

Aegon

Schadeverzekering N.V.

Solvency and Financial Condition Report **2022**



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Executive summary

Scope of the report

This report is Aegon Schadeverzekering's Solvency and Financial Condition Report (SFCR) for the year 2022. This report informs Aegon Schadeverzekering's stakeholders about its:

- Business and performance;
- System of governance;
- Risk profile;
- Valuation for solvency purposes; and
- Capital management.

The SFCR report contains both quantitative and qualitative information. The main focus of this report is on the Solvency II balance sheet, its relation to IFRS and on the Solvency Capital Requirement ("SCR"). Material differences between Aegon Schadeverzekering's financial statements based on IFRS-EU and the Delegated Regulation Solvency II are discussed in chapter D. Valuation for Solvency Purposes.

Basis of presentation

This report is prepared in accordance with the requirements of Solvency II Directive and Delegated Regulation (in particular articles 51, 53 – 55 of the Solvency II Directive, articles 290 – 298 of the Delegated Regulation, and relevant EIOPA Guidelines, in particular 'Guidelines on reporting and public disclosure' (EIOPA-BoS-15/109) as issued by the European Insurance and Occupational Pensions Authority (EIOPA)).

The figures reflecting monetary amounts in the SFCR are presented in Euro (EUR) unless otherwise stated. Aegon Schadeverzekering discloses monetary amounts in millions of units for disclosing purposes. All values are rounded to the nearest million unless otherwise stated. The rounded amounts may therefore not add up to the rounded total in all cases. All ratios and variances are calculated using the underlying amount rather than the rounded amount.

In case IFRS figures are disclosed, the figures are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS-EU).

The 2022 SFCR of Aegon Schadeverzekering has been prepared and disclosed under the responsibility of the Executive Board. This document was approved on March 27, 2023 by Aegon Schadeverzekering's Executive Board.

Summary

The 2022 Solvency Financial Condition Report provides Aegon Schadeverzekering's stakeholders with insight into:

A. Business and performance

Aegon Schadeverzekering is the non-life insurance carrier for Aegon Nederland.

Our business model focuses on the following items:

- Products & Services
 - We begin with the customer – Aegon assesses the customer's needs, prices risk and develops products and services that fit with those needs. Our products and services are then branded and marketed.
- Distribution
 - Some of our products and services are sold directly to customers. We sell most, however, via intermediaries, including brokers, agents, banks and financial advisors.
- Claims & Benefits
 - From the investment returns we make, we pay customer claims and benefits, and make distributions to our shareholder.

Strategy of Aegon Schadeverzekering

Aegon Nederland is transitioning from a traditional insurer to a customer-centric financial services provider. Aegon Nederland's ambition is to become the most customer-centric and innovative financial services provider within the Dutch market. As the lives of our customers become longer and more varied, at Aegon we strive to be a financial services company that gives people the confidence and flexibility to find their own way and contribute to a better world. This ambition underpins our new company purpose, Helping people live their best lives. Our purpose shapes how we engage with and create value for our customers and wider stakeholder base. In turn, this provides the foundation for our vision and strategy, as well as for our business planning and decision-making.

In order to achieve our strategic and financial goals, the various business units of Aegon Nederland are managed and organized in two categories:

- Financial Assets: where we focus on maximizing value and releasing capital over time to invest in Strategic Assets, and
- Strategic Assets: the businesses in which we will invest to grow our customer base, improve customer retention, and margins.

Aegon to combine its Dutch operations with a.s.r.

In October 2022, Aegon N.V. announced that it had reached an agreement with a.s.r. to combine its Dutch pension, life and non-life insurance, banking, and mortgage origination activities with a.s.r. The combination will create a leading Dutch insurance company. This step enables Aegon to accelerate its strategy and represents a major step in its ambition to become a leader in its chosen markets. Aegon will receive a cash consideration and a 29.99% strategic stake in a.s.r., with associated governance rights.

On January 17, 2023, the Extraordinary General Meeting of shareholders ("EGM") of Aegon N.V. has approved the proposed transaction. Furthermore, the works council of Aegon has rendered a positive advice in relation to the proposed transaction. The transaction is subject to customary conditions, including regulatory and antitrust approvals, and is expected to close in the second half of 2023.

Aegon Nederland set up a program to disentangle its' operations from Aegon N.V. and to be able to operate as a standalone company.

Strategic Assets

Strategic Assets are the businesses in which Aegon the Netherlands will invest to grow its customer base and increase margins. Aegon the Netherlands strategically focuses on the following business: Mortgages ('Aegon Hypotheken'), Banking ('Knab'); and Workplace solutions for employers. The last category consists of the following businesses: Aegon Cappital, TKP Pensioen, Aegon Schadeverzekering, Robidus and Nedasco.

Aegon Schadeverzekering ('Non-Life') is positioned within the Business Unit 'Workplace Solutions', and consists of two Value Streams (Accident & Health and Property & Casualty) and out of three staff & support departments Finance, IT and Legal. Together with the Head of Risk and HR Business Partner strategic priorities are to demonstrate In Control and maximize Value Delivery to key stakeholders (customer, advisors, employees and shareholders). Where staff & support within Non-Life will facilitate the Value Streams, the Value Stream themselves focus on Value delivery for specific Product-Market-Combinations.

Retail P&C (Property & Casualty)

Market conditions demonstrate a saturated market. Within such market, growth is difficult to realize. Small adjustments to product pricing have been advantageous to policy holders and resulted in fewer lapses, but also limited autonomous growth.

The retail P&C business is mainly distributed through intermediaries (IFA's). The number of IFA's is shrinking rapidly due to a heavy consolidation battle (-49% in 15 years). Whilst focusing on strong relations with IFA's, the increase in production is largely due to extended focus on online sales.

In the beginning of 2022 all COVID-19 related restrictions were alleviated resulting in a 'return to normal'. Particularly, the positive claim experience we observed throughout 2020 and 2021 has returned to pre-COVID-19 level. Most notably in the final months of 2022, multiple accidents with personal injuries have resulted in negative claim experience on Motor.

In February 2022 a trifold storm (Dudley, Eunice and Franklin) has hit the Netherlands. Storm Eunice is in the top three heaviest storms in more than fifty years in the Netherlands. In the coastal provinces Koninklijk Nederlands Meteorologisch Instituut ('KNMI') warned on Friday 18 February with code red for very heavy wind gusts, in the rest of the country code orange was set (except for Limburg, there the code was set to yellow). The storms have had an impact of EUR 10 million on the P&C portfolio. Most of this impact has been mitigated through reinsurance.

Climate change and high inflation combined with withdrawals from reinsurance providers have resulted in a hardening of the reinsurance market. P&C reinsurance requires higher retention and higher reinsurance premiums. Through reinsurance program optimization and diligently addressing the reinsurance market, Aegon managed to limit the impact.

Income (Accident & Health) market

In 2022 we have seen the continuation of trends that have been present in the market over the last few years (discussion about insurance for the self-employed as part of new pension law, demand for fast and easy contact, intermediary consolidation, focus on risk and control). Besides the execution of the operational excellence-strategy and the execution of the initiatives on the management agenda, 2022 is characterized as a return to normal after two years of COVID-19 impact on the A&H book.

Throughout 2022, claims development was extraordinary favourable. Especially within the first half of 2022 the number of disabled cases declined significantly. UWV (Netherlands Employee

Insurance Agency) declared that most WIA assessments due to corona lead to a disability benefit from UWV. Due to privacy protection and delays in assessments by UWV, it is not possible to give a conclusive explanation of the apparently contradictory movement.

A&H performance has been further boosted by actual observations of inflow of claims which was lower versus the expected inflow of claims from the IBNR which results in a release of the total provision. Third significant contributor was the reinsurance started in 2020. This result is driven by a release in provision belonging to claims not covered by reinsurance, whilst new claims are covered by reinsurance and net provision is lower.

Execution of the strategy resulted in growth of the portfolio with approximately 3%, while lowering cost by restructuring the organization and improving efficiency.

As per the end of 2022, Aegon Schadeverzekering successfully renewed an existing 60% quota share reinsurance agreement on its main AOV product. Through this transaction, a number of reinsurers take over the disability risk from Aegon and financially compensate Aegon for insurance claims if and when these arise on the underlying AOV products. This new transaction provides Aegon Schadeverzekering with continued protection against its key risk (disability risk) and improves diversification of its risk profile. A collateral framework has been set-up with the main reinsurers involved in this transaction to manage counterparty risk going forward.

The as per 4Q 2021 introduced methodology change in the valuation of AOV insurances (disability insurance for self-employed, "arbeidsongeschiktheidverzekering voor zelfstandigen"), where the contract boundary until contract end date is applied in combination with a Future Management Action, has throughout this year been applied in calculating the Solvency II figures.

Full details on the Aegon's business and performance are described in chapter A. Business and performance.

B. System of governance

The system of governance has been put in place centrally at Aegon Nederland, which is the holding company of Aegon Schadeverzekering and several other companies and is used throughout Aegon Nederland. Aegon Schadeverzekering complies with the policies of both Aegon Group and Aegon Nederland. The Aegon Nederland policies are tailored to fit local circumstances and therefore imply additional restrictions to the Group policies.

Over the last few years, Aegon Nederland's strategy has been enhanced and refined. Changes to the strategy have been made to reflect developments inside as well as outside of the company, whereby the company has been further transformed from being product-driven towards being customer-driven. Changes to our organization and governance structure were required, the concept of "Accountability within a clear framework" was introduced, with a well-defined company strategy, functional policies and group-wide standards and replaced a more "federated" model in August 2021.

Aegon Nederland is divided into four Business Units: Life, Bank, Mortgages and Workplace Solutions. Within each Business Unit, each legal entity remains responsible for its own statutory accounting and reporting (including SII reporting). By bringing value delivery and cost under control of the relevant Business Unit accountability further increased.

The Business Unit Workplace Solutions (comprising of Aegon Schadeverzekering, Aegon Cappital B.V., Nedasco B.V., TKP Pensioen B.V., Robidus Groep B.V. and Aegon Advies) is considered a Strategic Asset. By doing so, the organizational structure is well aligned to our business strategy and allows for an efficient and effective execution of our strategy.

General governance

Aegon Schadeverzekering's Statutory Management Board is charged with the overall management of the company and is responsible for achieving Aegon Schadeverzekering's goals, developing the strategy and its associated risk profile, in addition to overseeing any relevant sustainability issues and the development of the company's earnings. Aegon Schadeverzekering's Statutory Management Board is assisted in its duties by the Chief Legal Officer and Chief People Officer, collectively referred to as Management Board NL (MB NL).

Aegon Schadeverzekering's Supervisory Board oversees the management of the Statutory Management Board, in addition to the company's business and strategy. The Supervisory Board takes into account the interests of all Aegon stakeholders. The Supervisory Board also oversees the activities of its committees:

- Risk & Audit Committee; and
- Remuneration Committee.

In addition to the corporate bodies described above, Aegon Schadeverzekering has in place a number of key functions, as required under Solvency II. These key functions are described below, in the section 'control environment'.

Risk management

Aegon Schadeverzekering's risk management framework is designed and applied to identify and manage potential events and risks that may affect Aegon Schadeverzekering. It is established through the Enterprise Risk Management (ERM) framework, which aims at identifying and managing individual and aggregate risks within Aegon Schadeverzekering's risk tolerance limits in order to provide reasonable assurance on the achievement of Aegon Schadeverzekering's objectives. Aegon Schadeverzekering's ERM framework is based on a well-defined risk governance structure:

- Supervisory Board;
- Executive Board;
- Management Team Aegon Nederland;
- Risk & Capital Committee.

Control environment

In addition to the risk management framework, Aegon Schadeverzekering's Solvency II control environment consists of an internal control system, an actuarial function and an internal audit function. The internal control system serves to facilitate compliance with applicable laws, regulation and administrative processes. It also provides Aegon Schadeverzekering with an adequate control environment including appropriate control activities for key processes.

The actuarial function has end-to-end accountability for opining on the adequacy and reliability of reported technical provisions, including policy setting and monitoring of compliance regarding actuarial risk tolerance. Aegon Schadeverzekering's internal audit function is independent and objective in performing its duties in evaluating the effectiveness of Aegon Schadeverzekering's internal control system.

Full details on the Aegon Schadeverzekering's system of governance are described in chapter B. System of governance.

C. Risk profile

Aegon Schadeverzekering accepts and manages risk for the benefit of its customers and other stakeholders. Aegon Schadeverzekering's risk management and control systems are designed to ensure that these risks are managed effectively and efficiently, aligned with the strategy of Aegon Schadeverzekering. The targeted risk profile is determined by customers' needs, Aegon Schadeverzekering's competence to manage the risk, Aegon Schadeverzekering's preference for risk as well as by the availability of sufficient capacity to take the risk. Aegon Schadeverzekering is exposed to a range of underwriting, market, credit, liquidity and operational risks.

Key risks reflect the following:

Table: Key risks underlying the SCR

Amounts in EUR million	Components description	2022	2021
C.2 Market risk	Market risk	37	38
	Counterparty default risk	8	9
C.3 Credit risk	Health underwriting risk	195	238
	Non-life underwriting risk	48	45
	Operational risk	14	13
E.2.1 Solvency Capital Requirement	Diversification	-/- 70	-/- 70
	LAC Deferred Taxes	-/- 42	-/- 39
	Total SCR	190	234

The solvency capital requirement decreased over 2022. The decrease of the SCR is mainly caused by a decrease in health underwriting risk. Full details on Aegon Schadeverzekering's risk profile are described in chapter C. Risk profile.

D. Valuation for Solvency purposes

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

The reconciliation of Excess Assets over Liabilities (Solvency II basis) and Shareholder's Equity (IFRS-EU basis) can be summarized as follows:

- Revaluation differences mainly on assets and liabilities using a method other than fair value in the IFRS balance sheet;
- De-recognition of items on the Solvency II economic balance sheet that are admissible on the IFRS statement of financial position but not under Solvency II.

Full details on the reconciliation between Aegon Schadeverzekering's economic balance sheet based on Solvency II and consolidated financial statements based on IFRS-EU are described in chapter D. Valuation for solvency purposes.

E. Capital management

Eligible Own Funds of Aegon Schadeverzekering equaled 254% of the SCR at year-end 2022. This ratio being higher than 100%, demonstrates Aegon's ability to meet policyholder obligations when they fall due, even under stressed conditions.

The lower bound for the target range for the Solvency II ratio (Eligible Own Funds divided by SCR) of Aegon Schadeverzekering is set by the company's Executive Board at 135%. This creates a buffer for the protection of the interests of policyholders. The target zone ensures that capital management can be employed relatively flexible and ensures execution of strategy, capital generation and dividends. When the ratio drops near or into the recovery zone, the management of the entity will take actions that will restore the ratio to a level back in the target zone. Aegon Nederland aims at capitalization levels for the insurance entities that are well within the target zone.

Solvency II key figures for Aegon Schadeverzekering are presented as of December 31, 2021, in the following tables:

<i>Amounts in EUR million</i>	December 31, 2022	December 31, 2021
Own Funds	483	469
SF SCR	190	234
Solvency II ratio	254%	200%
Solvency II ratio without Volatility Adjustment	245%	199%
Minimum Capital Requirement (MCR)	78	101

Own Funds are classified into different tiers, indicating their quality and availability to fully absorb losses. Total Own Funds of Aegon Schadeverzekering only includes Unrestricted Tier 1 capital.

With respect to the Own Funds of Aegon Schadeverzekering, the liability calculation includes the use of the Volatility Adjustment ("VA"), but includes neither the use of transitional measures, nor of the matching adjustment.

Developments in 2022 regarding LAC DT

There have not been any changes to the LAC DT methodology in 2022:

- Similar to previous years, the Loss Absorbing Capacity of Deferred Taxes (LAC DT) is determined by applying a LAC DT Factor on the Dutch corporate tax rate, which is 70% per year-end 2022. The LAC DT is calculated according to the requirements as stated in the Solvency II (SII) regulations, which provides a principle-based approach for the LAC DT substantiation. The methodology reflects Aegon Nederland's current interpretation of both the SII regulations combined with the guidance provided by De Nederlandsche Bank (DNB) on this topic.
- In 2022 DNB started a sector-wide investigation into deferred taxes for which Aegon filled out a quantitative template and self-assessment for each legal entity. DNB is expected to give specific feedback to the different insurers in 2023. This could also result in revised or updated guidance from DNB.

Aegon Schadeverzekering was compliant with the Minimum Capital Requirement (MCR) over the reporting period 2022. Furthermore, there was no non-compliance with the SCR.

Full details on the Aegon's available and eligible Own Funds are described in section E.1 Own Funds. Aegon's SF SCR is described in section E.2.1 Solvency capital requirement.

A. Business and performance

A.1. Business

A.1.1. Name, details and legal form of the undertaking

Aegon Schadeverzekering N.V., ('Aegon Schadeverzekering') incorporated and domiciled in the Netherlands, is a public limited liability company organized under Dutch law and recorded in the Trade Register of the Chamber of Commerce in The Hague under its registered address at Aegonplein 50, 2591 TV The Hague, with registration number 27085000. Aegon Schadeverzekering is wholly owned by Aegon Nederland N.V. ("Aegon Nederland"). Aegon Nederland's share capital is 100% held by Aegon Europe Holding B.V.. Aegon Europe Holding B.V.'s share capital is 100% held by Aegon N.V., the ultimate parent company of the Aegon Group. Aegon Nederland and Aegon N.V. are public limited liability companies, Aegon Europe Holding B.V. is a private limited liability company. Aegon N.V., Aegon Nederland and Aegon Europe Holding B.V. have their statutory seats in The Hague, the Netherlands. All of these companies are mixed financial holding companies, as defined in article 212 (1) (h) of the Solvency II Directive. Solvency II group supervision, as well as supplementary supervision in accordance with EU Directive 2002/87/EC is exercised at the level of Aegon N.V.

Aegon N.V.'s largest shareholder is Vereniging Aegon, a Dutch association located in The Hague, the Netherlands, with the special purpose to protect the broader interests of Aegon N.V. and its stakeholders. On December 31, 2022, Vereniging Aegon held a total of 315,532,860 common shares and 494,433,240 common shares B. All issued and outstanding shares B are held by Vereniging Aegon. Under the terms of the 1983 Merger Agreement as amended in May 2013, Vereniging Aegon has the option to acquire additional common shares B. Vereniging Aegon may exercise its call option to keep or restore its total stake to 32.6% of the voting rights, irrespective of the circumstances that caused the total shareholding to be or become lower than 32.6%.

The Voting Rights Agreement entered into between Vereniging Aegon and Aegon provides that under normal circumstances, i.e. except in the event of a Special Cause, Vereniging Aegon is not allowed to exercise more votes than is proportionate to the financial rights represented by its shares. This means that in the absence of a Special Cause, Vereniging Aegon may cast one vote for every common share it holds and one vote only for every 40 common shares B it holds. In the event of a Special Cause, Vereniging Aegon may cast one vote for every common share and one vote for every common share B.

A Special Cause may include:

- The acquisition by a third party of an interest in Aegon N.V. amounting to 15% or more;
- A tender offer for Aegon N.V. shares; or
- A proposed business combination by any person or group of persons, whether acting individually or as a group, other than in a transaction approved by the Company's Executive and Supervisory Boards.

If Vereniging Aegon, acting at its sole discretion, determines that a Special Cause has arisen, it must notify the General Meeting of Shareholders. In this event, Vereniging Aegon retains full voting rights on its common shares B for a period limited to six months. Vereniging Aegon would, for that limited period, command 32.6% of the votes at a General Meeting of Shareholders.

Investments in associates, joint ventures and Investments in structured entities

Aegon Schadeverzekering has no investments in associates, joint ventures or investments in structured entities.

A.1.2. Name of the Supervisory Authority responsible for the financial supervision of the undertaking and group

For both Aegon Schadeverzekering and Aegon Group, the supervisory authority responsible for prudential supervision is:

De Nederlandsche Bank N.V.
 Westeinde 1
 1017 ZN Amsterdam
 Postbus 98
 1000 AB Amsterdam, The Netherlands
 Telephone: +31(0)20 524 91 11

A.1.3. Name and contact details of the external auditor of the undertaking

The external auditor of Aegon Schadeverzekering is:

PricewaterhouseCoopers Accountants N.V.
 Thomas R. Malthusstraat 5
 1066 JR Amsterdam
 Postbus 90357
 1006 BJ Amsterdam, The Netherlands
 Telephone: +31(0)88 792 00 20

The external auditor's mandate does not cover an audit on the information disclosed in this SFCR.

A.1.4. The undertaking's material lines of business and material geographical areas where it carries out business

Aegon Schadeverzekering is primarily active in Property & Casualty and Accident & Health insurance in The Netherlands. Aegon Schadeverzekering operates from The Hague.

A.1.5. Any significant business or other events that have occurred over the reporting period that have had a material impact on the undertaking

Retail P&C (Property & Casualty)

Market conditions demonstrate a saturated market. Within such market, growth is difficult to realize. Small adjustments to product pricing have been advantageous to policy holders and resulted in fewer lapses, but also limited autonomous growth.

The retail P&C business is mainly distributed through intermediaries (IFA's). The number of IFA's is shrinking rapidly due to a heavy consolidation battle (-49% in 15 years). Whilst focusing on strong relations with IFA's, the increase in production is largely due to extended focus on online sales.

In the beginning of 2022 all COVID-19 related restrictions were alleviated resulting in a 'return to normal'. Particularly, the positive claim experience we observed throughout 2020 and 2021 has returned to pre-COVID-19 level. Most notably in the final months of 2022, multiple accidents with personal injuries have resulted in negative claim experience on Motor.

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Income (Accident & Health) market

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Throughout 2022, claims development was extraordinary favourable. Especially within the first half of 2022 the number of disabled cases declined significantly. UWV (Netherlands Employee Insurance Agency) declared that most WIA assessments due to corona lead to a disability benefit from UWV. Due to privacy protection and delays in assessments by UWV, it is not possible to give a conclusive explanation of the apparently contradictory movement.

A&H performance has been further boosted by actual observations of inflow of claims which was lower versus the expected inflow of claims from the IBNR which results in a release of the total provision. Third significant contributor was the reinsurance started in 2020. This result is driven by a release in provision belonging to claims not covered by reinsurance, whilst new claims are covered by reinsurance and net provision is lower.

Execution of the strategy resulted in growth of the portfolio with approximately 3%, while lowering cost by restructuring the organization and improving efficiency.

As per the end of 2022, Aegon Schadeverzekering successfully renewed an existing 60% quota share reinsurance agreement on its main AOV product. Through this transaction, a number of reinsurers take over the disability risk from Aegon and financially compensate Aegon for insurance claims if and when these arise on the underlying AOV products. This new transaction provides Aegon Schadeverzekering with continued protection against its key risk (disability risk) and improves diversification of its risk profile. A collateral framework has been set-up with the main reinsurers involved in this transaction to manage counterparty risk going forward.

