the number of business insolvencies grows due to COVID-19, this could have an impact on total market revenue in 2021.

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

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

**Product share Disability**

(in %)

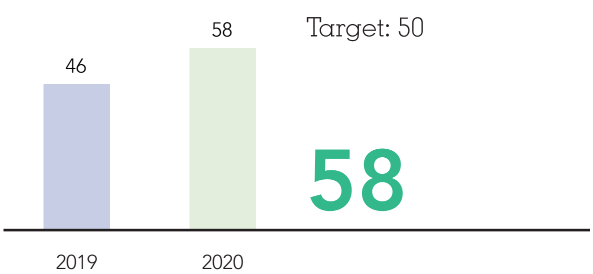



The category Other refers products relating to sickness leave and and group disability via mandated agents. Due to the importance of this distribution channel, a.s.r. presents these sales as part of a separate product category.

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

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

**NPS Disability**




a.s.r. continues to provide high-quality products and services focusing on sustainable employability. Recently introduced enhancements include:

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

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

A more detailed description of these products can be found in chapter 3.1 Sustainable insurer.

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

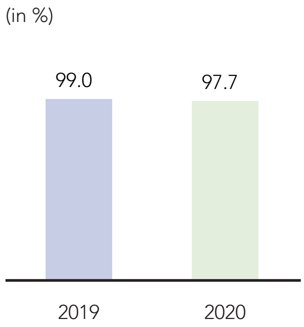
### Outlook for 2021
a.s.r. is not expecting any major changes in the country's social systems. COVID-19 is likely to have an impact on the economic outlook of self-employed persons and companies, which could negatively influence total disability market revenue in 2021 if the number of business insolvencies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

## Health

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

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

**Combined ratio Health**




In 2020, the COVID-19 situation in the Netherlands put enormous pressure on the healthcare system. Health insurers collectively took measures to ensure that healthcare providers were able to focus on providing care for COVID-19 patients without distraction from potential financial implications. Healthcare providers were compensated for lower revenues as a result of the fall-out of regular care due to COVID-19. The extra costs for COVID-19 related care and measures will be evenly shared between health insurers through solidarity agreements in the Netherlands. In addition, health insurers were partially compensated for catastrophes by the Dutch government through a legal provision because the extra costs for COVID-related care and measures exceeded the threshold of one billion euro's. a.s.r. kept putting effort in improving the quality of its customer service, which in fact led to an increased NPS.

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

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

1 Zorgthermometer Verzekerden in Beeld 2020.

## Products

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

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

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

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

## Strategy and achievements

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

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

Given the importance of the role that care professionals play and since it considers the health of its customers as one of its focus areas, a.s.r. ended the outsourcing of healthcare procurement in 2017 and started to bring the contracting of healthcare providers in-house in 2018 and 2019. In 2020, the switch to in-house healthcare procurement was completed, which means that distinctive contracting of care providers is done entirely in-house. This enables a.s.r. to strengthen its relationship with healthcare providers for the benefit of its customers, while at the same time facilitating smooth declaration processes in order to benefit both customers and healthcare providers. A specific challenge for healthcare procurement in 2020 has been the impact of COVID-19 on the healthcare providers. Procurement has been directly involved in finding solutions for the financial compensation of healthcare providers in 2020 in relation to COVID-19, whilst keeping access to care for those customers in need of healthcare.

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

## Research and development

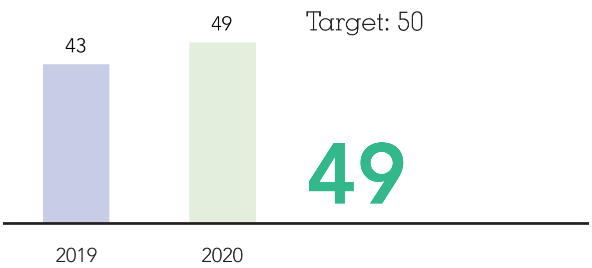
Health puts considerable time and effort into evaluating and developing its products and services in order to remain a customer-driven organisation. It also supports other business lines and brands with opportunities for cross-selling and brand appreciation. In 2020, guided by customer requests, a.s.r. set up a programme to enhance customer value by creating additional benefits through combinations of various products and services.

a.s.r. aims to increase customer satisfaction through an efficient and client-focused customer service process. Using a new service strategy, a.s.r. reaches out to the customers with which it normally has very limited contact. By moving from reactive to more proactive customer contact, a.s.r. strives to help customers more effectively, encourage them to make their own healthy choices and give them a more positive experience and better service.

Health customers are typically highly price sensitive and active online. a.s.r. puts considerable effort into streamlining and digitising the process for paying claims, digitising customer onboarding and other services, in both the direct and intermediary channel. This leads to faster and more accurate service and payments to customers, lower operating costs and more efficient processes. a.s.r. continuously updates the practical information it provides to its employees, so that in turn, they can improve the quality, accuracy and speed of the information they give to customers. With an NPS score of 49 in 2020 (43 in 2019), the health business significantly improved its customer satisfaction.

1 Zorgthermometer Verzekerden in Beeld 2020.

**NPS Health**




## Outlook for 2021

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

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

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

### 4.1.3 Life

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

## Financial performance

### Performance

| | | 2019 |
|---|---|---|
| Gross written premiums (in € million) | 1,810 ↑ | 1,619 |
| Operating result (in € million) | 730 ↑ | 696 |
| Operating expenses (in € million) | -171 ↓ | -192 |
| Cost/premium ratio (APE) (in %) | 9.1 ↓ | 10.9 |
| New business APE (in € million) | 124 ↓ | 159 |

### Brands

**Life & Pensions**

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

**Funeral**

ardanta uitvaartverzekeringen

een merk van a.s.r.

### Operating result

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

The negative impact of COVID-19 is estimated at € 22 million, which consists of a lower direct investment income (€ -21 million from lower dividends and rental income) and an increase of unit linked provision (€ -5 million), partially offset by a positive mortality result (approx. € 4 million). Mortality rates were up mainly in higher age groups (in line with the trend in the Netherlands), which had a limited positive impact on the mortality result for Pensions and Individual life, partially offset by Funeral.

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

### Gross written premiums

GWP amounted to € 1,810 million (2019: € 1,619 million), and showed an increase of 11.8%, both in recurring premiums (up € 69 million to € 1,405 million) as well as single premiums (up € 122 million to € 405 million). The WnP product continued its commercial success this year as recurring contributions increased by € 138 million (+43%) to € 463 million. The number of active participants further increased to almost 105,000 (2019: 80,000) and the

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

AuM also increased to € 1.9 billion (2019: € 1.3 billion). The growth in WnP and the addition of Loyalis life and VvAA life more than compensated the decrease in the closed book portfolio comprising of the existing DB/DC Pension portfolio (€ 33 million lower) and Individual life (€ 17 million lower). Redemptions in savings linked mortgages and the level of surrenders of nominal policies increased to 1.0% (2019: 0.8%) as a result of the continuing low interest rate environment. The GWP of Funeral increased slightly.

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

### Operating expenses

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

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

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

### Result before tax

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

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

## Life & Pensions

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

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

The COVID-19 impact on operating result mainly concerns lower equity dividend and rental income. There was limited impact of the pandemic on the operational performance. The strengthening of the Universal life insurance (UL) guarantee provisions was partly offset by a limited positive result on mortality (see chapter 6.1.2 Impact of COVID-19).

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

### Market

a.s.r. notes the following developments in the Life & Pensions market:

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

### Products

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

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

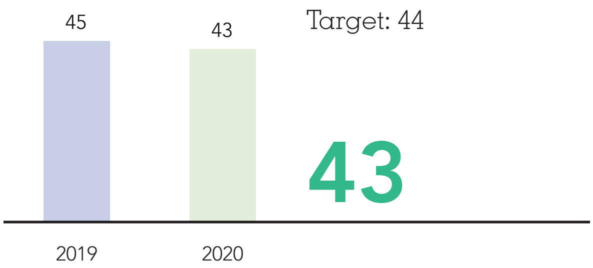
### Strategy and achievements
In 2020, the Individual life & Pensions departments were integrated and continue to operate under the name Life & Pensions. The integration of Life & Pensions lays the foundation for further investment in the financial vitality of their clients. a.s.r has completed the migration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

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

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

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

**NPS Life & Pensions**




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

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

The impact of COVID-19 on the 2020 operating result of Funeral was limited because the increased mortality occurred mainly in the higher age categories. COVID-19 had little impact on the payment behaviour of Funeral customers in 2020 (see chapter 6.1.2 Impact of COVID-19). Due to the measures in connection with COVID-19, employees have largely been serving customers from home in 2020. This has not led to a negative effect on service levels nor on customer satisfaction.

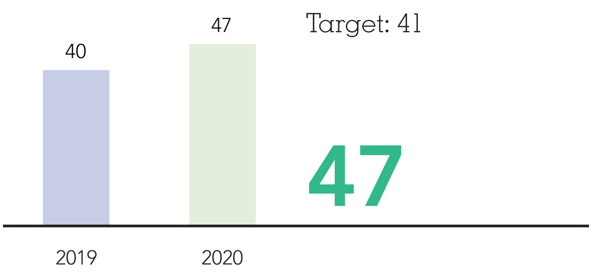
### Market
In recent years, there has been a significant degree of consolidation in this market; this is expected to continue at a much slower pace in the near future.

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

### Strategy and achievements
Ardanta offers practical guidance to its customers and their relatives on overcoming their personal loss and on practical matters relating to bereavement. This is

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

**NPS Funeral**




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

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

## Outlook for 2021

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

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

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

### 4.1.4 Asset Management

The Asset Management segment involves all activities related to asset management including investment property management and the discontinued banking activities. These activities include amongst others ASR Vermogensbeheer N.V., ASR Financieringen B.V., ASR Real Estate B.V., ASR Hypotheken B.V. and ASR Admin N.V. (formerly a.s.r. bank). As of October 2018, all activities of a.s.r. bank are classified as discontinued and these activities have been sold during 2019 and 2020.

#### Financial performance

**Performance**

**Assets under management for third parties** (in € billion)

25.4

2019: **22.0**

**Operating result** (in € million)

31

2019: **24**

**Operating expenses** (in € million)

-94

2019: **-87**

**Brands**

**Asset Management**

a.s.r. de nederlandse vermogens beheerders

**Real Estate and Mortgages**

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

**Assets under management**

Total AuM for third parties of a.s.r. asset management and a.s.r. real estate increased by € 3.4 billion to € 25.4 billion (2019: € 22.0 billion). The Asset Management segment involves all activities related to asset management including investment property management and the discontinued banking activities. Which was primarily driven by net inflows into the mortgage funds (€ 2.8 billion) and the ESG IndexPlus funds (€ 0.6 billion). Furthermore, the AuM grew as a result of the conversions of Loyalis and VvAA life portfolios. The external AuM at a.s.r. real estate increased with € 0.1 billion to € 2.0 billion (2019: € 1.9 billion). This is mainly due to the Dutch Core Residential Fund (DCRF), which increased as a result of positive revaluations and external inflow. The Dutch Prime Retail Fund (DPRF) decreased as a result of negative revaluations.

**Operating result**

The Asset Management segment operating result increased with € 7 million to € 31 million (2019: € 24 million) as a result of the inflow of external AuM. The increase in AuM mainly relates to continued growth of inflows into mortgage funds, ESG IndexPlus, and positive price effects on the a.s.r. investment portfolios. The impact of COVID-19 on inflow into the mortgage funds and operating result was limited.

The segment comprises the activities of two main entities:

*a.s.r. asset management*

The operating result of a.s.r. asset management increased by € 6 million to € 18 million. External fee income increased by € 8 million, in line with the development of AuM, due to the growth of the mortgage funds including the launch of the ASR Separate Account Mortgage Fund (SAM). After the recovery of the financial markets, the COVID-19 impact is limited. The mortgage origination amounted to € 4.6 billion of which € 2.3 billion was placed in the ASR Hypotheekfonds and € 0.8 billion into the recently established SAM Fund. The COVID-19 outbreak did not have a negative impact on the mortgage production nor did it have an impact on payment arrears. Payment arrears of more than 90 days on the mortgage portfolio amounted to 0.03% (2019: 0.05%) and have been decreasing for years, reaching the lowest level recorded so far. Credit losses on mortgages reduced substantially and amounted to 0.07 bps (2019: 0.28 bps) despite the unfavorable economic conditions payment arrears and credit losses remain well below a.s.r.'s limits.

*a.s.r. real estate*

The operating result of a.s.r. real estate was reasonably stable at € 13 million (2019: € 14 million). Fee income rose to € 40 million, up € 1 million, reflecting the increase in AuM, offset partially due to lower rural transaction fees and lower property management fees from the retail fund. COVID-19 effects are mainly in the Retail portfolio. Rent income decreased due to an increase of vacancy of retail properties. In the second half of the year, vacancy rates for offices and residential improved.

### Operating expenses

The operating expenses increased by € 7 million to € 94 million (2019: € 87 million), driven by the growth and expansion of the various (third party) funds (e.g. the a.s.r. mortgage fund and ESG IndexPlus funds) and increased regulatory costs. The management cost ratio for a.s.r. mortgages per 2020 improved to 9.7 bps (2019: 11.2 bps) as a result of economies of scale.

## Asset Management

ASR Vermogensbeheer N.V. conducts all a.s.r.'s asset management activities – with the exception of direct real estate, which is done by ASR Real Estate B.V. – and is active in the market as a.s.r.

The outbreak of the COVID-19 pandemic in early 2020 has had a profound impact not only on the world economy and financial markets, but also on people's everyday lives. Client contact has switched primarily to video conferencing. Throughout 2020, however, altered working conditions did not negatively impact the results or risk profile. Customer satisfaction scores in fact rose and new customers were onboarded. Product development continued and new products have been successfully launched.

a.s.r.'s operational risk profile remained stable throughout 2020, and was not materially impacted by COVID-19. This qualification also applies to the execution and monitoring of the internal control framework, which remained effective. COVID-19 related strategic and operational risks are being closely and explicitly monitored and reported upon in the Business Risk Committees and Non-Financial Risks Committee.

### Market

The asset management market is consolidating while at the same time complying with growing and more complex legislation and regulations and achieving economies of scale. The number of independent Dutch asset managers is declining, while at the same time there is a need for specific knowledge of the Dutch market. This provides opportunities for a.s.r.

### Products

Asset Management offers services to pension funds, insurance companies, guarantee and sponsor-advised funds, charities, local and regional authorities, health care and educational institutions and other parties in the social space. Asset management invests in fixed-income securities such as government bonds (rates) and corporate bonds (credits), including overlay/LDI, European and US equities, real estate and mortgages. Asset Management offers tailor-made solutions with a sound return on investment. These asset categories are offered through institutional investment funds and segregated mandates, among others.

### Strategy and achievements

a.s.r.'s investments aim for long-term value creation. In its investment activities, Asset Management takes into consideration the fact that the present generation has inherited the earth, hoping to pass it on to the next generation in a healthy shape. Sustainable investment is of crucial importance. Asset Management applies the same strict criteria when investing on behalf of its customers as it does when investing for itself.

It also offers asset management solutions for the successful DC pension proposition, based on the same responsible approach to investment.

In 2020, the asset base grew for both internal and third-party clients. In the first quarter of 2020, Asset Management launched a new mortgage fund, the ASR Separate Account Mortgage Fund. This offers international asset managers a bespoke investment opportunity in Dutch residential mortgages. The launching investors Aviva and a.s.r. have together committed to investing € 700 million. In total, a.s.r. manages € 16.4 billion in mortgages, of which € 7.1 billion through mortgage funds excluding new commitments and € 8.2 billion including new commitments. The ESG Index Plus fund range (rates, credits, European and US equities) also received substantial inflows during the year.

Asset Management continuously looks for possibilities to further streamline its processes. This is done, for example, by automating repetitive tasks. Another example of innovation is the integration of ESG factors into the entire investment process, which has given a.s.r. a leading position in ESG investing. In 2020, Asset Management made significant progress in measuring the carbon footprint of its investment portfolio. By the end of the year, a carbon footprint of 92% of the portfolio was calculated, well on track for the medium-term target of 95% in 2021.

For the fourth time in succession, a.s.r. won a prestigious Lipper Award in the Small fund houses category. Asset Management also received a further three Lipper Awards for two different funds.

### Outlook for 2021

In 2021, Asset Management will continue to serve its clients through a combination of asset management solutions and individual asset categories, such as fixed income, equities, mortgages and LDI. As part of a.s.r.'s ESG strategy, the focus will be on impact investing and further measuring the carbon footprint of the investment portfolio. As the lockdown of offices, schools and much of public life continues into the first quarter of 2021, the strain on customers and employees may increase. Going forward, a.s.r. will continue to closely monitor the situation in order to keep seeking optimum solutions for specific situations. The expectation is that through a prolonged attention to the challenges, a.s.r. will be able to keep both the wellbeing of its employees and customer service stable throughout 2021.

## Real Estate

For more than 125 years, a.s.r. has been investing in real estate on behalf of institutional investors.

At year-end, the real estate portfolio totalled € 6.5 billion (2019: € 6.3 billion), divided into € 4.5 billion (2019: € 4.4 billion) on behalf of a.s.r. and € 2.0 billion (2019: € 1.9 billion) on behalf of institutional investors. The total inflow of new capital from institutional investors amounted to € 0.2 billion (2019: € 0.2 billion). The total value of acquisitions in several non-listed real estate funds came to € 0.2 billion (2019: € 0.3 billion).

The results of a.s.r. real estate were solid throughout 2020 despite the COVID-19 measures and changing market circumstances. The impact on the Dutch retail sector was substantial. Despite this the ASR DPRF results were mostly positive. New investors joined the ASR DCRF. The first assets were bought by the ASR Dutch Science Park Fund (ASR DSPF). Spread of the real estate portfolio and the long-term investment strategy have proved successful during such crises.

### Market
Asset values in the science park and retail market in particular are under pressure, partially due to COVID-19. On the other hand, the office, residential and rural markets are still proving their resilience in these turbulent times. Moreover, prime assets continue to be in demand in most markets. The sustained very low interest rates continue to support the real estate markets from an investor point of view.

### Products
a.s.r. offers a range of investment funds. Each fund has its own specific characteristics:
- ASR DPRF focuses on prime retail properties in three retail property sectors: high street retail, district shopping centres and supermarkets. With a focus on dominant shopping cities and retail areas in the Netherlands.
- ASR DCRF consists of sustainable, high-quality apartments and single-family houses, particularly in the mid-priced rental segment.
- ASR DMOF focuses on offices at national and international mobility hubs in the five largest cities in the Netherlands.
- ASR DSPF consists of commercial real estate located on the most developed science parks.
- ASR Dutch Farmland Fund (ASR DFLF) focuses on a diversified farmland portfolio.

a.s.r also invests in listed and non-listed real estate funds and companies across the border.

These retail, residential, office, science park and rural real estate funds are open to institutional investors who are looking for stable capital growth, enabling them to participate in these funds or outsource their national and international real estate investment management to a.s.r.

### Strategy and achievements
a.s.r.'s strategy is to create long-term value for investors. To this end, agreements have been made to generate returns at acceptable risk levels. In the longer term, it is important for a.s.r. to make a substantial contribution to the (economic) objectives of tenants and leaseholders. a.s.r. also has a strong focus on quality, believing that quality retains its value. It therefore invests continuously in maintenance, good quality materials, the sustainability of buildings and sustainable land use.

On 24 July 2020, a.s.r. established a new Real Estate fund: ASR DFLF, which at year-end consists of a large portion (€ 1.5 billion) of its rural estate portfolio. a.s.r also manages a number of large estates, which together are over 6,000 hectares. These estates have a diversified composition, the main components are forests and nature areas.

ASR DFLF will focus on a diversified farmland portfolio with the ultimate aim of creating 'perpetual value' through responsible stewardship. By engaging its investors, farmers and itself to apply the principles of climate-smart agriculture, a.s.r. will be able to pass on this valuable asset in a better condition to next generation farmers and provide its investors with a stable and secure income.

Sustainability is an integral part of Real Estate's investment and management practice. In 2020, it made significant progress in measuring the carbon footprint of its investment portfolio. By the end of 2020, the percentage of the carbon footprint of the investment portfolio that was calculated was 94% (2019: 78%).

Due to increased environmental awareness and relevant policies, the switch to renewable energy sources is becoming a growing reality in the Netherlands. a.s.r. has several potential locations for wind and solar parks under management. In conjunction with a number of developers, projects have been set up to develop new wind and solar parks on a.s.r. land positions. This, together with other potential acquisitions, will lead to the first anticipated acquisitions of renewable assets in 2021.

a.s.r. real estate has started several projects within the Digital Business Programme and put increased effort into the automation of business processes through business intelligence dashboards. By introducing an invoice approval portal to a.s.r.'s external property managers, a.s.r. has further digitised and optimised the approval of real estate maintenance invoices. This helps a.s.r. to process invoices more efficiently. A governance, risk and compliance software solution has also been implemented to monitor segregation of duties within a.s.r.'s administrative system and to manage and monitor incident management and emergency access.

### Outlook for 2021

The year 2021 will, for the most part, still be dominated by the fight against COVID-19 and the subsequent societal and economic recovery. The deferred economic impact will also dictate the tenant market. Growing bankruptcies would seem to be inevitable and surviving tenants will seriously consider their costs and rental contracts. Vacancy rates are expected to rise in the office, retail and science park market, with primary locations expected to show the most resilience. Strong fundamentals will limit the impact on the residential market. The very long leases of the rural portfolio will help to absorb the impact of COVID-19. The partial closure of shops as a consequence of the second lockdown in the Netherlands is challenging for shop operators, it is crucial that shop revenues recover soon. For all sectors, the shortage of high quality assets and very low interest rates will continue to support values in primary markets. These are the markets a.s.r. real estate focuses upon.

## Mortgages

a.s.r. provides mortgage loan services for its own equity balance as well as for the different fund management activities. a.s.r. is active in the residential mortgage market. Mortgage loans are issued by Life, which is a component of ASR Levensverzekering N.V. Part of the mortgages were subsequently acquired by ASR Hypotheekfonds.

2020 has been a successful year with a growth in annual production of almost 50%, compared to 2019. Despite the COVID-19 crisis, arrears on the portfolio stabilised at a very low level. The housing market had barely be impacted negatively prices as well as the number of house sales have risen during 2020. The overall portfolio grew by 24.6%. During the year a limited amount of customers had used the possibilities for payment arrangements, including suspensions. Due to these arrangements customers have been protected from a lag in payments.

### Market

The housing and mortgage market fired up after the first lockdown. Many customers began refinancing their existing mortgages and more people decided to buy a (different) house. a.s.r. expects market activity to be slightly slower next year but is not anticipating a sharp decline. Interest rates are very low and are not expected to rise in the near future. This, combined with a shortage of housing, makes the market less susceptible to a major downturn.

### Products

a.s.r. positions itself as a sustainable and innovative player on the mortgage market. In addition to the standard products (annuity, linear and interest-only), it offers the following specialised products:

- WelThuis Startershypotheek: A product tailor made for first-time buyers;
- DigiThuis hypotheek: A fully digital product line;
- Verduurzamingshypotheek: A tailor-made product for sustainable adjustments to residential dwellings;
- WelThuis Levensrente hypotheek: A tailor-made product for senior citizens.

### Strategy and achievements

Mortgages are an attractive investment for a.s.r.'s own account as well as for external investors. The goal for 2020 was therefore to grow the investments for own account and in the mortgage funds. This goal was met, with a growth in mortgage production of nearly 50%. To create sufficient access to the market for mortgage customers, a.s.r. expanded its product portfolio and upgraded the service it gives to its mortgage brokers. Internally, the mortgage department merged different portfolios to efficiently improve ratios and improve its arrears management processes. It continued to present itself to the market as a socially committed player with special attention for environmental issues. Hence a.s.r. offers all new customers an additional loan at a discounted rate for making sustainable improvements. All customers were sent a report containing information on how to improve the carbon footprint of their home, together with an indicated cost of the investment and of the likely reduction in energy consumption.

15% of new customers choose a Verduurzamingshypotheek when taking out an a.s.r. mortgage, and a significant number of customers opt for a separate budget for sustainability in a different form. In total, roughly € 18.9 million was provided for new mortgage customers in 2020 through the Verduurzamingshypotheek. The total mortgage production for new customers in 2020 was roughly € 3.8 billion.

This year, a.s.r. introduced a new fully digital product line (DigiThuis) which uses a custom-made app to retrieve, with the customer's consent, all relevant information from government portals. Combined with (semi) public information, this enables a.s.r. to offer mortgages without requiring physical documentation.

In 2020 a.s.r. also launched a senior citizens' proposition (WelThuis Levensrente), a product without an interest reset for the full period that customers remain in the dwelling. Using its knowledge of life insurance and pensions within the organisation, it was able to model and calculate risk and anticipated duration. a.s.r. was the first Dutch mortgage lender to offer this proposition.

a.s.r. also made significant improvements to its customer portal, enabling the customer to make a wide range of adjustments to its outstanding loans, and, if preferred, to use the assistance of an advisor. More than 80% of all a.s.r.'s mortgage customers use the customer portal. Use of the portal is compulsory for new customers.

## Outlook for 2021

Further growth in the mortgage business is expected for 2021. The mortgage market appears to be consolidating somewhat, but demand for mortgages to finance investments continues to increase. Further growth will result in improved cost efficiencies. With new products and plans for further process improvement and digitization in the offing, a.s.r. feels well-positioned for further expansion.

## 4.1.5 Distribution and Services

The Distribution and Services segment includes activities related to the distribution of insurance contracts and the financial intermediary business of PoliService B.V., Van Kampen Groep Holding B.V. (VKG) and Van Kampen Geld B.V., Dutch ID B.V., SuperGarant Verzekeringen B.V., ZZP Nederland Verzekeringen B.V., Corins B.V., Anac, All-Finance Nederland Advies-Combinatie B.V. and Loyalis Kennis & Consult B.V.

### Financial performance

#### Performance

**Total income**
(in € million)

99 ↑

2019: **90**

**Operating result**
(in € million)

25 ↑

2019: **23**

**Operating expenses**
(in € million)

-72 ↑

2019: **-60**

#### Brands

### Operating result

The operating result of the Distribution and Services segment increased by € 2 million to € 25 million (2019: € 23 million) mainly due to contributions of acquisitions. The presence in the distribution landscape was further strengthened this year by adding several (smaller) service providers and distribution partners. Despite pricing pressure in the Distribution and Services landscape, fee income has increased as a result of inorganic and organic business growth in various portfolios, expansion of services provided and selective tariffs adjustments.

The impact of COVID-19 on segments operating result (including fee income) was nil.

### Operating expenses

The operating expenses increased by € 13 million to € 72 million (2019: € 60 million) mainly due to the additional cost base of acquisitions as well as organic business growth.

### Result before tax

The IFRS result before tax decreased by € 27 million to € -6 million (2019: € 21 million), due to incidental items (€ -30 million), while operating result increased (€ 2 million).

An annual goodwill impairment test resulted in a partial goodwill impairment of € 27 million, driven by updated market conditions.

### Market

Developments in the distribution business in 2020 showed that the distribution landscape remains fluid. The ongoing consolidation and growth of larger distribution businesses remain the most important developments in this market.

The overall trend is for larger distribution businesses to gain market share on the strength of both organic and inorganic growth; the top 50 companies in the distribution field increased their power within the overall distribution landscape. Hybrid distribution models of insurance products also remain and, last year, the independent intermediary channel gained some market share in one or two subsidiary markets.

Through its own distribution businesses, a.s.r. is well positioned for these developments as well as for supporting the independent intermediary channel.

### Strategy and achievements

a.s.r. continued its growth path in the distribution business in 2020. On 1 January 2020 VKG acquired Hondsrug Assuradeuren and on 1 October 2020 VKG acquired W&W Assuradeuren, both mandated brokers. In 2020, SuperGarant acquired Bedrijfsartsengroep, a company that provided self-employed occupational physicians and support services in the field of health employment. In 2020, SuperGarant also launched MKB Vitaal, a health and safety service platform for SMEs. Following the split of Keerpunt in 2020, a joint venture in which a.s.r. participated, clients were transferred to a.s.r. These services were renamed as a.s.r. reintegration & services and were added to the Distribution and Services segment.

The additional distribution and services activities, combined with organic growth in the distribution businesses acquired in previous years, strengthened a.s.r.'s market share in the distribution landscape. The portfolio of the activities of these distribution businesses showed steady growth compared with the corresponding period in the prior year.

a.s.r.'s market share in the distribution landscape has given it forward integration into the insurance chain and improved insights into intermediary and customer needs. a.s.r. believes this will help it align its product range more closely with customer needs and better connect it with the intermediary landscape.

a.s.r. also believes the acquisitions provide learning and innovation opportunities since they will facilitate the development and testing of new product ideas with direct input from the distribution and customer sides. The integrated chain approach enables a.s.r. to accelerate the implementation and marketing of innovations and new products.

### Van Kampen Groep
VKG is a full service provider and mandated broker to a number of Dutch insurance companies, including a.s.r.'s P&C insurance business. As at 31 December 2020, VKG acted as service provider and mandated broker to 23 financial institutions, and distributed products from 150 insurers, banks and other credit institutions.

As at 31 December 2020, VKG had associations with approximately 3,000 intermediaries in the Netherlands, 500 of whom had fully outsourced their administrative processes to VKG.

### Dutch ID
Dutch ID (Felison and Boval) is an intermediary, service provider and mandated broker to a.s.r.'s disability and P&C insurance businesses, as well as to other insurance companies operating in the Dutch non-life insurance market.

Dutch ID acts as an intermediary for insurance products and provides mandated brokerage services for some of the products and business lines offered by insurance companies. Based on these associations, Dutch ID provides administration services as a service provider to other intermediaries in the fields of their commercial and back-office operations. It also offers these services to insurers, as it does consulting and other services, such as claims management, risk management, prevention, reintegration and leasing. Dutch ID focuses primarily on the agricultural, transport, overhaul and civil construction sectors. It has ties with business associations, with the Agriculture and Horticulture Organisation Netherlands (LTO) and, for example in the transport sector, the Entrepreneurs organisation for the Logistics and Transport sector (EVO). Last year, Dutch ID also began a cooperation with the branche organisation Transport & Logistiek Nederland.

### Corins
Corins is a successful and highly reputable underwriting agency in the Dutch non-life co-insurance market. The company services over 60 brokers and will continue to represent the multiple insurers it currently does business with. Corins has been part of the a.s.r. group since October 2016, but operates independently. Combining forces with a.s.r., a financially strong and healthy listed insurer, ensures a strong presence in the market.

### SuperGarant
SuperGarant operates as an intermediary and underwriting agent. As a service provider, it constitutes a unique advisory centre offering integrated disability propositions consisting of prevention, reintegration and disability insurance products aimed at the retail sector. The acquisition of CS opleidingen Groep contributed to the transformation in which the focus is shifting from healthcare to healthcare needs relating to sustainable employability.

With the takeover of the BAG group, SuperGarant increased its occupational physician capacity. Occupational physicians on the Dutch market are scarce.

With the establishment of MKB Vitaal, SuperGarant expanded its activities in the field of health and safety services. This resulted in a more efficient and effective interpretation of the services for the customers of a.s.r.

### ANAC
ANAC operates as an underwriting agent and intermediary. With two entities, Anac BackOffice and Anac Verzekeringen, it provides dedicated solutions for intermediaries (as a full service provider) and insurance companies (for run-off claims handling) as well as for companies in the automotive sector.

With its highly flexible working method and software solutions, ANAC works with the Corporate Brandings of its customers at their websites, policies, bank accounts and (email) communication, when requested. ANAC has 'white label propositions' for car importers, large car dealer companies and dedicated intermediaries.

ANAC also offers solutions such as online workspaces, call centre activities and servicing of websites. For several years ANAC has been designated by its customers as the best small service provider in the Netherlands; in 2020 it was ranked among the top ten best intermediaries (awarded by RiFD).

### Poliservice

Poliservice is an intermediary for a.s.r. and its business. It sells, advises on and manages different types of insurance, gives direct mortgage and pension advice to its customers and manages the portfolios of intermediaries which have ceased to operate. Poliservice is also an insurance intermediary for a.s.r.'s own employees.

### Loyalis Kennis & Consult

Loyalis Kennis & Consult supports its customers – mainly corporates – with advice and assistance on sustainable employment. It provides advice on absenteeism policies, mobility and vitality. It also offers customised coaching to employees using, among other tools, an income scan and a future scan for people aged over 55 and by paying extra attention to a good work-life balance. It also provides social security training and answers questions on disability, dismissals and reintegration. As of 1 October 2020, Loyalis Kennis & Consult has been part of a.s.r. reintegration & services.

### Outlook for 2021

For the year to come, it is important to note that the market anticipates decreasing commission levels for distribution companies, as experienced in 2020. a.s.r. continues to aim at the organic and inorganic growth of its Distribution and Services segment, and at unlocking the earnings potential of previous acquisitions.

## 4.1.6 Holding and Other (including eliminations)

The Holding and Other segment consists primarily of the holding activities of ASR Nederland N.V. (including the group-related activities), other holding and intermediate holding companies, the real estate development business (ASR Vastgoed Projecten B.V.) and the activities of ASR Deelnemingen N.V.

### Financial performance

#### Performance

| Operating expenses (in € million) | Operating result (in € million) | Result before tax (in € million) |
|---|---|---|
| -106 ↑ | -143 ↓ | -203 ↓ |
| 2019: **-76** | 2019: **-112** | 2019: **-39** |

#### Operating result

The operating result decreased by € 31 million to € -143 million (2019: € -112 million). The decrease was mainly the result of higher current net service costs (€ 20 million) related to the a.s.r. pension scheme due to a lower discount rate. The operating result furthermore decreased due to an increase in the interest expenses (€ 6 million) related to the newly issued € 500 million Tier 2 subordinated loan in May 2019.

#### Operating expenses

The operating expenses increased by € 30 million to € 106 million (2019: € 76 million), primarily as a result of the higher current net service costs and increase in interest expenses as explained above. The remainder consists of various other items.

The incidental cost items amounted to € 52 million (2019: € 53 million). Lower advisory costs related to Merger and Acquisitions (M&A) activities and decreased impact of integration related activities (2019: Generali and 2020: Loyalis/VvAA life/Veherex) were largely offset by higher regulatory costs related to the IFRS17/9 implementation and the introduction of the a.s.r. Vitality programme.

#### Result before tax

The IFRS result before tax decreased by € 164 million to € -203 million (2019: € -39 million), mainly due to the decreased incidental items (€ 133 million) and decreased operating result (€ 31 million). The impact of incidental items decreased by € 133 million (2020: € -60 million and 2019: € 73 million) and is the sum of several non-recurring items, mainly driven by the purchase gain on the Loyalis acquisition in 2019 (€ 118 million) and as a result of the agreed change in the pension scheme in 2020, a past service cost of € 59 million pre-tax has been recognised.

# 4.2 Risk management

## Risk governance

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

### Management of strategic risks

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

### Management of financial risks

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

In 2020, the Actuarial Function (AF) performed its regulatory tasks by assessing the adequacy of the Solvency II technical provisions, giving an opinion on reinsurance and underwriting, and contributing to the Risk Management Framework (RMF). The AF report on these topics was discussed by the EB, FRC and A&RC. See the Financial Statements (chapter 6.8 Risk management) for further information on a.s.r.'s management of FR.

### Management of non-financial risks

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

### Governance, Risk and Compliance tool

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

## Risk appetite

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

In 2020, to ensure alignment with a.s.r.'s (risk) strategy, the RAS and RAS limits were evaluated and updated by the EB and approved by the SB. The RAS of a.s.r. can be found in chapter 6.8 Risk Management

## Risk descriptions

The previous chapters outline the risk governance and risk appetite of a.s.r. Below, the risks identified are clustered into:
- Strategic risks
- Financial risks
- Non-financial risks
- Emerging risks

### Strategic risks

In 2020, a.s.r.'s main strategic risks (risk priorities) were:
- The COVID-19 pandemic;
- Pressure on result and renewal of the cash-generating business model;

- Low interest rate environment;
- Information (cyber) security risk;
- Juridification of society;
- Impact of supervision, laws and regulations;
- Climate change and energy transition.

The strategic risks are described in more detail below.

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

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

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

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

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

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

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

Although the financial consequences of these developments could be substantial, a.s.r.'s exposure cannot be reliably estimated or quantified at this point.

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

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

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

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

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

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

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

**Impact of supervision, laws and regulations**
Due to growing political and regulatory pressure, there is a risk that:
- a.s.r.'s reputation will suffer if new requirements are not complied with in time;
- Available resources will largely be utilised to align the organisation with new legislation, leaving fewer resources to spend on core customer processes;
- Processes will become less efficient and pressure on the workforce will increase;
- a.s.r. will have administrative fines or sanctions imposed on it for failure to comply with requirements (on time).

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

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

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

In June 2020, the International Accounting Standards Board (IASB) published the revised IFRS 17, the new IFRS standard for insurance contracts which will replace the existing IFRS 4 standard. IFRS 17 will be effective from 1 January 2023, subject to endorsement by the EU. The EU draft endorsement advice IFRS 17 has been prepared by European Financial Reporting Advisory Group (EFRAG) and was open for comment until 29 January 2021. IFRS 17 is designed to facilitate comparability between insurers and to increase transparency in relation to risks, contingencies, losses and embedded options in insurance contracts. IFRS 9 Financial Instruments was published in July 2014 and will have a major impact on the accounting of financial instruments (investments). In order to maintain cohesion between the two standards, a.s.r. applies the option in IFRS 4 which allows for the deferral of the implementation of IFRS 9 until the implementation of IFRS 17 in 2023. Since 2017, a.s.r. has had an internal programme in place to prepare for the implementation of IFRS 17 and IFRS 9 throughout the Group. The IFRS 17 and IFRS 9 programme will have a major impact on the Group's primary financial processing and reporting and could have a significant effect on its capital, financial statements and related KPIs. Finance, Risk, Audit and the business lines have all been given attention in the programmes due to the need to develop an integrated vision. For more information see chapter 6.3.3 New standards, interpretations of existing standards or amendments to standards, not yet effective in 2020.

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

**Climate change and energy transition**
Financial institutions increasingly need to take climate change risks into account. a.s.r. applies risk analysis and scenario analysis to understand the potential impact of climate change. Identified climate-related/transition risks are:
- The physical risks associated with climate-induced extreme weather events;
- Transition risks associated with the energy transition;
- Reputational risks associated with consumer sentiment towards financial institutions;
- Regulation and litigation risks as announced under the EU SFAP.

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

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

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

See chapter 4.4 Approach to addressing climate change for more detailed information on climate-related risks, opportunities and a.s.r.'s approach to addressing climate change and scenario analysis.

## Financial risks

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

- COVID-19
- Longevity risk
- Brexit

### COVID-19

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

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

### Longevity risk

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

### Brexit

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

## Non-financial risks

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

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

### COVID-19

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

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

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

**Data quality**
Sound data quality has become increasingly important for a.s.r. in relation to the digital transformation and ambitions it pursues. In this regard, insufficient data quality could pose a threat to the degree:
- Processes can be digitised;
- Operations can be made efficient;
- Front-end of business can be transformed;
- Customer and intermediary relationships/connections can be enhanced.

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

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

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

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

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

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

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

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

### Loss of biodiversity and ecosystem services

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

# 4.3 Compliance

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

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

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

## Compliance risks 2020

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

In 2020 a.s.r. paid specific attention to the main compliance risks described below.
- CDD-related risks (including Anti-Money Laundering) remain relevant for a.s.r. in order to guarantee sound and controlled business operations. To mitigate the risks of non-compliance relating to CDD, a.s.r. is partly centralising its CDD screening and tooling. The central CDD desk, consisting of Compliance, Investigations and Legal, functions as an expertise centre and advises to ensure consistent screening approach. In 2020 a.s.r. monitored compliance with CDD regulation and policy. Where necessary, actions for further improvements have been defined, for example in relation to decentralised policy and procedure updating as well as enhanced CDD-procedures.
- Outsourcing risk is relevant for a.s.r. in view of regulatory and legislative developments. In 2020 Compliance and Group Risk Management (GRM) continued monitoring the effectiveness of the outsourcing policy and the follow-up of earlier recommendations with regard to further improving regular monitoring of the outsourced services.
- Increasing attention has been given to sustainability and the implementation of regulations as announced under the EU SFAP. Detailed information can be found in chapter 4.4 Approach to addressing climate change.

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

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

## Reporting

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

# 4.4 Approach to addressing climate change

**Relevance of climate change**
Although in 2020 much attention was paid to COVID-19, climate change and the energy transition remained one of the a.s.r. priorities. a.s.r. is committed to doing business in a sustainable manner with the long term in mind. Since climate change poses significant risks to its business, its stakeholders and society at large, now and increasingly in the future, this topic is given high priority within a.s.r.'s business strategy. Furthermore, a.s.r. believes it can make a positive impact by its investments and in developing insurance products and services which support the energy transition and helping customers to adapt to climate risks.

As a signatory to the 2015 Paris Pledge and in setting policies that guide it for the long term, a.s.r. aims to help keep the rise in global average temperatures to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C. As a follow-up by the Dutch government, a.s.r. also committed to the Dutch Climate Agreement so as to achieve a 49% reduction of the carbon footprint of its investments by 2030, based on a 1990 baseline. By signing the Spitsbergen Agreement and committing to The Net Zero Asset Managers Initiative, a.s.r. is striving to become climate-neutral by 2050 at the latest. Through these commitments, a.s.r. supports the SBTi and uses the PCAF methodology to calculate the carbon footprint of its investments in order to properly monitor progress towards the overarching climate goals.

This chapter describes a.s.r.'s responsible investment and insurance initiatives in the fight against climate change and the company's progress in implementing the objectives of the Paris Agreement and the Dutch Climate Agreement. This is a.s.r.'s second report detailing its approach to managing climate risks and opportunities in line with the recommendations set out by the TCFD.

a.s.r. is a signatory to the 2015 Paris Pledge and commits to a safe and stable climate in which the increase in global average temperatures should be limited to well below 2°C and preferably below 1.5°C.

a.s.r. is a signatory to the Dutch Climate Agreement and commits to a 49% reduction of its carbon footprint by 2030, based on the 1990 baseline.

a.s.r. is a signatory to the Spitsbergen ambition and commits to measure the climate impact of its investments in order to contribute to the global climate objectives.

a.s.r. is an active participant in developing and implementing the SBTi methodology, which will provide sectoral decarbonisation pathways and absolute reduction targets (expected in 2021).

a.s.r. is an active participant in developing and implementing the PCAF approach to calculating the climate impact of its investments.

## 4.4.1 Climate risk governance

The EB sees climate change as a driver of both risks and opportunities for its business, customers and society at large. As such, the EB is actively involved in managing climate-related risks and strategies, e.g. by:
- Determining, reviewing and approving its sustainable growth strategy, with a strategic focus on climate change and energy transition;
- Setting and monitoring performance against climate-related goals and targets.

The BEC (see chapter 5.1.2 Executive Board) is responsible for:
- Directing the development and implementation of climate-related policies;
- Overseeing progress, performance and reporting on climate for the relevant business lines;
- Leading external engagement and advocacy on climate-related matters.

In addition to the BEC, there are several other management-level committees in which a.s.r.'s various business lines work together to drive forward action on climate change. a.s.r. established a group-wide TCFD project team focused on climate in order to align the various businesses, ensure consistent and coherent reporting and drive its programme going forward.

The scope of the TCFD project team has this year been expanded to include the Disability and Pensions/ Individual life businesses.

The following reporting lines and responsibilities have been established:

**Executive Board**

**Business Executive Committee**

**Climate working group** TCFD/Sustainable Finance | **Non-Financial Risk Committee**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Business Unit | Asset Management | Real Estate | Mortgages | P&C | Disability | Life & Pensions | Legal |
| Owner | Management Team | Management Team | Management Team | Management Team | Management Team | Management Team | |
| Governing body | ESG Committee (quarterly); Voting Policy Committee (quarterly) | Business Risk Committee (quarterly) | Business Risk Committee (quarterly) | Sustainability Committee (SC) (every 4 weeks) | Business Risk Committee (quarterly) | Management Team Business Risk Committee | |
| Line management | Dedicated ESG Team | Business Risk Management, Sustainability Finance & Risk- and Research | Dedicated ESG Manager | TCFD team with specialists from Product Management, Business Risk Management and Actuarial | Specialists from across Product and Business Risk Management | Climate working group with specialists from across Product, Business Risk Management, Legal and Compliance | |
| Process | ESG Team is responsible for SRI policy, coordination, implementation, active ownership and KPIs | Funds determine climate-related goals and KPI's. These are implemented in the sustainability policies, the 3-year-business plans and fund reports | Working group with specialists from Risk, Change and Operations identify, assess, monitor and report on climate-related issues (monthly) | TCFD team identifies and proposes climate related actions to SC and upon approval, executes and reports actions. SC approves and steers actions | Working group with specialists from medical, productmanagement, BRM, further implementation in 2021 | Implemented Risk Committees and Climate working group with specialists, reporting to the Management Team | |
| Monitoring Risk | **Strategic Risk Analyses, ORSA, Risk Appetite Statement, Policy Reviews, Risk and Control Matrices** | | | | | | |

**Group Risk Management and Compliance** - Second line of defence

**Audit** - Third line of defence

## 4.4.2 Climate strategy

The strategic response of a.s.r. to climate change consists of four pathways that jointly enable it to manage risks as well as contribute to solutions:
1. Incorporate climate change risks within business processes;
2. Help clients with the prevention or reduction of risks as a result of climate change;
3. Enable the energy transition (low carbon economy);
4. Contribute to sector initiatives to keep climate risks insurable.

**1. Incorporate climate change risks within business processes:**
- Using climate scenario sets that combine both physical and transitional effects. This detailed analysis on its total AuM for its own account is used to test the resilience of the RAS targets relating to Solvability and liquidity of a.s.r. to climate change.
- Using data from GIS (Geographic Information System) and the Klimaateffectatlas (climate impact atlas) for all assets owned by a.s.r. real estate (funds) to locate where risks are highest and where the effects of mitigating and adaptive measures would be greatest.
- Using the climate analyses made by Ortec Finance to obtain more insight into the long-term impact of climate risks in the Netherlands, to determine which risks have what effect on P&C insurance products.

**2. Help clients with the prevention or reduction of risks as a result of climate change by:**
- Products & Services:
  - Making insurance more resilient and enhancing them with (additional) sustainable covers. For example, in 2020 home insurance products were enhanced with optional cover for sustainable construction types and green roofs.
  - Supplying P&C's corporate clients with a digital report containing tailor-made advice to prevent or reduce damage due to climate risks, directly after the risk assessment of an object to be insured.
- Awareness:
  - Improving the climate risk-awareness of the general public by communication through internal and external social media channels to supply advice to

    prevent or reduce damage linked to climate risks. In 2020, P&C launched a sustainable living platform with Mortgages containing content on sustainable housing, finance and insurance.
  - Supporting the intermediary to become more resilient to climate risks.

**3. Enable the energy transition (low carbon economy) through:**

- Investments:
  - Setting a target for € 1.2 billion impact investing by the end of 2021, of which a large part will be invested in energy transition projects.
  - Integrating specific climate criteria in the investment portfolio to overweight business models favouring the energy transition while excluding other activities (up to a certain threshold) such as coal, oil shale or tar sands production.
  - Increasing renewable energy generated on-site at a.s.r. real estate through the installation of wind- and solar farms on rural real estate and the use of energy storage and the installation of PV panels on the roofs of offices, retail and residential units.
- Products & Services:
  - Supplying Mortgage clients with an energy efficiency report.
  - Offering a separate low-interest mortgage loan - the Verduurzamingshypotheek - specifically for home improvements relating to sustainability. In 2020 15% of new mortgage clients took out a Verduurzamingshypotheek.
  - Offering policy-holders the possibility to include sustainable items such as solar panels, heat pumps and car charging stations in their property insurance.
  - Giving policy-holders the choice, in the event of damage to their property or vehicle, to have this damage repaired by one of the sustainable repair companies in a.s.r's sustainable repair network.

**4. Contribute to sector initiatives by:**

- Actively taking part in the Climate Platform of the Dutch association of insurers. It is the platform's intention to find solutions to prevent and reduce damage due to climate change and to make and keep climate risks insurable.
- The director of a.s.r. asset management is Chairman of the Sustainable Finance and Investments Committee of the Dutch Association of Insurers, and an expert on the Climate Agreement Committee on behalf of the Association.

**The impact of climate change on the business**

Physical and transition risks manifest themselves mainly on the asset side of the a.s.r. balance sheet, specifically a.s.r. asset management and real estate. Risks for liabilities mostly from changing weather patterns and hence increasing claims for the P&C business. However, regulatory changes and technological developments also necessitate active monitoring by P&C of the changing risk landscape and anticipating accordingly.

a.s.r. considers itself resilient to climate change in various warming scenarios. The impact on the Solvency II ratio and the average return on capital do not lead to any changes in policies. The analysis for Non-life shows that the current reinsurance level protects a.s.r. against potential impacts from climate change for at least the next 20 years. Based on research that is currently available no effect from climate change is assumed for Health and Life liabilities. Overall, climate risks have no significant impact for a.s.r. corporate strategy and the strategic pillar 'solid financial framework' in particular. Non-life continues to monitor climate risks in order to preserve a.s.r.'s expertise in underwriting, pricing and claims handling. With regard to the strategic pillar 'meeting customer needs', more effort and attention is being paid to help customers deal with climate risks and to adopt with a fair energy transition by adapting existing products and services and developing new ones.

*Top-down & bottom-up approach*

To fully understand the potential physical and transition impacts of climate change on its business, a.s.r. has developed a top-down and bottom-up management approach. a.s.r. is focusing on delivering quantitative scenario-driven insights into the resilience of the most material parts of the business while continuously improving a qualitative assessment of the remainder, with a view to leveraging lessons across various segments in order to be able to provide group-wide insights and strategic policy responses.

The bottom-up approach revolves around the relevant business lines within a.s.r. developing measures and tools to mitigate identified climate-related risks or capture its opportunities. This ranges from portfolio construction, exclusions and engagement within its asset management business, to developing new products and services within mortgages and P&C businesses.

In the top-down approach, a.s.r. has moved from four to three climate scenario sets that combine both physical and transition effects. The two previously reported 1.5° climate scenarios are aligned with the aspirational goal of the Paris accord and were combined with the previously reported 2° scenario, which is the maximum temperature rise according to the Paris accord. The combination of these three scenarios result in two Paris aligned scenarios where the expected temperature rise in 2100 will be approximately 1.5° in line with Representative Concentration Pathway (RCP) 2.6.

- Paris-aligned orderly (approximately RCP 2.6 of the Intergovernmental Panel on Climate Change (IPCC)) entails an orderly transition towards a low carbon economy. To achieve the ambitious reduction in carbon emissions, significant investments are made in low-carbon technologies and in replacing fossil fuels with clean energy sources. Globally, the transition has a positive impact on Gross Domestic Product (GDP)

growth in Europe of approximately 1% in the short and medium term.
- Paris-aligned disorderly (approximately RCP 2.6 of the IPCC) with a disorderly transition towards a low-carbon economy. The difference between this and the orderly transition is that during the energy transformation additional shocks to the economy due to stranded assets are added.
- Failed transition assumes that no action is taken to limit global warming, resulting in no additional economic growth. The impact of physical and transition impacts slowly enter the global economy, reducing asset returns.

## Physical and transition risks within the investment portfolio

The investment approach of a.s.r. combines financial and economic data with Environmental (plus Social and Governance) indicators to manage the client portfolios, based on its investment beliefs and fiduciary duties. Since the Paris Agreement in October 2015, 'Climate change and Energy transition' has become a long-term investment theme for the strategic investment policy. This has been followed by additional, climate related measures such as exclusions for high carbon emitters, integration of related guidelines in the investment process, specific definitions for impact investing, active ownership on relevant issues or topics, commitments to (inter)national standards and a continuous dialogue with our asset management clients to create more awareness and a better understanding of the possible impact on their portfolios.

a.s.r. aims to provide tailor-made, long-term and sustainable investment solutions for its clients. The normal process includes an extensive analysis of the target asset mix in different economic environments (i.e. neutral, deflation, stagflation and optimistic).

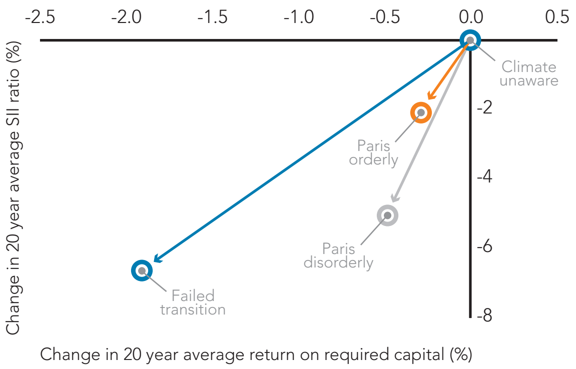
Since 2018, in addition to these economic environments, a.s.r. validates its investment strategy by analysing the impact on various metrics in its RAS due to climate change, based on the chosen climate scenarios sets. a.s.r. uses climate scenarios developed by Ortec Finance and has incorporated the impact of the different climate pathways on all assets (equity, real estate and fixed income) in the annual SAA study.

In the SAA, the a.s.r. balance sheet in its entirety is projected forward for 20 years. Each scenario set consists of 2,000 scenarios which have been fed into a stochastic financial model which in turn translates the impacts of these climate-adjusted GDP shocks on a range of more than 600 financial and economic variables. Following this approach, a.s.r. has been able to quantify climate risk-aware economic outlooks per pathway, applied to the neutral economic scenario. As more research is performed on the effects of climate change and its incorporation into the investment process becomes more mainstream, the effects and the speed with which they materialize for different assets becomes more visible. The climate scenarios have been improved to incorporate these effects. These changes result in an earlier impact on investment returns, especially in the event of a failed or disorderly transition.

In addition, an extensive analysis has been performed for P&C using the same climate scenario sets to assess the effect of climate change through storms. The conclusion of this analysis is that the current level of reinsurance protects a.s.r. from the expected impact of climate change for at least the next 20 years.

For climate risk on life and health liabilities, a study on the available literature was carried out. The available literature highlights both positive and negative effects and current research does not enable a.s.r. to determine which ones will be dominant. No effect due to climate change is therefore assumed for life and health liabilities in the SAA.

The impact of the climate analysis on the three climate scenarios is shown below for the average Solvency II ratio and the return on capital.




The result is the impact of the different economic environments and climate scenarios on the RAS. The average impact on the Solvency II ratio depends on the type of transition to the Paris agreement.

- Orderly transition to the Paris agreement: Significant investments are made to limit climate change. In this scenario it is assumed the investments are performed in a planned and structured way. This will result in higher returns on certain assets and in other assets becoming stranded. For a.s.r., the average return on capital is slightly reduced on average over the next 20 years by approximately 0.3% and the average solvency ratio over the next 20 years decreases slightly by approximately 2%.
- Disorderly transition to the Paris agreement: Significant investments are made to limit climate change. In this scenario however it is assumed the investments are not made in a planned and structured way leading to inefficiencies and possible crisis as markets need to react e.g. to sudden changes in legislation. This will result in higher volatility of the returns on assets. For a.s.r. the average return on capital is slightly reduced

on average over the next 20 years by approximately 0.5% and the average solvency ratio over the next 20 years is decreased by approximately 5%.
- Failed transition: In the failed transition, $CO_2$ emissions will not be reduced. This will result in lower returns on all asset classes due to the negative impact of extreme global warming. For a.s.r., the average return on capital is reduced on average over the next 20 years by approximately 2% and the average solvency ratio over the next 20 years is decreased by approximately 7%.

The impact of the different global warming pathways for a.s.r. is limited due to the European bias in the investment portfolio, its strong/extensive ESG policy and dynamic investment strategy. The impact on the Solvency II ratio and the average expected return do not lead to any changes in policy and a.s.r. therefore considers itself resilient to climate change.

a.s.r. aims to use the same climate scenarios to further support quantitative assessments within other a.s.r. business lines going forward, most notably Real Estate. Within the asset management business, a.s.r. has embedded this assessment of its resilience in the annual cycle and intends to build on this work to develop emission reduction pathways for its investment portfolios.

a.s.r. has taken additional steps to integrate climate risks and solutions into the investments portfolio at the following areas:
- Net Zero Asset Management initiative from the IIGCC (Institutional Investor Group for Climate Change): a.s.r. asset management has signed this commitment among the first group of asset managers in December 2020. This initiative, for and from leading international investors, is intended to reduce greenhouse gas emissions to net zero by the year 2050 or earlier in order to limit average global warming to 1.5°C.
- SBTi: a.s.r. has been actively involved in the development and road-testing of a new uniform methodology for the setting of Science Based Targets by financial institutions, developed by the SBTi. This methodology was launched in September 2020 and a.s.r. is now analysing whether its investment portfolio is Paris-proof based on this methodology. This will allow a.s.r. to gain a deeper insight into its most misaligned sectors, companies and regions, which can in turn inform policy decisions and engagement initiatives.

As part of the overall EU SFAP, a.s.r is actively involved in discussions and consultations through the various Dutch and European asset management and insurance sector organizations, with an initial focus on the SFDR directive in order to increase transparency regarding the integration of sustainability and climate criteria into the investment portfolio.

## Physical and transition risk within the P&C business

P&C has identified several climate risks which are of increasing influence on the loss ratios. For example, the frequency and intensity of extreme weather will grow further in the coming years and hence impact the number and expected size of claims made.

P&C assesses both physical and transition climate risks for the short, mid and long-term, as set out in the climate risks table.

**Climate risks**

| | Short-term | Mid-term | Long-term |
|---|---|---|---|
| **Physical risks** | Extreme weather | Flood | Drought |
| **Transition risks** | Law & regulations | Energy transition (e.g. increase of electric equipment and vehicles) | Technological developments |

The impact of physical risks depends strongly on how much temperatures rise as a result of $CO_2$ emissions in the coming years: the more temperatures rise, the more this will affect the number and size of claims. And the impact of transition risks also depends strongly on the speed with which the EU, the Dutch government and regulators enact transition measures.

P&C determines on a regular basis the total loss ratio per product as it relates to climate change over the recent period. It also investigates which climate events (e.g. wind/storm, hail, flood) this loss ratio consists of and for what percentage per climate event. During these regular determinations, P&C also looks forward. It calculates what impact each climate event is likely to have on the total loss ratio of the product for the coming year(s).

For example, due to the energy transition, more people now have sustainable household equipment and/or drive electric vehicles. These sustainable alternatives show a different loss ratio than more traditional equipment and vehicles.

Using these calculations, P&C has been able to calculate the impact of e.g. sustainable building and hence further enhance the home insurance products with optional cover for sustainable construction types and green roofs.

In expert meetings, the underwriting policy is also discussed at product level and – where applicable – adjusted accordingly. a.s.r. has drawn up specific underwriting guidelines for P&C risks that are sensitive to extreme weather.

For the longer term, a.s.r. uses the customised climate analyses by Ortec. These analyses have given more insight into the long-term impact of climate risks in the Netherlands based on several climate scenarios. These insights are used in a.s.r.'s long-term calculations and therefore have an effect on the long-term premium, cover, underwriting policy and reinsurance strategy for P&C products which entail climate cover. The Ortec analyses are also used as input for the liability side of the SAA modelling. An important goal is to keep climate risks insurable and climate-related products attractive and affordable in the long run.

## Physical and transition risks within the real estate business

a.s.r. real estate is affected by climate change due to several changing weather circumstances. As a consequence, damage and expenses could increase and real estate could depreciate in the longer term. Climate change could also affect the health and wellbeing of tenants and users as a result of higher temperatures in the medium and long-term.

**Physical and transition risks**

| Type | Risk | Indicator | Consequences |
|---|---|---|---|
| **Physical** | **Heat** | • Tropical days<br>• Urban Heat Island effect | Increase of air pollution, increase of cooling demand |
| | **Flooding** | • Chance of flooding > 20 cm | Increase in waterlogging and lack of drainage capacity, higher chance of flooding |
| | **Drought** | • Subsidence until 2050<br>• Pole rot | Increase in particulate matter, increase in subsidence |
| | **Extreme weather** | • Days > 15 mm precipitation<br>• Highest ground water level | Increase in peak precipitation, frequency and intensity of wind gusts, thunder and hail. This causes an increase in flooding, damage to real estate, increase in mold and humidity. |
| **Transition** | **Regulatory** | • $CO_2$ reduction<br>• $NO_2$ reduction<br>• PFAS Limits | • New legislation at EU / National / Local level<br>• Technological developments<br>• Pressure to reduce energy consumption in buildings and to improve energy labels<br>• Increase in renewable energy supply and demand |

In order to manage climate change risks, a.s.r. considers locations where risks are highest, and the effects of mitigating/adaptive measures are biggest. Insights into the climate risks of all assets owned by a.s.r. real estate (funds) are determined by data from GIS (Geographic Information System) and the Klimaateffectatlas (climate impact atlas) cartographic layers, which provides insight from KNMI (Koninklijk Nederlands Meteorologisch Instituut - Royal Netherlands Meteorological Institute) climate data. The Klimaateffectatlas shows how vulnerable and sensitive locations in the Netherlands are to climate risks in 2020 and 2050. By loading the Klimaateffectatlas into GIS, a detailed insight into the level of risk per location is obtained. The quantification of climate risks, has resulted in the development of analysis tools for decision-making in future acquisitions, dispositions and the maintenance of the portfolio. This applies to acquisitions for the real estate portfolio in the short, medium and long-term, and to the impact of the amount and type of investors and maintenance costs. In addition to data collection, a risk-based decision model or standardisation of climate data will be realised over the next 12-18 months.

A climate sub-score is available for each asset, in which the most important climate risks are taken into account. This results in an aggregate score which indicates whether the asset is in a high risk, average risk or low risk category.

## Physical and transition risks within the mortgage business

It is important for Mortgages to be aware of the risks, and to contribute to a solution wherever possible. For example, a risk may be decreasing home values, which may occur due to negative valuations on high energy usage label housing. While a mortgagor remains responsible for the payment of the original mortgage in the Netherlands, even in the event of damage to the home, risks remain in this area. If a home has decreased in value, the mortgage itself may also be at higher risk of delinquency.

a.s.r. aims to decrease these risks and support the energy transition by reducing the carbon footprint of homes in the Netherlands and improving their respective energy labels. This can best be achieved by renovating homes and making them more sustainable. In order to help customers achieve this, a.s.r. offers the Verduurzamingshypotheek, which can only be used for home renovations aimed at sustainability. This means that for the homes of customers with high energy label housing may become more valuable and comfortable to live in.

### Physical risks for a.s.r. business in relation to health and life

As a result of climate change and a rise in average and peak temperatures in combination with biodiversity loss, there is a risk of diseases and pandemics increasing in the future. This could have an effect on mortality, growing demand for healthcare and a rise in sickness leave among employees and disability among the self-employed.

An analysis was recently conducted on the impact of climate change on assurance liabilities. Most insurance portfolios have a short-term lifetime/premium cycle or will mature before the anticipated long-term climate changes might affect the risks insured. Future pricing can therefore most likely be targeted to an acceptable level of investment return.

The pricing of life products is based on the figures provided by the Actuarieel Genootschap (AG). The AG study focuses on the long-term extrapolation of the trend in annual mortality rates based on the past 50 years. In addition to increased welfare and medical care, the effects of past climate changes on mortality in Western Europe are more or less implicitly incorporated in these figures. The effect of climate change is not explicitly explored, as further research is required. However, until further research suggests otherwise, it is assumed that the AG forecast is unbiased towards climate change-related mortality. Life & Pensions maintains a close eye on developments on this point.

Climate change could affect healthcare insurance due to growing demand for healthcare by customers. This will partly be covered by the Dutch government through risk equalisation. The remainder can be covered by premium rises. In the long-term, one physical risk is for increased temperatures, flooding or extreme weather to potentially lead to overflowing hospitals. This could in turn create capacity problems for healthcare providers or hospital cancellations due to operational issues. To mitigate against this risk, measures will be taken in collaboration with all healthcare insurers to ensure the swiftest and most effective possible access to healthcare.

In the disability business, a working group was appointed comprising specialists from the medical department, business, product management and business risk management to monitor and investigate the developments and findings of (medical) research on this subject. If developments or the results of research indicate that actions are required to limit the risks or to support business opportunities that arise, these actions will be initiated.

## 4.4.3 Climate risk management

Climate risk is, as part of sustainability risk, incorporated into a.s.r's risk appetite. Climate risk is as a result integrated into regular risk management processes such as the annual group-wide Strategic Risk Analysis (SRA) process. The SRA process is conducted by all business lines, support departments and the EB and is coordinated by Group Risk Management. The SRA process is built on a series of interviews and workshops. It provides a detailed inventory of strategic business risks and translates them into control measures. All risks in scope (e.g. strategic risk, market risk, sustainability risk, counterparty default and liquidity risk) are weighted according to a scale of risk with 'levels of concern'. Based on the weighting of the risk, a decision is made as to how to manage it (i.e. accept, mitigate, transfer or control).

The business lines and support departments are responsible for developing mitigation and control measures, such as setting policies, organising training and/or performing additional analyses. The risks are monitored through the quarterly Business Risk Committees (BRC), which include representatives from the business lines, Enterprise Risk Management (ERM), Compliance and Audit, and whose reporting flows back up to the NFRC, BEC risk meeting and the A&RC.

Strategic risks are described in chapter 4.2 Risk management.

Climate risks identified in the SRA process are incorporated into the scenario analysis of the ORSA and quantified by the business actuary teams. In 2020, climate risks such as storms and flooding were included in ORSA scenarios. The ORSA is a source for calculating premiums, setting up the necessary reserves and identifying the level of necessary reinsurance arrangements.

Climate is integrated into the investment process for all asset classes and customer portfolios, for example through the integration of environmental scores and carbon emission data in the portfolio construction and specific portfolio guidelines on carbon emissions, energy transition scores or (environmental) indicators following the SDG framework. All this is supported by internal and external research and data, including qualitative and quantitative analysis and forward-looking indicators.

The investment restrictions of client portfolios, including a.s.r.'s SRI criteria, are integrated into the portfolio management systems with real-time monitoring, including pre-trade compliance rules. Any breaches are reported to the portfolio manager and the risk department, the latter being the second line of defence. Post-trade monitoring is done through daily portfolio screening of the compliance rules, including ESG criteria. Any findings are accounted for and reported to management.

*Climate risk management within a.s.r. asset management*
a.s.r. asset management is organised through a range of oversight lines in order to minimise climate-related risks. The first line of defence is the portfolio managers. Each client mandate is managed according to the guidelines and restrictions of the SRI policy, which sets out the minimum standards. Customers are only able to opt for additional SRI restrictions.