As per the fourth quarter of 2021 introduced methodology change in the valuation of AOV insurances (disability insurance for self-employed, "arbeidsongeschiktheidverzekering voor zelfstandigen"), where the contract boundary until contract end date is applied in combination with a Future Management Action, has throughout this year been applied in calculating the Solvency II figures.

A.2. Underwriting performance

In this section we highlight the key attributors to the underwriting performance. The figures below are based on the IFRS annual report 2022 of Aegon Schadeverzekering.

Table: Underwriting Performance Aegon Schadeverzekering

Amounts in EUR million	2022	2021
1 Premium income	401	391
2 Commissions and expenses	-/- 136	-/- 138
3 Policyholders claims and benefits	-/- 113	-/- 196
4 Income before tax	158	59

1 Premium income

Premium income for 2022 amounts to EUR 401 million.

2 Commissions and expenses

The decrease of this account is largely explained by effect of expense savings initiatives.

3 Policyholder claims and benefits

Policyholder claims and benefits were significantly lower with EUR 113 million, compared to EUR 196 million in 2021. The decrease is primarily driven by increasing interest rates resulting in lower insurance liabilities for WIA products.

4 Income before tax

The income before tax in 2022 was a profit of EUR 158 million, compared to a profit before tax in 2021 of EUR 59 million. This increase is mainly due to lower policyholder claims and benefits, as explained before, and by the positive results from financial transactions; refer to section A.3 'Investment performance' for more information on this.

A.3. Investment performance

In this section the key attributors to the investment performance are presented. The figures below are based on the IFRS annual report 2022 of Aegon Schadeverzekering.

A.3.1. Breakdown of investments

Aegon Schadeverzekering holds investments for the own general account. The composition of the assets in the balance sheet is presented in the following table.

Table: Breakdown Financial Assets

Amounts in EUR million	2022	2021
Debt securities	483	576
Loans	602	572
Other investments	0	0
Shares	232	249
Total	1,317	1,397

A.3.2. Investment performance

The investment performance consists of attributors shown in (a) IFRS income statements and of attributors (b) directly through equity in the IFRS balance sheet.

Table: Investment performance through Profit and loss

Amounts in EUR million	2022	2021
1 Investment income	17	17
2 Results from financial transactions	-/- 8	-/- 5

1 Investment income

The investment income is further explained in the table below.

Table: Breakdown Investment income

Amounts in EUR million	2022	2021
Debt securities (Interest)	8	6
Loans (Interest)	13	15
Other investments (Interest)	-/- 4	-/- 4
Shares (Dividend income)	0	0
Total	17	17

2 Results from financial transactions

The results from financial transactions are further explained in the table below.

Table: Breakdown Results from financial transactions

Amounts in EUR million	2022	2021
Realized gains / (losses) on financial investments	0	0
Net fair value change of derivatives	-/- 7	-/- 9
Net fair value change on Financial Assets at fair value through profit or loss other than derivatives	-/- 10	-/- 1
Net foreign currency gains / (losses)	9	5
Total	-/- 8	-/- 5

Information about investment performance through equity is further explained in the table below.

Table: Investment performance through equity

Amounts in EUR million	2022	2021
Gains / (losses) on revaluation of available-for-sale investments	-/- 64	-/- 14
Net gains / (losses) transferred to income statement	0	0

The gains / (losses) on revaluation of available-for-sale investments and Net gains / (losses) transferred to income statement of available-for-sale investments are relevant attributors that are included in the statement of other comprehensive income in the IFRS financial statements. Both attributors relate to the revaluation of assets that are classified as available for sale, such as certain debt securities. The amounts disclosed are before tax.

A.4. Performance of other activities

Aegon Schadeverzekering does not perform any other activities than underwriting and investment activities. Therefore, overall performance is disclosed under A.2 Underwriting performance and A.3 Investment Performance.

A.5. Any other information

All relevant information is covered in the previous sections.

B. System of governance

B.1. General information on the system of governance

B.1.1. Structure, roles and responsibilities of the Administrative, Management or Supervisory Body (AMSB)

Structure

Aegon Nederland is the sole shareholder of Aegon Levensverzekering, Aegon Spaarkas, Aegon Schadeverzekering and several other companies which together form Aegon Nederland. The Statutory Management Board of Aegon Nederland centrally manages Aegon Nederland and also forms the statutory management board in charge of Aegon Schadeverzekering. For Aegon Schadeverzekering MT Non-Life has been installed, a management team comprising of non-statutory board members that is in charge of the day-to-day management of Aegon Schadeverzekering. Since Aegon Schadeverzekering is part of Aegon Nederland, the report on the system of governance will also contain various references to Aegon Nederland, amongst others the governance, remuneration policy, risk system, and key functions that are centrally organized at Aegon Nederland.

Aegon Nederland operates in an ever-changing environment due to customer and stakeholder demands, as well as market developments. By providing clear information and taking the customers interest at heart ("Klantbelang Centraal" or Customer Centricity) and easily comprehensible products and services, Aegon Nederland helps people to live their best life.

Over the last few years, Aegon Nederland's strategy has been enhanced and refined. Changes to the strategy have been made to reflect developments inside as well as outside of the company, whereby the company has been further transformed from being product-driven towards being customer-driven. Changes to our organization and governance structure were required, the concept of "Accountability within a clear framework" was introduced, with a well-defined company strategy, functional policies and group-wide standards and replaced a more "federated" model in August 2021.

Aegon Nederland is divided into four Business Units: Life, Bank, Mortgages, and Workplace Solutions. Within each Business Unit, the managerial team of each legal entity remains responsible for its own statutory accounting and reporting (including SII reporting). By bringing value delivery and cost under control of the relevant Business Unit accountability further increased.

Departments or divisions

To improve the corporate agility to drive productivity, time to market, quality and customer and employee satisfaction, Aegon Nederland incorporated agile functions and responsibilities and implemented SAFE processes to support our delivery of value to our clients. The processes are designed to find the optimal balance between 'value, time criticality and risk reduction' and align 'strategy with execution'. This ensures a way of working in which Quality by Design is embedded.

In our Operating Model four governance layers are introduced:

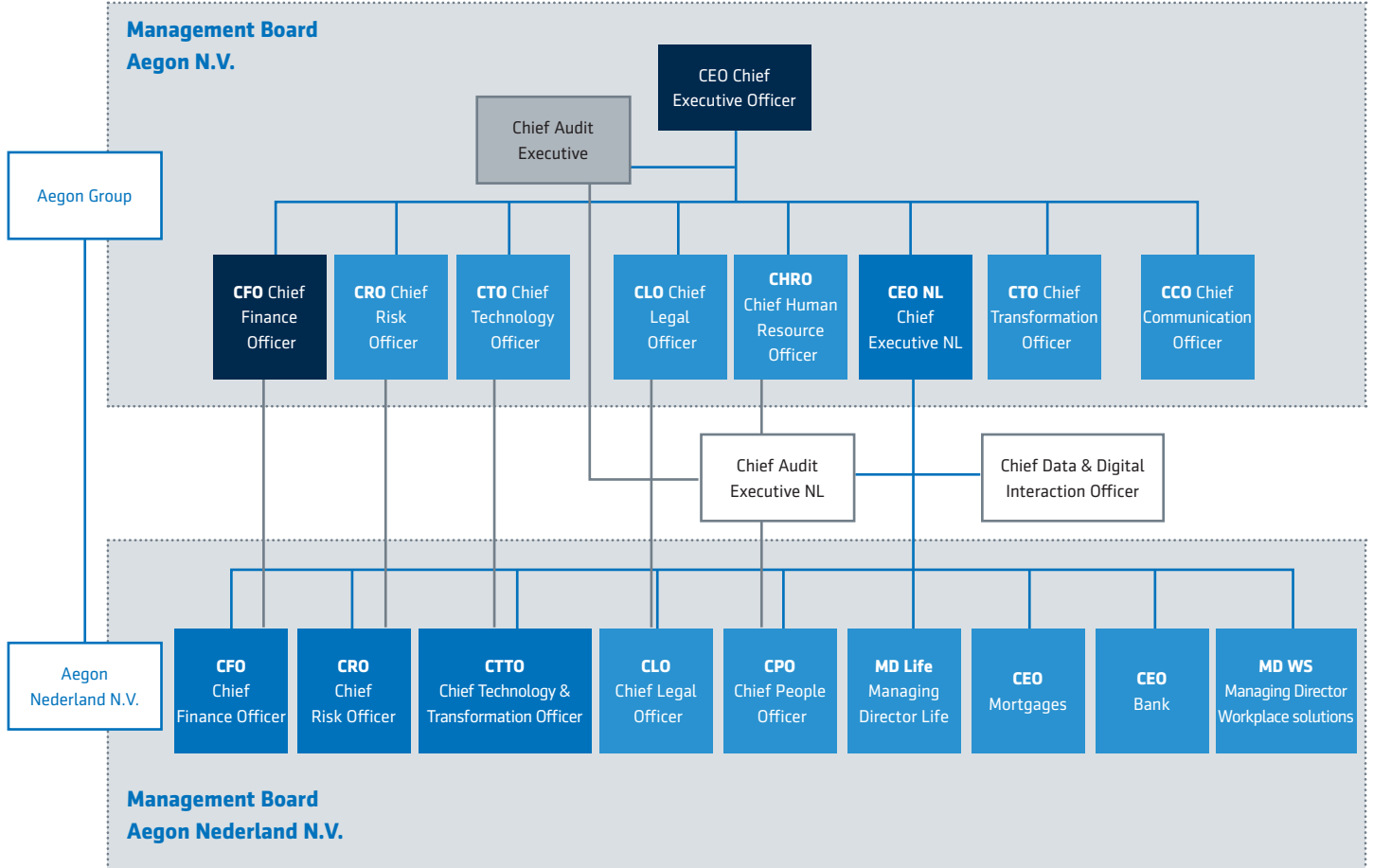
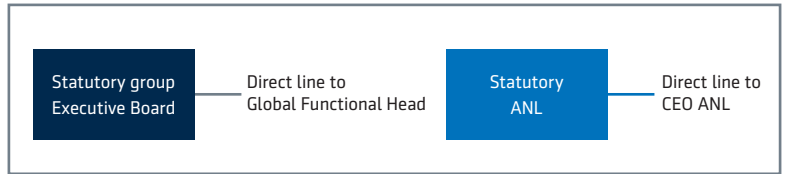
1. **Business Units:** The Business Unit is integrally responsible for run and change of the legal entity with a dedicated management team and end-to-end responsibility;
2. **Value Stream (VS):** the VS is integral responsible for run and change of one or more businesses of the legal entity;
3. **Enabling Business Services (EBS):** An EBS enables the VS to deliver value to customers by delivering generic services; and
4. **Center of Expertise (COE):** the COE delivers expertise and dedicated people to the VS and EBS.

Management hierarchy

On August 1, 2021, the new target operating model (TOM) has been implemented within Aegon Nederland, as part hereof:

- I. Aegon's activities in the Netherlands has been organized in four Business Units (as described above);
- II. The Business Units are empowered to pursue their activities within a framework on strategy, capital allocation, policies, and guidelines set by Aegon N.V. (accountability within the framework); and
- III. The functional governance has been updated (the Functional Governance).

Pursuant to this system of Functional Governance double reporting lines have been installed whereby a function holder at Business Unit level (for example the person responsible for Finance, Risk (& Compliance) or Legal) has a (hierarchical) solid reporting line to both the CEO or MD of the relevant Business Unit as well as a (functional) solid reporting line to the function holder at the level of Aegon Nederland (e.g., the CFO, CRO, or CLO). As Aegon Nederland serves as a span breaker in the system of Functional Governance, the double reporting lines also exist at Aegon Nederland level, whereby each function holder within Aegon Nederland has a (hierarchical) solid reporting line to both the CEO of Aegon Nederland as well as a (functional) solid reporting line to the function holder at the level of Aegon N.V. (e.g. the CFO, CRO or CLO). This system of Functional Governance is further set out in the structure chart below.



Roles and responsibilities

Supervisory Board

Aegon Nederland has a Supervisory Board which is responsible for supervising the policy of the Statutory Management Board and the general course of affairs within Aegon Nederland and its related businesses and entities. The Supervisory Board is also responsible for advising the Statutory Management Board. The Supervisory Board of Aegon Schadeverzekering comprises of the same individuals as the Supervisory Board of Aegon Nederland, and therefore forms a personal union similar to the Statutory Management Board.

The Supervisory Board has adopted rules on its way of working and decision making and included that in a charter that has been drawn up pursuant to Article 17.6 of the Company's Articles of Association. According to this charter the supervision by the Supervisory Board shall also include: (i) focusing on the client's interests; (ii) achieving the Aegon Nederland's objectives; (iii) the strategy; (iv) the risks associated with Aegon Nederland's activities, including Aegon Nederland's risk policy and risk appetite; (v) the structure and operation of the internal risk management and control systems; (vi) the financial reporting process; (vii) implementation of the Aegon Nederland Remuneration Policy; and (viii) compliance with the applicable legislation and regulations.

The majority of the members of the Supervisory Board are independent and operate independently in accordance with the principles and requirements of DNB's Suitability Policy Rule 2012. Given the members' different professional and educational backgrounds, ages and range of knowledge and experience, the Supervisory Board has a broad-based membership.

The terms of the Supervisory Board members are as follows:

Name	Year of first appointment	(Re-) Appointment	End of term
Mrs. D.H. Jansen Heijtmajer	2016	August 4, 2020	2024
Mrs. M.J.E. Hoek	2019	May 13, 2019	2023
Mr. M.J. Rider	2021	July 1, 2021	2025
Mr. G.J.M. Vrancken	2019	January 1, 2023	2027

Statutory Management Board

Aegon Nederland's Statutory Management Board is charged with the overall management of Aegon Nederland and acts as holding company of Aegon Nederland. Aegon Nederland's Statutory Management Board is responsible for the continuity of the company and its affiliated enterprise and developing the strategy and its associated risk profile, in addition to overseeing any relevant sustainability issues and the development of the company's earnings. The Statutory Management Board focuses on long-term value creation for the company and its affiliated enterprise and takes into account the stakeholder interests that are relevant in this context. Aegon Nederland's Statutory Management Board has three members. Each member has duties related to his or her specific area of expertise. Decisions within Aegon Nederland and entities part of Aegon Nederland for which the Statutory Management Board members also constitute the Statutory Management Boards are adopted by the members of the Statutory Management Board. The Statutory Management Board determines the long-term strategy and the budget of Aegon Nederland. The members of the Statutory Management Board are regarded as first tier daily decision makers ("dagelijkse beleidsbepalers") under regulation as published by the supervisory authorities.

The Statutory Management Board is charged with the management of the company, which means, among other things, that it is responsible for setting and achieving Aegon Nederland's objectives, strategy and the associated risk strategy and risk tolerance, and ensuring delivery of results and corporate social responsibility issues that are relevant to the company. The Statutory Management Board is accountable for these matters towards the Supervisory Board and the General Meeting of Shareholders.

Responsibility for the management of the company is vested collectively in the Statutory Management Board. The Statutory Management Board is responsible for compliance with all relevant laws and regulations, for managing the risks attached to Aegon Nederland's activities and for the financing of the company. The Statutory Management Board reports on these issues to and discusses the internal risk management and control systems with the Risk and Audit Committee of the Supervisory Board.

The composition of the Statutory Management Board as of December 31, 2022, is as follows:

- Mrs. A.C.C. van Hövell-Patrizi (Chief Executive Officer (CEO));
- Mr. B. Magid (Chief Financial Officer (CFO)); and
- Mr. W.H.M. van de Kraats (Chief Risk Officer (CRO)*).

* Mr. W. Horstmann - previous CRO - resigned as of February 1, 2022, and Mrs. A.H.T.M. Schlichting, Chief Technology and Transformation Officer resigned as of April 4, 2022.

The Management Board Aegon NL (MB NL)

Aegon Nederland's statutory management board is assisted in its duties by the Chief Legal Officer and Chief People Officer, collectively referred to as Management Board NL (MB NL). MB NL - as of 31 December 2022 - consists of five (5) members including the statutory management board, being:

1. CEO Aegon Nederland;
2. CRO Aegon Nederland;
3. CFO Aegon Nederland;
4. Chief Legal Officer (CLO) Aegon Nederland; and
5. Chief People Officer (CPO) Aegon Nederland

MB NL works in unison with the Statutory Management Board and helps oversee operational issues and the implementation of Aegon Nederland's strategy. While the Statutory Management Board is Aegon Nederland's sole statutory executive body, MB NL provides vital support and expertise in pursuit of the company's strategic objectives. The non-statutory MB NL members have an advisory role and also manage a department within Aegon Nederland. Moreover, MB NL is assisted by a company secretary who also acts as the secretary of the Supervisory Board of Aegon Nederland and its subsidiaries.

Committees and Boards

The Supervisory Board and/or the Statutory Management Board have established Committees and Boards which sometimes have an advisory role and are sometimes authorized to take certain decisions on behalf of the Statutory Management Board.

These bodies are typically mandated in relation to a specific topic (sustainability), work stream (for example day to day operations of Aegon Schadeverzekering (MT Non-Life)) or temporary regulatory change (such as IFRS 17).

As a rule of thumb, boards comprise of members of the Statutory Management Board, committees, or teams of members of senior management only and steering committees are incorporated for specific topics that need to be resolved within a certain period of time, such as implementation of new regulations or accounting standards or an impending transaction.

When the Statutory Management Board considers implementing a board, committee, or steering committee it considers whether these bodies are "decision-making" bodies or merely advisory bodies.

It furthermore considers:

- what **quorum** is required (e.g., required presence of second line);
- **decision making** process (e.g., simple majority / unanimity);
- **escalation** mechanism in the case no resolutions can be adopted (mostly to MB NL);
- **exchange of information** (either by having a member of the Statutory Management Board be a member of the relevant committee or by having regular reporting of the committee to MB NL); and
- **evaluation** on a regular basis performance of the committee is evaluated.

These principles are also included in charters which include the mandate of the relevant committee. The respective Committees and Board charters all require regular evaluations of effectiveness.

The table below provides an overview of the roles and responsibilities of the Committees and Boards instituted by the Statutory Management Board of Aegon Nederland.

ANL Committee/ boards Role

Statutory Management Board/MB NL	The Statutory Management Board is responsible for centrally managing Aegon Nederland, thereby striving for the continuity of the company and its affiliated enterprise. The management board focuses on long-term value creation and takes into account the stakeholder interests that are relevant in this context.
MT NL	In addition to MB NL also a management team Aegon Nederland (MT NL) has been instituted. The composition of MT NL mirrors the composition of the Management Board of Aegon Group and comprises in addition to the members of MB NL of the four leaders of the business units of Aegon Nederland. MT NL assists the MB NL in the performance of its task. As part of this, MT NL prepares decision-making at strategic and tactical level. Within MT NL, attention is paid to the progress made at Business Unit level in the implementation of the operational plan, whether the activities are carried out within budget and/or whether the Business Unit's business plan needs to be adjusted.
Supervisory Board	Aegon Nederland's Supervisory Board oversees the management of the Statutory Management Board, in addition to the company's business and corporate strategy. The Supervisory Board must take into account the interests of all Aegon Nederland's stakeholders. The Supervisory Board operates according to the principles of collective responsibility and accountability.

Risk and Audit Committee	The RAC monitors, discusses and supports the controlled execution and management of risks and issues relevant to the operational risk management of Aegon Nederland. Financial risks are within the remit of RCC. The RAC uses the ERM Taxonomy as its leading methodology.
Asset and Liability Committee (ALCO)	The AMC is responsible for preparing proposals for the eventual decision making by the RCC on Framework, Methodology and Assumption changes excluding pricing and expense cost base and allocation. AMC is authorized to take decisions on behalf of the RCC.
Risk and Audit Committee (RAC MTNL and SB RAC)	RAC meetings are constituted at three levels: legal entities, MT NL, and Supervisory Board.
Risk and Capital Committee (RCC)	The Risk & Capital Committee (RCC) is mandated to manage the balance sheet of Aegon Nederland, the Aegon insurance subsidiaries and Aegon Hypotheken B.V. and operates within the limits as set by its charter as well as the Capital Management Policy. RCC meetings are constituted at the level of Aegon Nederland and level of insurance subsidiaries.
Asset and Liability Committee (ALCO)	The purpose of the Asset & Liability Committee (ALCO) is to prepare decision making and in addition it has limited decision authority on Balance Sheet Management Transactions & Initiatives, thereby managing economic, accounting, and statutory balance sheet position and financial risks of the Aegon Nederland entities. The scope of the ALCO includes investment proposals and ALM proposals and excludes dividend proposals. The ALCO is instituted by the RCC. The ALCO is a Decision-making and Advising Body.
Assumptions and Methodology Committee (AMC)	The AMC is responsible for preparing proposals for the eventual decision making by the RCC on Framework, Methodology and Assumption changes excluding pricing and expense cost base and allocation. AMC is authorized to take decisions on behalf of the RCC.
Model Validation Committee (MVC)	The Model Validation function is part of the Group Risk function and is independent from model owners and business users. All model validation reports are approved in the Model Validation Committee (MVC). It is the sole responsibility of the MVC to decide on model validation reports and the opinion expressed therein. The MVC reports to the Group Risk and Capital Committee (GRCC) but is independent from the GRCC in performing its tasks. Any escalation is within the Group Risk function (to the Group CRO) and does not involve the GRCC or any other Aegon governance body.
Aegon Nederland Offerte overleg	MT NL Offerteoverleg Zakelijk segment is mandated to safeguard the issuance of proposals (customized proposals as well as large proposals for business clients) by Aegon Levensverzekering and Aegon Schadeverzekering is performed in accordance with the minimum requirements as set by Aegon Nederland. It safeguards that these proposals are brought for approval to the board of Aegon Nederland before they are submitted by the Value Streams. This MT also reviews smaller proposals when the Value Streams want to deviate from the minimum required Cost of Capital and/or the WACC.
FN Change Board	The purpose of the FN Change Board is to, on behalf of MT Finance, manage the processes with respect to (changes in) models and dataflows within the FN Change Process.
NL FLATT Committee	The NL FLATT Committee is a multidisciplinary committee that assesses decisions proposed by the management of any Aegon-entity within Aegon Nederland to execute certain corporate actions which affect the internal legal, financial and/or tax structure of Aegon Nederland. Such actions also need prior written approval of MB NL or the RCC. The NL FLATT Committee assesses the technical soundness of these proposed corporate actions from different perspectives and takes the business rationale into account, but it is not the NL FLATT Committee's responsibility to judge or evaluate this business rationale. As such, the NL FLATT Committee functions as advising body.

<p>Framework & Policy Committee (FPC)</p>	<p>The FPC has review rights regarding all policies, standards, charters, and guidelines within Aegon Nederland. The FPC can give advice, however the approval rights remain with the Board. The FPC is the only instituted committee to review and advice regarding policies, standards, charters, guidance and multi entity deviation requests.</p>
<p>Data Usage and Privacy Board (DUPB)</p>	<p>The DUPB promotes and facilitates the organization in the specific area of data usage and privacy and to process data in accordance with the defined Data Strategy and privacy policies. The DUPB decides on requested deviations from data usage and privacy policies. The Data Usage & Privacy Board acts on the delegated authority of the Statutory Management Boards of Aegon Nederland, the insurance entities, Aegon Advies B.V., Aegon Bemiddeling B.V., Aegon Hypotheken B.V. and Cappital, with a specific focus on topics related to data usage and privacy.</p>
<p>Regulatory Change Committee</p>	<p>The NL Regulatory Change Committee is a multi-disciplinary committee, which aims to discuss identified Regulatory change events relevant to the Aegon Nederland entities. This relevance may arise from potential impact on business model, operating model and/or strategy or a potential business opportunity. The NL Regulatory Change Committee further aims to assign ownership of Regulatory changes events and will report to relevant management bodies on overall the (implementation) status of Regulatory change events. The Statutory Management Board of Aegon Nederland has instituted the NL Regulatory Change Committee. The NL Regulatory Change Committee is a Decision making and Advising body.</p>
<p>Sustainability Board</p>	<p>The NL Sustainability Board is a multi-disciplinary board, which aims to discuss, propose, and decide on certain sustainability related matters within Aegon Nederland, such as propose and implement a Sustainability Roadmap and approve changes to the Aegon Nederland Responsible Investment Policy.</p>
<p>Responsible Investment Committee</p>	<p>The Aegon Nederland Responsible Investment Committee (RIC) is responsible for the ongoing development and implementation of the Aegon Nederland Responsible Investing Policy (RI Policy). This includes ensuring compliance with laws, regulations, local market standards, Aegon Group RI Policy, and Aegon Nederland's Responsible Business Strategy. Where needed the RIC will propose revisions to the RI Policy to ensure it is fit for purpose.</p>
<p>MT Finance</p>	<p>MT Finance is instituted by the Statutory Management Board of Aegon Nederland and is an Advising body, MT Finance is chaired by the CFO. MT Finance supervises the design, implementation and monitoring of the financial processes as well as the relevant control frameworks.</p>
<p>MT Life</p>	<p>MT Life is instituted by the Statutory Management Board of Aegon Levensverzekering and Aegon Spaarkas and is a Decision making and Advising body, MT Life is chaired by the MD Life and is in charge of managing the operations of the Business Unit Life (including the legal entities and value streams forming part thereof).</p>
<p>MT Non-Life</p>	<p>MT Non-Life is instituted by the Statutory Management Board of Aegon Schadeverzekering and is a Decision making and Advising body, MT Non-Life is chaired by the MD Non-Life and is in charge of managing the operations of the legal entity Aegon Schadeverzekering (including the value streams forming part thereof).</p>
<p>Valuation Committee</p>	<p>The purpose of the Valuation Committee is to ensure that the valuation of the Alternative Investments and real estate investments (incl. joint ventures in real estate) (hereafter: Alternative Investments), and private placements and Alternative Loan Funds managed by Aegon Asset Management (AAM) on the balance sheet of Aegon Nederland-entities, are valued appropriately from a financial perspective. In order to achieve this, the Valuation Committee receives the appropriate information needed to determine the valuation of the Alternative Investments. The valuation as determined by the Valuation Committee is used for internal decision making and external reporting. The Valuation Committee is instituted by the Management Team Finance.</p>

B.1.1.2. Appropriateness of the system of governance

Aegon Nederland, including Aegon Schadeverzekering, performs a periodic review of the operational effectiveness of its system of governance, in order to assess its appropriateness in relation to the strategy and the business operations. This review, which was performed in 2021, includes: (i) the evaluation of the functioning of the key functions of Aegon Nederland, including the adherence to relevant system of governance requirements, and stakeholder feedback, (ii) the self-evaluation of the MT Life, MT Non-Life and the committees that fulfil an important decision-making role within the system of governance, and (iii) the self-evaluation of the Statutory Management Board and the Supervisory Board of Aegon Nederland.

The system of governance review assesses the system as currently existing and operating within Aegon Nederland. The conclusions of the review are included in the System of Governance review report, which has been concluded most recently in 2021. The current review is still in progress, with an expected due date in 2023.

Aegon Nederland and its insurance subsidiaries have in place a system of governance and key functions in accordance with the legislative requirements. This is codified in a structure of function and committee charters, function policy documents and function reports. The respective charters and policy documents are reviewed on a periodic basis, updated where necessary and taken through applicable governance. Furthermore, Aegon performs its Own Risk and Solvency Assessment (ORSA) process and produces a range of required Solvency II reporting deliverables such as Solvency and Financial Condition Report and Regular Supervisory Report. Governance requirements are an essential element of the Solvency II legislation and embedded in the range of in force Aegon charters, policy documents, function reports and Solvency II reports. The Aegon Nederland system of governance includes the Risk Management Function (RMF), the Compliance Function (CF), the Internal Audit Function (IAF) and the Actuarial Function Holder (AFH) and these functions are considered to be key functions.

The system of governance of Aegon Nederland includes an adequate transparent organizational structure with a clear allocation and appropriate segregation of responsibilities and an effective system for ensuring the transmission of information. The system of governance is supported by the Aegon Nederland Policy House, which includes written policies and charters in place and implemented in relation to risk management (which includes compliance), internal control, internal audit and, where relevant, outsourcing.

In order to remain in control, it is important that the employees of Aegon Nederland and its subsidiaries remain familiar with the policy documents that apply to them. Failure to do so could result in unmanageable and unacceptable risks. The existence of the Policy House is a measure to prevent this and therefore it is crucial to maintain the Policy House as the single source of truth for approved policy documentation for both Aegon Nederland and its subsidiaries. The FPC has an important role in this context. The FPC consists of representatives of different business and staff units and reviews policy documents such as policies, standards, charters, and guidelines. Moreover, the FPC renders advice on policy waivers applicable to multiple legal entities within Aegon Nederland.

The system of governance of Aegon Nederland can be regarded effective in setup and existence and predominantly compliant with applicable Solvency II governance requirements. Further, good effectiveness results were achieved by the MT-s and committees as referred to above. Aegon Nederland will follow-up on identified gaps and points of improvement, in order to further improve the effectiveness of the system of governance.

B.1.2. Key Functions

Apart from the Supervisory Board, the Statutory Management Board, and the Management Team Aegon Nederland, in line with Solvency II Delegated Regulation, Aegon Schadeverzekering has identified the following individuals as Key Function Holders:

- **Actuarial Function Holder**
Tjeerd Degenaar
- **Risk Function Holder**
Martijn Tans
- **Compliance Function Holder**
Qiumei Yee
- **Internal Audit Function Holder**
Paul van der Zwan
- **Risk management:** The Risk Function Holder (RFH) reports to the Chief Risk Officer (CRO) who directs the department of Risk & Compliance. The RFH operates independently from the first line functions and other functions and reports (and escalates if necessary), next to the CRO, also periodically to the Statutory Management Board and to the Risk & Audit Committee of the Supervisory Board.
- **Compliance:** The Compliance Function Holder reports to the CRO of Aegon Nederland in its role as statutory director of Aegon Nederland and the statutory board of Aegon Nederland. The Compliance Function Holder can escalate in situations where she deems necessary. In these situations,

the Compliance Function Holder can escalate to the CEO of Aegon Nederland, the Supervisory Board of Aegon Nederland, the Global Head of Compliance of Aegon N.V., the Group ORM Officer of Aegon N.V. or the supervisory authorities where necessary. The organization, roles and responsibilities of the compliance function are more extensively described in section B.4.2.

- **Internal audit:** The Chief Audit Executive is the function holder for Internal Audit. In line with the requirements, Internal Audit is fully objective and independent from all other functions, reporting directly to the CEO and Supervisory Board Risk & Audit Committee. The organization, roles and responsibilities of the internal audit function are more extensively described in section B.5.
- **Actuarial function:** The Actuarial Function Holder (AFH) reports to the CRO, who directs the department of Risk & Compliance. The AFH operates independently from the first line functions and other functions and reports (and escalates if necessary), next to the CRO, also periodically to the Statutory Management Board, to the Risk & Audit Committee of the Supervisory Board and to the Global Chief Actuary. The organization, roles and responsibilities of the Actuarial function are more extensively described in section B.6.

The key functions stated above have the necessary resources to carry out their tasks. Resourcing of staff and other means required to execute control is documented as part of the charters agreed with the Statutory Management Board and the Supervisory Board. Issues in resourcing can be brought forward to the Executive and the Supervisory Board. The necessary operational independence of the key functions is also documented as part of the charters.

B.1.3. Remuneration policy

B.1.3.1. General information on the remuneration policy and practices

The remuneration policy is centralized at Aegon Nederland level and also applies to Aegon Schadeverzekering. Aegon Nederland pursues a careful, sound, and sustainable remuneration policy. As Aegon Nederland has adopted the Regulation on Sound Remuneration Policies (Regeling beheerst beloningsbeleid as issued by DNB), the Aegon Nederland remuneration policy is in line with the requirements stipulated in the regulation.

Aegon Nederland's remuneration policy applies to the Statutory Management Board, management teams, senior management, and other employees of Aegon Nederland and subsidiaries and complies with the applicable national and international regulations. The policy is in accordance with the Aegon Group Global Remuneration Framework (AGGRF) drawn up by Aegon

N.V. and has due regard for developments in society. In 2021 an addition was made to the policy reflecting that environmental, social and governance events and conditions (ESG factors) are increasingly a (potential) core issue for Aegon's stakeholders.

The remuneration policy is in line with the strategy, vision, core values and risk appetite of Aegon Nederland. This means that the level of variable remuneration for employees is discussed in meetings of the Supervisory Board, as well as the financial performance criteria which are applied to variable remuneration. These are adjusted for the estimated risks and cost of capital, whereby the variable remuneration components are in line with Aegon Nederland's long-term objectives.

Regarding the form and timing of payments, the regulation requires a portion of the variable remuneration paid to Material Risk Takers (i.e., members of the Management Team) to be deferred and partially paid in shares.

Variable remuneration is based on performance related to present targets on the following three levels: (i) Aegon N.V., (ii) Aegon Nederland and (iii) personal. The targets are a mix of financial and non-financial performance criteria, which are as objective as possible. The financial criteria were adjusted for estimated risks and cost of capital upon assessment of the actual performance.

Under the governance provisions of Aegon Nederland's remuneration policy, the Supervisory Board is authorized, following the results of an ex-post assessment, to suspend or cancel all or part of the variable remuneration granted conditionally to Material Risk Takers ('malus clause').

The governance provisions in Aegon Nederland's remuneration policy state that the Supervisory Board is authorized to recover variable remuneration previously paid to members of the management team and senior management if it was granted based on inaccurate financial or other information ('claw back' clause). In 2022, there was no claw back of variable remuneration.

Governance

In accordance with Aegon Nederland's remuneration policy, the Supervisory Board has the following duties and responsibilities: (i) approval of the general principles of the remuneration policy, (ii) regular assessment of the general principles of the remuneration policy, (iii) responsibility for the remuneration policy of the Statutory Management Board, (iv) review of the remuneration of Material Risk Takers, (v) instructing the Statutory Management Board to implement the remuneration policy and (vi) instructing the Remuneration Steering Group and/or Internal Audit to assess the application of the policy and the procedures covered.

B.1.3.2. Principles of the remuneration policy

Members of the Statutory Management Board as well as other selected jobholders have been defined as 'Material Risk Takers' in accordance with new rules, guidelines, and interpretations. Of these, the Dutch 2015 Wbfo, the DNB Regulation on Sound Remuneration policies 2014 and the guidelines issued by the European Banking Authority and its predecessor issued under the successive European CRD frameworks (in particular CRD III and IV) are prominent examples. The rules have been adopted in Aegon N.V.'s Global Remuneration Framework and consistently applied within Aegon Nederland in the Aegon Nederland Remuneration Policy. After the performance period, and based on the framework, variable compensation, if any, is partially made available and partly deferred.

Variable compensation is paid in both cash and in Aegon N.V. shares. The shares are conditionally granted at the beginning of the year at the average share price on the Euronext stock exchange in Amsterdam during the period between December 15 preceding a plan year and January 15 of the plan year. The performance indicators apply over a performance period of one year and consist of Aegon N.V. and/or Aegon Nederland targets (both financial and non-financial) set by the Supervisory Board or the remuneration committee and personal/strategic targets. The conditional grant of variable compensation is also dependent on continued employment of the individual employee to whom the rights have been granted.

An ex-post assessment is applicable to determine whether allocated (unvested) variable compensation should become unconditional or should be adjusted. In addition, for Members of the Statutory Management Board, Aegon Nederland's Supervisory Board has the right to reclaim variable compensation that has already been paid out or vested.

For members of the Statutory Management Board all variable compensation has vested after three years following the performance period. At vesting, the variable compensation is transferred to the individual employees. Additional holding periods may apply for vested shares. Members of the Statutory Management Board are not entitled to execute any transactions regarding the shares for a period of three years following vesting (with the exception of shares withheld to cover for the payment of any applicable taxes, social security premiums and possible other deductions by the government due for which the company holds a withholding obligation in connection with the vesting of the shares). In compliance with regulations under Dutch law, no transactions regarding the shares may be exercised in closed periods.

B.1.3.3. Share options, shares or variable components of remuneration

Variable remuneration for the Management Team of Aegon Nederland were paid 40% in cash and 60% in shares of Aegon N.V..

The remuneration policy and its implementation were discussed in meetings held by the Supervisory Board on several occasions during 2022. In 2022, in accordance with Aegon Nederland's Remuneration policy, 40% of the 2021 variable remuneration was paid directly to members of the Statutory Management Board of Aegon Nederland and the remaining 60% was conditional. The 60% is subject to a deferral period of three years without any further holding requirements in accordance with the principles of the Aegon Group Global Remuneration Framework. Shares are withheld to cover payment of any applicable taxes, social security premiums and/or other possible deductions by the government (for which the company holds a withholding obligation in connection with the vesting of the shares).

Variable compensation awarded to Material Risk Takers remains conditional, an ex-post risk assessment may indicate reasons for lowering the amounts or not pay at all.

B.1.3.4. Supplementary pension or early retirement schemes for the members of the administrative, management or supervisory body and other key function holders

Members of the Statutory Management Board, Supervisory Board and key function holders are offered pension arrangements and retirement benefits in conformity with the standard Aegon Nederland arrangement. Pension arrangements do not include discretionary elements.

Aegon Schadeverzekering does not grant Statutory Management Board members and Supervisory Board members personal loans, guarantees or other such arrangements, unless in the normal course of business and on terms applicable to all employees, and only with the approval of Aegon Nederland's Supervisory Board.

B.1.4. Disclosure on material transactions

There were no material transactions with members of the Supervisory Board, the Statutory Management Board and/or MB NL.

B.1.5. Material changes in the system of governance

Reference is made to section B.1.1 of this SFCR.

B.2. Fit and proper requirements

B.2.1. Requirements for skills, knowledge and expertise

Statutory Management Board

To fulfil their tasks, the specific skills that members of the Statutory Management Board of Aegon Nederland should have at their disposal include: i) Leadership (i.e. ideas, people and change); ii) Strategic thinking and sound judgment; iii) Financial and commercial acumen, particularly around complex and inorganic change activities; iv) Influencing and relationship building; v) Communication; vi) Delivery with clear focus on outcomes; vii) Innovation and problem solving; and viii) Customer-centricity. Moreover, the members of the Statutory Management Board should possess knowledge and experience in the areas of:

1. Strategic understanding of and insight into the financial services industry, with particular emphasis on the challenges and opportunities associated with achieving success for a market leading life and pensions and digitized platform company;
2. Specifically, good understanding of the different regimes associated with Insurance and Investments, including capital management and regulatory frameworks; and
3. Extensive industry and executive management experience in a number of financial, operational, and strategic roles – an industry leader respected by regulators, trade associations and government bodies; and proven ability to lead complex transactions across an organization, including inorganic activity.

Requirements for skills, knowledge and expertise are also reflected in the Statutory Management Board profile which has been drawn up for the Statutory Management Board and which is updated periodically.

Supervisory Board

The Supervisory Board, as a collective, should have qualifications including an international composition; experience with, and understanding of the administrative procedures and internal control systems; affinity with and knowledge of the industry, its clients, its products and services, the financial services market and Aegon Nederland's businesses and strategy; knowledge and experience in (digital) marketing and distribution and the applications of information technology; expertise and experience in digital transformation; experience in the business world, both nationally and internationally; and financial, accounting and business economics' expertise and the ability to judge issues in the areas of risk management, solvency, actuarial currencies and investment and acquisition projects. Requirements for skills, knowledge and expertise are also reflected in the Supervisory Board profile which has been drawn up for the Supervisory Board and which is updated periodically.

Solvency II key function holders

The existing Permanent Education program of Aegon Nederland for key function holders and their (in)direct reports is being strengthened. Aegon Nederland has set up a Permanent Education program that entered into force in 2020. Aegon Nederland has developed this program together with the University of Amsterdam (UvA) and is certified by the UvA.

B.2.2. Process for assessing the fitness and the propriety requirements

In accordance with the Dutch Financial Supervision Act, Aegon Nederland has identified, in addition to the members of the Statutory Management Board and Supervisory Board, those persons that fulfil 'key functions' as referred to in Articles 3:271 and 3:272, in connection with Articles 3:8 and 3:9 of the Dutch Financial Supervision Act. This group of persons is broader than but includes all persons that fulfil key functions as referred to in art. 294 (2) of the Solvency II Delegated Regulation. These persons are subject to a pre-employment screening prior to their employment within Aegon Nederland, as well as a propriety assessment by the Dutch supervisory authorities prior to their appointment in a key function. Ongoing compliance with propriety requirements of the persons that effectively run the undertaking or have other key functions is a joint responsibility of the respective person as well as Aegon Nederland. Persons that fulfil key functions also undergo an internal fitness assessment process. Within this process the resume of the candidate will be assessed, interviews are held, and the skills and expertise of the candidate is checked against the function profile.

Aegon Nederland has a pre- and in-employment screening process in place. Whereas pre-employment screening aims to assess the internal fitness of employees ahead of hiring, in-employment screening aims to periodically reassess the internal fitness during employment.

Aegon Nederland facilitates various education programs for Statutory Management Board, Supervisory Board, and other key functions.

Statutory Management Board

The members of the Statutory Management Board have broad-based commercial backgrounds and experience in the financial sector in general and in insurance in particular. With this wide range of experience, they have the necessary knowledge and fully understand the valuable function of insurance companies in society and are making their decisions in the interests of all Aegon Nederland's stakeholders. Each member of the Statutory Management Board also has the necessary knowledge to be able to assess and determine the main points of Aegon Nederland's overall policy and to form a balanced and independent opinion on the risks that Aegon faces.

The knowledge of the members of the Statutory Management Board is kept up to standard and is improved by means of Aegon Nederland's permanent education program, which is organized by the Secretary of the Board together with the HR Learning & Development department. The latter is also responsible for keeping records on participation. The ongoing program covers national and international developments in the financial sector as well as corporate governance in general and in the financial sector in particular. The program further includes topics such as the duty of care towards customers and putting customers' interests first, integrity, risk management, financial reporting, and audit.

The members of the Statutory Management Board act in a careful, expert, and fair manner. They keep up to date with developments in legislation and regulations, partly through the permanent education program. All members of the Statutory Management Board took the oath or affirmation as required by the Financial Sector Oath or Affirmation Regulations.

Supervisory Board

Individual members of the Supervisory Board will be assessed on the basis of personal qualifications including: managerial experience and skills at the highest levels; experience with large listed companies; understanding of a global business; entrepreneurial attitude; sound business judgment, common sense and decisiveness; independence and a sufficiently critical attitude with regard to the other Supervisory Board members and the Statutory Management Board and international orientation and outside experience.

All members of Aegon's Supervisory Board have been scrutinized by the Dutch supervisory authorities, the Dutch Central Bank (DNB) and the Netherlands Authority of Financial Markets (AFM), prior to their appointment and fulfil these requirements on an ongoing basis.

In Aegon Nederland's view, the members' knowledge and experience complement each other. Aegon has set out in detail the Supervisory Board's duties in the Supervisory Board Charter. Aegon has a profile of the Supervisory Board, further specifying and recording its vision on the membership. The profile is tailored to Aegon Nederland's nature, size and complexity and also incorporates the competences in DNB's Suitability Matrix for Supervisory Boards.

The members of the Supervisory Board act in a careful, expert, and fair manner. They keep up to date with developments in legislation and regulations, partly through the permanent education program.

All members of the Supervisory Board took the oath or affirmation as required by the Financial Sector Oath or Affirmation Regulations.

B.3. Risk management system including the own risk and Solvency assessment

B.3.1. Risk management system

ERM is a framework, which is designed and applied to manage risk in creating, preserving, and realizing value that may affect Aegon Schadeverzekering. ERM builds on the current level of risk management that exists in the normal course of business. The aim is to manage risk within Aegon Schadeverzekering's risk tolerance in order to provide reasonable assurance regarding the achievement of Aegon Schadeverzekering's objectives.

For Aegon Schadeverzekering, ERM involves:

1. Understanding which risks the company is facing;
2. Establishing a firm wide framework through which the maturity of risk management practices can be monitored;
3. Establishing risk tolerances, and supporting policies, for the level of exposure to a particular risk or combination of risks;
4. Monitoring risk exposure and actively maintaining oversight over the company's overall risk and solvency positions.

The ERM framework is based on the international accepted standard COSO ERM and lays the foundation for managing risk throughout Aegon Nederland's operations. Aegon Nederland's subsidiaries must adhere to Aegon Nederland's ERM framework and be able to demonstrate compliance to the extent, nature and size that is appropriate to the organization. The ERM framework applies to all material businesses of Aegon Nederland for which it has operational control.

The aim of Aegon Nederland's ERM framework is to enable management to effectively deal with uncertainty, and the associated risk and opportunity, by enhancing the organization's capacity to build value which contributes to the fulfilment of its corporate strategy. In addition, ERM ensures that risk tolerances and strategy are aligned.