*Climate risk within a.s.r. real estate*
a.s.r. real estate took additional actions to determine the impact of climate risk on a.s.r.'s real estate portfolio. The main three actions in the investment process are:
- GIS analysis: quantitative and qualitative analysis of the impact of climate risks on the portfolios of a.s.r. real estate's funds.
- Climate assessment embedded as a standard topic in investment decisions. From both sides, a. filling out a standard paragraph in the real estate investment proposal format and b. performing a climate risk analysis by the independent risk department as part of the investment decision-making process.
- Asset Analysis Tool (AAT): as part of the yearly hold/sell analysis, the impact of climate change will be incorporated in the AAT, a tool developed by the Research & Intelligence department of a.s.r. real estate to provide insight in the asset as compared to its respective portfolio.

## 4.4.4 Climate metrics and targets

a.s.r. has publicly committed itself to several climate-related targets and initiatives and has developed various metrics in line with the top-down and bottom-up approach that guides it in controlling its climate-related risk while capturing climate-related opportunities.

### Climate metrics and targets

| Metric | Target | 2020 progress |
|---|---|---|
| RAS Limits on Solvency II ratio and liquidity | Annual disclosure of the resilience of a.s.r. to climate risks. | The results of the analysis of the resilience of a.s.r. to climate risks does not require any changes in policy. |
| Carbon Footprint (%) for all asset classes[1] | Carbon footprint: 95% of investment and mortgages portfolio (for own account) measured in 2021 | 93% |
| Carbon reduction for equities, credits and government bonds (%) | 50% carbon reduction target by 2030, using a 2015 baseline, applying to all a.s.r.'s internally managed portfolios (for own account) in listed equities, corporate bonds and government bonds[2] | Will be first reported over 2021 |
| Impact investing[3] | € 1.2 billion impact investments (for own account) measured in 2021 | € 1.7 billion |
| Structural reduction in $CO_2$ emissions a.s.r. real estate funds | • ASR DCRF: 3.3% reduction for 2021<br>• ASR DPRF: 3.3% reduction for 2021<br>• ASR DMOF: 3.3% reduction for 2021<br>• ASR DSPF: 5.7% reduction for 2021 | • Cumulative reduction compared to baseline 2015: 18%<br>• Cumulative reduction compared to baseline 2017: -5%<br>• Cumulative reduction compared to baseline 2017: 4%<br>• Cumulative reduction compared to baseline 2019: 6% |
| % of all P&C insurance products | Make 100% of P&C's insurance products, as far as they are influenced by climate risks and opportunities, more resilient and enhance these products with (more) sustainable covers in 2025. | Enhanced P&C’s home insurance products with optional cover for sustainable construction types and green roofs. P&C’s insurance products which cover buildings and contents have been enhanced with cover for damage due to the flooding of secondary waters. |
| % of all repairable damages to vehicles and property insured by P&C | Giving insured the choice, in the event of damage to property or vehicles, to have this damage repaired by one of the sustainable repair companies in P&C’s sustainable repair network for 80% and 50% in 2021 of all repairable vehicle and property related damage respectively. | During 2020, a.s.r. worked only with sustainable repair companies certified by ‘Groen Gedaan’. The attention for sustainable repairs has further increased due to a strong focus in communication on steering insureds towards sustainable repair by claims assessors and the intermediary. Over 2021 a.s.r. expects to report on the percentage of sustainable repairs. |

1 This applies to own assets which are managed by a.s.r. asset management.
2 This applies to 'own assets' which are managed by a.s.r. asset management.
3 The impact investment target and 2020 progress concern impact investments with the intention to make a social and environmental impact. Climate-related investments are part of these investments.

# 4.5 Statements of the Executive Board

a.s.r.'s consolidated and company financial statements for 2020, as well as chapters 1 - 5 of the annual report, have been prepared in accordance with the IFRS as adopted by the EU and with Part 9, Book 2 of the Dutch Civil Code.

As required by Section 5:25c paragraph 2(c) of the Dutch Financial Supervision Act, the EB declares that, to the best of its knowledge:

I. The financial statements provide a true and fair view of the assets, liabilities, financial positions and earnings of a.s.r. and the enterprises included in the consolidation taken as a whole;
II. The management report provides a fair view of the position at the balance sheet date and developments during the year under review and the enterprises included in the consolidation taken as a whole, together with a description of the principal risks confronting a.s.r.

In accordance with best practice 1.4.3 of the Dutch Corporate Governance Code of December 2016 and based on the evaluation carried out, the EB declares that, to the best of its knowledge:

I. The report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems (see chapter 4.2 Risk management);
II. The aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies (see chapter 4.2 Risk management, 4.3 Compliance and 6.8 Risk management);
III. Based on the current state of affairs, the preparation of the financial reports on a going concern basis is justified (see chapter 2. Operating environment and 6. Financial statements); and
IV. The report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of the report (see chapter 2.1 The story of a.s.r., 2.2 SWOT analysis and 6 Financial statements).

Utrecht, the Netherlands, 23 March 2021

Jos Baeten, CEO
Annemiek van Melick, CFO
Ingrid de Swart, COO/CTO

# 4.6 Assurance report of the independent auditor

KPMG

# Assurance report of the independent auditor

To: the Annual General Meeting of Shareholders and the Supervisory Board of
ASR Nederland N.V.

## Our conclusion and opinion

We have:

— reviewed the non-financial information (hereafter: 'the Non-financial information'), and;

— audited the data for the Net Promoter Score, Impact investing, Percentage of portfolio for own account for which the carbon footprint is measured, and Employee contribution to local society, as indicated in footnote 2 on page 28 and footnote 1 on page 29 in chapter 2.4 (hereafter: 'the Non-financial KPIs')

included in the Annual Report (hereafter: 'the Report') of ASR Nederland N.V. based in Utrecht, The Netherlands.

A review is aimed at obtaining a limited level of assurance. An audit engagement is aimed at obtaining reasonable level of assurance.

Based on our procedures performed nothing has come to our attention that causes us to believe that the Non-financial information is not prepared, in all material respects, in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative ('GRI') and supplemental reporting criteria as described in 'the annexes 'B: About this report' and 'C: Glossary' of the Report.

Furthermore, in our opinion the Non-financial KPIs are prepared, in all material respects, in accordance with the reporting criteria as described in the annexes 'B: About this report' and 'C: Glossary' of the Report.

## Basis for our conclusion and opinion

We have performed our review of the Non-financial information and audit of the Non-financial KPIs in accordance with Dutch law, including Dutch Standard 3000A 'Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten) (assurance engagements other than audits or reviews of historical financial information (attestation engagements)). Our responsibilities in this regard are further described in the section 'Auditor's responsibilities' of our report.

We are independent of ASR Nederland N.V. in accordance with the ‘Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten’ (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the ‘Verordening gedrags- en beroepsregels accountants’ (VGBA, Dutch Code of Ethics).

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion about the Non-financial information and our opinion on the Non-financial KPIs.

## Reporting criteria

The Non-financial information and the Non-financial KPIs need to be read and understood together with the reporting criteria. ASR Nederland N.V. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the Non-financial information and the Non-financial KPIs are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the supplemental reporting criteria as disclosed in the annexes ‘B: About this report’ and ‘C: Glossary’ of the Report.

## Limitations to the scope of our review

The Non-financial information includes prospective information such as ambitions, strategy, plans, expectations and risk assessments. Inherent to prospective information the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the Non-financial information.

The references to external sources or websites in the Non-financial information are not part of the Report as reviewed by us. Therefore, we do not provide assurance on this information.

## Responsibilities of the Executive Board and the Supervisory Board

The Executive Board of ASR Nederland N.V. is responsible for the preparation of the Non-financial information and the Non-financial KPIs in accordance with the reporting criteria as included in the section ‘Reporting criteria’ of our report, including the identification of stakeholders and the definition of material matters. The choices made by Executive Board of ASR Nederland N.V. regarding the scope of the Report and the reporting policy are summarized in the Annexes B, C, E, and F of the Report.

Furthermore, the Executive Board is also responsible for such internal control as it determines is necessary to enable the preparation of the Non-financial information and the Non-financial KPIs are free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the reporting process of ASR Nederland N.V.

## Auditor’s responsibilities

Our responsibility is to plan and perform our review and audit in a manner that allows us to obtain sufficient and appropriate evidence for our conclusion and opinion.

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Our audit on the Non-financial KPIs has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material misstatements, whether due to fraud or error.

Our procedures to have obtained the limited level of assurance for the Non-financial information, vary in nature and timing from, and are less in extent, than procedures performed for a reasonable assurance engagement.

These procedures are mainly aimed to determine the plausibility of information. The level of assurance obtained in review engagements with a limited level of assurance is therefore substantially less than the assurance obtained in audit engagements.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this information. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We apply the ‘Nadere voorschriften kwaliteitssystemen’ (NVKS, Regulations for quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional scepticism throughout the assurance engagement, in accordance with the Dutch Standard 3000A, ethical requirements and independence requirements.

Our assurance procedures for the Non-financial information and the Non-financial KPIs included among others:

- Performing an analysis of the external environment and obtaining an understanding of relevant societal themes and issues, and the characteristics of ASR Nederland N.V.;
- Evaluating the appropriateness of the reporting criteria used and their consistent application. This includes the evaluation of the results of the stakeholders’ dialogue and the reasonableness of estimates made by management;
- Obtaining an understanding of the reporting processes for the Non-financial KPIs and information, including obtaining a general understanding of internal control;
- Identifying areas of the Non-financial information with a higher risk of misleading or unbalanced information or material misstatements, whether due to fraud or error.
- Designing and performing further assurance procedures aimed at determining the plausibility of the Non-financial information responsive to this risk analysis. These procedures included among others:

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- interviewing management and relevant staff at corporate level responsible for the non-financial strategy, policy and results;
- interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the Non-financial information;
- obtaining assurance information that the Non-financial information reconciles with underlying records of ASR Nederland;
- reviewing, on a limited test basis, relevant internal and external documentation;
- performing an analytical review of the data and trends.

- Evaluating the consistency of the Non-financial information and the Non-financial KPIs with the information in the Report which is not included in the scope of our review;
- Evaluating the overall presentation, structure and content of the Non-financial information and the Non-financial KPIs;
- Evaluating whether the Non-financial information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

Additionally, our audit of the Non-financial KPIs included, on top of the above, among others the following procedures:

- Obtaining an understanding of internal control relevant to the examination in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control;
- Testing the design, implementation and operating effectiveness of internal controls for the Non-financial KPIs.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the review and audit, significant findings that we identify during our review and/or audit.

Utrecht, 23 March 2021

KPMG Accountants N.V.

A.J.H. Reijns RA

# Working for a.s.r.

# 5

# Governance

## Employees at a.s.r. do what others merely talk about

Talented, skilled and energetic employees are the key to realising a.s.r.'s business goals. a.s.r. encourages its employees to assume responsibility and expects everyone to show leadership. Employees are moreover given the scope to manage their own careers, development and way of working. a.s.r. expects everyone to embody its core values of being helpful, thinking ahead and acting decisively. Which is why there is no traditional appraisal cycle but an ongoing dialogue about targets, results, conduct and development instead.

# 5.1 Corporate Governance

## 5.1.1 General

a.s.r. is a public limited company which is listed on Euronext Amsterdam and governed by Dutch corporate law. It has a two-tier board governance structure consisting of an Executive Board (EB) and a Supervisory Board (SB). The EB is responsible for the realisation of corporate objectives, the strategy with its associated risks and the delivery of the results. The SB is responsible for advising the EB, supervising its policies and the general state of affairs relating to a.s.r. and its group entities. The EB shares responsibility for the implementation of the business strategy with the Business Executive Committee (BEC). More information on the governance structure can be found in chapter 5.1.2 Executive Board.

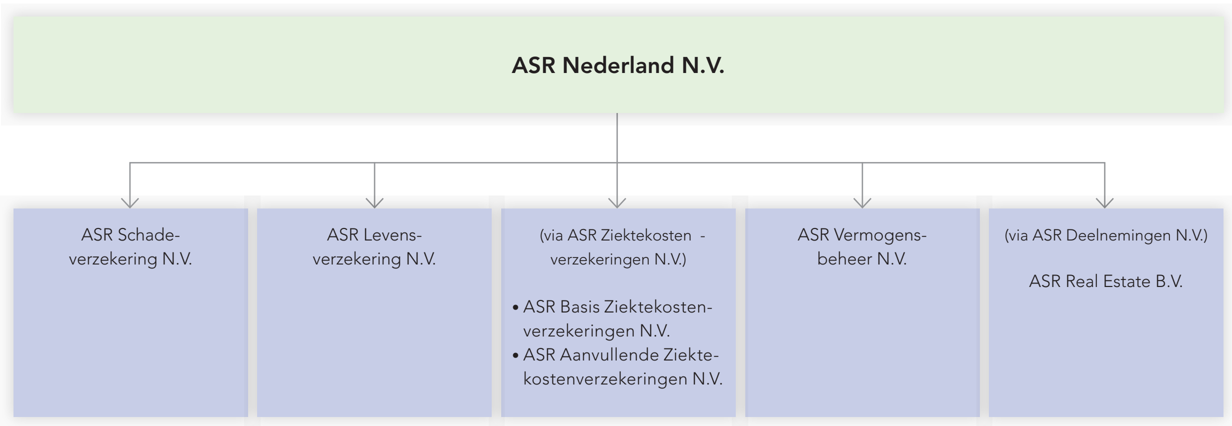
### Legal structure

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

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

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

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




### General Meeting of Shareholders and consultation with shareholders

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

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

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

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

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

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

**Anti-takeover measures**

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

## 5.1.2 Executive Board

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

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

### Composition of the Executive Board

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

**Executive Board**

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

### Business Executive Committee

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

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

### Sustainability governance

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

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

### Diversity & inclusiveness

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

### Permanent education and evaluation

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

The performance of the EB was also assessed by the SB as part of the scope of the annual assessment process, see chapter 5.3 Remuneration report. In this context, interviews are held twice a year with the individual EB members (by two SB members on each occasion) in which the results of the aforementioned self-evaluation are included.

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

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

### Remuneration

Information on the remuneration policy for EB members and their individual remunerations can be found in chapter 5.3 Remuneration report.

## Biographies of Executive Board members

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

## 5.1.3 Supervisory Board

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

### Composition of the Supervisory Board

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

### Diversity

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

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

**Supervisory Board**

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

### Independence and conflicts of interest

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

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

## Supervisory Board profile

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

## Permanent education and evaluation

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

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

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

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

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

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

## Biographies of Supervisory Board members

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

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

## 5.1.4 Corporate Governance Codes and regulations

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

### Dutch Corporate Governance Code

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

### Professional oath

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

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

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

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

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

# 5.2 Supervisory Board report

## 5.2.1 Meetings of the Supervisory Board

The Supervisory Board (SB) convened seven routine meetings and six extra meetings, of which one was an offsite meeting with the Executive Board (EB). The SB members were available for consultation in between scheduled meetings. Several ad-hoc meetings were held in 2020 to discuss issues relating to specific topics such as the (potential) impact of COVID-19 on the financial performance and business operations of a.s.r., dividend and the selection and appointment of new members of the EB and SB. Regular work meetings were also held in the absence of the EB. During these meetings, matters such as the self-evaluation of the SB and the evaluation of the EB members were discussed.

**Attendence record of Supervisory Board members (plenary sessions and committee meetings)**

| Name | Supervisory Board | in % | Audit & Risk Committee | in % | Selection & Appointment Committee | in % | Remuneration Committee | in % |
|---|---|---|---|---|---|---|---|---|
| Kick van der Pol | 13 / 13 | 100 | - | - | 5 / 5 | 100 | 5 / 5 | 100 |
| Cor van de Bos[1] | 8 / 8 | 100 | 3 / 3 | 100 | - | - | - | - |
| Herman Hintzen | 13 / 13 | 100 | 7 / 7 | 100 | 5 / 5 | 100 | 5 / 5 | 100 |
| Sonja Barendregt[2] | 10 / 13 | 77 | 7 / 7 | 100 | - | - | - | - |
| Gerard van Olphen[1] | 13 / 13 | 100 | 2 / 4 | 50 | - | - | - | - |
| Gisella van Vollenhoven | 13 / 13 | 100 | - | - | 5 / 5 | 100 | 5 / 5 | 100 |
| Joop Wijn[1] | 3 / 3 | 100 | - | - | 1 / 1 | 100 | 1 / 1 | 100 |

The SB has a good working relationship with the EB. The Chairman of the SB is in regular contact with the CEO, and several members of the SB are periodically approached outside meetings to give advice on various files. The SB as a whole also receives bi-monthly updates, outside meetings, from the EB on various developments within the company, such as business development, (potential) M&A transactions and news related to COVID-19.

### Highlights

2020 began with the new composition of the EB due to the altered management structure in 2019 and the resignation of former CFO, Chris Figee, in February 2020. These changes resulted in the appointment of Ingrid de Swart at the end of 2019 and Annemiek van Melick at the beginning of 2020 as new members of the EB. The new composition of the EB led the desire to review the existing strategy based on thorough analyses of each business line. The EB is confident that the existing strategy of a.s.r. is the right approach for the long-term success of the company and this is supported by the SB. The existing strategy will be continued, with a few accentuations in several business areas. This will enable a.s.r. to further improve its anticipation of market developments such as labour market trends and the 2021 Dutch Pension Reform. The existing strategy of a.s.r. and its businesses was also discussed in detail with the SB (which in 2020 also partly consists of new members). The SB has reaffirmed the strategy and is confident that the existing strategy will strengthen the market position of a.s.r. and will provide a sound basis for the future.

The worldwide global outbreak of COVID-19 was an additional reason to look into the existing strategy and processes of a.s.r. as it gave a natural boost for further digitalisation and increased customer focus in this changing environment. As COVID-19 spread around the globe, governments and other authorities were confronted with dilemmas in an attempt to balance the pandemic's public health impact with the economic fallout of mitigation measures. On 2 April 2020, EIOPA and DNB published their recommendation to the (European) insurance sector to temporarily postpone any dividend payments and share buyback programmes until the financial and economic impact of the COVID-19 outbreak was clearer. a.s.r. has complied with the recommendation and postponed its final dividend for 2019 and share buyback programme with immediate effect. At the beginning of August a.s.r. announced that it resumed its postponed dividend payment and share buyback programme in September following the announcement by DNB to resume the review of dividend proposals under its normal supervision. The SB is pleased that, following a thorough review of the potential impact of COVID-19 impact, a.s.r. delivered on its stated intention to pay the postponed dividend and to resume the share buyback programme for the remaining amount. a.s.r. calculated various scenarios on the basis of the four CPB-scenarios. Based on these analyses the SB

1 Where a SB member stood down or was appointed during the year, only meetings held during his/her tenure are taken into account.
2 This concerns three ad hoc conference calls scheduled at short notice, due to other obligations.

discussed the developments relating to COVID-19 and its impact on the business and financial result as well as the operational result throughout the year. The SB is very gratified that the processes have remained up to standard and that a.s.r. has been able to assist the customer well throughout these difficult times. The SB is also satisfied that the solvency of a.s.r. has remained strong despite the challenges arising from the COVID-19 crisis that it has enabled the resumption of these capital returns whilst maintaining a robust balance sheet to safeguard the interests of all stakeholders.

In September, the SB was pleased to announce the nomination of Joop Wijn as a member and as the intended successor of Kick van der Pol as Chairman of the SB. On 28 October 2020, Joop Wijn was appointed by the EGM for a period which will end at the 2024 AGM, after the EGM the SB also agreed on this. This appointment strengthens the SB with the addition of an excellent member who brings in a great deal of experience and expertise. Joop Wijn has extensive experience in various management and supervisory positions in various (financial) institutions, as well as extensive experience in the field of technological developments and innovation in the financial sector.

## Strategy based on long-term value creation

Each year, the EB presents various matters to the SB for approval, such as the (quarterly) figures, the multi-year budget, the investment plan and the risk appetite. These matters were all discussed and approved by the SB in 2020. Throughout the year, the EB discussed a.s.r.'s strategy in detail with the SB and obtained the support of the SB for its value creation model. For a.s.r. as a multiline insurer, this involves the portfolio strategy (as described in chapter 2.1.3 Portfolio and execution of strategy) and the strategy for small and medium-sized acquisitions. Acquisition opportunities and possible divestments were discussed in the context of the execution of the strategy.

The SB concludes that despite the COVID-19 crisis, a.s.r. remains on track to achieve its strategic priorities and the medium term targets which were announced at the CMD on 10 October 2018. Organic growth was achieved in line with the strategy. Costs (excluding acquisitions) were also generally further reduced, customer service was improved and brand awareness of a.s.r. grew. a.s.r. is also increasingly appreciated for the role it plays in society.

Sustainable value creation is an important part of a.s.r.'s strategy and as such an integrated part of the business processes. In the EB, the CEO is ultimately responsible for the theme of sustainable value creation. Goals, plans, progress and results are regularly discussed in the EB and reported to the SB. Within the SB, sustainable value creation is integrated into the total agenda. During the permanent education sessions of both the EB and the SB, attention is paid to current developments. This also includes the implementation of new and future legislation and regulations.

In 2020, SB discussions covered the following topics:
- Review overall strategy, including a.s.r.'s long-term value creation and growth in various business areas such as P&C, Disability, Pensions DC, Asset Management, Distribution and Services and also key topics such as Sustainability, Vitality and Digitalisation for customer services;
- Several M&A files;
- Corporate governance and composition of the SB and EB;
- EB and senior management succession planning;
- EB and SB remuneration;
- HR & culture; reports on employee surveys, sustainable employability and compliance with the a.s.r. code of conduct;
- Innovation and technology developments;
- NPS reports and developments in the field of customer service;
- Financial and ERM, including cybersecurity, the RAS and the ORSA;
- Annual and quarterly results, dividends and share buyback programme, capital generation and the Solvency II capital position;
- Investor relations;
- Multi-year budget including medium-term targets, capital & dividend policy, interest risk policy and funding plan;
- Legal, regulatory and compliance issues, including the relationship with the Dutch regulators;
- Tax policy and developments.

## M&A and divestments

The SB is pleased with the disciplined execution of the M&A strategy for bolt-on acquisitions despite the COVID-19 crisis. At the beginning of 2020 the closing was announced of the acquisitions of VvAA Levensverzekeringen N.V. (VvAA) and Veherex. With the acquisition, VvAA guarantees sustained access to life insurance products for its more than 120,000 members. Through the acquisition of Veherex, a.s.r. has expanded and strengthened its market position in the area of occupational disability insurance, whilst reinforcing its leading position in the provision of integrated sustainable employability solutions for employers. VvAA's more than 15,000 policies were successfully migrated to the a.s.r. platform at the end of 2020.

In June a.s.r. announced the demerging of its joint venture, Keerpunt B.V. with Nationale-Nederlanden. Both insurers were fifty per cent shareholders of the specialist in the field of case management, reintegration and sustainable deployment. a.s.r. merged its part of the services to the services in a.s.r.'s Disability department and SuperGarant Verzekeringen B.V., a full subsidiary of a.s.r. This demerger offers excellent opportunities for further growth and expansion of the services for a.s.r. and SuperGarant. The split-up ties in with the strategy of Disability and allows a.s.r. to expand its services and knowledge in the area of disability insurance. It also gives a.s.r. the opportunity to further strengthen its leading position as a provider of integrated sustainable deployment solutions for employers and increase its added value to them.

On 26 August 2020, a.s.r. announced the acquisition of the remaining 50% interest in Brand New Day Premiepensioeninstelling N.V. (Brand New Day IORP) a.s.r. already had a 50% interest in Brand New Day PPI and became full owner through this acquisition. This transaction is in line with a.s.r.'s strategy and its intention to use capital for sustainable value creation. It gives a.s.r. the opportunity to strengthen its expertise and expand the pension offering in the SME market. This step increases a.s.r.'s market share to approximately 15% in the Dutch market for defined contribution plans and offers an attractive proposition for advisers, employers and employees. The customers of Brand New Day IORP, both employers and all pension plan participants, can be confident that a.s.r.'s services and solid operational management will continue unabated. The SB has every confidence in the successful outcome of these acquisitions and supported the EB with the disciplined execution of the M&A strategy during 2020.

Finally, following the decision to define a.s.r. bank as a non-core activity from 2019, a.s.r. announced at the beginning of 2020 that a.s.r. and Van Lanschot Kempen had entered into a partnership agreement for a.s.r.'s investment accounts. The savings portfolio of a.s.r. bank had already been sold to Achmea Bank N.V. This partnership was the final step in phasing out a.s.r.'s banking activities. Its banking license was revoked on 1 December 2020. The SB wishes to express its appreciation for the commitment shown by the EB and all the employees involved in the final stages of this process.

## Financial performance

The SB discusses the financial performance each quarter, covering standing issues such as developments in the GWP, COR, Operating Result, long-term cost development, OCC and Solvency II ratio. The SB is satisfied with a.s.r.'s financial performance in 2020. Particular from a working from home-situation, occasionally under difficult circumstances. Due to the diversification of the various activities, the impact of COVID-19 on the operational result is neutral and the implementation of the strategy continued successfully in 2020. In addition, the service has remained at a high level and customer satisfaction has even increased. The operating result increased by 3.2% to € 885 million (2019: € 858 million). The Solvency II ratio (Standard Formula) as at 31 December 2020 is 199% (2019: 194%), after deduction of the dividend. a.s.r. is well capitalised and is in a good starting position to get through the period of low interest rates. The quality of the capital is good. Of course, scenarios have been calculated on a long-term low interest rate environment and various management actions have been identified and discussed in detail.

As from 1 January 2020 KPMG is the independent auditor of a.s.r. As part of their audit process, KPMG issued a management letter in December 2020 and a 2020 Audit report in March 2021 to the EB and SB. In the FY 2020 report, KPMG recognises the following:

There is still a lot of uncertainty about how the COVID-19 virus will develop and what its final consequences are, both financially and operationally, however KPMG reports that the financial position under Solvency II and the operational IFRS results have proven to be robust with regard to the impact of COVID-19. An important aspect for internal control is working remotely (from home). a.s.r. is aware of this and has taken appropriate measures, realising that this will require lasting attention.

The focus on corporate social responsibility (CSR) and reporting further increased in the past year, both due to current COVID-19 circumstances and the increasing awareness of (the effects of) climate change and the actions of governments, supervisors and regulators such as the IASB and IOSCO. KPMG sees many developments in regulations that not only directly affect the financial statements and/or Solvency II figures but also go beyond. a.s.r. wants to remain a leader in non-financial reporting. The step to move to a reasonable degree of assurance for four core non-financial indicators in 2020 is an expression of this ambition. All these regulatory and reporting activities require a lot of capacity from a limited group of employees with a substantive expertise.

For the upcoming years KPMG advises to pay further attention to the link between CSR and financial goals (e.g. around climate change) and to pay specific attention to the selection of indicators that materially affect financial and non-financial value for the period after 2021. a.s.r. is aware of this and progress has been made to ensure this link is further strengthened.

In recent years, a.s.r. has made several major acquisitions, including Generali, Loyalis, Veherex and VvAA-Leven, and recently an agreement has been concluded for the acquisition of BND-PPI (closing will be in Q2 2021). Portfolios are commercially and/or technically migrated to a.s.r. products and systems in accordance with previous schedules. There is significant attention from management for these conversions.

KPMG concludes that market developments are following each other rapidly, both in the insurance and distribution segment. Also continuing COVID-19 consequences will have to be addressed. This, together with the continued low interest rates, requires reflection on the tactical and strategic choices of a.s.r. All this demands a lot from the resilience of the organisation and its employees.

The key findings with a high priority can be summarised as follows:

- Important steps have been taken in the governance around model validation, but further improvements are

desirable given the potentially large impact on external reporting. a.s.r. recognises this and closely monitors the process.
- KPMG indicates that general IT-controls need improvement on certain areas. This is important in order to be able to rely on the automated internal control mechanism. a.s.r. has indicated that an IT Risk Competence Center is being set up with the aim of better structuring IT risk management and achieving more consistency in the control activities.
- The acquisition of Loyalis has been fully incorporated in financial reporting, but further integration in a.s.r.'s risk framework is needed.

In addition to these topics, KPMG has also provided suggestions with a more medium to low priority. KPMG asks for continued vigilance to ensure these items receive continuous focus so that a.s.r. is sufficiently prepared for the future.

a.s.r. welcomes all suggestions and is committed to follow-up on these suggestions. The SB was pleased with these recommendations and thanks KPMG for the audit work performed during the term of the engagement. The SB recognises that this first time audit was more challenging due to the lock down as a result of the COVID-19 pandemic. The SB will monitor the successful follow-up of these items.

### Risk management and solvency
At the end of the year, the SB approved the risk appetite for both a.s.r. and its supervised entities. a.s.r.'s risk appetite is mainly based on the Solvency II regime and a prudent approach to risk management translated into standards for solvency, liquidity, efficient processes and achievable returns. The SB was satisfied with the execution of the risk management framework. The level of solvency remains acceptable and adequate thanks to the organisation's prompt and adequate response to external developments based on the chosen risk appetite and associated risk-mitigating measures. The risk appetite is an important criterion for the SB in making tactical and strategic decisions. The SB appreciates the prudent approach taken to comply with Solvency II and other regulations and regularly engages in dialogue with the EB concerning its views of the targets and intervention level relating to Solvency II ratios.

### Culture and customer interest
Every six months, the SB considers the theme of customer interest based on reports, including the NPS report and the complaints report. These reports provide insight into levels of customer satisfaction. In 2020, the NPS further grew, despite all employees working from home, by five points to 49 and was better than the target of > 44. The SB was satisfied that a.s.r. goes to great lengths to deliver a good NPS performance.

Throughout the year, the SB regularly discussed the organisation and culture of a.s.r. with the EB, this year notably on how to stay connected and vital while working from home. At the beginning of 2021, the trade unions and a.s.r. also concluded a new collective labour agreement (CLA) for a term of two years with effect from 1 January 2021, which includes a structural wage rise of 2.25% as of 1 March 2021 and 1 March 2022. The new CLA pays particular attention to the (post) COVID-19 situation, sustainable employability, job satisfaction and vitality. The SB congratulates the EB on the progress that has been made in this area and on the (re)introduction of a homeworking allowance and the possibilities for partially paid sabbatical leave and early retirement.

### Contacts with the Works Council
All SB members attended one or more routine consultative meetings of the Works Council. In addition to these routine meetings, the Works Council maintains regular contacts with the Works Council-appointed SB member, Gisella van Vollenhoven. The SB also greatly appreciates its bilateral dialogues with the Works Council, on several occasions together with one or more members of the EB.

The SB is highly appreciative of the approach taken by the Works Council in respect of developments impacting a.s.r., such as the selection and appointment of the new members of the EB and SB. Taking into account the interests of both a.s.r. as a whole and its employees, the Works Council makes thorough preparations when addressing the wide range of issues it is presented with, discusses them in a constructive dialogue with the EB, and issues balanced, well-considered opinions and recommendations.

In October 2020 the Works Council elections took place. Three members have been re-elected and the new composition is balanced in terms of age, gender, social, cultural and ethnic backgrounds, competence, views and working styles. The SB wishes to express its gratitude for the cooperation with the Works Council over the past three years and looks forward to working with the new Works Council.

### Contacts with external regulators and auditors
The SB periodically consulted with DNB and AFM in 2020. The new independent external auditor, KPMG, attended the SB meetings at which the annual and interim financial results were discussed. During these meetings, the auditor elaborated on the audit reports and answered specific questions.

## 5.2.2 Supervisory Board Committees

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

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

## Audit & Risk Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

### Remuneration Committee

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

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

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

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

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

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

### Selection & Appointment Committee

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

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

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

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

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

### Financial statements and dividend

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

### Appreciation

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

Utrecht, the Netherlands, 23 March 2021

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

# 5.3 Remuneration report

## 5.3.1 Introduction

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

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

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

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

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

### Shareholder Rights Directive II (EU 2017/828)

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

The current remuneration policy does not include any procedural conditions under which a deviation from the remuneration policy is possible; the SB is aware of this.

The (draft) format for the remuneration report of the European Commission has been broadly followed and the tables have been completed as far as is applicable to a.s.r. (no variable remuneration scheme and no remuneration in shares).

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

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

## 5.3.2 Remuneration policy

The current remuneration policy of a.s.r. (as at 1 January 2020) was adopted by the shareholders at the 2019 AGM. a.s.r.'s starting point is that society experiences a.s.r. as a useful insurer that deals responsibly with the funds entrusted to it and the environment in which it operates. With this in mind, the following four perspectives are used as a basis for the remuneration policy:

1. The organisational perspective: in line with how a.s.r. presents itself as a company;
2. The internal perspective: consistency in the internal salary structure;
3. The external perspective: competitive with the external market;
4. The stakeholders' perspective: taking account of the views on remuneration of different stakeholder groups: customers, shareholders, employees and society.

### Item 1. The organisational perspective

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

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

### Item 2. The internal perspective

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

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

### Item 3. The external perspective a.s.r. offers its employees a market-compliant salary.

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

The reference group of the other employees consists of the general market. The reference group for some positions within Group Asset Management and Real Estate, is Asset Management. To prevent the salary scales of the employees and the EB from diverging too much, partly due to the difference in reference groups, the salary scales of the EB are checked every two years against the

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

reference group of the employees (the general market). If the differences become too great, this may be a reason to adjust the extent to which the maximum of the salary scales of the members of the EB is below the median. The remuneration ratio between the remuneration of the CEO and the median of the remuneration of the employees at a.s.r. will be less than 20.

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

## Item 4. The stakeholders' perspective

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

## Periodical test/review

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

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

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

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

## Contractual aspects

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

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

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

## Pay ratio

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

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

**Pay ratio**

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

## 5.3.3 Executive Board

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

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

**Annual remuneration for members of the Executive Board**

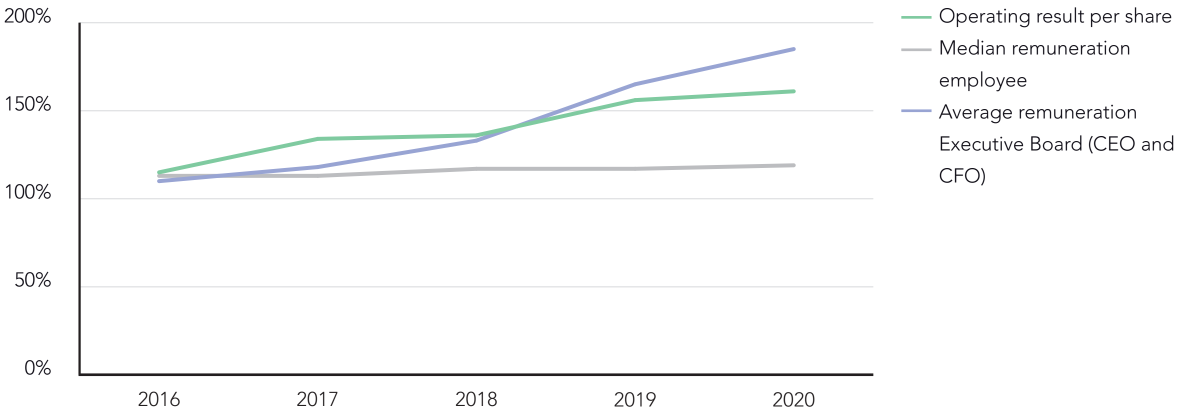
| Amounts for 2020 in € thousand | Fixed remuneration | | | Variable remuneration | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Executive Board member | Base salary | Fees | Fringe benefits[1] | One-year variable | Multi-year variable | Extraordinary items[2] | Pension expense[3] | Total remuneration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

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

## Annual remuneration for members of the Executive Board

| Amounts for 2019 in € thousand | Fixed remuneration | | | Variable remuneration | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Executive Board member | Base salary | Fees | Fringe benefits[1] | One-year variable | Multi-year variable | Extraordinary items | Pension expense[2] | Total remuneration | Fixed portion of the total remuneration[3] |
| Jos Baeten, CEO | 752 | - | 14 | - | - | - | 379 | 1,145 | 100% |
| Chris Figee, CFO | 630 | - | 76 | - | - | - | 118 | 824 | 100% |
| Ingrid de Swart, COO/CTO[4] | 54 | - | 1 | - | - | 100 | 12 | 168 | 40% |
| | | | | | | | | | |
| **Former member** | | | | | | | | | |
| Karin Bergstein[5] | 308 | - | 44 | - | - | 618 | 60 | 1,031 | 40% |
| Michel Verwoest[6] | 43 | - | 6 | - | - | 561 | 10 | 620 | 9% |
| **Total** | **1,787** | **-** | **141** | **-** | **-** | **1,280** | **580** | **3,788** | **66%** |

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




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

1 Variations arise as a result of the fiscal treatment of lease vehicles depending on the price and private use of the car, personal allowance and social security.
2 The commitment on pensions did not change in 2019. The increase in annual pension expenses is caused by a decrease in the interest rates. The calculation of annual pension expenditure is based on the total pension rights granted during the term of service at a.s.r. Further changes in the cost of pension benefits are mainly due to the impact of age, terms of service, gender and age differentiated disability, mortality and other actuarial assumptions. The pension costs include pensions based on maximum pensionable salary cap, compensation for the maximum pensionable salary cap (to be used for pensions at the employees' discretion) amounting to € 285,000 (2018: € 259,000) in total, and VPL. The pension benefits, excluding compensation for the maximum pensionable salary cap, represent post-employment benefits.
3 The proportion of fixed and variable remuneration is not relevant since the members of the EB do not receive any variable remuneration. The low proportion of fixed and variable remuneration of Ingrid de Swart, Karin Bergstein and Michel Verwoest in 2019 is caused by the amount of extraordinary items received by them during the financial year.
4 Ingrid de Swart was appointed a member of the EB on 1 December 2019. The remuneration figures for 2019 reflect a partial year as an EB member. The extraordinary items for 2019 relate to a signing bonus received.
5 Karin Bergstein left the EB on 1 February 2019 and left a.s.r. on 1 August 2019, observing the applicable cancellation period of 6 months. The remuneration figures for 2019 reflect a partial year as a member of the EB. The extraordinary items for 2019 relate to a termination benefit received.
6 Michel Verwoest left the EB and a.s.r. on 1 February 2019. The remuneration figures for 2019 reflect a partial year as a member of the EB. The extraordinary items for 2019 relate to a termination benefit received.

The 2019 Remuneration Report (chapter 5.3 of the 2019 Annual Report) includes a comparison of the previous remuneration policy with the current remuneration policy as at 1 January 2020. The full remuneration policy can be found at www.asrnl.com.

## Pensions

The calculation of annual pension expenses is based on the total pension rights granted during a term of service at a.s.r. pension costs include:

- Pensions based on a maximum pensionable salary cap (€ 110,111, fiscal maximum);
- Compensation for the maximum pensionable salary cap (to be used for pensions at the employee's discretion);
- Pension benefits related to historically awarded pension rights;
- VPL (early retirement and life cycle; VUT, Prepensioen en Levensloop).

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

## Remuneration in 2021

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

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

**Reference group**

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

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

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

### Participation in a.s.r. shares

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

On 1 March 2021, the current members of the EB will hold the following number of shares:

- Jos Baeten 5,374 (23% of the most recent gross salary);
- Annemiek van Melick 1,506 (7% of the most recent gross salary);
- Ingrid de Swart 1,506 (7% of the most recent gross salary).

## 5.3.4 Supervisory Board

The remuneration paid to the members of the SB does not depend on the financial performance of a.s.r. and none of the SB members own a.s.r. shares. The members of the SB are entitled to, as adopted by the 2019 AGM:

- A base fee for members or the Chair of the SB;
- A committee fee for members or the Chair of each of the SB's Committees.

In determining the remuneration level, the responsibilities and time spent by the SB of a listed financial institution are taken into account, including:

- Revised and expanding legislation and regulations;
- Fundamental changes in the nature and complexity of the company and governance;
- a.s.r.'s profile, in which organic growth, mergers, acquisitions and collaborations in complex insurance areas will be actively examined and/or pursued.

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

An overview of the remuneration is given below:

**Type of remuneration**

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

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

### Remuneration of the Supervisory Board members in 2020

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

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

## Annual remuneration for members of the Supervisory Board

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

## Annual remuneration for members of the Supervisory Board

| Amounts for 2019 in € thousand | Fixed remuneration | | | |
|---|---|---|---|---|
| | Base salary[1] | Fees[2] | Total remuneration | Fixed portion of the total remuneration |
| Kick van der Pol | 48 | 14 | 62 | 100% |
| Cor van den Bos | 33 | 17 | 49 | 100% |
| Herman Hintzen | 33 | 22 | 54 | 100% |
| Sonja Barendregt | 33 | 13 | 46 | 100% |
| Gerard van Olphen | 9 | - | 9 | 100% |
| Gisella van Vollenhoven | 9 | 4 | 13 | 100% |
| | | | | |
| **Former member** | | | | |
| Annet Aris[10] | 12 | 3 | 15 | 100% |
| **Total** | **174** | **72** | **246** | **100%** |

1 Remuneration as a SB member of a.s.r.
2 Remuneration as a committee chairperson or member, SB of ASR Bank N.V. or SB of ASR Basis/Aanvullende Ziektekostenverzekeringen N.V.
3 The fees relate to the amounts received as chairman of the Selection & Appointment Committee (S&AC) (€ 10,000), member of the Remuneration Committee (RC) (€ 5,000) and member of the SB of ASR Basis/Aanvullende Ziektekostenverzekeringen N.V. (€ 4,000).
4 The fees relate to the amounts received as committee member of the Audit & Risk Committee (A&RC) (€ 10,000), the S&AC (€ 5,000), the RC (€ 5,000) and member of the SB of ASR Bank N.V. (€ 4,000).
5 The fees relate to the amounts received as a member (later Chair) of the A&RC (€ 12,500), and member of the SB of ASR Basis/Aanvullende Ziektekostenverzekeringen N.V. (€ 4,000).
6 Gerard van Olphen was appointed a member of the SB on 30 October 2019. The remuneration figures for 2019 reflect a partial year. The fees relate to the amounts received as a committee member of the A&RC (€ 5,000).
7 Gisella van Vollenhoven was appointed a member of the SB on 30 October 2019. The remuneration figures for 2019 reflect a partial year. The fees relate to the amounts received as a committee member of the S&AC (€ 5,000) and Chair of the RC (€ 10,000).
8 Joop Wijn was appointed a member of the SB on 28 October 2020. The remuneration figures for 2020 reflect a partial year as a member of the SB. The fees relate to the amounts received as a committee member of the S&AC (€ 1,250) and the RC (€ 1,250).
9 The fees relate to the amounts received as chairman of the A&RC (€ 7,500) and member of the SB of ASR Bank N.V. (€ 3,000).
10 Annet Aris left the SB as of 22 May 2019. The remuneration figures for 2019 reflect a partial year as a member of the SB. The 2019 fees relate to the amounts received as a committee member of the S&AC and Chair of the RC (€ 1,942), and member of the SB of ASR Basis/Aanvullende Ziektekostenverzekeringen N.V. (€ 1,553).

# 5.4 Employee participation

a.s.r. has a Works Council in operation. In addition to the Works Council, there are nine business unit committees. The Works Council is involved in strategic topics that affect a.s.r. as a whole, while the business unit committees handle topics that affect their own business unit. The Works Council and delegates of the business unit committees come together each month to share knowledge in the Board of Employees. Cooperation between the business unit committees, the Works Council and the directors is highly accessible and transparent.

The Works Council consists of three women and four men. Both the gender ratio and age diversity contribute to good dynamics and energy within the group, resulting in well-considered decisions.

Consultation with both the EB and SB takes place in an atmosphere of transparency and openness. The topics dealt with by the Works Council were highly diverse, and included:
- The impact of COVID-19 on the (financial) position of a.s.r., especially its employees;
- Consultations with the trade unions, including the CLA negotiations and the extension of the pension scheme. The Works Council brought the opinions of the employees into the discussions;
- Self-assessment on the operation of the current employee participation model. The Works Council held interviews with supervisory directors, directors, HR, the business unit committees and colleagues to evaluate and optimise the working of the current model.

The Works Council was involved in the introduction of the newly-appointed EB members Annemiek van Melick (CFO) and Ingrid de Swart (COO/CTO) and the SB member, Joop Wijn, and issued positive advice in all cases. It was also involved in the reappointment of the CEO, Jos Baeten, and again issued positive advice.

A delegation from the Works Council attended the AGM in May 2020 and the EGMs in February and October 2020.

A summary of the formal consultations between the Works Council and the CEO and the SB is shown below. In addition to these formal consultations, the Works Council also had a number of informal contacts with the CEO and members of the SB.

**Meetings of the Works Council**

| Meeting | Participants | Number of meetings |
|---|---|---|
| Regular Works Council meetings with a member of the EB | Chairman of EB, secretary of EB, HR Director and Works Council | 6 |
| Ad hoc meetings Works Council with a member of the EB | | 9 |
| Regular Works Council meetings with a member of the EB and members of the SB | Chairman of EB, member(s) of the SB, secretary of EB, HR Director, and Works Council | 2 |
| Works Council meetings without a member of the EB | Works Council | 52 |

The number of requests for an opinion addressed to and dealt with by the Works Council was eight. The number of applications for consent addressed to the Works Council was one. More requests for an opinion were dealt with this year. These were handled by the business unit committees.

The existing Works Council is dismissed on 31 December 2020 and a new Works Council has started work at the beginning of 2021.

# Now is the time to work together

# 6

# Financial statements 2020

a.s.r. wants to assure the Netherlands of a good future

a.s.r. wants to work with its customers on a positive future. Now is the time to work together for current and future generations. The choices a.s.r. makes are important. For example, it makes no investments in nuclear power or the weapons industry, but does invest in green energy and social enterprises. a.s.r. also helps low-skilled workers into employment. And the a.s.r. foundation encourages employees to engage in voluntary work alongside their paid employment.

# 6 Financial statements

# 6.1 Introduction

## 6.1.1 General information

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

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

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

a.s.r. is registered under number 30070695 in the register of the Chamber of Commerce.

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

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

## 6.1.2 Impact of COVID-19

### Introduction

In December 2019, a pneumonia outbreak of COVID-19 was reported in China which in 2020 rapidly developed into what is now commonly referred to as the coronavirus. The virus has resulted in a significant number of confirmed cases of infections globally, including the Netherlands. Governments have taken and are still taking significant measures to contain the outbreak and to mitigate its impact on the economy. In the Netherlands, the Dutch government issued a series of far reaching measures to stop the spread of COVID-19. Both the virus and the countermeasures have a significant impact on Dutch society and economics. The government has also presented a significant economic relief programme to support both companies and individuals that are financially impacted by the corona outbreak.

In these extraordinary times our prime concern is the personal well-being of our customers and our employees, their partners and their families. As a leading Dutch insurer, a.s.r. is committed to help its customers through this challenging period and to do everything in its power to help overcome the COVID-19 crisis in the Netherlands. Despite the abrupt switch to working completely from home, we are genuinely pleased to see that all of our business units have continued delivering their services to our customers uninterrupted and even have been able to further strengthen the relationship with our customers and our intermediaries.

As published in this annual report, a.s.r. is financially healthy and its capital position is solid and these financial statements have been prepared on a going concern basis.

### Impact COVID-19

The overall impact COVID-19 had on the Group's operating result have so far been limited (€ -1 million) due to diversification within and across the various business segments. The impact on the Non-life segment (comprising P&C, Disability and Health) was positive for an amount of € 21 million, while the Life segment showed a negative impact of € 22 million. The other segments' operating result remained relatively unaffected.

Partly due to the diversification of our activities, the impact of COVID-19 on a.s.r.'s operating result is limited in 2020. A negative effect on disability insurance in particular, due to higher absenteeism and longer reintegration processes, and on the Life business, is offset by lower claims in P&C and, to a lesser extent, Health. The effect of the virus itself, but also of the restricting measures that are being taken to control the virus, is noticeable in the Disability business. In this business area we experience an increase in the number of customers who report ill due to stress and other mental problems. Additionally, customers remain ill for a longer period, up to 15% longer in some cases. The effects of the corona crisis reinforce the already visible trend of more and longer absenteeism due to psychological problems and this requires appropriate attention when dealing with the crisis and the measures that are being taken. These are developments that are taken into account with the provisioning. In the Life segment, there was a limited impact from lower direct investment income from dividends and rental income. The COVID-19 impact on mortality result was limited and also due to diversfication effects.

IFRS net result is lower than last year, partially due to the uncertainty and volatility in the financial markets as a result of the COVID-19 crisis. This was reflected in lower revaluations and several impairments in the investment portfolio. Total indirect investment income decreased by € 158 million to € 185 million. The contribution of realised capital gains decreased by € 79 million as a result of COVID-19 and the positive impact in 2019 due to re-risking the asset-mix. Fair value gains and losses decreased by € 50 million due to revaluations, mainly in the retail and office property investment portfolio. Furthermore investments related impairments rose by € 30 million, mainly consisting of equities.

Impairments on goodwill, mainly driven by COVID-19 developments, affected the Life segment (€ 90 million) and Distribution & Services segment (€ 27 million).

The COVID-19 impact on the Solvency II ratio is limited.

More information about the financial impact of COVID-19 is disclosed in the notes to the consolidated balance sheet and the notes to the consolidated income statement where applicable.

The ultimate impact of COVID-19 on the society and results going forward is still impossible to predict accurately. For example, patients may suffer from the effects of COVID-19 for months and be unable to work. The impact also depends on the speed with which the pandemic is being contained and therefore the rate at which the current restrictions are lifted, as well as on the impact on the economy after the government support measures have been completed. We remain cautious for the effects in the longer term.

## 6.1.3 Statement of compliance

The consolidated financial statements of a.s.r. have been prepared in accordance with the IFRS – including the International Accounting Standards (IAS) and Interpretations – as adopted by the EU, and with the financial reporting requirements included in Title 9, Book 2 of the Dutch Civil Code, where applicable.

Pursuant to the options offered by Section 362, Book 2 of the Dutch Civil Code, a.s.r. has prepared its company financial statements in accordance with the same principles as those used for the consolidated financial statements.

# 6.2 Consolidated financial statements

## 6.2.1 Consolidated balance sheet

**Consolidated balance sheet**

| (in € millions and before profit appropriation) | Note | 31 December 2020 | 31 December 2019 (restated)[1] |
|---|---|---|---|
| Intangible assets | 6.5.1 | 345 | 466 |
| Property and equipment | 6.5.2 | 198 | 189 |
| Investment property | 6.5.3 | 1,973 | 1,924 |
| Associates and joint ventures at equity method | 6.5.4 | 101 | 99 |
| Investments | 6.5.5 | 36,599 | 34,724 |
| Investments on behalf of policyholders | 6.5.6 | 10,154 | 9,571 |
| Loans and receivables | 6.5.7 | 14,370 | 12,332 |
| Derivatives | 6.5.8 | 9,168 | 5,959 |
| Deferred tax assets | 6.5.9 | 177 | 197 |
| Reinsurance contracts | 6.5.14 | 483 | 571 |
| Other assets | 6.5.10 | 720 | 722 |
| Cash and cash equivalents | 6.5.11 | 2,846 | 2,905 |
| Assets held for sale | 6.4.6 | 18 | 61 |
| **Total assets** | | **77,151** | **69,721** |
| | | | |
| Share capital | 6.5.12 | 23 | 23 |
| Share premium reserve | | 976 | 976 |
| Unrealised gains and losses | 6.5.12 | 1,137 | 937 |
| Actuarial gains and losses | 6.5.12 | -1,253 | -1,016 |
| Retained earnings | | 4,509 | 4,179 |
| Treasury shares | 6.5.12 | -82 | -9 |
| **Equity attributable to shareholders** | | **5,309** | **5,089** |
| | | | |
| Other equity instruments | 6.5.12 | 1,004 | 1,004 |
| **Equity attributable to holders of equity instruments** | | **6,313** | **6,093** |
| | | | |
| Non-controlling interests | 6.5.12 | - | - |
| **Total equity** | | **6,313** | **6,093** |
| | | | |
| Subordinated liabilities | 6.5.13 | 991 | 990 |
| Liabilities arising from insurance contracts | 6.5.14 | 41,460 | 38,555 |
| Liabilities arising from insurance contracts on behalf of policyholders | 6.5.14 | 13,137 | 12,477 |
| Employee benefits | 6.5.15 | 4,253 | 3,860 |
| Provisions | 6.5.16 | 24 | 54 |
| Borrowings | 6.5.17 | 54 | 47 |
| Derivatives | 6.5.8 | 1,419 | 676 |
| Due to customers | 6.5.18 | 553 | 686 |
| Due to banks | 6.5.19 | 7,996 | 5,520 |
| Other liabilities | 6.5.20 | 951 | 729 |
| Liabilities relating to assets held for sale | 6.4.6 | - | 33 |
| **Total liabilities** | | **70,838** | **63,628** |
| | | | |
| **Total equity and liabilities** | | **77,151** | **69,721** |

1 Comparative figures for 2019 have been restated. For details see chapter 6.3.1

The numbers following the line items refer to the relevant chapters in the notes.

## 6.2.2 Consolidated income statement

**Consolidated income statement for the year ended 31 December**

| (in € millions) | Note | 2020 | 2019 |
|---|---|---|---|
| **Continuing operations** | | | |
| | | | |
| Gross written premiums | 6.6.1 | 5,276 | 4,666 |
| Change in provision for unearned premiums | | 24 | 75 |
| **Gross insurance premiums** | | **5,300** | **4,740** |
| Reinsurance premiums | | -100 | -115 |
| **Net insurance premiums** | | **5,200** | **4,625** |
| | | | |
| Investment income | 6.6.2 | 1,488 | 1,444 |
| Realised gains and losses | 6.6.3 | 396 | 353 |
| Fair value gains and losses | 6.6.4 | -49 | -55 |
| Result on investments on behalf of policyholders | | 474 | 1,574 |
| Fee and commission income | 6.6.5 | 149 | 129 |
| Other income | 6.6.6 | 81 | 165 |
| Share of result of associates and joint ventures | | 4 | 5 |
| **Total income** | | **7,743** | **8,242** |
| | | | |
| Insurance claims and benefits | | -5,082 | -5,475 |
| Insurance claims and benefits recovered from reinsurers | | 30 | 60 |
| **Net insurance claims and benefits** | **6.6.7** | **-5,051** | **-5,415** |
| | | | |
| Operating expenses | 6.6.8 | -701 | -656 |
| Restructuring provision expenses | | -7 | -30 |
| Commission expenses | | -516 | -489 |
| Impairments | 6.6.9 | -167 | -16 |
| Interest expense | 6.6.10 | -331 | -352 |
| Other expenses | 6.6.11 | -141 | -74 |
| **Total expenses** | | **-1,862** | **-1,616** |
| | | | |
| **Result before tax** | | **829** | **1,210** |
| | | | |
| Income tax (expense) / gain | | -172 | -240 |
| **Result after tax from continuing operations** | | **657** | **971** |
| | | | |
| **Discontinued operations** | | | |
| Result after tax from discontinued operations | 6.4.6 | -2 | 1 |
| | | | |
| **Net result** | | **656** | **972** |
| | | | |
| **Attributable to:** | | | |
| Non-controlling interests | | -1 | - |
| | | | |
| - Shareholders of the parent | | 609 | 912 |
| - Holders of other equity instruments | | 48 | 60 |
| **Result attributable to holders of equity instruments** | | **657** | **972** |

The numbers following the line items refer to the relevant chapters in the notes.

## Earnings per share

| (in €) | Note | 2020 | 2019 |
|---|---|---|---|
| **Basic earnings per share** | | | |
| Basic earnings per ordinary share from continuing operations | 6.5.12 | 4.40 | 6.46 |
| Basic earnings per ordinary share from discontinued operations | 6.5.12 | - | - |
| | | | |
| **Basic earnings per share** | | **4.38** | **6.47** |
| | | | |
| **Diluted earnings per share** | | | |
| Diluted earnings per ordinary share from continuing operations | 6.5.12 | 3.95 | 5.94 |
| Diluted earnings per ordinary share from discontinued operations | 6.5.12 | -0.01 | 0.01 |
| | | | |
| **Diluted earnings per share** | | **3.94** | **5.95** |

## 6.2.3 Consolidated statement of comprehensive income

**Consolidated statement of comprehensive income for the year ended 31 December**

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

The numbers following the line items refer to the relevant chapters in the notes.

Shadow accounting allows a recognised but unrealised gain or loss on an asset to be transferred to liabilities arising from insurance contracts (see accounting policy I, chapter 6.3.4).

## 6.2.4 Consolidated statement of changes in equity

**Consolidated statement of changes in equity**

| (in € millions) | Share capital | Share premium reserve | Unrealised gains and losses | Unrealised actuarial gains and losses | Retained earnings | Treasury shares (-) | Equity Attributable To Shareholders | Other Equity Instruments | Non Controlling Interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2019** | **23** | **976** | **586** | **-635** | **3,528** | **-** | **4,478** | **1,001** | **-** | **5,479** |
| Net Result | - | - | - | - | 972 | - | 972 | - | - | 972 |
| Total other comprehensive income | - | - | 351 | -381 | - | - | -31 | - | - | -31 |
| **Total comprehensive income** | **-** | **-** | **351** | **-381** | **972** | **-** | **941** | **-** | **-** | **941** |
| | | | | | | | | | | |
| Dividend paid | - | - | - | - | -252 | - | -252 | - | - | -252 |
| Discretionary interest on other equity instruments | - | - | - | - | -60 | - | -60 | - | - | -60 |
| Issue of other equity instruments | - | - | - | - | - | - | - | 207 | - | 207 |
| Redemptions of other equity instruments | - | - | - | - | - | - | - | -209 | - | -209 |
| Cost of issue of other equity instruments | - | - | - | - | -2 | - | -2 | - | - | -2 |
| Treasury shares acquired (-)/sold | - | - | - | - | -1 | -9 | -10 | - | - | -10 |
| Other movements | - | - | - | - | -6 | - | -6 | 6 | - | -1 |
| **At 31 December 2019** | **23** | **976** | **937** | **-1,016** | **4,179** | **-9** | **5,089** | **1,004** | **-** | **6,093** |
| | | | | | | | | | | |
| **At 1 January 2020** | **23** | **976** | **937** | **-1,016** | **4,179** | **-9** | **5,089** | **1,004** | **-** | **6,093** |
| Net result | - | - | - | - | 657 | - | 657 | - | -1 | 656 |
| Total other comprehensive income | - | - | 200 | -237 | - | - | -37 | - | - | -37 |
| **Total comprehensive income** | **-** | **-** | **200** | **-237** | **657** | **-** | **620** | **-** | **-1** | **619** |
| | | | | | | | | | | |
| Dividend paid | - | - | - | - | -272 | - | -272 | - | - | -272 |
| Discretionary interest on other equity instruments | - | - | - | - | -48 | - | -48 | - | - | -48 |
| Issue of other equity instruments | - | - | - | - | - | - | - | - | - | - |
| Redemptions of other equity instruments | - | - | - | - | - | - | - | - | - | - |
| Cost of issue of other equity instruments | - | - | - | - | - | - | - | - | - | - |
| Treasury shares acquired (-)/sold | - | - | - | - | -1 | -73 | -74 | - | - | -74 |
| Other movements | - | - | - | - | -6 | - | -6 | - | 1 | -5 |
| **At 31 December 2020** | **23** | **976** | **1,137** | **-1,253** | **4,509** | **-82** | **5,309** | **1,004** | **-** | **6,313** |

Unrealised gains and losses include shadow accounting adjustments (see accounting policy I, chapter 6.3.4). For more detailed information on the unrealised gains and losses, see chapter 6.5.12.2.

For more information on the actuarial gains and losses related to the pension obligation, see chapter 6.5.12.3.

In 2019 and 2020, treasury shares acquired / sold are for the purpose of the a.s.r. employee share purpose plan. Furthermore, in 2020, a.s.r. repurchased treasury shares under an open market share buyback programme. See chapter 6.5.12.4.

## 6.2.5 Consolidated statement of cash flows

The table below represents the cash flows from continuing and discontinued operations combined. Cash flows related to discontinued operations are included in chapter 6.4.6. if applicable.

**Consolidated statement of cash flows**

| (in € millions) | 2020 | 2019 |
|---|---|---|
| **Cash and cash equivalents as at 1 January** | **2,955** | **4,018** |
| | | |
| **Cash generated from operating activities** | | |
| Result before tax | 827 | 1,212 |
| | | |
| **Adjustments on non-cash items included in result:** | | |
| Revaluation through profit or loss | -87 | -260 |
| Retained share of result of associates and joint ventures | -3 | -3 |
| | | |
| Amortisation of intangible assets | 32 | 26 |
| Depreciation of property and equipment | 16 | 17 |
| Amortisation of investments | 189 | 174 |
| Amortisation of subordinated debts | 1 | 1 |
| Impairments | 167 | 16 |
| | | |
| **Changes in operating assets and liabilities:** | | |
| Net (increase) / decrease in investment property | 22 | 17 |
| Net (increase) / decrease in investments | -1,010 | -2,997 |
| Net (increase) / decrease in investments on behalf of policyholders | -405 | -1,208 |
| Net (increase) / decrease in derivatives | -2,466 | -2,818 |
| Net (increase) / decrease in amounts due from and to customers | -1,436 | -526 |
| Net (increase) / decrease in amounts due from and to credit institutions | 1,819 | 2,195 |
| Net (increase) / decrease in trade and other receivables | -46 | -31 |
| Net (increase) / decrease in reinsurance contracts | 88 | 86 |
| Net increase / (decrease) in liabilities arising from insurance contracts | 2,023 | 2,101 |
| Net increase / (decrease) in liabilities arising from insurance contracts on behalf of policyholders | 482 | 1,423 |
| Net (increase) / decrease in other operating assets and liabilities | 249 | -133 |
| | | |
| Income tax received (paid) | -87 | -48 |
| Net (increase) / decrease in assets and liabilities relating to held for sale | -21 | - |
| **Cash flows from operating activities** | **354** | **-756** |
| | | |
| **Cash flows from investing activities:** | | |
| Investments in associates and joint ventures | -2 | -36 |
| Proceeds from sales of associates and joint ventures | 3 | 6 |
| Purchases of property and equipment | -14 | -9 |
| Purchases of group companies (less acquired cash positions) | -33 | -256 |
| Sales of group companies (less sold cash positions) | - | -160 |
| Purchase of intangible assets | -1 | -1 |
| **Cash flows from investing activities** | **-47** | **-456** |

| (in € millions) | 2020 | 2019 |
|---|---|---|
| **Cash flows from financing activities:** | | |
| Issue of subordinated debts | - | 492 |
| Proceeds from issues of loans | 4 | - |
| Repayment of loans | -2 | -11 |
| Repayment of lease liabilities | -6 | -6 |
| Dividend paid | -272 | -252 |
| Discretionary interest to holders of equity instruments | -48 | -60 |
| Issue of other equity instruments | - | 207 |
| Repayment of other equity instruments | - | -209 |
| Purchase/ sale of treasury shares | -74 | -10 |
| Costs of issue of subordinated debts | - | -2 |
| **Cash flows from financing activities** | **-399** | **149** |
| | | |
| **Cash and cash equivalents as at 31 December** | **2,863** | **2,955** |
| | | |
| **Further details on cash flows from operating activities:** | | |
| Interest received | 1,471 | 1,407 |
| Interest paid | -330 | -339 |
| Dividend received | 121 | 80 |
| | | |
| **Further details on lease payments:** | | |
| Total cash outflow for leases | -6 | -6 |

## Cash and cash equivalents

| | 2020 | 2019 |
|---|---|---|
| **Total cash and cash equivalents** | | |
| Cash and cash equivalents from continuing operations | 2,846 | 2,905 |
| Cash and cash equivalents classified as assets held for sale | 17 | 50 |
| | | |
| **Total cash and cash equivalents** | **2,863** | **2,955** |

# 6.3 Accounting policies

## 6.3.1 Changes in presentation: restatement

The current presentation differs from last year's presentation in some aspects. Where applicable, in accordance with IFRS, comparative figures have been included in the new presentation format, including related disclosures, to ensure comparability. This restatement mainly concerns investment property reclassified to investments classified at fair value through profit or loss amounting to € 72 million as at year-end 2019 (1 January 2019: nil) for rural property contracts with a repurchase option issued after 1 January 2019. These changes in presentation have no impact on net result nor equity.

## 6.3.2 Changes in EU endorsed published IFRS standards and interpretations effective in 2020

The following changes effective in 2020, which are all endorsed by EU, are relevant to a.s.r.

### Amendments to IAS 1 and IAS 8: Definition of Material

The IASB issued amendments to IAS 1 and IAS 8: Definition of Material which are relevant to a.s.r. and are effective from 1 January 2020. The amendments ensure a consistent definition of materiality throughout the Conceptual Framework and the IFRSs, clarify the explanation of the definition of material and clarify the meaning of 'primary users' of financial statements. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users (being the existing and potential investors, lenders and other creditors) make based on the a.s.r. financial information provided.

a.s.r. deems its previous and current consolidated financial statements to be in line with the amended definition of material, including clarifications. As a result, the amendment has no material effect on the presented quantitative and qualitative information.

## 6.3.3 New standards, interpretations of existing standards or amendments to standards, not yet effective in 2020

The following new standards, amendments to existing standards and interpretations, relevant to a.s.r. and published prior to 1 January 2021 and effective for accounting periods beginning on or after 1 January 2021, were not early adopted by a.s.r.:

- IFRS 17: Insurance Contracts (2023);
- IFRS 9: Financial Instruments (2023).

### IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts revised was issued by the IASB in June 2020 and will replace IFRS 4 Insurance Contracts. The revised IFRS 17 and IFRS 9 will be effective from 1 January 2023. The EU draft endorsement advice IFRS 17 has been prepared by EFRAG and was open for comment until 29 January 2021. IFRS 17 is expected to increase comparability by requiring all insurance contracts to be accounted for in a consistent manner. Insurance obligations will be accounted for using current values – instead of using tariff rates ('tariefgrondslagen') as is currently the a.s.r. accounting policy (see accounting policy I and J).

This standard represents the most significant change to European insurance accounting requirements in decennia and will have a significant impact on the information presented in the financial statements (the primary statements as well as the disclosures). The standard introduces three models for the measurement of the insurance contracts. The general model (GM), the variable fee approach (VFA) for contracts with a direct participating feature and the premium allocation approach which is a simplified version of the general model and can be used mainly for short-duration contracts.