Enterprise risk management supports Aegon Schadeverzekering's corporate strategy by ensuring a common system for measuring value and risk. The purpose of Aegon Schadeverzekering's risk strategy is to provide direction for the desired risk profile while supporting Aegon Schadeverzekering's business strategy. A key element in Aegon Schadeverzekering's approach toward risk strategy is that taking a risk should in the first place meet a customer need. Furthermore, an assessment is made whether Aegon Schadeverzekering has the competence to manage the risk and Aegon Schadeverzekering's risk preferences are formulated. In other words: from a risk-return perspective, which risks Aegon Schadeverzekering accepts, and which risks Aegon Schadeverzekering wants to avoid. The assessment of Aegon Schadeverzekering's risk preferences eventually leads to a targeted risk profile that reflects the risks Aegon Schadeverzekering wants to keep on the balance sheet, and which risks Aegon Schadeverzekering would like to mitigate by means of hedging, product design or other risk mitigation techniques/ management actions.

ERM Building Blocks

Aegon Nederland's enterprise risk management framework considers risk from various perspectives and can be decomposed into multiple components. However, enterprise risk management is not strictly a serial framework, where one component affects only the next. It is a multidirectional, iterative framework in which almost any component can and does influence another. The principles and requirements of ERM apply on all organizational levels and concern both financial and operational risks. Risks are managed from multiple perspectives, including culture, economic, regulatory, and accounting. Relevant metrics in ERM include capital, earnings, liquidity, and franchise value.

Risk Strategy	The first building block in the enterprise risk management process is the formulation of an enterprise risk management strategy. The risk strategy forms the basis for the risk tolerance statements, which are specified in terms of financial strength, continuity, culture, and risk balance and are translated into operating guidelines for the various risk types.
Risk Tolerance	Risk Tolerance includes the risk appetite of Aegon Nederland including qualitative and quantitative risk tolerances that are the basis to support the business in making decisions about whether risks are within appetite, acceptable or need to be mitigated or avoided. Qualitative and quantitative tolerances are to be determined by management based on the values and principles of Aegon Nederland and should be in line with the company's purpose, values, objectives, Code of Conduct, and Market Conduct Principles.
Risk Identification	The risks that Aegon Nederland faces are identified and presented in the risk universe. An emerging risk process ensures that the risk universe will capture the full spectrum of risks. In order to assess the risks, Aegon Nederland has developed a methodology for measuring the risks as defined in the risk universe.

Risk Assessment

Aegon Nederland's approach to evaluating operational risks is based on the quantitative and qualitative rating of those risks with regard to their potential impact and likelihood after consideration of the effectiveness of controls. Risk impact is assessed along the following four impact dimensions: financial loss, customer, reputation, and financial misstatement. The resulting ratings reflect the uncontrolled (residual) risk the business area is running.

Risk Response

Once the risks have been identified, evaluated, and prioritized, an appropriate risk response needs to be defined. Action plans are developed and managed if Aegon Nederland's risk tolerances are violated.

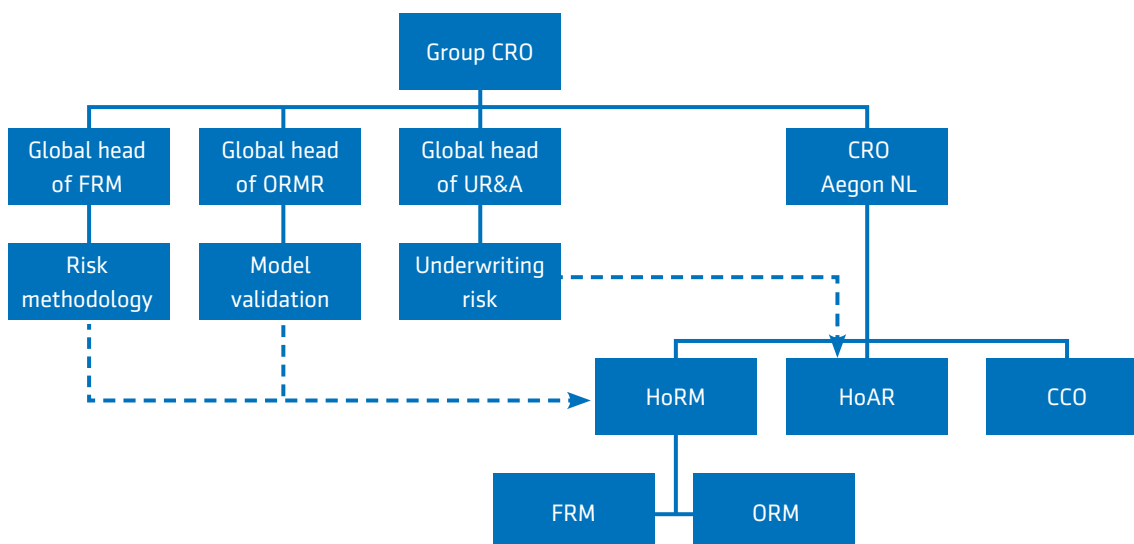
Risk Reporting (& Monitoring)

Compliance with the risk tolerance statements and the risk policy requirements is monitored and reported on a periodic basis to senior management. Through a formal Risk and Audit Committee and Risk and Capital Committee senior management is informed on their forward-looking risk profile on a quarterly basis, together with details of action plans that address key risks. In the quarterly report the CRO's opinion on, among others, the effectiveness of those plans is formalized.

Aegon Nederland controls the risk it faces along various dimensions through its risk governance framework, risk monitoring, model validation, and embedding of risk management into functional areas, such as business planning, capital planning and management, remuneration, pricing, and product development. Risk control is further supported by a strong risk culture and effective compliance risk management. The execution of these building blocks is a continuous and iterative undertaking, including periodic or ad hoc adjustment of the strategy and risk tolerance based on new risk information or changes in the business (environment). The full enterprise risk management methodology is formalized in the ERM Manual, ERM policy and underlying detailed policies and manuals.

Implementation of risk management system

The second line of defence of Aegon Nederland is represented by the Risk & Compliance department (see figure below). The department is managed by the Chief Risk Officer (CRO) of Aegon Nederland together with the Head of Risk Management (HoRM), Head of Actuarial Risk (HoAR) and the Chief Compliance Officer (CCO). The Head of Risk Management holds the responsibility for the Risk Management Function and hierarchically reports to the CRO of Aegon Nederland. The day-to-day operations of the Risk Management Function are performed by the departments Operational Risk Management (ORM), and Financial Risk Management (FRM).



For the insurance entities of Aegon Nederland (related to the Solvency II Directive), the Head of Risk Management is also the Risk Function Holder (RFH) and responsible for the Risk Management Function. The departments FRM and ORM support the RFH in its regulatory responsibilities related to the function. Moreover, the following departments support the RFH:

- The department Risk Methodology is responsible for the design and maintenance of the SII Partial Internal Model (PIM). The head of Risk Methodology hierarchically reports to the global head of FRM. The RFH draws on resources of this department for the regulatory responsibilities related to the PIM. There is a reporting line from the Head of Methodology to the RFH. A Service Level Agreement (SLA) is in place between Aegon Nederland and Aegon Group.
- The department Model Validation (MV) is responsible for, among others, the validation of the PIM. The head of MV hierarchically reports to the global head of ORM. A Service Level Agreement (SLA) is in place between Aegon Nederland and Aegon Group. Based on the SLA, the RFH is accountable for model validations related to elements of PIM, while the Aegon Group Head of MV is responsible for adequate execution of the model validations in line with the Model Validation Calendar. These starting points are both in line with Solvency II (SII) requirements as well as an optimal safeguard of independence between model validators on the one hand and model developers and business users on the other hand.

The insurance entities within Aegon Nederland have a management team installed with the position of head of risk. Non-Life is the business unit managing the balance sheet of Aegon Schadeverzekering. As stated above, the Head of Risk Management is the Risk Function Holder (RFH) of this insurance entity. The managerial role of Head of Risk at Non-Life is conducted by the Head of Actuarial of ANL. Through a Handshake or Service Level Agreement, he has access to services and / or dedicated capacity of the other risk teams. However, the Head of Risk of Non-Life can only speak on behalf of key function holders when explicitly agreed.

B.3.2. Solvency II Model Governance

Aegon Nederland's methodology for assessing risks includes the Solvency Capital Requirement. Aegon Schadeverzekering reports the Solvency Capital Requirement based on Standard Formula (SF). All models within Aegon (including the models related to SF) are subject to model governance and should comply with the model policies and standards. This includes a regular validation program to secure ongoing appropriateness on a rolling basis.

B.3.3. Own risk and solvency assessment

The Own Risk & Solvency Assessment (ORSA) is a continuous process which builds on the existing risk and capital management and business planning processes within Aegon Schadeverzekering. The ORSA unites these processes under a single framework, ensuring key business decisions are based on an internal assessment of risk and associated capital requirements. It connects and aligns risk and capital management, business planning, and strategic decision-making processes, and delivers the "ORSA outcomes" namely:

- The assessment of overall solvency needs taking into account the specific risk profile, approved risk tolerance limits and the business strategy of the undertaking.
- The compliance, on a continuous basis, with the capital requirements and with the requirements regarding technical provisions; and
- The comparison of the risk profile with the assumptions underlying the Solvency Capital Requirement.

An ORSA policy is in place within Aegon Nederland. The purpose of this policy is to ensure that Aegon Schadeverzekering's ORSA process is compliant with the Solvency II regulations, appropriate, and integrated within the management of the business. The policy also covers the roles, responsibilities, and processes. The policy is annually tested as part of the policy attestation process.

A graphical overview of the ORSA process is provided below. The process is based on the following key working assumptions:

- The process is iterative and subject to on-going monitoring to ensure the ORSA responds to major changes impacting the business.
- The business strategy for Aegon Schadeverzekering is set.
- The risk & capital assessment must include the identification, measurement, management and monitoring of risk. The capital needs of the business must be considered taking account of the proposed strategy and the acceptable level of the associated risks in pursuit of that strategy. The assessment must take into account both the present and the future.
- Aegon's Economic Framework (EF) is a key tool used in the measurement and quantification of risk.
- The output from the business strategy, financial strategy, business plan and the risk and capital assessments (together the Budget/MTP) must be used in the decision-making process.
- "Use" applies across a spectrum of areas including Asset & Liability Modelling, product development and pricing, business strategy, risk management and performance management.



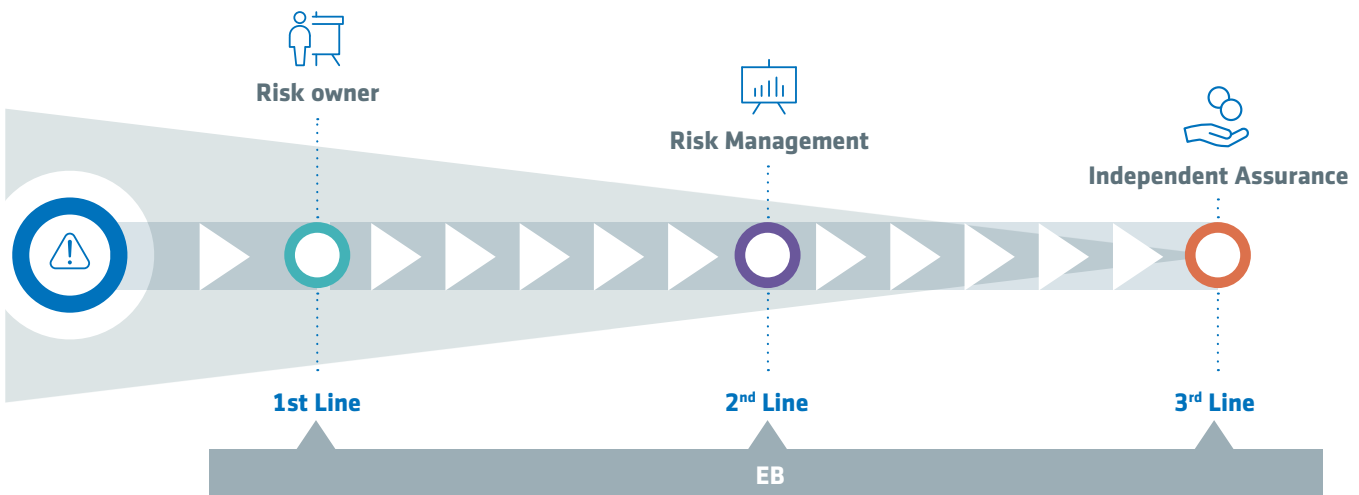
All of the above is evidenced and documented in Aegon Schade's annual ORSA report.

B.4. Internal control system

B.4.1. Internal control system

In order to ensure conscious risk-return decisions and limit the magnitude of potential losses within defined levels of certainty, Aegon Nederland's internal control environment has been established based on the principles of the 'Three lines' model.

Figure: Three lines model



The three lines are represented by the following: 1) risk owners, 2) risk managers, and 3) independent assurance. The overall responsibility for risk management lies with the Statutory Management Board. The application of the three lines structure enables a professional risk culture where risk management can be optimally embedded within the business.

First line

Risks naturally arise out of Aegon Nederland business activities, in particular through the sales and administrative processing of insurance policies and balance sheet and capital management. Business management is directly responsible for the processes on which achievement of Aegon Nederland's objectives depends. They are responsible for risk identification, risk assessment and, especially, the control of all material risks in their area of activity, consistent with applicable risk tolerances and risk policies.

Second line

The risk functions and committees, being the second line, facilitate and oversee the effectiveness and integrity of ERM across the company. They facilitate ERM by developing, maintaining, and supporting the implementation of risk governance, risk tolerances, risk policies, risk methodology and risk management information. The role of the second line is also to oversee policy compliance, to maintain objectivity in business decisions and to challenge business management in this context. Risk policy breaches and excessive risk taking are escalated as needed. In this regard, the CRO has the authority to defer Risk & Capital Committee decisions that can have a material adverse impact on the company's solvency, liquidity, or operations to Board meetings. In addition to those mentioned above, second line is also responsible for model validations.

The Compliance Function, also part of the second line, is focused on ensuring adherence to applicable regulations and policies and enhancing integrity within the organization to support the goal of enabling clients to make conscious decisions to live their best lives. The Compliance Function, amongst others, advised MB NL and MT NL on the (potential) impact of regulatory and compliance developments on Aegon, whereby Legal performs the legal impact assessment of the identified changes and/or adjustments in the laws and regulations;

conduct risks and risks related to the culture of Aegon Nederland including but not limited to the behaviour of employees, behavioural patterns in teams and departments or cultural elements in risk events; safeguarding the wellbeing of our employees, our customers and our reputation and pursuing a desired culture in where strategy, behaviour and products are aligned; the status of Aegon's compliance with laws, regulations, and appropriate policies, including the Code of Conduct; the interaction with the supervisors DNB, AFM and AP, and developments that are in scope of the supervisors and could have an impact on the Aegon organization and business.

Third line

Audit along with its committees provide the third line and is a function directed by and accountable to the Statutory Management Board, principally through its Risk & Audit Committee. It is independent of senior management, which has responsibility for the first and second lines, and is therefore able to provide independent assurance opinions on the effectiveness of the systems of internal control and risk management.

4.2 Compliance Function

The responsibilities of the Compliance Function are formalized in the Compliance Function Charter. The Compliance Function Charter is reviewed annually and submitted to the relevant committees (for advice and decision-making) in accordance with the applicable governance process. No significant changes were made to the Compliance Function Charter in 2022. The activities of the Compliance Function are described and communicated to stakeholders in the 'Compliance Jaarplan' and other relevant documents on a yearly basis.

Coordinated by the Internal Control Office, the businesses of Aegon Nederland have conducted a Systematic Integrity Risk Assessment (SIRA), resulting in a deepened insight in the integrity risks. The SIRA methodology has been thoroughly reviewed and updated by the Compliance Function in 2022. The SIRA resulted in action plans addressing the deficiencies found.

A Compliance Monitoring Plan, that monitors the existence and operation of the relevant policies and standards, has been executed in 2022. The Compliance Function has performed a compliance monitoring exercise, amongst others, related to Code of Conduct & Insurance Oath, Protocol Incidenten waarschuwing systeem Financiële Instellingen (PIFI), Remuneration, Sustainability – IDD Delegated Regulation and Payment arrears at Mortgages.

The Regulatory Watchtower (RWT) is one of the domains reporting to the Chief Compliance Officer. The Regulatory Change Management process of implementing legislation including a tool that enables the tracking of the implementation of legislation was functioning effectively in 2022 after introduction in 2020 and further implementation in 2021. The Compliance Function is involved in the monitoring of legislation, such as the GDPR, Anti Money Laundering Directive and Sustainable Finance Disclosure Regulation. The Regulatory Watchtower is expected to further improve the monitoring of new and changing legislation.

Furthermore, the Compliance & Regulatory Affairs team has made the decision to form a cluster-based team, with themed clusters, being

- a. Business Compliance with Dedicated Compliance Officers (DCO's),
- b. Integrity & Governance,
- c. The Expert Pool, and
- d. Regulatory Oversight. These clusters allow for a better coordination around key-topics.

The Compliance Function has continued to coordinate improvements to its awareness programs and maturity on this topic over the course of 2022, which has resulted in the inclusion of various activities such as (i) social hacking workshops, (ii) Global Information Security week and phishing simulations, (iii) the PARP improvement plan, (iv) various CDD/AML trainings and (v) a series of harassment e-learnings as set up by different theme holders. The Compliance Function has a lead role in the monthly Awareness Working Group that, among other things, sets up a yearly awareness calendar and monitors the progression and content rolled out.

Regarding risk identification and assessment, compliance officers and operational risk managers organize combined RCSA's. As the Compliance Function is part of the ERM risk universe, the identified risks are registered in the operational risk universe. In this way the Compliance Function can align with existing monitoring and reporting procedures of operational risk management when appropriate.

The Compliance Function prioritized the following subjects in 2022:

- Customer Due Diligence;
- Privacy;
- Data & Digital;
- Conduct;
- Sustainability; and
- Monitoring & Reporting.

B.5. Internal audit function

B.5.1. Implementation of the internal audit function

Aegon Nederland's Internal Audit Function ("Internal Audit") assists the Statutory Management Board, the Risk & Audit Committee of the Supervisory Board and Senior Management in protecting Aegon Nederland's assets, reputation, and sustainability by independently and objectively evaluating the effectiveness of internal controls, risk management and governance processes. Aegon Nederland has implemented the 'three lines of defence model'. The (line) management control is the first line of defence. Risk management, the risk control and compliance over-sight functions are the second line of defence, and independent assurance is the third line of defence. As part of this assurance Internal Audit recommends improvements which are agreed with management and pursues corrective actions on identified issues until implementation.

Additionally, Internal Audit executes consulting services related to the evaluation and improvement of the management control environment of Aegon Nederland. When providing advisory services, Internal Audit needs to maintain operational independence. Opportunities to strengthen the existing management control environment, effectiveness and Aegon Nederland's reputation may be identified from the business. Internal Audit derives its authority from their respective Boards and is authorized to examine the internal controls, risk management and governance processes in all areas of Aegon Nederland.

B.5.2. Independence of the internal audit function

Internal Audit executes its duties freely and objectively in accordance with the Institute of Internal Auditors' International Professional Practices Framework. The purpose, objectives and responsibilities of the Internal Audit function of a Country Unit and of Group Internal Audit function are covered in the Internal Audit Charter and are aligned with the (inter)national professional auditing standards. Internal Audit avoids any conflicts of interest and accesses the expertise and knowledge necessary to undertake work in respect of specialist business functions.

Internal Audit does not execute any operational duties for Aegon Nederland and will not review a business area or function in which they have had recent management or operational responsibility or are otherwise conflicted. The Aegon Nederland Chief Audit Executive reports to the Chief Executive Officer. To ensure the independence of the auditors and effective governance, the Aegon Nederland Chief Audit Executive has a direct reporting line to the Group Chief Audit Executive, as well as to the Chief Executive Officer of Aegon Nederland and Audit Committee of the Supervisory Board.

B.6. Actuarial function

For the insurance entities of Aegon Nederland (related to the Solvency II Directive) the Head of Actuarial Risk is also the Actuarial Function Holder and responsible for the Actuarial Function. The department Actuarial & Underwriting Risk Management (UARM) supports the AFH in its regulatory responsibilities related to the function. The manager UARM hierarchically reports to the global chief actuary. The AFH draws on resources of this department for the regulatory responsibilities related to the AFH. There is a reporting line from the manager UARM to the AFH. A Service Level Agreement (SLA) is in place between Aegon Nederland and Aegon Group.

The AFH also makes use of the services of the department Model Validation (MV). MV is responsible for the validation of among other models all actuarial models contributing to the SII Technical Provisions and actuarial pricing models. The head of MV hierarchically reports to the global head of ORMR. A Service Level Agreement (SLA) is in place between Aegon Nederland and Aegon Group. Based on the SLA, the AFH is accountable for model validations related to all models except for elements that are part of the PIM, while the Aegon Group Head of MV is responsible for adequate execution of the model validations in line with the Model Validation Calendar.

The Actuarial Function Holder is positioned under the statutory board member who directs the department of Risk & Compliance, also the Chief Risk Officer (CRO). The AFH operates independently from the first line functions and other functions and reports (and escalates if necessary), next to the CRO, also periodically to the Statutory Management Board, to the Risk & Audit Committee of the Supervisory Board and to the Global Chief Actuary.

B.7. Outsourcing

Aegon Nederland has outsourced certain critical and/or important operational functions or activities related to front-, mid- and back-office processes. As stated earlier all employees working at Aegon Schadeverzekering are employed at and have a labour contract with Aegon Nederland. This also means that Aegon Schadeverzekering has outsourced the key functions to Aegon Nederland.

Outsourcing may affect business exposure to operational risk through material changes to, and reduced control over, people, processes and systems used in outsourced activities. Aegon Nederland has developed and formalized an outsourcing Risk Policy to ensure that outsourcing arrangements entered into by Aegon Nederland which can result in material risk are subject to appropriate due diligence, approval, and on-going monitoring. All material risks arising from outsourcing activities should be appropriately managed to ensure that Aegon Nederland is able to meet both its financial and service obligations. The outsourcing risk policy will be further enforced and strengthened due to the implementation of the third-party risk management policy.

The policy applies to all entities and business units of Aegon Nederland, including arrangements where Aegon Nederland has a controlling interest in other business units and entities. Furthermore, both outsourcing arrangements with vendor/suppliers and internal outsourcing arrangements within a business unit or between business units of Aegon Nederland are in scope of this policy. Aegon Nederland has implemented the policy to ensure that outsourcing activities that can result in material risk are managed and under supervision of Aegon Nederland.

B.8. Any other information

All relevant information is covered in the previous sections.

C. Risk profile

General

This section is outlined as follows. The first subsection describes the risk assessment and measurement, sensitivity analyses and risk concentrations in general. The second subsection discusses the Prudent Person Principle, which relates to market, credit, liquidity and operational risk.