The general model measures insurance liabilities by taking the fulfilment cash flows, being the present value of future cash flows (PVFCF) including a risk adjustment (RA), and then adding a contractual service margin (CSM). The CSM represents the unearned profits of insurance contracts and will change the recognition of revenue in each reporting period for insurance companies. The VFA model is required for contracts with direct participating features and although it contains the same basic components as the general model (PVFCF, RA and CSM), the way in which the investments interact and especially the fair value movements and returns are recognised differ from the GM, whereby the outcome under VFA provides a better matching in the balance sheet and income statement for these contracts.

Under current a.s.r.'s accounting policy, revenue for insurance contracts is recognised when premiums are earned or received. Under IFRS 17, the insurance contract revenue depicts the insurance coverage and other services provided arising from the group of insurance contracts at an amount that reflects the consideration to which a.s.r. expects to be entitled in exchange for those insurance contract services. Revenue includes the release of the CSM and RA in profit or loss over the coverage period. Insurance service result is a new income statement line item which is effectively a net result on non-financial risks of all insurance contracts. Current economic and non-economic (e.g. actuarial) assumptions are used in remeasuring the fulfilment value at each reporting period.

IFRS 17 must be implemented retrospectively with amendment of comparative figures. However, simplifications may be used on transition when the full retrospective approach is impracticable.

**Programme**
In 2017, a.s.r. started a combined IFRS 17 and IFRS 9 programme to implement IFRS 17 and IFRS 9 Financial Instruments. In the programme up to 2020, the focus has been on the following activities:

- Updating Technical Implementation Documents taking into account available information and interpretation (i.e. IASB Board papers, IASB Transition Resource Group papers, and amendments to IFRS 17);
- Gained a better understanding of the impact through performing an impact assessment based on various scenarios;
- Evaluating and analysing the potential use of the disaggregation accounting policy choice for the insurance finance income or expense or OCI-option in combination with hedge accounting;
- Developing and implementation of CSM engines for its pension, life, funeral and disability business;
- Implementation of the IT architecture including implementation of the general ledger, accounting hub and reporting infrastructure;
- Defining the level of aggregation of contracts and decisions regarding the use of different accounting models;
- Preparation of the IFRS 17 accounting manual and key accounting policy choices;
- Preparation of a dummy IFRS 17 and IFRS 9 consolidated financial statements;
- Preparation of a transition plan for IFRS 17, also taking into account the acquisitions;
- Preparation of transition plan for IFRS 9 including if and how to implement hedge strategies due to the strong interaction between the insurance liabilities and the underlying assets;
- Provided feedback and input for the EU endorsement process, IASB IFRS 17 exposure draft and IASB IFRS 17 Amendments, where possible;
- Training of staff participating in the programme;
- A partial end-to-end systems test, including a financial impact assessment (i.e. information and transactions from source systems, via risk engines, accounting hub, general ledger to financial statements) in 2020.
- Preparation for the technical parallel year in 2021, in which all systems will be brought into production ahead of the transition date, 1 January 2022.

At this moment, given the complexity and options available in IFRS 17, it is too early to quantify the actual impact on IFRS equity and profit for the year. However, a.s.r. expects IFRS 17 to have significant changes to its accounting policies and impact on shareholders' equity, net result, presentation and disclosure.

## IFRS 9 Financial Instruments

IFRS 9 is effective from 1 January 2018 and EU endorsed. a.s.r. applies the temporary exemption from applying IFRS 9 for predominant insurance entities as permitted by the amendments to IFRS 4. The IFRS 4 amendments postpone the implementation of IFRS 9 until the effective date of the new insurance contracts standard IFRS 17, which is expected to be 1 January 2023. Due to this exemption there is currently no impact of IFRS 9 on the consolidated financial statements of a.s.r. but it may have a significant impact on shareholders' equity, net result and/or other comprehensive income and on the consolidated financial statements of a.s.r. in 2023. The required disclosures as a result of the temporary exemption from applying IFRS 9 have been provided in chapter 6.7.3 Fair value of financial assets categorised into two groups based on business model and SPPI test results.

IFRS 9 replaces most of the current IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

**Classification and measurement**
The classification and measurement of financial assets under IFRS 9 will depend on a.s.r.'s business model and the instrument's contractual cash flow characteristics. These may result in financial assets being recognised at amortised cost, at fair value through other comprehensive income (equity) or at fair value through profit or loss. In many instances, the classification and measurement under IFRS 9 will be similar to IAS 39, although certain differences will arise. The classification of financial liabilities remains unchanged. The final outcome of the classification and measurement will be highly dependent on the interaction between IFRS 17 insurance contract accounting and IFRS 9 accounting for financial assets and liabilities, taking into account decisions and guidance prepared in the IFRS 17 and IFRS 9 implementation project.

**Impairment**
The recognition and measurement of impairment under IFRS 9 is intended to be more forward-looking than under IAS 39. The new impairment requirements will apply to all financial assets measured at amortised cost and at fair value through other comprehensive income with the exception of equity instruments. Initially, a provision is required for expected credit losses resulting from default events that are expected within the next twelve months. In the event of a significant increase in credit risk, a provision is required for expected credit losses resulting from all possible default events over the expected life of the financial asset.

**Hedge accounting**
The hedge accounting requirements of IFRS 9 aim to simplify the application of hedge accounting.

**Programme IFRS 9**
In the programme up to 2020, the focus has been on the following activities:
- a.s.r. has performed business model evaluation and solely payment of principle and interest (SPPI) testing related to the financial assets and liabilities held by the insurance activities, as part of the overall IFRS 17 and IFRS 9 programme;
- Is evaluating the classification and measurement of the financial instruments in relation to IFRS 17 and asset liability management;
- Preparation of the IFRS 9 accounting manual;
- Implementation and ready for production of the IT architecture for updating the investment management systems for IFRS 9;
- Preparation for the end-to-end systems test, including a financial impact assessment in 2020.

The implementation of IFRS 9, in combination with IFRS 17, for the insurance activities may have a significant impact on shareholders' equity, net result and/or other comprehensive income and on the consolidated financial statements of a.s.r.

## 6.3.4 Key accounting policies

### A. Estimates and assumptions
The preparation of the financial statements requires a.s.r. to make estimates, assumptions and judgements in applying accounting policies that have an effect on the reported amounts in the financial statements.
These relate primarily to the following:
- The fair value and impairments of unlisted financial instruments (see accounting policy B and E);
- The estimated useful life, residual value and fair value of property and equipment, investment property, and intangible assets (see accounting policy C, D and T);
- The measurement of liabilities arising from insurance contracts (see accounting policy I);
- Actuarial assumptions used for measuring employee benefit obligations (see chapter 6.5.15);
- When forming provisions, the required estimate of existing obligations arising from past events;
- The recoverable amount of impaired assets (see accounting policy B, E and G).

The estimates and assumptions are based on management's best knowledge of current facts, actions and events. The actual outcomes may ultimately differ from the results reported earlier on the basis of estimates and assumptions. A detailed explanation of the estimates and assumptions are given in the relevant notes to the consolidated financial statements.

### B. Fair value of assets and liabilities
The fair value is the price that a.s.r. would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants on the transaction date or reporting date in the principal market for the asset or liability, or in the most advantageous market for the asset or liability and assuming the highest and best use for non-financial

assets. Where possible, a.s.r. determines the fair value of assets and liabilities on the basis of quoted prices in an active market. In the absence of an active market for a financial instrument, the fair value is determined using valuation techniques. Although valuation techniques are based on observable market data where possible, results are affected by the assumptions used, such as discount rates and estimates of future cash flows. In the unlikely event that the fair value of a financial instrument cannot be measured, it is carried at cost.

**Fair value hierarchy**
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 and disclosing the comparative fair value of assets and liabilities:

*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[1].

**I. Financial instruments: unlisted fixed-interest preference shares and interest rate contracts**
This category includes unlisted fixed-interest preference shares and interest rate contracts. The valuation techniques for financial instruments use present value calculations and in the case of derivatives, include forward pricing and swap models. The observable market data contains yield curves based on company ratings and characteristics of the unlisted fixed-interest preference shares.

**II. Financial instruments: Loans and receivables (excluding mortgage loans)**
The fair value of the loans and receivables 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.

**III. Other financial assets and liabilities**
For other financial assets and liabilities where the fair value is disclosed these fair values are based on observable market inputs, primarily being the price paid to acquire the asset or received to assume the liability on initial recognition, assuming that the transactions have taken place on an arm's length basis. Valuation techniques using present value calculations are applied using current interest rates where the payment terms are longer than one year.

*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

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

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, rural property contract and buildings for own use;
IV. Financial instruments: asset-backed securities.

**I. Financial instruments: private equity investments and real estate equity funds third parties**
The main non-observable market input for private equity investments and real estate equity funds third parties is the net asset value of the investment as published by the private equity company (or partner) and real estate equity funds respectively.

**II. Financial instruments: loans and receivables – mortgage loans, and mortgage equity funds**
The fair value of the mortgage loan portfolio 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. The valuation method used to determine the fair value of the mortgage loan portfolio bases the spread on the interest rate curve for discounting the mortgage portfolio cash flows on consumer rates and includes assumptions for originating cost, proposal risk, and the options related to early redemption and moving.

The method of determining the fair value of the mortgage equity funds is similar to that of mortgage loans, however it excludes assumptions for originating cost and is determined within the funds structure.

**III. Investment property, real estate equity funds associates and buildings for own use**
The following categories of investment properties and buildings for own use is recognised and methods of calculating fair value are distinguished:
- Residential – based on reference transaction and discounted cash flow method;
- Retail – based on reference transaction and income capitalisation method;
- Rural – based on reference transaction and discounted cash flow method;
- Offices – based on reference transaction and discounted cash flow method (including buildings for own use);
- Other – based on reference transaction and discounted cash flow method;
- Under construction – based on both discounted cash flow and income capitalisation method.

The following valuation methods are available for the calculation of fair value by the external professional appraisers for investment property, including real estate equity funds associates, rural property contract and buildings for own use:

**Reference transactions**
Independent professional appraisers use transactions in comparable properties as a reference for determining the fair value of the property. The reference transactions of comparable objects are generally based on observable data consisting of the land register 'Kadaster' and the rural land price monitor as published by the Dutch government 'grondprijsmonitor' in an active property market and in some instances accompanied by own use information.

The external professional appraisers valuate the property using the reference transaction in combination with the following valuation methods to ensure the appropriate valuation of the property:
- Discounted cash flow method;
- Income capitalisation method.

**Discounted cash flow method**
Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on the investment property dependent on the duration of the lease contracts.

A market-derived discount rate is applied to these projected cash flow series in order to establish the present value of the cash flows associated with the asset. The exit yield is normally determined separately, and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behavior, which depends on the class of investment property. Periodic cash flow is typically estimated as gross rental income less vacancy (apart from the rural category), non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

For the categories residential, offices and other in applying the discounted cash flow method, the significant inputs are the discount rate and market rental value. These inputs are verified with the following market observable data (that are adjusted to reflect the state and condition, location, development potential etc. of the specific property):
- Market rent per square meter for renewals and their respective re-letting rates;
- Reviewed rent per square meter;
- Investment transactions of comparable objects;
- 10 Year Dutch Government Bond Yield (%) as published by the DNB.

When applying the discounted cash flow method for rural valuations, the significant inputs are the discount rate and market lease values. These inputs are verified with the following market observable data (that are adjusted to reflect the state and condition, location, development potential etc. of the specific property):
- Market value per acre per region in accordance with the ‘rural land price monitor’;
- 10 Year Dutch Government Bond Yield (%) as published by the DNB.

**Income capitalisation method**
Under the income capitalisation method, a property’s fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate (the investor’s rate of return). The difference between gross and net rental income includes the same expense categories as those for the discounted cash flow method with the exception that certain expenses are not measured over time, but included on the basis of a time weighted average, such as the average lease up costs. Under the income capitalisation method, rents above or below the market rent are capitalised separately.

The significant inputs for retail valuations are the reversionary yield and the market or reviewed rental value. These inputs are generally verified with the following observable data (that are adjusted to reflect the state and condition, location, development potential etc. of the specific property):
- Market rent per square meter for renewals;
- Reviewed rent per square meter (based on the rent reviews performed in accordance with Section 303, Book 7 of the Dutch Civil Code).

The fair value of investment properties and buildings for own use, are appraised annually. Valuations are conducted by independent professional appraisers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the property being valued. Market value property valuations were prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards, 7th Edition (the ‘Red Book’). a.s.r. provides adequate information to the professional appraisers, in order to conduct a comprehensive valuation. The professional appraisers are changed or rotated at least once every three years.

**IV. Financial instruments: asset-backed securities**
The fair value of the asset-backed securities is based on quotes published by an independent data vendor.

**Transfers between levels**
The hierarchical level per individual instrument, or group of instruments, is reassessed at every reporting period. If the instrument, or group of instruments, no longer complies with the criteria of the level in question, it is transferred to the hierarchical level that does meet the criteria. A transfer can for instance be when the market becomes less liquid or when quoted market prices for the instrument are no longer available.

## C. Intangible assets
Intangible assets are carried at cost, less any accumulated amortisation and impairment losses. The residual value and the estimated useful life of intangible assets are assessed on each balance sheet date and adjusted where applicable.

### Goodwill

Acquisitions by a.s.r. are accounted for using the acquisition method. Goodwill represents the excess of the cost of an acquisition over the fair value of a.s.r.'s share of the net identifiable assets and liabilities and contingent liabilities of the acquired company at acquisition date. If there is no excess (purchase gain), the carrying amount is directly recognised through the income statement. At the acquisition date, goodwill is allocated to the cash-generating units (CGUs) that are expected to benefit from the business combination.

Goodwill has an indefinite useful life and is not amortised. a.s.r. performs an impairment test annually, or more frequently if events or circumstances warrant so, to ascertain whether goodwill has been subject to impairment. As part of this, the carrying amount of the cash-generating unit to which the goodwill has been allocated is compared with its recoverable amount. The recoverable amount is the higher of a cash-generating unit's fair value less costs to sell and value in use. The carrying value is determined as the net asset value including goodwill. The methodologies applied to arrive at the best estimate of the recoverable amount involves two steps.

In the first step of the impairment test, the best estimate of the recoverable amount of the CGU to which goodwill is allocated is determined separately based on Price to Earnings or Price to EBITDA ratios (fair value less cost to sell model). The ratio(s) used per CGU depends on the characteristics of the entity in question. The main assumptions in this valuation are the multiples for the aforementioned ratios. These are developed internally but are either derived from or corroborated against market information that is related to observable transactions in the market for comparable businesses.

If the outcome of the first step indicates that the difference between the recoverable amount and the carrying value may not be sufficient to support the amount of goodwill allocated to the CGU, step two is performed. In step two an additional analysis is performed in order to determine a recoverable amount in a manner that better addresses the specific characteristics of the relevant CGU.

The additional analysis is based on an internal value-in-use model, wherein managements assumptions in relation to cash flow projections for budget periods up to and including five years are used and, if deemed justified, expanded to a longer period given the nature of the insurance activities. Other assumptions, such as the (pre-tax) discount rate and the steady state growth rate, are determined on the advice of an independent external party and are based on a Capital Asset Pricing Model (CAPM). This methodology is based on a risk-free rate plus a risk premium. Operating assumptions are best estimate assumptions and based on historical data where available. Economic assumptions are based on observable market data and projections of future trends.

If the recoverable amount is lower than its carrying amount, the difference is directly charged to the income statement as an impairment loss.

In the event of impairment, a.s.r. first reduces the carrying amount of the goodwill allocated to the cash-generating unit. After that, the carrying amount of the other assets included in the unit is reduced pro rata to the carrying amount of all the assets in the unit.

### Value of Business Acquired

The Value of Business Acquired (VOBA) represents the difference between the fair value and the carrying amount of insurance portfolios that have been acquired, either directly from another insurer or through the acquisition of a subsidiary. VOBA is recognised as an intangible asset with a finite useful life and amortised over the term of the current insurance contracts at acquisition date, in conjunction with the corresponding obligations. With regard to VOBA, allowance is made for the outcome of the annual compulsory Liability Adequacy Test (LAT) for insurance contracts (see accounting policy I). Amortisation charges related to VOBA are included in net claims and benefits. The negative VOBA is amortised based on the weighted average term of the acquired insurance contracts at acquisition date. Negative VOBA, or an additional provision, is recognised and presented under the Liabilities arising from insurance contracts.

Should VOBA's carrying amount exceed the difference between the carrying amount of the liabilities arising from insurance contracts and the liabilities identified as part of the LAT and no other adjustment is made to the liabilities as a result of the LAT outcomes, VOBA is impaired to a level where the values are equal. This is charged to the income statement as an impairment loss.

## D. Investment property

Investment property is property held to earn rent or for capital appreciation or both. Property interests held under operating leases are classified and accounted for as investment property. In some cases, a.s.r. is the owner-occupier of investment properties. If owner-occupied properties cannot be sold separately, they are treated as investment property only if a.s.r. holds an insignificant portion for use in the supply of services or for administrative purposes. Property held for own uses (owner-occupied) is recognised within property and equipment.

Investment property is primarily recognised using the fair value model. After initial recognition, a.s.r. remeasures all of its investment property (see accounting policy B) whereby any gain or loss arising from a change in the fair value of the specific investment property is recognised in the income statement under fair value gains and losses.

Residential property is generally let for an indefinite period. Other investment property is let for defined periods under leases that cannot be terminated early. Some contracts contain renewal options. Rentals are accounted for as investment income in the period to which they relate.

If there is a change in the designation of property, it can lead to:
- Reclassification from property and equipment to investment property: at the end of the period of owner-occupation or at inception of an operating lease with a third party; or
- Reclassification from investment property to property and equipment: at the commencement of owner-occupation or at the start of developments initiated with a view to selling the property to a third party.

The following categories of investment property are recognised by a.s.r. based primarily on the techniques used in determining the fair value of the investment property:
- Retail;
- Residential;
- Rural;
- Offices;
- Other (consisting primarily of parking);
- Investment property under development.

Property under development for future use as investment property is recognised as investment property. The valuation of investment property takes (expected) vacancies into account.

Borrowing costs directly attributable to the acquisition or development of an asset are capitalised and are part of the cost of that asset. Borrowing costs are capitalised when the following conditions are met:
- Expenditures for the asset and borrowing costs are incurred; and
- Activities are undertaken that are necessary to prepare an asset for its intended use.

Borrowing costs are no longer capitalised when the asset is ready for use or sale. If the development of assets is interrupted for a longer period, capitalisation of borrowing costs is suspended. If the construction is completed in stages and each part of an asset can be used separately, the borrowing costs for each part that reaches completion are no longer capitalised.

## E. Investments

Based on the amended IFRS 4, effective as of 1 January 2018, a.s.r. meets the criteria of a predominant insurer as of 31 December 2015 as the percentage of the total carrying amount of its liabilities connected with insurance related activities to the total carrying amount of all its liabilities exceeded 90% at that date. The liabilities connected with insurance, that are not liabilities directly arising from contracts within the scope of IFRS 4, have a carrying amount of € 3.3 billion and primarily relate to the derivative liabilities and due to banks as included in the Non-life and Life segments and the subordinated liabilities.

As a result a.s.r. decided to apply the temporary exemption from applying IFRS 9 by deferral until IFRS 17 (new accounting standard for insurance contracts) is implemented. The implementation of amended IFRS 4 had no significant impact on the consolidated financial statements of a.s.r. The additional disclosure requirements are presented in the chapters on Risk management and Other notes.
When a.s.r. becomes party to a financial asset contract, the related assets are classified into one of the following categories:
- Financial assets at fair value through profit or loss;
- Loans and receivables (see accounting policy G); or
- Financial assets available for sale.

The classification of the financial assets is determined at initial recognition. The classification depends on the purpose for which the investments were acquired. For detailed information on the fair value of the financial assets please see accounting policy B.

**Financial assets at fair value through profit or loss**
Financial assets at fair value through profit or loss include:
- Derivatives that do not qualify for hedge accounting (see accounting policy B and H);
- Financial assets, designated by a.s.r. as carried at fair value through profit or loss. This option is available whenever:
  - It eliminates or significantly reduces a measurement inconsistency that would otherwise arise from measuring assets or liabilities on different bases (accounting mismatch);
  - a.s.r. manages a group of financial instruments (assets, liabilities or both) on the basis of fair value in accordance with a documented risk management or investment strategy; or
  - The financial assets contain one or more embedded derivatives and a.s.r. does not separate the derivative from the host contract; and
- Associates for which a.s.r. uses the fair value option under IAS 28.

Financial assets at fair value through profit or loss are stated at fair value. At initial recognition, transaction costs are recognised in the income statement. Realised and unrealised gains and losses in the fair value are also recognised in the income statement.

**Financial assets available for sale**
Financial assets available for sale are financial assets that are not accounted for as financial assets at fair value through profit or loss, or as loans and receivables. On initial recognition, financial assets available for sale are measured at fair value (including transaction costs). They are subsequently measured at fair value, including any unrealised fair value changes in equity and impairments, taking into account any deferred tax liabilities. Financial assets available for sale include equities (ordinary and preference shares), bonds, other fixed-income securities, unit trusts, variable-income securities and interests in investment pools.

**Impairment of financial assets**
At each balance sheet date, a.s.r. assesses whether objective evidence exists of financial assets are impaired. Financial assets at fair value through profit or loss are not subject to impairment testing, because the fair value of these assets reflects any impairment losses.

In the case of equity investments available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment. a.s.r. considers as a significant or prolonged decline to have occurred if the fair value:
- Has fallen 25% or more below cost; or
- Has fallen below cost for an uninterrupted period of twelve months or longer.

Fixed-income financial assets available for sale are tested for impairment if objective evidence exists that the counterparty will default. Objective evidence includes: bankruptcy, financial reorganisation or delinquency in payments for more than 30 days. The assessment may also involve circumstances requiring a more detailed estimate, such as in the event of an equity deficit, recurring financial difficulties, downgrading of the credit rating or other creditors reverting to legal action. This assessment is made at each reporting date by the Level of Concern Committee, where the portfolio managers and analysts assign a level of concern from 'Nil' to 'Three' to each of the fixed-income assets. A level of concern 'Nil' means that there is no reason for concern, while a level of concern 'Three' indicates that the situation is critical and that an impairment is highly recommended. The final decision to recognise an impairment loss on a financial asset or to reverse a prior impairment loss is taken in the quarterly Impairment Committee, chaired by the Group Asset Management director.

Impairment losses are recognised directly in the income statement and represent the difference between amortised cost and the fair value at the balance sheet date, net of any previously recognised impairments.

If, at a later stage, the fair value of the financial assets available for sale should increase and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement. Impairment losses on equities available for sale are not reversed, and any increases in fair value are recorded in equity.

## F. Investments on behalf of policyholders
Investments made for the account and risk of policyholders mainly concern unit-linked insurance contracts and group contracts with segregated pools. These investments are carried at fair value. Any realised and unrealised value changes of the investments are recognised in the income statement as gains or losses on investments on behalf of policyholders.

## G. Loans and receivables

Loans and receivables are measured at fair value plus transaction costs on initial recognition. They are subsequently measured at amortised cost based on the effective interest rate method, less impairment losses if deemed necessary.

**Receivables from customers**

Receivables from customers are primarily comprised of business loans and mortgage loans.

**Receivables from credit institutions**

Receivables from credit institutions concern business loans, deposits and the savings portion of savings mortgages concluded by a.s.r.

**Trade and other receivables**

Trade and other receivables are receivables arising from a.s.r.'s normal business operations.

**Impairment of loans and receivables**

At each balance sheet date, a.s.r. assesses whether objective evidence of impairment exists of the loans and receivables.

An individually assessed asset is considered impaired if objective evidence exists that a.s.r. is unable to collect all the amounts due by the counterparty in accordance with the contractual terms and conditions. The amount of the impairment loss is equal to the difference between the asset's carrying amount and its recoverable amount. The recoverable amount equals the present value of estimated future cash flows, including amounts realised from guarantees and securities provided, discounted at the financial asset's original effective interest rate.

Loans and receivables that are not individually significant are grouped on the basis of similar credit risk characteristics.

Impairment based on the collective approach is determined by applying risk models for similar financial assets, taking account of historical information and regularly updated parameters for default.

Incurred but not reported (IBNR) losses are also taken into account. IBNR is estimated by reference to historical loss patterns. The current economic climate is reflected, and account is taken of potentially higher credit risk based on an analysis of the economic situation.

Impairment losses are charged to the income statement. If, at a later stage, the impairment losses should decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in the impairment loss is recognised in the income statement.

## H. Derivatives

Derivatives are primarily used by a.s.r. for hedging interest rate and exchange rate risks, for hedging future transactions and the exposure to market risks. Derivatives are mandatorily measured at fair value through profit or loss. a.s.r. does not apply hedge accounting.

## I. Liabilities arising from insurance contracts

**General**

This includes liabilities arising from insurance contracts issued by a.s.r. that transfer significant insurance risks, and in some cases also FR, from the policyholder to a.s.r.

**Liabilities arising from Non-life insurance contracts**

These liabilities comprise a provision for claims, a provision for current risks, and a provision for unearned premiums. The provision for claims is based on estimates of claims payable. Claims payable relate to unpaid claims and claims handling costs, as well as claims IBNR incurred but not reported.

The estimates are based on individual assessments of the reported claims, on past experiences and estimates of trends (expert judgement) in claims behaviour, (national) social factors and economic factors and relevant court decisions. In the process of determining the liabilities, allowance is made for amounts recoverable from third parties and expected subrogation reimbursements.

Loss obligations in respect of occupational disability are discounted. The recognised provisions are sufficient to cover the cost of claims and claims handling fees. a.s.r. discounts obligations for losses only for claims with determinable and fixed payment terms.

Additional provisions are generally recognised for realised gains or losses on financial assets allocated to insurance contracts if and to the extent that the current interest rate is lower than the interest rate that was used in the pricing principles at inception of the insurance contract.

The provision for current risks is based on the estimate of future claims taking into account future premiums.

The provision for unearned premiums is equal to gross unearned premium income less commissions paid. The provision is determined on a time proportional basis.

**Liabilities arising from life insurance contracts**

Future obligations in respect of policy benefits for life insurance contracts are calculated based on a net premium method (the present value of future obligations less the present value of future net premiums) using the same principles as for calculating the premium at inception of the insurance contract. A provision for future administrative expenses is recognised for contracts whose future premium payment period is shorter than the future maturity of the insurance policy, or for which no more premiums are paid. A provision is recognised for part of longevity risk associated with life insurance contracts (e.g. group life and annuity contracts), a.s.r. manages the longevity risk exposure in combination with the mortality risk exposure. No addition to the provision for longevity risk is recognised if the outcome of the LAT (see section 'IFRS LAT Life' later in this chapter) indicates that the total amount of the provision is adequate.

Additional provisions are generally recognised for realised gains or losses on financial assets allocated to:
- Insurance contracts with participation features;
- Non-participating insurance contracts if and to the extent that the current interest rate is lower than the interest rate that was used in the pricing principles at inception of the insurance contract.

These financial assets include fixed-income financial assets available for sale, specific financial assets designated at fair value through profit or loss, and specific derivatives (i.e. swaptions, interest rate swaps and inflation rate swaps). The realised gains or losses are amortised based on the remaining maturity period of the disposed financial assets. The realised gains or losses and the amortisation thereof are included in net insurance claims and benefits.

Participating contracts include additional obligations relating to contractual dividends or profit sharing and are stated net of capitalised interest rate rebates. These interest rate rebates are amortised in accordance with actuarial principles to the extent that the expected surplus interest is realised.

**Reinsurance liabilities**

Reinsurance liabilities, with a.s.r. qualifying as the reinsurer and with significant insurance risk being transferred to a.s.r., are accounted for in the same way as regular directly written insurance contracts. They are included under liabilities arising from insurance contracts.

Obligations to insurers where a.s.r. qualifies as the reinsurer, and with no significant insurance risk being transferred to a.s.r., are recognised as debts to policyholders.

**Life insurance contracts with a discretionary participation features (DPF)**

Under DPF life insurance contracts, policyholders are assigned, in addition to their entitlement to a guaranteed element, an entitlement to potentially significant additional benefits whose amount or timing is contractually at the discretion of a.s.r. These additional benefits are based on the performance of a specified pool of investment contracts, specific investments held by a.s.r. or on the issuer's operational result.

Expected entitlements to discretionary benefits are recorded in equity. Once a decision has been taken for discretionary participation features, any related benefits are recognised as liabilities.

**Shadow accounting**

The Group's insurance accounting policies include the application of shadow accounting which is a specialised accounting treatment commonly utilised in insurance accounting and is permitted under IFRS.
The purpose of shadow accounting is to help reduce potential accounting mismatches which can occur when related assets and liabilities:
- Are measured on a different basis; or
- Have changes in their measurements recorded in different IFRS performance statements (Income Statement or OCI).

Under shadow accounting, adjustments are made to the insurance liability to reflect the unrealised gains or losses from the financial instruments backing these insurance liabilities. For non-participating contracts, adjustments are made to the insurance liability to reflect the unrealised gains from the financial instruments (including derivatives) backing these insurance liabilities. In addition, shadow accounting is applied to the unrealised fair value losses on derivatives held to the extent that they are allocated to the entity.

The shadow accounting policy is applied to certain types of insurance liabilities:
- Insurance contracts with participation features;
- Non-participating insurance contracts (including disability insurance contracts) if and to the extent that the IFRS LAT would be triggered. This would be the case when current interest rates are lower than the interest rates that were used in the pricing principles at inception of the insurance contract.

Shadow accounting allows a recognised but unrealised gain or loss on an asset to affect the measurement of its insurance liabilities in the same way that a realised gain or loss does.

Shadow accounting is applied to unrealised value changes in fixed-income financial assets available for sale, specific financial assets designated at fair value through profit or loss, and specific derivatives (i.e. swaptions and interest rate and inflation rate swaps) that are backing the liabilities arising from insurance contracts. The related adjustment to the insurance liability is recognised in OCI if, and only if, the unrealised gains or losses are recognised in other comprehensive income. Unrealised gains and losses on assets at fair value through profit or loss are recognised in the income statement with a corresponding adjustment for shadow accounting in the income statement under ‘Net insurance claims and benefits’.

No shadow accounting is applied to:
- Impairments; and
- Revaluations of debt instrument that have been subject to impairment.

**IFRS Liability Adequacy Test Non-life**
The Liability Adequacy Test (LAT) is performed at each reporting date to assess the adequacy of insurance liabilities for Non-life. The insurance liabilities for the LAT are calculated in accordance with Solvency II, using the UFR rate prevailing at the reporting date.

Where the Property & Casualty (motor, fire and liability) and Health liabilities business is concerned, the LAT is performed using statistical analyses. Any identified losses are used as a basis for estimating future claims arising from an insurance contract from the portfolio on the balance sheet date. This is the best estimate. An appropriate risk margin is added. The risk margin is determined for each homogeneous risk group using the Cost of Capital (CoC) method that is also used for Life. With effect from 2016 the Non-life CoC rate of 6% (2019: 6%) is used for all Non-life business, including Disability. The total of best estimate and risk margin is compared to the technical provision recorded in the balance sheet.

The LAT for the disability portfolio is based on cash flow projections using realistic assumptions comparable to the LAT for the life portfolio (see below).

The total of best estimate and risk margin for Non-life segment as a whole, is compared to the technical provision recorded in the balance sheet. If there is a deficiency, the Non-life insurance liabilities are increased to adequate levels through a charge to the income statement.

**IFRS Liability Adequacy Test Life**
The LAT is performed at each reporting date to assess the adequacy of insurance liabilities. The insurance liabilities for the LAT are calculated in accordance with Solvency II, using the Ultimate Forward Rate (UFR) rate prevailing at the reporting date.

Liabilities are adequate if the technical provision recognised in a.s.r.’s balance sheet for the Life segment as a whole at least equals the best estimate of the life insurance liabilities including an appropriate risk margin. If there is a deficiency in the life insurance liabilities, those liabilities are increased to adequate levels through a charge to the income statement.

Also unrecognised gains and losses from relevant assets that are not carried at fair value in the balance sheet are taken into account to the extent these assets are allocated to cover the insurance liabilities. The various elements of the LAT are further discussed below.

### Best estimate
The best estimate of an insurance contract is the net present value of the projected cash flows of benefits and expenses, less the net present value of premiums. These cash flows are estimated using realistic, 'best estimate', assumptions in relation to mortality, longevity, lapse rate, expense and inflation. The best estimate assumptions regarding mortality and longevity include recent trend assumptions for life expectancy in the Netherlands, as provided by the Dutch Actuarial Association. The best estimate includes the intrinsic value and the time value of options and guarantees (TVOG) and is calculated using stochastic techniques.

Where applicable, the participating features of the insurance contracts, such as profit sharing, are taken into account in the future cash flows. The cash flows are discounted using the Euro swap curve including a credit risk adjustment (CRA), with UFR and volatility adjustment (VA).

In unit-linked contracts, the best estimate equals the fund value of the contract less the net present value of future margins on mortality and expense. Where unit-linked contracts with a guaranteed minimum benefit on expiration are concerned, the best estimate is increased by a Time Value of Financial Options (TVOG).

### Risk margin
The risk margin is determined for each homogeneous risk group using the CoC method. For life a CoC rate of 6% (2019: 6%) is used. a.s.r. uses the latest standard Solvency II model, to quantify the risks. The risks that are incorporated in the risk margin are: insurances risks, counterparty default risk related to reinsurance and operational risk. A projection of expected future risks is made and all these risks are projected into the future. The total risk for every future year is determined based on correlations between the risks described in the Solvency II standard model. The projected total risk for every year is multiplied by a cost of capital charge and discounted at the balance sheet date.

### Options embedded in insurance contracts
Options embedded in insurance contracts are not stated separately. They are treated in the same way as the host contract. These options are recognised in the adequacy test, taking into consideration both the intrinsic and the time value.

## J. Liabilities arising from insurance contracts on behalf of policyholders
Liabilities arising from insurance contracts for the account and risk of policyholders mainly concern unit-linked contracts. An investment unit is a share in an investment fund that a.s.r. acquires on behalf of the policyholders using net premiums paid by the policyholders. The gain upon maturity of the contract is equal to the current value of the investment units of the fund in question. The current value of an investment unit (unit value) reflects the fair value of the financial assets held by a.s.r.'s investment funds divided by the number of units.

The fair value of the financial liabilities is obtained by multiplying the number of units attributed to each contract holder at the end of the reporting period by the unit value on the same date. Allowance is also made for liabilities arising from technical insurance risks (death, occupational disability).

Some unit-linked contracts include guaranteed benefits at maturity. To cover these guarantees, an additional obligation is recognised in the balance sheet that depends on the current fund value and the level of the guarantee. Actuarial assumptions about future fund developments and mortality are taken into account in the determination this obligation.

Liabilities arising from insurance contracts on behalf of policyholders also include obligations in connection with savings pools and group pension contracts, with policyholders bearing the investment risk. These liabilities also include a provision for compensation of possible high cost of the unit linked insurance contracts, as agreed in 2008 with the consumer organisations. The additional compensation related to the unit linked insurance contracts for the past has been included in the insurance liability and is therefore included in the investment portfolio. In addition, there is still a provision for compensation for claimants and compassionate and supportive policy 'flankerend beleid'.

For the LAT relating to the liabilities arising from insurance contracts on behalf of policyholders see accounting policy I.

## K. Employee benefits (IAS 19)
### Pension obligations
A number of defined benefit (DB) plans for own staff exist. These are schemes under which staff are awarded pension benefits upon retirement, usually dependent on one or more factors, such as years of service and compensation. The DB obligation is calculated at each reporting date by independent actuaries. The majority of employees are formally employed by a.s.r. A limited amount of employees are employed by other group companies.

The liability in respect of DB plans is the present value of the DB obligation at the balance sheet date, less the fair value of the plan assets where the pension plans are insured by third parties.

ASR Levensverzekering N.V. (a.s.r. life) administers most of the post-employment benefit plans and holds the investments that are intended to cover the employee benefit obligation. These investments do not qualify as plan assets in the consolidated financial statements under IFRS.

Pension obligations are calculated using the projected unit credit method. Inherent to this method is the application of actuarial assumptions for discount rates, future salary increases and bonuses, mortality rates and consumer price indices. The assumptions are updated and checked at each reporting date, based on available market data. The assumptions and reports were reviewed by Risk Management.

Actuarial assumptions may differ from actual results due to changes in market conditions, economic trends, mortality trends and other assumptions. Any change in these assumptions can have a significant impact on the DB obligation and future pension costs.

Changes in the expected actuarial assumptions and differences with the actual actuarial outcomes are recognised in the actuarial gains and losses included in other comprehensive income (component of total equity).

When employee benefit plans are modified and when no further obligations exist, a gain or loss, resulting from the changes are recognised directly in the income statement. Consistent with the calculation of a gain or loss on a plan amendment, a.s.r. will use updated actuarial assumptions to determine the current service cost and net interest for the remainder of the annual reporting period upon the time of such amendment. The effect of the asset ceiling, if applicable, is disregarded when calculating the gain or loss on any settlement of the plan.

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

a.s.r. also has defined contribution (DC) plans for a limited number of employees which are employed by entities that operate in the Distribution and Service segment. For these DC plans, a.s.r. pays contributions to privately administered pension insurance plans with a.s.r. life on a contractual basis. a.s.r. has no further payment obligations once the contributions have been paid. The contributions are recognised as operating expenses in the profit or loss account during the period the services are rendered. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

**Other long-term employee benefits**
Plans that offer benefits for long-service (leave), but do not qualify as a post-employment benefit plan, such as jubilee benefits, are measured at present value using the projected unit credit method and changes are recognised directly in the income statement.

**Other post-retirements obligations**
a.s.r. offers post-employment benefit plans, such as arrangement for mortgage loans at a discount (fixed amount, reference date December 2017). The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology that is similar to that for DB plans.

**Vacation entitlements**
A liability is formed for the vacation days which have not been taken at year-end.

## L. Discontinued operations and assets and liabilities held for sale

Classification as held for sale occurs when the carrying amount will be recovered principally through a sale transaction rather than through continuing use. This is only the case when the sale is highly probable:

- The disposal group or group of assets is available for immediate sale in its present condition;
- a.s.r. is committed to a plan to sell these assets and has an active programme to locate a buyer;
- The sale is expected to occur within one year from the date of classification as held for sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When a group of assets classified as held for sale represents a major line of business or geographical area the disposal group classifies as discontinued operations. Assets classified as held for sale (including assets of operations which are discontinued) are recorded at the lower of their carrying amount and their fair value, less the expected cost to sell the assets.

Any impairment is restricted to the carrying amount of the non-current assets within the scope of IFRS 5 measurement requirements. The comparative consolidated income statement and consolidated statement of comprehensive income are restated to show the discontinued operations separately from the continuing operations.

Where applicable in the notes to the financial statements the reclassification to assets held for sale and liabilities relating to assets held for sale are recognised in the changes in the composition of the group.

Should the impairment exceed the carrying value of the non-current assets within the scope of IFRS 5 measurement, any remaining impairment amount will be presented as a separate provision.

### M. Acquisitions (Business combinations)

Acquisitions are accounted for according to the acquisition method, with the cost of the acquisitions being allocated to the fair value of the acquired identifiable assets, liabilities and contingent liabilities. Goodwill, being the difference between the cost of the acquisition and a.s.r.'s interest in the fair value of the acquired identifiable assets, liabilities and contingent liabilities on the acquisition date, is capitalised as an intangible asset. Any gain as a result of a purchase is recognised directly in the statement of profit or loss. Any change, in the fair value of acquired assets and liabilities at the acquisition date, determined within one year after acquisition, is recognised as an adjustment charged to goodwill in case of a preliminary valuation. Adjustments that occur after a period of one year are recognised in the income statement. Adjustments to the purchase price that are contingent on future events, and to the extent that these are not already included in the purchase price, are included in the purchase price of the acquisition at the time the adjustment is likely and can be measured reliably.

Where applicable in the notes to the financial statements the acquisitions are recognised in the changes in the composition of the group.

## 6.3.5 Other accounting policies

### N. Basis for consolidation - subsidiaries

The consolidated financial statements include the financial statements of a.s.r. and its subsidiaries. Subsidiaries are those entities (which may include deemed separate entities, the so-called 'silos') over which a.s.r. has control. Control exists when a.s.r. is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. This is the case if more than half of the voting rights may be exercised or if a.s.r. has control in any other manner. Subsidiaries are fully consolidated from the date on which control is acquired by a.s.r. and are deconsolidated when control ceases to exist.

A subsidiary's assets, liabilities and contingent liabilities are measured at fair value on the acquisition date and are subsequently accounted for in accordance with a.s.r.'s accounting policies, which are consistent with IFRS.

Non-controlling interests are initially stated at their proportionate share in the fair value of the net assets on the acquisition date and are subsequently adjusted for the non-controlling interest in changes in the subsidiary's equity.

**Intragroup transactions**

Intragroup balances and transactions between consolidated group companies are eliminated. Gains and losses on transactions between a.s.r. and associates and joint ventures are eliminated to the extent of a.s.r.'s interest in these entities.

### O. Product classification

Insurance contracts are defined as contracts under which a.s.r. accepts significant insurance risk from policyholders by agreeing to compensate policyholders if a specified uncertain future event adversely affects the policyholder. These contracts are considered insurance contracts throughout the remaining term to maturity, irrespective of when the insured event occurs. In addition, these contracts can also transfer financial risk (FR).

a.s.r. offers Non-life insurance contracts and life insurance contracts.

**Non-life insurance contracts**
Non-life insurance contracts are contracts that provide cover that is not related to the life or death of insured persons. These insurance contracts are classified into the following categories: Disability, Health, P&C (motor, fire and liability) and Other.

**Life insurance contracts**
Life insurance contracts (in cash) include savings-linked mortgages, annuities, term insurance policies, savings contracts and funeral insurance contracts. In addition to non-participating life insurance contracts, the insurance portfolio also includes:
- Individual and group participating contracts;
- Individual contracts with DPF (see accounting policy I);
- Group contracts with segregated pools with return on investment guarantees.

**Life insurance contracts on behalf of policyholders**
Claims from these life insurance contracts are directly linked to the underlying investments. The investment risk and return are borne fully for policyholders (see accounting policy J). Life insurance contracts for the account and risk of policyholders generally consist of contracts where premiums, after deduction of costs and risk premium, are invested in unit-linked funds. For some individual contracts, a.s.r. guarantees returns on unit-linked investment funds. In addition, group contracts with segregated pools are classified as life insurance contracts on behalf of policyholders.

## P. Segment information
At organisational level, a.s.r.'s operations have been divided into five operating segments. The main segments are the Non-life segment and Life segment that include all insurance activities. The non-insurance activities are presented as three separate segments being the Asset Management, Distribution and Services and Holding and Other segment. There is a clear difference between the risk and return profiles of these five segments.

Intersegment transactions or transfers are conducted at arm's length conditions. For detailed information per segment, see chapter 6.4, 'Group structure and segment information'.

## Q. Transaction date and settlement date
All purchases and sales of financial instruments, which have to be settled in accordance with standard market conventions, are recognised at the transaction date, which is the date on which a.s.r. becomes party to the contractual stipulations of the instrument. Any purchases and sales other than those requiring delivery within the time frame established by regulations or market conventions are accounted for as forward transactions until the time of settlement. For details on these transactions, see accounting policy H 'Derivatives'.

## R. Securities lending
a.s.r. participates in securities lending transactions, whereby collateral is received in the form of securities or cash. Cash received as collateral is recognised on the balance sheet and a corresponding liability is recognised as liabilities arising from securities lending in 'Due to banks'. Securities lent remain on the balance sheet. Securities received as collateral are not recognised in the balance sheet.

## S. Statement of cash flows
The statement of cash flows classifies cash flows by operating activities, investing activities and financing activities. Cash flows denominated in foreign currencies are converted at the exchange rates applicable on the transaction date.

Cash flows from operating activities are reported using the indirect method. Cash flows from operating activities include operating profit before taxation, adjustments for gains and losses that did not result in income and payments in the same financial year, adjustments for movements in provisions, and accrued and deferred items.

The statement of cash flows recognises interest received and paid, and dividends received within cash flows from operating activities. Cash flows from purchasing and selling investments and investment property are included in cash flows from operating activities on a net basis. Dividends paid are recognised within cash flows from financing activities.

## T. Property and equipment
### Property held for own use
Property held for own use comprises of land and office buildings and is measured at fair value (revaluation model) based on annual valuations, conducted by external, independent valuators with adequate professional expertise and experience in the specific location and categories of properties.

They are subsequently measured at fair value, including any unrealised fair value changes in equity, taking into account any deferred tax liabilities. For the method of determining the fair value reference is made to accounting policy B for investment property.

Increase in the fair value exceeding the cost price is added to the revaluation reserve in shareholders' equity, less deferred taxes. Decreases in the fair value that offset previous increases of the same asset, are charged against the revaluation reserve. The revaluation reserve cannot be negative. All other decreases in fair value are accounted for in the income statement. Increases that reverse a revaluation decrease on the same asset previously recognised in net result are recognised in the income statement.

Buildings are depreciated using the straight-line method based on expected useful life, taking into account their fair value amount, the residual value from the time when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The useful life of buildings is assessed annually for every individual component (component approach).

**Property classified into components and their maximum life**

| Components (expressed in years) | |
|---|---|
| Land | Not applicable |
| Shell | 50 |
| Outer layer | 30 |
| Systems | 20 |
| Fittings and fixtures | 15 |

Repair and maintenance costs are charged to the income statement in the period in which they are incurred. Expenses incurred after the acquisition of an asset are capitalised if it is probable that the future economic benefits will flow to a.s.r. and the cost of the asset can be measured reliably.

Upon the sale of a property, the part of the revaluation reserve related to the sold property, within equity, is transferred to 'other reserves' and is not reclassified to the income statement. Therefore annually a transfer is also made from the revaluation reserve related to 'other reserves' in line with the depreciation recognised in the income statement for the revalued portion.

### Equipment
Equipment is recognised at cost, less accumulated depreciation and/or any accumulated impairment losses. Cost corresponds with the cash paid or the fair value of the consideration given to acquire the asset.

Equipment is depreciated over its useful life, which is determined individually (usually between three and five years). Repair and maintenance costs are charged to the income statement in the period in which they are incurred. Expenses incurred after the acquisition of an asset are capitalised if it is probable that the future economic benefits will flow to a.s.r. and the cost of the asset can be measured reliably.

Accounting for borrowing costs attributable to the construction of property and equipment is the same as accounting for borrowing costs attributable to investment property. For details, see accounting policy D.

### Right-of-use assets
Right-of-use assets are recognised for lease contracts for which a.s.r. is the lessee. For more information reference is made to accounting policy AA.

## U. Associates and joint ventures
### Associates
Associates are entities over which a.s.r. has significant influence on operating and financial contracts, without having control. Generally, associates are accounted for using the equity method from the date at which a.s.r. acquires significant influence until the date at which such influence ceases. This means that associates are initially recognised at cost, including any goodwill paid. This value is subsequently adjusted to take account of a.s.r.'s share of the associate's comprehensive income. Comprehensive income is adjusted in accordance with the accounting principles used by a.s.r.

Losses are accounted for until the carrying amount of the investment has reached zero. Further provisions are recognised only to the extent that a.s.r. has incurred legal or constructive obligations concerning these associates.

If objective evidence of impairment exists, associates are tested for impairment and, if necessary, written down.

When the application of the equity method produces information that is not relevant to the investors, a.s.r. may use the exemption of IAS 28 to measure the investments in those associates at fair value through profit or loss in accordance with IAS 39. a.s.r. applies fair value measurement for investments in real estate equity funds and mortgage equity funds, over which a.s.r. has significant influence.

**Joint ventures**
Joint ventures are contractual arrangements whereby a.s.r. and one or more parties undertake an economic activity that is subject to joint control. Joint control exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

These interests are accounted for using the equity method as applied to associates. The interests are recognised in the financial statements from the date on which a.s.r. first obtains joint control until the date that this joint control ceases.

If objective evidence of impairment exists, joint ventures are tested for impairment and, if necessary an impairment is recognised in the income statement.

**Joint operations**
a.s.r. has a limited number of non-material joint operations. These are recognised in relation to a.s.r.'s interest in the joint operation's individual balance sheet and income statement items.

## V. Reinsurance contracts
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 method for determining liabilities arising from reinsurance contracts.

Assets arising from reinsurance contracts are recognised under reinsurance contracts, except for current receivables from reinsurers, which are included under loans and receivables.

At each reporting date, a.s.r. assesses whether objective evidence of impairment exists. If a reinsurance asset is impaired, its carrying amount is reduced to its recoverable amount.

## W. Other assets
Other assets include accrued investment and interest income, property developments, tax assets and accrued assets.

Property developments consist of property under development commissioned by third parties. Development property is measured at cost including any incremental costs (if a.s.r. expects to recover those costs), directly related costs to the contract (i.e. labour, materials, allocation of directly related costs, payments to subcontractors) and construction period interest, less any invoiced instalments and impairments.

Revenue on property development is primarily accounted for at the moment the property is sold. This is a performance obligation satisfied at a point in time. The point in time is the moment a customer obtains control of the promised asset.

Property developments which are sold can have guarantees (such as rent guarantees or construction guarantees), which may give rise to a separate performance obligation.

## X. Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, cash collateral and other short-term highly liquid investments that are not subject to a significant risk of changes in value. Cash and cash equivalents are measured at fair value through profit or loss.

## Y. Equity
### Share capital and share premium reserve
The share capital disclosed in the balance sheet consists of issued and fully paid-up ordinary shares. The share premium reserve comprises additional paid-in capital in excess of the par value of the shares.

#### Reserve for unrealised gains and losses
This reserve consists of:
- Unrealised gains and losses from assets available for sale net of tax and taking account of adjustments due to shadow accounting (see accounting policy I);
- The share of unrealised gains and losses of associates and joint ventures held by a.s.r. (see accounting policy U);
- Unrealised change in value of property for own use (see accounting policy T);
- Reserve for discretionary participation features (see accounting policy I);
- Reserve for exchange rate differences arising from assets available for sale.

#### Actuarial gains and losses
Actuarial gains and losses result from the post-employment benefit pension plans (see accounting policy K).

#### Retained earnings
Retained earnings also include other reserves.

#### Other equity instruments
This item represents the par value of the other equity instruments. Costs directly attributable to the equity issue and the tax impact thereof are recognised in retained earnings.

#### Treasury shares
Treasury shares are a.s.r.'s own ordinary shares that have been issued and subsequently reacquired by a.s.r. Treasury shares are deducted from equity, regardless of the objective of the transaction. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the instruments. If sold, the difference between the carrying amount and the proceeds is reflected in retained earnings. The consideration paid or received is recognised directly in shareholders' equity. All treasury shares are eliminated in the calculation of earnings per share and dividend per common share.

Treasury shares are either required as part of the share buy-back programme, or acquired and resold as part of the employee share purchase plan, see chapter 6.7.6.

#### Non-controlling interest
The non-controlling interest relates to the equity in a consolidated subsidiary not attributable, directly or indirectly, to a.s.r. (see accounting policy N).

#### Dividends on ordinary share capital
Dividends on ordinary shares are recognised as a liability and recognised in equity when they are approved by a.s.r.'s shareholders. Interim dividends are recognised in equity when they are paid.

Dividends for the year that are approved after the reporting date are treated as an event after the reporting date.

#### Discretionary interest on other equity instruments
Discretionary interest on other equity instruments is recognised in equity upon payment. The related income tax on these equity instruments is recognised in the income statement.

### Z. Financing
On initial recognition, debt instruments and other loans are stated at fair value, net of transaction costs incurred. Subsequent valuation is at amortised cost. Any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Lease liabilities are included under borrowings and measured in accordance with accounting policy AA.

### AA. Leasing
A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. For contracts that contain a lease component and one or more additional lease or non-lease components a.s.r. applies the practical expedient not to separate non-lease components from lease components.

At the commencement date of the lease, a.s.r. recognises a right-of-use asset and a lease liability. The right-of-use asset comprises the amount of the lease liability at initial measurement. The lease liability is measured at the present value of the lease payments that are not paid at the commencement date. For vehicles, the lease payments are discounted using the interest rate implicit in the lease. For other leases a.s.r.'s incremental borrowing rate is used.

Subsequently, the right-of-use asset is valued at cost less any cumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. The lease liability is increased with interest accrued and reduced for lease payments made. When applicable the lease liability is remeasured for changes in future payments resulting from a change in index or lease term.

The right-of-use assets are presented under property and equipment. The lease liabilities are presented under borrowings.

## BB. Insurance premiums

### Non-life insurance premiums

Non-life insurance premiums are accounted for in the period in which they are earned. As indicated in accounting policy I, invoiced but not yet earned premiums are included under liabilities arising from insurance contracts.

### Life insurance premiums

Life insurance premiums relating to life insurance contracts are recognised as income when received from policyholders. Liabilities arising from insurance contracts are recognised based on estimated future benefits and expenses, and charged to the income statement. These expenses are recorded within 'insurance claims and benefits'. Therefore, in accordance with the matching principle, the profits are realised over the estimated term of the contracts.

## CC. Investment income

Investment income primarily comprises interest income, dividends on equities and rentals from investment property.

### Interest income

Interest income for all interest-bearing instruments is recognised using the effective interest method, including all transaction costs incurred and share premium/discount. When a receivable is impaired, its carrying amount is reduced to the recoverable amount, i.e. estimated future cash flows discounted at the original effective interest rate of the instrument.

### Dividends

Dividend income is recognised in the income statement when a right to receive payment is established.

### Rental income

Rental income from investment property is allocated to the period to which they relate.

## DD. Realised gains and losses

Realised gains and losses include proceeds from the disposal of financial assets available for sale, associates and joint ventures and loans and receivables.

With respect to financial assets available for sale, realised gains or losses comprise:

- The proceeds from the sale or disposal of an asset or liability less the amortised cost of the asset or liability sold;
- Impairments previously recognised (except for equity instruments);
- Hedge accounting adjustments.

Any unrealised gains and losses previously recorded in equity (the difference between the carrying amount and amortised cost) are recognised in the income statement.

## EE. Fair value gains and losses

Fair value gains and losses include realised and unrealised changes in the value of financial assets at fair value through profit or loss, derivatives and investment property held at fair value. With respect to derivatives, this is based on the fair value excluding accrued interest (clean fair value).

## FF. Result on investments on behalf of policyholders

Investments on behalf of policyholders are measured at fair value through profit or loss. Any changes in value are recognised in result on investments on behalf of policyholders. This also includes interest income and dividends received on investments on behalf of policyholders.

### GG. Fee and commission income

Determining the revenue to be recognised from fee and commission income relating to contracts with customers is based on a 5-step model:
Step 1 – Identifying the contract
Step 2 – Identify the performance obligation
Step 3 – Determining the transaction price
Step 4 – Allocating the transaction price to performance obligations
Step 5 – Recognising revenue when the performance obligation is satisfied.

A contract with a customer generally explicitly states the goods or services that a.s.r. promises to transfer to a customer. The transaction price is the amount of consideration to which a.s.r. expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. a.s.r. allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which a.s.r. expects to be entitled in exchange for transferring the promised goods or services to the customer.

a.s.r. satisfies its performance obligation by transferring control of a good or service over time and as a result recognises revenue over time. a.s.r. determined that the output method is the best method in measuring progress of the related services because the selected measure reflects best the services for which control has transferred to the customer. a.s.r. recognises revenue on the basis of the time elapsed relative to the total term of performing the service.

Fee and commission income relates mainly to asset management, distribution and services and reinsurance fees. These items are recognised as income in the period in which the services are performed. The asset management fees are periodically charged to the fund (or individual) customer for which the services were performed. The reinsurance and distribution and services fees are invoiced regularly with normal commercial payment terms.

### HH. Insurance claims and benefits

This item includes changes in liabilities arising from insurance contracts (see accounting policy I) and the related benefits. Expenses associated with contracts on behalf of policyholders relate to changes in liabilities arising from insurance contracts on behalf of policyholders, including the benefits charged to the liabilities.

### II. Operating expenses

This item relates to expenses associated with a.s.r.'s operations that are directly attributable to the reporting period, such as marketing costs, ICT expenses, consulting fees, business accommodation expenses, cost of temporary staff, and depreciation charges.

Personnel expenses are mainly comprised of salaries, social security contributions and pension costs.

### JJ. Commission expenses

This mainly relates to commissions paid. Commission paid to acquire insurance contracts are charged to the income statement, generally within one year.

### KK. Impairments

An asset is impaired when its carrying amount exceeds its recoverable amount. Impairment losses are recognised in the income statement as soon as they are identified. For details, see the relevant items of chapter 6.3.4 as mentioned earlier.

### LL. Income tax expense

Income tax is based on profit before tax, after any adjustments for previous periods and changes in deferred tax assets and liabilities using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Income tax is recognised in the period in which the income was earned.

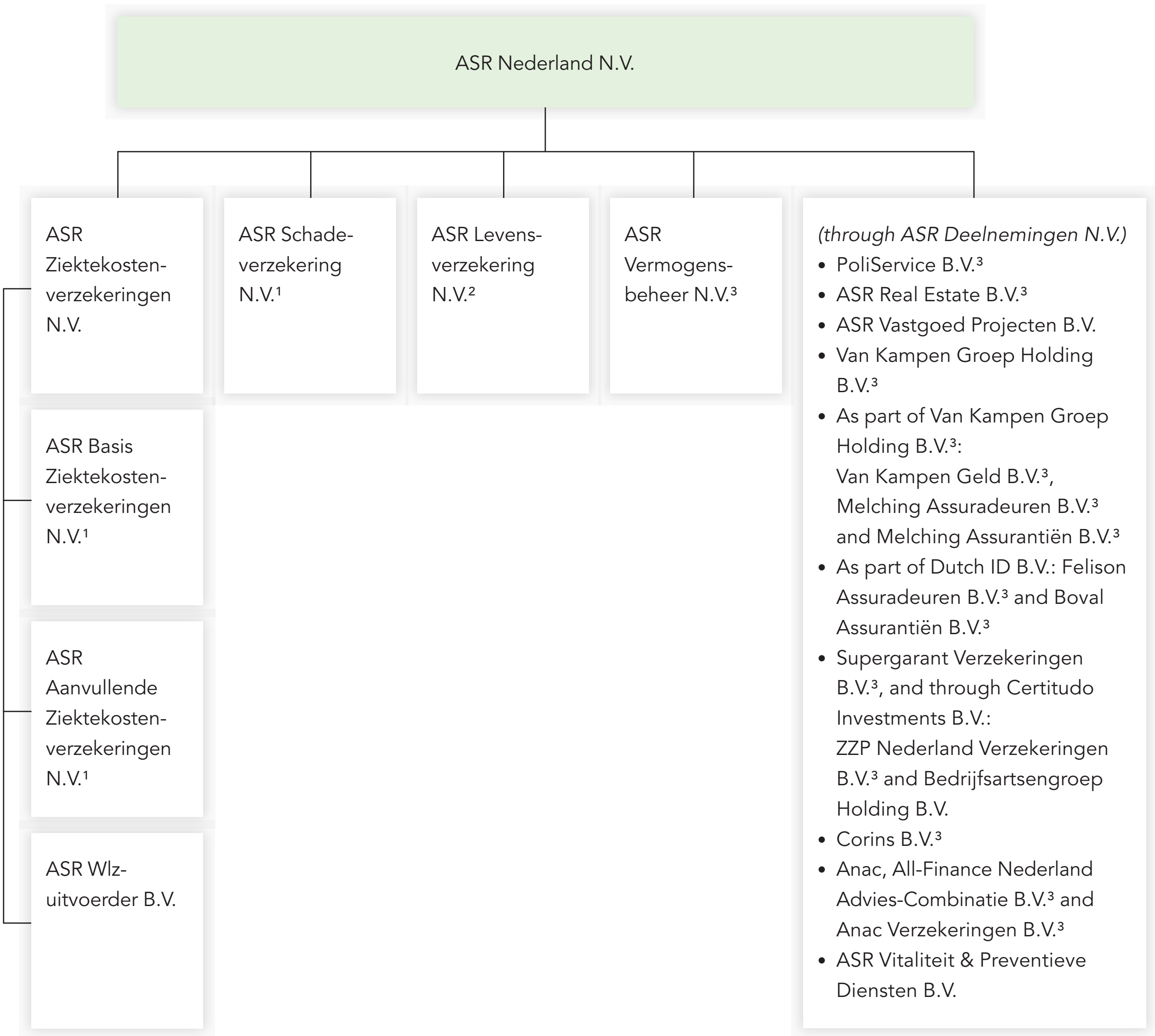
Deferred taxes in respect of revalued assets and liabilities, whose value adjustments were directly credited or charged to equity, are taken to equity and, upon realisation, included in the income statement together with the value adjustments.

# 6.4 Group structure and segment information

## 6.4.1 Group structure

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

VvAA life offers life insurance to healthcare providers and Veherex offers disability insurance for the railway and other public transportation sector. The acquisitions fit into a.s.r.'s strategy to grow through bolt-on acquisitions.




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

## Segment information

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

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

### Insurance activities

Insurance entities are entities that accept the transfer of insurance risks from policyholders. The Non-life segment consists of Non-life insurance entities and their subsidiaries. These Non-life insurance entities offer Non-life insurance contracts. The Life segment comprises the life insurance entity and their subsidiaries. These life insurance entities offer financial products such as life insurance contracts and life insurance contracts on behalf of policyholders. The Non-life and Life segments have different levels of profitability and growth opportunities, as well as a different outlook and risk profile. See chapter 6.7.8 for a list of principal group companies and associates in the relevant segments.

### Other activities

The other activities consist of:

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

The eliminations applied in the reconciliation of the segment information to the consolidated balance sheet and the consolidated income statement are separately presented in chapter 6.4.2 and 6.4.3.

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

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

The segments are assessed on their operating result as defined in chapter 6.10.

# 6.4.2 Segmented balance sheet

## Segmented balance sheet

| As at 31 December 2020 | Non-life | Life | Asset Management | Distribution and Services | Holding and Other | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| Intangible assets | 115 | 65 | 8 | 158 | - | - | 345 |
| Property and equipment | - | 156 | - | 11 | 287 | -256 | 198 |
| Investment property | 274 | 1,699 | - | - | - | - | 1,973 |
| Associates and joint ventures at equity method | - | 23 | - | 3 | 74 | - | 101 |
| Investments | 7,488 | 28,713 | - | - | 3,711 | -3,314 | 36,599 |
| Investments on behalf of policyholders | - | 10,154 | - | - | - | - | 10,154 |
| Loans and receivables | 1,034 | 13,510 | 19 | 33 | 104 | -330 | 14,370 |
| Derivatives | 221 | 8,947 | - | - | - | - | 9,168 |
| Deferred tax assets | - | 131 | - | - | 132 | -86 | 177 |
| Reinsurance contracts | 325 | 158 | - | - | - | - | 483 |
| Other assets | 145 | 514 | 15 | -1 | 47 | -1 | 720 |
| Cash and cash equivalents | 140 | 2,392 | 78 | 50 | 186 | - | 2,846 |
| Assets held for sale | - | - | 18 | - | - | - | 18 |
| **Total assets** | **9,742** | **66,463** | **137** | **255** | **4,541** | **-3,987** | **77,151** |
| | | | | | | | |
| Equity attributable to holders of equity instruments | 2,170 | 5,379 | 116 | 170 | -1,396 | -125 | 6,313 |
| Non-controlling interests | - | - | - | - | - | - | - |
| **Total equity** | **2,170** | **5,379** | **116** | **170** | **-1,396** | **-125** | **6,313** |
| | | | | | | | |
| Subordinated liabilities | 36 | - | - | - | 991 | -36 | 991 |
| Liabilities arising from insurance contracts | 6,845 | 37,505 | - | - | - | -2,890 | 41,460 |
| Liabilities arising from insurance contracts on behalf of policyholders | - | 13,137 | - | - | - | - | 13,137 |
| Employee benefits | - | - | - | - | 4,253 | - | 4,253 |
| Provisions | 1 | 3 | - | - | 19 | - | 24 |
| Borrowings | - | 29 | 5 | 21 | 521 | -522 | 54 |
| Derivatives | 66 | 1,354 | - | - | - | - | 1,419 |
| Deferred tax liabilities | 113 | - | 4 | 7 | - | -123 | - |
| Due to customers | 89 | 711 | - | 25 | - | -272 | 553 |
| Due to banks | 168 | 7,723 | - | - | 105 | - | 7,996 |
| Other liabilities | 255 | 623 | 12 | 32 | 48 | -19 | 951 |
| Liabilities relating to assets held for sale | - | - | - | - | - | - | - |
| **Total liabilities** | **7,572** | **61,085** | **21** | **85** | **5,937** | **-3,862** | **70,838** |
| | | | | | | | |
| **Total equity and liabilities** | **9,742** | **66,463** | **137** | **255** | **4,541** | **-3,987** | **77,151** |
| | | | | | | | |
| **Additions to** | | | | | | | |
| Intangible assets | 10 | 9 | - | 8 | - | - | 26 |
| Property and equipment | - | - | - | 2 | 13 | - | 15 |
| **Total additions** | **10** | **9** | **-** | **10** | **13** | **-** | **41** |

## Segmented balance sheet

| As at 31 December 2019 | Non-life | Life | Asset Management | Distribution and Services | Holding and Other | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| Intangible assets | 125 | 155 | 8 | 179 | - | - | 466 |
| Property and equipment | - | 149 | - | 12 | 232 | -205 | 189 |
| Investment property | 251 | 1,673 | - | - | - | - | 1,924 |
| Associates and joint ventures at equity method | - | 24 | - | 1 | 74 | - | 99 |
| Investments | 6,820 | 27,835 | - | - | 3,245 | -3,176 | 34,724 |
| Investments on behalf of policyholders | - | 9,571 | - | - | - | - | 9,571 |
| Loans and receivables | 644 | 11,871 | 29 | 42 | 82 | -337 | 12,332 |
| Derivatives | 120 | 5,839 | - | - | - | - | 5,959 |
| Deferred tax assets | -8 | - | - | -2 | 206 | - | 197 |
| Reinsurance contracts | 405 | 166 | - | - | - | - | 571 |
| Other assets | 154 | 591 | 4 | 1 | -26 | -2 | 722 |
| Cash and cash equivalents | 232 | 2,056 | 85 | 46 | 485 | - | 2,905 |
| Assets held for sale | - | - | 63 | - | - | -2 | 61 |
| **Total assets** | **8,744** | **59,931** | **189** | **280** | **4,299** | **-3,721** | **69,721** |
| | | | | | | | |
| Equity attributable to holders of equity instruments | 1,912 | 5,298 | 117 | 192 | -1,357 | -69 | 6,093 |
| Non-controlling interests | - | 1 | - | - | - | -1 | - |
| **Total equity** | **1,912** | **5,299** | **117** | **192** | **-1,357** | **-70** | **6,093** |
| | | | | | | | |
| Subordinated liabilities | 19 | - | - | - | 990 | -19 | 990 |
| Liabilities arising from insurance contracts | 6,337 | 34,954 | - | - | - | -2,735 | 38,555 |
| Liabilities arising from insurance contracts on behalf of policyholders | - | 12,477 | - | - | - | - | 12,477 |
| Employee benefits | - | - | - | - | 3,860 | - | 3,860 |
| Provisions | - | 4 | - | 1 | 50 | - | 54 |
| Borrowings | - | 27 | 6 | 11 | 492 | -489 | 47 |
| Derivatives | 40 | 636 | - | - | - | - | 676 |
| Deferred tax liabilities | 85 | -204 | 3 | 3 | 132 | -19 | - |
| Due to customers | 86 | 932 | - | 23 | - | -356 | 686 |
| Due to banks | 87 | 5,328 | - | - | 105 | - | 5,520 |
| Other liabilities | 178 | 478 | 30 | 49 | 27 | -33 | 729 |
| Liabilities relating to assets held for sale | - | - | 33 | - | - | - | 33 |
| **Total liabilities** | **6,833** | **54,632** | **72** | **87** | **5,656** | **-3,651** | **63,628** |
| | | | | | | | |
| **Total equity and liabilities** | **8,744** | **59,931** | **189** | **280** | **4,299** | **-3,721** | **69,721** |
| | | | | | | | |
| **Additions to** | | | | | | | |
| Intangible assets | 120 | - | - | 7 | - | - | 127 |
| Property and equipment | - | - | - | 4 | 7 | - | 11 |
| **Total additions** | **120** | **-** | **-** | **11** | **7** | **-** | **138** |

The numbers following the line items refer to the relevant chapters in the notes.

## 6.4.3 Segmented income statement and operating result

**Segmented income statement and operating result**

| 2020 | Non-life | Life | Asset Management | Distribution and Services | Holding and Other | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | | |
| | | | | | | | |
| Gross written premiums | 3,643 | 1,810 | - | - | - | -177 | 5,276 |
| Change in provision for unearned premiums | 24 | - | - | - | - | - | 24 |
| **Gross insurance premiums** | **3,667** | **1,810** | **-** | **-** | **-** | **-177** | **5,300** |
| Reinsurance premiums | -99 | -1 | - | - | - | - | -100 |
| **Net insurance premiums** | **3,568** | **1,810** | **-** | **-** | **-** | **-177** | **5,200** |
| | | | | | | | |
| Investment income | 138 | 1,348 | - | 1 | 8 | -7 | 1,488 |
| Realised gains and losses | 64 | 333 | - | - | - | - | 396 |
| Fair value gains and losses | 15 | -64 | - | - | -2 | 2 | -49 |
| Result on investments on behalf of policyholders | - | 474 | - | - | - | - | 474 |
| Fee and commission income | 24 | -1 | 145 | 71 | - | -91 | 149 |
| Other income | 8 | 14 | - | 27 | 32 | - | 81 |
| Share of result of associates and joint ventures | - | -1 | - | 1 | 4 | - | 4 |
| **Total income** | **3,816** | **3,913** | **145** | **99** | **42** | **-273** | **7,743** |
| | | | | | | | |
| Insurance claims and benefits | -2,738 | -2,562 | - | - | - | 219 | -5,082 |
| Insurance claims and benefits recovered from reinsurers | 28 | 3 | - | - | - | - | 30 |
| **Net insurance claims and benefits** | **-2,710** | **-2,560** | **-** | **-** | **-** | **219** | **-5,051** |
| | | | | | | | |
| Operating expenses | -257 | -171 | -94 | -72 | -158 | 52 | -701 |
| Restructuring provision expenses | -2 | -4 | -1 | - | - | - | -7 |
| Commission expenses | -545 | -11 | - | - | - | 41 | -516 |
| Impairments | -21 | -128 | - | -27 | 9 | - | -167 |
| Interest expense | -13 | -233 | -1 | - | 39 | -123 | -331 |
| Other expenses | -8 | -60 | -19 | -5 | -63 | 13 | -141 |
| **Total expenses** | **-846** | **-606** | **-115** | **-105** | **-174** | **-17** | **-1,862** |
| | | | | | | | |
| **Result before tax** | **261** | **747** | **30** | **-6** | **-132** | **-71** | **829** |
| | | | | | | | |
| Income tax (expense) / gain | -61 | -146 | -8 | -6 | 30 | 18 | -172 |
| **Result after tax from continuing operations** | **200** | **601** | **23** | **-12** | **-101** | **-53** | **657** |
| | | | | | | | |
| **Discontinued operations** | | | | | | | |
| Result after tax from discontinued operations | - | - | -2 | - | - | - | -2 |
| | | | | | | | |
| **Net result** | **200** | **601** | **21** | **-12** | **-101** | **-53** | **656** |
| | | | | | | | |
| **Attributable to:** | | | | | | | |
| Non-controlling interests | - | - | - | - | -1 | - | -1 |
| | | | | | | | |
| - Shareholders of the parent | 200 | 601 | 21 | -12 | -148 | -53 | 609 |
| - Holders of other equity instruments | - | - | - | - | 48 | - | 48 |
| **Result attributable to holders of equity instruments** | **200** | **601** | **21** | **-12** | **-100** | **-53** | **657** |

## Operating result

| 2020 | Non-life | Life | Asset Management | Distribution and Services | Holding and Other | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| **Result before tax** | **261** | **747** | **30** | **-6** | **-132** | **-71** | **829** |
| minus: investment related | 38 | 139 | - | - | 7 | 1 | 185 |
| minus: incidentals | -18 | -122 | -1 | -31 | 6 | -74 | -241 |
| **Operating result** | **241** | **730** | **31** | **25** | **-144** | **2** | **885** |

In 2020, incidentals are mainly related to impairments of goodwill in the Life and Distribution and Services segments (see chapter 6.5.1), As a result of the agreed change of pension scheme in 2020, a past service cost of € -59 million pre-tax has been recognised (see chapter 6.5.15.1). Incidentals also consist of project costs for the implementation of IFRS17/9 and amortisations of VOBA on the acquisitions of Loyalis and Veherex (see chapter 6.5.1).

For more information see chapter 6.10.

## Impairments

| 2020 | | Non-life | Life | Asset Management | Distribution and Services | Holding and Other | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| Intangible assets | Impairment | - | -90 | - | -27 | - | - | -117 |
| | Reversal | - | - | - | - | - | - | - |
| Property and equipment | Impairment | - | - | - | - | - | - | - |
| | Reversal | - | - | - | - | - | - | - |
| Investments | Impairment | -24 | -39 | - | - | - | - | -63 |
| | Reversal | 2 | - | - | - | - | - | 2 |
| Associates and joint ventures | Impairment | - | - | - | - | - | - | - |
| | Reversal | - | - | - | - | - | - | - |
| Loans and receivables | Impairment | -7 | -4 | - | - | - | - | -11 |
| | Reversal | 9 | 4 | - | - | 9 | - | 23 |
| **Total impairments** | **Impairment** | **-31** | **-133** | **-** | **-27** | **-** | **-** | **-191** |
| | **Reversal** | **11** | **5** | **-** | **-** | **9** | **-** | **24** |
| | | | | | | | | |
| | **Total** | **-21** | **-128** | **-** | **-27** | **9** | **-** | **-167** |

## Segmented income statement and operating result

| 2019 | Non-life | Life | Asset Management | Distribution and Services | Holding and Other | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | | |
| Gross written premiums | 3,192 | 1,619 | - | - | - | -145 | 4,666 |
| Change in provision for unearned premiums | 75 | - | - | - | - | - | 75 |
| **Gross insurance premiums** | **3,266** | **1,619** | **-** | **-** | **-** | **-145** | **4,740** |
| Reinsurance premiums | -107 | -8 | - | - | - | - | -115 |
| **Net insurance premiums** | **3,159** | **1,612** | **-** | **-** | **-** | **-145** | **4,625** |
| Investment income | 125 | 1,302 | 6 | - | 9 | 1 | 1,444 |
| Realised gains and losses | 77 | 280 | - | - | 1 | -5 | 353 |
| Fair value gains and losses | 30 | -99 | - | - | - | 15 | -55 |
| Result on investments on behalf of policyholders | - | 1,574 | - | - | - | - | 1,574 |
| Fee and commission income | 22 | 4 | 131 | 67 | - | -95 | 129 |
| Other income | 2 | 19 | - | 22 | 132 | -10 | 165 |
| Share of result of associates and joint ventures | - | - | - | 1 | 5 | - | 5 |
| **Total income** | **3,415** | **4,691** | **138** | **90** | **148** | **-239** | **8,242** |
| Insurance claims and benefits | -2,387 | -3,267 | - | - | - | 180 | -5,475 |
| Insurance claims and benefits recovered from reinsurers | 52 | 8 | - | - | - | - | 60 |
| **Net insurance claims and benefits** | **-2,335** | **-3,259** | **-** | **-** | **-** | **180** | **-5,415** |
| Operating expenses | -240 | -192 | -87 | -60 | -130 | 54 | -656 |
| Restructuring provision expenses | -14 | -14 | -1 | - | -1 | - | -30 |
| Commission expenses | -512 | -14 | - | - | - | 37 | -489 |
| Impairments | -1 | -16 | - | - | 1 | - | -16 |
| Interest expense | -14 | -242 | - | - | -53 | -43 | -352 |
| Other expenses | -6 | -42 | -26 | -8 | -11 | 19 | -74 |
| **Total expenses** | **-788** | **-519** | **-114** | **-68** | **-194** | **67** | **-1,616** |
| **Result before tax** | **292** | **913** | **24** | **21** | **-46** | **7** | **1,210** |
| Income tax (expense) / gain | -78 | -215 | -6 | -5 | 67 | -2 | -240 |
| **Result after tax from continuing operations** | **213** | **697** | **17** | **17** | **21** | **5** | **971** |
| **Discontinued operations** | | | | | | | |
| Result after tax from discontinued operations | - | - | 1 | - | - | - | 1 |
| **Net result** | **213** | **697** | **19** | **17** | **21** | **5** | **972** |
| **Attributable to:** | | | | | | | |
| Non-controlling interests | - | 1 | - | - | - | -1 | - |
| - Shareholders of the parent | 213 | 696 | 19 | 17 | -39 | 6 | 912 |
| - Holders of other equity instruments | | | | | 60 | - | 60 |
| **Result attributable to holders of equity instruments** | **213** | **696** | **19** | **17** | **21** | **6** | **972** |

## Operating result

| 2019 | Non-life | Life | Asset Management | Distribution and Services | Holding and Other | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| **Result before tax** | **292** | **913** | **24** | **21** | **-46** | **7** | **1,210** |
| minus: investment related | 102 | 243 | - | - | 3 | -5 | 343 |
| minus: incidentals | -37 | -26 | -1 | -2 | 67 | 9 | 10 |
| **Operating result** | **226** | **696** | **24** | **23** | **-116** | **4** | **858** |

## Impairments

| 2019 | | Non-life | Life | Asset Management | Distribution and Services | Holding and Other | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| Intangible assets | Impairment | -3 | - | - | - | - | - | -3 |
| | Reversal | - | - | - | - | - | - | - |
| Property and equipment | Impairment | - | - | - | - | -1 | - | -1 |
| | Reversal | - | - | - | - | - | - | - |
| Investments | Impairment | -4 | -16 | - | - | - | - | -20 |
| | Reversal | 3 | - | - | - | - | - | 3 |
| Associates and joint ventures | Impairment | - | - | - | - | - | - | - |
| | Reversal | - | - | - | - | - | - | - |
| Loans and receivables | Impairment | -7 | -1 | - | - | - | - | -8 |
| | Reversal | 9 | 1 | - | - | 2 | - | 13 |
| **Total impairments** | **Impairment** | **-14** | **-17** | **-** | **-** | **-1** | **-** | **-32** |
| | **Reversal** | **12** | **1** | **-** | **-** | **2** | **-** | **16** |
| | **Total** | **-1** | **-16** | **-** | **-** | **1** | **-** | **-16** |

## 6.4.4 Non-life ratios

**Non-life segment combined ratio**

| | 2020 | 2019 |
|---|---|---|
| Claims ratio | 73.6% | 72.1% |
| Commission ratio | 14.6% | 15.5% |
| Expense ratio | 7.0% | 7.4% |
| | | |
| **Combined ratio** | **95.2%** | **95.0%** |

| | 2020 | 2019 |
|---|---|---|
| Property & Casualty (P&C) | 92.5% | 96.9% |
| Disability | 95.1% | 88.3% |
| **P&C and Disability** | **93.6%** | **93.5%** |
| Health | 97.7% | 99.0% |

The combined ratio (COR) increased to 95.2% (2019: 95.0%) due to an increase in the claims ratio which was partially offset by a decrease in the commission and expense ratio. The claims ratio increased mainly due to a higher claims ratio in Disability, despite the overall positive effect of COVID-19 (-1%-point) on the segment. See chapter 6.6.7 for more detailed information regarding the COVID-19 impact on the net insurance claims and benefits.

The positive COVID-19 impact mainly in P&C was fully offset by reserve strengthening including the effect from the sector-wide lowering of the actuarial interest rates for personal injury within P&C.

The claims, commission and expense ratio can be calculated based on the following information:

**Claims, commission and expenses**

| | 2020 | 2019 |
|---|---|---|
| **Net insurance premiums Non-life** | 3,568 | 3,159 |
| | | |
| Net insurance claims and benefits | -2,710 | -2,335 |
| | | |
| Adjustments: | | |
| - Interest accrual on provisions (Disability) | 76 | 73 |
| - Compensation capital gains (Disability) | 3 | -14 |
| - Prudence margin (Health) | 5 | -3 |
| **Total adjustments** | **84** | **56** |
| | | |
| **Net insurance claims and benefits (after adjustments)** | **-2,626** | **-2,279** |
| | | |
| Fee and commission income | 25 | 22 |
| Commission expenses | -545 | -512 |
| **Commission** | **-520** | **-490** |
| | | |
| Operating expenses | -257 | -240 |
| Corrections made for investment charges | 7 | 7 |
| **Operational expenses (after adjustments)** | **-251** | **-233** |

## 6.4.5 Acquisitions

See accounting policy M.

### Acquisitions 2020

**VvAA Levensverzekeringen N.V. and Veherex Schade N.V.**

On 1 January 2020, a.s.r. and a.s.r. non-life completed the acquisitions of VvAA life and Veherex respectively by acquiring all issued and outstanding shares for a total consideration of € 57 million.

VvAA life offers life insurance to healthcare providers and Veherex offers disability insurance for the railway and other public transportation sector. The acquisitions fit into a.s.r.'s strategy to grow through bolt-on acquisitions. The closing for both transactions took place on 1 January 2020. As a result, a.s.r. fully included the results and the balance sheet positions in the a.s.r. consolidated financial statements from that date. The full integration of the activities of VvAA life and Veherex into a.s.r. was completed by the end of 2020. The legal mergers of VvAA life and Veherex with a.s.r. life and a.s.r. non-life respectively were finalised in 2020.

In December 2020, a.s.r. established the final acquisition balance sheet of VvAA life and Veherex, in accordance with IFRS 3 business combinations, within twelve months of the closing date. The balance sheet is based on fair value and uses the following techniques and assumptions:

- Financial assets and liabilities (including investments and loans and receivable) were remeasured to fair value at the closing date;
- Liabilities arising from insurance contracts were remeasured to fair value as defined in IFRS; this resulted in an increase predominately resulting from applying a different market consistent discount rate assumption and risk adjustment using a cost of capital approach at the closing date. For Non-life, this remeasurement resulted in recognising an intangible asset (Value of Business Acquired or VOBA).

No significant acquisition intangibles (other than VOBA) were recognised and no significant adjustments were made to the valuation of assets and liabilities other than insurance liabilities.

**Final fair values of the assets and liabilities acquired on acquisition date**

| | Acquisition date balance sheet based on fair value |
|---|---|
| Intangible assets | 10 |
| Investments | 331 |
| Investments on behalf of policyholders | 178 |
| Loans and receivables | 38 |
| Other assets | 3 |
| Cash and cash equivalents | 30 |
| **Total assets** | **590** |
| | |
| Liabilities arising from insurance contracts | 330 |
| Liabilities arising from insurance contracts on behalf of policyholders | 178 |
| Deferred tax liabilities | 6 |
| Due to customers | 16 |
| Other liabilities | 8 |
| **Total liabilities** | **539** |
| | |
| **Net assets and liabilities** | **52** |
| | |
| Less consideration paid | 57 |
| | |
| **Excess purchase consideration** | **-5** |

The consideration paid for Veherex includes a contingent consideration with a fair value of € 7 million to be paid over a period of 5 years. The excess purchase consideration consists of an excess purchase consideration of € 9 million related to VvAA life, which is not tax deductible, and a gain on the acquisition of Veherex amounting to € 4 million, which is tax exempt. The gain related to the purchase of Veherex is directly recognised as other income in the income statement on the acquisition date. The goodwill recognised for VvAA life is fully allocated to the cash generating unit Life, and was subsequently impaired, see chapter 6.5.1.

| Cash and cash equivalents related to the acquisition | As per acquisition date |
|---|---|
| Consideration paid in current year | 57 |
| Acquired cash and cash equivalents | 30 |
| **Decrease in cash and cash equivalents at acquisition date** | **26** |

The consolidated statement of comprehensive income of a.s.r. for the first year includes € 29 million revenue and € 0.3 million result after tax relating to VvAA life and Veherex for the period commencing 1 January 2020. The acquisition-related costs recognised as expense amount to € 0.4 million and are included in line item other expenses in the income statement.

**Brand New Day Premiepensioeninstelling N.V.**
In August 2020, a.s.r. announced the intended acquisition of the remaining 50% of Brand New Day Premiepensioeninstelling N.V. (Brand New Day IORP) for a total consideration of € 70 million. The acquisition of the remaining 50% of Brand New Day IORP is expected to be completed in the first half of 2021 and has not been recognised in the 2020 financial statements.

**Other acquisitions**
In 2020 Van Kampen Groep Holding B.V. and Certitudo Investments B.V. acquired several entities, among others CS Opleidingen B.V. As a result of these business combinations, provisional goodwill for an amount of € 6 million was recognised.

### Acquisitions 2019

**Loyalis**
In May 2019 a.s.r acquired 100% of the shares of Loyalis N.V. (hereafter Loyalis). a.s.r. established the final acquisition balance sheet of Loyalis in December 2019.

**Other acquisitions**
In September 2019, Certitudo Investments B.V. acquired 100% of the shares of Argon Groep B.V. and Van Kampen Groep Holding B.V. acquired 100% of the shares of Melching Groep B.V.

In 2020 other intangible assets for an amount of € 4 million were identified and the goodwill was adjusted accordingly to an amount of € 3 million. a.s.r. established the final acquisition balance sheets in July 2020.

## 6.4.6 Discontinued operations and assets held for sale and related liabilities

See accounting policy L.

In October 2018, the EB of a.s.r. decided to look for a strategic buyer for a.s.r. bank and enter into a programme to sell a.s.r. bank. On 2 December 2019 the closing of the asset / liability transaction of the savings and mortgage portfolio took place between a.s.r. bank and Achmea Bank N.V. (Achmea Bank).

After the last savings transfers in the first half-year of 2020, the bank no longer has any banking activities.

On 1 December 2020, the ECB withdrew a.s.r. bank's banking license at our request. The name of ASR Bank N.V. was changed into ASR Admin N.V.

# 6.5 Notes to the consolidated balance sheet

## 6.5.1 Intangible assets

See accounting policy C.

**Intangible assets**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Goodwill | 148 | 250 |
| Value of business acquired (VOBA) | 142 | 155 |
| Other intangible assets | 56 | 61 |
| **Total intangible assets** | **345** | **466** |

The decrease in goodwill is due to impairments, which are mainly COVID-19 driven.

**Intangible assets**

| | Goodwill | VOBA | Other intangible assets | Total 2020 | Total 2019 |
|---|---|---|---|---|---|
| Cost price | 265 | 532 | 98 | 896 | 868 |
| Accumulated amortisation and impairments | -117 | -391 | -43 | -550 | -402 |
| **At 31 December** | **148** | **142** | **56** | **345** | **466** |
| | | | | | |
| At 1 January | 250 | 155 | 61 | 466 | 366 |
| Acquisition | - | - | 1 | 1 | 1 |
| Divestments | - | - | - | - | - |
| Amortisation and impairments | -117 | -24 | -8 | -149 | -29 |
| Transfer | - | - | - | - | - |
| Other | - | - | 1 | 1 | - |
| Changes in composition of the group | 15 | 10 | 1 | 26 | 129 |
| **At 31 December** | **148** | **142** | **56** | **345** | **466** |

### Goodwill

For the purpose of impairment testing, goodwill is allocated to the cash generating unit's (CGU) of the relevant operating segment.

**Goodwill allocation per segment**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Non-life | 13 | 13 |
| Life | - | 81 |
| Asset Management | 8 | 8 |
| Distribution and Services | 127 | 148 |
| Holding and Other | - | - |
| **Total Goodwill** | **148** | **250** |

Goodwill has an indefinite useful life and is not amortised. a.s.r. performs an impairment test annually, or more frequently if events or circumstances warrant so, to ascertain whether goodwill has been subject to impairment. The outbreak of COVID-19 has a significant negative impact on the economy and therefore mid-year an additional impairment test has been done. The result of the goodwill impairment tests was that mid-year the goodwill of the CGU Life was impaired and the goodwill of the other CGU's remained on the balance sheet. The annual impairment goodwill test led to an additional impairment of a part of the goodwill in the Distribution and Services segment.

For the CGU's within the Non-life and Asset Management segments, the results of these tests, using updated multiples and discount rates, show excess recoverable values over the book values and no goodwill impairment is recognised. A deterioration within reasonable limits on one of the assumptions in isolation would not lead to an impairment. The buffer is also capable of absorbing a combination of negative factors. However, should circumstances on multiple factors deteriorate significantly, it could lead to a negative outcome for the buffer (the difference between the recoverable value and the book value).

**Segment Life**
The goodwill impairment test for the CGU a.s.r. life was conducted mid-year. The outcome of the step 1 impairment test, based on trading multiples of various international peers, showed that the difference between the recoverable amount and the carrying value was negative. The impact of COVID-19 on the underlying insurance activities is limited however, the valuation was affected by changing market circumstances as a result of the COVID-19 outbreak.

Due to this outcome, a step 2 impairment test has been performed, which is a more sophisticated analysis (dividend discount model) that better addresses the specific characteristics of the business and market circumstances of the CGU a.s.r. life. The main assumptions used in this internal value-in-use model are:
- The future cash flows are based on the specific portfolio characteristics and expected market developments for the life insurance market in which the CGU operates;
- To reflect the long-term character of the life insurance business, the expected decrease of the SCR is used to extrapolate cash flow projections up to 40 years;
- The lower limit solvency target is used to calculate future dividends, which are discounted with a 7.35% discount rate.

The second step of the impairment test shows that there is no excess recoverable amount over the book value of the CGU. The value in use is not sufficient to support the amount of goodwill allocated to the CGU. As the recoverable value is lower than the carrying value, the amount of goodwill allocated to the CGU (€ 90 million) is charged to the income statement as an impairment loss.

## Segment Non-life
The result of the goodwill impairment test, using updated multiples and discount rates, shows an excess recoverable value over the book value. As a result, a second step was not necessary and there is no significant exposure of goodwill impairment for sensitivities in the underlying assumptions. No goodwill impairment was recognised.

## Segment Asset Management
The goodwill is related to Asset Management activities, as such the impairment test was conducted at the Asset Management level as CGU. The result of the goodwill impairment test, using the multiples methodology, shows an excess recoverable value over the book value. As a result, a second step was not necessary and there is no significant exposure of goodwill impairment for sensitivities in the underlying assumptions. No goodwill impairment was recognised.

## Segment Distribution and Services
The goodwill impairment test was conducted at the CGU's within the segment Distribution and Services. The outcome of the goodwill test on step 1 showed that the difference between the recoverable amount and the carrying value may not be sufficient to support the amount of goodwill allocated to some of the CGU's. Therefore the step 2 additional analysis was performed in order to determine a recoverable amount in a manner that better addresses the specific characteristics of the CGU.

Assumptions used in the step 2 internal model are:
- Future cash flows are based on expected market developments and past experience and on the long term characteristics of the markets in which the CGU's operates;
- A steady state growth rate used to extrapolate cash flow projections beyond the budget periods (0.5%) which reflects the market segment in which the CGU's operates;
- The (pre-tax) discount rate used in the estimate of value in use of 4.8% (2019: 5.7%).

The second step as described above in the CGU's of the segment Distribution and Services indicates that there is no excess recoverable amount over the book value of one of the CGU's. The CGU's operating activities concern those of a distribution partner and service provider. The value in use is not sufficient to support the amount of goodwill allocated to that CGU. The increased competitiveness in the market in combination with further anticipated effects of the COVID-19 pandemic results in a lower recoverable value. As the recoverable value (€ 39 million) is lower than the carrying value (€ 66 million), an impairment loss on the goodwill amounting to € 27 million is charged to the income statement.

The other CGU's of the segment Distribution and Services show an excess of recoverable amount over the book value of the CGU's to which goodwill has been allocated (buffer).

A deterioration within reasonable limits on one of the above mentioned assumptions in isolation would not lead to an impairment. The buffer is also capable of absorbing a combination of negative factors. However, should circumstances on multiple factors deteriorate significantly, it could lead to a negative outcome for the buffer (the difference between the recoverable value and the book value).

Management believes that any reasonable possible change in the key assumptions on which all CGU's recoverable amounts are based would not cause the carrying amounts to exceed their recoverable amounts.

### Value of Business Acquired (VOBA)

VOBA mainly relates to the Loyalis acquisition (€ 68 million) and the acquisition of Amersfoortse Stad Rotterdam (€ 65 million). Furthermore the acquisition of Veherex resulted in a VOBA of € 10 million. At year-end 2020, VOBA will be fully amortised in respectively 6 and 10 years and the average amortisation for the next 5 years will be € 23 million per year.

### Other intangible assets

The other intangible assets mainly relate to Dutch ID, SuperGarant and Loyalis. The other intangible assets relate to trade name, distribution relationships and customer relationships. The other intangible assets are amortised straight-line over their useful life, which is determined individually (between 5 and 20 years).The amortisation charges on other intangible assets are recorded in the operating expenses (see chapter 6.6.8).

## 6.5.2 Property and equipment

See accounting policies T and AA.

**Property and equipment**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Land and buildings for own use | 158 | 150 |
| Equipment | 20 | 19 |
| **Property and equipment owned** | **177** | **170** |
| | | |
| Vehicles | 12 | 10 |
| Other | 9 | 10 |
| **Right-of-use assets** | **21** | **19** |
| | | |
| **Total property and equipment** | **198** | **189** |

**Changes in property and equipment**

| | Land and buildings held for own use | Equipment | Right-of-use assets | Total 2020 | Total 2019 |
|---|---|---|---|---|---|
| At 1 January | 150 | 19 | 19 | 189 | 172 |
| Impact change in accounting policy | - | - | - | - | 18 |
| Additions | - | 7 | 8 | 14 | 9 |
| Depreciation | -4 | -6 | -6 | -16 | -17 |
| Impairments | - | - | - | - | -1 |
| Revaluations through equity | 12 | - | - | 12 | 6 |
| Other changes | - | -1 | - | -1 | -1 |
| Changes in the composition of the group | - | - | - | - | 2 |
| **At 31 December** | **158** | **20** | **21** | **198** | **189** |
| | | | | | |
| Gross carrying amount as at 31 December | 255 | 47 | 32 | 334 | 320 |
| Accumulated depreciation as at 31 December | -97 | -28 | -11 | -136 | -130 |
| Accumulated impairments as at 31 December | - | - | - | - | -1 |
| **Net carrying value as at 31 December** | **158** | **20** | **21** | **198** | **189** |
| | | | | | |
| Revaluation surplus | | | | | |
| At 1 January | 32 | - | - | 32 | 26 |
| Revaluation in the year | 12 | - | - | 12 | 6 |
| Other changes | 1 | - | - | 1 | 1 |
| **At 31 December** | **45** | **-** | **-** | **45** | **32** |

Depreciation of property and equipment is recorded in the operating expenses, see chapter 6.6.8.

The fair value of land and buildings for own use based on the external valuations is disclosed in chapter 6.7.1.3.

Property and equipment consists mainly of assets expected to have a useful life of more than one year after the balance sheet date.

## 6.5.3 Investment property

See accounting policy D.

**Changes in investment property**

| | 2020 | 2019 |
|---|---|---|
| At 1 January | 1,924 | 1,889 |
| | | |
| Changes in value of investments, realised/unrealised gains and losses: | | |
| - Fair value gains and losses | 70 | 53 |
| Purchases | 113 | 69 |
| Issues | 1 | 9 |
| Disposals | -125 | -92 |
| Transferred between investments on behalf of policyholders and investment property | -10 | -3 |
| Transfer between investment property and investments | - | - |
| Transfer of other assets | - | - |
| | | |
| **At 31 December** | **1,973** | **1,924** |

Investment property is leased to third parties and is diversified over the rural, residential, offices and retail sectors and over property under development in the Netherlands. The significant inputs are the net initial yield and market rental value. For more information see chapter 6.7.1.

The investment properties showed in general a lower valuation of retail that was compensated by a higher valuation of residential and rural property.

Purchases in 2020 mainly relate to acquisitions of rural property (€ 18 million), retail property (€ 66 million) and offices (€ 5 million) and an investment in Dutch Science Park Fund (€ 24 million). Sales in 2020 mainly relates to retail property (€ 80 million) and rural property (€ 46 million).

Rental income is recognised as investment income. For details, see chapter 6.6.2. In 2020, rentals amounted to € 60 million (2019: € 58 million). The rental income increased due to the expansion of the investment portfolio which was partly offset by lower rental income from retail and parking lots due to the COVID-19 developments.

Direct operating expenses arising from investment property amounted to € 18 million (2019: € 13 million). Given the overall low vacancy rate, virtually all direct operating expenses relate to investment properties generating rental income. Direct operating expenses of investment property are classified as other expenses.

Investment property consists mainly of assets expected to be recovered after more than one year after the balance sheet date.

## 6.5.4 Associates and joint ventures

See accounting policy U.

**Associates and joint ventures**

| | Interest | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| **At equity method** | | | |
| Associates and joint ventures | ranging between 10 % and 50 % | 101 | 99 |
| | | | |
| **At fair value through profit or loss** | | | |
| Real estate equity funds | ranging between 30 % and 70 % | 1,735 | 1,727 |
| Mortgage equity funds | ranging between 5 % and 20 % | 590 | 569 |

The real estate equity funds consists of the ASR Dutch Mobility Office Fund (DMOF), ASR Dutch Prime Retail Fund (DPRF) and the ASR Dutch Core Residential Fund (DCRF). The mortgage equity funds consists of the ASR Mortgage Fund. The interests in these funds are classified and presented as an investment at fair value through profit or loss. For more information, see chapter 6.5.5 and 6.7.1.

Investments in associates and joint ventures generally have a duration of more than one year after the balance sheet date.

**Changes in associates and joint ventures at equity method**

| | Associates and joint ventures at equity method | |
|---|---|---|
| | 2020 | 2019 |
| At 1 January | 99 | 67 |
| Acquisitions | 2 | 36 |
| Disposal | -3 | -5 |
| Share of profit/(loss) | 4 | 5 |
| Dividend | -1 | -2 |
| Other changes | - | -1 |
| | | |
| **At 31 December** | **101** | **99** |

The disposal relates to the disentanglement of the joint venture Keerpunt B.V. (Keerpunt) which was split up in October 2020, subsequently a.s.r. added its part of the services to its own organisation. Keerpunt is a specialist in the field of working conditions services, case management, reintegration and sustainable deployment.

Some participating interests in which a.s.r. has an interest of less than 20% qualify as associates, because a.s.r. has significant influence as a result of contractual agreements. a.s.r. also has interests of 50% or more in associates at fair value through profit or loss. a.s.r. has no control over these entities as the ability to direct the relevant activities is limited by contractual agreements and therefore does not consolidate these entities.

The information disclosed in the tables below is based on the most recent financial information available from the associates and joint ventures. This is primarily based on the investee's financial statements and their accounting policies. If these policies differ from a.s.r.'s accounting policies, carrying amounts in a.s.r.'s consolidated financial statements have been changed to be in line with a.s.r.'s policies.

**Financial information available from the associates and joint ventures**

| | 31 December 2020 | | | | 31 December 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Associates and joint ventures at equity method | Real estate equity funds | Mortgage equity funds | Total | Mortgage equity funds | Real estate equity funds | Mortgage equity funds | Total |
| Total assets | 2,519 | 3,818 | 6,328 | 12,664 | 1,767 | 3,704 | 4,311 | 9,782 |
| Total liabilities | 2,237 | 341 | 85 | 2,662 | 1,510 | 327 | 85 | 1,922 |
| Total income | 185 | 171 | 164 | 519 | 199 | 175 | 265 | 638 |
| Profit and loss from continuing operations | 15 | 99 | 140 | 254 | 17 | 323 | 252 | 591 |
| Total comprehensive income | 15 | 99 | 140 | 254 | 17 | 323 | 252 | 591 |

The total assets of the real estate equity funds consist primarily of investment property, € 3,621 million (2019: € 3,564 million). The total assets of the mortgage equity funds consist primarily of mortgages, € 6,193 million (2019: € 4,186 million).

The interest in the real estate equity funds is as follows:

**Investments**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| ASR Dutch Core Residential Fund | 649 | 664 |
| ASR Dutch Core Residential Fund | 976 | 983 |
| ASR Dutch Mobility Office Fund | 110 | 80 |
| | | |
| **Total** | **1,735** | **1,727** |

## 6.5.5 Investments

See accounting policy E.

**Investments**

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

For changes in investments available for sale and changes in investments at fair value through profit or loss see chapter 6.5.5.1 and chapter 6.5.5.2 respectively.

**Breakdown of investments**

| | 31 December 2020 | | | 31 December 2019 | | |
|---|---|---|---|---|---|---|
| | Available for sale | Fair value through profit or loss | Total | Available for sale | Fair value through profit or loss | Total |
| **Fixed income investments** | | | | | | |
| Government bonds | 17,390 | - | 17,390 | 16,132 | - | 16,132 |
| Corporate bonds | 11,817 | - | 11,817 | 11,590 | - | 11,590 |
| Asset-backed securities | 404 | - | 404 | 524 | - | 524 |
| Preference shares | 316 | - | 316 | 320 | - | 320 |
| Rural property contracts | - | 143 | 143 | - | 72 | 72 |
| | | | | | | |
| **Equities and similar investments** | | | | | | |
| Equities | 3,447 | 62 | 3,510 | 3,049 | 111 | 3,159 |
| Real estate equity funds | - | 2,029 | 2,029 | - | 2,079 | 2,079 |
| Mortgage equity funds | 393 | 590 | 983 | 270 | 569 | 839 |
| Other participating interests | 7 | - | 7 | 7 | - | 7 |
| | | | | | | |
| **Total investments** | **33,774** | **2,825** | **36,599** | **31,893** | **2,831** | **34,724** |

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

In 2020, government bonds increased to € 17,390 million (2019: € 16,132 million) mostly due to positive revaluations and additional investments as a result of cash collateral received on derivative instruments which were reinvested into government bonds. For more information in regards to cash collateral received see chapter 6.5.19.

For the real estate equity funds and mortgage equity funds for which a.s.r. has significant influence, being ASR DMOF, ASR DPRF, ASR DCRF and ASR mortgage fund, the exemption of IAS 28 was used, thereby measuring the investments at fair value through profit or loss and presenting them as a separate category within the investments at fair value through profit or loss. For a breakdown of the real estate equity funds ASR DMOF, ASR DPRF and ASR DCRF, and ASR mortgage funds see chapter 6.5.4.

All investments at fair value through profit or loss are designated as such by a.s.r. upon initial recognition. For more detailed information about the fair value valuation of the investments, see chapter 6.7.1.

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

## 6.5.5.1 Investments available for sale

**Changes in investments available for sale**

| | 2020 | 2019 |
|---|---|---|
| At 1 January | 31,893 | 25,328 |
| Purchases | 14,366 | 9,912 |
| Repayments | -7,824 | -3,215 |
| Disposal | -5,816 | -4,258 |
| Realised gains through profit or loss | 386 | 356 |
| Revaluation recognised in equity | 786 | 1,496 |
| (Reversals of) Impairments | -61 | -16 |
| Amortisation | -189 | -174 |
| Exchange rate differences | -98 | 23 |
| Changes in the composition of the group | 331 | 2,441 |
| | | |
| **At 31 December** | **33,774** | **31,893** |

a.s.r. has equities and bonds that have been transferred, but do not qualify for derecognition amounting to € 5,294 million (2019: € 5,507 million). The majority of these investments are part of a securities lending programme whereby the investments are lent in exchange for a fee with collateral obtained as a security. The collateral furnished as security representing a fair value of € 6,199 million (2019: € 6,400 million) consists of mortgage loans and corporate and government bonds. See accounting policy R about securities lending. Changes in the composition of the group relates to the assets acquired through the acquisition of VvAA life en Veherex (2019: Loyalis). See chapter 6.4.5.

### Impairment of investments available for sale

**Changes in impairments of investments available for sale**

| | 2020 | 2019 |
|---|---|---|
| At 1 January | -350 | -430 |
| Increase in impairments through profit or loss | -63 | -20 |
| Reversal of impairments through profit or loss | 2 | 3 |
| Reversal of impairments due to disposal | 57 | 96 |
| **At 31 December** | **-354** | **-350** |

The increase in impairments through profit or loss are related to impairments on equities mainly due to COVID-19 developments. The reversal of impairments due to disposal are mainly related to gains on disposal of equity securities which were previously impaired.

### 6.5.5.2 Investments at fair value through profit or loss

**Changes in investments at fair value through profit or loss**

| | 2020 | 2019 |
|---|---|---|
| At 1 January | 2,831 | 2,332 |
| Purchases | 306 | 420 |
| Disposal | -277 | -229 |
| Revaluation through profit or loss | -2 | 192 |
| Transfer between investments on behalf of policyholders and investments | -34 | -11 |
| Other changes | 1 | - |
| Changes in the composition of the group | - | 127 |
| **At 31 December** | **2,825** | **2,831** |

Within the real estate equity funds, lower valuation of retail property, partly due to COVID-19 developments, was compensated by a higher valuation of residential property.

Purchases mainly relates to purchases of interests in real estate equity funds and rural property contracts. Disposals mainly relates to disposals of interests in real estate equity funds.

## 6.5.6 Investments on behalf of policyholders

See accounting policy F.

### Investments on behalf of policyholders at fair value through profit or loss

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Government bonds | 1,560 | 1,420 |
| Corporate bonds | 1,091 | 1,103 |
| Listed equities | 6,109 | 5,014 |
| Listed equity funds | 1,146 | 1,548 |
| Real estate equity funds | 115 | 233 |
| Mortgage equity funds | - | 44 |
| Derivatives | 14 | 12 |
| Investment property | - | 43 |
| Cash and cash equivalents | 112 | 59 |
| Other investments | 5 | 95 |
| | | |
| **Total investments on behalf of policyholders at fair value through profit or loss** | **10,154** | **9,571** |

### Changes in investments on behalf of policyholders at fair value through profit or loss

| | 2020 | 2019 |
|---|---|---|
| At 1 January | 9,571 | 7,771 |
| Purchases | 2,288 | 2,891 |
| Disposal | -2,329 | -3,187 |
| Revaluation through profit or loss | 437 | 1,536 |
| Transfer between investments on behalf of policyholders and investments | 34 | 11 |
| Transfer between investments on behalf of policyholders and investment property | 10 | 3 |
| Other changes | -36 | -47 |
| Changes in the composition of the group | 178 | 592 |
| | | |
| **At 31 December** | **10,154** | **9,571** |

Investments on behalf of policyholders are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of a.s.r.

Changes in the composition of the group relates to the acquisition of VvAA life (2019: Loyalis). See chapter 6.4.5.

## 6.5.7 Loans and receivables

See accounting policy G.

**Loans and receivables measured at amortised cost**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Government and public sector | 106 | 114 |
| Mortgage loans | 8,253 | 7,134 |
| Consumer loans | - | - |
| Other loans | 461 | 287 |
| **Total due from customers** | **8,820** | **7,534** |
| | | |
| **Impairments** | | |
| Specific credit risks | -7 | -18 |
| **Due from customers** | **8,813** | **7,516** |
| | | |
| Due from credit institutions - Interest bearing deposits | 93 | 345 |
| Due from credit institutions - Loans and advances | 2,966 | 3,095 |
| Due from credit institutions - Other | 1,724 | 651 |
| **Total due from credit institutions** | **4,783** | **4,092** |
| | | |
| **Impairments** | | |
| Specific credit risks | -56 | -56 |
| **Due from credit institutions** | **4,727** | **4,036** |
| | | |
| Due from policyholders | 109 | 144 |
| Due from intermediaries | 88 | 93 |
| Reinsurance receivables | 175 | 188 |
| Due from Health Insurance Fund | 107 | 106 |
| Other receivables | 377 | 278 |
| **Total trade and other receivables** | **856** | **808** |
| | | |
| **Impairments** | | |
| Specific credit risks | -26 | -28 |
| IBNR | -1 | - |
| **Trade and other receivables** | **830** | **780** |
| | | |
| **Total loans and receivables** | **14,370** | **12,332** |

The total amount due from credit institutions of € 4,783 million (2019: € 4,092 million) increased due to a reverse repurchase agreement in the accounts of last year. Total due from credit institutions consists for € 2,663 million (2019: € 2,801 million) of savings-linked mortgage loans.

The total amount of trade and other receivables of € 856 million (2019: € 808 million) increased due to a higher amount of prepaid mortgage financing as a consequence of higher mortgage production.

The claim related to cash collateral paid on derivative instruments, included in total due from credit institutions, amounts to € 79 million (2019: € 51 million).

Based on their contractual maturity, an amount of € 12,219 million (2019: € 10,853 million) of the loans and receivables is expected to be recovered after more than one year after the balance sheet date.

| Changes in impairments of loans and receivables | | |
|---|---|---|
| | 2020 | 2019 |
| At 1 January | -102 | -110 |
| Increase in impairment through profit and loss | -11 | -8 |
| Reversal of impairment through profit and loss | 23 | 13 |
| Reversal of impairment due to disposal | 1 | 5 |
| Other | - | -1 |
| | | |
| **At 31 December** | **-90** | **-102** |

For information regarding the fair value, see chapter 6.7.1.2.

## 6.5.8 Derivatives

See accounting policy H.

Derivatives consist primarily of derivatives used to hedge interest rate movements. Changes in the fair value of derivatives at fair value through profit or loss are recorded in ‘fair value gains and losses’, see chapter 6.6.4.

a.s.r. trades both cleared and non-cleared derivatives on the basis of standardised contracts and exchanges cash variation margin with its counterparties. The derivatives are valued daily and cash collateral is exchanged to reflect the change in mark-to-market (MtM) of the derivatives. Because of this periodic margining process, counterparty risk on derivatives is negligible.

In addition to the above variation margin obligations, there is also an initial margin obligation for central cleared derivatives which further reduces the risk of a.s.r. and its counterparties that they cannot fulfil their obligations.

Notional amounts are not recognised as assets or liabilities in the balance sheet, however notional amounts are used in determining the fair value of the derivatives. Notional amounts do not reflect the potential gain or loss on a derivative transaction.

| Derivatives | | | | | | |
|---|---|---|---|---|---|---|
| | | | 31 December 2020 | | | 31 December 2019 |
| | Asset | Liability | Notional amount | Asset | Liability | Notional amount |
| Foreign exchange contracts | 57 | 4 | 2,722 | 13 | 2 | 1,124 |
| Interest rate contracts | | | | | | |
| - Swaps | 8,874 | 1,362 | 63,148 | 5,668 | 642 | 56,350 |
| - Options | 223 | - | 2,652 | 218 | - | 3,285 |
| - Futures | - | 19 | 1,096 | 55 | 9 | 1,174 |
| Inflation linked swaps | - | 35 | 235 | - | 24 | 235 |
| Equity index contracts | 13 | - | 418 | 5 | - | 453 |
| | | | | | | |
| **Total** | **9,168** | **1,419** | **70,270** | **5,959** | **676** | **62,621** |

The derivatives do not include the derivatives on behalf of policyholders (2020: € 14 million, 2019: € 12 million).

Derivatives increased primarily as a result of positive revaluations due to decreasing interest rates.

In addition to the use of swaps and options a.s.r. manages interest rate risk by using forward starting swaps, included in interest rate contracts swaps, and bond forwards, included in interest rate contracts futures.

The notional amounts of both receiver and payer swaps are included in the total notional amounts of foreign exchange contracts.

The fair value of interest rate contracts is calculated by first determining the cash flows of the floating leg based on the Euribor-curve corresponding the interest reset period (3 months, 6 months or 12 months) of the swap. Then the net present value of the floating and fixed leg is determined by discounting the cash flows.

As part of global industry efforts around benchmark reform, most Central Clearing Counterparties (CCPs) have switched the overnight cost of funding collateral and discounting on all cleared EUR-denominated products to euro short-term rate (€STR) in July 2020, and for USD-denominated derivatives to SOFR in October 2020. The switch in discounting from EONIA to €STR being performed by the CCP's will not change the discounting of bilateral (uncleared) trades. These bilateral trades will remain discounted at the rate referenced in parties' ISDA Credit Support Annex (CSA).

The fair value of the interest rate contracts using the above valuation method form the basis for the amount of collateral that is exchanged between a.s.r. and its counterparties in accordance with the underlying contracts. For more information see chapter 6.8 on risk management.

Of the derivatives € 9,113 million assets (2019: € 5,889 million) and € 1,410 million liabilities (2019: € 661 million) is expected to be recovered respectively settled more than one year after the balance sheet date.

## 6.5.9 Deferred taxes

**Deferred taxes**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Deferred tax assets | 177 | 197 |
| Deferred tax liabilities | - | - |
| | | |
| **Net Deferred tax** | **177** | **197** |

Deferred taxes are formed for differences between the carrying amount of assets and liabilities and their tax base at the enacted tax rate, taking into account tax-exempt components. The current tax rate is 25.0% (2019: 25.0%).

The intended reduction of the tax rate to 21.7% for 2021 and thereafter was reversed in 2020, therefore the tax rate will stay at 25.0%.

The deferred tax asset is mainly caused by additions which have been made to the liabilities arising from insurance contracts and have already been recognised in the income tax expense. The deferred tax asset is not a result of prior year's tax losses.

Deferred tax assets and liabilities are expected to be recovered after more than one year after the balance sheet date.

## Changes in deferred taxes

| | 1 January 2020 | Changes recognised in profit or loss | Changes recognised in other comprehensive income | Changes in composition of the group | Other changes | 31 December 2020 |
|---|---|---|---|---|---|---|
| Financial assets held for trading | -1,109 | -784 | - | - | - | -1,893 |
| Investments | -754 | 14 | -280 | -11 | - | -1,031 |
| Investment property | -284 | -67 | - | - | - | -352 |
| Property and equipment | -6 | - | -4 | - | - | -10 |
| Intangible assets | -42 | -3 | - | -3 | - | -48 |
| Liabilities arising from insurance contracts | 2,357 | 863 | 187 | 7 | - | 3,414 |
| Employee benefits | 153 | -50 | 124 | - | - | 226 |
| Amounts received in advance | 5 | -3 | - | - | - | 1 |
| Fiscal reserves | -137 | -32 | - | - | - | -170 |
| Tax losses carry forward | - | - | - | - | - | - |
| Other | 15 | 23 | 1 | - | - | 39 |
| **Gross deferred tax** | **197** | **-40** | **28** | **-7** | **-** | **177** |
| | | | | | | |
| Write-down of deferred tax assets | - | - | - | - | - | - |
| | | | | | | |
| **Net deferred tax** | **197** | **-40** | **28** | **-7** | **-** | **177** |

In 2020, changes in the compositions of the group mainly relates to the acquisition of VvAA life and Veherex and the related technical provisions and investments (see chapter 6.4.5)

## Changes in deferred taxes (2019)

| | 1 January 2019 | Changes recognised in profit or loss | Changes recognised in other comprehensive income | Changes in composition of the group | Other changes | 31 December 2019 |
|---|---|---|---|---|---|---|
| Financial assets held for trading | -460 | -638 | - | -11 | - | -1,109 |
| Investments | -595 | 136 | -272 | -23 | - | -754 |
| Investment property | -249 | -35 | - | - | - | -284 |
| Property and equipment | -2 | 1 | - | -5 | - | -6 |
| Intangible assets | -24 | 9 | - | -27 | - | -42 |
| Liabilities arising from insurance contracts | 1,497 | 549 | 212 | 99 | - | 2,357 |
| Employee benefits | 185 | -115 | 82 | 1 | - | 153 |
| Amounts received in advance | 1 | -1 | - | 4 | - | 5 |
| Fiscal reserves | -91 | -46 | - | -1 | - | -137 |
| Tax losses carry forward | - | - | - | - | - | - |
| Other | 12 | -2 | -1 | 6 | - | 15 |
| **Gross deferred tax** | **275** | **-141** | **20** | **43** | **-** | **197** |
| | | | | | | |
| Write-down of deferred tax assets | - | - | - | - | - | - |
| | | | | | | |
| **Net deferred tax** | **275** | **-141** | **20** | **43** | **-** | **197** |

## 6.5.10 Other assets

See accounting policy W.

**Composition of other assets**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Accrued investment and interest income | 516 | 533 |
| Prepaid costs and other non-financial assets | 157 | 158 |
| Property developments | 47 | 32 |
| | | |
| **Total other assets** | **720** | **722** |

Prepaid costs and other non-financial assets including prepaid commissions for Non-life insurance.

An amount of € 658 million (2019: € 679 million) of other assets is expected to be recovered less than or equal to one year after the balance sheet date.

## 6.5.11 Cash and cash equivalents

See accounting policy X.

**Cash and cash equivalents**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Due from banks | 1,396 | 1,685 |
| Due from banks falling due within three months | 1,450 | 1,220 |
| | | |
| **Total cash and cash equivalents** | **2,846** | **2,905** |

All cash and cash equivalents are freely available. The cash components include € 2,120 million (2019: € 1,774 million) related to cash collateral received on derivative instruments and is managed separately from other cash equivalents.

The claim related to cash collateral paid on derivative instruments is included in the amount loans and receivables (see chapter 6.5.7). Debt related to cash collateral received on derivatives instruments is included in the amount due to banks (see chapter 6.5.19).

Interest expenses on cash collateral is mainly based on EONIA/€STER, see chapter 6.5.19 due to banks.

## 6.5.12 Equity

See accounting policy Y.

### 6.5.12.1 Share capital

**Share capital**

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Number of Shares (in millions) | Amounts (in € millions) | Number of Shares (in millions) | Amounts (in € millions) |
| Ordinary shares | | | | |
| - Authorised capital; par value of € 0.16 | 350 | 56 | 350 | 56 |
| - Of which unsubscribed | 209 | 33 | 209 | 33 |
| **Subscribed and paid-up capital** | **141** | **23** | **141** | **23** |
| | | | | |
| Preference shares | | | | |
| - Authorised capital; par value of € 0.16 | 350 | 56 | 350 | 56 |
| - Of which unsubscribed | 350 | 56 | 350 | 56 |
| **Subscribed and paid-up capital** | **-** | **-** | **-** | **-** |

### 6.5.12.2 Unrealised gains and losses recorded in equity

**Unrealised gains and losses recorded in equity**

| | 31 December 2020 | | | 31 December 2019 | | |
|---|---|---|---|---|---|---|
| | Investments available for sale | Revaluation of property in own use | Total | Investments available for sale | Revaluation of property in own use | Total |
| Gross unrealised gains and losses | 3,919 | 45 | 3,964 | 3,133 | 32 | 3,165 |
| Related tax | -903 | -11 | -914 | -718 | -8 | -726 |
| Shadow accounting | -2,517 | - | -2,517 | -1,965 | - | -1,965 |
| Tax related to shadow accounting | 629 | - | 629 | 491 | - | 491 |
| Unrealised gains and losses related to segregated investment pools | -34 | - | -34 | -38 | - | -38 |
| Tax related to segregated investment pool | 8 | - | 8 | 10 | - | 10 |
| | | | | | | |
| **Total unrealised gains and losses recorded in equity** | **1,103** | **34** | **1,137** | **913** | **24** | **937** |

### 6.5.12.3 Actuarial gains and losses

The balance of actuarial gains and losses related to the pension obligation decreased in 2020 by € 340 million after tax and € 453 million before tax (2019: decreased by € 381 million after tax and € 508 million before tax). The decrease is mainly due to a decrease in the discount rate (see chapter 6.5.15).

### 6.5.12.4 Treasury shares

In 2020, a.s.r. repurchased 2,943 thousand shares under an open market share buyback programme for an amount of € 75 million (average share price € 25.49). As part of the employee share purchase plan a.s.r. sold 122 thousand shares for an amount of € 3 million. The amount of treasury shares held as at year-end 2020 of € 82 million (2019: € 9 million) represents 3,072 thousand treasury shares (2019: 251 thousand).

For more information on the employee share purchase plan, see chapter 6.7.6.

## 6.5.12.5 Other equity instruments

In 2020, a.s.r. neither issued nor redeemed any other equity instruments.

In 2019, a.s.r. redeemed the Hybrid Tier 1 instrument 10% fixed and the Hybrid Tier 1 instrument 7.25% fixed interest at their first call dates. a.s.r. issued an additional € 200 million perpetual non-call restricted Tier 1 contingent convertible capital instrument.

**Other equity instruments**

| | 2020 | 2019 | Coupon date | First possible redemption date |
|---|---|---|---|---|
| Hybrid Tier 2 instrument 5% fixed interest | 497 | 497 | Annually with effect from 30 September 2015 | 30 September 2024 |
| Restricted Tier 1 instrument 4.625% fixed interest | 507 | 507 | Semi-annually with effect from 19 April 2018 | 19 October 2027 |
| **Total other equity instruments** | **1,004** | **1,004** | | |

The Tier 1 and Tier 2 instruments bear discretionary interest and have no maturity date, but can be redeemed at the option of a.s.r. on any coupon due date from the above mentioned possible redemption date.

The Tier 1 and Tier 2 instruments have subordination provisions, rank junior to all other liabilities and senior to shareholder's equity only. The conditions of the securities contain certain provisions for optional and required coupon payment deferral and mandatory coupon payment events.

On 12 October 2017, a.s.r. launched and priced a € 300 million perpetual non-call 10 year restricted Tier 1 contingent convertible capital instrument priced with a fixed-rate coupon of 4.625% (resettable after 10 years).

On 17 September 2019, a.s.r. issued an additional € 200 million perpetual non-call restricted Tier 1 contingent convertible capital instrument. The new issue has the same terms and conditions of the existing restricted Tier 1. An amendment, which allows the new issue to become fully fungible with the existing issue, was approved by the holders of the outstanding Tier 1 capital on 8 October 2019. Due to the integration in the existing issue, the new issue is first callable in October 2027, and increased the notional size of the existing restricted Tier 1 instrument to € 500 million.

As a consequence of a judgment of the Supreme Court (judgment 15 March 2020), the Dutch Ministry of Finance has confirmed that coupon payments in respect of the restricted Tier 1 contingent convertible capital instrument are deductible for tax purposes as per 1 January 2019.

**Distributed amounts to holders of equity instruments as discretionary interest**

| | 2020 | 2019 |
|---|---|---|
| Hybrid Tier 1 instrument 10% fixed interest | - | 19 |
| Hybrid Tier 1 instrument 7.25% fixed interest | - | 1 |
| Hybrid Tier 2 instrument 5% fixed interest | 25 | 25 |
| Restricted Tier 1 instrument 4.625% fixed interest | 23 | 15 |
| | | |
| **Total distributed amounts** | **48** | **60** |

The Tier 1 and Tier 2 instruments are classified as equity as there is no requirement to settle the obligation in cash or another financial asset or to exchange financial assets or financial liabilities under conditions that are potentially unfavourable for a.s.r.

### 6.5.12.6 Earnings per share

**Basic earnings per share at year end**

| | 2020 | 2019 |
|---|---|---|
| Net result from continuing operations | 611 | 911 |
| Net result from discontinued operations | -2 | 1 |
| **Net result attributable to holders of ordinary shares for calculating the earnings per ordinary share** | **609** | **912** |
| Weighted average number of ordinary shares in issue | 138,918,141 | 140,877,534 |
| Basic earnings per ordinary share from continuing operations (in euros) | 4.40 | 6.46 |
| Basic earnings per ordinary share from discontinued operations (in euros) | -0.01 | 0.01 |
| **Basic earnings per ordinary share (in euros)** | **4.38** | **6.47** |

**Diluted earnings per share at year end**

| | 2020 | 2019 |
|---|---|---|
| Net result from continuing operations | 611 | 911 |
| - effect of Restricted Tier 1 capital instrument | 23 | 15 |
| **Adjusted net result from continuing operations** | **634** | **925** |
| Net result from discontinued operations | -2 | 1 |
| **Adjusted net result attributable to holders of ordinary shares for calculating the diluted earnings per ordinary share** | **632** | **926** |
| Weighted average number of ordinary shares in issue | 138,918,141 | 140,877,534 |
| Weighted average number of ordinary shares resulting from conversion of bonds Restricted Tier 1 | 21,645,022 | 14,935,525 |
| **Weighted average number of shares used to calculate the diluted earnings per ordinary share** | **160,563,162** | **155,813,059** |
| Diluted earnings per ordinary share from continuing operations (in euros) | 3.95 | 5.94 |
| Diluted earnings per ordinary share from discontinued operations (in euros) | -0.01 | 0.01 |
| **Diluted earnings per ordinary share (in euros)** | **3.94** | **5.95** |

Net result in the table is after tax and non-controlling interests.

For additional information related to net result, see chapter 6.2.2.

## 6.5.13 Subordinated liabilities

See accounting policy Z.

**Subordinated liabilities**

| | Nominal amount | Carrying value | Carrying value |
|---|---|---|---|
| Hybrid Tier 2 instrument 5.125% fixed interest | 500 | 498 | 497 |
| Hybrid Tier 2 instrument 3.375% fixed interest | 500 | 493 | 493 |
| **Total subordinated liabilities** | **1,000** | **991** | **990** |

On 2 May 2019 a.s.r. issued € 500 million subordinated liabilities in the form of Tier 2 notes. The bond has a maturity date of 2049 and is first callable 3 months before the first reset date of 2 May 2029. The coupon is fixed at 3.375% and paid annually on 2 May. After the reset date the interest is calculated based on the 5 Year Mid Swap Rate plus a margin of 4.00 per cent and updated once every five years.

In 2015, a.s.r. issued € 500 million subordinated liabilities in the form of Tier 2 notes, first callable on 29 September 2025, and maturing on 29 September 2045. The coupon is fixed at 5.125% and paid annually on 29 September with a step up at the first call date.

These notes are subordinated and ranking equally without any preference amongst themselves and (a) junior to the claims of all senior creditors of a.s.r., (b) equally with any parity obligations and (c) in priority to claims in respect of (i) any equity securities and (ii) any junior obligations.

The subordinated liabilities are classified as liabilities given the obligation to settle the loans and pay the coupon. They are considered Tier 2 own funds for regulatory purposes.

## 6.5.14 Insurance liabilities

See accounting policies I, J, O and V.

### 6.5.14.1 Liabilities arising from insurance contracts

**Insurance contracts with retained exposure**

| | Gross | | Of which reinsurance | |
|---|---|---|---|---|
| | 31 December 2020 | 31 December 2019 | 31 December 2020 | 31 December 2019 |
| Provision for unearned premiums | 323 | 347 | 19 | 34 |
| Provision for claims (including IBNR) | 6,522 | 5,990 | 307 | 371 |
| | | | | |
| **Non-life insurance contracts** | **6,845** | **6,337** | **325** | **405** |
| | | | | |
| Life insurance contracts excluding own pension contracts | 34,615 | 32,218 | 158 | 166 |
| | | | | |
| **Total liabilities arising from insurance contracts** | **41,460** | **38,555** | **483** | **571** |

**Changes in liabilities arising from non-life insurance contracts**

| | Gross | | Of which reinsurance | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **Provision for unearned premiums** | | | | |
| At 1 January | 347 | 353 | 34 | 37 |
| Changes in provision for unearned premiums | -24 | -75 | -16 | -3 |
| Changes in the composition of the group | | 68 | | |
| **Provision for unearned premiums as at 31 December** | **323** | **347** | **19** | **34** |
| | | | | |
| **Provision for claims (including IBNR)** | | | | |
| At 1 January | 5,990 | 4,674 | 371 | 378 |
| Claims paid | -2,337 | -2,268 | -92 | -128 |
| Changes in provision for claims | 2,723 | 2,378 | 28 | 52 |
| Changes in shadow accounting through equity | -19 | 126 | - | - |
| Changes in shadow accounting through income | 81 | 89 | - | - |
| Changes in the composition of the group | 83 | 991 | - | 68 |
| **Provision for claims (including IBNR) as at 31 December** | **6,522** | **5,990** | **307** | **371** |
| | | | | |
| **Non-life insurance contracts as at 31 December** | **6,845** | **6,337** | **325** | **405** |

The changes in composition of the group reflect the acquisition of Veherex (2019: Loyalis) (see chapter 6.4.5).

The impact on the insurance contracts as a result of the COVID-19 outbreak was limited for the non-life business. The increase in disability claims was compensated by a decrease in motor and fire. For more information see chapter 6.1.2. No significant adjustments were made in the underlying assumptions and methodologies for determining the insurance contracts.

## Gross provisions for claims

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Claims reported | 4,582 | 4,477 |
| IBNR | 1,940 | 1,513 |
| **Total provisions for claims** | **6,522** | **5,990** |

## Changes in liabilities arising from life insurance contracts

| | | Gross | | Of which reinsurance |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| At 1 January | 32,222 | 28,226 | 168 | 177 |
| Premiums received / paid | 723 | 766 | - | - |
| Regular interest added | 589 | 626 | 3 | 3 |
| Realised gains and losses | 52 | -93 | - | - |
| Amortisation of realised gains | -292 | -299 | - | - |
| Benefits | -1,625 | -1,487 | - | - |
| Technical result | -35 | -131 | -1 | - |
| Release of cost recovery | -131 | -138 | - | - |
| Changes in shadow accounting through equity | 571 | 915 | - | - |
| Changes in shadow accounting through income | 2,322 | 2,858 | - | - |
| Other changes | -29 | -131 | -10 | -12 |
| Changes in the composition of the group | 247 | 1,110 | - | - |
| **At 31 December** | **34,614** | **32,222** | **160** | **168** |
| | | | | |
| **Interest margin participation to be written down** | | | | |
| At 1 January | -16 | -20 | -2 | -3 |
| Write-down recognised in profit or loss | 8 | 8 | - | - |
| Other changes | -4 | -4 | - | - |
| **At 31 December** | **-11** | **-16** | **-2** | **-2** |
| | | | | |
| **Provision for discretionary profit sharing, bonusses and discounts** | | | | |
| At 1 January | 12 | 11 | - | - |
| Profit-sharing, bonuses and discounts granted in the financial year | - | - | - | - |
| Other changes | - | - | - | - |
| Changes in the composition of the group | - | - | - | - |
| **At 31 December** | **12** | **12** | **-** | **-** |
| | | | | |
| **Total life insurance contracts at 31 December** | **34,615** | **32,218** | **158** | **166** |

The insurance liabilities are deemed to be adequate following the performance of the Liability Adequacy Test (LAT) taking into account the UFR of 3.75% for 2020 (2019: 3.90%). The future UFR under Solvency II and therefore also for the LAT is subject to developments in the real interest rate and, based on the EIOPA UFR methodology published in 2017, would result in an UFR of 3.60% in 2021 with future decreases expected in the coming years. a.s.r. performed a sensitivity analysis on the impact of the development of the UFR as if the UFR would have been 3.50% and concluded that it still has an adequate surplus of the insurance liabilities over the IFRS-LAT.

In 2020, the changes in the composition of the group reflect the acquisitions of VvAA life. The changes in composition of the group in 2019 reflect the acquisition of Loyalis (see chapter 6.4.5).

In 2020 and 2019, the other changes mainly relate to the transfer of insurance contracts to insurance contracts on behalf of policyholders due to new product features provided.

Included within technical result is an additional charge for strengthening technical provisions due to a methodology change in calculating the IBNR for disability for certain pension products of € 33 million.

### 6.5.14.2 Claims development table, Non-life

The table below is a ten-year summary of movements in gross cumulative claims in connection with the Non-life portfolio for the period from 2011 to 2020.