In subsections C.1 through C.5, more detailed information is provided on underwriting, market, credit, liquidity and operational risk, respectively. Finally, subsection C.6 comments on other risks and uncertainties.

Risk Assessment and Measurement: the Solvency Capital Requirement

The assessment of Aegon Schadeverzekering's Risk Profile forms part of the ERM framework, which is discussed in section B.3. Within this framework, risk policies provide specific operating guidelines for Aegon Schadeverzekering's risk governance and risk tolerance statements. Aegon Schadeverzekering complies with the risk policies of both Aegon Group and Aegon Nederland. The Aegon Nederland risk policies are tailored to fit local circumstances and therefore entail additional restrictions to the Group policies.

Within the ERM Framework, risk exposures are identified and quantified using the Solvency II Standard Formula. The SF contains separate modules for market risk, counterparty default risk, underwriting risk, operational risk and risk aggregation.

The SCR of Aegon Schadeverzekering is the minimum level of Own Funds required in accordance with Solvency II legislation, to absorb unexpected developments in all risk exposures of Aegon Schadeverzekering combined. It serves to ensure that obligations to policyholders can be met with a very high degree of certainty. When available Own Funds are in excess of the aggregate SCR, Aegon Schadeverzekering will be able to meet obligations to policyholders with a likelihood of at least 99.5% over a period of one year.

The table below shows the components of the Standard Formula model of Aegon Schadeverzekering and the amounts of the main risk types in EUR million.

<i>Amounts in EUR million</i>	Components description	2022	2021
C.2 Market risk	Market risk	37	38
	Counterparty default risk	8	9
C.3 Credit risk	Health underwriting risk	195	238
	Non-life underwriting risk	48	45
	Operational risk	14	13
E.2.1 Solvency Capital Requirement	Diversification	-/- 70	-/- 70
	LAC Deferred Taxes	-/- 42	-/- 39
	Total SCR	190	234

Mitigating effects of diversification between risks, as well as the loss absorbing capacity of deferred taxes (LAC DT) are taken into account in the aggregate SCR. Diversification exists as the degree to which different risks are related to one another and is, in many cases, limited. As a result, the likelihood of severely adverse developments of all risks occurring within the same year is less likely than the intended 1-in-200 years event. The impact of diversification is measured separately within the Standard Formula.

Furthermore, with regard to the methodology to derive the SCR, it should be noted that:

- For liquidity risk, no SCR has been determined, as the Liquidity Risk policy ensures that sufficient liquidity is available with a very high degree of certainty over a period of two years. Liquidity risk is discussed further in section C.4.
- Further explanation on the LAC DT and diversification is provided in section E.2.1.

Solvency Ratio, Sensitivity Analysis & Stress Testing

The Solvency ratio is the main indicator of the ability of Aegon Schadeverzekering to meet all of its obligations to policyholders and other stakeholders, as and when they fall due. It is defined as follows:

$$\text{Solvency Ratio} = \text{Own Funds} / \text{SCR}$$

The Own Funds are the assets of the company, valued according to Solvency II principles, in excess of all obligations to policyholders as well as other liabilities that are not subordinated. Own Funds, SCR and Solvency ratio at 31 December 2022 are shown below:

Table: Own Funds & SCR

Amounts in EUR million	Own Funds	SCR	Solvency Ratio December 31, 2022
<i>Solvency Ratio</i>	483	190	254%

The lower bound for the target range for the Solvency II ratio (Eligible Own Funds divided by SCR) of Aegon Schadeverzekering is set by the company's Executive Board at 135%. This creates a buffer for the protection of the interests of policyholders. The target zone ensures that capital management can be employed relatively flexible and ensures execution of strategy, capital generation and dividends. When the ratio drops near or into the recovery zone, the management of the entity will take actions that will restore the ratio to a level back in the target zone. Aegon Nederland aims at capitalization levels for the insurance entities that are well within the target zone. Further details about this policy and the composition of the Own Funds can be found in chapter E.

In addition to the derivation of the SCR, Aegon Schadeverzekering performs sensitivity analyses and stress testing on a regular basis in order to assess the impact of the scenarios considered in these tests.

Sensitivity Analyses

Sensitivity analyses are performed on a bi-annual basis. For a part of the market and mortality scenarios, including all sensitivities described below, a quarterly analysis is performed. In these analyses, the impact of instantaneous changes of external factors related to various risk types on Aegon Schadeverzekering is assessed. For each sensitivity analysis, the immediate impact on Aegon Schadeverzekering's Solvency Ratio as per year-end 2022 is as follows:

Table: Overview of sensitivity analyses

Scenario	Change to Solvency ratio in Scenario
Morbidity + 10%	-/- 46%
Interest rate curve + 0.5%	+ 8%
Interest rate curve -/- 0.5%	-/- 8%
Credit Spreads non-gov + 0.5%	-/- 6%
Credit Spreads non-gov -/- 0.5%	+ 6%
Government spreads + 0.5%	-/- 8%
Government spreads -/- 0.5%	+ 8%
Equity markets + 25%	-/- 0%
Equity markets -/- 25%	0%
Mortgage Spreads + 0.5%	-/- 5%
Mortgage Spreads -/- 0.5%	+ 5%
EIOPA VA + 5 bps	+ 2%
EIOPA VA -/- 5 bps	-/- 2%
Loss Absorbency Factor -/- 25%	-/- 19%
UFR -/- 0.15%	-/- 0%

The methods and outcomes of the sensitivity analyses are described in more detail by risk type in the next sections.

Extreme Event Scenarios

Aegon Schadeverzekering develops extreme events scenarios on an annual basis. These scenarios are based on the position of Aegon Schadeverzekering on June 30 of each year, and form part of the Own Risk and Solvency Assessment (ORSA). The ORSA process is further discussed in section B.

In the extreme event scenarios, the impact of extreme but plausible scenarios is determined over a multiyear business planning period. Scenarios considered are for example a severe recession, adjustments to the Volatility Adjustment (VA), improvement of life expectancy and changes in laws and regulations.

In each scenario, the impact on net earnings, Own Funds, SCR and solvency ratio is analyzed, taking into account the mitigating impact of management actions or other applicable measures.

Risk Concentrations - Identification & Approach

Aegon Schadeverzekering considers a Risk Concentration to be either one of the following types of exposure:

- A relatively high exposure to a single risk within a portfolio of risks. An example is a loan with a high amount to a single counterparty;
- An exposure to a large number of risks that exhibit a high degree of correlation with one another. An example is the outbreak of a pandemic that may cause a large number of disabled people simultaneously.

Specific attention to concentration risk is needed in case its impact is not yet reflected in the SCR, or another risk assessment method, of the risk type where it manifests itself. In this case, an additional amount of SCR for concentration risk may be required. If there is no SCR for the risk in question, additional consideration must be given in case concentrations are not reflected in the original risk assessment.

The potential occurrence of risk concentrations is further discussed below in the sections on each of the main risk types: C.1. Underwriting Risk, C.2. Market Risk, C.3. Credit Risk, C.4. Liquidity Risk and C.5. Operational risk.

Prudent Person Principle

The prudent person principle (refer to article 132 of the 2009/138 Directive) ensures that assets are managed on behalf of policyholders or other stakeholders in a prudent manner, and covers aspects that relate to market, credit, liquidity and operational risk.

Mandates for investments for the general account and for account of policyholders are set out in internal guidelines of Aegon, in order to ensure that the prudent person principle is satisfied. Besides that, each investment program is tested on several criteria and authorized by the Risk & Capital Committee (RCC).

The prudent person principle has been embedded into Aegon's system of governance, and is applicable for underwriting risk, market risk and credit risk.

The Investment and Counterparty Risk Policy requires relevant business units to satisfy the prudent person principle. The risks on the investment side are presented in Risk Reporting analysis with more detailed reporting performed by Aegon Asset Management. Aegon's Risk Appetite Framework is in place to ensure that the assets held are appropriate to the nature of the liabilities without taking on excessive risks:

- ERC Risk limit indicators for market and financial risks are set and form part of the Aegon Risk Appetite Framework;
- The Investment and Counterparty Risk Policy establishes the prudent person principle requirements;
- Concentration in exposures is avoided by testing adverse plausible scenarios in the Budget/MTP process and by setting single counterparty limits in the Group Credit Name Limit Policy. This is supplemented with the Focus List that provides a more proactive process to monitor and control concentration;
- The requirements related to use of derivatives can be found in the Derivative Use Policy. This policy ensures that a consistent standard of responsible derivative usage is in place across the Aegon Group. In addition, the consolidated reporting of derivative positions provides transparency to derivative usage as well as a demonstration of controls;
- The Securities Lending and Repo Policy ensures a consistent standard for Securities Lending and Repurchase (Repo) programs within the Aegon Group. This Policy sets out the minimum required processes and documentation standards that must be in place for any unit to operate in these instruments; and
- The Reinsurance Use Policy establishes the process with which reinsurance use is conducted at Aegon in order to ensure a consistent high standard of reinsurance use across the Group, to ensure proper internal controls are in place around risks arising from reinsurance wherever material (e.g. counterparty risk and basis risk), and to ensure globally consistent information on Aegon's reinsurance treaties is available.

The requirements related to use of derivatives are specified in the Derivative Use Policy. Key principle here is that derivative programs should be documented and are used for risk mitigation purposes. In general, Aegon Schadeverzekering manages the asset allocations to prudent levels on the basis of ALM and risk management frameworks.

The prudent person principle requires specific attention to be paid to assets that are not traded on regulated financial markets. In this category, mortgages are particularly relevant, as they form a major asset class in which Aegon Schadeverzekering holds investments. Within the Aegon Nederland holding, of which Aegon Schadeverzekering forms part, mortgage loans have been originated and serviced for over thirty years. As a consequence, considerable expertise exists within Aegon Nederland in these areas.

In addition, the prudent person principle requires that specific attention be given to illiquid assets. Illiquid assets held by Aegon Schadeverzekering, including mortgages, form a good match with the illiquid profile of Aegon Schadeverzekering's liabilities. As such, these assets provide a satisfactory risk-return trade-off for Aegon Schadeverzekering and its policyholders.

C.1. Underwriting risk

C.1.1. Description of the measures used to assess underwriting risks

Underwriting risk, sometimes referred to as "insurance risk", arises from deviations of observed actuarial parameters from those used in product pricing assumptions. These are typically actuarial assumptions that cover policyholder behavior and claims. Underwriting risk is the result of both the inaccuracies in projecting liability cash flows over several future time periods, as well as fluctuations in the incidence of claims.

Within Underwriting Risk, a distinction is made between Health underwriting and Non-life underwriting risk, where Health underwriting risk is further split in Health similar to life techniques ("SLT"), Health non similar to life techniques ("non-SLT") and Health Catastrophe. Aegon Schadeverzekering has identified the following risk types that are material:

Table: Underwriting Risk types

Risk Type	Description
Health SLT – Longevity	The risk that improvements in life expectancy result in higher than expected claim payments.
Health SLT – Disability & morbidity	The risk that disability rates are higher or recovery rates are lower than expected.
Health SLT – Lapse	The risk that lapse rates are higher or lower than expected resulting in lower profits and/or higher claim payments including guaranteed returns.
Health SLT – Expenses	The risk that the value of future expenses is higher than expected resulting in lower profits.
Health SLT – Revision	The risk that annuity payments need to be revised following a change in the health status of the insured people.
Health non-SLT – Premium & reserve	The risk that premiums rates are set to low or best estimate reserves are set inadequately.
Health – Catastrophe	The risk of a mass accident, accident concentration or pandemic event.
Non-life – Premium & reserve	The risk that premiums rates are set to low or best estimate reserves are set inadequately.
Non-life – Catastrophe	The risk of a natural disaster, like windstorm or hail, or a man-made catastrophe.

The SCR for Health SLT Underwriting risk amounts to EUR 237 million (2021: EUR 272 million) and for Non-life and Health non-SLT Underwriting risk amounts to EUR 43 million at the end of 2022 (2021: EUR 43 million), before tax and diversification benefits. Within Health SLT Underwriting Risk, Disability & morbidity is the dominant risk. Within Non-life and Health non-SLT Underwriting Risk, Premium & reserve is the dominant risk.

Aegon Schadeverzekering monitors and manages its underwriting risk by underwriting risk type. Attribution analysis is performed on earnings and reserve movements in order to understand the source of any material variation in actual results in comparison to expectations. Aegon Schadeverzekering also performs experience studies for underwriting risk assumptions, comparing Aegon Schadeverzekering's experience and industry experience as well as combining Aegon Schadeverzekering's experience and industry experience based on the depth of the history of each source for use in Aegon Schadeverzekering's underwriting assumptions. Where policy charges are flexible in products, Aegon Schadeverzekering uses these analyses as the basis for modifying these charges, with a view to maintain a balance between policyholder and shareholder interests. Aegon Schadeverzekering also has the ability to reduce expense levels over time, thus mitigating unfavorable expense variation.

C.1.2. Risk Concentrations

Concentrations of underwriting risk arise in case a Catastrophic event causes a large number of claims. Concentration Risks identified by Aegon Schadeverzekering, with a material impact on Own Funds are Windstorm & Hail and Accident Concentration. The first Concentration Risk is the loss due to one or more Wind or Hail storms causing damage to insured buildings in large parts of the country, net of reinsurance. The second Concentration Risk represents the net of reinsurance impact of an accident occurring in a single location, affecting a large number of persons carrying some form of Accident & Health coverage provided by Aegon Schadeverzekering.

C.1.3. Risk mitigation techniques used for underwriting risks

Aegon Schadeverzekering has put in place a number of reinsurance contracts. Reinsurance helps Aegon Schadeverzekering to manage, mitigate and diversify its insurance risks, and limit the maximum loss it may incur in an adverse scenario.

From 2021 onwards, a quota share reinsurance agreement is in place for the AOV portfolio, through which Aegon gets reimbursed for 60% of the insurance claims on the reinsured portfolio by a panel of reinsurers and receives a commission payment from the involved reinsurers. This contract reduces the concentration of

the risk profile of Aegon Schadeverzekering in disability risk. Per 2022 year-end this protection is secured for another 3 years and the number of reinsurers in the panel has been increased to further reduce counterparty risk. In addition, a framework for collateral has been put in place that caps the counterparty risk that Aegon will have on the main reinsurers. The lead reinsurer is SCOR, and the new panel consists of 6 additional highly-rated reinsurance counterparties including RGA, Munich Re and Hannover Re.

Moreover, Aegon Schadeverzekering has a comprehensive P&C reinsurance programme in place to protect its P&L. In particular, it reinsures its property, general third party liability, and motor third-party liability business. For property insurance, an 'excess of loss' contract is in place with a retention level of EUR 0.5 million for each separate risk, and EUR 5 million for each windstorm event. For motor third-party liability insurance, Aegon Schadeverzekering has reinsurance in place with a retention level of EUR 0.75 million per event. For general third-party liability, Aegon Schadeverzekering has reinsurance in place with a retention level of EUR 0.35 million per event.

Aegon Schadeverzekering has decided to not renew the quota share reinsurance agreement per 2022YE that was in place for WIA Excedent.

The effectiveness of the reinsurance program is annually monitored by the Actuarial Function holder and reported in the Actuarial Function holder report.

C.1.4. Risk sensitivity for underwriting risks

The main underwriting risk Aegon Schadeverzekering is exposed to is Morbidity risk, i.e. the risk that more insured people become disabled. With more insured people disabled, more people receive benefits from their policy.

In the scenario shown below, average morbidity rates increase by 10% in all future years. This scenario is not a part of the quarterly update. These are the results of the bi-annual calculation per September 30, 2022.

Scenario

Change to Solvency ratio in Scenario

10% increase in Morbidity Rates

-/- 46%

Expected future benefits to policyholders increase markedly. As a result, the value of obligations to policyholders increases and the value of Own Funds declines. The SCR will also increase, as the total risk exposure increases in line with the increase in future benefits to policyholders. In total, the Solvency ratio declines by 46%-points.

C.2. Market risk

C.2.1. Description of the measures used to assess market risks

The SCR for market risk amounts to EUR 37 million at the end of 2022 (2021: EUR 38 million), before tax and diversification benefits. New investments lead to a strong increase in property risk and interest market risk. As a consequence, market risk is now a balanced mix of equity risk, credit spread risk and property risk.

To align with the SCR in QRT S.26.01 and section E, we only discuss counterparty default risk (as defined in the Delegated Regulation) in section C.3. More generally, we consider the term 'credit risk' to also include spread risk, migration risk and default (market risk concentration) risk related to financial investments. To align with QRT S.26.01 throughout the SFCR, these other components of credit risk are discussed in this section.

Further explanations of the material market risk components are provided below.

Credit risk

Internally Aegon considers credit risk to consist of the following three components:

- **Spread risk;** the risk that the value of bonds reduces due to a general widening of credit spreads;
- **Migration risk;** the risk that the rating of bonds falls due to an increased risk of default and as a consequence their value falls; and
- **Default risk;** the risk that the counterparty fails to meet agreed obligations.

Aegon typically bears the risk for investment performance and is exposed to credit risk in the fixed income portfolio, over-the-counter (OTC) derivatives and reinsurance contracts.

Interest rate risk (Mismatch risk)

Aegon Schadeverzekering is exposed to interest rate risk, as both its assets and liabilities are sensitive to movements in long- and short-term interest rates. Aegon Schadeverzekering bears interest rate risk in its health (similar to life) products. In cases where cash flows are highly predictable, investing in assets that closely match the cash flow profile of the liabilities can offset this risk. For some products, cash flows are less predictable as a result of policyholder actions that can be affected by the level of interest rates.

Equity market risk and other investments risk

A decline in equity markets may adversely affect Aegon Schadeverzekering's profitability and shareholders' equity. Declining market values of equity investments constitutes a risk only for Aegon but not for its customers. Direct equity risk is very limited, as defined by Aegon Schadeverzekering's Risk policies.

C.2.2. Risk Concentrations

Concentration of market risks could occur in case relatively high amounts are invested in a single security, or where a collection of highly correlated investments is held. Aegon Schadeverzekering specifically manages concentration risk within the investment portfolio to mitigate concentration risks. Where concentration risks exist nonetheless, an additional amount of SCR is determined.

C.2.3. Risk mitigation techniques used for Market risks

Aegon Schadeverzekering hedges the interest rate exposure of the Own Funds under the Economic Framework (EF). Fixed income assets and derivatives (interest rate swaps) are used to manage the interest rate risk exposure. Aegon Schadeverzekering sets a limit on interest rate risk. All derivative use is governed by Aegon's Derivative Use Policy.

C.2.4. Risk Sensitivity for Market risks

1 Increase (decrease) of interest rates by 0.5% point.

Interest rates used for the valuation of assets are increased (decreased) by 0.5% through a parallel shift across the entire yield curve. Assets affected include bonds, loans, mortgages, and derivatives. Derivatives form part of Aegon Schadeverzekering's hedge program to mitigate interest rate risk.

For technical provisions, only interest rates for maturities up to 20 years are increased (decreased) by 0.5%. For technical provisions with maturities longer than 20 years, interest rates converge from the increased (decreased) 20-year rate to a fixed rate derived from the UFR (of 3.45% at year-end 2022). Liabilities other than the technical provisions are not affected.

The impact of these scenarios is shown below.

Scenario	Change to Solvency ratio in Scenario
Interest rate curve + 0.5%	+ 8%
Interest rate curve -/- 0.5%	-/-8%

In the scenario where interest rates rise by 0.5% point, the solvency ratio increases by 8% points due a slight decrease of the Own Funds combined with a larger reduction of the SCR. Own Funds decrease slightly as the value of government bonds, derivatives and mortgages decrease in the higher rates environment. The decrease is reinforced by a reduction in the value of technical provisions.

Conversely, in the scenario where interest rates fall by 0.5% point, the value of Own Funds increases slightly but the SCR increases considerably. Consequently, the Solvency ratio declines by 8% points.

2 Sensitivity to Non-Government Credit Spreads

In this scenario, Credit Spreads on mortgage loans, other loans and bonds excluding government bonds increase (decrease) by 0.5% point. The scenario does not include any impact on EIOPA VA.

The increase in credit spreads results in a lower value of the mortgage, corporate bond and loan portfolios. Consequently, the value of Own Funds decreases. The SCR is not impacted by the credit spreads. Therefore, the Solvency ratio decreases by 6%-points. In a scenario where credit spreads decrease by 0.5%, an opposite impact can be observed.

The impact of this scenario is shown below.

Scenario	Change to Solvency ratio in Scenario
Credit Spreads non-gov + 0.5% (excl. VA)	-/- 6%
Credit Spreads non-gov -/- 0.5% (excl. VA)	+ 6%

3 Sensitivity to Mortgage Credit Spreads

In this scenario, credit spreads on mortgage investments increase (decrease) by 0.5%. VA that impacts the liabilities remain unchanged given that the composition of this VA is not dependent on mortgage spreads.

In a scenario where mortgage spreads increase by 0.5%-point, Own Funds decline due to a lower value of the mortgage portfolio. The SCR is not impacted in this scenario. In total, the Solvency ratio decreases by 5%-points. In a scenario where mortgage spreads decrease by 0.5%-point an opposite impact can be observed.

Scenario	Change to Solvency ratio in Scenario
Mortgage Spreads + 0.5%	-/- 5%
Mortgage Spreads -/- 0.5%	+ 5%

4 Sensitivity to Government Spreads

In this scenario, credit spreads on government bonds increase (decrease) by 0.5%. The scenario does not include any impact on EIOPA VA.

In a scenario where credit spreads increase by 0.5%-point, Own Funds decline due to a lower value of the government portfolio. The SCR is not impacted in this scenario. In total, the Solvency ratio decreases by 8%-points. In a scenario where credit spreads decrease by 0.5%, an opposite impact can be observed.

Scenario	Change to Solvency ratio in Scenario
Government Spreads + 0.5% (excl. VA)	-/- 8%
Government Spreads -/- 0.5% (excl. VA)	+ 8%

5 Sensitivity to increase (decrease) in Equity prices by 25%

In these scenarios, an overall increase (decrease) of all equities on the balance sheet of Aegon Schadeverzekering is assumed. The impact of changes in equity values on the solvency ratio of Aegon Schadeverzekering is limited.

Scenario	Change to Solvency ratio in Scenario
Equity Markets + 25%	-/- 0%
Equity Markets -/- 25%	+ 0%

6 Sensitivity to EIOPA VA

In this scenario, the EIOPA VA increases (decreases) by 5 basis points. The change in the EIOPA VA has a small effect on the technical provisions.