**Ten-year summary of changes in gross cumulative claims**

| | | | | | | | | | | | Claims year |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 31 December 2020 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
| At year end: | | | | | | | | | | | |
| 1st claims year | 1,985 | 2,214 | 2,104 | 2,016 | 2,031 | 2,207 | 2,219 | 2,291 | 2,321 | 2,517 | |
| 2012 | 1,900 | | | | | | | | | | |
| 2013 | 1,886 | 2,121 | | | | | | | | | |
| 2014 | 1,912 | 2,126 | 2,057 | | | | | | | | |
| 2015 | 1,910 | 2,113 | 2,048 | 1,934 | | | | | | | |
| 2016 | 1,916 | 2,115 | 2,042 | 1,935 | 1,956 | | | | | | |
| 2017 | 1,907 | 2,131 | 2,058 | 1,927 | 1,983 | 2,173 | | | | | |
| 2018 | 1,904 | 2,123 | 2,059 | 1,923 | 1,997 | 2,214 | 2,133 | | | | |
| 2019 | 1,916 | 2,106 | 2,045 | 1,910 | 1,979 | 2,189 | 2,161 | 2,119 | | | |
| 2020 | 1,900 | 2,102 | 2,027 | 1,883 | 1,974 | 2,207 | 2,164 | 2,163 | 2,145 | | |
| **Gross claims as at 31 December 2020** | **1,900** | **2,102** | **2,027** | **1,883** | **1,974** | **2,207** | **2,164** | **2,163** | **2,145** | **2,517** | |
| Cumulative gross paid claims | 1,724 | 1,880 | 1,765 | 1,615 | 1,621 | 1,757 | 1,611 | 1,522 | 1,383 | 1,003 | |
| **Gross outstanding claims liabilities (including IBNR)** | **176** | **222** | **262** | **268** | **353** | **451** | **553** | **641** | **761** | **1,514** | **5,200** |
| Claims liabilities prior years | - | - | - | - | - | - | - | - | - | - | 801 |
| Other claim liabilities | | | | | | | | | | | - |
| Shadow accounting | | | | | | | | | | | 521 |
| **Total claim liabilities** | | | | | | | | | | | **6,522** |

| | | | | | | | | | | | Claims year |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 31 December 2019 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Total |
| At year end: | | | | | | | | | | | |
| 1st claim year | 1,913 | 1,977 | 2,206 | 2,097 | 2,010 | 2,025 | 2,199 | 2,210 | 2,281 | 2,313 | |
| 2011 | 1,986 | | | | | | | | | | |
| 2012 | 1,917 | 1,896 | | | | | | | | | |
| 2013 | 1,944 | 1,877 | 2,113 | | | | | | | | |
| 2014 | 1,965 | 1,902 | 2,117 | 2,050 | | | | | | | |
| 2015 | 1,967 | 1,899 | 2,103 | 2,041 | 1,927 | | | | | | |
| 2016 | 1,969 | 1,906 | 2,105 | 2,034 | 1,928 | 1,949 | | | | | |
| 2017 | 1,967 | 1,896 | 2,121 | 2,049 | 1,919 | 1,976 | 2,165 | | | | |
| 2018 | 1,943 | 1,891 | 2,113 | 2,050 | 1,915 | 1,989 | 2,206 | 2,122 | | | |
| 2019 | 1,952 | 1,903 | 2,097 | 2,036 | 1,901 | 1,971 | 2,181 | 2,151 | 2,107 | | |
| **Gross claims as at 31 December 2019** | **1,952** | **1,903** | **2,097** | **2,036** | **1,901** | **1,971** | **2,181** | **2,151** | **2,107** | **2,313** | |
| Cumulative gross paid claims | 1,766 | 1,689 | 1,843 | 1,724 | 1,574 | 1,568 | 1,689 | 1,532 | 1,428 | 963 | |
| **Gross outstanding claims liabilities (including IBNR)** | **187** | **214** | **253** | **312** | **325** | **402** | **492** | **626** | **680** | **1,350** | **4,839** |
| Claims liabilities prior years | - | - | - | - | - | - | - | - | - | - | 692 |
| Other claim liabilities | | | | | | | | | | | - |
| Shadow accounting | | | | | | | | | | | 459 |
| **Total claim liabilities** | | | | | | | | | | | **5,990** |

For the acquired entities gross claims in the claims development table includes claims from the original date of the claim.

### 6.5.14.3 Liabilities arising from insurance contracts on behalf of policyholders

**Changes in liabilities arising from insurance contracts on behalf of policyholders**

| | 2020 | 2019 |
|---|---|---|
| At 1 January | 12,477 | 10,222 |
| Premiums received | 913 | 709 |
| Interest added | 89 | 120 |
| Benefits | -970 | -1,016 |
| Effect of fair value changes related to financial assets | 471 | 1,528 |
| Technical result | 24 | 14 |
| Release of cost recovery | -81 | -76 |
| Other changes | 36 | 143 |
| Changes in the composition of the group | 178 | 832 |
| **At 31 December** | **13,137** | **12,477** |

At year-end 2020, the liabilities included a guarantee provision for a carrying amount of € 49 million (2019: € 44 million) and a provision related to unit-linked insurance contracts and pension contracts for a carrying amount of € 45 million (2019: € 51 million). These provisions relate to compensation for the cost of these contracts.

In 2020 and 2019, the other changes mainly relate to the transfer of insurance contracts to insurance contracts on behalf of policyholders due to new product features provided.

Liabilities arising from insurance contracts on behalf of policyholders also include liabilities where conversions and switches have occurred in the insurance contract administration. The insurance contract still meets the definition of and continues to be classified as an insurance contract on behalf of policyholders and therefore continues to be included in the insurance contracts on behalf of policyholders administration. However, as a result of the conversion and switches, liabilities arising from insurance contracts on behalf of policyholder amounting to € 2,913 million (2019: € 2,830 million) are - in the classification and subsequent presentation - not backed directly with investments on behalf of policyholders. The related investments are included and presented in investments (available for sale) and loans and receivables.

## 6.5.15 Employee benefits

See accounting policy K.

**Employee benefits**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Post-employment benefits pensions | 4,228 | 3,835 |
| Post-employment benefits other than pensions | 10 | 11 |
| **Post-employment benefit obligation** | **4,238** | **3,846** |
| | | |
| Other long-term employee benefits | 15 | 14 |
| | | |
| **Total** | **4,253** | **3,860** |

**Costs of post-employment and other long-term employee benefits**

| | 2020 | 2019 |
|---|---|---|
| Post-employment benefits pensions | -111 | -113 |
| Post-employment benefits other than pensions | - | - |
| **Total** | **-111** | **-114** |
| | | |
| Other long term employee benefits | -1 | -2 |
| | | |
| **Cost of post-employment and other long-term employee benefits** | **-112** | **-115** |

The costs of the post-employment benefits pensions relate to the DB plans of a.s.r., plus the defined contribution plans of the other group companies.

An amount of € 4,127 million (2019: € 3,736 million) of the employee benefits is expected to be settled more than twelve months after the balance sheet date.

### 6.5.15.1 Post-employment benefits pensions

a.s.r. has a number of DB and DC post-employment benefit plans for its employees and former employees. The majority of employees are formally employed by a.s.r. A limited amount of employees are employed by other group companies. The pension plans of other group companies are disclosed in a separate section in this chapter.

a.s.r. life, an insurance company and a group entity, is the insurer of the majority of the post- employment benefit plans, being both the DB plans as well as the DC plans. As this company holds the separated investments that are meant to cover the employee benefit obligation, they do not qualify as plan assets in accordance with IAS 19 and are therefore included in financial assets.

#### a.s.r. employees

The former employees of VvAA life and Veherex became employees of a.s.r. and subsequently participants in the a.s.r. post-employment benefit plan as of 1 January 2020.

The a.s.r. post-employment benefit plans are based on an average-salary pension. All employees who commenced service after 1 January 2006 are included in one post-employment benefit plan (‘Basic plan’). All other employees remain active within the existing plan at the date of first employment. Previous plans for former employees are also still active. The methods and techniques used to calculate the DB obligations are based on IAS 19 requirements and calculated by an independent actuary.

a.s.r. pays the contributions except for the own contribution of the employees of 6% of their pensionable salary.

The benefits under these plans are dependent on factors such as years of service and compensation. Pension obligations are determined using mortality tables, the rate of employee turnover, wage drift and economic assumptions for factors such as inflation, and the discount rate.

The post-employment benefit plans for staff that is employed by a.s.r. are insured by a.s.r. life.

The post-employment benefit plans for a.s.r. employees is primarily based on the following conditions:
- The accrual rate for old age pensions 1.875% (2019: 1.875%);
- Retirement age 68 years (2019: 68 years);
- Maximum pensionable salary capped at € 103,780 (2019: € 107,593);
- Future inflation indexation is conditional; and
- Minimum franchise has changed.

Active former employees of Generali became participants in the a.s.r. post-employment benefit plan as of 1 January 2020. The plan is still active, but no new contributions are made within the plan.

#### Other group companies employees

The other group companies, which are entities operating in the Distribution and Services segment, have DC plans, insured with a.s.r. life. The recognised expenses for these DC plans in 2020 amounts to € 3 million (2019: € 3 million).

## Net defined benefit liability

### Defined benefit obligation for all the above mentioned plans

| | 2020 | 2019 |
|---|---|---|
| **Net defined benefit liability at 1 January** | **3,835** | **3,303** |
| | | |
| **Included in income statement** | | |
| Current service cost, contributions by employer | 68 | 48 |
| Interest cost | 39 | 60 |
| Past service cost | 56 | -4 |
| **Total** | **163** | **105** |
| | | |
| **Remeasurement of liabilities included in OCI** | | |
| Discount rate change | 437 | 529 |
| Other assumptions change | -99 | -72 |
| Experience adjustments | -22 | 52 |
| **Total** | **315** | **508** |
| | | |
| Current service cost, contributions by employee | 10 | 9 |
| Benefits | -99 | -94 |
| Transfer | 2 | 1 |
| Changes in the composition of the group | - | 3 |
| | | |
| **Net defined benefit liability at 31 December** | **4,228** | **3,835** |
| | | |
| **At 31 December** | | |
| Defined benefit obligation | 4,228 | 3,835 |
| Fair value of plan assets | - | - |
| Net defined benefit liability | 4,228 | 3,835 |

Employees account for 26 % (2019: 26%) of the DB obligation, 39% (2019: 37%) of the DB obligation relates to former employees currently receiving pension benefits, 32% (2019: 32%) of the DB obligation relates to deferred pensioners and 3% (2019: 5%) of the DB obligation relates to other members.

The discount rate was 0.43% at 31 December 2020 (31 December 2019: 1.04%), resulting in a € 459 million increase in the DB obligation (2019: € 529 million increase).

As per 31 December 2020 the duration of the DB obligation was 19 years (2019: 19 years).

The change in other assumptions amounts to € -99 million (2019: € -72 million) primarily due to a change in indexation percentage of former employees.

The current post-employment defined benefit plan of a.s.r. has ended as per 31 December 2020. A new defined contribution plan has been introduced and will start from 1 January 2021. The net defined benefit obligation will continue to exist, but no further regular annual premium contributions will be paid to the plan. During 2020, as a result of the agreed change in the a.s.r. pension scheme in 2020, the defined benefit obligations for all the defined benefit plans have been recalculated which resulted in a past service cost of € 56 million, presented for € 59 million as part of the other expenses and for € 3 million as part of other income in the income statement.

Experience adjustments are actuarial gains and losses that have arisen due to differences between actuarial assumptions. The following table provides information about experience adjustments with respect to qualifying plan assets and the DB obligation:

| Experience adjustments | | |
|---|---|---|
| Amounts in € thousand | 2020 | 2019 |
| Experience adjustments to qualifying investments, gain (loss) | - | - |
| As % of qualifying investments as at 31 December | 0.0% | 0.0% |
| Experienced adjustments to defined benefit obligation, loss (gain) | 22,040 | -51,600 |
| As a % of liabilities as at 31 December | -0.5% | 1.3% |

## Assumptions

| The principal actuarial assumptions and parameters at year-end | 2020 | 2019 |
|---|---|---|
| Discount rate | 0.4% | 1.0% |
| Future salary increases (including price inflation and merit) | 1.4% | 1.4% |
| Future pension increases (including price inflation) | 1.3% | 1.1% |
| Indexation % employees | 1.4% | 1.4% |
| Indexation % former employees | 1.3% | 1.1% |
| Accrual rate | 1.9% | 1.9% |
| Mortality (years) | 19.7 | 20.0 |
| Expected remaining service years | 7.9 | 8.2 |

In the calculation of the DB obligation the:
- Discount rate is based on an internal curve for high quality corporate bonds;
- Most recent mortality table 'AG Prognosetafel 2020' is used, in combination with a.s.r. specific experience factors for the pension portfolio;
- The period of indexation is based on the expected duration of the separate account to fund the future inflation indexation.

The sensitivity of the above actuarial assumptions to feasible possible changes at the reporting date to one of the relevant actuarial assumptions whilst other assumption remain constant, would have affected the DB obligation by the amounts shown below:

| Sensitivity of actuarial assumptions | Increase | Decrease |
|---|---|---|
| Discount rate (1% movement) | -688 | 917 |
| Indexation employees (1% movement) | 32 | -31 |
| Indexation former employees (1% movement) | 77 | -78 |
| Future salary growth (1% movement) | - | - |
| Future pension growth (1% movement) | - | - |
| Future mortality (1 year movement) | -164 | 166 |

## Non-qualifying plan assets

The portfolio of global investments (non-qualifying assets) held by a.s.r. life to cover the employee benefit expense of the DB plans can be broken down as follows:

| Breakdown of global investments held by a.s.r. life | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Equities | 15.8% | 15.1% |
| Fixed-interest securities | 76.8% | 77.2% |
| Real estate | 5.1% | 4.9% |
| Cash | 0.1% | 0.5% |
| Other | 2.2% | 2.3% |

For the non-qualifying assets backing the post-employment benefit plans, a.s.r. has drawn up general guidelines for the asset mix based on criteria such as geographical location and ratings. To ensure the investment guidelines remain in line with the conditions of the post-employment benefit obligations, a.s.r. regularly performs Asset Liability Management (ALM) studies. Transactions in the non-qualifying assets are done within the guidelines. As the post-employment benefit plans are a liability on group level, the underlying insurance and market risks are in scope of a.s.r.'s risk policies. (see chapter 6.8). The overall interest-rate risk of the group is managed using interest-rate swaps and swaptions. a.s.r. life manages the interest rate risk through an overlay interest hedging strategy using swaps and swaptions for the company as a whole (see chapter 6.8.3). The swaps and swaptions are not specifically allocated to the a.s.r. post-employment benefit plans. Therefore the (un)realised gains and losses from swaps and swaptions as a whole are accounted for in liabilities arising from insurance contracts, in accordance with the shadow accounting policy, whereas the impact of changes in interest rates on the provisioning for employee benefits based on IAS19 is part of actuarial gains and losses that are recognised in equity (see chapter 6.5.12.3).

The non-qualifying assets, which are managed by a group company, are not presented as part of the net DB obligation. At year-end 2020, the fair value of these assets amounted to € 2,664 million (2019: € 2,662 million), which includes the separate account to fund future inflation indexation amounting to € 242 million (2019: € 262 million). As mentioned above, the swaps and swaptions have not been allocated directly to the post-employment benefit obligations; neither are they included as part of the fair value of the non-qualifying assets managed by the group company.

Under IFRS, assets managed by insurance companies that form part of the group do not qualify as qualifying assets. Investment income from these assets has therefore not been included in the above figures but is recognised as investment income separately. Actual investment returns for 2020 amounted to € 73 million (2019: € 67 million), which includes the investment income on the separate account to fund future inflation indexation amounting to € 1 million (2019: € 6 million). These returns have been recognised in investment income (see chapter 6.6.2).

The separate account to fund future inflation indexation is utilised to fund the future inflation indexation for the employees and former employees included in the a.s.r. post-employment benefit plans. As such this has been included in the assumption used in calculating the DB obligation.

### 6.5.15.2 Post-employment benefits other than pensions

The other post-employment benefits plans consist of personnel arrangements for financial products (such as mortgages and health insurance), which remain in place after retirement.

**Changes in the defined benefit obligation**

| | 2020 | 2019 |
|---|---|---|
| **Defined benefit obligation at 1 January** | **11** | **11** |
| | | |
| **Included in income statement** | | |
| Other | - | - |
| **Total** | **-** | **-** |
| | | |
| **Remeasurement of liabilities included in OCI** | | |
| Discount rate change | - | - |
| Other assumptions change | - | - |
| **Total** | **1** | **-** |
| | | |
| Benefits | -1 | -1 |
| Transfer | - | - |
| | | |
| **Defined benefit obligation at 31 December** | **10** | **11** |

Experience adjustments are actuarial gains and losses that have arisen due to differences between actuarial assumptions. The following table provides information about experience adjustments with respect to qualifying plan assets and the DB obligation:

**Experience adjustments to defined benefit obligation**

| Amounts in € thousands | 2020 | 2019 |
|---|---|---|
| Experience adjustments to defined benefit obligation, loss (gain) | -746 | -276 |
| As a % of liabilities as at 31 December | -7.2% | -2.6% |

| Principal actuarial assumptions and parameters at year-end | 2020 | 2019 |
|---|---|---|
| Discount rate | 0.2% | 0.5% |

In accordance with a.s.r.'s policy, discounts on staff mortgages have been fixated in amounts granted on the reference date December 2017.

In the calculation of the DB obligation the:
- Discount rate is based on an internal curve for high quality corporate bonds;
- Most recent mortality table 'AG Prognosetafel 2020' is used, in combination with a.s.r. specific experience factors for the pension portfolio;

The sensitivity of the above actuarial assumptions to feasible possible changes at the reporting date to one of the relevant actuarial assumptions whilst other assumption remain constant, would have affected the DB obligation by the amounts of € 1 million increase (2019: € 1 million increase) or € 1 million decrease (2019: € 1 million decrease) as a result of a movement of the discount rate by 1%.

### 6.5.15.3 Other long-term employee benefits

Other long-term employee benefits consist of the employer's share of liabilities arising from long-term services, such as jubilee benefits.

| Changes in other long-term employee benefits | 2020 | 2019 |
|---|---|---|
| **Net liability as at 1 january** | **14** | **14** |
| | | |
| Total expenses | 1 | - |
| Actuarial gains and losses | - | 1 |
| Other | -1 | -1 |
| Changes in the composition of the group | - | 1 |
| | | |
| **Net liability as at 31 December** | **15** | **14** |

| Underlying assumptions | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Discount rate | -0.1% | 0.3% |
| Salary increases | 1.4% | 1.4% |
| Expected remaining service years | 8.0 | 8.2 |

## 6.5.16 Provisions

| Changes in provisions | 2020 | 2019 |
|---|---|---|
| At 1 January | 54 | 22 |
| Additional foreseen amounts | 9 | 45 |
| Reversal of unused amounts | -18 | -1 |
| Usages in course of year | -22 | -20 |
| Other | 1 | -1 |
| Changes in the composition of the group | - | 9 |
| | | |
| **At 31 December** | **24** | **54** |

The provisions were created for:
- VAT and legal issues;
- Staff restructuring expenses;
- Retention of disability risk instead of insuring it with UWV (Employed Persons Insurance Administration Agency); and
- Other expenses.

The provision for VAT and legal issues is based on best estimates available at year-end, making allowance for expert opinions.

The timing of the outflow of resources related to these provisions is uncertain because of the unpredictability of the outcome and the time required for the settlement of disputes.

The provisions for staff restructuring are based on arrangements agreed in the Collective Bargaining Agreement, restructuring plans, and on decisions made by a.s.r.'s management.

Reversal of unused amounts reflects a favourable ruling in a lawsuit in which a.s.r. was involved regarding a real estate development project.

An amount of € 17 million of the provisions is expected to be settled within twelve months after the balance sheet date (2019: € 24 million).

## 6.5.17 Borrowings

See accounting policies Z and AA.

**Borrowings**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Loans | 33 | 28 |
| Lease liabilities | 21 | 19 |
| **Total Borrowings** | **54** | **47** |

As at year-end, borrowings had the following terms to maturity:

**Maturity of borrowings**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Maturity - Falling due within 1 year | 12 | 5 |
| Maturity - Falling due between 1 and 5 years | 20 | 18 |
| Maturity - Falling due after 5 years | 22 | 25 |
| **Maturity Borrowings** | **54** | **47** |

At year-end 2020, the fair value of borrowings was € 54 million (2019: € 47 million). For information regarding the fair value, see chapter 6.7.1.2. The average interest rate payable on loans was 1.32% (2019: 2.10%). The average incremental borrowing rate on the lease liabilities was 1.77% (2019: 2.06%).

## 6.5.18 Due to customers

**Amounts due to customers**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Debts to policyholders, agents and intermediaries | 504 | 623 |
| Debt to reinsurers | 49 | 64 |
| **Total due to customers** | **553** | **686** |

For information regarding the fair value, see chapter 6.7.1.2.

An amount of € 46 million (2019: € 205 million) of due to customers is expected to be settled more than twelve months after balance sheet date.

## 6.5.19 Due to banks

The amounts due to banks increased from € 5,520 million to € 7,996 million primarily as a result of the increase in liability recognised for cash collateral received under ISDAs (International Swaps and Derivatives Association) and CCAs (Client Clearing Agreement) concluded with counterparties (see chapter 6.5.11). There is no significant difference between the carrying amount and the fair value of these liabilities (see chapter 6.7.1.2).

a.s.r. extended its unsecured revolving facility with ABN AMRO of € 350 million for another year. As per Q4 2020 there are no drawings under the facility which means that it is fully available. The facility can be used for multiple purposes including investment purposes, balance sheet management, and for short term cash flow management.

The average interest rate for the cash collateral received in 2020 is -0.46% and mainly based on EONIA/€STER (2019: -0.38% (EONIA)). There are no specific terms and conditions, because these depend on the development of the value of the underlying instrument. a.s.r. has bonds that have been transferred as a result of reverse repurchase agreements, but do not qualify for derecognition amounting to nil (2019: nil). The asset recognised for cash collateral paid on reverse repurchase agreements is presented under loans and receivables. The liability recognised for cash collateral received on repurchase agreements is presented under due to banks.

The entire amount of the due to banks is expected to be settled less than or equal to twelve months after the balance sheet date.

## 6.5.20 Other liabilities

**Other liabilities**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Financial liabilities** | | |
| Accrued Interest | 98 | 92 |
| Trade payables | 13 | 37 |
| | | |
| **Non-financial liabilities** | | |
| Deferred income | 111 | 78 |
| Short-term employee benefits | 19 | 21 |
| Tax payable | 102 | 53 |
| Other non-financial liabilities | 609 | 448 |
| | | |
| **Total other liabilities** | **951** | **729** |

The other non-financial liabilities of € 609 million (2019: € 448 million) consist, amongst others, of payables, accruals related to investments and construction depots for rural housing mortgages.

There is no difference between the carrying value of other liabilities and their fair value (see chapter 6.7.1.2).

An amount of € 29 million (2019: € 32 million) of the other liabilities is expected to be settled more than one year after the balance sheet date.

# 6.6 Notes to the consolidated income statement

## 6.6.1 Gross insurance premiums

See accounting policy BB.

**Composition of gross insurance premiums**

| | 2020 | 2019 |
|---|---|---|
| **Non-life insurance contracts – gross earned premiums** | **3,665** | **3,265** |
| | | |
| Life insurance contracts retained exposure | 723 | 766 |
| Life insurance contracts on behalf of policyholders | 913 | 709 |
| **Total life insurance contracts** | **1,635** | **1,476** |
| | | |
| **Total gross insurance premiums** | **5,300** | **4,740** |

The table below provides an overview of total gross earned non-life insurance premiums.

**Gross insurance premiums Non-life**

| | 2020 | 2019 |
|---|---|---|
| Gross premiums written | 3,641 | 3,190 |
| Changes in provisions for unearned premiums | 24 | 75 |
| | | |
| **Gross insurance premiums** | **3,665** | **3,265** |

**Non-recurring and regular life insurance premiums**

| | 2020 | 2019 |
|---|---|---|
| **Retained exposure Group** | | |
| Non-recurring premiums written | 95 | 105 |
| Periodic premiums written | 124 | 150 |
| **Group total** | **219** | **255** |
| | | |
| **Retained exposure Individual** | | |
| Non-recurring premiums written | 33 | 33 |
| Periodic premiums written | 471 | 479 |
| **Individual total** | **504** | **512** |
| | | |
| **Total contracts retained exposure** | **723** | **766** |
| | | |
| **On behalf of policyholders Group** | | |
| Non-recurring premiums written | 173 | 74 |
| Periodic premiums written | 558 | 439 |
| **Group total** | **731** | **514** |
| | | |
| **On behalf of policyholders Individual** | | |
| Non-recurring premiums written | 10 | 4 |
| Periodic premiums written | 172 | 192 |
| **Individual total** | **182** | **196** |
| | | |
| **Total contracts on behalf of policyholders** | **913** | **709** |
| | | |
| **Total life insurance contracts** | **1,635** | **1,476** |

A total amount of € 177 million (2019: € 145 million) has been eliminated in the consolidation process and is therefore not included in the gross insurance premiums (and investment income and operating expenses). This relates to the a.s.r. post-employment benefit plans of € 163 million (2019: € 131 million), investment fees of € 12 million (2019: € 12 million) and disability premiums of € 2 million (2019: € 2 million).

## 6.6.2 Investment income

See accounting policy CC.

**Breakdown of investment income per category**

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

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

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

## 6.6.3 Realised gains and losses

See accounting policy DD.

**Realised gains and losses per category**

| | 2020 | 2019 |
|---|---|---|
| **Associates and joint ventures at equity method** | | |
| - Realised gains | - | 1 |
| | | |
| **Investments available for sale** | | |
| **Fixed-Income securities** | | |
| - Realised gains | 242 | 126 |
| - Realised losses | -3 | -3 |
| **Equities** | | |
| - Realised gains | 158 | 244 |
| - Realised losses | -10 | -10 |
| | | |
| **Loans and receivables** | | |
| - Realised gains | 10 | - |
| - Realised losses | - | -4 |
| | | |
| **Total realised gains and losses** | **396** | **353** |

Realised gains on fixed-income securities increased as a result of positive revaluations due to lower interest rates.

Reversal of impairments on fixed-income securities, including loans and receivables, as a result of disposal amounts to € 9 million (2019: € 7 million). The related expenses are included within other expenses, see chapter 6.6.11.

## 6.6.4 Fair value gains and losses

See accounting policy EE.

**Fair value gains and losses per category**

| | 2020 | 2019 |
|---|---|---|
| Realised gains and losses on derivatives | -38 | -277 |
| Unrealised gains and losses on derivatives | 2,430 | 2,904 |
| Gains and losses on investment property and property for own use | 70 | 53 |
| Financial assets at fair value through profit or loss | -108 | 213 |
| Additions to insurance liabilities due to shadow accounting | -2,404 | -2,948 |
| | | |
| **Total fair value gains and losses** | **-49** | **-55** |

All changes in fair value presented here are changes to the so-called 'clean fair value'. This is the fair value net of accrued interest recognised in interest income and expense.

Unrealised gains on derivatives are due to decreasing interest rates, most of these are shadowed and added to insurance liabilities, see chapter 6.5.14. Fair value gains and losses on financial assets at fair value through profit or loss decreased partly due to COVID-19.

## 6.6.5 Fee and commission income

See accounting policy GG

**Fee and commission income**

| | 2020 | 2019 |
|---|---|---|
| Asset management for third parties | 81 | 65 |
| Commission on reinsurance | 25 | 22 |
| Other fee and commission income | 43 | 42 |
| **Total fee and commission income** | **149** | **129** |

Fee and commission income from asset management for third parties increased as a reult of the growth in assets under management.

## 6.6.6 Other income

**Other income**

| | 2020 | 2019 |
|---|---|---|
| Proceeds from sales of property developments | 23 | 10 |
| Other income | 57 | 155 |
| **Total other income** | **81** | **165** |

The proceeds from sales of property developments in 2020 are mainly due to the sale of phase one residential properties of the Rijnsoever project to external parties.

Other income in 2019 included the purchase gain of € 118 million as a result of the acquisition of Loyalis in 2019.

## 6.6.7 Net insurance claims and benefits

See accounting policy HH.

**Net insurance claims and benefits**

| | 2020 | 2019 |
|---|---|---|
| **Total Non-life and Life** | | |
| Insurance claims and benefits | -5,082 | -5,475 |
| Insurance claims and benefits recovered from reinsurers | 30 | 60 |
| | | |
| **Net insurance claims and benefits** | **-5,051** | **-5,415** |
| | | |
| **Non-life** | | |
| Claims paid | -2,337 | -2,268 |
| Changes in provision for outstanding claims | -387 | -111 |
| Amortisation of VOBA | -14 | -9 |
| **Insurance claims and benefits** | **-2,738** | **-2,387** |
| | | |
| Insurance claims and benefits recovered from reinsurers | 28 | 52 |
| | | |
| **Net insurance claims and benefits, Non-life** | **-2,710** | **-2,335** |
| | | |
| **Life** | | |
| Claims paid | -2,594 | -2,503 |
| Changes in liabilities arising from insurance contracts | 729 | 851 |
| Changes in liabilities arising from insurance contracts on behalf of policyholders | -469 | -1,426 |
| Amortisation of VOBA | -9 | -10 |
| **Insurance claims and benefits** | **-2,344** | **-3,087** |
| | | |
| Insurance claims and benefits recovered from reinsurers | 3 | 8 |
| | | |
| **Net insurance claims and benefits, Life** | **-2,341** | **-3,080** |

Non-life insurance claims were positively affected by COVID-19 (€ 21 million). In P&C, particularly in motor and fire, the COVID-19 measures resulted in significantly lower claims. This positive effect was largely offset in Disability, the lockdown and social distancing measures caused delays in recovery and reintegration into work processes. The impact of COVID-19 on claims in Health was limited. Despite the positive COVID-19 impact, insurance claims increased mainly due to organic growth and acquisitions (which also increased premium volumes). This mainly relates to the Health portfolio, the acquisition of Loyalis (this year fully and last year for eight months included) and Veherex. In addition, the reserves were strengthened as a result of the sector-wide lowering of the actuarial interest rate for personal injury following a court-ruling earlier this year (P&C) and an increase in the average claim duration in sickness leave (Disability).

The effect of COVID-19 on the claims and benefits in the Life segment is limited (€ -1 million). An increase of the unit linked provision (€ -5 million) was partially offset by a positive mortality result (€ 4 million). Mortality rates were up mainly in higher age groups (in line with the trend in the Netherlands), which had a limited positive impact on the mortality result for Pensions and Individual life, partially offset by Funeral.

## 6.6.8 Operating expenses

See accounting policy II.

**Operating expenses**

| | 2020 | 2019 |
|---|---|---|
| Salaries and wages | -273 | -254 |
| Social security contributions | -35 | -37 |
| Employee benefit charges | -72 | -53 |
| Employee discounts | -3 | -4 |
| Other short term employee benefits | -8 | -10 |
| **Total cost of own staff** | **-391** | **-358** |
| | | |
| Cost of external staff | -88 | -85 |
| Consultancy costs and fees | -100 | -92 |
| Marketing, advertising and public relations expenses | -15 | -15 |
| Technology and system costs | -57 | -56 |
| Amortisation of other intangible assets | -8 | -8 |
| Depreciation of property and equipment | -16 | -17 |
| Other operating expenses | -26 | -25 |
| **Total other operating expenses** | **-310** | **-298** |
| | | |
| **Total operating expenses** | **-701** | **-656** |

The increase in total operating expenses is primarily a result of an increase in current service cost of the post-employment benefits pensions plan (see chapter 6.5.15.1), various acquisitions (see chapter 6.4.5) and organic growth.

Other operating expenses include travel and subsistence, telephone and personnel training expenses.

**Segmentation of a.s.r.'s internal workforce**

| Segments | 2020 | 2019 |
|---|---|---|
| Non-life | 1,524 | 1,460 |
| Life | 464 | 460 |
| Asset Management | 347 | 330 |
| Distribution and Services | 680 | 573 |
| Holding and Other | 1,027 | 1,083 |
| | | |
| **Total workforce** | **4,042** | **3,906** |

The number of internal FTE increased to 4,042 FTE (2019: 3,906 FTE) mostly as a result of various acquisitions (see chapter 6.4.5) and organic growth.

Employees related to administrative activities and overhead are allocated to segment Holding and Other.

## 6.6.9 Impairments

See accounting policy KK.

**Summary of impairments**

| | 2020 | 2019 |
|---|---|---|
| Intangible assets | -117 | -3 |
| Property and equipment | - | -1 |
| Investments available for sale | -61 | -16 |
| Loans and receivables | 11 | 4 |
| | | |
| **Total impairments** | **-167** | **-16** |

| Changes in impairments of investments available for sale | | |
|---|---|---|
| | 2020 | 2019 |
| Equities | -63 | -20 |
| Reversal of impairments on collateralised debt obligations | 2 | 3 |
| | | |
| **Total changes in impairments of investments available for sale** | **-61** | **-16** |

The impairments on intangible assets in 2020 are related to impairments of goodwill in the Life segment (€ -90 million) and the partial impairment of goodwill in the Distribution and Services segment (€ -27 million), see chapter 6.5.1. The increase in impairments on investments available for sale is mainly related to impairments on equity instruments due to COVID-19 developments, see chapter 6.5.5.1.

## 6.6.10 Interest expense

| Breakdown of the interest expense | | |
|---|---|---|
| | 2020 | 2019 |
| Interest on employee benefits | -39 | -61 |
| Interest on derivatives | -198 | -209 |
| Interest owed to banks | -44 | -35 |
| Interest on subordinated liabilities | -44 | -38 |
| Interest on borrowings | -1 | -1 |
| Other interest expenses | -5 | -9 |
| | | |
| **Total interest expense** | **-331** | **-352** |

Included within interest owed to banks is an amount of € 32 million (2019: € 29 million) relating to negative interest paid on assets.

## 6.6.11 Other expenses

| Other expenses | | |
|---|---|---|
| | 2020 | 2019 |
| Costs associated with sale of development property | - | -8 |
| Operation expenses of investment property | -18 | -13 |
| Other expenses | -123 | -54 |
| | | |
| **Total other expenses** | **-141** | **-74** |

The increase in other expenses is mainly related to the recalculation of the defined benefit obligations as a result of the agreed change of pension scheme in 2020 of € 59 million, see chapter 6.5.15.1, and the increase in the provision for irrecoverable claims relating to negative interest surplus on pension portfolio of € 36 million (2019: € 25 million).

## 6.6.12 Income tax expense

See accounting policy LL.

**Income tax expense**

| | 2020 | 2019 |
|---|---|---|
| Current taxes for the current period | -149 | -119 |
| Current taxes referring to previous periods | 17 | 21 |
| **Total current tax** | **-132** | **-98** |
| | | |
| Deferred taxes arising from current period | -65 | -133 |
| Deferred taxes arising from changes in tax rates | 25 | -9 |
| **Total deferred tax** | **-40** | **-141** |
| | | |
| **Income tax expenses** | **-172** | **-240** |

The expected income tax expense is determined by applying the tax rate in the Netherlands to the result before tax. In 2020, this rate was 25.0% (2019: 25.0%). The enacted tax rate for 2021 will be 25.0%.

Deferred taxes arising from changes in tax rates in 2019 relate to the reduction of the tax rate for 2021 and thereafter, which was reversed in 2020.

The table below shows a reconciliation of the expected income tax expense with the actual income tax expense.

**Reconciliation of expected income tax expense with the actual income tax expense**

| | 2020 | 2019 |
|---|---|---|
| Result before tax | 829 | 1,210 |
| Current tax rates | -25% | -25% |
| **Expected income tax expense** | **-207** | **-303** |
| | | |
| **Effects of:** | | |
| Tax-exempt interest | 3 | 5 |
| Tax on interest on other equity instruments | 12 | 14 |
| Tax-exempt dividends | 4 | 6 |
| Tax-exempt capital gains | 5 | 19 |
| Changes in impairments | -30 | -1 |
| Adjustments for taxes due on previous financial years | 15 | - |
| Other effects | 26 | 21 |
| | | |
| **Total Income tax gain / (expense)** | **-172** | **-240** |

The result is almost entirely earned and taxable in the Netherlands.

Deferred taxes arising from changes in tax rates are included in the other effects.

The effective income tax rate is 20.7% (2019: 19.8%). In 2019, the effective income tax rate was reduced due to the badwill of Loyalis. Compared to 2019, the effective income tax rate increased in 2020 due to impairments on goodwill, partially offset by a decrease due to the release of the future tax rate adjustment and as a result of tax gains of corrections on previous years.

# 6.7 Other notes

## 6.7.1 Fair value of assets and liabilities

See accounting policy B.

### 6.7.1.1 Financial assets and liabilities measured at fair value

See accounting policy B.

## Breakdown of financial assets and liabilities measured at fair value

| 31 December 2020 | Fair value based on quoted prices in an active market<br>Level 1 | Fair value based on observable market data<br>Level 2 | Fair value not based on observable market data<br>Level 3 | Total fair value |
|---|---|---|---|---|
| **Investments available for sale** | | | | |
| Government bonds | 17,381 | 9 | - | 17,390 |
| Corporate bonds | 11,591 | 223 | 3 | 11,817 |
| Asset-backed securities | - | - | 404 | 404 |
| Preference shares | - | 313 | 3 | 316 |
| Equities | 2,645 | 520 | 282 | 3,447 |
| Mortgage equity funds | - | - | 393 | 393 |
| Other participating interests | 7 | - | - | 7 |
| | **31,623** | **1,065** | **1,085** | **33,774** |
| **Investments at fair value through profit or loss** | | | | |
| Equities | 53 | - | 10 | 62 |
| Real estate equity funds | - | - | 2,029 | 2,029 |
| Mortgage equity funds | - | - | 590 | 590 |
| Rural property contracts | - | - | 143 | 143 |
| | **53** | **-** | **2,772** | **2,825** |
| **Derivatives** | | | | |
| Exchange rate contracts | - | 57 | - | 57 |
| Interest rate contracts | - | 9,098 | - | 9,098 |
| Equity index contracts | 13 | - | - | 13 |
| Futures | - | - | - | - |
| **Total derivatives assets** | **13** | **9,155** | **-** | **9,168** |
| Exchange rate contracts | - | -4 | - | -4 |
| Interest rate contracts | - | -1,362 | - | -1,362 |
| Futures | -8 | -10 | - | -19 |
| Inflation linked swaps | - | -35 | - | -35 |
| **Total derivatives liabilities** | **-8** | **-1,411** | **-** | **-1,419** |
| | **5** | **7,744** | **-** | **7,749** |
| **Cash and cash equivalents** | 2,846 | - | - | 2,846 |
| **Investments on behalf of policyholders** | | | | |
| Government bonds | 1,560 | - | - | 1,560 |
| Corporate bonds | 1,091 | - | - | 1,091 |
| Derivatives | - | 14 | - | 14 |
| Listed equities | 6,109 | - | - | 6,109 |
| Listed equity funds | 1,146 | - | - | 1,146 |
| Real estate equity funds | - | - | 115 | 115 |
| Cash and cash equivalents | 112 | - | - | 112 |
| Other investments | 1 | 4 | - | 5 |
| | **10,021** | **18** | **115** | **10,154** |
| **Total** | **44,547** | **8,827** | **3,973** | **57,347** |

## Breakdown of financial assets and liabilities measured at fair value

| 31 December 2019 | Fair value based on quoted prices in an active market<br>Level 1 | Fair value based on observable market data<br>Level 2 | Fair value not based on observable market data<br>Level 3 | Total fair value |
|---|---|---|---|---|
| **Investments available for sale** | | | | |
| Government bonds | 15,778 | 354 | - | 16,132 |
| Corporate bonds | 11,354 | 234 | 3 | 11,590 |
| Asset-backed securities | - | - | 524 | 524 |
| Preference shares | - | 317 | 3 | 320 |
| Equities | 2,374 | 452 | 223 | 3,049 |
| Mortgage equity funds | - | - | 270 | 270 |
| Other participating interests | 7 | - | - | 7 |
| | **29,513** | **1,357** | **1,023** | **31,893** |
| **Investments at fair value through profit or loss** | | | | |
| Equities | 93 | - | 17 | 111 |
| Real estate equity funds | - | - | 2,079 | 2,079 |
| Mortgage equity funds | - | - | 569 | 569 |
| Rural property contracts | - | - | 72 | 72 |
| | **93** | **-** | **2,738** | **2,831** |
| **Derivatives** | | | | |
| Exchange rate contracts | - | 13 | - | 13 |
| Interest rate contracts | - | 5,886 | - | 5,886 |
| Equity index contracts | 5 | - | - | 5 |
| Futures | 35 | 20 | - | 55 |
| **Total derivatives assets** | **40** | **5,919** | **-** | **5,959** |
| Exchange rate contracts | - | -2 | - | -2 |
| Interest rate contracts | - | -642 | - | -642 |
| Futures | - | -9 | - | -9 |
| Inflation linked swaps | - | -24 | - | -24 |
| **Total derivatives liabilities** | **-** | **-676** | **-** | **-676** |
| | **40** | **5,243** | **-** | **5,283** |
| **Cash and cash equivalents** | 2,905 | - | - | 2,905 |
| **Investments on behalf of policyholders** | | | | |
| Government bonds | 1,420 | - | - | 1,420 |
| Corporate bonds | 1,103 | - | - | 1,103 |
| Derivatives | - | 12 | - | 12 |
| Listed equities | 5,014 | - | - | 5,014 |
| Listed equity funds | 1,548 | - | - | 1,548 |
| Real estate equity funds | - | - | 233 | 233 |
| Mortgage equity funds | - | - | 44 | 44 |
| Investment property | - | - | 43 | 43 |
| Cash and cash equivalents | 59 | - | - | 59 |
| Other investments | 8 | 4 | 83 | 95 |
| | **9,152** | **16** | **402** | **9,571** |
| **Total** | **41,703** | **6,616** | **4,163** | **52,482** |

Cash and cash equivalents are classified as level 1 when not subject to restrictions.

### Reclassification between categories

| 2020 | To level 1 | To level 2 | To level 3 | Total |
|---|---|---|---|---|
| **From:** | | | | |
| Level 1: Fair value based on quoted prices in an active market | - | 12 | - | **12** |
| Level 2: Fair value based on observable market data | 353 | - | - | **353** |
| Level 3: Fair value not based on observable market data | - | - | - | **-** |

Debt funds are adjusted from level 2 to level 1 (€ 353 million) and from level 1 to level 2 (€ 12 million). Both movements are based respectively on increased and decreased observability of the inputs during the period.

### Reclassification between categories

| 2019 | To level 1 | To level 2 | To level 3 | Total |
|---|---|---|---|---|
| **From:** | | | | |
| Level 1: Fair value based on quoted prices in an active market | - | 262 | 3 | **265** |
| Level 2: Fair value based on observable market data | 284 | - | 21 | **305** |
| Level 3: Fair value not based on observable market data | 7 | 3 | - | **11** |

Debt funds were adjusted from level 2 to level 1 (€ 284 million) and from level 1 to level 2 (€ 262 million). Both movements are based respectively on increased and decreased observability of the inputs during the period.

Since 2019, all asset-backed securities are classified as level 3 unless they meet certain requirements, which has led to a movement of € 24 million.

The following two tables show the movement in financial assets measured at fair value including investment on behalf of policyholders and investment property that are categorised within level 3.

### Changes in financial assets classified as available for sale categorised within level 3

| | 2020 | 2019 |
|---|---|---|
| At 1 January | 1,023 | 253 |
| | | |
| Changes in value of investments, realised/unrealised gains and losses: | | |
| - Realised gains and losses | 13 | 15 |
| - Recognised in Other comprehensive income (unrealised gains and losses) | -4 | 8 |
| | | |
| Purchases | 254 | 273 |
| Repayments | -162 | -132 |
| Sales | -112 | -217 |
| Amortisation | - | -1 |
| Impairments | 1 | 3 |
| Reclassification of investments from/to Level 3 valuation technique | - | 21 |
| Changes in the composition of the group | 72 | 801 |
| | | |
| **At 31 December** | **1,085** | **1,023** |

### Changes in financial assets at fair value through profit or loss categorised within level 3

| | 2020 | 2019 |
|---|---|---|
| At 1 January | 3,140 | 2,504 |
| | | |
| Changes in value of investments, realised/unrealised gains and losses: | | |
| - Fair value gains and losses | -6 | 208 |
| | | |
| Purchases | 413 | 447 |
| Capital improvements | 4 | - |
| Sales | -674 | -298 |
| | | |
| Reclassification of investments from/to Level 3 valuation technique | - | -7 |
| Transfer between investments on behalf of policyholders and investment property | 10 | 3 |
| | | |
| Other | 1 | - |
| Changes in the composition of the group | - | 284 |
| | | |
| **At 31 December** | **2,888** | **3,140** |
| | | |
| **Total revaluations of investments, held at end of period, recognised in the income statement** | **-79** | **162** |

### Unobservable inputs used in determining the fair value for financial assets measured at fair value (recurring basis) that are categorised within level 3

*Available for sale investments*

The main non-observable market input for the asset-backed securities and mortgage equity funds available for sale are based on quotes published by an independent data vendor. If the quote of the data vendor is not available, values or quotes from other pricing services are obtained, including a check on the validity of the value or quote by an independent third party, to base the fair value on. There is no material difference in the fair value of the asset-backed securities and mortgage equity funds if a quote was used from an alternative data vendor.

The main non-observable market input for the equities and unlisted equities classified as level 3 is the net asset value as published by the investee. It is estimated that a 10% increase in valuation of these equities would have no significant impact on net result but would increase equity by € 28 million (2019: € 22 million), being approximately 0.4% (before tax) (2019: 0.4% (before tax)) of total equity. A decrease would have the opposite effect unless the impairment criteria are met.

*Investments at fair value through profit or loss*

The method of determining the fair value of the mortgage equity funds is similar to that of mortgage loans, however it excludes assumptions for originating cost and is determined within the funds structure. See chapter 6.7.1.2 for the main non-observable inputs.

The table below discloses the sensitivities to non-observable market inputs for the property portfolio, including real estate equity funds.

## Unobservable and observable inputs used in determination of fair value

| 31 December 2020 | | | | | | | | Change in theoretical rental value | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Unobservable and observable inputs used in determination of fair value | Fair value | Valuation technique | Gross | Gross theoretical rental value (€) | Gross | Gross yield (%) | Change in yield | -5% | 0% | 5% |
| **Investments at fair value through profit or loss** | | | | | | | | | | |
| Rural property contracts | 143 | DCF | total | 2,503,101 | mean | 1.7% | -5% | - | 8 | 15 |
| | | | max | 146,878 | max | 2.9% | 0% | -7 | - | 7 |
| | | | min | 10 | min | 1.3% | 5% | -14 | -7 | - |
| **Total rural property contracts** | **143** | | | | | | | | | |
| | | | | | | | | | | |
| Real estate equity funds associates | 1,735 | DCF | | 78,271,360 | | 4.5% | -5% | - | 91 | 183 |
| | | | | | | | 0% | -87 | - | 87 |
| | | | | | | | 5% | -165 | -83 | - |
| Real estate equity funds third parties | 294 | | | | | | | | | |
| **Total real estate equity funds** | **2,029** | | | | | | | | | |
| | | | | | | | | | | |
| **Investments on behalf of policyholders** | | | | | | | | | | |
| Real estate equity funds third parties | 115 | | | | | | | | | |
| **Total real estate equity funds** | **115** | | | | | | | | | |

The main non-observable market input for the real estate equity funds third parties is the net asset value as published by the investee. An increase or decrease in the net asset value of equities classified as level 3 will have a direct proportional impact on the fair value of the investment.

### 6.7.1.2 Financial assets and liabilities not measured at fair value

The breakdown of the fair values of financial assets and liabilities not measured at fair value, and for which the fair value is disclosed in accordance with the level of fair value hierarchy, as explained in accounting policy B, is as follows:

## Breakdown of financial assets and liabilities not measured at fair value

| 31 December 2020 | Fair value based on quoted prices in an active market<br>Level 1 | Fair value based on observable market data<br>Level 2 | Fair value not based on observable market data<br>Level 3 | Total fair value | Total carrying value |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Due from customers | - | 621 | 8,866 | 9,487 | 8,813 |
| Due from credit institutions | 1,757 | 4,025 | - | 5,782 | 4,727 |
| Trade and other receivables | - | 830 | - | 830 | 830 |
| **Total financial assets** | **1,757** | **5,475** | **8,866** | **16,099** | **14,370** |
| | | | | | |
| **Financial liabilities** | | | | | |
| Subordinated liabilities | - | 1,157 | - | 1,157 | 991 |
| Borrowings | - | 33 | 21 | 54 | 54 |
| Due to customers | - | 553 | - | 553 | 553 |
| Due to banks | 7,891 | 105 | - | 7,996 | 7,996 |
| Other financial liabilities | 88 | 22 | - | 110 | 110 |
| **Total financial liabilities** | **7,980** | **1,869** | **21** | **9,870** | **9,704** |

**Breakdown of financial assets and liabilities not measured at fair value**

| 31 December 2019 | Fair value based on quoted prices in an active market<br>Level 1 | Fair value based on observable market data<br>Level 2 | Fair value not based on observable market data<br>Level 3 | Total fair value | Total carrying value |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Due from customers | 2 | 442 | 7,830 | 8,274 | 7,516 |
| Due from credit institutions | 684 | 4,527 | - | 5,211 | 4,036 |
| Trade and other receivables | - | 780 | - | 780 | 780 |
| **Total financial assets** | **686** | **5,749** | **7,830** | **14,265** | **12,332** |
| | | | | | |
| **Financial liabilities** | | | | | |
| Subordinated liabilities | - | 1,146 | - | 1,146 | 990 |
| Borrowings | - | 28 | 19 | 47 | 47 |
| Due to customers | - | 686 | - | 686 | 686 |
| Due to banks | 5,415 | 105 | - | 5,520 | 5,520 |
| Other financial liabilities | 91 | 39 | - | 129 | 129 |
| **Total financial liabilities** | **5,506** | **2,004** | **19** | **7,529** | **7,373** |

Amounts due to banks presented as level 1 primarily comprise the liability recognised for the cash collateral received. The accrued interest included in other liabilities follows the classification of the underlying assets. Level 2 category financial assets relates primarily to savings-linked mortgage loans amounting to a fair value of € 3,659 million (2019: € 3,921 million).

The mortgage loan portfolio is classified as level 3 ‘not measured on the basis of market observable market data’. Non-observable market inputs are used in the valuation methods, in addition to the observable market inputs. The valuation method used to determine the fair value of the mortgage loan portfolio is based on the spread on the interest rate curve for discounting the mortgage portfolio cash flows on consumer rates and includes assumptions for originating cost, proposal risk, and the options related to early redemption and moving.

The mortgage loan portfolio consists of high quality mortgages with a relatively fixed return, limited impairments and arrears (see chapter 6.5.7). The mortgage loan portfolio consists only of Dutch mortgages with a limited counterparty default risk in line with the strategic investment plan (see chapter 6.8.4).

### 6.7.1.3 Property (including land and buildings for own use)

The breakdown of the investment property and land and buildings for own use in accordance with the fair value hierarchy, as explained in accounting policy B, is as follows:

**Breakdown of the fair value of the investment property and land and buildings for own use**

| 31 December 2020 | Fair value based on quoted prices in an active market<br>Level 1 | Fair Value based on observable market data<br>Level 2 | Fair Value not based on observable market data<br>Level 3 | Total fair value |
|---|---|---|---|---|
| Investment property | - | - | 1,973 | 1,973 |
| Land and buildings for own use | - | - | 158 | 158 |
| | | | | |
| **Total** | **-** | **-** | **2,130** | **2,130** |

| 31 December 2019 | Fair value based on quoted prices in an active market<br>Level 1 | Fair Value based on observable market data<br>Level 2 | Fair Value not based on observable market data<br>Level 3 | Total fair value |
|---|---|---|---|---|
| Investment property | - | - | 1,924 | 1,924 |
| Land and buildings for own use | - | - | 150 | 150 |
| | | | | |
| **Total** | **-** | **-** | **2,074** | **2,074** |

The property portfolio is classified as a level 3 'not measured on the basis of market observable market data'. Non-observable market inputs are used in the valuation methods, in addition to the observable market inputs. The fair value measurement is based on valuations by independent professional appraisers. These valuations have been performed for the entire portfolio of investment property and buildings for own use. Independent professional appraisers use reference transactions of comparable properties, in combination with the DCF and income capitalisation method, to determine the fair value of the property. The reference transactions of comparable objects are generally based on observable data consisting of the land register 'Kadaster' and the rural land price monitor as published by the Dutch Government 'Grondprijsmonitor' in an active property market.

The property has a relatively fixed return. The property portfolio is well diversified and consists of residential, retail, offices and rural property, throughout the Netherlands. The retail portfolio focusses on high street locations with relative low vacancy rates. The following table shows a breakdown of the fair value and vacancy rates of the portfolio of investment property.

**Breakdown of investment property**

| | Fair value | | Vacancy rate | |
|---|---|---|---|---|
| | 31 December 2020 | 31 December 2019 | 2020 | 2019 |
| Retail | 174 | 215 | 6.9% | 7.9% |
| Residential | 1 | 1 | - | - |
| Rural | 1,574 | 1,516 | - | - |
| Offices | 209 | 192 | 10.0% | 12.9% |
| Property under development | 15 | - | - | - |
| **Total** | **1,973** | **1,924** | **4.0%** | **4.7%** |

The movements in investment property measured at fair value (recurring basis) that are categorised within level 3 are presented in chapter 6.5.2 and 6.5.3.

Significant inputs to the Level 3 values are the net initial yield and market rental value. These inputs are verified with the following market observable data:

- Market rent per square meter for renewals and their respective re-letting rates;
- Reviewed rent per square meter;
- Investment transaction of comparable objects;
- The 10 year Dutch Government Bond Yield (%) rate as published by the DNB.

The table below discloses the sensitivities to non-observable market inputs for the property portfolio (excluding development investment property).

## Unobservable and observable inputs used in determination of fair value

| 31 December 2020 | | | | | | | | Change in theoretical rental value | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Unobservable and observable inputs used in determination of fair value | Fair value | Valuation technique | Gross | Gross theoretical rental value (€) | Gross | Gross yield (%) | Change in yield | -5% | 0% | 5% |
| **Investment property - Fair value model** | | | | | | | | | | |
| Retail | 174 | DCF | total | 9,287,682 | mean | 5.3% | -5% | - | 9 | 18 |
| | | | max | 1,653,606 | max | 15.3% | 0% | -9 | - | 9 |
| | | | min | 44,367 | min | 3.4% | 5% | -17 | -8 | - |
| Residential | 1 | DCF | total | 86,335 | mean | 8.4% | -5% | - | - | - |
| | | | max | 86,335 | max | 8.4% | 0% | - | - | - |
| | | | min | 86,335 | min | 8.4% | 5% | - | - | - |
| Rural | 1,574 | DCF | total | 24,025,481 | mean | 1.5% | -5% | - | 83 | 166 |
| | | | max | 1,619,813 | max | 4.8% | 0% | -79 | - | 79 |
| | | | min | 616 | min | 0.8% | 5% | -150 | -75 | - |
| Offices | 209 | DCF | total | 12,282,146 | mean | 5.9% | -5% | - | 11 | 22 |
| | | | max | 4,519,785 | max | 9.3% | 0% | -10 | - | 10 |
| | | | min | 915,980 | min | 4.8% | 5% | -20 | -10 | - |
| Property under development | 15 | | | | | | | | | |
| **Land and buildings for own use** | 158 | DCF | total | 9,502,139 | mean | 6.2% | -5% | - | 8 | 16 |
| | | | max | 9,502,139 | max | 6.2% | 0% | -8 | - | 8 |
| | | | min | 9,502,139 | min | 6.2% | 5% | -15 | -7 | - |
| **Total** | **2,130** | | | | | | | | | |

## Unobservable and observable inputs

| 31 December 2019 | | | | | | | | Change in theoretical rental value | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Unobservable and observable inputs used in determination of fair value | Fair value | Valuation technique | Gross | Gross theoretical rental value (€) | Gross | Gross yield (%) | Change in yield | -5% | 0% | 5% |
| **Investment property - Fair value model** | | | | | | | | | | |
| Retail | 215 | DCF | total | 9,017,576 | mean | 4.3% | -5% | - | 11 | 23 |
| | | | max | 6,233,163 | max | 14.0% | 0% | -11 | - | 11 |
| | | | min | 43,152 | min | 4.2% | 5% | -20 | -10 | - |
| Residential | 1 | DCF | total | 79,300 | mean | 7.8% | -5% | - | - | - |
| | | | max | 79,300 | max | 7.8% | 0% | - | - | - |
| | | | min | 79,300 | min | 7.8% | 5% | - | - | - |
| Rural | 1,516 | DCF | total | 30,907,978 | mean | 2.0% | -5% | - | 80 | 160 |
| | | | max | 1,988,788 | max | 30.0% | 0% | -76 | - | 76 |
| | | | min | 862 | min | 0.5% | 5% | -144 | -72 | - |
| Offices | 192 | DCF | total | 12,605,176 | mean | 6.6% | -5% | - | 10 | 20 |
| | | | max | 4,441,288 | max | 13.5% | 0% | -10 | - | 10 |
| | | | min | 2,591,636 | min | 5.6% | 5% | -18 | -9 | - |
| **Land and buildings for own use** | 150 | DCF | total | 9,257,239 | mean | 6.3% | -5% | - | 8 | 15 |
| | | | max | 9,257,239 | max | 6.3% | 0% | -7 | - | 7 |
| | | | min | 9,257,239 | min | 6.3% | 5% | -14 | -7 | - |
| **Total** | **2,074** | | | | | | | | | |

## 6.7.2 Offsetting of financial assets and liabilities

The following tables include information about rights to offset and the related arrangements. The amounts included consist of all recognised financial instruments that are presented net in the balance sheet under the IFRS-EU offsetting requirements (legal right to offset and intention to settle on a net basis) and amounts presented gross in the balance sheet but subject to enforceable master netting arrangements or similar arrangements.

**Offsetting financial instruments**

| | Gross amounts of recognised financial assets | Gross amounts of recognised financial liabilities set off in the statement of financial position | Net amounts of financial assets presented in the statement of financial position | Related amounts not set off in the statement of financial position | | Net amount |
|---|---|---|---|---|---|---|
| Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements | | | | Financial instruments | Cash Collateral received (excluding surplus) | |
| **31 December 2020** | | | | | | |
| - Derivatives | 9,168 | - | 9,168 | 1,392 | 7,776 | - |
| **Total financial assets** | **9,168** | **-** | **9,168** | **1,392** | **7,776** | **-** |
| | | | | | | |
| **31 December 2019** | | | | | | |
| - Derivatives | 5,959 | - | 5,959 | 659 | 5,300 | - |
| **Total financial assets** | **5,959** | **-** | **5,959** | **659** | **5,300** | **-** |

| | Gross amounts of recognised financial liabilities | Gross amounts of recognised financial assets set off in the statement of financial position | Net amounts of financial liabilities presented in the statement of financial position | Related amounts not set off in the statement of financial position | | Net amount |
|---|---|---|---|---|---|---|
| Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements | | | | Financial instruments | Cash Collateral pledged (excluding surplus) | |
| **31 December 2020** | | | | | | |
| - Derivatives | 1,419 | - | 1,419 | 1,392 | 27 | - |
| **Total financial liabilities** | **1,419** | **-** | **1,419** | **1,392** | **27** | **-** |
| | | | | | | |
| **31 December 2019** | | | | | | |
| - Derivatives | 676 | - | 676 | 659 | 17 | - |
| **Total financial liabilities** | **676** | **-** | **676** | **659** | **17** | **-** |

## 6.7.3 Fair value of financial assets categorised into two groups based on business model and SPPI test results

In compliance with the deferral option IFRS 9 under IFRS 4, a.s.r. conducted a solely payments of principal and interest (SPPI) test on the financial assets.

For the purpose of this assessment, principal is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time – e.g. if there are repayments of principal.

Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks (e.g. liquidity risk) and costs (e.g. administrative costs), as well as a profit margin that is consistent with a basic lending arrangement. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

In assessing whether the contractual cash flows are solely payments of principal and interest, a.s.r. considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, a.s.r. considers the following:
- Variable interest rates;
- Prepayment features;
- Term extension features;
- Contingent events; and
- Terms that limit a.s.r.'s claim to cash flows from specified assets – e.g. non-recource asset arrangements.

**Fair value of financial assets based on SPPI test results**

| Amounts in € millions | Fair value at 31 December 2020[1] | Carrying amount at 31 December 2020 | FV movement 2020 | Fair value at 31 December 2019[1] | Carrying amount at 31 December 2019 | FV movement 2019 |
|---|---|---|---|---|---|---|
| **Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest:** | | | | | | |
| Government bonds | 17,390 | 17,390 | 1,279 | 16,111 | 16,111 | 4,327 |
| Corporate bonds | 10,923 | 10,923 | 210 | 10,713 | 10,713 | 1,018 |
| Rural property contracts | 143 | 143 | 71 | 72 | 72 | 72 |
| Asset-backed securities | 281 | 281 | -125 | 406 | 406 | 332 |
| Due from customers | 9,487 | 8,813 | 1,220 | 8,267 | 7,507 | -792 |
| Due from credit institutions | 5,782 | 4,727 | 571 | 5,211 | 4,036 | 675 |
| Trade and other receivables | 830 | 830 | 52 | 777 | 777 | 69 |
| Other financial assets | 420 | 420 | -37 | 456 | 456 | 47 |
| Cash and cash equivalents | 2,863 | 2,863 | -93 | 2,955 | 2,955 | -1,063 |
| | **48,118** | **46,390** | **3,149** | **44,969** | **43,034** | **4,686** |
| | | | | | | |
| **Other financial assets**[2] | | | | | | |
| Government bonds | - | - | -22 | 22 | 22 | 2 |
| Corporate bonds | 894 | 894 | 17 | 877 | 877 | 224 |
| Asset-backed securities | 123 | 123 | 5 | 118 | 118 | 65 |
| Preference shares | 316 | 316 | -4 | 320 | 320 | -113 |
| Derivatives | 9,168 | 9,168 | 3,209 | 5,959 | 5,959 | 3,091 |
| Equities and other participating interest | 3,516 | 3,516 | 350 | 3,166 | 3,166 | 339 |
| Real estate equity funds | 2,029 | 2,029 | -50 | 2,079 | 2,079 | 151 |
| Mortgage equity funds | 983 | 983 | 144 | 839 | 839 | 542 |
| Other investments | 242 | 242 | 11 | 231 | 231 | 55 |
| Investments on behalf of policyholders | 10,154 | 10,154 | 583 | 9,571 | 9,571 | 1,800 |
| Due from customers | - | - | -9 | 9 | 9 | 1 |
| | **27,426** | **27,426** | **4,234** | **23,191** | **23,191** | **6,157** |
| | | | | | | |
| **Total financial assets** | **75,544** | **73,816** | **7,384** | **68,161** | **66,226** | **10,843** |

The fair value movement relates to the revaluations during the year of the financial assets; total movement less the net additions.

1 The carrying value of the trade and other receivables is regarded as a good approximation of the fair value, as these assets have a short-term nature.

2 Other financial assets include the financial assets that fall into the business model held for trading and managed on a fair value basis or those financial assets with contractual terms that do not give rise on specified dates to cash flows that are solely payments of principal and interest.

**Credit risk exposure for financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest**

| | Gross carrying amount at 31 December 2020 | Gross carrying amount at 31 December 2019 |
|---|---|---|
| **Credit risk rating** | | |
| AAA | 7,906 | 8,785 |
| AA | 7,638 | 7,992 |
| A | 11,631 | 9,014 |
| BBB | 7,105 | 6,261 |
| Lower than BBB | 263 | 216 |
| **Not rated** | | |
| Mortgages | 8,253 | 7,134 |
| Savings-linked mortgage loans | 2,663 | 2,801 |
| Other | 1,004 | 920 |
| **Total financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest** | **46,464** | **43,123** |

The credit risk of the assets not rated, mostly mortgages and savings-linked mortgage loans, are considered low risk. The a.s.r. portfolio consists only of Dutch mortgages with a limited counterparty default risk, as 34% (2019: 40%) are covered by the NHG, 34% (2019: 29%) have a loan to value less than 75%, and only 2% (2019: 3%) have a loan to value more than 100%. The counterparty default risk of the savings-linked mortgage loans ('Spaarlossen') is also considered low. For 37% (2019: 38%) of the portfolio, the counterparties are Special Purpose Vehicles. The risk is limited due to the robust quality of the mortgages in the Special Purpose Vehicles in combination with the tranching. For another 58% (2019: 59%) a.s.r. has a cession-retrocession agreement with the counterparty. Effectively, a.s.r. receives the underlying mortgage loans as collateral, mitigating the counterparty default risk of the savings-linked mortgage loans. For more detailed information about the credit risks of a.s.r., see chapter 6.8.3 and chapter 6.8.4.

**Fair value of financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest without low credit risk**

| | Fair value at 31 December 2020 | Gross carrying amount at 31 December 2020 | Fair value at 31 December 2019 | Gross carrying amount at 31 December 2019 |
|---|---|---|---|---|
| **Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest:** | | | | |
| Corporate bonds | 55 | 55 | 55 | 55 |
| Rural property contracts | 143 | 143 | 72 | 72 |
| Other investments | 2 | 2 | 2 | 2 |
| Due from customers | 126 | 125 | 74 | 74 |
| Due from credit institutions | 50 | 82 | 42 | 85 |
| Trade and other receivables | 553 | 579 | 510 | 522 |
| **Total fair value of financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest without low credit risk** | **928** | **986** | **755** | **811** |

## 6.7.4 Related party transactions

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

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

The remuneration of the key personnel is disclosed in chapter 6.7.5. key management personnel remuneration.

### Positions and transactions between a.s.r., associates, joint ventures and other related parties

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

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

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

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

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

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

## 6.7.5 Key management personnel remuneration

Transactions with key management personnel (EB, BEC members and SB) are transactions with related parties. Additional information on the remuneration of members of the EB and SB is disclosed in the remuneration report; see chapter 5.3.

**Annual remuneration key management personnel**

| Amounts in € thousand | Executive board[1] | BEC members | Supervisory board[2] | Total 2020 | Executive board | BEC members | Supervisory board | Total 2019 |
|---|---|---|---|---|---|---|---|---|
| **Fixed compensation** | | | | | | | | |
| Base salary | 2,196 | 1,584 | 216 | 3,997 | 1,787 | 1,407 | 174 | 3,369 |
| Fees | - | - | 93 | 93 | - | - | 72 | 72 |
| Fringe benefits[3] | 49 | 84 | - | 133 | 141 | 93 | | 233 |
| **Variable compensation** | | | | | | | | |
| One-year variable | - | - | - | - | - | - | - | - |
| Multi-year variable[4] | - | 61 | - | 61 | - | 142 | - | 142 |
| **Other** | | | | | | | | |
| Extraordinary items[5,6] | 182 | 27 | - | 209 | 1,280 | - | - | 1,280 |
| Pension expense[7] | 709 | 479 | - | 1,188 | 580 | 393 | - | 973 |
| **Total remuneration** | **3,137** | **2,235** | **309** | **5,681** | **3,788** | **2,035** | **246** | **6,068** |

In the table above, ‘Executive Board’ refers to the three members of the EB as at 31 December 2020. The three members of the EB are also members of the BEC. In the table above, ‘BEC’ refers to the five members of the BEC as at 31 December 2020, i.e. those members that are not also member of the EB In the table above.

## 6.7.6 Employee Share Purchase Plan

In 2019 a.s.r. issued an employee share purchase plan (ESPP or ‘the plan’). a.s.r. employees are thereby given the opportunity to acquire a.s.r. shares at a discount. a.s.r. can suspend or withdraw the plan at any time. There is no option under the plan for either a.s.r. or the employee to settle in cash or other assets. Therefore the plan is an equity-settled share-based payments plan.

The members of the EB are required to participate in the plan by investing a predetermined part of their renumeration in a.s.r. shares. Other employees participate voluntarily.

Under the terms of the plan the granting and vesting is predefined. The grant date of the plan is the moment the employee registers to participate in the plan. The shares vest immediately on the transaction date when cash is received

1 A.T.J. van Melick Annemiek started at a.s.r. on 1 January 2020 and was appointed as CFO and member of the EB on 12 February 2020. I.M.A. de Swart was appointed as member of the EB on 1 December 2019. The remuneration figures for 2019 reflect a partial year as a member of the EB. H.C. Figee left the EB and a.s.r. on 1 February 2020. The remuneration figures for 2020 reflect a partial year as a member of the EB. M.H. Verwoest left the EB and a.s.r. on 1 February 2019. The remuneration figures for 2019 reflect a partial year as a member of the EB. K.T.V. Bergstein left the EB on 1 February 2019 and left a.s.r. on 1 August 2019, observing the applicable cancellation period of 6 months. The remuneration figures for 2019 reflect a partial year as a member of the EB.

2 Remuneration as a SB member of a.s.r. and remuneration as a committee chairperson or member, SB of ASR Bank N.V. or SB of ASR Basis/Aanvullende Ziektekostenverzekeringen N.V.

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

4 As of July 2014, a.s.r. converted the variable remuneration system existing up to that time into fixed remuneration. The outstanding tranches for senior management are a consequence of the discontinued scheme. The scheme applied to senior management for the period January 2011 to July 2014. The 4th tranches of the deferred variable remuneration include a 5-year revaluation, based on the value development of a.s.r. Since the IPO, this has been dependent on the value development of the a.s.r. share. The multi-year variable 2020 relate to this final distribution.

5 The extraordinary items 2019 relate to a signing bonus received by I.M.A. de Swart and a termination benefit received by M.H. Verwoest and K.T.V. Bergstein.

6 After the successful IPO in 2016, the Supervisory Board and Executive Board decided in 2017 to make a one-off extra payment to all employees in the form of a monthly salary. By order of the supervisor (DNB), the distribution had to be paid in installments to the identified staff (the members of the EB and other identified staff). The extraordinary items 2020, relates to a one-off 40-year anniversary payment for J.P.M. Baeten (2020: € 136 thousand) in accordance with current regular employee conditions and the final distribution of the one-off payment in the form of a monthly salary for 40% originating in 2017 (2020: € 15 thousand).

7 The commitment on pensions did not change in 2020. The increase in annual pension expenses is caused by a decrease in the interest rates. The calculation of annual pension expenditure is based on the total pension rights granted during the term of service at a.s.r. Further changes in the cost of pension benefits are mainly due to the impact of age, terms of service, gender and age differentiated disability, mortality and other actuarial assumptions. The pension costs include pensions based on maximum pensionable salary cap, compensation for the maximum pensionable salary cap (to be used for pensions at the employees’ discretion in total), and VPL. The pension benefits, excluding compensation for the maximum pensionable salary cap, represent post-employment benefits.

from the employee, unconditionally, subject only to a post-vesting transfer restriction of five years. Otherwise, there are no specific restrictions to the share (i.e. voting power, dividend restrictions).

The employees purchase the shares at a discount of 18.5%. The fair value of the a.s.r. share with a lock-up of five years at the grant date equals the purchased price by the employee. The ESPP has an impact on equity through the adjustment in the treasury shares and retained earnings. See chapter 6.5.12.4 Treasury shares for more information.

The number of shares purchased by employees during the reporting period was 122 thousand for an amount of € 3.25 million (2019: 101 thousand for an amount of € 2.66 million).

## 6.7.7 Contingent liabilities and assets

### 6.7.7.1 General claims and disputes

The group is a respondent in a number of claims, disputes and legal proceedings arising from the normal conduct of business.

Provisions are formed for such occurrences if, in management's opinion and after consultation with its legal advisers, a.s.r. is likely to have to make payments and the payable amount can be estimated with sufficient reliability. The costs of the compensation scheme for unit-linked insurance contracts have been fully recognised in the financial statements based on management's best knowledge of current facts, actions, claims, complaints and events. Provisions are recognised in the liabilities arising from insurance contracts and legal provisions (see chapter 6.5.14).

Dutch insurers see an increase in insurance policies complaints/claims based on grounds other than the cost compensation. Current and possible future legal proceedings could have a substantial financial and reputational impact. However it is not possible at this time to make reliable estimates of the number of expected proceedings, possible future precedents and the financial impact of current and possible future proceedings. Currently there are no indications that such a provision would be necessary for a.s.r.

As for other claims and legal proceedings, against a.s.r. known to management (and for which, in accordance with the defined principles, no provision has been formed), management believes, after having sought expert advice, that these claims have no chance of success, or that a.s.r. can successfully mount a defense against them, or that the outcome of the proceedings is unlikely to result in a significant loss for a.s.r. For further information related to the Unit-Linked Products (beleggingsverzekeringen), see chapter 6.7.7.2.

### 6.7.7.2 Unit-Linked Products (beleggingsverzekeringen)

#### Background

Since the end of 2006, individual unit-linked life insurance products (beleggingsverzekeringen) have received negative attention in the Dutch media, from the Dutch Parliament, the AFM, consumers and consumer protection organisations. Elements of unit-linked policies are being challenged or may be challenged on multiple legal grounds. The criticism and scrutiny on unit-linked life insurance products led to the introduction of compensation schemes by Dutch insurance companies that have offered unit-linked products. In 2008, a.s.r. reached an outline agreement with two main consumer protection organisations to offer compensation to unit-linked policyholders in case the cost charge and/or risk premium charge exceeds a defined maximum. A full agreement on implementation of the compensation scheme was reached in 2012. The total recognised cumulative financial costs relating to the compensation scheme for Individual life in a.s.r.'s income statement until 2020 was € 1.025 million. This includes, amongst other things, compensation paid, amortisation of surrender penalties and costs relating to improved product offerings. The remaining provision in the balance sheet at 31 December 2020 is solely available to cover potential additional compensation ('*schrijnende gevallen*') and costs relating to the compensation scheme. On the basis of this agreement, a.s.r. offered consumers additional measures such as alternative products and less costly investment funds. In addition to the compensation scheme, a.s.r. has implemented additional measures (flankerend beleid), including the ten best in class principles as formulated by the Dutch Minister of Finance. On 17 July 2015, the Dutch Ministry of Finance published an Order in Council (Algemene Maatregel van Bestuur), pursuant to which insurance companies can be sanctioned if they do not meet the compulsory targets set for approaching policyholders of unit-linked life insurances and prompting them to review their existing policies.

The agreement with the two consumer protection organisations and additional measures are not binding for policyholders. Consequently, neither the implementation of the compensation schemes nor the additional measures offered by a.s.r. prevent individual policyholders from initiating legal proceedings against the a.s.r. and making claims for damages.

## Legal proceedings

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

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

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

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

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

## Risk profile and contingent liability unit-linked life insurance products

The prolonged political, regulatory and public attention focused on unit-linked life insurance policies continues. Elements of unit-linked life insurance policies of a.s.r. are being challenged on multiple legal grounds in current, and may be challenged in future, legal proceedings. There is a risk that one or more of the current and/or future claims and/or allegations will succeed. To date, a number of rulings regarding unit-linked life insurance products in specific cases have been issued by the FSCB and courts (of appeal) in the Netherlands against a.s.r. and other insurers. In these proceedings, different (legal) approaches have been taken to come to a ruling. The outcomes of these rulings are diverse. Because the book of policies of a.s.r. dates back many years, contains of a variety of products with different features and conditions and because of the fact that rulings are diverse, no reliable estimation can be made regarding the timing and the outcome of the current and future legal proceedings brought against a.s.r. and other insurance companies.

The total costs related to compensation for unit-linked insurance contracts as described above, have been fully recognised in the financial statements based on management's best knowledge of current facts, actions, claims, complaints and events. Provisions are recognised in the liabilities arising from insurance contracts and legal provisions (see chapter 6.5.14). Although the financial consequences of the legal developments could be substantial, a.s.r.'s exposures cannot be reliably estimated or quantified at this point. If one or more of these legal proceedings should succeed, there is a risk a ruling, although legally only binding for the parties that are involved in the procedure, could be applied to or be relevant for other unit-linked life insurance policies sold by a.s.r. Consequently, the financial consequences of any of the current and/or future legal proceedings brought upon a.s.r. can be substantial for a.s.r.'s Life insurance business and may have a material adverse effect on a.s.r.'s financial position, business, reputation, revenues, results of operations, solvency, financial condition and prospects.

### 6.7.7.3 Obligations and guarantees

Investment obligations for an amount of € 63 million (2019: € 51 million) have been assumed / issued for investment property.

Investment obligations and guarantees for a total amount of € 20 million (2019: € 30 million) have been issued, for real estate development projects and the acquisition of property. Those guarantees were issued by principals for the execution of projects for the benefit of clients.

a.s.r. also had irrevocable facilities of € 877 million (2019: € 627 million) which mainly relate to mortgage offers issued. a.s.r. issued several other guarantees for a total amount of € 2 million (2019: € 3 million).

### 6.7.7.4 Expected future rental income

The following table sets out the expected future rental income, showing the undiscounted lease payments to be received after the reporting date.

**Expected minimum future rental income on non-cancellable investment property lease**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| To be received within 1 year | 47 | 55 |
| To be received between 1 and 2 years | 37 | 45 |
| To be received between 2 and 3 years | 29 | 38 |
| To be received between 3 and 4 years | 26 | 34 |
| To be received between 4 and 5 years | 22 | 32 |
| To be received after 5 years | 338 | 402 |
| **Total undiscounted lease payments** | **498** | **605** |

The investments properties, in retail, residential, offices and rural markets are leased to third parties, consisting of various lease terms in a range between shorter than one year and undetermined period with competitive rents mostly indexed to consumer prices.

### 6.7.7.5 Contingent considerations in acquisitions

The consideration paid for Veherex by a.s.r. non-life includes a contingent consideration with a fair value of € 7 million to be paid over a period of 5 years. Of this amount, € 1 million is expected to be paid no later than 1 year after the balance sheet date, the remaining € 6 million no later than 5 years after the balance sheet date.

## 6.7.8 List of principal group companies and associates

**List of principal group companies and associates**

| Company | Equity interest | Rate of control | Seat | Segment |
|---|---|---|---|---|
| ASR Aanvullende Ziektekostenverzekeringen N.V.[1] | 100.00 | 100.00 | Utrecht | Non-life |
| ASR Basis Ziektekostenverzekeringen N.V.[1] | 100.00 | 100.00 | Utrecht | Non-life |
| ASR Schadeverzekering N.V.[1] | 100.00 | 100.00 | Utrecht | Non-life |
| ASR Wlz-uitvoerder B.V. | 100.00 | 100.00 | Utrecht | Non-life |
| ASR Ziektekostenverzekeringen N.V.[2] | 100.00 | 100.00 | Utrecht | Non-life |
| ASR Levensverzekering N.V.[1] | 100.00 | 100.00 | Utrecht | Life |
| ASR Utrecht Real Estate Investments Netherlands B.V. | 100.00 | 100.00 | Amsterdam | Life |
| ASR Financieringen B.V. | 100.00 | 100.00 | Utrecht | Asset Management |
| ASR Hypotheken B.V.[2] | 100.00 | 100.00 | Utrecht | Asset Management |
| ASR Real Estate B.V.[2,3] | 100.00 | 100.00 | Utrecht | Asset Management |
| ASR Vermogensbeheer N.V.[2,3] | 100.00 | 100.00 | Utrecht | Asset Management |
| Anac Verzekeringen B.V.[3] | 100.00 | 100.00 | Eindhoven | Distribution & Services |
| Anac, All-Finance Nederland Advies-Combinatie B.V.[3] | 100.00 | 100.00 | Eindhoven | Distribution & Services |
| ASR Vitaliteit & Preventieve Diensten B.V. | 100.00 | 100.00 | Utrecht | Distribution & Services |
| Bedrijfsartsengroep Holding B.V. | 100.00 | 100.00 | Heerenveen | Distribution & Services |
| Boval Assurantiën B.V.[3] | 100.00 | 100.00 | Velserbroek | Distribution & Services |
| Corins B.V.[3] | 100.00 | 100.00 | Amsterdam | Distribution & Services |
| Dutch ID B.V. | 100.00 | 100.00 | Velserbroek | Distribution & Services |
| Felison Assuradeuren B.V.[3] | 100.00 | 100.00 | Velserbroek | Distribution & Services |
| Melching Assuradeuren B.V.[3] | 100.00 | 100.00 | Drachten | Distribution & Services |
| Melching Assurantiën B.V.[3] | 100.00 | 100.00 | Drachten | Distribution & Services |
| PoliService B.V.[3] | 100.00 | 100.00 | Hardinxveld-Giessendam | Distribution & Services |
| Supergarant Verzekeringen B.V.[3] | 100.00 | 100.00 | Leidschendam | Distribution & Services |
| Van Kampen Geld B.V.[3] | 100.00 | 100.00 | Hoorn | Distribution & Services |
| Van Kampen Groep Holding B.V.[3] | 100.00 | 100.00 | Hoorn | Distribution & Services |
| ZZP Nederland Verzekeringen B.V.[3] | 100.00 | 100.00 | Groningen | Distribution & Services |
| Administratie- en Adviesbureau voor Belegging en Krediet (A.B.K.) B.V.[2] | 100.00 | 100.00 | Amersfoort | Holding & Other |
| ASAM N.V.[2] | 100.00 | 100.00 | Utrecht | Holding & Other |
| ASR Betalingscentrum B.V.[2] | 100.00 | 100.00 | Utrecht | Holding & Other |
| ASR Deelnemingen N.V.[2] | 100.00 | 100.00 | Utrecht | Holding & Other |
| ASR Nederland N.V. | 100.00 | 100.00 | Utrecht | Holding & Other |
| ASR Service Maatschappij N.V.[2] | 100.00 | 100.00 | Rotterdam | Holding & Other |
| ASR Vastgoed Projecten B.V. | 100.00 | 100.00 | Utrecht | Holding & Other |
| Brand New Day Premiepensioeninstelling N.V.[3,4] | 50.00 | 50.00 | Amsterdam | Holding & Other |
| Servicemaatschappij "De Hoofdpoort" N.V.[2] | 100.00 | 100.00 | Utrecht | Holding & Other |

The principal group companies and associates are located in the Netherlands.

For notes to equity interests in associates and joint ventures, see chapter 6.5.4. The list of equity interests which are required under Sections 379 and 414, Book 2 of the Dutch Civil Code has been filed with the Trade Register of the Chamber of Commerce in Utrecht.

## 6.7.9 Profit appropriation

The EB will propose to the Annual General Meeting of Shareholders to distribute a final dividend of € 177 million in dividend on ordinary shares for 2020. Including the interim dividend of € 105 million the total dividends to shareholder

1 Registered insurance companies
2 These are companies for which a statement of joint and several liability under section 403, Book 2 of the Dutch Civil Code has been issued.
3 Other Wft registered companies
4 Joint Venture

amounted to € 282 million. The remaining result will be transferred to retained earnings in accordance with Article 37 of the Articles of Association of a.s.r.

# 6.8 Risk Management

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

## 6.8.1 Risk management system including the Own Risk and Solvency Assessment Risk Management System

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

### 6.8.1.1 Risk Management Framework

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


**Risk Management framework**

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

**Risk strategy (incl. risk appetite)**

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

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

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

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

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

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

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

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

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

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

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

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

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

**Risk appetite statement ASR Nederland N.V. 2020**

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

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

### 6.8.1.1.2 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<br>• Management teams of the business lines and their employees<br>• Finance & risk decentral | • Group Risk Management department<br>- Risk management function<br>- Actuarial function<br>• Integrity department<br>- Compliance function | • Audit department<br>- 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<br>• 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<br>• Has sufficient countervailing power to prevent risk concentrations and other forms of excessive risk taking<br>• Responsible for developing risk policies and monitoring the compliance with these policies | • Responsible for providing dedicated assurance services and oversees and assesses the functioning and the effectiveness of the first two lines of defence |

*Positioning of key functions*

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

*Group Risk Management*

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

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

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

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

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

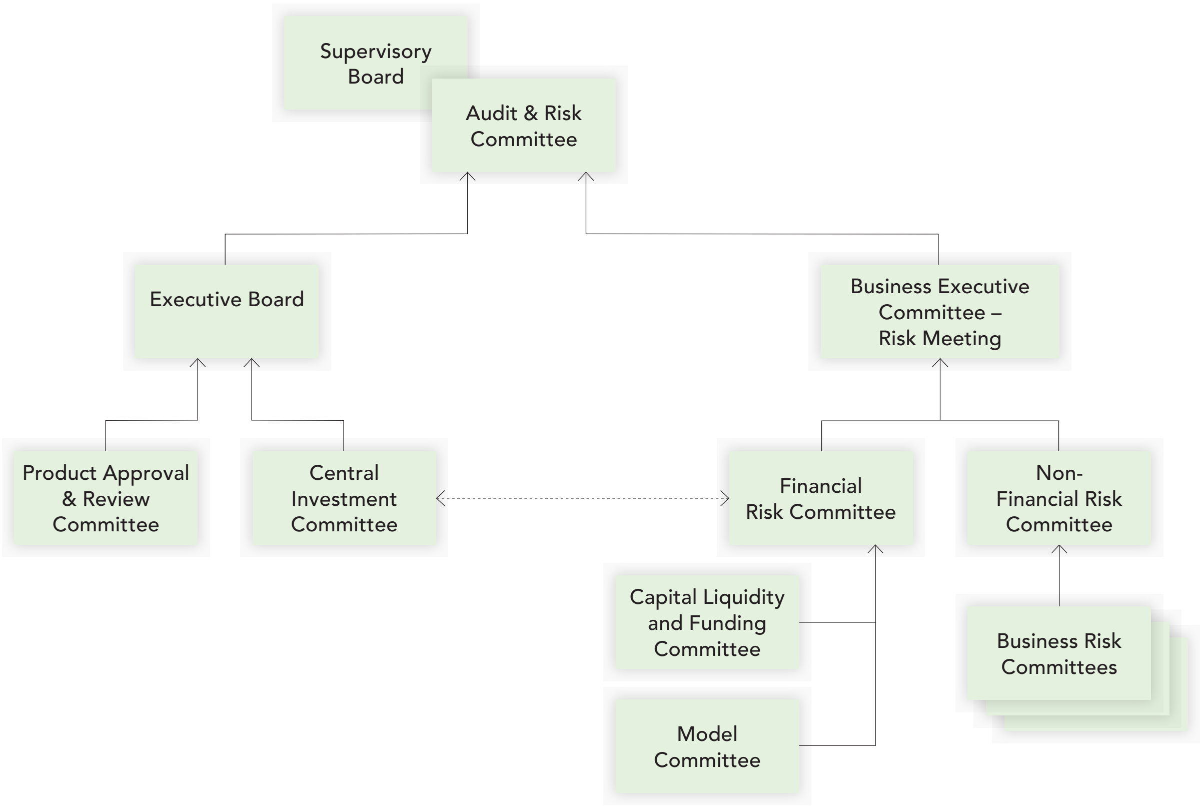
*Compliance*
Compliance is responsible for the execution of the compliance function. An important task of Compliance is to be the countervailing power to the EB and other management in managing compliance risks for a.s.r. and its subsidiaries. The mission of the compliance function is to enhance and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

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

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

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

**Risk committee structure**




*Audit & Risk Committee*

The Audit & Risk Committee was established by the Supervisory Board to gain support, among other things, in the following matters:

- Assessment of the risk appetite proposal and quarterly monitoring of the risk profile;
- Assessment of the annual report, including the financial statements of a.s.r.;
- The relationship with the independent external auditor, including the assessment of the quality and independence of the independent external auditor and the proposal by the SB to the AGM to appoint the independent external auditor;
- The performance of the audit function, compliance function, the actuarial function and the risk management function; Compliance with rules and regulations; and
- The financial position.

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

*Business Executive Committee – Risk meeting*

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

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

*Non-Financial Risk Committee*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### 6.8.1.1.4 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.

### 6.8.1.1.5 Risk culture

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

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

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

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

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

### 6.8.1.1.6 Risk management process

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

*Identifying*

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

*Measuring*

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

*Managing*

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

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

*Monitoring and reporting*

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

*Evaluating*

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

## 6.8.1.2 a.s.r.'s risk categories

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

1 Based on COSO ERM en ISO 31000.

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

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

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

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

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

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

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

## 6.8.2 Insurance risk

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

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

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

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

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

**Insurance risk - required capital**

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

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

### Solvency II sensitivities

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

**Solvency II sensitivities - insurance risks**

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

**Solvency II sensitivities - explanation**

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

The table above shows that the SCR sensitivities in 2020 are (almost) similar to the sensitivities of 2019. The impact on the ratio is the opposite if a reversed scenario is taken into account. These shocks had no impact on the 2020 and 2019

IFRS total equity, or on the IFRS profit for these years, because a.s.r. still passed the IFRS Liability Adequacy Test (LAT). While the sensitivities result in a decrease of the surplus in the LAT, the outcome is still positive.

#### 6.8.2.1 Life Insurance risk

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

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

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

The following Life insurance risks are involved:

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

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

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

**Expense risk**
A calculation is made of the effect on own funds of a permanent increase in costs used for determining the best estimate. The scenario analysis contains an increase in the costs of 10% and an increase in the cost inflation of 1 percentage point per year. This scenario also includes a similar shock in the investment costs. Both the internally and externally managed investment costs are involved in this scenario.

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

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

### Life catastrophe risk

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

### Mortgage Loans

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

### Employee benefits

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

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

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

### Other information

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

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

**Life insurance risk - required capital**

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

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

**Life portfolio - technical provisions per segment**

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

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

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

## 6.8.2.1.1 Managing Life insurance risk

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

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

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

**Reinsurance**

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

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

## 6.8.2.2 Health insurance risk and Non-life insurance risk

### 6.8.2.2.1 Health insurance risk

The Health insurance portfolio of a.s.r. is diverse. The portfolio can be divided into two main product types:

- SLT Health portfolio (Similar to Life Techniques) Income Protection, which can be divided into:
  - Individual Disability (Zelfstandigen)
  - Group Disability (WIA)
- NSLT Health portfolio (Similar to Non-life Techniques), which can be divided into:
  - Income Protection (Sickness, and Individual and Group Accident)
  - Medical Expenses (Basic and Supplementary)

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

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

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

**SLT Health Risk**

*Mortality risk*

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

*Longevity risk*

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

*Disability-morbidity risk*

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

*Expense risk*

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

*Lapse risk*

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

*Future management action*

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

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

**NSLT Health Risk**

*Premium and reserve risk*

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

*NSLT lapse risk*

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

**Health catastrophe risk**

*Medical Expense*

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

*Income Protection*

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

*Mass accident scenario*

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

*Accident concentration scenario*

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

*Pandemic scenario*

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

**Health insurance risk - required capital**

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

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

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

**SLT Health portfolio - technical provisions per segment**

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

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

**NSLT Health portfolio - technical provisions per segment**

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

### 6.8.2.2.2 Non-life insurance risk

Non-life Insurance risk can be broken down into:

- Premium and reserve risk
- Non-life catastrophe risk

- Lapse risk

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

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

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

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

**Non-life insurance risk - required capital**

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

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

**Non-life portfolio - technical provisions per segment**

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

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

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

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

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

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

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

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

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

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

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

## 6.8.3 Market risk

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

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

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

**Market risk - required capital**

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

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

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

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

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

### Solvency II sensitivities

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

**Solvency II sensitivities - market risks**

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

**Solvency II sensitivities - explanation**

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

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

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

### IFRS sensitivities

The IFRS sensitivities expressed as the impact on total IFRS equity and total IFRS profit are presented in the table below.

**IFRS sensitivities**

| Effect on: | Total IFRS equity | | Total IFRS profit | |
|---|---|---|---|---|
| Scenario | 31 December 2020 | 31 December 2019 | 31 December 2020 | 31 December 2019 |
| Equities +20% | 417 | 399 | -7 | -3 |
| Equities -20% | -404 | -389 | -5 | 1 |
| Interest +1% | 237 | -398 | -1 | - |
| Interest -1% | -427 | 446 | 1 | - |
| Spread +75 bp | -21 | -58 | - | - |
| Spread -75 bp | 21 | 58 | - | - |
| Property +10% | 352 | 354 | 337 | 341 |
| Property -10% | -352 | -354 | -352 | -326 |
| Foreign currency +10% | 61 | 84 | -39 | 11 |
| Foreign currency -10% | -61 | -84 | 39 | -11 |

The sensitivities to interest rates changed mainly due to an improvement in the methodology regarding the shadow accounting of swaps. The interest rate risk of the swap portfolio is almost entirely covered by the shadow accounting. The remaining interest rate sensitivity is mainly due to the employee benefits provision. The small impact on profit is due to put options.

The sensitivities to interest rates changed mainly due to (i) a higher shadow accounting percentage and (ii) the lower yield curve. A small impact on profit is the result of put options.

The sensitivity to spreads remained limited due to the mitigating effect of shadow accounting. The decrese is mainly due to an improvement shadow accounting methodology.

The sensitivities to property slightly decreased in 2020. This is the per saldo effect of (i) an higher exposure to property and (ii) the increase of the corporate tax percentage. Property held for own use is not taken into account in the sensitivity of profit In the property up scenario.

The sensitivity of total equity to foreign currency decreased, because part of the non-euro equity portfolio was hedged in 2020.

### 6.8.3.1 Interest rate risk

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

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

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

**Interest rate risk - required capital**

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

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

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

**Solvency II sensitivities - interest rate**

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

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

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

### 6.8.3.2 Equity risk

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

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

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

**Equity risk - required capital**

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

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

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

**Solvency II sensitivities - equity prices**

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

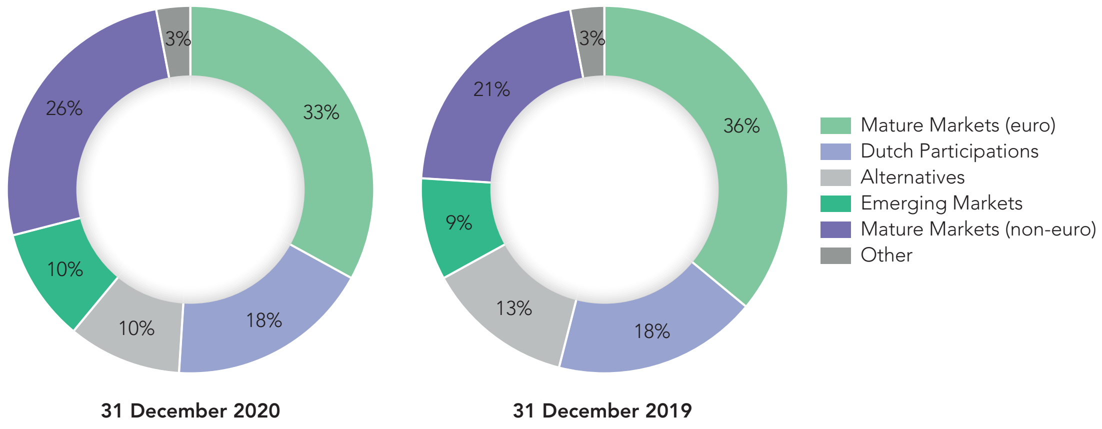
**Composition of equity portfolio**

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

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

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

**Composition equity portfolio**




### 6.8.3.3 Property risk

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

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

**Property risk - required capital**

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

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

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

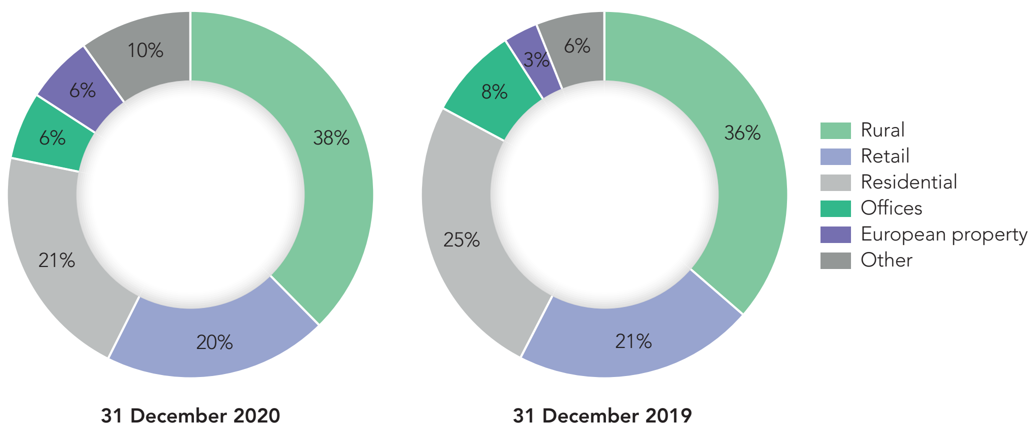
The sensitivity of the solvency ratio to changes in property value is monitored on a monthly basis. Sensitivity of regulatory solvency (Solvency II) to changes in property prices is shown in the following table.

**Solvency II sensitivities - property values**

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

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

**Composition property portfolio**




## 6.8.3.4 Currency risk

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

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

**Currency risk - required capital**

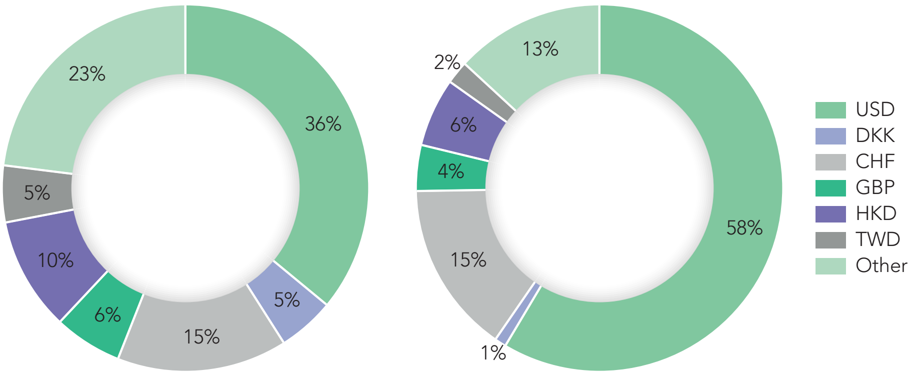
| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| SCR currency risk - required capital | 194 | 263 |

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

**Specification currencies with largest exposure**

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

**Composition currency portfolio**




### 6.8.3.5 Spread risk

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

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

**Spread risk - required capital**

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

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

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

**Solvency II sensitivities - spread risk**

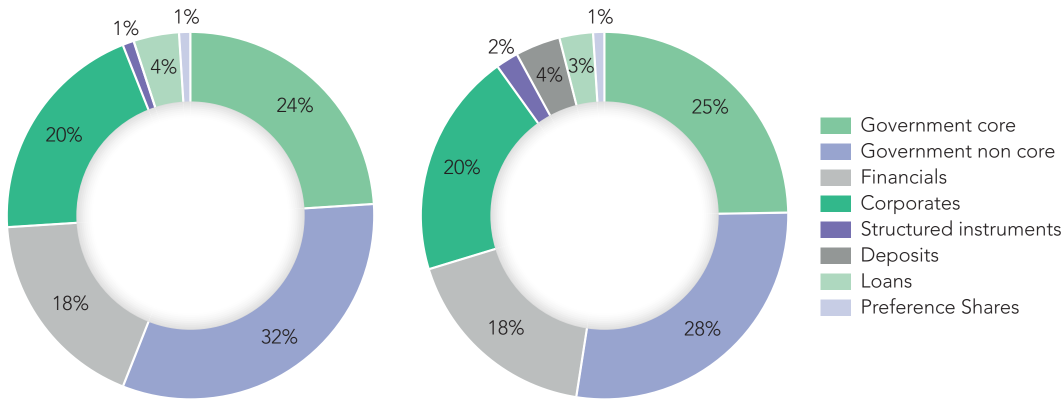
| Effect on: | Available capital | | Required capital | | Ratio | |
|---|---|---|---|---|---|---|
| Scenario (%-point) | 31 December 2020 | 31 December 2019 | 31 December 2020 | 31 December 2019 | 31 December 2020 | 31 December 2019 |
| Spread +75bps/(2020: VA +15bps/2019: VA + 18bps) | +14 | +11 | +3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

**Composition of fixed income portfolio**

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

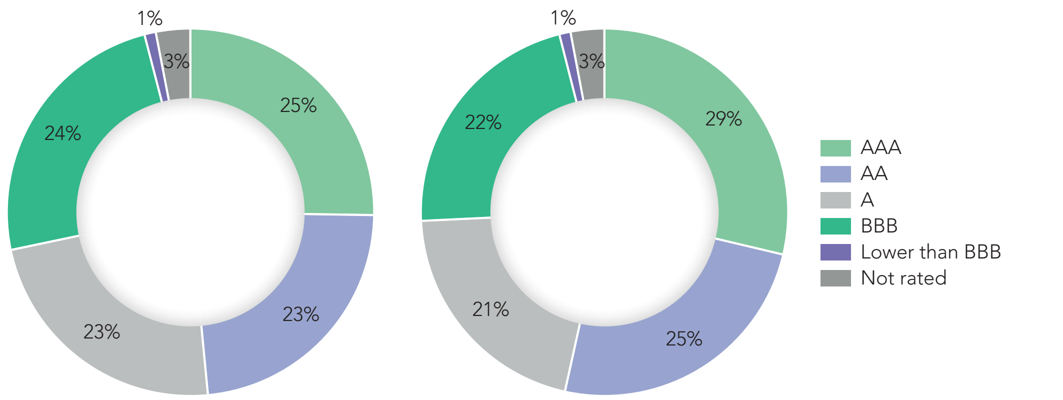
The total exposure of assets in scope of spread risk is € 31,695 million (2019: € 31,297 million). The portfolio composition is similar to 2019. As an alternative for cash, a part of the cash position is invested in short term non-core government bonds per the end of 2020. This explains the increase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

**Composition fixed income portfolio by sector**




**31 December 2020** **31 December 2019**

**Composition fixed income portfolio by rating**




**31 December 2020** **31 December 2019**

## 6.8.3.6 Market risk concentrations

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

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

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

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

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

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

## 6.8.4 Counterparty default risk

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

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

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

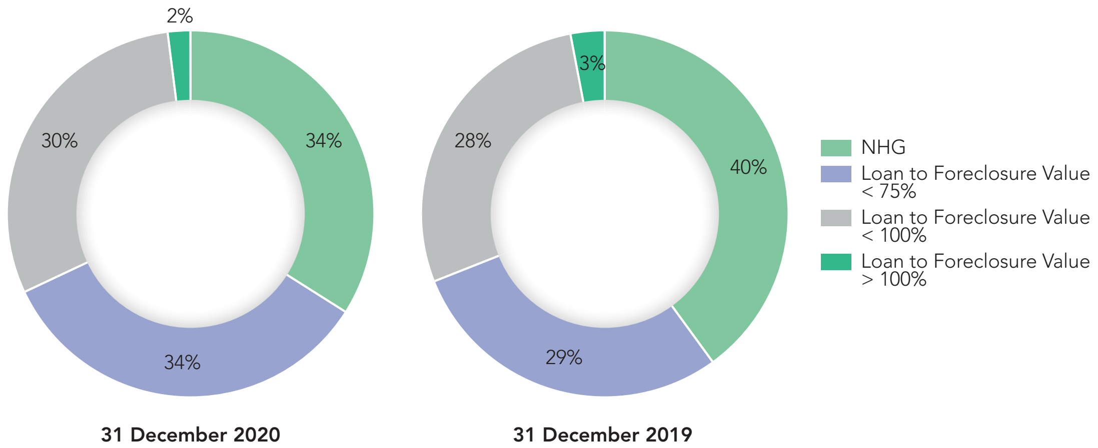
| Counterparty default risk - required capital | | |
|---|---|---|
| | 31 December 2020 | 31 December 2019 |
| Type 1 | 108 | 144 |
| Type 2 | 312 | 338 |
| Diversification (negative) | -21 | -26 |
| **Total** | **399** | **456** |

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

### 6.8.4.1 Mortgages

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

**Composition mortgage portfolio**



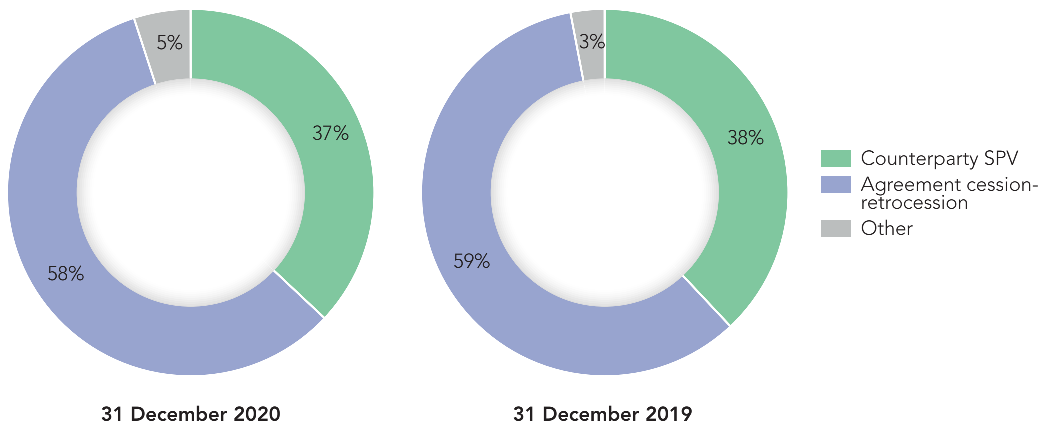

The Loan-to-Value ratio is based on the value of the mortgage according SII principals with respect to the a.s.r. calculated collateral.

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

## 6.8.4.2 Savings-linked mortgage loans

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

**Composition savings-linked mortgage loans portfolio**




## 6.8.4.3 Derivatives

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

### 6.8.4.4 Reinsurance

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

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

**Composition reinsurance counterparties by rating**

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

### 6.8.4.5 Receivables

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

**Composition receivables**

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

### 6.8.4.6 Cash and cash equivalents

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

**Composition cash accounts by rating**

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

**Composition deposits by rating**

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

## 6.8.5 Liquidity risk

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

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

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

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

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

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

**Contractual cashflows**

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

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

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

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

## 6.8.6 Operational risk

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

**Operational risk - required capital**

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

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

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

## 6.8.7 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.

### 6.8.7.1 Strategic Risk Management

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

**Identifying**

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

**Measuring**

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

**Managing**

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

**Monitoring and reporting**

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

**Evaluating**

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

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

### 6.8.7.2 Operational Risk Management

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

**Identifying**

With the operational targets as a starting point, each business entity performs risk assessments to identify events that could influence these targets. In each business entity the business risk manager facilitates the periodic identification of the key operational risks. All business processes are taken into account to identify the risks. All identified risks are prioritised and recorded in a risk-control framework.

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

**Measuring**

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

**Managing**

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

**Monitoring and reporting**

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

**Evaluating**

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

**Operational incidents**

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

**ICT**

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

**Business Continuity Management**

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

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

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

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

**Preparatory Crisis Plan**

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

**Reasonable assurance and model validation**

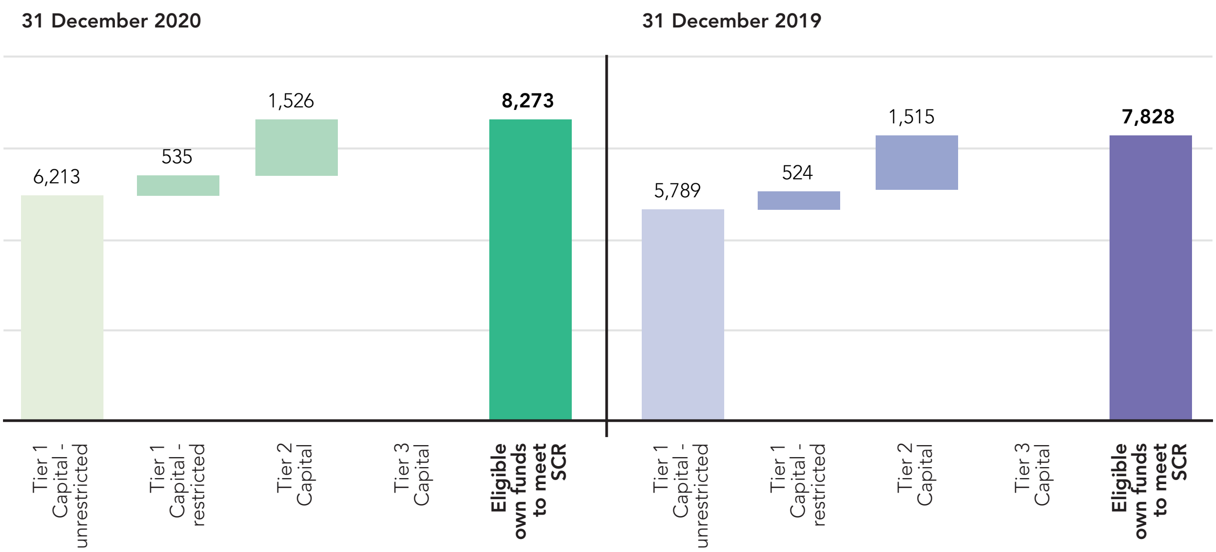
a.s.r. aims to obtain reasonable assurance regarding the adequacy and accuracy of the outcomes of models that are used to provide best estimate values and solvency capital requirements. To this end, multiple instruments are applied, including model validation. Materiality is determined by means of an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

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

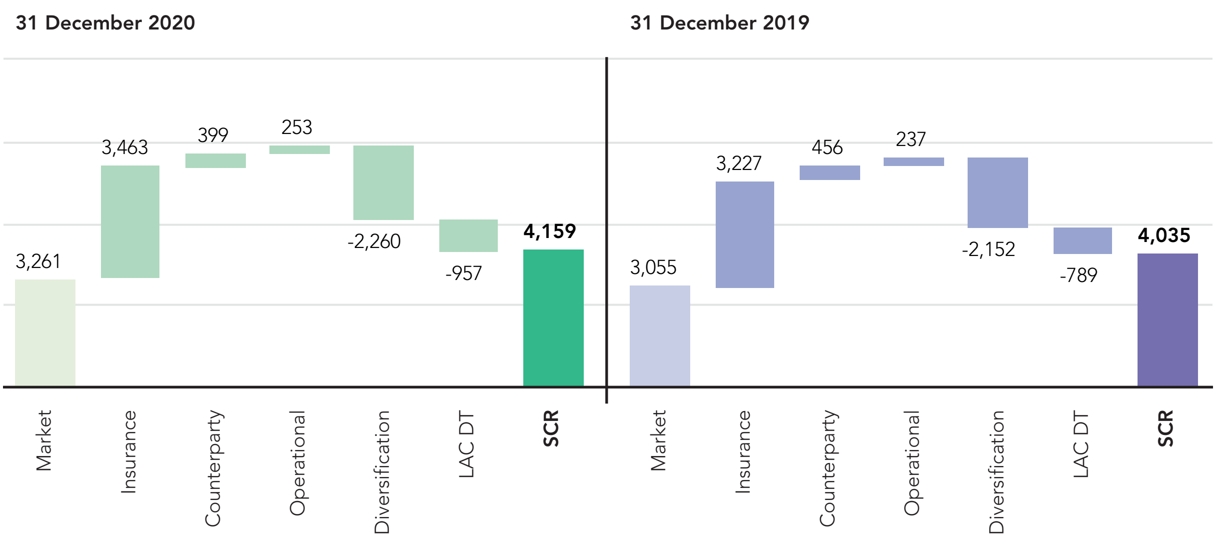
# 6.9 Capital management

## Key figures

### Eligible own funds




### SCR

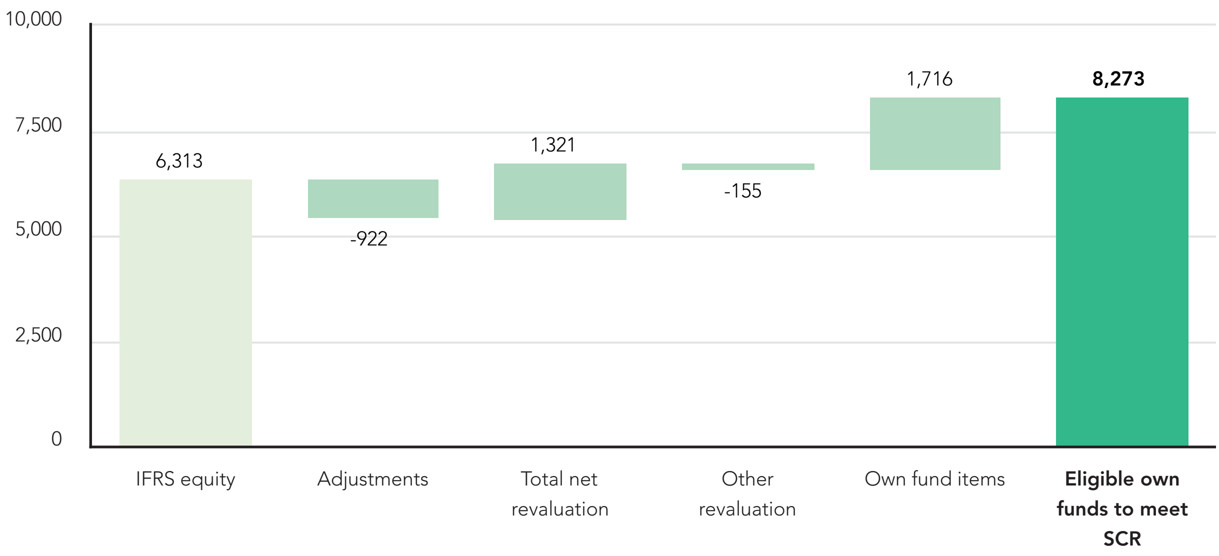



The solvency ratio stood at 199% as at 31 December 2020 after distribution of the proposed dividend and is based on the standard formula as a result of € 8,273 million eligible own funds and € 4,159 million SCR.

The increase of the eligible own funds was mainly driven by higher business capital generation, lower interest rates and higher equity markets. This was partially offset by a widening of credit spreads and an UFR reduction.

The increase of the SCR was mainly driven by an increase in insurance risk and market risk, partially mitigated by increased diversification benefits and an increased LAC DT due to the reversal of lowering the corporate tax rate. The increase in insurance risk was mainly driven by inorganic growth (closing VvAA and Veherex), organic growth in Disability and Health and the impact of lower interest rates.

**Reconciliation total equity IFRS vs EOF Solvency II**




The table above presents the reconciliation of IFRS equity to the solvency II as per 31 December 2020. The main differences between the IFRS equity and EOF Solvency II are:

- Adjustment of the hybrid loans;
- Total net revaluation of assets, such as loans and mortgages, and revaluation of the technical provisions;
- Other revaluations mainly elimination of goodwill;
- Own fund items, for example addition of subordinated liabilities, foreseeable dividend and valuation difference of financial institutions.

## 6.9.1 Capital management objectives

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

If a.s.r. chooses to return capital, it plans to do so in a form that is efficient for shareholders at that time. a.s.r. actively manages its in-force business, which is expected to result in free capital generation over time. Additionally, business improvement and balance sheet restructuring should improve the capital generation capacity while advancing the risk profile of the company. The legal entities are individually capitalised and excess capital over management's targets for the legal entities is intended to be up-streamed to the holding company as far as is needed for amongst others covering external dividend, coupon payments on hybrids/senior financing instruments and holding costs and in so far the local regulations and the internal risk appetite statement allow. Excess capital that is up-streamed to the holding company is added to and managed in the holding cash buffer until it is further distributed and used to cover dividends, coupons and other holding expenses. The capital and cash attribution to the holding is closely monitored and managed on a continuous basis.

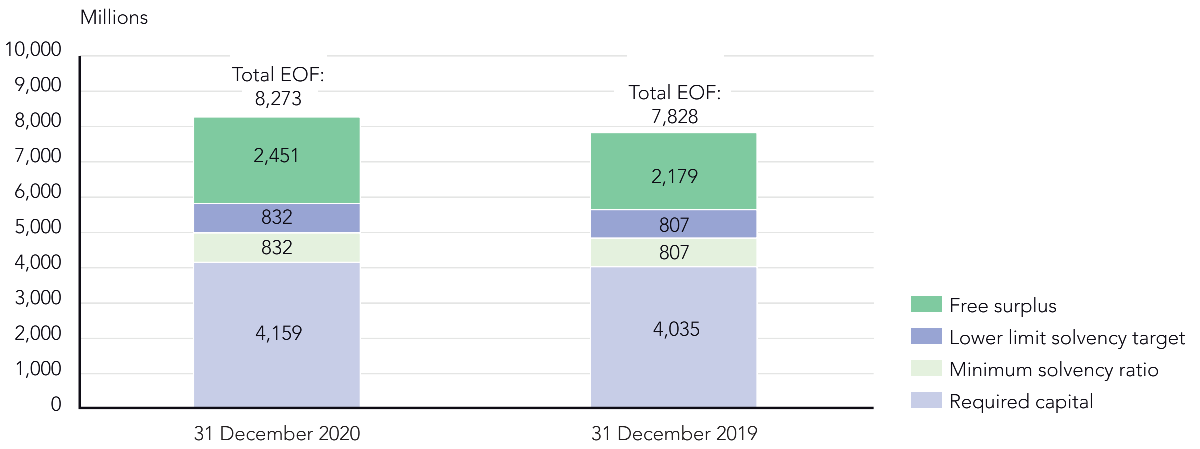
**Objectives**
The group is committed to maintain a strong capital position in order to be a robust and sustainable insurer for its policyholders and other stakeholders. The objective is to maintain a solvency ratio well above the minimum levels as defined in the risk appetite statements and above the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

The SCR is reported on a quarterly basis and proxies are made on both a monthly and weekly basis. The internal minimum solvency ratio for a.s.r. as formulated in the risk appetite statement is 120%. The lower limit solvency target is 140%. The management threshold level for the solvency ratio is above 160%. The solvency ratio stood at 199% at 31 December 2020, which was comfortably above the internal requirement of 120% and the management threshold level of 160%.

In accordance with a.s.r.'s dividend policy, the liquidity of the underlying entities is not taken into account for the liquidity position of the group. However, the capital is recognised in the capital position of the group, since a.s.r. has the ability to realise the capital of this OTSO, for example by selling the entity. Specifically regarding a.s.r. health basic in 2020, no dividend or capital withdrawals have taken place.

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

**Market value own funds under SCR**




## 6.9.2 Solvency ratio and a.s.r. ratings

**Capital requirement**

The required capital stood at € 4,159 million per 31 December 2020 (2019: € 4,035 million). The required capital (before diversification) consists for 2020 € 3,261 million out of market risk and the insurance risk amounted to € 3,463 million as per 31 December 2020.

a.s.r.'s Solvency II ratio, including financial institutions, complied during 2020 with the applicable externally imposed capital requirement.

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

**Eligible own funds to meet the SCR**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Eligible Own Funds Solvency II | 8,273 | 7,828 |
| Required capital | 4,159 | 4,035 |
| **Solvency II ratio excluding Financial Institutions** | **199%** | **194%** |
| Eligible Own Funds Solvency II | 8,351 | 7,931 |
| Required capital | 4,200 | 4,102 |
| **Solvency II ratio including Financial Institutions** | **199%** | **193%** |

The Solvency II ratio stood at 199% (excluding financial institutions) as at 31 December 2020 (2019: 194%). The Solvency II ratio including financial institutions stood at 199% as at 31 December 2020 (2019: 193%). The Solvency II ratios presented are not final until filed with the regulators.

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

Under Solvency II it is permitted to reduce the required capital with the mitigating tax effects resulting from a 1-in-200-year loss (Shock loss). There is a mitigating tax effect to the extent that the Shock loss (BSCR + Operational risk) is deductible for tax purposes and can be compensated with taxable profits. This positive tax effect can only be taken into account when sufficiently substantiated ('more likely than not'). a.s.r. included a beneficial effect on its solvency ratio(s) due to the application of the LAC DT. The LAC DT benefit was € 957 million at year-end 2020.

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

Since 2016 a.s.r. uses an advanced model for the LAC DT of a.s.r. life and a 'basic' model for the other OTSOs. In the advanced model future fiscal profits are used to underpin the LAC DT, while in the basic model no future profits are used. Both models are and will be updated in case constrained by additional guidance or legislation provided.

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

Standard & Poor's confirmed the single A rating of a.s.r., a.s.r. life and a.s.r. non-life on 23 September 2020.

**Ratings per legal entity**

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

CCR: counterparty credit rating
FSR: financial strength rating

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

## 6.9.3 Additional information

**1. Mergers and Acquisitions**
On 19 July 2019, a.s.r. announced the intended acquisition of the Life insurance portfolio of VvAA to bolster its Life insurance portfolio. This transaction was closed on 1 January 2020 and VvAA was legally merged into a.s.r. Life per Q4 2020.

On 23 August 2019, a.s.r. announced the intended acquisition of Veherex to strengthen its disability proposition. This transaction was closed on 1 January 2020. As per 2020 Q2, a.s.r. legally merged Veherex into its Non-Life entity.

On 26 August 2020, a.s.r. announced the intended acquisition of 50% of the Brand New Day Premiepensioeninstelling N.V. (Brand New Day PPI) shares from Brand New Day Houdstermaatschappij N.V. a.s.r. already held 50% of the shares and is now the sole owner of Brand New Day PPI. With the acquisition, a.s.r. further strengthens its position in the Dutch pension market and reiterates its growth ambition in the 'capital light' pension solutions. The acquisition is expected to close in the first half of 2021.

### 2. Capital Market transactions
a.s.r. did not redeem or issue hybrid or subordinated capital in 2020.

### 3. Share buyback programme
a.s.r. has the intention for the medium term to make an additional capital distribution of € 75 million per year, on top of the progressive regular dividend. Any additional capital distribution shall be conditional upon our Solvency II ratio (based on the standard formula) to remain above 180%, as a.s.r. aims to maintain a robust balance sheet. The additional distribution will be financed from the available OCC, taking into account the regular dividend, room for potential bolt-on acquisitions and re-risking. If there are opportunities for larger acquisitions, this may have implications for the annual additional capital distribution a.s.r. is aiming for. a.s.r. will assess the possibility of an additional distribution on an annual basis. In line with the policy, a.s.r. has decided to buy back € 75 million of own shares, starting on 19 February 2021 and to be completed on 20 May 2021. Based on a.s.r. reporting policies, the announced share buy back in 2021, is not part of the presented SII ratio per 31 December 2020.

### 4. Dividend
a.s.r. intends to pay € 282 million total dividends over full year 2020 (2019: € 267 million) of which € 105 million has already been paid as interim dividend (2019: € 99 million), leaving a final dividend of € 177 million.

On 2 April 2020, EIOPA and subsequently DNB issued a press release requesting insurers to temporarily suspend dividend and share repurchases. Following this request, a.s.r. suspended its dividend payment and share repurchase programme. On 6 July 2020, DNB announced that dividend and share repurchases could recommence, with the understanding that DNB would review the dividend proposals under its regular supervisory regime.

In August 2020 a.s.r. announced, after careful consideration, its intention to resume the postponed dividend payment and SBB following the announcement of DNB to resume the review of dividend proposals under its normal supervision. a.s.r. announced to pay a dividend of € 1.20 per share, which equals the postponed final dividend of 2019. This dividend was paid in September 2020. a.s.r. also restart the SBB for the remaining € 24.3 million of the original € 75 million in September 2020.

Overall, DNB stressed that insurers are to take the impact of COVID-19 and the low interest rate environment into account in their prospective analysis as part of the dividend proposals. On 18 December 2020, DNB reiterated this recommendation from the European Systemic Risk Board (ESRB).

### 5. Defferred tax asset/liabilities
There is no net deferred tax asset. The deferred tax liability amounts to € 263 million.

# 6.10 Operating result

a.s.r. manages its business primarily using operational key performance indicators (KPIs). The operating result is the KPI covering the overall profitability of the business. Furthermore, a.s.r. uses other operational measures such as the COR, the life operating expenses as well as the availability and creation of capital, based on the Solvency II standard formula, as key figures in business decision making (see chapter 6.9).

The operating result is managed and presented at the consolidated a.s.r. and at a segment level (see chapter 6.4.3) and is also the key profitability indicator at business line level. The operating result is an inclusive measure covering all result components that can be influenced by the regular business. As such the operating result is the single bottom line performance indicator covering the performance of the business.

As a.s.r. applies shadow accounting and realised gains and loss accounting under IFRS 4, to ensure that insurance liabilities are adequate and to ensure that capital gains or losses on assets backing the insurance liabilities are allocated to the insurance liabilities, the operating result only differentiates from the IFRS result on items which are not directly related to its business. The capital gains on assets backing the insurance liabilities are allocated to the technical provisions and are released into the (operating) result over time. The operating result therefore reflects all investment related components that can be influenced by the business, as included in the IFRS result, but does not include any impairments on financial instruments, nor capital gains and fair value changes on the assets not backing the insurance liabilities (mostly equity and real estate investments).

It is current market practice for insurers to use an operating result to measure the underlying business performance, however the various current operating result definitions in the market seem to diverge. The a.s.r. operating result definition has limited deviations from the IFRS result. Following the implementation of IFRS 17 the operating result definitions need to be revised which may provide the opportunity to enhance the comparability of the operating result definition in the market.

## Definition of operating result

Operating result is calculated by adjusting result before tax for continuing operations reported in accordance with IFRS, as adjusted for the changes in accounting policies and for the following:

i. investment related: investment income of an incidental nature (including capital gains and losses, impairments and fair value changes) on financial instruments for own account, net of applicable shadow accounting and net of additional provisions recognised for realised gains and losses on financial assets backing the insurance liabilities ('compensation of realised capital gains') impact;
ii. incidental Items:

1. model- and methodological changes with a substantial impact;
2. results of non-core operations; and
3. other non-recurring or one-off items, which are not directly related to the core business and/or ongoing business of the group, restructuring costs, regulatory costs not related to business activities, changes in the own pension arrangements and expenses related to M&A activities and start-ups.

The RoE, which is based on the operating result, is defined as:
i. the operating result adjusted for hybrid expenses and the applicable tax divided by
ii. the IFRS equity adjusted for unrealised capital gains reserve and equity components of non-core activities.

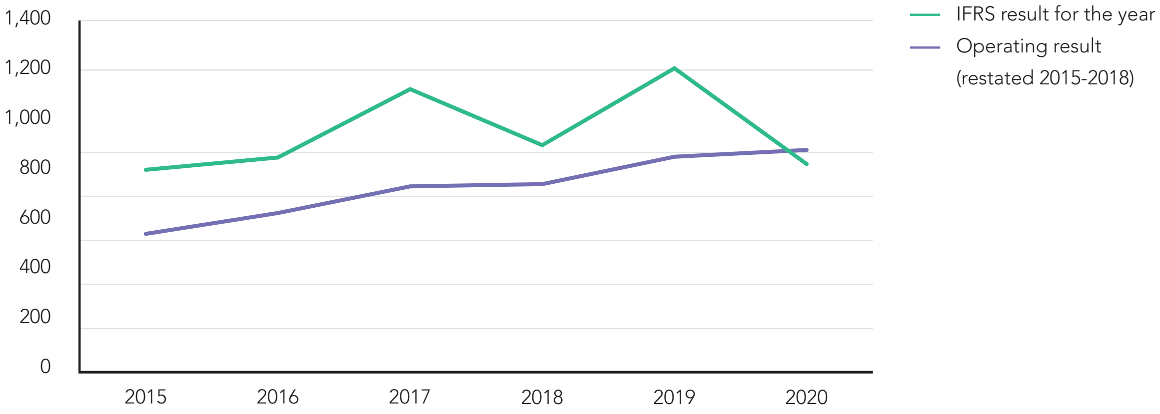
## Historical comparison

a.s.r. introduced the operating result in 2015 prior to the IPO. The operating result has since been the KPI for managing the profitability of the business. The six-year comparison of the IFRS result and the operating result shows that the IFRS result for the year is more prone to volatility. In the previous five years the IFRS result has exceeded the operating result, in 2020, the operating result is higher.

In 2020, indirect investment income decreased (€ -158 million), partly driven by COVID-19. Impairments on investments rose by € 30 million, mainly related to decreasing equity prices on the stock markets due to COVID-19 in the first half of 2020, see chapter 6.5.5 and 6.6.9.

In addition, incidental income was on a low level in 2020 mainly due to impairments on goodwill in the Life segment (€ -90 million, mainly driven by COVID-19 developments) and Distribution & Services (€ -27 million) see chapter 6.5.1.

The development of the operating results shows a steady increase as the business has grown.




## Reconciliation of IFRS result for the year to operating result

The reconciliation of the IFRS result for the year to the operating result is presented as follows:

**IFRS result to operating result**

| | 2020 | 2019 |
|---|---|---|
| IFRS result for the year | 829 | 1,210 |
| - Investment related | 185 | 343 |
| - Incidentals | -241 | 10 |
| **Operating result** | **885** | **858** |

Financial markets were affected by the impact of COVID-19 leading to lower revaluations and several impairments in the investment portfolio. As a result, total indirect investment income amounted to € 185 million, a decrease of € -158 million compared to 2019.

The lower incidentals reflect the purchase gain from the acquisition of Loyalis in the previous year (€ 118 million) and impairments on goodwill in 2020 as mentioned above. Furthermore, as a result of the agreed change of pension scheme in 2020, a past service cost of € -59 million pre-tax has been recognised, see chapter 6.5.15.1. In 2020 incidentals also comprise regulatory project implementation costs (IFRS17/9), integration costs mainly for Loyalis and amortisation of intangibles identified in business combinations (VOBA, other intangible assets).

# 6.11 Company financial statements

## 6.11.1 Company balance sheet

**Company balance sheet**

| (in € millions) (Before profit appropriation) | Note | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 6.11.3.2 | 43 | 103 |
| Property and equipment | 6.11.3.3 | 272 | 217 |
| Subsidiaries | 6.11.3.4 | 7,572 | 7,222 |
| Investments | 6.11.3.5 | 349 | - |
| Loans to group companies | 6.11.3.6 | 41 | 41 |
| Loans and deposits | 6.11.3.7 | 18 | 20 |
| Deferred tax assets | 6.11.3.8 | 127 | 68 |
| **Total non-current assets** | | **8,421** | **7,670** |
| | | | |
| **Current assets** | | | |
| Other receivables | 6.11.3.9 | 3,478 | 3,334 |
| Cash and cash equivalents | 6.11.3.10 | 152 | 459 |
| **Total current assets** | | **3,630** | **3,793** |
| | | | |
| **Total assets** | | **12,052** | **11,463** |
| | | | |
| **Equity** | | | |
| Share capital | 6.11.3.11 | 23 | 23 |
| Share premium reserve | 6.11.3.11 | 976 | 976 |
| Legal reserves | 6.11.3.11 | 1,995 | 1,868 |
| Actuarial gains and losses | 6.11.3.11 | -1,253 | -1,016 |
| Retained earnings | 6.11.3.11 | 3,099 | 2,374 |
| Treasury shares | 6.11.3.11 | -82 | -9 |
| | | | |
| *Net result for the year* | | *657* | *972* |
| *Less: interim dividend* | | *-105* | *-99* |
| Unappropriated result | 6.11.3.11 | 552 | 873 |
| **Equity attributable to shareholders** | | **5,309** | **5,090** |
| Other equity instruments | 6.11.3.11 | 1,004 | 1,004 |
| **Equity attributable to holders of equity instruments** | | **6,313** | **6,093** |
| | | | |
| **Provisions** | | | |
| Employee benefits | 6.11.3.12 | 4,253 | 3,860 |
| Other provisions | 6.11.3.13 | 18 | 35 |
| **Total provisions** | | **4,271** | **3,894** |
| | | | |
| **Long-term liabilities** | | | |
| Subordinated liabilities | 6.11.3.14 | 991 | 990 |
| Borrowings | 6.11.3.15 | 276 | 220 |
| Debts to group companies | 6.11.3.16 | 31 | 84 |
| **Total long-term liabilities** | | **1,298** | **1,294** |
| | | | |
| **Current liabilities** | | | |
| Due to banks | 6.11.3.17 | 105 | 105 |
| Other liabilities | 6.11.3.18 | 65 | 77 |
| **Total current liabilities** | | **170** | **182** |
| | | | |
| **Total equity and liabilities** | | **12,052** | **11,463** |

The numbers following the line items refer to the relevant chapters in the notes to the company financial statements.

## 6.11.2 Company income statement

| Company income statement | | | |
|---|---|---|---|
| (in € millions) | Note | 2020 | 2019 |
| Operating expenses | 6.11.3.19 | -160 | -132 |
| Impairments | | -64 | - |
| Other expenses | | -61 | -3 |
| | | | |
| Other income | | 5 | 121 |
| | | | |
| **Income from subsidiairies and investments** | | | |
| Share of result in subsidiaries | 6.11.3.4 | 858 | 961 |
| Investment income | 6.11.3.20 | 98 | 7 |
| Fair value gains and losses | | -2 | - |
| | | | |
| Interest expense | 6.11.3.21 | -52 | -50 |
| | | | |
| **Result before tax** | | **623** | **904** |
| | | | |
| Income tax (expense) / gain | | 34 | 68 |
| **Net result** | | **657** | **972** |

The share of result in subsidiaries is non-taxable as a result of the participation exemption under Dutch tax law.

## 6.11.3 Notes to the company financial statements

### 6.11.3.1 Accounting policies

The company financial statements are prepared in accordance with Title 9, Book 2 of the Dutch Civil Code. The consolidated financial statements of a.s.r. for 2020 have been prepared in accordance with IFRS – including the IAS and Interpretations – as accepted within the EU and with part 9 of the book of the Dutch Civil Code. In accordance with Section 362(8), Book 2 of the Dutch Civil Code, the same accounting policies for the recognition and measurement of assets and liabilities and determination of results applied to the company financial statements are applied to the consolidated financial statements.

Investments in group companies are recognised, using the equity method, in accordance with the accounting policies used in a.s.r.'s consolidated financial statements whereby the goodwill, if any, is presented separately. The share of profit of group companies is reported in conformity with the accounting policies used in a.s.r.'s consolidated financial statements.

Lease contracts are disclosed using IFRS 16 based on the option under RJ 292.1.

Unless stated otherwise, all amounts presented in these financial statements are in millions of €. Calculations in the tables are made using unrounded figures. As a result rounding differences can occur.

### 6.11.3.2 Intangible assets

| Intangible assets | | |
|---|---|---|
| | 2020 | 2019 |
| Goodwill | 17 | 72 |
| Intangible assets | 25 | 31 |
| | | |
| **Total intangible assets** | **43** | **103** |

The € 55 million decrease in goodwill relates to the impairment of goodwill on acquisitions for the CGU Life. The impairment is included in the line item impairments in the company income statement. For more information see chapter 6.5.1.

The change in the amount of intangible assets relates to amortisation which is presented in the operating expenses.