Scenario	Change to Solvency ratio in Scenario
EIOPA VA + 5 bps	+ 2%
EIOPA VA -/- 5 bps	-/- 2%

C.3. Credit risk (Counterparty Default Risk)

C.3.1. Description of the measures used to assess credit risks

To align with the SCR in QRT S.26.01 and chapter E, we only discuss counterparty default risk (as defined in the Delegated Regulation) in section C.3. More generally, we consider the term 'credit risk' to also include spread risk, migration risk and default (market risk concentration) risk relating to financial investments. To keep this alignment with QRT S.26.01 consistent throughout the SFCR, these other components of credit risk are discussed instead in section C.2 Market risk.

The SCR for counterparty default risk amounts to EUR 8 million at the end of 2022, before tax and diversification benefits.

Aegon Schadeverzekering is exposed to counterparty default risk on placements of over-the-counter derivatives and reinsurance as well as outstanding balances on current accounts with major banks.

C.3.2. Risk Concentrations

Concentration within counterparty default risk could occur in case relatively high amounts are outstanding with a single counterparty, or if default risks of many counterparties are highly correlated.

An important measure to avoid concentration within counterparty default risk is to diversify and limit exposure to individual issuers. More specifically, Aegon Schadeverzekering has put in place a policy to limit the aggregate exposure to any single counterparty. Exposures are monitored on a weekly basis and any potential violations of exposure limits must be reduced on short notice. Concentration in exposures are managed by setting limits on risk types and single counterparties, by testing extreme scenarios in the Budget/MTP process.

No risk concentrations within counterparty default risk have been identified at December 31, 2022.

C.3.3. Risk mitigation techniques used for Counterparty Default risks

Counterparty risk related to derivatives transactions is mitigated by daily exchange of collateral. Collateral management has been put in place for all derivatives of Aegon Levensverzekering. All interest rate swaps used by Aegon Schadeverzekering are traded via a central clearing house. The clearing houses (Eurex, LCH) use the exchange of margin to minimize counterparty risk.

C.3.4. Risk sensitivity for Counterparty Default risks

Given the relatively small amount of the SCR for counterparty default risk, no specific sensitivities have been determined.

C.4. Liquidity risk

C.4.1. Description of the measures used to assess liquidity risks & sensitivity testing

In normal circumstances, a significant proportion of the investment portfolio can be quickly converted into cash. However, it may not be possible to sell some part of the asset portfolio, such as private loans, mortgage loans, real estate and holdings in unlisted enterprises at a reasonable price on short notice, if necessary.

Events that may have a sudden, adverse impact on available liquidity include the following:

- Large change in interest rates;
- Large change in credit spreads;
- Insolvency of a counterparty, credit facility or bank where current accounts are held; and
- Credit downgrade of Aegon N.V..

Furthermore, circumstances can arise in which liquidity/cash/funding in the market becomes scarce.

Aegon Schadeverzekering operates a liquidity risk policy that focuses on holding sufficient highly liquid assets so that liquidity requirements can be met both in normal market conditions and under extreme conditions resulting from unforeseen circumstances.

This policy aims to ensure that sufficient liquidity exists in the asset portfolio to provide for timely payment of all potential cash demands under both normal business conditions and under extreme conditions resulting from unforeseen events. The liquidity tests quantitatively measure the ability of Aegon Schadeverzekering to meet all potential cash demands.

The liquidity position is tested at least in the following scenarios:

1. Base scenario, assuming current market conditions; this is the 'business as usual' situation;
2. Stressed liquidity scenario, in which both liabilities and assets are stressed.

Despite the severe market conditions in 2022, the liquidity position remained excellent during the year.

C.4.2. Risk Concentrations

The described stressed liquidity scenario can be regarded as a concentration with respect to liquidity risk. The liquidity risk policy requires that sufficient liquid assets are available in this scenario.

C.4.3. Risk mitigation techniques used for liquidity risks

No specific risk mitigation techniques other than the reinsurance contracts, in the form of contracts with third parties, are currently in place for liquidity risk exposures.

C.4.4. Expected Profits in Future Premiums (EPIFP)

Expected Profit in Future Premiums (EPIFP) reflects the current value of the net cash flows expected to arise from in-force contracts until the end date of each contract. Note that the EPIFP is determined only for contracts where such a value is positive. EPIFP forms part of the technical provisions of Aegon Schadeverzekering, where a positive EPIFP value of leads to a reduction of the total technical provisions.

A high value of EPIFP could impact liquidity, as future profits are not available in cash at present. The total EPIFP amounts to EUR 88 million at the end of 2022 (2021: EUR 55 million). Note that this value does not reflect derivatives contracts that have been put in place in previous years to hedge against the risk of low interest rates.

C.4.5. Risk sensitivity for liquidity risks

The sensitivity to liquidity risk is tested using the stressed liquidity scenario described above. The result of the calculation of the stressed liquidity scenario contains the separate components that contribute to liquidity use in such a scenario. This gives insight in the sensitivity of the liquidity position to these separate components. Besides the described stressed liquidity scenario additional sensitivities for that scenario are also tested. The sensitivities tested comprise of the most material liquidity risks for Aegon Schadeverzekering.

C.5. Operational risk

C.5.1. Description of the measures used to assess operational risks

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes and controls, people and systems or from external events. These definitions highlight the four causes of operational risk events: (1) external events; (2) inadequate or failing processes and controls; (3) people; and (4) systems.

The SCR for operational risk is determined in line with the standard formula under Solvency II. It is based on volumes of premiums, technical provisions and expenses. Additional measures have been developed internally for the day-to-day management and assessment of Operational risks (Chapter B).

Aegon Schadeverzekering has identified eight operational risk categories in line with the Aegon risk universe. This risk categorization also supports the preparation of operational risk reporting and analysis that can be interpreted meaningfully across Aegon Group as it defines a common language. The defined categories of operational risk are:

Table: Types of Operational risk

Risk Type	Description
Legal and Compliance risk	Legal and compliance risk is the risk that losses occur due to non-voluntary legal liabilities, inadequate legal documentation, inadequate patenting of brands and intellectual property, and the risk of impairment to the organization's business model, reputation, integrity and financial condition, resulting from failure to comply with laws, regulations and internal company rules and policies, as well as late identification of significant legal and regulatory developments, possibly resulting in an inability to influence the final outcome.
Processing risk	Processing risk is the risk of losses due to inadequate or failing administrative processes and related internal controls, capturing of source data, reporting errors, modeling errors and failing outsourcing and supplier arrangements.
Business risk	Business risk is the risk of losses due to failed or inadequate strategy execution, marketing and sales practices, distribution channels, pricing, investment returns, handling of customer complaints, or late reaction to changes in the business environment.
Tax risk	Tax risk is the risk of losses due to fiscal authorities challenging Aegon Schadeverzekering's tax treatment of transactions on technical grounds or as a result of inconsistent argumentation, imperfections in the tax planning, concentration risk and late identification of significant tax developments in relevant jurisdictions, possibly resulting in an inability to influence the final outcome.
Financial crime risk	Financial crime risk is the risk of losses due to a wrongful act, omission, breach of duty or trust, intentionally performed by an employee, intermediary or external party, which potentially could result or results in a disadvantage to Aegon Schadeverzekering or another.
People risk	People risk is the risk of losses due to inadequate or failing employee practices (including discrimination, wrongful termination, and sexual harassment) and consideration for employees' health and well-being, including workplace safety.
Facility risk	Facility risk risk is the risk of losses due to inadequate or failing physical asset management (including physical security incidents and inefficient procurement) and events causing damage to physical assets (vandalism, water damage, fire, explosions, etc.).
Systems risk	Systems risk and business disruption risk is the risk of losses due to inadequate or failed business continuity planning, back-up and recovery, fallback arrangements, information security, IT maintenance and change management, identification of relevant technological developments and other technical causes for systems related failures and errors.

Operational risk is inherent to Aegon Schadeverzekering's business and may manifest itself in many ways, including business interruption, poor vendor performance, information systems malfunctions or failures, regulatory breaches, processing errors, modeling errors, and/or internal and external fraud. These events may result in financial loss, harm Aegon Schadeverzekering's reputation, or hinder Aegon Schadeverzekering's operational effectiveness.

Aegon Schadeverzekering's approach to operational risk assessment is based on scenario analysis. Aegon Schadeverzekering utilizes this approach for internal monitoring and quantification of operational risk. Risk identification takes place through periodic Risk (& Control) Self Assessments (RSAs or RCSAs) to get an understanding of business objectives and identification of operational risks for realizing these objectives.

C.5.2. Risk Concentrations

Operational risk concentration can occur where specific risk exposures are in excess of operational risk appetite. Aegon Schadeverzekering's management maintains a well-controlled environment and sound (conduct) policies and practices to control these risks and keep operational risk at appropriate levels. Operational risk capital (ORC) is held on the basis of the economic framework model and is determined annually. Operational risk for Aegon is dominated by the following material risk concentrations:

- Legal, regulatory, conduct & compliance; and
- Processing risk.

Legal, regulatory, conduct & compliance risk

ORC is held on the basis of potential but unlikely extreme loss events such as punitive damages issued by a court resulting from accusations of corporate misconduct, substantial changed legislation due to regulatory regime change, or inability to enforce policy terms.

Processing risk

ORC is held on the basis of potential but unlikely extreme loss events such as a material financial misstatement, non-payment of claims by a reinsurer, modeling errors, or failure of an outsourcing partner.

C.5.3. Risk mitigation techniques used for operational risks

Operational risks at Aegon are mitigated by maintaining a strong risk control framework and culture. Please refer to section B.4.2 of the OCRM risk framework for a detailed description of the compliance OCRM risk framework. All operational risks that are assessed as exceeding the set risk tolerance levels require management to determine a risk response in terms of accepting, controlling, transferring or avoiding risks.

No specific risk mitigation techniques, in the form of contracts with third parties, are currently in place for Operational risk exposures, nor under consideration for purchase.

C.5.4. Risk sensitivity for Operational risk

Stress testing and sensitivity analysis for Operational risk is performed in the form of scenario analysis as described above.

C.6. Other Material Risks & Uncertainties

Aegon Schadeverzekering has identified a number of uncertainties that may have a material impact on the valuation of its obligations and the level of the SCR in the near future. These are not included in the descriptions of the separate risk types. The identified uncertainties are:

1. Adjustments to the LAC DT factor;
2. Adjustments to the UFR, which is relevant for Aegon NL however not relevant for Aegon Schadeverzekering.

C.6.1. Loss Absorbing Capacity of Deferred Taxes

An indirect risk that is considered by Aegon Schadeverzekering is an adjustment to the LAC DT factor, as explained at the beginning of this chapter. Currently, Aegon Schade assumes that in case a loss in the amount of the SCR were to occur, 70% of the maximum tax deductions can be recovered.

In the following scenario, the impact of a reduction of the LAC DT factor by 25% points is shown.

<i>Scenario</i>	Change to Solvency ratio in Scenario
Loss Absorbency Factor -/- 25%	-/- 19%

In this scenario, Own Funds are not affected as no loss or change in value of assets or liabilities is assumed. Only the SCR increase as a result of the reduced recoverability of taxes in case a large loss were to occur. As a result, the Solvency Ratio declines by 19% points.

C.6.2. Adjustment of the Ultimate Forward Rate

The UFR is the risk free interest rate over a one year period that is expected after an extremely long period, i.e. after 60 years. It is used in combination with market observed interest rates up to 20 years, to derive interest rates for maturities longer than 20 years.

In 2022 the UFR has been set at 3.45% by the European Insurance and Occupational Pensions Authority (“EIOPA”). It is based on historically observed real interest rates in combination with long term inflation expectations. In 2017, EIOPA proposed a gradual adjustment of the UFR over a number of years, as of 1st January 2023 it remains unchanged at 3.45%.

In the scenario shown below, the impact of an immediate adjustment of the UFR by $\pm 0.15\%$ is quantified.

Scenario	Change to Solvency ratio in Scenario
UFR down by 0.15%	0%

The reduction of the UFR leads to a reduction in Own Funds due to higher insurance obligations. At the same time, the overall SCR increases as a result of the increase in insurance obligations. In total, the ratio of Own Funds over SCR does not change in the UFR down by 0.15% scenario.

C.6.3. Sustainability

Sustainability strategy within Aegon Nederland

Aegon Nederland’s sustainability strategy is applicable to all entities in The Netherlands. The strategy for Aegon Nederland is outlined below. The words “we” and “our” refer to Aegon Nederland as a whole.

Aegon and sustainability

Sustainability concerns us all. The Netherlands increasingly faces the consequences of climate change, such as flooding, more extreme weather and loss of biodiversity. On top of this come other societal challenges. Think of increasing social and economic inequality, and an ageing population.

Addressing these problems requires a collective effort. Aegon takes responsibility in this regard. Our mission is to help people live their best lives. With this comes the long-term goal of creating as much positive impact as possible, while minimising negative impact.

We are therefore committed to a sustainable, equal society. Everyone deserves to live on a healthy planet, with equal opportunities and no financial worries. At Aegon, we help create the conditions for that to happen. For example, we committed to the Dutch Climate Agreement, and have developed our own Climate Action Plan.

Of course, we work within European and national legislation. But we want to do more. Where possible, our products and services are made with consideration to the environment and society around us.

Healthy living environment

We have already undertaken multiple activities in the field of sustainability. For instance, we contribute to a clean and healthy living environment by aiming to ensure that our own operations and investments generate as few harmful emissions as possible. We also facilitate the transition to an economy that emits less CO₂ by promoting sustainable use of our natural resources and try to reduce our own carbon footprint, and help our customers to do the same. We also support our customers to become climate resilient, by for example, helping homeowners make their homes more sustainable, and by developing insurance policies that mitigate the effects of climate change, such as water damage from flooding.

More inclusive and diverse

We are working within our means to create a more inclusive society. We are doing so by making Aegon a workplace where diversity and inclusiveness are encouraged and celebrated. With a corporate culture where every voice is heard and respected and where equal work is paid equally. We try to develop as many products and services as possible that are inclusive and accessible to all.

Top priority

Aegon sees sustainability as a top priority. We are committed to accelerating our sustainable transition. In our own operations, but also with our products and services.

Our sustainability strategy is built upon three pillars alongside our commitment to always invest responsibly:

1. We care about people;
2. We care for the planet; and
3. We are a responsible business.

C.6.3.1. We care about people

Aegon wants to help build a society where everyone has an equal opportunity to live a long and happy life. Through our products and services, we aim to contribute as much as possible to a financially and socially inclusive society. For example, we offer affordable pensions, insurance for the self-employed and help for people in arrears. Furthermore, we do so by being an inclusive and diverse company, with a working environment where everyone can benefit. Because of this commitment to the world around us, we constantly survey our customers to know what is going on in their daily lives. Only then can we help them look ahead and manage their money matters in the best possible way.

Naturally, we are also open to questions from customers, employees and other stakeholders. We like to have an open dialogue on issues such as climate change, biodiversity, human rights, inclusion and diversity.

We make every effort to create a working environment where no one feels excluded and everyone can get the best out of themselves. Everyone is seen equal with us, regardless of cultural background, creed or sexual orientation. Only if we are a reflection of society can we help our customers get the most out of their lives.

C.6.3.2. We care for the planet

We believe everyone has a right to live in a clean and healthy living environment. We contribute by reducing greenhouse gas emissions from our operations and investments, and by facilitating the transition towards a low-carbon economy where we make use of our planet's natural resources in a sustainable way.

In 2022 we have published our Climate Action Plan. This plan sets out the steps we are taking to align our business with the Paris Agreement. This starts with our own operations. Although the direct greenhouse gas emissions from our operations are relatively limited, we nonetheless aim to reduce them to net-zero by 2050 at the latest. To guide us towards this goal, we have set intermediate targets to reduce our operational greenhouse gas emissions by 25% before 2025 and 50% before 2030¹.

Our investments

We invest globally across a wide range of companies, sectors and asset classes. This makes our investments one of the biggest ways in which we can impact the world. Our aim is to use these investments to facilitate the net-zero transition and build a more sustainable world. As part of our Climate Action Plan, we have set a target of reaching net-zero financed greenhouse gas emissions across all our investments by 2050. This target includes investments we manage for our own account, as well as those we manage on behalf of clients.

We want to take immediate action on climate change, and we have set a number of short-term targets for the investments that we manage for our own account. These include a target to reduce the greenhouse gas emissions we finance with our investments by at least 30% before 2025, and a target to invest an additional 1 billion euros in climate-positive assets over the same time period².

Our products

As an insurer, we want to help our customers to become climate resilient, for instance, by insuring solar panels and heat pumps as standard across our policies. We also insure them against damage in the event of flooding. We offer our mortgage customers insights into the ways they can make their homes more sustainable, and we provide them with financing options to do so. This includes offering options to finance energy-saving measures, such as double glazing or insulation, and onsite renewable power generation, such as rooftop solar panels.

C.6.3.3. We are a responsible business

We believe we should conduct business in a responsible manner. We aim to ensure that everyone can live in a clean and healthy environment. If we do not pay attention to sustainability, we will ultimately lose our right to exist. We want to understand the impact of our activities on the world. This includes physical risks, such as storms, hail and flooding, as well as transit risks. It is also important to know what solutions and adjustments this requires. With that information, we can take targeted action that supports the transition to a more sustainable world. We also want to contribute to an inclusive society where everyone can live their best life.

More sustainable behaviour

An important part of responsible business is a responsible investment policy. The way we invest responsibly is laid down in our Responsible Investment Policy. This sets out the processes we follow to ensure that our investment decisions do not adversely affect people or the planet. It also describes the behaviour we expect from companies in which we invest and how we try to influence that behaviour.

Insurers and other financial institutions are expected to be prepared for the effects of climate change and other developments. Aegon wants to be resilient to changes, such as climate change, in order to protect the interests of our stakeholders.

A changing climate and non-inclusive society also pose risks to our own operations. We take this into account as well. After all, we must continue to ensure financial stability and continuity.

¹ The targets are to reduce Scope 1, Scope 2 and Scope 3 GHG emissions from business air travel by 25% before 31 December 2024 and by 50% before 31 December 2029 versus 31 December 2019 levels.

² The targets are: (1) 30% reduction in absolute GHG emissions financed by Aegon NL general account investments by 31 December 2024 versus 31 December 2019; and (2) an additional 1 billion euro investment in climate-positive assets by 31 December 2024.

Governance

In 2022, we took a number of important steps to make our operations more sustainable. Aegon N.V. has a Global Sustainability Board; this includes the chairs of the local sustainability boards. The Netherlands' local sustainability board is the Aegon NL Sustainability Board, established in 2022. The Aegon NL Sustainability Board oversees the implementation of the Aegon NL Sustainability Strategy, sustainability reporting and the implementation of the Sustainable Finance Regulation Roadmap. In addition, the Aegon NL Sustainability Board advises the management of Aegon NL and its subsidiaries on issues such as inclusion and diversity and responsible investment. A subcommittee of the Aegon NL Sustainability Board is the Responsible Investment Committee (RIC). The RIC oversees Aegon NL's investments. The sustainability agenda and goals of Aegon NL and its subsidiaries are set within this structure.

Climate change and sustainability involve risks. Some of these are physical risks (floods or dry spells due to environmental and climate change) and some are transition risks (due to the process of adapting to a low-emission economy). Responding poorly to climate change, or being insufficiently transparent about the risks, can additionally lead to legal and reputational risks. The risks can relate to Aegon, but also to the companies or investments in which we invest.

For regulators, climate risk and responsible investment are key themes. Aegon recognizes a number of risks. Aegon has launched several sustainability initiatives, including on climate change risk. For example, sustainability risk, including climate risk, has been incorporated more explicitly into relevant risk policies and processes. Furthermore, Aegon, together with Ortec Finance, conducted a comprehensive and systematic climate risk assessment for its investments. The analysis examined three climate scenarios on a path to net-zero. The analysis explored potential future climate policies, possible interventions and the consequences that would occur if the world failed to manage climate change.

Sustainable Finance legislation

Aegon offers products with investments that promote environmental and social (E/S) characteristics. Companies invested in must have good governance. The EU Sustainable Finance Disclosure Regulation (SFDR) contains rules on the transparency of these products. For example, we are required to report periodically on the performance of the E/S characteristics that the products promote. Some of our products promote E/S features, but we do not currently offer any products that have a sustainability target. In addition, Aegon offers some pension plans that do not promote E/S features or have a sustainability objective. For these products, the underlying investments of the financial product do not take into account the EU criteria for environmentally sustainable economic activities.

As part of our Sustainable Finance Regulation Roadmap, we took further steps in 2022 to bring our disclosures into compliance with SFDR requirements. These include updating our website, as well as pre-contractual information for products that promote E/S features. More information about our approach to responsible investment and the products that promote E/S features can be found on our website.

C.6.3.4. We invest responsibly

As one of the largest financial institutions in the Netherlands, the biggest impact we have on the world is through the investments we make for our own account and on behalf of our clients. With these investments, we aim to reduce negative impacts on people and the planet as much as possible, and to contribute to the many sustainability challenges facing our society.

Our Responsible Investing Policy sets out the approach we follow and the tools we use to realise our goals. This includes defining minimum expectations for all investments and setting out the activities we believe are too controversial or harmful to invest in. It also includes explaining our approach to 'active ownership', and our belief that we can use our influence as a large investor to encourage the companies in which we invest to mitigate any negative impacts they have caused and to become more sustainable.

In 2022, we updated our Responsible Investing Policy to align with new EU regulation (SFDR). We also explained for the first time how we want to invest to build a more sustainable world, and the frameworks that we will use to evaluate investments in companies, projects and governments. To be more transparent on what we mean by "climate-positive assets" in our Climate Action Plan, we also defined eligibility criteria that all investments made as part of our 1 billion euro commitment must meet.

More information on our approach to responsible investing and our Responsible Investing Policy can be found at www.aegon.nl.

More information on our overall sustainability strategy, approach and targets, including our Climate Action Plan to align our investments with the Paris Agreement, can be found on www.aegon.nl.

C.7. Any other information

In October 2022, Aegon N.V. announced that it had reached an agreement with a.s.r. to combine its Dutch pension, life and non-life insurance, banking, and mortgage origination activities with a.s.r. The combination will create a leading Dutch insurance company. This step enables Aegon to accelerate its strategy and represents a major step in its ambition to become a leader in its chosen markets. Aegon will receive a cash consideration and a 29.99% strategic stake in a.s.r., with associated governance rights.

On January 17, 2023, the Extraordinary General Meeting of shareholders ("EGM") of Aegon N.V. has approved the proposed transaction. Furthermore, the works council of Aegon has rendered a positive advice in relation to the proposed transaction. The transaction is subject to customary conditions, including regulatory and antitrust approvals, and is expected to close in the second half of 2023.

Aegon Nederland set up a program to disentangle its' operations from Aegon N.V. and to be able to operate as a standalone company.

In March 2023 EUR 2.5 million dividend was paid to Aegon Nederland N.V..

D. Valuation for Solvency Purposes

In chapter D the valuation for Solvency purposes is disclosed and the differences with the valuation under IFRS in the annual report are addressed. The balance sheet is that of Aegon Schadeverzekering on a stand-alone basis, in alignment with Solvency II regulation concerning disclosure of QRT S.02.01. The overall balance sheet under Solvency II and under IFRS statutory reporting is shown below.

Table: Balance Sheet (in EUR million)

Assets	Section	Solvency II value	Statutory accounts value
Deferred tax assets		-	2
Investments (other than assets held for index-linked and unit-linked contracts)	D.1.2.1	788	783
Equities	D.1.2.2	4	81
Bonds	D.1.2.3	487	483
Collective Investments Undertakings	D.1.2.4	228	151
Derivatives		68	68
Loans and mortgages	D.1.2.5	549	631
Reinsurance recoverables from	D.2.7	46	78
Deposits to cedants		0	0
Insurance and intermediaries receivables		3	3
Receivables (trade, not insurance)		30	30
Cash and cash equivalents		42	42
Any other assets, not elsewhere shown		0	9
Total assets		1,458	1,580

<i>Liabilities</i>	Section	Solvency II value	Statutory accounts value
Technical provisions – non-life	D.2.	186	163
Technical provisions – non life (excluding health)		124	116
Best estimate		119	
Risk margin		5	
Technical provisions – health (similar to non-life)		62	47
Best estimate		56	
Risk margin		5	
Technical provisions - life (excluding index-linked and unit-linked)	D.2.	632	798
Best estimate		579	
Risk margin		53	
Deferred tax liabilities	D.3.1.1	4	-
Derivatives	D.3.1.2	97	96
Insurance & intermediaries payables	D.3.1.3	7	7
Reinsurance payables		8	8
Payables	D.3.1.4	40	40
Any other liabilities, not elsewhere shown		1	3
Total liabilities		975	1,115
Excess of assets over liabilities		483	465

The difference between equity as shown in the financial statements and the Solvency II value excess of assets over liabilities is explained in section E.1.3.

D.1. Assets

The overview in table below shows the value of assets by material asset class under Solvency II and IFRS statutory reporting.

Table: Total Assets (in EUR million)

Assets	Section	Solvency II value	Statutory accounts value	Difference
Deferred tax assets		-	2	-/- 2
Investments (other than assets held for index-linked and unit-linked contracts)	D.1.2.1	788	783	5
Equities	D.1.2.2	4	81	-/- 77
Bonds	D.1.2.3	487	483	5
Collective Investments Undertakings	D.1.2.4	228	151	77
Derivatives		68	68	1
Loans and mortgages	D.1.2.5	549	631	-/- 83
Reinsurance recoverables from	D.2.7	46	78	-/- 32
Deposits to cedants		0	0	-
Insurance and intermediaries receivables		3	3	-/- 0
Receivables (trade, not insurance)		30	30	-/- 0
Cash and cash equivalents		42	42	0
Any other assets, not elsewhere shown		0	9	-/- 9
Total assets		1,458	1,580	-/- 121

D.1.1. Solvency II valuation

In this section the valuation under Solvency II is described per main asset class. Where the valuation method or classification differs between IFRS and Solvency II, a qualitative and quantitative explanation is provided per asset category.

In accordance with Solvency II regulations, figures are based on fair value. To ensure consistency with the annual report of Aegon Schadeverzekering, fair value under IFRS and market value under Solvency II is the same.

Fair value is defined as the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset). A fair value measurement assumes that the transaction to sell the asset takes place:

- in the principal market for the asset; or
- in the absence of a principal market, in the most advantageous market for the asset.

Aegon Schadeverzekering uses the following hierarchy for measuring and disclosing the fair value of assets:

- **Level I:** quoted prices (unadjusted) in active markets for identical assets that Aegon Schadeverzekering can access at the measurement ;
- **Level II:** inputs other than quoted prices included within Level I that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices of identical or similar assets) using valuation techniques for which all significant inputs are based on observable market data; and
- **Level III:** inputs for the asset that are not based on observable market data (that is, unobservable inputs) using valuation techniques for which any significant input is not based on observable market data.

The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active or quoted market prices are not available, a valuation technique is used.

The degree of judgment used in measuring the fair value of assets generally negatively correlates with the level of observable valuation inputs. Aegon Schadeverzekering maximizes the use of observable inputs and minimizes the use of unobservable valuation inputs when measuring fair value. Financial instruments, for example, with quoted prices in active markets generally have more pricing observability and as a consequence little judgment has to be used in measuring fair value. Conversely, financial instruments for which no quoted prices are available have little observability and are measured at fair value using valuation models or other pricing techniques that require more judgment.

The asset categorization within the fair value hierarchy is based on the lowest level that is significant to the fair value measurement.

The evaluation as to whether a market is active may include, although is not necessarily limited to, lower transaction volumes, reduced transaction sizes and, in some cases, no observable trading activity for short periods. In inactive markets, assurance is obtained that the transaction price provides evidence of fair value or determined that the adjustments to transaction prices are necessary to measure the fair value of the instrument.

The majority of valuation techniques employ only observable market data, ensuring high reliability of the fair value measurements. However, certain assets are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable and, for such assets the derivation of fair value is more judgmental. An instrument is classified in its entirety and valued using significant unobservable inputs (Level III)

if a significant portion of the instrument's carrying amount is driven by unobservable inputs. "Unobservable" in this context means that little or no current market data are available from which the price at which a transaction at arm's length would be likely to occur can be determined. It generally does not mean that no market data are available at all upon which to base a determination of fair value. The use of different methodologies or assumptions to determine the fair value of certain instruments (both financial and non-financial) could result in a different estimate of fair value at the reporting date.

To operationalize the fair value hierarchy of Aegon Schadeverzekering, individual financial and non-financial instruments are assigned a fair value level based primarily on the type of instrument and the source of the prices (e.g. index, third-party pricing service, broker, internally modeled). Periodically, this logic for assigning fair value levels is reviewed to determine if any modifications are necessary in the context of the current market environment.

D.1.2. Differences between Solvency II and IFRS valuation per asset class

In this section of the report, the valuation bases under Solvency II and IFRS annual reporting (2022) of the material asset classes and the reconciliation are discussed. The value of the assets is disclosed in the balance sheet at the beginning of Chapter D.

D.1.2.1. Investments (other than assets held for index-linked and unit-linked funds)

If financial assets are valued at amortized cost under IFRS, insurers will need to convert them to fair value under Solvency II. This requirement is particularly relevant for financial instruments that are classified as Held-to-maturity or Loans and receivables under IAS39. The fair value measurement is applicable.

The Solvency II balance sheet contains an investment position of EUR 788 million. The IFRS balance sheet contains an investment position of EUR 783 million. Differences will be explained in the next sections.

General account investments comprise financial assets excluding derivatives as well as investments in real estate.

Financial assets, excluding derivatives

Financial assets, excluding derivatives are recognized on the trade date when Aegon Schadeverzekering becomes a party to the contractual provisions of the instrument. They are classified for accounting purposes depending on the characteristics of the instruments and the purpose for which they were purchased.

Classification

The following financial assets are measured at fair value through profit or loss: 1) financial assets held for trading; 2) financial assets managed on a fair value basis in accordance with the investment strategy of Aegon Schadeverzekering; and 3) financial assets containing an embedded derivative that is not closely related and that cannot be reliably bifurcated. In addition, in certain instances Aegon Schadeverzekering designates financial assets to this category when by doing so a potential accounting mismatch in the financial statements is eliminated or significantly reduced.

Financial assets with fixed or determinable payments, that are not quoted in an active market and that Aegon Schadeverzekering does not intend to sell in the near future are classified as loans. Those for which the holder may not recover substantially all of its initial investment, for other reasons than credit deterioration, are accounted for as available-for-sale.

All remaining non-derivative financial assets are classified as available-for-sale.

Measurement

Financial assets are initially recognized at fair value excluding interest accrued to date plus, in the case of a financial asset not at fair value through profit or loss, any directly attributable incremental transaction costs.

Loans and financial assets held-to-maturity are subsequently carried at amortized cost using the effective interest rate method. Financial assets at fair value through profit or loss are measured at fair value with all changes in fair value recognized in the income statement as incurred. Available-for-sale assets are recorded at fair value with unrealized changes in fair value recognized in other comprehensive income. Financial assets that are designated as hedged items are measured in accordance with the requirements for hedge accounting.

The effective interest rate method is a method for calculating the amortized cost and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the debt instrument or, when appropriate, a shorter period to the net carrying amount of the instrument. When calculating the effective interest rate, all contractual terms are considered. Possible future credit losses are not taken into account. Charges and interest paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts are included in the calculation.

Amortized cost

The amortized cost of a debt instrument is the amount at which it is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between the initial amount and the maturity amount and minus any reduction for impairment.

Fair value

The financial statements provide information on the fair value of all financial assets, including those carried at amortized cost where the fair values are provided in the notes to the financial statements.

Fair value is defined as the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). For quoted financial assets for which an active market exists, the fair value equals the bid price at the balance sheet date. In the absence of an active market, fair value is estimated by using present value based or other valuation techniques. Where discounting techniques are applied, the discount rate is based on current market rates applicable to financial instruments with similar characteristics. The valuation techniques that include unobservable inputs can result in a different outcome compared to the actual transaction price at which the asset was acquired. Such differences are not recognized in the income statement immediately but are deferred. They are released over time to the income statement in line with the change in factors (including time) that market participants would consider in setting a price for the asset. Interest accrued to date is not included in the fair value of the financial asset.

Derecognition

A financial asset is derecognized when the contractual rights to the asset's cash flows expire and when Aegon Schadeverzekering retains the right to receive cash flows from the asset or has an obligation to pay received cash flows in full without delay to a third party and either has transferred the asset and substantially all the risks and rewards of ownership, or has neither transferred nor retained all the risks and rewards but has transferred control of the asset.

Financial assets of which Aegon Schadeverzekering has neither transferred nor retained significantly all the risk and rewards are recognized to the extent of Aegon Schadeverzekering's continuing involvement. If significantly all risks are retained, the assets are not derecognized.

On derecognition, the difference between the proceeds from disposal and the carrying amount is recognized in the income statement as a realized gain or loss. Any cumulative unrealized gain or loss previously recognized in the revaluation reserve in shareholders' equity is also recognized in the income statement.

Collateral

With the exception of cash collateral, assets received as collateral are not separately recognized as an asset until the financial asset they secure defaults. When cash collateral is recognized, a liability is recorded for the same amount.

D.1.2.2. Equities

The Solvency II and the IFRS balance sheets both measure equities at fair value. Per year end 2022, the equities on the Solvency II balance sheet amounts to EUR 4 million and the equities on the IFRS balance sheet amounts to EUR 81 million. This difference is due to a reclassification of EUR 77 million from Equities to Collective Investment Undertakings.

D.1.2.3. Bonds

The Solvency II and the IFRS balance sheets both measure bonds at fair value. The Solvency II balance sheet contains bond positions of EUR 487 million. The IFRS balance sheet contains bond positions of EUR 483 million. The Solvency II balance sheet is EUR 5 million higher. The valuation is the same, the only difference is a reclassification of accrued interest from Any other assets.

D.1.2.4 Collective Investment Undertakings

The Solvency II and the IFRS balance sheets both measure Investment funds at fair value.

The Solvency II balance sheet contains an investment funds position of EUR 228 million and the IFRS balance sheet contains an investment funds position of EUR 151 million. This difference is due to a reclassification of EUR 77 million from Equities to Collective Investment Undertakings.

Investment funds managed by Aegon Schadeverzekering, in which Aegon Schadeverzekering holds an interest, are consolidated in the financial statements if Aegon Schadeverzekering has a dominant influence over that investment fund and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, all interests held by Aegon Schadeverzekering in the fund are considered.

Aegon Schadeverzekering concluded, for all investment funds, that it does not exercise control, as Aegon Schadeverzekering has no power over the asset manager (key decision maker).

Participations in investment funds held for general account are recognized as equity investments. Some of these investments in venture capital entities, mutual funds and investment funds are managed on the basis of market value and accounted for as financial assets at fair value through profit or loss. Participations in investment funds that are measured using the equity method are regarded as part of the investment portfolio.

D.1.2.5. Loans and mortgages

Loans and mortgages are measured at amortized cost in the financial statements. Under Solvency II, fair value measurement is required.

Mortgages

The valuation methodology for mortgages follows the following steps:

1. Projection of future cash flows of mortgage loans;
2. Determination of the interest rate curve to use for discounting;
3. Net present value calculation.

In this approach, cash flows for each mortgage loan part in Aegon's portfolio are projected separately, based on product characteristics, mortgage rates and interest reset dates. Aegon's methodology recognizes four mortgage cash flow profile types, being: Interest only, Annuity, Linear and Savings mortgages.

Cash flows are adjusted for expected early repayments (also known as prepayments). The rate of early repayments is based on a historical analysis and assessment of market circumstances.

The interest rate curve used for discounting is determined by applying a spread over the risk free yield curve, which is constant over the maturity of the term structure. The spread for each mortgage loan part is dependent on the Loan to Value and remaining time until the next interest reset date.

The spread is derived from the most recent, most competitive consumer mortgage rates observed in the market, after deduction of a 'Margin Earned', which serves to cover the expenses of originating and servicing the mortgage portfolio. The consumer rate minus the Margin Earned reflects the yield that an external investor would be able to obtain when investing in mortgage loans.

The method described above for obtaining the spread is also known as a top-down approach. The prevailing consumer rate is determined as the single average of the mortgage rates offered by the top three providers in the market (not including Aegon affiliated entities) for a particular Loan to Value and duration.

For the purpose of valuation, it is assumed that each mortgage will be redeemed at the next interest reset date of that mortgage, i.e. at the date at which the mortgage provider can reset the interest rate and the mortgagee can terminate the contract without a penalty.

The assumption that all mortgages will be terminated at the first interest reset date will, generally speaking, lead to some degree of underestimation of the value of a portfolio. As interest rates can be set or reset to a profitable level at the interest reset date, profits occurring after this date are not included in the valuation. This assumption is made nonetheless, as mortgagees do not have a contractual obligation to continue their mortgage after the interest reset date and can exit without a penalty.

The estimated rate of repayment is compared annually against actual repayment rates for verification, and the prepayment rate in the valuation is updated accordingly.

Prevailing consumer rates are collected by an external party on a weekly basis. The mortgage valuation spreads are updated monthly on the basis of the latest consumer rates.

The Margin Earned, which is deducted from the consumer rate to derive the discount rate, is benchmarked against Mortgage portfolio transactions conducted by Aegon Asset Management as well as other transactions. The margin is verified annually on the basis of the most recently completed transactions.

The valuation of the mortgage portfolio is based on a number of factors that are not known precisely or may change over time, creating a degree of uncertainty. Main uncertainties relate to the rate of early repayments, and the dependence of the valuation on mortgage rates offered by other providers in the market.

Loans

Fair value measurement of loans on policies, IC loans and other loans on the Solvency II balance sheet is based on amortized cost measurement on the IFRS balance sheet. The fair value of floating interest rate mortgage loans, policy loans and private placements used for disclosure purposes is assumed to be approximated by their carrying amount, adjusted for changes in credit risk. Credit risk adjustments are based on market observable credit spreads if available, or management's estimate if not market observable.

Fair value of private loans is based on an internal valuation model. On a monthly basis, the Dutch government bond curve and additional spreads are received and used as input for matrix pricing. The curves per sector are uploaded into the system. Based on private loan characteristics and classifications the system selects the appropriate curve and yield per security. Via the net present value ("NPV") component combining yields and security cash flow the system calculates prices via interpolation where bid, mid and ask are populated with the same price.

Reconciliation between IFRS and Solvency II: Adjustments of Loans and Mortgages

The Solvency II balance sheet is EUR 83 million lower due to the revaluation of Loans and Mortgages to fair value.

D.2. Technical provisions

D.2.1. Technical provisions analyzed by each material line of business

The table below shows the Solvency II and IFRS (statutory) liabilities at year-end 2022 (in EUR million).

Table: Total technical provisions (in EUR million)

<i>Liabilities</i>	Section	Solvency II value	Statutory accounts value	Difference
Technical provisions – non-life	D.2.	186	163	23
Technical provisions – non life (excluding health)		124	116	8
Best estimate		119		
Risk margin		5		
Technical provisions – health (similar to non-life)		62	47	15
Best estimate		56		
Risk margin		5		
Technical provisions - life (excluding index-linked and unit-linked)	D.2.	632	798	-/- 166
Best estimate		579		
Risk margin		53		
Total technical provisions		818	961	

The provisions are split in Technical provisions – Non-Life, which is further divided in Non-Life (excluding health) and Health (similar to non-life), and Technical provisions – Life with regard to the technical provisions Health (similar to life).

General description of the reserving methodology

Non-life

The technical provisions for Non-life and Sick leave insurance are updated quarterly by calculating a best estimate claims reserve, premium reserve and risk margin. The calculation of the claims provisions and the premium provisions is described in the next sections.

Claims provisions

The best estimate claims provisions are calculated with standard triangle reserving techniques. Figures concerning paid and incurred claims, costs and salvage and subrogation are updated for each homogenous risk group (“HRG”). For both the paid and incurred amounts, including costs and accounting for salvage and subrogation, two related methods are applied:

1. A development factor method, consisting of the linked ratio method and a method to calculate an appropriate tail factor; and
2. The Bornhuetter-Ferguson method, which takes into account an initial expectation of the ultimate claim amount and the outcomes of the development factor method.

In general, claims data over the past five years are used to set development factors for determining the best estimate claims reserves. In order to determine a claims reserve for a HRG, the results of these methods are compared with each other. For each accident year, the result which is considered most appropriate is chosen. Based on the selected ultimate claim amounts and accompanying payment patterns the best estimate claims cash flows are estimated.

Premium provisions

The best estimate premium reserves are determined based on the simulated cash flows stemming from a distribution for attritional, large and catastrophe claims. The parameterizations of the attritional and large loss distributions are based on historical claim amounts. Distributions for catastrophic claims concerning storm risk are simulated by using externally provided data.

AOV

The best estimate claims and premium provisions for AOV are based on a Markov chain projection of the expected premiums, claims, expenses and commissions. The model uses transition probabilities (inception, recovery, mortality and lapse) that are based on historically observed statistics in the Aegon portfolio.

The premium refund provisions are calculated in a separate projection model. The model projects the expected value of invested premiums to the end date of the contract. This value is used to derive the expected premium refund. The best estimate provisions equal the present value of the expected refund, calculated with best estimate mortality and disability assumptions.

For part of the AOV portfolio, namely for collective contracts, IBNR reserves are calculated to account for late reported claims in the three most recent accident years. The IBNR reserves are estimated with a loss ratio method based on historical average loss ratios.

WIA

The best estimate claims and premium provisions for WIA are based on a Markov chain projection of the expected premiums, claims, expenses and commissions. The transition probabilities are derived from industry wide transition parameters provided by the Dutch Association of Insurers. These parameters constitute a system of probabilities, which specifies inception and transition rates between various disability states, as well as mortality rates.

The total best estimate liabilities ("BEL") for WIA comprises of the present value of cash flows (the sum of claims, expenses, and commissions minus premiums) concerning both the disabled and active policyholders. The claims provisions are based on the BEL for disabled policyholders, whereas the premium provisions are based on the BEL for the active policyholders.

Since there is substantial period of time (often two years) between the moments at which a policyholder becomes disabled and when this policyholder receives its first benefit under the WIA coverage, IBNR is incorporated in the BEL for disabled policyholders. The IBNR is calculated with triangle techniques based on the incurred claims per accident quarter. The incurred claims are equal to the paid claims plus the outstanding claims reserves. The following three methods are applied:

1. A development factor method, consisting of the linked ratio method;
2. An initial expectation method, in which the ultimate claim amount is based on an expected loss ratio (used for the 10 most recent accident quarters for which due to the waiting period of two years, limited information is available); and
3. The Bornhuetter-Ferguson method (used for all intermediate quarters).

Apart from claims data that are considered to be outliers such as years with insufficient volume, claims data over all available years are used to set development factors for determining the best estimate claims reserve.

Underlying assumptions

Non-life

Claims provisions

The key assumption of triangle techniques that are used for the claims provisions is a stable ratio between the development-columns of consecutive claim years of the paid and incurred triangles.

Premium provisions

The methodology used for the premium provisions assumes that the expected future claims can be estimated by separate probability distributions for attritional, large and catastrophe losses. This is a common approach for the modelling of future claims.

AOV

The most important non-economic assumptions in the valuation of the AOV product are the morbidity assumptions. These assumptions consist of the incidence (disability) and reinstatement (recovery) rates, which are estimated based on the Aegon portfolio.

The AOV lapse rates are also estimated based on the Aegon portfolio. The mortality rates that are applied in the valuation of the AOV portfolio are deduced from the UR1 Population Mortality table.

WIA

Similar to AOV, the morbidity assumptions are the most important non-economic assumptions in the valuation of the WIA product. For these assumptions, the inception rates and transition rates between different disability states from the model of the Dutch Association of Insurers (Verbond van Verzekeraars). This model determines the disability rates based on several characteristics of a participant.

Assumptions regarding the residual earnings capacity in case of a change in disability state are set in line with market practice. The mortality rates for WIA are determined analogous to those for AOV, where the duration of the WIA claims cash flows are used.

Expense parameters

The developments of both the Non-Life, AOV and WIA portfolios have shown a constant pattern for the last few years, which means that the size of the portfolio has remained roughly the same. The same is expected to hold for future years. For this reason, there is no need to split the expenses into fixed and variable expenses, i.e. all expenses are assumed to be entirely variable.

The expense assumptions are updated annually based on budget figures. For all products of Aegon Schadeverzekering, the expense assumptions for the best estimate liabilities are split by maintenance expenses, first expenses and claims handling expenses. For each product separately, the total expense amounts of these components are based on the Activity Based Costing (ABC) model.

Furthermore, investment expenses are added to the best estimated liability. The Corporate Center Expenses (CCE) are also partly included in the expense components.

Risk Margin

The Solvency II Technical Provisions equal the sum of the Best Estimate Liabilities and the Risk Margin ("RM"). The risk margin is the market consistent value of the variability around best estimate assumptions for a non-hedgeable risk. It is the price at which Aegon expects to be able to offload the uncertainty of cash flows around their best estimate for a non-hedgeable risk onto the market. The RM cannot be directly observed. It can be valued using a variety of techniques, including stochastic modelling, Cost-of-Capital method, or other methods.