## 6.11.3.3 Property and equipment

**Property and equipment**

| | 2020 | 2019 |
|---|---|---|
| **Right-of-use assets:** | | |
| Land and buildings owned by subsidiary | 256 | 205 |
| Vehicles | 11 | 8 |
| Other | 4 | 4 |
| | | |
| **Total property and equipment** | **272** | **217** |

The right-of-use assets includes property and equipment that is leased by a.s.r. Land and buildings owned by subsidiary relates mainly to the a.s.r. head office, which is owned by a.s.r. life.

**Changes in property and equipment**

| | 2020 | 2019 |
|---|---|---|
| At 1 January | 217 | - |
| Impact change in accounting policy | - | 222 |
| Additions | 8 | 4 |
| Depreciation | -12 | -11 |
| Remeasurement | 59 | - |
| Impairments | - | - |
| Other changes | - | - |
| Changes in the composition of the group | - | 1 |
| | | |
| **At 31 December** | **272** | **217** |
| | | |
| Gross carrying amount as at 31 December | 293 | 228 |
| Accumulated depreciation as at 31 December | -22 | -11 |
| Accumulated impairments as at 31 December | - | - |
| | | |
| **Net carrying value as at 31 December** | **272** | **217** |

Depreciation of property and equipment is recorded in the operating expenses (see chapter 6.11.3.18).

## 6.11.3.4 Subsidiaries

On 1 January 2020, a.s.r. acquired VvAA life. As a result, a.s.r. fully included the results and the balance sheet positions in the a.s.r. financial statements from that date. VvAA life legally merged into a.s.r. life as per 20 November 2020.

On 1 May 2019, a.s.r. acquired Loyalis. As a result, a.s.r. fully included the results and the balance sheet positions in the a.s.r. financial statements from that date. Loyalis has been legally merged into a.s.r. as per 1 August 2019. Loyalis life and Loyalis non-life legally merged respectively into a.s.r. life and a.s.r. non-life as per 30 September 2019. In preparation of these mergers, Loyalis life was sold to a.s.r. life and Loyalis non-life was sold to a.s.r. non-life.

**Subsidiaries**

| | 2020 | 2019 |
|---|---|---|
| At 1 January | 7,222 | 5,959 |
| Additions | 19 | 465 |
| Share of result | 859 | 961 |
| Dividend received | -657 | -501 |
| Revaluations | 132 | 339 |
| Other changes | -2 | -3 |
| | | |
| **At 31 December** | **7,572** | **7,222** |

In 2020, the additions mainly relate to the acquisition of VvAA life.

In 2019, the additions relate to capital contributions made by a.s.r. to a.s.r. life (€ 196 million) and a.s.r. non-life (€ 269 million) to finance the acquisitions of respectively Loyalis life and Loyalis non-life.

### 6.11.3.5 Investments

The investments consists of cash invested in government bonds with a maturity of less than one year to optimize the solvency ratio, see chapter 6.11.3.10.

### 6.11.3.6 Loans to group companies

**Loans to group companies**

| | 2020 | 2019 |
|---|---|---|
| At 1 January | 41 | 83 |
| Issues | 22 | 9 |
| Repayments | -22 | -50 |
| | | |
| **At 31 December** | **41** | **41** |

The loans to group companies are € 40.5 million (2019: € 24.5 million) which are expected to be settled more than one year after the balance sheet date and an average interest rate of 4.85% (2019: 5.2%).

The deposits with group companies which are expected to be settled within one year after the balance sheet date are nil (2019: € 16.5 million, with an average interest rate of 1.73%).

Interest income on loans to group companies amounts to € 1 million (2019: € 1 million).

### 6.11.3.7 Loans and deposits

**Loans and deposits**

| | 2020 | 2019 |
|---|---|---|
| At 1 January | 20 | 21 |
| Issues | - | - |
| Repayments | - | - |
| Impairments | - | - |
| Other changes | -1 | - |
| | | |
| **At 31 December** | **18** | **20** |

### 6.11.3.8 Deferred tax assets

The deferred tax assets mainly arises from the difference in commercial and fiscal valuation of employee benefits (including the asset resulting from the insurance contracts, which are administrated by a.s.r. life) amounting to € 226 million (2019: € 164 million) and the future reduction in the corporate tax rate announced in 2019, which was reversed in 2020 (€ 0 million,2019: € -10 million). Both offset by the equalisation reserve of € 94 million (2019: € 79 million).

### 6.11.3.9 Other receivables

The other receivables includes receivables from group companies, which include the receivable with respect to non-qualifying plan assets (see chapter 6.5.15) administered by a.s.r. life amounting to € 3,302 million (2019: € 3,163 million). The plan assets administered by a.s.r. life include the separate account to fund future inflation indexation amounting to € 242 million as at 31 December 2020 (2019: € 262 million). The remaining portion of the receivables from group companies is payable on demand.

### 6.11.3.10 Cash and cash equivalents

In 2020 cash is invested in short-term government bonds to optimize the solvency ratio, see chapter 6.11.3.5.

Cash and cash equivalents are fully and freely available.

### 6.11.3.11 Equity

**Equity**

| | Share capital | Share premium reserve | Legal reserves | Actuarial gains and losses | Retained earnings | Treasury shares | Unappropriated result | Other equity instruments | Equity |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2020** | 23 | 976 | 1,868 | -1,016 | 2,374 | -9 | 873 | 1,004 | 6,093 |
| Appropriation of the result previous year | - | - | - | - | 873 | - | -873 | - | - |
| Net result for the year | - | - | - | - | - | - | 657 | - | 657 |
| Dividend paid | - | - | - | - | -166 | - | -105 | - | -272 |
| Remeasurement of post employment benefit obligation | - | - | - | -237 | - | - | - | - | -237 |
| Unrealised change in value | - | - | 132 | - | 68 | - | - | - | 200 |
| Change in reserves required by law | - | - | -5 | - | 5 | - | - | - | - |
| Discretionary interest on other equity instruments | - | - | - | - | -48 | - | - | - | -48 |
| Treasury shares acquired (-) / sold | - | - | - | - | -1 | -73 | - | - | -74 |
| Increase (decrease) in capital | - | - | - | - | - | - | - | - | - |
| Other movements | - | - | - | - | -6 | - | - | - | -6 |
| **At 31 December 2020** | **23** | **976** | **1,995** | **-1,253** | **3,099** | **-82** | **552** | **1,004** | **6,313** |

| | Share capital | Share premium reserve | Legal reserves | Actuarial gains and losses | Retained earnings | Treasury shares | Unappropriated result | Other equity instruments | Equity |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2019** | 23 | 976 | 1,518 | -635 | 2,018 | - | 577 | 1,001 | 5,479 |
| Appropriation of the result previous year | - | - | - | - | 577 | - | -577 | - | - |
| Net result for the year | - | - | - | - | - | - | 972 | - | 972 |
| Dividend paid | - | - | - | - | -154 | - | -99 | - | -252 |
| Remeasurement of post employment benefit obligation | - | - | - | -381 | - | - | - | - | -381 |
| Unrealised change in value | - | - | 339 | - | 12 | - | - | - | 351 |
| Change in reserves required by law | - | - | 10 | - | -10 | - | - | - | - |
| Discretionary interest on other equity instruments | - | - | - | - | -60 | - | - | - | -60 |
| Issue of other equity instruments | - | - | - | - | - | - | - | 207 | 207 |
| Redemptions of other equity instruments | - | - | - | - | - | - | - | -209 | -209 |
| Cost of issue of other equity instruments | - | - | - | - | -2 | - | - | - | -2 |
| Treasury shares acquired (-) / sold | - | - | - | - | -1 | -9 | - | - | -10 |
| Other movements | - | - | - | - | -6 | - | - | 6 | - |
| **At 31 December 2019** | **23** | **976** | **1,868** | **-1,016** | **2,374** | **-9** | **873** | **1,004** | **6,093** |

## Share capital
For a breakdown of the share capital, see chapter 6.5.12.1.

## Legal reserves
The legal reserves relate to the revaluation of investments in group companies. The legal reserves are maintained in relation to the (not yet received as dividend) share in the result (and other additions to equity) of group companies accounted for using the equity method since initial recognition reduced with the amount of dividend that a.s.r. is able to distribute without restrictions. The legal reserves are not freely distributable. See chapter 6.9 for more information on the regulatory restrictions.

## Other equity instruments
The other equity instruments relate to two (2019: two) different hybrid Tier 1 and Tier 2 instruments classified as equity. The first instrument (issue date 2014) features a perpetual non-call 10 year restricted Tier 2 capital instrument. The second instrument was issued in two stages. In 2017, a.s.r. issued a perpetual non-call 10 year restricted Tier 1

contingent convertible capital instrument. In 2019, an additional € 200 million of Restricted Tier 1 capital was issued and was fully integrated in the outstanding Restricted Tier 1 2017 issue, increasing its notional size to € 500 million.

See chapter 6.5.12.5 for more information.

### Distributable items

The calculated available distributable items as at 31 December 2020 and 2019 is as follows.

a.s.r.'s distributable items is an amount equal to (with respect to and as at any interest payment date, without double-counting):

i. The retained earnings and the distributable reserves of a.s.r., calculated on an unconsolidated basis, as at the last calendar day of the then most recently ended financial year of a.s.r.; plus
ii. The profit for the period (if any) of a.s.r., calculated on an unconsolidated basis, for the period from a.s.r.'s then latest financial year-end to (but excluding) such Interest Payment Date; less
iii. The loss for the period (if any) of a.s.r., calculated on an unconsolidated basis, for the period from a.s.r.'s then latest financial year-end to (but excluding) such Interest Payment Date, each as defined under national law, or in the articles of association of a.s.r.

**Distributable items**

| | 2020 | 2019 |
|---|---|---|
| Equity attributable to shareholders | 5,309 | 5,090 |
| Non distributable items | | |
| - Share capital[1] | 23 | 23 |
| - Legal reserves | 1,995 | 1,868 |
| | | |
| **Distributable items** | **3,292** | **3,199** |

## 6.11.3.12 Employee benefits

Employee benefits can be broken down as follows (see chapter 6.5.15 for further details):

**Employee benefits**

| | 2020 | 2019 |
|---|---|---|
| Post-employment benefits pensions | 4,228 | 3,835 |
| Post-employment benefits other than pensions | 10 | 11 |
| **Post-employment benefit obligation** | **4,238** | **3,846** |
| | | |
| Other long-term employee benefits | 15 | 14 |
| | | |
| **Total** | **4,253** | **3,860** |

## 6.11.3.13 Other provisions

**Changes in provisions**

| | 2020 | 2019 |
|---|---|---|
| At 1 January | 35 | 16 |
| Additional provisions | 9 | 30 |
| Reversal of unused amounts | -3 | - |
| Utilised in course of year | -22 | -20 |
| Other changes | - | -1 |
| Changes in the composition of the group | - | 9 |
| | | |
| **At 31 December** | **18** | **35** |

Provisions primarily relate to provisions for staff restructuring and retained disability risk.

1 Less the nominal value of treasury shares if applicable

The timing of the outflow of resources related to these provisions is uncertain because of the unpredictability of the outcome and time required for the settlement of disputes.

An amount of € 16 million of the provisions is expected to be settled more than one year after the balance sheet date (2019: € 23 million).

### 6.11.3.14 Subordinated liabilities

Subordinated liabilities can be broken down as follows (see chapter 6.5.13 for further details).

**Subordinated liabilities**

| | Nominal amount | Carrying value 2020 | Carrying value 2019 |
|---|---|---|---|
| Hybrid Tier 2 instrument 5.125% fixed interest | 500 | 498 | 497 |
| Hybrid Tier 2 instrument 3.375% fixed interest | 500 | 493 | 493 |
| **Total subordinated liabilities** | **1,000** | **991** | **990** |

On 2 May 2019 a.s.r. issued € 500 million subordinated liabilities in the form of Tier 2 notes. The bond has a maturity date of 2049 and is first callable 3 months before the first reset date of 2 May 2029. The coupon is fixed at 3.375% and paid annually on 2 May. After the reset date the interest is calculated based on the 5 Year Mid Swap Rate plus a margin of 4.00 per cent and updated once every five years.

In 2015, a.s.r. issued € 500 million subordinated liabilities in the form of Tier 2 Notes, first callable on 29 September 2025 and maturing on September 2045. The coupon is fixed at 5.125% and paid annually on 29 September with a step up at the first call date.

### 6.11.3.15 Borrowings

**Borrowings**

| | 2020 | 2019 |
|---|---|---|
| Lease liabilities | 276 | 220 |
| **Total borrowings** | **276** | **220** |

The lease liabilities consist primarily (€ 260 million, 2019: € 207 million) of the lease of the a.s.r. head office from a.s.r. leven. The increase in lease liabilities relates primarily to the increase of the present value of the future lease payments, see accounting policy AA in chapter 6.3.5. The maturity of this contract is 35 years, which includes the total of five extension options of five year each.

Of the other lease liabilities € 14 million is expected to be settled more than one year after the balance sheet date (2019: € 14 million).

### 6.11.3.16 Debts to group companies

Debts to group companies of € 31 million (2019: € 84 million) consists of one deposit due to a group company of € 31 million (2019: two deposits of € 39 million and € 30 million) with an average interest rate of 0.6% (2019: 0.6%). The maturity of the deposit is 12 months.

There is no significant difference between the carrying amount of debt to group companies and the fair value of these liabilities.

The interest expense on debts to group companies in 2020 is € 0.1 million (2019: € 0.2 million).

An amount of € 31 million (2019: € 84 million) of the debt to group companies is expected to be settled less than or equal to one year after the balance sheet date.

## 6.11.3.17 Due to banks

In 2020 due to banks amounted to € 105 million (2019: € 105 million). The entire amount of due to banks is expected to be settled less than or equal to one year after the balance sheet date.

## 6.11.3.18 Other liabilities

**Other liabilities**

| | 2020 | 2019 |
|---|---|---|
| Accrued interest | 18 | 18 |
| Short-term employee benefits | 16 | 17 |
| Other liabilities | 31 | 41 |
| | | |
| **Total other liabilities** | **65** | **77** |

There is no difference between the carrying value of other liabilities and their fair value.

## 6.11.3.20 Investment income

The investment income of € 98 million (2019: € 7 million) mainly increased as a result of € 92 million interest income (2019: an interest expense of € 4 million), relating to the employee benefits obligation, allocated to the Holding.

## 6.11.3.19 Operating expenses

The operating expenses of € 160 million (2019: € 132 million) are operating expenses relating to holding activities. See chapter 6.6.8 for the total operating expenses of the group. Operating expenses also include depreciation of the right-of-use assets owned by subsidiaries of € 12 million (2019: € 11 million), see chapter 6.11.3.3.

## 6.11.3.21 Interest expense

The interest expense relates primarily to the interest on subordinated liabilities, interest on the employee benefits obligation, allocated to the Holding and to the interest on the lease liabilities.

## 6.11.3.22 Auditor's fees

The following fees for the financial years have been charged by KPMG Accountants N.V. (2019: EY Accountants LLP) to a.s.r., its subsidiaries and other consolidated entities, on an accrual basis.

**Auditor's fee**

| * € 1,000 | 2020 | 2019 |
|---|---|---|
| Audit of the financial statements | 4,692 | 4,017 |
| Other audit engagements | 791 | 1,088 |
| | | |
| **Total audit fees** | **5,483** | **5,105** |

Fees for audit engagements include fees paid for the audit of the consolidated and company financial statements, quarterly reports and other reports.

In the above mentioned years no fees were paid for tax-related advisory services to KPMG Accountants N.V. and no fees were paid to other KPMG networks, other than KPMG Accountants N.V. (2019: EY Accountants LLP).

## 6.11.3.23 Related parties

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

The group regularly enters into transactions with related parties during the conduct of its business. These transactions mainly involve loans, deposits and commissions, and are conducted on terms equivalent to those that prevail in arm's length transactions. These disclosures related to these transactions are included in the relevant note in the company financial statements and in the consolidated financial statements (see primarily chapters 6.7.4 and 6.7.8).

The remuneration of the EB and SB members of a.s.r. is disclosed in chapter 6.7.5.

### 6.11.3.24 Contingent liabilities

#### Joint and several liability
a.s.r. forms a fiscal unity for corporate income tax and VAT with nearly all of its subsidiaries. The company and its subsidiaries that form part of the fiscal unity are jointly and separately liable for taxation payable by the fiscal entity.

A statement of joint and several liability under section 403, Book 2 of the Dutch Civil Code has been issued by a.s.r. for the companies identified in chapter 6.7.8.

#### Investment obligations and guarantees
As in 2019, a.s.r. has issued no guarantees to third parties for real estate development projects.

Utrecht, 23 March 2021

**Executive Board**
Jos Baeten
Annemiek van Melick
Ingrid de Swart

**Supervisory Board**
Kick van der Pol
Herman Hintzen
Joop Wijn
Sonja Barendregt
Gisella van Vollenhoven
Gerard van Olphen

# Sustainably invested pension premiums

# 7

# Other information

## What does a.s.r. do with pension premiums?

a.s.r.'s view is that we have inherited the earth and have a duty to pass it on. a.s.r is the custodian of the assets that have been entrusted to it, and has an obligation to make them future-proof. When it comes to investing the pension premiums paid to it, a.s.r. equally feels they should contribute to a better world and the fight against climate change. This applies to all its investments and insurance payments. Based on ESG criteria and the discussions it has with companies, a.s.r. will decide whether or not to invest in them.

# 7.1 Independent auditor's report

# Independent auditor's report

To: the General Meeting of Shareholders and the Supervisory Board of ASR Nederland N.V.

## Report on the audit of the 2020 financial statements included in the Annual Report

### *Our opinion*

In our opinion:

— the accompanying consolidated financial statements give a true and fair view of the financial position of ASR Nederland N.V. ('the Group' or 'ASR Nederland N.V.') as at 31 December 2020 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

— the accompanying company financial statements give a true and fair view of the financial position of ASR Nederland N.V. as at 31 December 2020 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

### *What we have audited*

We have audited the financial statements 2020 of ASR Nederland N.V. based in Utrecht. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

1 the consolidated balance sheet as at 31 December 2020;

2 the following consolidated statements for 2020: the income statement, the statements of comprehensive income, changes in equity and cash flows; and

3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1 the company balance sheet as at 31 December 2020;

2 the company income statement for 2020; and

3 the notes comprising a summary of the accounting policies and other explanatory information.

KPMG Accountants N.V., a Dutch limited liability company registered with the trade register in the Netherlands under number 33263683, is a member firm of the global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

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## Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of ASR Nederland N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Audit approach

### Summary

| Materiality |
|---|
| Materiality of EUR 40 million, based on averaged Result before tax over the last 3 years (4%). |

| Group audit |
|---|
| 91% of result before tax |
| 99% of total assets |
| 93% of equity |

**Key audit matters**

- Valuation of liabilities arising from insurance contracts (including shadow accounting) and Liability Adequacy Test (LAT)
- Valuation of hard to value assets
- Unit-linked exposure
- Solvency II disclosure
- Goodwill impairment

| Opinion |
|---|
| Unqualified |

### *First year audit*

The year 2020 was the first year we have audited the financial statements of ASR Nederland N.V. Therefore we provide more information on how we prepared for the first year audit.

Before commencing our audit work in July 2019, KPMG member firms, their partners and staff ensured that we were independent of the Group and its subsidiaries. This involved evaluating commercial relationships and changing financial arrangements for all our partners and for staff who would work on the audit of the Group.

From July 2019 and throughout the 2019 year-end process, we worked alongside the former auditors, attending their key meetings with the Group and understanding the complex or significant audit judgements which they made. Members of the audit team met with the Group's Supervisory Board, Executive Board and other key senior executives to understand the challenges faced by the business, and to gather information required to plan our audit. During this phase we also reviewed key accounting papers and the 2019 financial statements to ensure our understanding of the key accounting policies. We also attended the Audit & Risk Committee meetings of the Group.

In preparation for the 2020 audit we held meetings with the KPMG partners and key KPMG staff (including specialists) to discuss business insights, key accounting topics and the preliminary audit approach. In October 2019 we held a meeting with the KPMG team and ASR Nederland N.V. representatives, including the CFO and senior executives from across the Group that have a key role in the Group's financial reporting, risk management and internal audit, to exchange our initial views. This meeting assisted us in our determination of the significant audit risks.

We also reviewed the working papers of the former auditors, to help familiarise ourselves with the controls on which they relied for the purposes of issuing their opinion, and to understand the evidence they obtained over key management judgements. We also obtained sufficient audit evidence regarding the opening balances of the 2020 financial statements.

### *Materiality*

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 40 million. The materiality is determined with reference to the average result before tax over the past 3 years and amounts to approximately 4%. We consider result before tax as the most appropriate benchmark based on our assessment of the general information needs of users of the financial statements of listed financial institutions predominantly active in the insurance business. We believe that result before tax is a relevant metric for assessment of the financial performance of the Group. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Audit & Risk Committee of the Supervisory Board that unadjusted misstatements in excess of EUR 2 million which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

### *Scope of the group audit*

ASR Nederland N.V. is a Dutch insurance company at the head of a group of components. The financial information of this group is included in the financial statements of ASR Nederland N.V. The Group is structured along 5 segments: Non-Life, Life, Asset Management, Distribution and Services and Holding and Other, some of which comprising of multiple legal entities.

Because we are ultimately responsible for the audit opinion, we are responsible for directing, supervising and performing the group audit. In this respect, we have determined the nature and extent of the audit procedures to be carried out by component auditors.

In our risk assessment and related scoping we took into account potential effects of Covid-19 and re-evaluated these during the process.

Our group audit mainly focused on significant components. These significant components are either individually financially significant due to their relative size within the Group or because we assigned a significant risk of material misstatement to one or more account balances of the component.

We sent audit instructions to all component auditors, covering significant areas including the relevant risks of material misstatement and set out the information required to be reported to the group audit team. All components in scope for group reporting purposes are audited by KPMG Accountants N.V.

The group audit team has set component materiality levels, which ranged from EUR 4 million to EUR 34 million, based on the mix of size and risk profile of the components within the Group.

A specific point of attention as a result of Covid-19 was the virtual way of working, and in particular the impact thereof on the audit procedures and the reliability of the audit evidence obtained. For most of 2020, ASR Nederland N.V. employees were working from home. We performed the audit of ASR Nederland N.V. also largely working from home. In view of the Covid-19 related restrictions we considered changes to the planned audit approach to evaluate the component auditors' communications and the adequacy of their work. We have requested component auditors to provide us with access to audit workpapers to perform the evaluations remotely. In addition, due to the inability to arrange in-person meetings with such component auditors and local management, we have increased the use of virtual meetings.

For all components in the scope of the group audit we held video calls. During these calls, the planning, risk assessment, procedures performed, findings and observations reported to the group auditor were discussed in more detail and any additional work deemed necessary by the group audit team was then performed. As originally planned for these components we performed file reviews, however due to Covid-19 these were performed remotely.

For the residual population not in scope we performed analytical procedures in order to corroborate that our scoping remained appropriate throughout the audit.

The consolidation of the Group, the disclosures in the financial statements and certain centralised processes and accounting matters are audited by the group audit team. The centralised processes and accounting matters on which audit procedures are performed by the group audit team include, but are not limited to, assessment of the use of the going concern assumption, companies and businesses acquired and divested, intangible assets including goodwill, equity, employee benefits, operating expenses, other expenses, certain elements of the risk and capital management disclosures, corporate income tax for the fiscal unity and legal proceedings.

By performing the procedures mentioned above at group components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

Our procedures as described above can be summarised as follows:

**Result before tax**

91%
Audit of the complete reporting package

9%
Covered by additional procedures performed at group level

**Total assets**

99%
Audit of the complete reporting package

1%
Covered by additional procedures performed at group level

**Total equity**

93%
Audit of the complete reporting package

7%
Covered by additional procedures performed at group level

## Our focus on the risk of fraud and non-compliance with laws and regulations

### Our objectives

The objectives of our audit with respect to fraud and non-compliance with laws and regulations are:

With respect to fraud:

— to identify and assess the risks of material misstatement of the financial statements due to fraud;

— to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and

— to respond appropriately to fraud or suspected fraud identified during the audit.

With respect to non-compliance with laws and regulations:

— to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and

— to obtain a high (but not absolute) level of assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

The primary responsibility for the prevention and detection of fraud and non-compliance with laws and regulations lies with the Executive Board, with oversight by the Supervisory Board.

### Our risk assessment

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated the fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud. We involved our forensic specialists in performing our risk assessment procedures.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to ASR Nederland N.V. and we inquired the Executive Board and the Audit & Risk Committee of the Supervisory Board as to whether the entity is in compliance with such laws and regulations and we inspected correspondence with De Nederlandsche Bank (DNB) and the Autoriteit Financiële Markten (AFM).

The potential effect of the identified laws and regulations on the financial statements varies considerably.

Firstly, ASR Nederland N.V. is subject to laws and regulations that directly affect the financial statements, including taxation and financial reporting. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items and therefore no additional audit response is necessary.

Secondly, ASR Nederland N.V. is subject to many other laws and regulations where the consequences of non-compliance could have an indirect material effect on amounts recognised or disclosures provided in the financial statements, or both, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an indirect effect:

- Wet op het financieel toezicht (Wft) (including the European Solvency II directives);
- financial and economic crime (FEC) related regulation;

In accordance with the auditing standards we evaluated the following fraud and non-compliance risk factors that are relevant to our audit, including the relevant presumed risks:

- revenue recognition (a presumed risk);
- management override of controls (a presumed risk);
- the remote working by ASR Nederland N.V. staff as a consequence of Covid-19;
- information technology and cyber risks.

We concluded that only ‘management override of controls’ is a (presumed) fraud risk.

We communicated the identified risks of fraud and non-compliance with laws and regulations throughout our team and remained alert to any indications of fraud and/or non-compliance throughout the audit.

In all of our audit procedures, we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud. We refer to the key audit matters 1, 2, 4 and 5, that are examples of our approach related to areas of higher risk due to accounting estimates where management makes significant judgements.

We communicated our risk assessment and audit response to management and the Audit & Risk Committee of the Supervisory Board. Our audit procedures differ from a specific forensic fraud investigation, which investigation often has a more in-depth character.

*Our response*

We performed the following audit procedures (not limited) to respond to the assessed risks:

- assessed matters reported on the incident register/whistleblowing and complaints procedures within ASR Nederland N.V. and results of management's investigation of such matters;
- we inquired regularly with the Executive Board, Directors (Internal Audit, Legal, Group Compliance, Group Risk Management and business line CFRO’s) to update our understanding of risk and to the extent required amended our planned audit procedures;
- incorporated elements of unpredictability in our audit e.g. by increasing the extent of substantive procedures performed on significant accounts (e.g. tax position) and applying sampling on significant accounts (e.g. operating expenses);

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- we evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks. In case of internal control deficiencies, where we considered there would be opportunity for fraud, we performed supplemental detailed risk-based testing;
- we performed data analysis of high-risk journal entries and evaluated key estimates and judgements for bias by ASR Nederland N.V., including retrospective reviews of prior year's estimates. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk. These procedures also included testing of transactions back to source information;
- with respect to the risk of bribery and corruption, we evaluated the Group's controls and procedures such as due diligence procedures on third parties also taking notice of the outcome of the investigations by Compliance and Internal Audit on Customer Due Diligence and Sanction regulation. We considered the possibility of fraudulent or corrupt payments made through third parties;
- we considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud or non-compliance. If so, we re-evaluated our assessment of relevant risks and its resulting impact on our audit procedures;
- we obtained audit evidence regarding compliance with the provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements;
- we considered the effect of actual, suspected or identified risk of non-compliance as part of our procedures on the related items in the financial statements.

We do note that our audit is based on the procedures described in line with applicable auditing standards. Our procedures to address identified risks of fraud and related to non-compliance with laws and regulations did not result in a key audit matter.

We do note that our audit is not primarily designed to detect fraud and non-compliance with laws and regulations and that management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud, including compliance with laws and regulations.

The more distant non-compliance with indirect laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

## *Our key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Executive Board and the Audit & Risk Committee of the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Covid-19 has had both an operational and a financial impact on ASR Nederland N.V. As described under scoping of the group audit it also impacted our way of working with the component auditors and our way of working with ASR Nederland N.V. during this first year audit. Covid-19 is also reflected in our key audit matters. For the valuation of liabilities arising from insurance contracts (including shadow accounting) and Liability Adequacy Test (LAT), the valuation of hard to value assets and the Goodwill impairment test, we have analysed the impact of Covid-19 on management's accounting estimates.

### Valuation of liabilities arising from insurance contracts (including shadow accounting) and Liability Adequacy Test (LAT)

#### Description

ASR Nederland N.V. has liabilities arising from insurance contracts of EUR 55 billion representing 77% of its total liabilities. The valuation of liabilities arising from insurance contracts involves judgement over uncertain future outcomes, mainly the ultimate settlement value of long-term liabilities, both in the liabilities arising from insurance contracts as reported in the balance sheet and in the LAT.

ASR Nederland N.V. applies shadow accounting in its financial reporting as disclosed in note 6.5.14. Shadow accounting is complex, requires judgement regarding results and changes in revaluation reserves in equity that apply for shadow accounting and has a significant impact on the liabilities arising from insurance contracts and equity.

ASR Nederland N.V. performs the LAT in order to confirm that the liabilities arising from insurance contracts, are adequate in the context of the expected future cash flows.

Various economic and non-economic assumptions are being used to estimate these long-term liabilities in the LAT. The assumptions for life contracts used relate mainly to risks regarding interest, mortality, longevity, lapse and expense and for non-life contracts these are interest, disability, recovery rates, mortality, ultimate claims estimation and expenses. Additionally, the valuation of the liabilities arising from insurance contracts is affected by and sensitive to government regulations, in particular regarding the claims from workers' compensations insurance (WGA-ER) and in the healthcare insurance domain.

ASR Nederland N.V. has based the LAT on Solvency II guidance. This includes the application of the Solvency II discount rate including the UFR that has a significant impact on the LAT as disclosed in note 6.5.14.1.

Given the financial significance, the level of complexity and the level of judgement required, we considered the valuation of the liabilities arising from insurance contracts including shadow accounting and the LAT a key audit matter.

### Our response

Our audit approach included testing the design and implementation of internal controls around the valuation of the liabilities arising from insurance contracts (including shadow accounting) and the LAT, as well as substantive audit procedures.

Our procedures over internal controls focused on controls around the adequacy of data, the governance and controls around assumption setting, validation and implementation of models and the review procedures performed on the LAT by the 2nd line actuarial department.

With the assistance of our own actuarial specialists, the substantive audit procedures we performed included:

- assessment of the appropriateness of assumptions used in the valuation of the liabilities arising from insurance contracts by reference to company and industry data and expectations of future investment returns, future longevity, disability, claims development, recovery rate assumptions and expense developments. We performed specific procedures in response to the impact of Covid-19 on estimates for the Non-Life and Health insurance contracts and the change in accounting estimate for the IBNR for disability for certain pension products;
- assessment of the appropriateness of the data, assumptions and methodologies applied in the LAT. We performed specific procedures in response to the changes in the mortality tables published by The Royal Dutch Actuarial Association on 9 September 2020, changes in experience adjustments on these mortality data, the change in the inflation assumption and the impact of Covid-19 on the assumption setting;
- analysis of developments in actuarial results (which includes retrospective review by comparing the expected cashflows in the prior year estimate with current year actuals) and movements in the liabilities arising from insurance contracts and the LAT during the year for each of the insurance entities and corroborative inquiries with management and the 2nd line actuarial department in that regard;
- testing of the eligibility of investments and the (un)realised results on the investments for shadow accounting. Furthermore, we tested the application of shadow accounting by inspecting the reconciliations of the (un)realised results of the investments with the investment administration, assessing the calculation and the accounting of the related shadow accounting adjustment in the liabilities arising from insurance contracts;
- assessing of the adequacy of the disclosures.

### Our observation

Overall we found management’s assumptions reasonable and the valuation of the liabilities arising from insurance contracts acceptable.

We determined that the company applied shadow accounting (including the accounting for realised results) in accordance with its accounting policy.

We also found the notes on the liabilities arising from insurance contracts in note 6.3.4, 6.5.14 and 6.5.15.1 (in relation to the overlay interest hedging strategy and impact on shadow accounting for the own pension plan) to be adequate.

## Valuation of hard to value assets

### Description

ASR Nederland N.V. invests in various categories of investments, of which 93% (2019: 92%) is carried at fair value in the balance sheet. These consist of financial assets and liabilities measured at fair value as disclosed in note 6.7.1.1 and property as disclosed in note 6.7.1.3 Additionally the fair value of investments not carried at fair value are separately disclosed in note 6.7.1.2. The fair values are relevant for the Solvency II Own Funds.

23% (2019: 23%) of the fair value of the investments are classified as Level 3 investments (fair value not based on observable market data).

Fair value measurement, especially the valuation of less liquid Level 3 assets, can be subjective and involves management judgement in relation to valuation techniques and assumptions. As a result of Covid-19 we observed a significant increase in economic uncertainty and a drop in liquidity for certain asset classes and in particular for property investments, real estate equity funds and mortgage equity funds. We also paid specific attention to the valuation of the mortgage portfolio.

Given the financial significance and the increased level of judgement required, we considered the valuation of hard to value assets a key audit matter.

### Our response

With the assistance of our valuation specialists we performed the following procedures:

— assessment of ASR Nederland N.V.'s governance, processes and design and implementation of internal controls with respect to the valuation of hard to value assets;
— assessment of valuation models used and the (internal) validation thereof, in particular for the determination of the fair value of the mortgage portfolio;
— assessment of management's response to the Covid-19 related increased valuation uncertainty for property investments, real estate equity funds and mortgage equity funds;
— inspection of documentation and discussions with management's internal and external experts on their judgements and resulting valuations;
— we carried out a retrospective review of prior year estimates, e.g. by reconciliation of valuations to financial statements of investments or comparison to sales results.
— we performed substantive audit procedures on selected high-risk property investments. This selection is based on the relative size of the objects within their respective asset class, development of the fair value in the year and was aimed at an appropriate spread over regions and appraisers specifically for the rural investments. We discussed and challenged the assumptions and models used by the external appraisers. We tested their assumptions of discount rates and gross investment yields against available market data and object

specific underlying data such as (market) rent levels, occupancy rates and contract renewals;

- we challenged management's valuation of real estate equity funds and mortgage equity funds by reviewing the documentation provided by the external fund managers and we compared the movements in valuations with available external market data;
- we performed audit procedures on the fair value of the mortgage portfolio. We tested the source data and determined an acceptable fair value range for the mortgage portfolio.
- assessing of the adequacy of the disclosures. This includes notes 6.7.1.1, 6.7.1.2 and 6.7.1.3 on fair value measurement and the market risk disclosure in note 6.8.3 as this note includes sensitivity analysis on the valuation uncertainties that exist at 31 December 2020.

### Our observation

We found management's assumptions for the valuation of hard to value assets (property investments, real estate equity funds, mortgage equity funds and the mortgage portfolio) reasonable and the valuation acceptable.
We also found the fair value and property disclosures to be adequate.

## Unit-linked exposure

### Description

Holders of unit-linked products sold in the Netherlands, or consumer protection organisations on their behalf, have filed claims or initiated legal proceedings against ASR Nederland N.V. and may continue to do so. A negative outcome of such claims and proceedings, settlements or any other actions to the benefit of the customers by other insurers or sector-wide measures, may affect the (legal) position of ASR Nederland N.V. and could result in substantial financial losses for the Group relating to the compensation. Management assessed the financial consequences of these legal proceedings under both the EU-IFRS and the Solvency II reporting framework and concluded that these cannot be reliably measured, estimated and/or quantified at this point. We refer to note 6.7.7.2.
Due to the potential significance and management judgement that is required to assess the developments relevant to these claims and proceedings, we considered this a key audit matter.

### Our response

Our audit procedures primarily consisted of the following:

- assessment of ASR Nederland N.V.'s governance, processes and design and implementation of internal controls with respect to the unit-linked exposure;
- inspection of the legal and complaints documentation and a inquiries about the unit-linked exposures with management and head of legal. These procedures took into account ASR

Nederland N.V.'s specific developments as well as broader market developments, including verdicts issued in 2020 and up to the date of this audit opinion;

- obtaining a legal letter of the external lawyer that is engaged by ASR Nederland N.V. in relation to the defence in the so-called collective cases (Woekerpolis.nl, Consumentenbond and Wakkerpolis). We assessed the professional competency, capability and objectivity of this external lawyer. We used the lawyers letter to obtain external confirmation over management's judgements in relation to the related (collective) exposures;
- assessment of the recognition and measurement requirements to establish provisions under ASR Nederland N.V.'s EU-IFRS accounting principles and the Solvency II framework for the calculation of the Solvency II ratio;
- evaluation of the unit-linked disclosure in Note 6.7.7.2 Unit Linked Products (beleggingsverzekeringen) of the financial statements, where we focused on adequacy of the disclosure of the related risks and management's judgements.

### Our observation

Overall we found that management's assessment that the financial consequences of the unit-linked exposure cannot be reliably measured and therefore the fact that no provision is recognised in the 31 December 2020 balance sheet (for both EU-IFRS and Solvency II) to be sufficiently substantiated.

We considered the disclosure of the exposure in Note 6.7.7.2, which describes the related risks and management judgements in compliance with the relevant accounting requirements, to be adequate.

## Solvency II disclosure

### Description

Solvency II information is considered to be an important addition to the information provided on an EU-IFRS basis. The Own Funds and Solvency Capital Requirement (SCR) are the main metrics of the Solvency II prudential reporting framework. The determination of the Solvency II ratio as well as the disclosed sensitivity of the Solvency II ratio is complex and highly judgemental and is based on assumptions which are affected by (future) economic, demographic and regulatory conditions. The assumptions used relate to risks regarding interest, mortality, longevity, morbidity, catastrophe, lapse and expense as well as the diversification between these risks. The calculations also take into consideration taxation after shock (loss absorbing capacity of deferred tax).

Disclosure of the determination of the metrics, changes in the models and assumptions (including the use of the Volatility Adjustment and Ultimate Forward Rate) as well as the sensitivity applied are considered relevant information for understanding the Solvency II metrics.

Given the importance of this legislation for ASR Nederland N.V. and complexity of the application and estimates to determine the Solvency II ratio, we determined the reliability and adequacy of the Solvency II disclosure to be a key audit matter.

## Our response

We obtained an understanding of the ASR Nederland N.V.'s application and implementation of the Solvency II directive. In designing our audit approach we have set a separate materiality for the audit of the Solvency II capital position. The materiality level applied is EUR 75 million.

We have assessed the design and implementation of the internal controls over the Solvency II calculations, including the model validation and assumption approval processes and management review controls.

These internal controls covered, among others:

- whether the calculations of the Best Estimate Liability (BEL), Own Funds and SCR were accurate and prepared in accordance with the Solvency II directive;
- the appropriateness of economic and non-economic assumptions used for the calculations of the BEL, Own Funds and SCR, based on market observable data, company and industry data, comparison of judgements made to current and emerging market practice;
- the adequacy of the quantitative and qualitative disclosures including disclosure on interpretation of legislation and related uncertainty. In this context we also tested the design and implementation of internal controls over the preparation of the Solvency II sensitivity disclosures;
- the functioning of the Solvency II key functions on risk management and actuarial function. In this context we performed corroborative inquiry with the Actuarial Function Holder and Risk Management Function Holder on their reports. This includes the Actuarial Function Holder reports 2020, which set out conclusions on the reliability and adequacy of the technical provisions as at 31 December 2020 under Solvency II.

Based on the outcome of our assessment of the effectiveness of the internal controls, we performed amongst others the following substantive procedures:

- verifying the accuracy of the calculations of the BEL to determine Own Funds for selected balance sheet items, using our own actuarial specialists;
- assessing the appropriateness of evidence used and judgement applied in assumption setting for both the BEL and the SCR. This included the evaluation of the substantiation of the loss absorbing capacity of deferred tax. We performed procedures to verify that these calculations correctly took into account changes in the EIOPA legislation and fiscal regulations that were enacted in 2020;
- verifying the consolidation of the Solvency II reporting by the Group's components, taking into account the Solvency II specific requirements for consolidation that deviate from EU-IFRS;
- analysing the outcome of the internally prepared calculations and analysis of the movements in the Solvency II capital position during the year and sensitivities as at 31 December 2020 and discussing the outcome with the Group's actuaries;

- verifying the reconciliation between the IFRS equity to the Solvency II Own Funds. This includes reconciliation of input used for Own Funds with other fair value disclosures in the financial statements. Furthermore this includes the assessment of the accounting for foreseeable dividends under Solvency II which differs from IFRS;
- verifying that the Solvency II disclosure refers to the fact that the Solvency II ratio is not final until filed with the regulator, DNB. We refer to note 6.9.2.

### Our observation

Overall we found that the calculations of the Solvency II Own Funds and SCR in the risk and capital management disclosures are acceptable in the context of the financial statements. We refer to Notes 6.8 and 6.9 of the financial statements.

## Goodwill impairment

### Description

At 31 December 2020 ASR Nederland N.V. has goodwill of EUR 148 million (2019: EUR 250 million) in the balance sheet. Goodwill is allocated to Cash Generating Units (CGU's) for which management is required to test the carrying value of goodwill for impairment annually or more frequently if there is a triggering event for testing.

As described in note 6.5.1 in 2020 ASR Nederland N.V. recognised a goodwill impairment of EUR 117 million (EUR 90 million relating to the CGU Life and EUR 27 million relating to the CGU Distribution and Services). The impairment of the goodwill allocated to the CGU Life was triggered by an additional mid-year impairment test following the Covid-19 impact on the economy. The impairment of the goodwill allocated to the CGU Distribution and Services resulted from the annual impairment test. These impairments significantly impacted the 2020 result before tax.

Performing audit procedures related to the goodwill impairment test and in particular the calculation of the recoverable amount is complex and judgemental due to the significant estimation required in determining the recoverable amounts. The most significant judgements were the determination of the peer group used to determine the market multiples, the future cash flows, the run-off pattern of the portfolio and the discount rates.

Given the financial significance and the level of judgement required, we considered this a key audit matter.

### Our response

Our audit approach included both testing the design and implementation of internal controls around the goodwill impairment test as well as substantive audit procedures.

Our procedures over the design and implementation of internal controls focused on controls around the methodology, the design of the model used for the goodwill impairment test, the reliability of assumptions for cash flow projections and the reliability of other input data.

With the assistance of our valuation specialists we performed the following procedures:

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- assessment of the appropriateness of the methodology and mathematical accuracy of the calculations in the model;
- assessment of the appropriateness of the peer group used by management and testing the implied valuation multiples of those peers to external market data;
- assessment of the assumptions used by comparing them to external data such as expected inflation rates, discount rates and implied growth rates;
- assessment of the consistency of cash flow projections used in the valuation with information approved by management such as capital plans and business plans (including expected growth rates);
- reconciliation of the carrying values of the CGUs to the EU-IFRS balance sheet of these entities;
- assessment of the adequacy of the disclosure around goodwill and goodwill impairment.

### Our observation

We consider management's methods, assumptions and data used to calculate the recoverable amount to be reasonable and the impairment charge recorded to be appropriate. We also found the goodwill and goodwill impairment notes in the financial statements to be adequate. We refer to the disclosure on Intangible assets in Note 6.5.1.

## Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Executive Board is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

## Report on other legal and regulatory requirements

### *Engagement*

We were engaged by the General Meeting of Shareholders as auditor of ASR Nederland N.V. on 22 May 2019, as of the audit for the year 2020 and have operated as statutory auditor since this financial year.

### *No prohibited non-audit services*

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

## Description of responsibilities regarding the financial statements

### *Responsibilities of the Executive Board and the Supervisory Board for the financial statements*

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the ASR Nederland N.V.'s ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the ASR Nederland N.V. or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing ASR Nederland N.V.'s financial reporting process.

### *Our responsibilities for the audit of the financial statements*

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and

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extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is located at the website of the Koninklijke Nederlandse Beroepsorganisatie van Accountants (NBA, Royal Netherlands Institute of Chartered Accountants) at: http://www.nba.nl/ENG_oob_01. This description forms part of our independent auditor’s report.

Utrecht, 23 March 2021

KPMG Accountants N.V.

A.J.H. Reijns RA

# 7.2 Provisions of the Articles of Association regarding profit appropriation

Articles 35, 36 and 37 of the Articles of Association:

## Distributions – General
**Article 35**

35.1 A distribution can only be made to the extent that the Company's equity exceeds the Non-Distributable Equity

35.2 The Executive Board (EB) may resolve to make interim distributions, provided that it appears from interim accounts to be prepared in accordance with Section 2:105(4) of the Dutch Civil Code that the requirement referred to in Article 35.1 has been met and, if it concerns an interim distribution of profits, taking into account the order of priority described in Article 37.1.

35.3 Subject to Article 19.10, the EB may adopt, and amend from time to time, a dividend and reservation policy for the Company. Amendments to such a policy shall be discussed in the General Meeting.

35.4 The preferred shares do not carry any entitlement to distributions other than as described in Articles 12.2, 37.1 and 38.3.

35.5 Distributions on ordinary shares shall be made in proportion to the aggregate nominal value of those ordinary shares. Distributions on preferred shares (or to the former holders of preferred shares) shall be paid in proportion to the amounts paid up (or formerly paid up) on those preferred shares.

35.6 The parties entitled to a distribution shall be the relevant shareholders, usufructuaries and pledgees, as the case may be, at a date to be determined by the EB for that purpose. This date shall not be earlier than the date on which the distribution was announced.

35.7 The General Meeting may resolve, subject to Article 31.1, that all or part of such a distribution, instead of being made in cash, shall be made in the form of shares in the Company's capital or in the form of the Company's assets.

35.8 A distribution shall be payable no later than thirty days after the date on which such distribution was declared, unless the EB sets a different date. If it concerns a distribution in cash, such distribution shall be payable in such currency as determined by the EB.

35.9 A claim for payment of a distribution shall lapse after five years have expired after the distribution was declared.

35.10 For the purpose of calculating any distribution, shares held by the Company in its own capital shall not be taken into account. No distribution shall be made to the Company in respect of shares held by it.

## Distributions – Reserves
**Article 36**

36.1 All reserves maintained by the Company shall be attached exclusively to the ordinary shares. The Company shall not attach any reserve to the preferred shares.

36.2 Subject to Article 31.1, the General Meeting is authorised to resolve to make a distribution from the Company's reserves.

36.3 Without prejudice to Articles 36.4 and 37.2, distributions from a reserve shall be made exclusively to the holders of ordinary shares.

36.4 The EB may resolve to charge amounts to be paid up on any class of shares against the Company's reserves, irrespective of whether those shares are issued to existing shareholders.

## Distributions – Profits
**Article 37**

37.1 Subject to Article 35.1, the profits shown in the Company's annual accounts in respect of a financial year shall be appropriated as follows, and in the following order of priority:

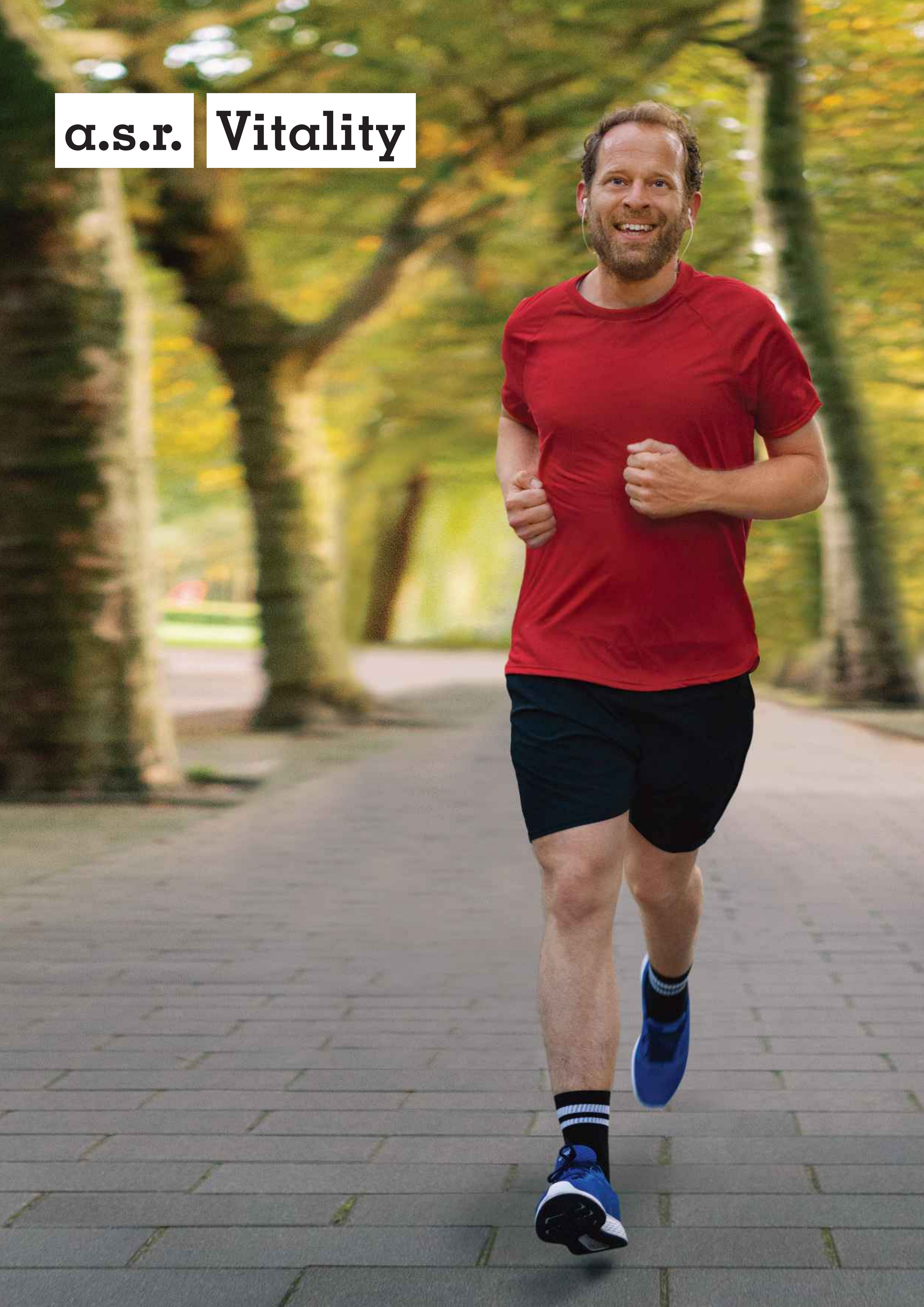
a. To the extent that any preferred shares have been cancelled without the payment described in Article 12.2 paragraph b. having been made in full on those preferred shares and without any such deficit subsequently having been paid in full as described in this Article 37.1 or Article 37.2, any such deficit shall be paid to those who held those preferred shares immediately before such cancellation became effective;

b. To the extent that any Preferred Distribution (or part thereof) in relation to previous financial years has not yet been paid in full as described in this Article 37.1 or Article 37.2, any such deficit shall be paid on the preferred shares;

c. The Preferred Distribution shall be paid on the preferred shares in respect of the financial year to which the annual accounts pertain;
d. Subject to Article 19.10, the EB shall determine which part of the remaining profits shall be added to the Company's reserves; and
e. Any remaining profits shall be at the disposal of the General Meeting for distribution to the holders of ordinary shares

37.2 To the extent that the distributions described in Article 37.1 paragraphs a. through c. (or any part thereof) cannot be paid out of the profits shown in the annual accounts, the deficit shall be paid out of the Company's reserves, subject to Articles 35.1 and 35.2.

37.3 Without prejudice to Article 35.1, a distribution of profits shall be made only after the adoption of the annual accounts that show that such distribution is allowed.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Vitality

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# Report of the Stichting Continuïteit ASR Nederland

Vitality helps motivate people to stay active

Everyone wants to be fit and live a healthier life. Yet while many are highly motivated to play sports and engage in exercise, fewer than half of all Dutch people over 18 are physically active enough. For many of them, maintaining an exercise regime is difficult.

a.s.r. has therefore introduced the Vitality concept to the Netherlands.

This approach has proved itself in more than 20 countries, and is based on a system in which you are offered valuable gifts and cashback incentives as a reward for taking sufficient exercise. The a.s.r. Vitality app allows its (by now) tens of thousands of users to keeps tabs on their performance at any time.

# 8.1 Report of Stichting Continuïteit ASR Nederland

*For information purposes only.*

Stichting Continuïteit ASR Nederland (the Foundation) was established on 26 May 2016. The Foundation has been established under Dutch law. Its objectives are to promote and protect the interests of a.s.r., its business and its stakeholders, and to counter possible influences that might threaten the continuity, independence, strategy and/or identity of a.s.r. or its business to such an extent that these could be considered contrary to the aforementioned interests.

a.s.r. has granted a call option to the Foundation under an agreement dated 27 May 2016; this agreement outlines the conditions under which the call option can be exercised. The call option is a continuous and repeatedly exercisable right, pursuant to which the Foundation is entitled to subscribe for preference shares, up to the lower of (a) the total number of shares that form a.s.r.'s issued capital at the time when the call option is exercised, less the number of preference shares already held by the Foundation at that time (if any) and less one, or (b) the maximum number of preference shares that may be issued under the authorised share capital as shown by the Articles of Association of a.s.r. at the time when the call option is exercised. The Foundation has the right to exercise the call option at any time, either fully or in part. The exercise price for preference shares issuable under the call option is equal to 25% of the nominal amount of those preference shares.

The call option is continuous in nature and can be exercised repeatedly and on more than one occasion, each time that the Foundation considers, or reasonably expects, there to be an act that is, in the opinion of the Foundation, materially contrary to the interests of a.s.r., its business or its stakeholders, which may include the following (to the extent materially contrary to the aforementioned interests), (i) the announcement of a public offer for shares in the capital of a.s.r., or the legitimate expectation that such a public offer will be announced, without agreement on the offer having been reached with a.s.r. or the offer being supported by a.s.r., and (ii) an activist shareholder (or group of activist shareholders acting in concert) in a.s.r. directly or indirectly representing at least 25% of the ordinary shares forming part of a.s.r.'s issued share capital.

Ultimately after the Foundation has held preference shares for a period of 20 months (or for such longer period as the Foundation deems appropriate given the facts and circumstances at hand), the Foundation may request, by means of a notice to that effect, that a.s.r. considers submitting, as soon as practicable, a proposal to the General Meeting for a resolution to cancel all preference shares. a.s.r. is free to propose such a resolution without this being requested by the Foundation if non-cancellation of the preference shares in a timely manner were to result in the Foundation being required to make a mandatory public offer in respect of a.s.r. In addition, if and when a.s.r. has issued preference shares to the Foundation, a.s.r. will convene a General Meeting, to be held within 20 months following such issuance, for the purpose of adopting a resolution on the cancellation of all such preference shares.

The Foundation has not exercised the call option and did not acquire any preference shares during the year under review.

The Foundation has an independent board. The membership of the Board of the Foundation is as follows:
- Mr H.J. Hazewinkel (Chairman);
- Mr A.A.M. Deterink;
- Ms M.E. Groothuis.

The Board of the Foundation had two online calls in 2020. The matters discussed included the full-year 2019 results of a.s.r., the execution of a.s.r.'s strategy, the financing of a.s.r., acquisitions and divestments made by a.s.r., changes in the Executive Board (EB) and Supervisory Board (SB) of a.s.r., the impact that the COVID-19 pandemic has had on a.s.r., other developments in the markets in which a.s.r. operates and the general course of affairs at a.s.r. At these meetings, a representative of the EB of a.s.r. provided the Board of the Foundation with information on the developments within a.s.r. and the relationship with its stakeholders. The Board of the Foundation also monitored the developments of a.s.r. outside of its Board meetings, for instance through occasional contacts with the EB and the receipt of press releases issued by a.s.r.

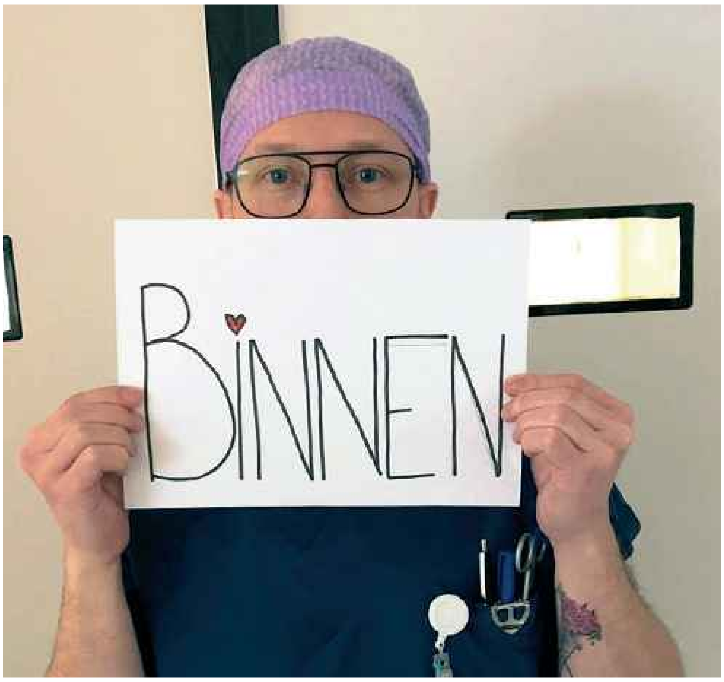
The Foundation is an independent legal entity for the purpose of Section 5:71(1)(c) of the Dutch Financial Markets Supervision Act.

Utrecht, the Netherlands, 23 March 2021

Stichting Continuïteit ASR Nederland
Mr H.J. Hazewinkel (Chairman)
Mr A.A.M. Deterink
Ms M.E. Groothuis


BLIJVEN


Jullie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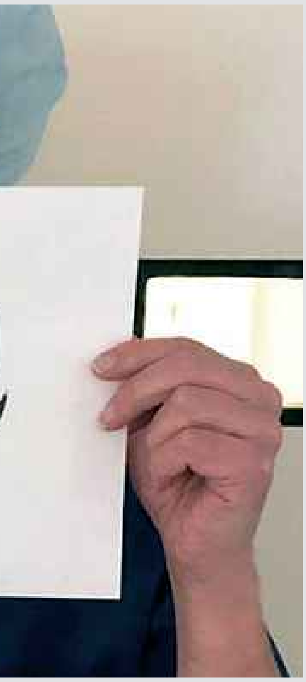
# 9

# Annexes



Now is the time for action. At the moment, of course, this means staying at home and maintaining social distance. Now is also the time for connection and solidarity within this new reality. a.s.r. is adapting to this as effectively as it can. Throughout 2020, almost all employees worked from home. a.s.r. gives its employees the opportunity to undertake childcare or informal care, or simply have some downtime. It uses a weekly mood monitor to gauge the mood of its employees, and responds appropriately where necessary. a.s.r. also exercises its responsibility by offering customers practical solutions and support. a.s.r. is currently preparing for a post-COVID Netherlands based on close adherence to, and encouragement of, the relevant guidelines: a Netherlands in which there is once again adequate scope for health care and a return to normal life.

# A Facts and figures

## Financial indicators

### Key figures

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Operating result (€ million) | 885 | 858 | 749 | 728 | 622 |
| IFRS net result (€ million) | 656 | 972 | 669 | 906 | 659 |
| Operating return on equity (%) | 15.3 | 15.1 | 14.3 | 16.0 | 14.6 |
| IFRS return on equity (%) | 11.7 | 19.1 | 13.7 | 21.2 | 17.0 |
| Solvency II ratio (Standard Formula) (%) | 199 | 194 | 197 | 196 | 189 |
| Dividend per share (€) | 2.04 | 1.90 | 1.74 | 1.63 | 1.27 |
| Total dividend (€ million) | 282 | 267 | 245 | 230 | 187 |
| Share buyback (€ million) | 75 | 13 | - | - | - |
| Total equity (€ million) | 6,313 | 6,093 | 5,479 | 5,432 | 4,471 |
| Total equity attributable to shareholders (€ million) | 5,309 | 5,089 | 4,478 | 4,432 | 3,780 |
| Gross written premiums (€ million) | 5,276 | 4,666 | 4,459 | 3,920 | 4,328 |
| New business Life segment (APE) (€ million) | 124 | 159 | 119 | 89 | 152 |
| Operating expenses (€ million) | -701 | - 656 | - 601 | - 571 | - 569 |
| Combined ratio (Non-life segment) (%) | 93.6 | 93.5 | 95.7 | 95.1 | 95.6 |
| Credit rating (S&P) | A | A | A | A | A |
| Financial leverage (%) | 28.3 | 29.2 | 26.7 | 25.3 | 25.2 |
| Organic capital creation (€ million) | 500 | 501[1] | 372 | 377 | 348 |
| Interest coverage ratio (x) | 9.5 | 12.9 | 10.9 | 15.6 | 12.4 |

## Sustainability ratings

### Ratings

| | Score low | Score high | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|
| Dow Jones Sustainability Index (DJSI) | 0 | 100 | 82 | 73 | 71 | 62 | NA |
| MSCI | CCC | AAA | BBB | BBB | BB | BB | NA |
| ISS Oekom | D- | A+ | C (prime) | C (prime) | C- | - | - |
| FTSE4Good | 0 | 5 | 4.3 | 4.9 | 3.5 | NA | NA |
| Vigeo Eiris | 0 | 100 | 60 | NA | 52 | NA | NA |
| Carbon Disclosure Project (CDP) | D- | A | C | B | B | NA | NA |
| Sustainalytics ESG Risk Rating | 100 | 0 | 14.7 | 13.6 | NA | NA | NA |
| Euronext Vigeo Eiris (Eurozone 120) | | | included | included | included | included | included |
| Ethibel Excellence Euro Index | | | included | included | included | included | included |
| Dutch Transparency Benchmark (once every two years) | 0 | 100 | NA | 73 / #21[2] | NA | 177 / #46 | 164 / #60 |
| Fair Insurance Guide (Eerlijke Verzekeringswijzer) | | | #1 | #1 | #1 | #1 | #1 |
| VBDO (once every two years) | | | NA | #1 | NA | #2 | NA |
| VBDO Tax Transparency Benchmark | 0 | 35 | 27 / # 4 | 25 / #10 | 18 / # 15 | 7 / #19 | 11 / # 14 |

1 Restated based on new definition.
2 Due to a new methodology, the result 2019 can not be compared to the result in 2017.

# Customer-related indicators

## Net Promoter Score

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **a.s.r.** | **49** | **44** | **42** | **40** | **NA** |
| P&C | 58 | 51 | 47 | 45 | NA |
| Disability | 58 | 46 | 45 | 42 | NA |
| Health | 49 | 43 | 39 | 37 | NA |
| Pensions | 56 | 52 | 47 | 41 | NA |
| Individual life | 40 | 42 | 37 | 34 | NA |
| Funeral | 47 | 40 | 41 | 41 | NA |

## Complaints settled

| In numbers | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Upheld | 3,306 | 3,213 | 2,935 | 2,924 | 3,564 |
| Rejected | 2,082 | 2,163 | 2,092 | 2,103 | 2,755 |
| **Total complaints settled** | **5,388** | **5,376** | **5,027** | **5,027** | **6,319** |

## Complaints handled

| In numbers | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Yes, fully | 2,645 | 2,474 | 2,260 | 2,164 | NA |
| No, not fully but follow up is clear to me | 463 | 546 | 470 | 555 | NA |
| No, not fully and the follow up is unclear to me | 198 | 193 | 205 | 205 | NA |
| **Total complaints handled** | **3,306** | **3,213** | **2,935** | **2,924** | **NA** |

## Incidents lack of integrity

| In numbers | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Employees | 4 | 9 | 14 | 17 | NA |
| Intermediaries and suppliers | 35 | 32 | 21 | 32 | NA |
| **Total incidents lack of integrity** | **39** | **41** | **35** | **49** | **NA** |

# Human Resources indicators

## FTEs

| In numbers | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Non-life | 1,524 | 1,460 | 1,319 | 1,247 | 1,195 |
| Life | 464 | 460 | 443 | 454 | 486 |
| Asset Management | 347 | 330 | 339 | 344 | 206 |
| Distribution and Services | 680 | 573 | 503 | 426 | 383 |
| Holding and Other | 1,027 | 1,084 | 1,079 | 1,023 | 1,192 |
| **Total full-time equivalents internal** | **4,042** | **3,906** | **3,683** | **3,493** | **3,461** |
| | | | | | |
| % of all a.s.r. staff working from the Utrecht location (FTE) | 91% | 90% | 95% | 96% | 96% |

The information below regarding a.s.r. employees, is excluding employees of VKG, Dutch ID, SuperGarant, Corins, Poliservice and ANAC.

## Part-time employees

| In numbers | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Female | 1,069 | 949 | 925 | 885 | 908 |
| Male | 520 | 449 | 530 | 514 | 511 |
| **Total number of part-time employees** | **1,589** | **1,398** | **1,455** | **1,399** | **1,419** |

## Full-time employees

| In numbers | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Female | 479 | 510 | 409 | 369 | 406 |
| Male | 1,618 | 1,675 | 1,544 | 1,527 | 1,540 |
| **Total number of full-time equivalents** | **2,097** | **2,185** | **1,953** | **1,896** | **1,946** |

## Contract of indefinite duration

| In numbers | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Female | 1,363 | 1,303 | 1,210 | 1,183 | 1,234 |
| Male | 1,949 | 1,970 | 1,952 | 1,908 | 1,965 |
| **Total number of indefinite duration contracts** | **3,312** | **3,273** | **3,162** | **3,091** | **3,199** |

## Contract of definite duration

| In numbers | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Female | 185 | 156 | 124 | 98 | 80 |
| Male | 189 | 154 | 122 | 133 | 86 |
| **Total number of definite duration contracts** | **374** | **310** | **246** | **231** | **166** |

## Gross average wages split by gender (gross hourly wages)

| | 31 December 2020 | | 31 December 2019 | | 31 December 2018 | | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|---|---|---|---|---|---|
| In € | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male |
| Executive Board[1] | 277 | 337[2] | 269 | 288 | 191 | 223 | 148 | 172 | 146 | 170 |
| Senior management | 107 | 106 | 101 | 101 | 91 | 98 | 87 | 93 | 85 | 89 |
| Management excluding sr. and jr. management | 57 | 61 | 55 | 59 | 54 | 56 | 54 | 55 | 53 | 55 |
| Junior management | 35 | 37 | 34 | 35 | 32 | 36 | NA | NA | NA | NA |
| Other employees | 24 | 28 | 23 | 27 | 22 | 26 | 22 | 25 | 22 | 26 |

## Employee compensation

| In € | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Salaries and wages | 276 | 257 | 248 | 234 | 220 |

## Pay ratio

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Annual total compensation for the highest-paid individual (in €) | 824,000 | 766,000 | 655,000 | 546,000 | NA |
| Median annual total compensation for all employees (in €) | 62,000 | 61,000 | 61,000 | 59,000 | NA |
| Pay ratio (in %) | 13.29 | 12.56 | 10.74 | 9.25 | NA |

1 The figures for the EB include CEO's compensation.
2 Excluding CEO's compensation, the male average hourly wage of the EB would not be applicable as a.s.r. does not have male EB members.

## Average years of service

| In years | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Female | 12.2 | 12.7 | 13.1 | 13.5 | 13.3 |
| Male | 15.8 | 16.4 | 16.6 | 16.5 | 16.7 |
| **Difference** | **3.6** | **3.7** | **3.5** | **3.0** | **3.4** |

## Diversity of governance bodies and management (female/male)

| In numbers | 31 December 2020 | 31 December 2019 | 31 December 2018 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|---|---|
| *Supervisory Board* | | | | | |
| Female | 2 | 2 | 2 | 1 | NA |
| Male | 4 | 4 | 3 | 3 | NA |
| **Total Supervisory Board** | **6** | **6** | **5** | **4** | **NA** |
| | | | | | |
| *Executive Board* | | | | | |
| Female | 2 | 1 | 1 | 1 | NA |
| Male | 1 | 2 | 3 | 3 | NA |
| **Total Executive Board** | **3** | **3** | **4** | **4** | **NA** |
| | | | | | |
| *Senior management* | | | | | |
| Female | 5 | 5 | 6 | 6 | NA |
| Male | 13 | 15 | 15 | 16 | NA |
| **Total senior management** | **18** | **20** | **21** | **22** | **NA** |
| | | | | | |
| *Management excl. senior and junior management* | | | | | |
| Female | 35 | 33 | 26 | 22 | NA |
| Male | 127 | 124 | 108 | 102 | NA |
| **Total management excl. senior and junior management** | **162** | **157** | **134** | **124** | **NA** |
| | | | | | |
| *Junior management (first level of management)* | | | | | |
| Female | 56 | 24 | 51 | 51 | NA |
| Male | 107 | 102 | 113 | 121 | NA |
| **Total junior management (first level of management)** | **163** | **126** | **164** | **172** | **NA** |
| | | | | | |
| *Other employees* | | | | | |
| Female | 1,450 | 1,366 | 1,301 | 1,252 | NA |
| Male | 1,890 | 1,881 | 1,948 | 1,920 | NA |
| **Total other employees** | **3,340** | **3,247** | **3,249** | **3,172** | **NA** |

## Diversity of governance bodies and management (female/male)

| In % | 31 December 2020 | 31 December 2019 | 31 December 2018 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|---|---|
| *Supervisory Board 30-50 years* | | | | | |
| Female | 17 | 17 | - | - | - |
| Male | - | - | - | - | - |
| *Supervisory Board > 50 years* | | | | | |
| Female | 17 | 17 | 40 | 25 | 25 |
| Male | 66 | 66 | 60 | 75 | 75 |
| **Total Supervisory Board** | **100** | **100** | **100** | **100** | **100** |
| | | | | | |
| *Executive Board 30-50 years* | | | | | |
| Female | 33 | - | - | 25 | 25 |
| Male | - | 33 | 50 | 50 | 50 |
| *Executive Board > 50 years* | | | | | |
| Female | 33 | 33 | 25 | - | - |
| Male | 33 | 33 | 25 | 25 | 25 |
| **Total Executive Board** | **100** | **100** | **100** | **100** | **100** |
| | | | | | |
| *Senior management 30-50 years* | | | | | |
| Female | 17 | 15 | 24 | 23 | 20 |
| Male | 22 | 20 | 33 | 40 | 40 |
| *Senior management > 50 years* | | | | | |
| Female | 11 | 10 | 5 | 5 | 4 |
| Male | 50 | 55 | 38 | 32 | 36 |
| **Total senior management** | **100** | **100** | **100** | **100** | **100** |
| | | | | | |
| *Management excl. senior and junior management < 30 years* | | | | | |
| Female | - | - | - | 1 | 1 |
| Male | - | 1 | - | 1 | - |
| *Management excl. senior and junior management 30-50 years* | | | | | |
| Female | 17 | 15 | 13 | 21 | 15 |
| Male | 45 | 42 | 57 | 46 | 56 |
| *Management excl. senior and junior management > 50 years* | | | | | |
| Female | 4 | 6 | 6 | 6 | 7 |
| Male | 33 | 36 | 24 | 25 | 22 |
| **Total management excl. senior and junior management** | **100** | **100** | **100** | **100** | **100** |
| | | | | | |
| *Junior management (first level of management) < 30 years* | 1 | - | 1 | 2 | NA |
| Female | 1 | 1 | 1 | 1 | NA |
| Male | | | | | |
| *Junior management (first level of management) 30-50 years* | | | | | |
| Female | 23 | 24 | 21 | 23 | NA |
| Male | 37 | 35 | 36 | 38 | NA |
| *Junior management (first level of management) > 50 years* | | | | | |
| Female | 11 | 11 | 9 | 5 | NA |
| Male | 28 | 30 | 32 | 31 | NA |
| **Total junior management (first level of management)** | **100** | **100** | **100** | **100** | **NA** |

| In % | 31 December 2020 | 31 December 2019 | 31 December 2018 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|---|---|
| *Other employees < 30 years* | | | | | |
| Female | 6 | 6 | 5 | 5 | 5 |
| Male | 5 | 5 | 5 | 5 | 4 |
| *Other employees 30-50 years* | | | | | |
| Female | 25 | 24 | 24 | 24 | 26 |
| Male | 28 | 26 | 27 | 29 | 32 |
| *Other employees > 50 years* | | | | | |
| Female | 11 | 13 | 11 | 11 | 9 |
| Male | 25 | 27 | 27 | 26 | 24 |
| **Total other employees** | **100** | **100** | **100** | **100** | **100** |

## Breakdown gender diversity

| In % | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Supervisory Board (female / male) | 33 / 67 | 33 / 67 | 40 / 60 | 25 / 75 | 25 / 75 |
| Executive Board (female / male) | 67 / 33 | 33 / 67 | 25 / 75 | 25 / 75 | 25 / 75 |
| Senior management (female / male) | 28 / 72 | 25 / 75 | 29 / 71 | 27 / 73 | 23 / 77 |
| Management excluding sr. and jr. management (female / male) | 22 / 78 | 21 / 79 | 20 / 80 | 18 / 82 | 22 / 78 |
| Junior management (female / male) | 34 / 66 | 35 / 65 | 31 / 69 | 30 / 70 | NA |
| Other employees (female / male) | 43 / 57 | 42 / 58 | 40 / 60 | 40 / 60 | 40 / 60 |

## Relative score for employee engagement in Denison scan compared to the benchmark

| In percentile | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| a.s.r.[1] | 89 | 77 | 76 | 71 | NA |

## Participation desk

| In numbers | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Employees employed through the Participation Desk | 37 | 35 | 29 | 31 | 12 |

## Absentee rate

| In % | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Female | 4.5 | 5.4 | 5.5 | 5.3 | 5.3 |
| Male | 3.1 | 3.2 | 2.9 | 3.2 | 2.8 |
| **Total absentee rate** | **3.6** | **4.0** | **3.8** | **4.0** | **3.7** |

## Nil absenteeism

| In % | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Nil absenteeism | 63 | 54 | 56 | 50 | NA |

## Collective labour agreement

| In % | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Employees covered by CLA | 99.4 | 99.3 | 99.3 | 95.4 | 95.5 |

## Grievances

| In numbers | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Grievances relating to labour practices | 1 | 1 | 1 | 1 | 1 |

1 From 2020 onwards, the employee engagement is measured on four instead of three themes. Previous years have been recalculated accordingly.

### Training and development

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Total spending on training and development (€ million) | 4.7 | 6.4 | 6.8 | 5.4 | 4.4 |
| Equivalent working time spent on training (€ million) | 1,471 | 1,530 | 1,203 | 1,338 | 1,263 |
| Training spending per FTE (in €) | 1,285 | 1,774 | 1,995 | 1,626 | 1,308 |
| Human capital return on investment (in %) | 13 | 12 | 12 | 11 | 16 |
| Average days of training per employee | 3.7 | 3.7 | 3.7 | 3.6 | 3.9 |
| Employees took part in at least one targeted training session (in %) | 45 | 58 | 44 | 52 | 45 |

### Employee development training

| In numbers | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Employees have completed job-related training | 1,725 | 1,912 | 1,512 | 1,729 | 1,506 |
| Employees took part in one of the development programmes | 382 | 534 | 719 | 819 | 661 |
| Employees followed a workshop on sustainable employability | 391 | 343 | 792 | 589 | 948 |
| Employees have completed an individual coaching programme | 296 | 487 | 486 | 266 | 286 |
| Employees were given guidance in the context of redundancy | 85 | 157 | 154 | 182 | 112 |

### Employee turnover

| In % | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Voluntary employee turnover | 2.9 | 3.7 | 4.9 | 3.5 | 2.3 |
| Involuntary employee turnover | 7.1 | 6.5 | 8.0 | 4.6 | 6.9 |
| **Total employee turnover** | **10.0** | **10.2** | **12.9** | **8.1** | **9.2** |

### Vacancies filled

| In numbers | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| By internal candidates | 199 | 256 | 208 | 98 | 100 |
| By external candidates | 265 | 224 | 184 | 142 | 254 |
| **Total number of vacancies filled** | **464** | **480** | **392** | **240** | **354** |

### Vacancies filled

| In % | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| By internal candidates | 43 | 53 | 53 | 41 | 28 |
| By external candidates | 57 | 47 | 47 | 59 | 72 |
| **Total percentage of vacancies filled** | **100** | **100** | **100** | **100** | **100** |

## Responsible investor indicators

### Asset management

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Assets under management in SRI funds and mandates (end of period) (in %) | 100 | 100 | 100 | 100 | 100 |
| Impact investing (€ billion) | 1.696 | 0.927 | 0.346 | 0.3 | 0.06 |

### Engagement dialogues

| In numbers | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Participation in engagement dialogues via Robeco | 15 | 9 | 9 | 11 | 11 |
| Participation in engagement dialogues on specific topics | 14 | 13 | 12 | NA | 1 |
| **Total engagement dialogues** | **29** | **22** | **21** | **11** | **12** |

### Screened companies excluded due to

| In numbers | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Human rights violations | 7 | 7 | 6 | 3 | 3 |
| Labour rights violations | 2 | 3 | 2 | 3 | 3 |
| Environmental violations | 8 | 7 | 13 | 6 | 6 |
| Armaments | 124 | 153 | 100 | 107 | 68 |
| Tobacco | 19 | 16 | 15 | 17 | 15 |
| Gambling | 52 | 49 | 44 | 39 | 3 |
| Coal-mining | 8 | 10 | 47 | 63 | 55 |
| Tar sands and shale oil | 8 | 5 | 4 | 10 | NA |
| Coal-fired electricity generation | 11 | 13 | NA | NA | NA |
| Nuclear energy-related activities | 10 | 8 | 9 | 5 | 5 |
| **Total number of exclusions**[1] | **249** | **271** | **240** | **253** | **158** |

### GRESB Real Estate and Debt Assessment Scores

| Out of 100 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| ASR Dutch Core Residential Fund | 84 | 84 | 80 | 72 | 56 |
| ASR Dutch Prime Retail Fund | 78 | 76 | 72 | 66 | 63 |
| ASR Dutch Mobility Fund | 84 | 77 | 70 | NA | NA |

## Investor community indicators

### Dividend

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Dividend history (€ million) | 282 | 267 | 245 | 230 | 187 |
| Dividend history (€) per share | 2.04 | 1.90 | 1.74 | 1.63 | 1.27 |

### Share price performance

| In € | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Introduction price | - | - | - | - | 19.50 |
| Starting price as at 1 January | 33.36 | 34.58 | 34.31 | 22.60 | NA |
| Highest closing price | 37.66 | 39.91 | 42.18 | 35.74 | 22.65 |
| Lowest closing price | 18.46 | 30.30 | 33.70 | 21.90 | 17.14 |
| Closing price as at 31 December | 32.85 | 33.36 | 34.58 | 34.31 | 22.60 |
| Market cap as at 31 December (million) | 4,531 | 4,695 | 4,876 | 5,043 | 3,390 |
| Average daily volume shares | 635,603 | 422,419 | 474,054 | 602,768 | 223,479 |

1 Includes doublecounts due to the fact that some companies are excluded on more than one criteria.

| Shareholder return | | | | | |
|---|---|---|---|---|---|
| In % | 2020 | 2019 | 2018 | 2017 | 2016 |
| Shareholder return including dividend reinvested in a.s.r. shares | 5.1 | 1.8 | 6.7 | 58.6 | 13.0 |
| Euronext AEX Index | 3.3 | 23.9 | 12.0 | 39.1 | 12.5 |
| STOXX Europe 600 insurance index | - 13.5 | 24.3 | 10.5 | 44.9 | 15.6 |

# Environmental indicators

| GHG emissions of a.s.r. asset management | | | | | |
|---|---|---|---|---|---|
| | | | | | 2020 |
| Asset class | Relevant (€ million) | Calculated (€ million) | Calculated (%) | $tCO_2$ | $tCO_2$/m€ |
| Fixed Income | 29,244 | 27,172 | 93 | 2,173,715 | 80 |
| Equity | 2,218 | 1,996 | 90 | 103,410 | 52 |
| **Total[1]** | **31,462** | **29,168** | **93** | **2,277,125** | **78** |

| GHG emissions of a.s.r. real estate | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | 2020 |
| Asset class | AuM (€ million) | Relevant (€ million) | Calculated (€ million) | Calculated (%) | $tCO_2$ | $tCO_2$/m€ |
| ASR DPRF (retail) | 1,617 | 649 | 480 | 74 | 6,729 | 14.0 |
| ASR DCRF (residential) | 1,717 | 976 | 966 | 99 | 7,983 | 8.3 |
| ASR DMOF (offices) | 359 | 110 | 110 | 100 | 1,678 | 15.3 |
| ASR DSPF (offices) | 49 | 24 | 24 | 100 | 369 | 15.4 |
| Rural real estate / ASR DFLF (rural)[2] | 1,717 | 1,717 | 1,717 | 100 | 240,000 | 139.8 |
| Other | 1,228 | 446 | 395 | 89 | 6,107 | 15.5 |
| **Total[3]** | **6,687** | **3,922** | **3,692** | **94** | **262,866** | **71** |

| GHG emissions of a.s.r. residential mortgages | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | 2020 |
| Mortgages portfolio | AuM (€ million) | Relevant (€ million) | Calculated (€ million) | Calculated (%) | $tCO_2$ | $tCO_2$/m€ |
| Residental mortgages[4] | 7,258 | 7,221 | 6,955 | 96 | 127,406 | 18 |

1 For countries such as the US, Japan and Australia a.s.r. currently is not able to asses their emissions profile in line with PCAF methodology. a.s.r. expects that the associated emissions, once available, of the government debt a.s.r. holds for these countries will increase the total emissions of the portfolio. The carbon footprint is calculated on a 'best effort' basis with the available and most recent data from reliable sources, including Vigeo Eiris, Eurostat and Bloomberg.

2 ASR DFLF: A distinction has been made between footprint per hectare and footprint per € 1m fair value. These figures have been determined on the basis of generic calculation rules per soil type and per use.

3 Calculation concern 94% of AuM for own account. Relatively limited data for the asset class retail, due to i.e. privacy issues, lack of agreements with tenants and limited use of smart meters.
Carbon calculations are based on the total energy consumption in kWh per $m^2$ per year of all objects in the portfolio that have been in operation throughout the calendar year. Carbon data of funds ASR DSPF and ASR DFLF is based on energy consumption in 2020, remaining data as presented above is based on energy consumption in 2019 (excluding Archimedeslaan, headquarter a.s.r. energy consumption 2020 in Other). Data resources are smart meters from Fudura, other smart meters and annual energy consumption by the grid operators.
The total energy consumption in kWh per $m^2$ per year of all objects in the portfolio that have been in operation throughout the calendar year, is the sum of the amount of electricity (in kWh), district heating in GJ and gas (in $m^3$) that is converted into kWh. The total energy consumption in kWh per $m^2$ per year is converted per type of energy source (www.co2emissiefactoren.nl/). See for more details on the methodology Annex C Glossary.

4 These calculations are in accordance with PCAF methodology. No data available of new-build homes, houses that do not have an energy label and houses of which it it impossible to secure reliable data from. Data are derived from services partner Stater, RVO (label, type of house and year of construction) and CBS (energy consumption).

## a.s.r.'s own $CO_2$ emissions[1,2]

| | 2020 | | 2019 | | 2018 | | 2017 | | 2016 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Category of carbon emissions | in % | tonnes of $CO_2$ | in % | tonnes of $CO_2$ | in % | tonnes of $CO_2$ | in % | tonnes of $CO_2$ | in % | tonnes of $CO_2$ |
| **Scope 1** | | | | | | | | | | |
| Fuel and heat | 0.3 | 8 | 0.5 | 37 | 1.1 | 88 | 1.1 | 85 | 1.5 | 111 |
| Cooling | 1.3 | 37 | 0.7 | 51 | 0.7 | 56 | 0.7 | 54 | 0.7 | 52 |
| Business travel as a result of lease car fleet | 40.8 | 1,113 | 26.5 | 2,078 | 27.0 | 2,172 | 29.1 | 2,248 | 31.1 | 2,302 |
| | **42.4** | **1,158** | **27.7** | **2,166** | **28.8** | **2,317** | **30.9** | **2,387** | **33.3** | **2,465** |
| **Scope 2** | | | | | | | | | | |
| Electricity | - | - | - | - | - | - | - | - | - | - |
| | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Scope 3** | | | | | | | | | | |
| Business travel excluding lease car fleet | 3.2 | 87 | 4.2 | 329 | 4.0 | 322 | 4.1 | 317 | 4.1 | 303 |
| Commuter travel | 51.6 | 1,408 | 66.0 | 5,148 | 65.0 | 5,229 | 62.8 | 4,851 | 60.0 | 4,441 |
| Waste | 2.8 | 76 | 2.1 | 160 | 2.2 | 177 | 2.2 | 170 | 2.6 | 192 |
| | **57.6** | **1,571** | **72.3** | **5,638** | **71.2** | **5,727** | **69.1** | **5,338** | **66.7** | **4,936** |
| **Total** | **100** | **2,728** | **100** | **7,804** | **100** | **8,044** | **100** | **7,725** | **100** | **7,401** |

## Energy consumption

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Energy (in kWh) | 7,211,643 | 8,431,307 | 8,461,661 | 9,217,718 | 8,878,232 |
| - Wind electrical energy | 4,458,798 | 5,710,499 | 5,572,103 | 5,853,609 | 6,040,117 |
| - PV electrical energy (solar panels) | 161,045 | 152,808 | 168,758 | 149,251 | 117,315 |
| - WKO (renewable heat and cooling) | 2,591,800 | 2,568,000 | 2,720,800 | 3,214,858 | 2,720,800 |
| Renewable electricity solar panels (%) | 3.6 | 2.7 | 3.0 | 2.5 | 1.9 |
| Natural gas (in $m^3$) | - | 18,311 | 43,816 | 42,629 | 63,305 |

## Energy consumption purchased from energy suppliers

| In kWh | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Electricity | 4,458,798 | 5,710,499 | 5,572,103 | 5,853,609 | 6,040,117 |
| Natural gas | - | 178,800 | 428,056 | 416,460 | 618,452 |
| Total energy consumption (in 1,000 kWh) | 4,459 | 5,889 | 6,000 | 6,270 | 6,659 |
| Energy consumption per $m^2$ purchased | 49 | 63 | 65 | 68 | 72 |
| Energy consumption per $m^2$ purchased and self produced | 78 | 94 | 97 | 105 | 103 |

## Commuter travel mobility

| In % | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Car use | 60 | 59 | 58 | 57 | 48 |
| Bicycle use | 21 | 22 | 22 | 21 | 21 |
| Public transport use | 17 | 16 | 18 | 20 | 30 |
| Carpool | 2 | 3 | 2 | 2 | 1 |
| **Total** | **100** | **100** | **100** | **100** | **100** |

## Water consumption

| In $m^3$ | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Water usage | 12,093 | 18,763 | 17,212 | 15,914 | 16,530 |

1 The figures are based on a.s.r.'s head office (91,912 $m^2$ gross floor area). The offices in Enschede (1,830 $m^2$ gross floor area), Rotterdam (approx.1,000 $m^2$ gross floor area of office space and 3,900 $m^2$ gross floor area of archives) Heerlen (2.815 $m^2$ gross floor area) and Hoorn (3.745 $m^2$ gross floor area are not included.

2 According to the Greenhouse Gas Protocol.

## Waste

| In tonnes | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Waste | 76 | 220 | 234 | 228 | 267 |

## Environmental incidents

| In numbers | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Incidents | - | - | - | - | - |

# B About this report

Long-term value creation requires companies to steer on the financial- and non-financial aspects of business. Certain non-financial aspects contribute directly or indirectly to financial performance, and often have a greater impact over the medium to long term. a.s.r. believes that an integrated approach towards performance management is key to ensuring the company creates stakeholder value in the long run. In this integrated annual report, a.s.r. provides a transparent overview of its activities and results in 2020. In addition, this report describes the relationship between its mission, strategy, governance and the social and economic context in which it operates. More information about a.s.r. can be found at www.asrnl.com.

**Scope**
The financial information in this annual report has been consolidated for a.s.r. and all its group entities. All quantitative and qualitative information relates to a.s.r. as a whole, unless a specific business line is explicitly mentioned. The data in chapter 3 Sustainable value creation is exclusive VKG, Dutch ID (Felison and Boval), Poliservice, SuperGarant, Corins, Loyalis Kennis & Consult and ANAC. Their combined assets account for approximately 0.4% of the total assets. Together, the chapters 1, 2, 3 and 4 make up the Report of the Management Board.

**Process**
Relevant topics and boundaries for this report were selected on the basis of a materiality analysis involving both internal and external stakeholders. A dialogue was held with stakeholders and senior management, including the EB, to define a.s.r.'s material topics. The process is described in chapter 2.3 Stakeholders and material topics and in Annex E Materiality analysis and stakeholder dialogue. The information in the Management report is based on reports from the business lines and the results of questionnaires and interviews.

For the preparation of the annual report, a Steering Group (SG), a Working Group (WG), and a Review Group (RG) have been set up to guide the process and review the content. The annual report SG agrees on the different tasks, roles and responsibilities relating to the preparation of the annual report. The SG represents the CEO, the Director Finance, Risk & Performance Management and the Director Corporate Communications. The following disciplines are represented in the WG: Finance, Compliance, Risk & Performance Management, Group Balance Sheet Management, Investor Relations & Ratings, Corporate Communication (including CSR), Human Resources, Group Risk Management, Asset Management and the Company Secretary.

Before work started on gathering information and writing the annual report, the SG and the WG decided on the structure and key messages of the report. The WG then translated these guidelines into drafts, which were reviewed by a committee of members from the WG, SG and RG. During the reporting process, the RG delivered feedback on the draft annual report. The RG is represented by directors. The draft texts of the annual report are discussed in the respective meetings of the EB, the SB and the A&RC. Disclosure of the annual report is subject to the approval of the EB and the SB.

**Standards**
The consolidated financial statements of a.s.r. have been prepared in accordance with IFRS – including the IAS and Interpretations – as adopted by the EU, and with the financial reporting requirements included in Title 9, Book 2 of the Dutch Civil Code, where applicable.

Pursuant to the options offered by Section 362, Book 2 of the Dutch Civil Code, a.s.r. has prepared its company financial statements in accordance with the same principles as those used for the consolidated financial statements. All amounts quoted in these financial statements are in euros and rounded to the nearest million, unless otherwise indicated. Calculations are made using unrounded figures. As a result rounding differences can occur.

The Solvency II figures in this report are based on the Standard Formula. In addition to the information in this report, a.s.r. also publishes a separate Solvency and Financial Condition Report (SFCR).

This report has been prepared in accordance with the GRI Standards: Core option. The GRI Standards provide relevant and clear requirements for reporting on economic, social and environmental aspects. The GRI Content Index, including additional information not included in the annual report itself, can be found in Annex F. In addition, the Integrated Reporting Framework of the IIRC has been used to further integrate the financial and non-financial information into the Management report.

As an UN Global Compact signatory since 2011, a.s.r. reports annually through an online submission its progress of implementing the ten UN Global Compact principles. These principles are related to human rights, labour, environment and anti-corruption. Please see www.unglobalcompact.org for more detailed information.

As a large listed company in the Netherlands, a.s.r. is required to comply with the EU Directive on non-financial information. This directive is implemented in

Dutch law and applies to annual reports published after 1 January 2018. a.s.r. is required to report about non-financial information in relation to environmental, social and personnel matters, in respect of human rights and combatting bribery and corruption. Please find the EU Directive reference table in Annex G.

a.s.r. uses the Greenhouse Gas (GHG) Protocol to report its GHG emissions.

a.s.r. selected the most relevant Sustainable Development Goals (SDGs) out of the total set of 17 SDGs as presented by the UN in 2015. For each of the selected SDGs a.s.r. shows how the SDGs and the relevant underlying SDG targets can be connected to relevant a.s.r. targets and other activities by a.s.r. See for more information chapter 2.5 Sustainable Development Goals.

a.s.r recognises that climate change events can have an impact on the company and its business. Since 2019, a.s.r. has externally disclosed that it is aligning its climate action approach to TCFD. In 2020, a.s.r. further developed the long-term roadmap towards reducing its environmental impact in the next decade. a.s.r.'s approach to addressing climate change is described in chapter 4.4 Approach to adressing climate change.

**Presentation of non-financial data**

The definitions and calculation methods of indicators are presented in the relevant sections and in Annex C Glossary.

**Audit and assurance of the auditor**

The consolidated financial statements have been audited by a.s.r.'s external auditor, KPMG. KPMG's audit opinion can be found in chapter 7.1 Independent auditor's report included in the annual report.

In addition to the financial results, KPMG also reviewed the non-financial information in this annual report.

Four strategic KPI's (Net Promoter Score, Employee contribution to local society, Impact investing and Carbon footprint of investment and mortgages portfolio (for own account) were for the first time reviewed with a 'reasonable level of assurance', all other non-financial information has as in previous years been reviewed with a 'limited level of assurance'. KPMG's assurance report can be found in chapter 4.6 Assurance report of the independent auditor. The EB and senior executives are involved in seeking external assurance for the organisation's non-financial information.

# C Glossary

**Amortised cost**
The amount at which a financial asset or financial liability is measured on initial recognition net of principal repayments, plus or minus accumulated amortisation using the effective interest method or any difference between that initial amount and the amount at maturity, and minus any reduction for impairments or collectability.

**Asbestos-safe**
Some buildings in the rural property portfolio may still contain asbestos. Targets are set in order to make the rural property portfolio fully asbestos-safe. Results of rural portfolio asbestos-safe, includes the number of rehabilitated properties plus the number of properties sold compared to the portfolio of 2015. The Jutte estate has been included in the population of buildings since 2018.

**Associate**
An entity over which a.s.r. has significant influence and which is neither a subsidiary nor an interest in a joint venture.

**Basis point**
One-hundredth of one percent (0.01%).

**Building Research Establishment Environmental Assessment Methodology (BREEAM)**
BREEAM, which was first published by the Building Research Establishment (BRE) in 1990, is the world's longest established method for assessing, rating, and certifying the sustainability of buildings.

**Carbon footprint of portfolio for own account**
The non-financial target regarding the carbon footprint coverage shows the percentage of a.s.r.'s internally managed AuM for the own account of ASR Nederland N.V., where a.s.r. has measured at least the carbon emissions scope 1+2. a.s.r.'s activities are divided into three categories, namely asset management, real estate and mortgages.

*Asset Management*
For asset management the carbon footprint includes all asset classes, in particular sovereign bonds, corporate bonds, mortgage loans, Interest Rate Swaps, direct real estate, listed equity and cash. For the carbon calculations external sources are used, namely Bloomberg, Vigeo Eiris and Eurostat. This methodology is aligned with PCAF.

*Real Estate*
For real estate the most recent figures from a selected set of external data providers are used in the carbon footprint calculation. Data coverage is calculated by dividing the financial value of objects for which carbon emission data is available by the total financial value of all objects. The carbon emissions data are derived from external sources, namely Innax and grid operators. This approach is in line with the GRESB benchmark.

*Mortgages*
For mortgages the data coverage figure is calculated based on the average energy usage in kWh and use of cubic metres of natural gas per energy label, building year and type of house. The data used for these carbon calculations are derived from external sources, namely RVO and CBS. This methodology is aligned with PCAF.

**Claims ratio**
The cost of claims, net of reinsurance in Non-life, excluding the internal costs and exclusively commissions paid of handling non-life claims, less interest accrual on reserves, and a margin of prudence for health, expressed as a percentage of net earned premiums.

**Clean fair value**
The fair value of an asset or liability, excluding the unrealised portion of accrued interest.

**Closed books**
Closed books are policies that are no longer sold but are still on the books of a life insurance carrier as premium paying policies.

**Derivative**
A financial instrument with all three of the following characteristics: (a) Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided, where a non-financial variable is concerned, the variable is not specific to a party to the contract (sometimes referred to as the underlying); (b) It requires no initial net investment or else an initial net investment which is lower than would be required for other types of contracts that would be expected to have a similar response to changes in market factors and (c) It is settled at a future date.

**Discounted cash flow method**
A valuation technique whereby expected future cash flows are discounted at a rate that expresses the time value of money and a risk premium that reflects the extra return that investors demand as compensation for the risk that the cash flows may not materialise.

**Discretionary Participation Feature**
A contractual right to receive, as a supplement to

guaranteed benefits, additional benefits that are likely to be a significant portion of the total contractual benefits, the amount or timing of which is contractually at the discretion of the issuer, which are contractually based on the performance of a specified pool of contracts or type of contract, realised and/or unrealised investment returns on a specified pool of assets held by the issuer, or the profit or loss of the company, fund or other entity that issues the contract.

**Embedded derivative**
A component of a hybrid instrument that also includes a non-derivative host. The host contract may be a bond or equity, a lease, an insurance contract or a contract of purchase and sale.

**Employee benefits**
All forms of consideration given by an entity in exchange for service rendered by employees.

**Employee contribution**
Our employee contribution to local society is measured by the volunteering hours of both a.s.r. employees as well as external employees working on behalf of a.s.r. These hours are non-profit and might include activities of the a.s.r. foundation. This contribution can be done in a team or on an individual basis. For some activities the time is estimated based on a standardised table. Activities include improving financial literacy, being a financial buddy, reading aloud to children, etc., as well as societal team activities such as Handen uit de Mouwen and Frisse Blikken for societal organisations. Volunteering hours also include training hours, travel time and the actual execution of the employee contribution.

**Engagement**
Engagement is a constructive dialogue designed to increase the level of sustainability. a.s.r. uses three types of engagement: (1) influencing, (2) monitoring, and (3) public engagement.

**Environmental, social and governance (ESG)**
ESG refers to the three main areas of concern that have developed as central factors in measuring the sustainability and ethical impact of an investment in a company. These areas cover a broad set of concerns increasingly included in the non-financial factors that feature in the valuation of investments in equities, property, and corporate and fixed-income bonds. ESG is the catch-all term for the criteria used in what has become known as socially responsible investment.

**Expense ratio**
Expenses, including the internal costs of handling non-life claims, minus internal investment expenses and restructuring provision expenses, expressed as a percentage of net earned premiums.

**Fair value**
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Global Reporting Initiative (GRI)**
The GRI is an international organisation that defines standards for sustainability reporting.

**Global Real Estate Survey Benchmark (GRESB)**
The GRESB is a benchmark that looks at the sustainability performance of more than 700 institutional investment funds worldwide.

**Goodwill**
An asset representing the future economic benefits arising from other assets acquired in a business combination which are not individually identified and separately recognised.

**Gross written premiums**
Total revenues (earned or otherwise) expected to be received for insurance contracts over the life of the contract, including reinsurance premiums.

**Hedge accounting**
Hedge accounting recognises the offsetting on profit or loss of changes in the fair value of the hedging instrument and the hedged item.

**Impact investing**
a.s.r. aims to contribute to sustainable development through impact investing within various asset classes: asset management, mortgages and real estate. a.s.r.'s impact investments include: listed equity (funds), private equity, green, social & climate bonds, loans, and sustainability improvement mortgages.

*Asset management*
a.s.r. defines investments in organisations or governments with the intention of generating a positive impact in addition to positive financial returns on a sustainable future for people and the planet as impact investing. When asset management selects these investments (eg. through listed equity (funds), private equity or private debt), the output side of an organisation (products, services) is considered, not the input side (ESG policy, initiatives, risk management). In order to qualify as an impact investment, a company or government must always be allowed within the general SRI policy. a.s.r. also invest in impact bonds, an impact bond meets the following conditions: The bond complies with the Green Bond Principles, Climate Bond Principles or Social Bond Principles and the set-up of the bond and/or the use of proceeds has been reviewed by a third party. For impact companies is it key that over 50% of the company's output comes from products or services (with a theory of change) that contribute to the SDGs as defined in the UN PRI Market map or another theory of change approved by the a.s.r. ESG Committee.

*Mortgages*
a.s.r. defines mortgage loans that make a positive contribution to solving one or more problems in the societal (both social and environmental) field as impact investing. And more specifically, where governments and civil society organisations are not sufficiently able to solve certain (persistent) societal issues on their own. The main goal is to generate a measurable positive impact on a sustainable future for people and the planet. These investments are visible in (parts of) concrete products and services. Financial return is important, but not the most important. Currently only the Verduurzamingshypotheek, which can only be used for housing improvements aimed at sustainability, is in line with this definition and currently the only mortgage product included in a.s.r.'s impact investing figures. Examples of sustainble housing improvements financed through the Verduurzamingshypotheek include insulation solutions, solar panels and heat pumps.

*Real Estate*
The Global Impact Investing Network defines impact investing as: Investments made into companies, organisations, and funds with the intention to generate positive, measurable social and environmental impact alongside a financial return. This definition is used by a.s.r. to calculate the figure of impact investments for real estate activities.

**Impairment**
The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The asset's carrying amount is reduced to its fair value and recognised through profit and loss.

**Institution for Occupational Retirement Provision (IORP)**
IORP is a pension vehicle in the form of a separate legal entity which can operate a DC pension scheme on a separate account basis during the pension accrual phase. When an employee reaches his or her retirement age, the IORP transfers the accrued capital to a pension insurer of the employee's choice to pay the pension benefits. Employers wishing to insure any additional risks (such as survivors' pensions) can do so through an IORP.

**Insurance contracts**
A contract under which one party (a.s.r.) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

**Intangible asset**
An identifiable, non-monetary asset without physical substance.

**Internal FTE**
An employee on an employment contract of definite or indefinite duration with a.s.r. or one of its subsidiaries.

**International Financial Reporting Standards (IFRS)**
As of 1 January 2005, these standards have been the generally accepted international accounting policies that apply to all listed companies in the EU. They make annual results easier to compare and offer a better understanding of a company's financial position and performance.

**International Integrated Reporting Council (IIRC)**
The IIRC is a global coalition of regulators, investors, companies, standard setters, the accounting profession, academia and NGOs. The coalition promotes communication about value creation as the next step in the evolution of corporate reporting.

**Investment contract**
A life insurance contract that transfers FR with no significant insurance risk.

**Investment property**
Property held to earn rentals or for capital appreciation or both.

**Joint venture**
A contractual arrangement under which two or more parties undertake an economic activity that is subject to joint control.

**Living Wage**
The United Nations' Universal Declaration of Human Rights (1948) states that everyone who works has the right to just and favorable remuneration ensuring for himself and his family an existence worthy of human dignity. A living wage can be defined as: the remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs including provision for unexpected events. A living wage may therefore differ from one country, region or even city to the next.

**Materiality**
An aspect is considered material if it is relevant to the stakeholders, has a reasonably estimable economic, environmental, and/or social impact and can have a major impact on the development of a.s.r. The greater the impact of the aspect on both society and a.s.r.'s business operations, results and strategy, the greater its materiality.

**Net Promoter Score (NPS)**
The NPS is a management tool that can be used to gauge the customer satisfaction of an organisation's customers. It is an alternative way to measure customer satisfaction. These are mostly focused on intermediaries. The NPS is calculated after customers had been in contact with an employee of a.s.r. by phone.

Calculation of the NPS: With a score of 9 or 10, the customer is seen as a promoter (recommendation). With a score of 7 or 8, the customer gets the predicate passive. He or she will neither recommend nor discourage the brand. With a score of 0 to 6, the customer will discourage the brand. The NPS term for this is detractor (criticaster). The NPS is calculated by subtracting the percentage of detractors from the percentage of promoters. The NPS scores presented reflect the year end scores.

**Non-participating life insurance contracts**
In non-participating life insurance contracts, all values relating to the policy (death benefits, cash surrender values, premiums) are usually determined at policy issue, for the life of the contract, and cannot usually be altered after issue.

**Notional amount**
An amount of currency, number of shares, number of units of weight or volume or other units specified in a derivatives contract.

**Operating lease**
A lease that does not transfer substantially all the risk and rewards incidental to ownership of an asset.

**Operating Return on Equity (ORE)**
A measure of financial performance calculated by dividing the operating result (after hybrid costs and net of taxes) by the average adjusted equity attributable to shareholders for the reporting period.

**Option**
A financial instrument that conveys the right to buy (call option) or sell (put option) a security at a reference price during a specified time frame.

**Organic capital creation (OCC)**
The sustainable creation of capital from both the change in the EEOF and the change in the SCR on Solvency II basis. To express the change in SCR in EOF-equivalent terms, the change in SCR is multiplied by the Solvency II ratio. The OCC consists of three elements: (1) Business Capital Generation, (2) Release of Capital and (3) Technical Movements. In this definition, sustainable means: generated by the company on its own account, net of external and one-off effects. This results in a view on the Solvency II figures that is comparable with the definition of the operational result on IFRS basis.

**Order in Council**
An Order in Council is a decision taken by the Dutch government with respect to statutory provisions.

**Private equity**
An asset class consisting of equity securities of companies that are not publicly traded on a stock exchange. The transfer of private equity is strictly regulated. In the absence of a marketplace, any investor looking to sell their stake in a private company personally has to find a buyer.

**Provision**
A liability of uncertain timing or amount. Provisions are recognised as liabilities if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations (assuming that a reliable estimate can be made).

**Recoverable amount**
The recoverable amount of an asset or a cash-generating unit is its fair value less costs to sell or its value in use, whichever is higher.

**Return on Equity (ROE)**
A measure of financial performance calculated by dividing the net result attributable to holders of equity instruments by the average equity attributable to shareholders for the reporting period.

**Securities lending**
This refers to the lending of securities by one party to another, with the latter agreeing to return the securities on a specified future date. The borrower usually provides the lender with collateral. Securities lending allows the owner of the securities to generate extra income.

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

**Socially responsible investment (SRI)**
Investing with due regard for ethical standards, policies and procedures, in line with the interests of a.s.r. stakeholders, where the integration of ESG criteria is key. To achieve this a.s.r. uses multiple ESG approaches such as the exclusion of controversial activities, exclusion of companies and countries due to their ethical performance, the engagement dialogue, the integration of ESG assessments in the portfolio construction and impact investing. A detailed description of a.s.r.'s SRI policy is published on asrnl.com.

**Solvency II**
Solvency II is an EU regulatory regime that has been in force in all member states since 1 January 2016. It has introduced a new, harmonised Europe-wide regime for insurance companies and sets regulatory requirements for solvency and risk governance.

**Stakeholders**
Stakeholders are individuals or organisations that have an interest, of whatever nature, in an organisation. They have a link with its activities, share in its earnings, influence its performance and assess its ESG effects. a.s.r.'s main stakeholder groups are customers, employees, investors and the society as a whole.

**Subsidiary**
An entity that is controlled by ASR Nederland N.V. (the parent company) or a subsidiary of ASR Nederland N.V.

**Transaction date**
The date at which a.s.r. enters into the contractual terms of an instrument.

**Trees for All**
Trees for All is a foundation and recognised charity with a CBF quality mark. Trees for all invests in the construction of new forests and the protection of existing forest. These projects generate extra income for the local population and contribute to the restoration of nature and the environment.

**United Nations Global Compact principles (UNGC)**
The UNGC is a non-binding United Nations pact to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. The UN Global Compact is a principle-based framework for businesses, stating ten principles in the areas of human rights, labour, the environment and anti-corruption.

**United Nations Guiding Principles on Business and Human Rights (UNGPs)**
The UNGPs is an instrument consisting of 31 principles implementing the United Nations' Protect, Respect and Remedy framework on the issue of human rights and transnational corporations and other business enterprises.

**United Nations Principles for Responsible Investments (UN PRI)**
The UN PRI is a framework for institutional investors. The principles, which were launched in April 2006, pertain to the integration of ESG aspects into investment policies. For more information, see unpri.org.

**Value in use**
Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

**Value Of Business Acquired (VOBA)**
The present value of future profits embedded in acquired insurance contracts. VOBA is recognised as an intangible asset and amortised over the effective life of the acquired contracts.

# D Abbreviations

| | |
|---|---|
| €STR | Euro short-term rate |
| A&RC | Audit & Risk Committee |
| AEX | Amsterdam Exchange Index |
| AF | Actuarial Function |
| AFM | Dutch Authority for the Financial Markets |
| AGM | Annual General Meeting |
| AI | Artificial Intelligence |
| AIFM | Alternative Investment Fund Managers |
| AIFMD | Alternative Investment Fund Managers Directive |
| ALM | Asset Liability Management |
| AMX | Amsterdam Midcap Index |
| APG | Algemene Pensioen Groep N.V. |
| ASR DCRF | ASR Dutch Core Residential Fund |
| ASR DFLF | ASR Dutch Farmland Fund |
| ASR DMOF | ASR Dutch Mobility Office Fund |
| ASR DPRF | ASR Dutch Prime Retail Fund |
| ASR DSPF | ASR Dutch Science Park Fund |
| AUD | Australian Dollar |
| AuM | Assets under management |
| BEC | Business Executive Committee |
| BKR | Credit Registration Office |
| bps | Basis points |
| BRC | Business Risk Committee |
| BREEAM | Building Research Establishment Environmental Assessment Methodology |
| BVPA | Dutch Association for Public Affairs |
| CBS | Statistics Netherlands |
| CCB | Climate, Community and Biodiversity Standard |
| CCR | Counterparty Credit Rating (Standard and Poor's) |
| CDD | Customer Due Diligence |
| CDP | Carbon Disclosure Project |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| CHF | Swiss Franc |
| CIS | Central Information System |
| CLA | Collective Labour Agreement |
| CMD | Capital Markets Day |
| $CO_2$ | Carbon dioxide |
| CoC | Cost of Capital |
| COO | Chief Operating Officer |
| COR | Combined ratio |
| CPB | Netherlands Bureau for Economic Policy Analysis |
| CRO | Chief Risk Officer |
| CSA | Credit Support Annex |
| CTO | Chief Technology Officer |
| DB | Defined Benefit |
| DC | Defined Contribution |
| DGBC | Dutch Green Building Council |
| DNB | De Nederlandsche Bank |
| DPA | Data Protection Authority |
| DPF | Discretionary Participation Features |
| DKK | Danish krone |
| EB | Executive Board |
| ECB | European Central Bank |
| EDPB | European Data Protection Board |
| EEA | European Economic Area |
| EFRAG | European Financial Reporting Advisory Group |
| EGM | Extraordinary General Meeting |
| EIOPA | European Insurance and Occupational Pensions Authority |
| eNPS | Employee Net Promoter Score |
| ERM | Enterprise Risk Management |
| ESG | Environmental, Social and Governance |
| ESPP | Employee share purchase plan |
| ESI | Ethibel Sustainability Index |
| EU | European Union |
| Euribor | Euro interbank offered rate |
| EU SFAP | European Sustainable Finance Action Plan |
| EVO | Entrepreneurs organisation for Logistics and Transport |
| FR | Financial risk |
| FRC | Financial Risk Committee |
| FRPM | Finance, Risk & Performance Management |
| FSCB | Financial Services Complaints Board |
| FTE | Full-time equivalent |
| GBP | Pound Sterling |
| GDP | Gross Domestic Product |
| GDPR | General Data Protection Regulation |
| GHG | Greenhouse gas |
| GRC | Governance, Risk and Compliance |
| GRESB | Global Real Estate Survey Benchmark |
| GRI | Global Reporting Initiative |
| GRM | Group Risk Management |
| GWP | Gross written premiums |
| HKD | Hong Kong Dollar |
| IAS | International Accounting Standards |
| IASB | International Accounting Standards Board |
| IBNR | Incurred But Not Reported |
| i-CERT | Cybersecurity partnership between insurance companies |
| IDD | Insurance Distribution Directive |
| IFRS | International Financial Reporting Standards |
| IFSR | Insurer Financial Strength Rating (Standard & Poor's) |
| IIRC | International Integrated Reporting Council |
| IMP | Individual Monitoring Plan |
| INREV | European Association for Investors in Non-Listed Real Estate Vehicles |
| IORP | Institution for Occupational Retirement Provision |
| IPO | Initial Public Offering |
| IRBC | International Responsible Business Conduct |

| | |
|---|---|
| ISDA | International Swaps and Derivatives Association |
| ISIN | International Securities Identification Number |
| KPI | Key Performance Indicator |
| kWh | Kilowatt-hour |
| LAC DT | Loss-Absorbing Capacity Deferred Tax |
| LAT | Liability Adequacy Test |
| LDI | Liability-Driven Investing |
| LE | Leadership Education |
| LTO | Agriculture and Horticulture Organisation Netherlands |
| M&A | Merger and Acquisitions |
| MSCI | Morgan Stanley Capital International |
| NAB | Netherlands Advisory Board on impact investing |
| NCSC | National Cyber Security Center |
| NFR | Non-financial risk |
| NFRC | Non-Financial Risk Committee |
| NGOs | Non-governmental and non-profit organisations |
| NLFI | NL financial investments |
| NMI | Nutrients Management Institute |
| NPS | Net Promoter Score |
| OCC | Organic capital creation |
| OECD | Organisation for Economic Cooperation and Development |
| ORM | Operational Risk Management |
| ORSA | Own Risk and Solvency Assessment |
| OSI | Open (source) Soil Index |
| OTC | Over The Counter |
| OTSO | Supervised entity |
| P&C | Property and Casualty |
| p.a. | per annum |
| PARP | Product Approval & Review Process |
| PBAF | Partnership for Biodiversity Accounting Financials |
| PCAF | Partnership for Carbon Accounting Financials |
| PLWF | Platform Living Wage Financials |
| PSO | Performance Ladder for Social Business |
| PV | Photovoltaics |
| RAS | Risk Appetite Statements |
| RC | Remuneration Committee |
| RM | Risk management |
| RMF | Risk Management Framework |
| ROE | Return on Equity |
| RT1 | Restricted Tier 1 bond |
| RVO | Netherlands Enterprise Agency |
| S&AC | Selection & Appointment Committee |
| S&P | Standard & Poor's |
| SAA | Strategic Asset Allocation |
| SaaS | Software as a Service |
| SB | Supervisory Board |
| SBTi | Science-Based Targets initiative |
| SCC | Standard Contractual Clauses |
| SCR | Solvency Capital Requirement |
| SDGs | Sustainable Development Goals |
| SME | Small and medium-sized enterprises |
| SRA | Strategic Risk Analysis |
| SRI | Socially Responsible Investment |
| STA | Social Team Activity |
| TCFD | Task Force on Climate-related Financial Disclosures |
| TIBER | Threat Intelligence-Based Ethical Red team |
| TNO | Dutch Organisation for applied scientific research |
| TVOG | Time Value of Financial Options and Guarantees |
| TWD | New Taiwan Dollar |
| UFR | Ultimate Forward Rate |
| UK | United Kingdom |
| UL | Universal life insurance |
| UNGC | United Nations Global Compact |
| UNGPs | The United Nations Guiding Principles on Business and Human Rights |
| UN PRI | United Nations Principles for Responsible Investments |
| US | United States |
| USD | United States Dollar |
| UWV | Employee Insurance Agency |
| VA | Volatility adjustment |
| VBDO | Dutch Association of Investors for Sustainable Development |
| VCS | Verified Carbon Standard |
| VKG | Van Kampen Groep |
| VPL | Early retirement and life cycle |
| Wft | Financial Supervision Act |
| WGA | Resumption of work by Partially Disabled Persons |
| WIA | Work and Income Act |
| WnP | Employee's pension |
| WUR | Wageningen University & Research |
| ZAR | South African Rand |

# E Materiality analysis and stakeholder dialogue

a.s.r. engages with stakeholders who directly and indirectly affect the organisation. a.s.r. is committed to a strategic, constructive and proactive dialogue with all its stakeholders, including customers, employees, investors, civil society organisations and the media. a.s.r. engages with them through road shows, client and employee surveys, dialogues, round tables, participation in sector initiatives, and other means. Also, the EB members meet on a regular basis with intermediaries, shareholders, regulators, tax authorities, politicians and civil society organisations to discuss strategic progress, receive their feedback on a.s.r.'s contribution to society and debate developments in the financial sector.

External trends are also continuously monitored, to identify the issues most relevant for a.s.r. and decide where it can make a positive contribution to broader society. For this purpose, a variety of sources are used including regulatory body reports, reports of the World Economic Forum and the World Business Council for Sustainable Development (WBCSD), academic research, peer reports, and media coverage.

In addition to these continuous stakeholder interactions and trend monitoring, a stakeholder dialogue was held in 2020. In 2020, the dialogues were conducted as two half-day online interactive sessions with plenary and breakout sessions. Members of the EB and the Board of Directors attended both the plenary and breakout sessions to hear the views of stakeholders, answer questions and participate in the discussions.

Stakeholders invited represented a.s.r.'s key stakeholder groups:
- Employees
- Customers
- Intermediaries
- Civil society organizations
- Government and regulators
- Trade unions
- Media
- Shareholders
- Suppliers
- Academics
- Peers and business partners

a.s.r. carefully selected the stakeholders it invited to the dialogue and strove to achieve a good balance between stakeholder groups. The company specifically invited stakeholders with a range of knowledge and experience in different topics or aspects of the insurance business. A total of more than 50 stakeholders participated in the dialogue sessions, half representing internal stakeholders and half external stakeholders.

Participants were asked to provide their input on the strategic dilemmas a.s.r. sought feedback on. The dilemmas focused on the different parts of a.s.r.'s business: responsible investment policy, products and services, and own operations. a.s.r. asked for open and honest feedback on the dilemmas, which resulted in highly constructive and frank dialogues with tangible recommendations for a.s.r. The dilemmas were linked to the three themes of a.s.r.'s sustainability strategy:
1. Financial self-reliance and inclusiveness;
2. Vitality and (sustainable) employability;
3. Climate change and energy transition (including $CO_2$ reduction and climate adaptation or resilience).

In addition to the dilemmas, stakeholders were invited to give feedback on other topics and on issues they deemed relevant, and on the overall strategy of a.s.r. One part of the dialogue was dedicated to helping a.s.r. identify its long-term societal role, and how it can continue to create value in the future, i.e. 2030. Participants were also asked to give their input on the themes and topics most relevant to a.s.r.'s strategy and its reporting. This was done using a survey which stakeholders completed during a break in the dialogue sessions.

The outcomes of these stakeholder dialogues were used to define the material topics for this annual report. The outcomes were also used by senior management and the EB to test and validate the integrated business strategy focused on creating sustainable long-term value for a.s.r. and its stakeholders.

More information about the integrated business strategy can be found in chapter 2.1 The story of a.s.r. The material topics are presented in chapter 2.3 Stakeholders and material topics.

### How a.s.r. works with its stakeholders
a.s.r. is working together with peers, civil society organisations and governmental agencies to establish policies that support better management of sustainability and ESG issues and to promote more thorough sustainability practices.

In 2020, a.s.r. has been very active in various joint initiatives to increase awareness on sustainability and ESG risks. This was done for example through knowledge sharing within the insurance sector and supporting two smaller, Dutch insurance companies with the development of their SRI policy. Furthermore, a.s.r. has been an active member of sector initiatives such as the Dutch Agreement for international responsible investment in the insurance sector, the Platform for Sustainable Finance of DNB and PCAF. In 2020, the company joined a pilot group to test a framework of the Partnership for Biodiversity Accounting Financials (PBAF).

To spread knowledge and inspire others, a.s.r. has been actively presenting its sustainability approach and activities in a wide range of events, such as the Impact Investment Summit and seminars organised by the Dutch Fund and Asset Management Association. The company has also organised its own seminars in 2020, such as a webinar on a.s.r.'s vision on the financial markets in 2021.

In some cases, a.s.r. also works bilaterally together with stakeholders. In 2020, there have been meetings with NGOs such as the Plastic Soup Foundation, PAX and Amnesty International on aligning a.s.r.'s SRI policy with their requirements. Furthermore, a.s.r. has had bilateral meetings with external providers and fund managers on topics such as providing more transparency on remediation.

More information about a.s.r.'s efforts to promote more thorough sustainability practices can be found this annual report, for instance in chapter 2.5 Sustainable Development Goals or chapter 3.2.1 a.s.r. asset management.

**Materiality analysis and stakeholder dialogue**

| Stakeholder group | Type of interaction | Frequency |
|---|---|---|
| Customers | • Telephone support<br>• Surveys (e.g. NPS)<br>• Webinars<br>• Social media<br>• Stakeholder dialogue | Daily |
| Intermediaries | • Telephone support<br>• Surveys (e.g. NPS)<br>• Webinars<br>• Social media<br>• Stakeholder dialogue | Daily |
| Employees | • Performance appraisals<br>• Works council<br>• Social media<br>• Infonet<br>• Staff meetings<br>• Managerial staff meetings<br>• Information and inspiration sessions<br>• Stakeholder dialogue | Daily |
| Financial market players: shareholders, analysts, banks and rating agency S&P | • Meetings with team Investor Relations and Board members<br>• Conference calls with analysts and (potential) investors<br>• Webinars<br>• Road shows<br>• Corporate presentations<br>• Stakeholder dialogue | Almost daily |
| Peers and Business partners | • Meetings<br>• Telephone and email<br>• Stakeholder dialogue | Regularly |
| Regulators and tax authorities | • Meetings with Board members and departments Compliance and Tax<br>• Telephone and email<br>• Stakeholder dialogue | Regularly |
| Government | • Meetings with Board members, senior management and team Public Affairs<br>• Telephone and email<br>• Stakeholder dialogue | Regularly |
| Suppliers | • Consultation at strategic (2-4 times per year), tactical (monthly) and operational (daily) level<br>• Stakeholder dialogue | Regularly |
| Media | • Meetings<br>• Telephone and email<br>• Stakeholder dialogue | Almost daily |

| Stakeholder group | Type of interaction | Frequency |
|---|---|---|
| Trade unions | • Meetings<br>• Telephone and email<br>• Stakeholder dialogue | Quarterly |
| Social partners and organisations | • Meetings with a.s.r. foundation<br>• Telephone and email<br>• Stakeholder dialogue | Regularly |
| Civil society organisations & interest groups | • Events<br>• Partnerships & memberships<br>• Meetings<br>• Telephone and email<br>• Stakeholder dialogue | Regularly |

# F GRI Content Index

## GRI Content Index - Core

| Material topic | Impact on stakeholders | Chapter reference |
|---|---|---|
| **General Disclosures** | | |
| 102-1 | Name of the organisation | ASR Nederland N.V. |
| 102-2 | Activities, brands, products, and services | Ch. 1.1, 4.1 (p. 8, 74) |
| 102-3 | Location of headquarters | Ch. 1.1 (p. 8) |
| 102-4 | Location of operations | Ch. 1.1 (p. 8) |
| 102-5 | Ownership and legal form | Ch. 5.1 (p. 122) |
| 102-6 | Markets served | Ch. 1.1 (p. 8) |
| 102-7 | Scale of the organisation | Ch. 1.1 (p. 8) |
| 102-8 | Information on employees and other workers | Ch. 3.3, Annex A (p. 47, 328) |
| 102-9 | Supply chain | Ch. 1.1, 3.2, 3.4 (p. 8, 41, 54) |
| 102-10 | Significant changes to the organisation and its supply chain | Ch. 2.1, 5.1 (p. 18, 122) |
| 102-11 | Precautionary principle or approach | Ch. 2.3, 4.2, 4.4 (p. 24, 98, 106) |
| 102-12 | External initiatives | www.asrnl.com |
| 102-13 | Membership of associations | www.asrnl.com |
| 102-14 | Statement from senior decision-maker | Ch. 1.2 (p. 12) |
| 102-15 | Key impacts, risks, and opportunities | Ch. 1.3, 2.2, 4.2, 4.4, 6.8 (p. 14, 23, 98, 106, 249) |
| 102-16 | Values, principles, standards, and norms of behaviour | Ch. 1.3, 2.1, 3.3, 3.4 (p. 14, 18, 47, 54) |
| 102-17 | Mechanisms for advice and concerns about ethics | Ch. 3.4 (p. 54) |
| 102-18 | Governance structure | Ch. 5.1, 5.2 (p. 122, 131) |
| 102-40 | List of stakeholder groups | Ch. 2.3, Annex E (p. 24, 348) |
| 102-41 | Collective bargaining agreements | 99.4% of the total employees are covered by collective bargaining agreements. Annex A (p. 328) |
| 102-42 | Identifying and selecting stakeholders | Ch. 2.3, Annex E (p. 24, 348) |
| 102-43 | Approach to stakeholder engagement | Ch. 2.3, Annex E (p. 24, 348) |
| 102-44 | Key topics and concerns raised through stakeholder engagement | Ch. 2.3 (p. 24) |

| Material topic | Impact on stakeholders | Chapter reference |
|---|---|---|
| 102-45 | Entities included in the consolidated financial statements | Annex B (p. 339) |
| 102-46 | Defining report content and topic boundaries | Annex B (p. 339) |
| 102-47 | List of material topics | Ch. 2.3 (p. 24) |
| 102-48 | Restatements of information | Ch. 6.3 (p. 162) |
| 102-49 | Changes in reporting | There were no changes in reporting. |
| 102-50 | Reporting period | 1 January to 31 December 2020 |
| 102-51 | Date of most recent report | 25 March 2020 |
| 102-52 | Reporting cycle | Annual |
| 102-53 | Contact point for questions regarding the report | Contact details (back cover) |
| 102-54 | Claims of reporting in accordance with the GRI Standards | Annex B (p. 339) |
| 102-55 | GRI content index | Annex F (p. 351) |
| 102-56 | External assurance | Ch. 4.6, 7.1, Annex B (p. 116, 304, 339) |
| **Meeting customer needs** | | |
| 103 | Disclosure on management approach | Ch. 2.1, 2.3, 2.4, 3.1, 3.2 (p. 18, 24, 28, 36, 41) |
| **Developing and promoting sustainable products and services** | | |
| 103 | Disclosure on management approach | Ch. 2.3, 3.1, 3.2 (p. 24, 36, 41) |
| **Socially responsible investments** | | |
| 103 | Disclosure on management approach | Ch. 2.3, 3.2 (p. 24, 41) |
| 412-3 | Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening. | Ch.3.2 (p. 41) |
| 412-3 | Percentage of assets subject to positive and negative environmental or social screening. | Ch.3.2 (p. 41) |
| **Mitigating and adapting to the consequences of climate change** | | |
| 103 | Disclosure on management approach | Ch. 4.2, 4.4 (p. 98, 106) |
| **Robust financial performance** | | |
| 103 | Disclosure on management approach | Ch. 1.3, 2.1, 2.3, 2.4, 6 (p. 14, 18, 24, 28, 150) |
| 201-1 | Direct economic value generated and distributed | Ch. 1.3, 4.1, 6.2 (p. 14, 74, 154) |
| 201-2 | Risks and opportunities posed by climate change | Ch. 4.4 (p. 106) |

| Material topic | Impact on stakeholders | Chapter reference |
|---|---|---|
| **Compliance, integrity and privacy** | | |
| 103 | Disclosure on management approach | Ch. 2.3, 3.4, 4.2, 4.3 (p. 24, 54, 98, 105) |
| 419-1 | Non-compliance with laws and regulations in the social and economic area | Ch. 3.4, 4.3 (p. 54, 105) |
| **Solid risk management** | | |
| 103 | Disclosure on management approach | Ch. 2.3, 4.2, 4.4, 6.8 (p. 24, 98, 106, 249) |
| **Contributing to financial self-reliance** | | |
| 103 | Disclosure on management approach | Ch. 1.3, 2.3, 2.4, 3.6 (p. 14, 24, 28, 68) |
| **Supporting vitality** | | |
| 103 | Disclosure on management approach | Ch. 2.3, 3.1, 3.3 (p. 24, 36, 47) |
| 403-2 | Types of injury and rates of injury, occupational disease, lost days, and absenteeism, and number of work-related fatalities | Ch. 3.3 (p. 47)<br>a.s.r. only records absenteeism rates. |
| **Contributing to sustainable employability** | | |
| 103 | Disclosure on management approach | Ch. 1.3, 2.3, 3.3 (p. 14, 24, 47) |
| 404-2 | Programmes for upgrading employee skills and transition assistance programmes | Ch. 3.3 (p. 47) |
| **Fostering diversity & inclusion** | | |
| 103 | Disclosure on management approach | Ch. 1.3, 2.3, 3.3, 5.1, 5.2 (p. 14, 24, 47, 122, 131) |
| 405-1 | Diversity of governance bodies and employees | Ch. 1.1, 3.3, 5.1, 5.2, Annex A (p. 8, 47, 122, 131, 328) |
| **Biodiversity and ecosystem services** | | |
| 103 | Disclosure on management approach | Ch. 2.3, 3.2, 3.4, 4.2, 4.4 (p. 24, 41, 54, 98, 106) |
| 304-2 | Significant impacts of activities, products, and services on biodiversity. Because biodiversity is a new material topic, the reported information does not yet cover the full information requested. | Ch. 2.3, 3.2, 3.4, 4.2, 4.4 (p. 24, 41, 54, 98, 106) |
| **Additional information - Energy usage** | | |
| 302-1 | Total fuel consumption within the organisation from non-renewable sources | Annex A (p. 328) |
| 302-1 | Total fuel consumption within the organisation from renewable sources | Annex A (p. 328) |
| 302-1 | Total fuel consumption within the organisation in kWh | Annex A (p. 328) |
| 305-1 | Direct (Scope 1) GHG emissions | Annex A (p. 328) |
| 305-2 | Energy indirect (Scope 2) emissions | Annex A (p. 328) |

# G EU Directive: disclosure on non-financial and diversity information

**Reference table**

| Topic | Subtopic | Included (yes/no) | Chapter reference |
|---|---|---|---|
| Business model | - | Yes | Ch. 1.3 (p. 14) |
| Relevant social and personnel maters (e.g. HR, safety etc.) | A description of the policies pursued, including due dilligence. | Yes | Ch. 3.3 (p. 47) |
| | The outcome of those policies. | Yes | Ch. 3.3 (p. 47) |
| | Principle risks in own operations and within value chain. | Yes | Ch. 4.2 (p. 98) |
| | How risks are managed. | Yes | Ch. 4.2 (p. 98) |
| | Non-financial key performance indicators. | Yes | Ch 1.1, 2.4, 3.3, 3.6 (p. 8, 28, 47, 68) |
| Relevant environmental matters (e.g. climate-related impacts) | A description of the policies pursued, including due dilligence. | Yes | Ch. 3.2, 3.4, 4.4 (p. 41, 54, 106) |
| | The outcome of those policies. | Yes | Ch. 3.2, 3.4, 4.4 (p. 41, 54, 106) |
| | Principle risks in own operations and within value chain. | Yes | Ch. 4.2, 4.4, 6.8 (p. 98, 106, 249) |
| | How risks are managed. | Yes | Ch. 4.2, 4.4, 6.8 (p. 98, 106, 249) |
| | Non-financial key performance indicators. | Yes | Ch. 1.1, 2.4, 3.2, 3.4, 4.4 (p. 8, 28, 41, 54, 106) |
| Climate change | A description of the policies pursued, including due dilligence. | Yes | Ch. 4.4 (p. 106) |
| | The outcome of those policies. | Yes | Ch. 4.4 (p. 106) |
| | Principle risks in own operations and within value chain. | Yes | Ch. 4.4 (p. 106) |
| | How risks are managed. | Yes | Ch. 4.4 (p. 106) |
| | Non-financial key performance indicators. | Yes | Ch. 4.4 (p. 106) |

| Topic | Subtopic | Included (yes/no) | Chapter reference |
|---|---|---|---|
| Relevant matters with respect for human rights (e.g. labour protection) | A description of the policies pursued, including due dilligence. | Yes | Ch. 3.2, 3.4 (p. 41, 54) |
| | The outcome of those policies. | Yes | Ch. 3.2, 3.4 (p. 41, 54) |
| | Principle risks in own operations and within value chain. | Yes | Ch. 3.2, 3.4 (p. 41, 54) |
| | How risks are managed. | Yes | Ch. 4.2, 6.8 (p. 98, 249) |
| | Non-financial key performance indicators. | Yes | Ch. 1.1, 3.2, 3.4 (p. 8, 41, 54) |
| Relevant matters with respect to anti-corruption and bribery | A description of the policies pursued, including due dilligence. | Yes | Ch. 3.2, 3.4, 4.3, 5.1 (p. 41, 54, 105, 122) |
| | The outcome of those policies. | Yes | Ch. 3.2, 3.4 (p. 41, 54) |
| | Principle risks in own operations and within value chain. | Yes | Ch. 3.2, 3.4, 4.2 (p. 41, 54, 98) |
| | How risks are managed. | Yes | Ch. 4.2, 6.8 (p. 98, 249) |
| | Non-financial key performance indicators. | Yes | Ch. 3.2, 3.3, 3.4 (p. 41, 47, 54) |
| Insight into the diversity (EB and the SB) | A description of the policies pursued. | Yes | Ch. 3.3, 5.1 (p. 47, 122) |
| | Diversity targets. | Yes | Ch. 2.3, 3.3, 5.1 (p. 24, 47, 122) |
| | Description of how the policy is implemented. | Yes | Ch. 2.3, 3.3, 5.1 (p. 24, 47, 122) |
| | Results of the diversity policy. | Yes | Ch. 1.1, 2.3, 3.3, 5.1 (p. 8, 24, 47, 122) |

# Contact details

## Contact

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

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Chapter 9: Nij Smellinghe hospital
Executive Board and Supervisory Board: Wilco van Dijen

### Text
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