Cost-of-Capital method

For Solvency II purposes, the method is mostly prescribed and commonly referred to as the Cost-of-Capital ("CoC") method. The concept underlying the CoC method is to calculate current and future risk capital amounts (SCR) for non-hedgeable risks. The RM is then calculated as the present value of the cost of financing these

current and future risk capital amounts. Aegon Schadeverzekering approximates the projected SCRs for RM purposes by projecting SCRs by risk/product combination based on the Best Estimate Liability ("BEL") by product (i.e. simplification method I).

The calculation of the risk margin takes place per product group. Non-life and Health non-SLT are combined in one product group, the other product groups are AOV and WIA. A small proportion of the risk margin is scaled for non modelled reserves. Scaling is applied on the final outcomes.

Non-life

The risk margin calculation is based on a cost-of-capital method applied to a projection of the Standard Formula SCRs associated with Non-life and Health non-SLT. The SCRs, which are relevant for calculating the risk margin, are premium and reserve risk, catastrophe risk, counterparty default risk (through reinsurance contracts), lapse risk and operational risk. Diversification between the different risks is taken into account by using the standard formula diversification on the total Aegon Schadeverzekering level, i.e. including the diversification with Health SLT. Aegon has adopted the best estimate reserves as risk driver for the runoff of the future SCRs. Note that the application of the risk driver is a simplification compared to recalculating the expected SCR in each point in time in the future. This simplification does not lead to a material misstatement of the risk margin.

The risk margin is calculated for each Line of Business separately and then aggregated. However, some risks are calculated on a total level. These risks are divided between the Lines of Business ("LoBs") in the following way:

- Counterparty redefault risk: the CDR is allocated to the LoBs according to the catastrophe risk per LoB. Only LoBs where reinsurance is applicable get part of the CDR.
- Operational risk: for Operational Risk the net best estimate outstanding claims are used to divide the risk over the LoBs.

Health SLT (AOV + WIA)

The risk margin for Health SLT is split between AOV and WIA. The risk margin calculation is based on a cost-of-capital method applied to a projection of the Standard Formula SCRs associated with Health SLT. The SCRs, which are relevant for calculating the risk margin, are Health catastrophe risk, longevity risk, disability risk, lapse risk, expenses risk, revision risk and operational risk. Diversification between the different risks is taken into account by using the standard formula diversification on the total Aegon Schadeverzekering level, i.e. including the diversification with Non-life and Health non-SLT. Aegon has adopted the best estimate reserves as risk driver for the runoff of the future SCRs for most of the risks.

The table below shows the risk margin for each line of business (in EUR million).

<i>Line of Business</i>	Risk margin
P&C incl. Health non-SLT	10
Health SLT	53

Contract boundaries

Non-life

For all Non-life business, the legal contract duration is 1 year. As the policies are renewed yearly, and policy terms and conditions can be changed at renewal date, the renewal date is taken as contract boundary. This means that the policies are projected until the contract renewal date and on average this is a period of 0.5 year. The assumptions made are that all policies are renewed yearly and the renewal dates are evenly distributed over the year. Because the model used to calculate the best estimate liabilities is a portfolio model, specific characteristics of individual policies are not taken into account.

For Sick leave insurance, a contract boundary of 3 years is used. An even distribution of the end date over the years is assumed. The premiums in the projection are indexed with 2% per year.

AOV

The contract boundary of the AOV products without an individual risk assessment at acceptance is equal to the contract term. For AOV products with an individual risk assessment at acceptance, as of 2022 the contract boundary is equal to the end age. These policies can be adjusted (premium, policy terms) during the period until the end age is reached, but without repeating the risk assessment.

For the AOV products with a contract boundary until end age, Aegon 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 Disability-Morbidity Risk (article 156 DA) scenario.

WIA

All WIA contracts have a fixed contract term between one to three years. For each contract, the contract end date is used as contract boundary in the projection model.

Simplification methods

Non-life

For outstanding claims, reinsurance is not incorporated in the simulation model. It is assumed that the ratio between gross and net claims reserves in the accounting figures also applies to the best estimate numbers.

The best estimate technical provisions are scaled to take into account all claims reserves, including those reserves that are not in the claim triangles used for reserving. For LoBs Transport and Miscellaneous, the best estimate claims reserves are fully based on the case reserves. The limited size of these LoBs does not allow for proper application of triangle techniques.

AOV

A simplification is used for all business covered in HRG "Other income protection". The technical provisions for this HRG are taken into account through scaling. Almost all provisions in this group were released in 2022 and approximately 0.0% of the total best estimate provisions for AOV are scaled. For the AOV collective part an approximation is done for the active participants, this concerns 2.1% of the total best estimate provisions for AOV.

WIA

There is not scaling within WIA.

D.2.2. Uncertainty associated with the value of technical provisions

The valuation of technical provisions is based on model settings and parameter estimates, which reflect unknown future developments and therefore give rise to uncertainty. In addition, scaling has been applied to some smaller portfolio segments for which accurate portfolio data are incomplete or not available at all.

Main uncertainties affecting technical provisions relate to disability and recovery rates, cancellation rates, and expense levels. The impact of these uncertainties has been assessed by varying the impacted parameters within a reasonable range of possible outcomes. Refer to chapter C for sensitivity results.

The risk margins relate to the cost of holding capital to allow for uncertainty around the best estimate assumptions and are included in the technical provisions as addition to the best-estimate liabilities.

Other sources of uncertainties are associated with scaling (applied to portfolio segments for which accurate portfolio data are incomplete or unavailable at all) and the applied UFR and VA.

D.2.3. Differences between Solvency II valuation and local GAAP/IFRS valuation of Technical Provisions analyzed by each material line of business

Non-life

There are two main differences in the valuation methodology between Solvency II and the statutory accounts:

- In the statutory accounts the premium reserve equals the unearned premium reserves. This amount is entirely based on book value. The Solvency II premium reserves are based on all future expected cash flows (premiums, claims and expenses) within the contract boundary.
- In Solvency II a risk margin is held on top of the best estimate reserves. This risk margin is calculated using a Cost-of-Capital method. In the statutory accounts the risk margin is not applicable but instead a prudency margin is added to the technical provisions. The prudency margin is calculated using a bootstrap method and reflects the uncertainty in the claims provisions.

AOV

There are three main differences in methodology between Solvency II and the statutory accounts:

- In the statutory accounts, the total premium reserves consist of the unearned premium reserves plus the present value of future premiums and claims based on tariff assumptions (WVV). The Solvency II premium provisions are a best estimate projection of all claims, expenses and premiums for active members within the contract boundary.
- In the statutory accounts, the claims reserves for part of the AOV portfolio (AOV Individueel) are calculated policy by policy using present value factors that are based on prudent assumptions and a fixed discount rate. In Solvency II the claims reserves for AOV Individueel are calculated based on best estimate assumptions. For the remaining part of the AOV portfolio (AOV Collectief) the statutory accounts reserves are based on best estimate assumptions, which means for this part of the portfolio there is no difference between the valuation in both reporting frameworks.
- In Solvency II, a risk margin is held on top of the best estimate reserves. This risk margin is calculated using a Cost-of-Capital method. In the statutory accounts, the risk margin is not applicable. Instead, a prudency margin is included in the claims reserves (see previous bullet).

WIA

There are three main differences in methodology between Solvency II and the statutory accounts:

- In the statutory accounts for the premium reserves only the unearned premium reserves are used. In Solvency II also expected profit in future premiums is taken into account.

- In Solvency I, the IBNR reserve is calculated as a best estimate of the ultimate claims based on developments in the own portfolio. In the statutory accounts, the IBNR reserve is set on a more prudent basis and the ultimate claims are based on a 70% percentile estimation using a Mack approach. In addition, the estimates for WGA Aanvulling are partly based on nationwide inception rates, which are generally higher than the observed inception rates in the own portfolio. Furthermore, an additional prudency margin for data uncertainties is taken into account.
- In Solvency II, a risk margin is held on top of the best estimate claims reserves. This risk margin is calculated using a Cost-of-Capital method. In the statutory accounts, the risk margin is not applicable.

Difference between IFRS and Solvency II measurement

In the technical provisions for non-life and health non-SLT there is a revaluation of EUR 23 million and in the technical provisions for health SLT there is a revaluation of EUR +/- 166 million. These differences in technical provisions are the effect of moving from prudent IFRS provisions to market value technical provisions. In this effect, the change from unearned premium reserves to best estimate cash in and outflows within the contract boundary is included in the premium reserves. Furthermore, all prudence from the claims provisions is excluded. Also, the impact of discounting is taken into account. Finally, these adjustments are partly offset with the inclusion of the risk margin. These revaluations also have impact on the deferred tax position.

D.2.4. Matching adjustment

The Matching Adjustment ('MA') is a mechanism that (partially) mitigates the impact of spread movements on the net balance sheet numbers, where assets and liabilities are cash flow matched. Aegon Schadeverzekering does not apply the matching adjustment.

D.2.5. Volatility adjustment

The Volatility Adjustment ('VA') is applied by Aegon Schadeverzekering and is equal to 19 basis points at year-end 2022 (3 bp at year-end 2021). The VA aims to avoid pro-cyclical investment behavior of insurers when bond prices deteriorate due to low liquidity of bond markets or exceptional expansion of credit spreads. Removing the VA would lead to lower discount rates for calculating the technical provisions, which leads to higher technical provisions and thereby lower Own Funds.

The impact of the application of the VA on the several Solvency II metrics is as follows:

<i>Solvency II</i>	Technical provision	Own Funds	SCR	Ratio	MCR	Eligible OF to meet MCR
Aegon Schadeverzekering Q4 2022	818	483	190	254%	78	483
VA spread	13	-/- 9	3	-/- 9%	0	-/- 9
Aegon Schadeverzekering Q4 2022 without VA	831	474	193	245%	79	474

D.2.6. Transitional risks-free interest rate-term structure

Insurance undertakings may, subject to prior approval by DNB, apply a transitional measure to the relevant risk free interest rate term structure to calculate the provisions or to apply a temporary deduction of the technical provisions (articles 308c and 308d of Directive 2009/138/EC). Aegon Schadeverzekering decided not to apply these transitional measures.

D.2.7. Recoverables from reinsurance contracts and special purpose vehicles

The outstanding recoverables from reinsurers at the end of 2022 are as follows:

Table: Lines of business (in EUR million)

<i>Balance Sheet</i>	Outstanding recoverables BE Premium Provisions	Outstanding recoverables BE Claims Provisions
Motor vehicle liability insurance	-/- 0.5	2.9
Other motor insurance	-/- 0.1	0.0
Fire and other damage to property insurance	-/- 1.1	7.5
General liability insurance	-/- 0.2	1.3
Legal expenses	3.6	8.4
Health similar to Life	-/- 31.0	54.8
Total	-/- 29.2	74.8

For Property and Casualty lines of business, the recoverables from reinsurers are calculated by applying the ratio between outstanding recoverables and outstanding claims reserves to the best estimate claims reserves for outstanding claims. For future claims, the recoverables from reinsurers are calculated per claim based on the reinsurance program. A default rate is applied to take into account the possibility that the reinsurer will not pay.

For Health SLT the reinsurance recoverables under Solvency II are calculated by modelling the best estimates with and without the reinsurance contract.

D.2.8. Material changes in the relevant assumptions made in the calculation of technical provisions compared to the previous reporting period

In 2022 the total Solvency II technical provisions decreased by EUR 174 million from EUR 992 million per year end 2021 to EUR 818 million per year end 2022.

The decrease in the technical provision is mainly caused by economic variances, consisting of the higher interest rates and higher spreads. Other effects like model changes, roll forward, management actions and experience variances offset each other.

D.3. Other liabilities

The break-out in the table below shows the value of the other liabilities by material liability class under Solvency II and IFRS.

Table: Other Liabilities (in EUR million)

Liabilities	Section	Solvency II value	Statutory accounts value	Difference
Deferred tax liabilities	D.3.1.1	4	-	4
Derivatives	D.3.1.2	97	96	0
Insurance and intermediaries payables	D.3.1.3	7	7	-
Reinsurance payables		8	8	-
Payables	D.3.1.4	40	40	0
Any other liabilities, not shown elsewhere		1	3	-/- 2

D.3.1. Solvency II valuation for each material class of other liabilities

In this section the valuation under Solvency II is described per material other liability class (i.e. total liabilities excluding technical provisions). Where the valuation method or classification differs between IFRS and Solvency II, a qualitative and quantitative explanation is provided per other liability category.

In accordance with Solvency II regulations, the amounts are based on fair value. To assure consistency with annual reporting, fair value under IFRS and market value under Solvency II is the same.

Fair value is defined as the amount that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset).

D.3.1.1. Deferred tax liabilities

Solvency II methodology for the calculation of deferred taxes follows the provisions of IAS 12 in the financial statements. Deferred tax assets and liabilities are recognized for the estimated future tax effects of temporary differences between the carrying value of an item and its tax value. A tax asset is recognized for tax loss carry forwards to the extent that it is probable at the reporting date that future taxable profits will likely be available against which the tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are reviewed at the balance sheet date and are measured at tax rates that are expected to apply when the asset is realized or the liability is settled. Periodic management reviews include, among other things, the nature and amount of the taxable income and deductible expenses, the expected timing when certain assets will be used or liabilities will be required to be reported and the reliability of historical profitability of businesses expected to provide future earnings. Furthermore, management considers tax-planning strategies it can utilize to increase the likelihood that the tax assets can be realized. These strategies are also considered in the periodic reviews. The carrying amount is not discounted and reflects the expectation of Aegon Schadeverzekering concerning the manner of recovery or settlement.

Reconciliation difference IFRS to Solvency II: Revaluation Adjustments

IFRS to Solvency II reconciliation of deferred tax items should comprise of DTA and DTL adjustments reflecting the tax impact of all individual revaluations processed for all components of the Balance Sheet. The Solvency II balance sheet contains a Deferred Tax Liability position of EUR 4 million. The IFRS balance sheet contains a Deferred Tax Asset position of EUR 2 million.

The revaluation of the Deferred Tax position (EUR 6 million) from IFRS to Solvency II relates to the tax on the 'IFRS – Solvency II revaluation items':

- Tax on the revaluation of Loans and mortgages (EUR 22 million)
- Tax on the revaluation of the Technical provisions (EUR -/- 28 million)

Since the fourth quarter of 2021 the corporate tax rate has increased to 25.8%, as part of a second note of amendment to Dutch government's tax plan 2022 to raise the Corporate Income Tax to 25.8% from 25%.

D.3.1.2. Derivatives

Solvency II and the IFRS balance sheet both measure derivatives at fair value.

The Solvency II balance sheet contains a derivatives position of EUR 97 million. The IFRS balance sheet contains a derivatives position of EUR 96 million. The Solvency II balance sheet is EUR 1 million higher due to the reclassification of accrued interest from Any other liabilities.

D.3.1.3. Insurance and intermediaries payables

The fair value of liabilities maturing within a year is assumed to be approximated by their carrying amount adjusted for credit risk where appropriate. Credit risk adjustments are based on market observable credit spreads if available, or management's estimate if not market observable.

The Solvency II balance sheet position of EUR 7 million is the same as the IFRS position for insurance and intermediaries payables.

D.3.1.4. Payables (trade, not insurance)

The fair value of liabilities maturing within a year is assumed to be approximated by their carrying amount adjusted for credit risk where appropriate. Credit risk adjustments are based on market observable credit spreads if available, or management's estimate if not market observable.

The payables (trade, not insurance) position on the Solvency II balance sheet is EUR 40 million and is equal to the amount on the IFRS balance sheet.

D.4. Alternative methods of valuation

Alternative methods of valuation are used for assets and liabilities for which no quoted markets prices exist in active markets for the same or similar assets and liabilities. This concerns the following assets and liabilities; deferred tax liabilities, Loans and mortgages and the technical provisions.

For these assets and liabilities we refer to sections D.1, D.2 and D.3, for information regarding these alternative methods of valuation.

D.5. Any other information

Aegon Schadeverzekering is involved in litigation in the ordinary course of business, including litigation where compensatory or punitive damage are sought. Current and former customers initiate litigation.

In addition, the insurance industry has routinely been the subject of investigations, regulatory activity and challenges by enforcement authorities on wide-ranging subjects and the charges such as included in products, adequacy of internal operational controls and processes, privacy and information security.

In the normal course of business, reviews of processes and procedures are undertaken to ensure that customers have been treated fairly, and to respond to matters raised by policyholders and their representatives. In certain instances, Aegon Schadeverzekering modified business practices in response to such inquiries or the findings thereof.

All other relevant information is covered in the previous sections.

E. Capital Management

E.1 Own Funds

E.1.1. Objective, policies and processes for managing Own Funds

Objective and policies

This Capital Management Policy is in line with the principles and requirements set out in the Group Capital Management Policy. Aegon Schadeverzekering's aim with capital management is to protect the financial interests of the policyholders, to support the execution of its strategy and to optimize capital generation and dividend to the Aegon NL and Group. It ensures that Aegon Schadeverzekering maintains a strong financial position and will be able to sustain losses from adverse business and market conditions.

The recovery zone is set between 100% and 135% as an additional buffer for the protection of the interests of policyholders. The level of the recovery zone is based on the impact of an adverse 1 in 10-year scenario and has not changed during 2022. The target level starts at 135% and is the target range for executing the strategy, capital generation and dividends. In principle, the full amount of dividend that is based on the Operating Capital Generation will be paid out when the solvency of Aegon Schadeverzekering is in the target zone. When the solvency drops in the lower end of the target zone, management actions will be taken to strengthen the solvency and limits the possibility that solvency might drop into the recovery zone. The target operating capital level for Aegon Schadeverzekering is 150%.

Aegon Schadeverzekering reviews its policy and in particular its capitalization zones on an annual basis to keep the guidelines for the capital management framework up to date.

Key figures

Eligible Own Funds of Aegon Schadeverzekering equaled 254% of the SCR at year-end 2022. This ratio being higher than 100%, demonstrates Aegon's ability to meet policyholder obligations when they fall due, even under stressed conditions.

The lower bound for the target range for the Solvency II ratio (Eligible Own Funds divided by SCR) of Aegon Schadeverzekering is set by the company's Executive Board at 135%. This creates a buffer for the protection of the interests of policyholders. The target zone ensures that capital management can be employed relatively flexible and ensures execution of strategy, capital generation and dividends. When the ratio drops near or into the recovery zone, the management of the entity will take actions that will restore the ratio to a level back in the target zone. Aegon Nederland aims at capitalization levels for the insurance entities that are well within the target zone.

E.1.2. Own Funds – Quality & Amounts

Own Funds are classified into different tiers, indicating their quality and availability to fully absorb losses. Total Own Funds of Aegon Schadeverzekering only includes Unrestricted Tier 1 capital. Under the Solvency II regime, Own Funds are split into the tiers as shown in the table below.

Tier 1	Tier 2	Tier 3
Unrestricted Tier 1 <ul style="list-style-type: none"> Equity (Share capital and share premium) Reconciliation Reserve 	<ul style="list-style-type: none"> Dated or perpetual Subordinated capital instruments <ul style="list-style-type: none"> With an original maturity of at least 10 years Limited loss absorption With suspension of payments and deferral of interest 	<ul style="list-style-type: none"> Dated or perpetual Subordinated capital instruments <ul style="list-style-type: none"> With an original maturity of at least 5 years Limited loss absorption With suspension of payments and deferral of interest Net deferred tax assets
Restricted Tier 1 <ul style="list-style-type: none"> Perpetual subordinated capital instruments with loss absorption 		

The component of the Own Funds of Aegon Schadeverzekering is described below:

Element of Own Funds *Description*

Tier 1 capital: consists of ordinary shares, share premium and reconciliation reserves, which are fully available without restrictions. There are no obligations to redeem these own fund items at any time, hence no maturity date applies. The ordinary share capital and share premium amount to EUR 173 million. The Reconciliation Reserves are determined as the excess of assets over liabilities minus the ordinary share capital and share premium account related to ordinary share capital. As mentioned in the table below the Reconciliation Reserves amount to EUR 310 million and as such, is the dominant component of the Own Funds. It originates mostly from earnings accumulated in previous years which have not been distributed to shareholders.

E.1.2.1 Detailed breakdown eligible amount of Own Funds to cover the Solvency Capital Requirement and Minimum Capital Required

Eligible Own Funds to meet SCR and MCR of Aegon Schadeverzekering amount to EUR 469 million. This is shown in the table below:

Eligible Own Funds to meet SCR and MCR

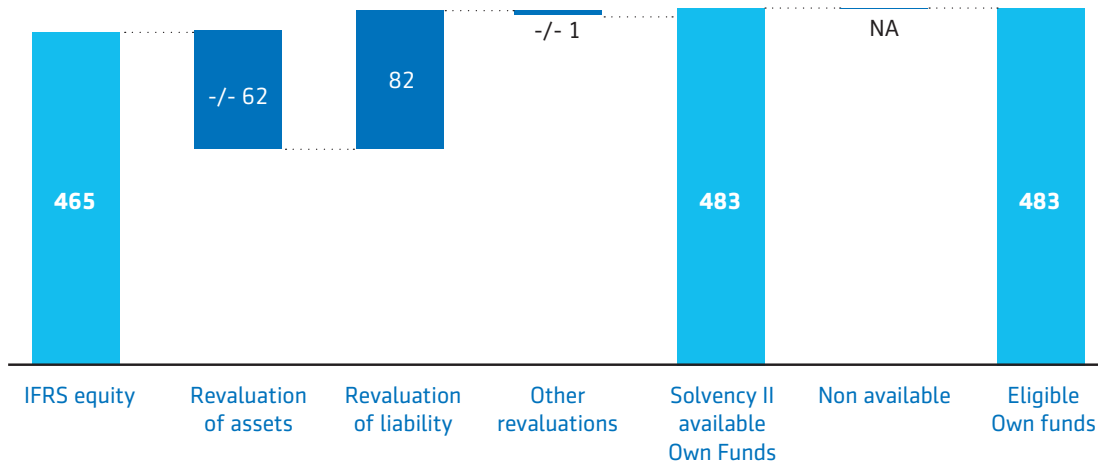
	Total Tier	U-Tier 1	Tier 2	Tier 3
Ordinary share capital- gross of own share	31	31		
Share premium account related to ordinary share capital	142	142		
Reconciliation reserve	310	310		
Subordinated liabilities	0		0	
Deferred tax assets	0			0
Own Funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II Own Funds	0	0		
Eligible Own Funds to meet SCR and MCR	483	483		

There is no capital loss or capital overflow after applying capital restrictions as all capital is unrestricted Tier 1 for both MCR and SCR coverage.

E.1.3. Difference between equity as shown in the financial statements and the Solvency II value excess of assets over liabilities

Below mentioned graph shows the reconciliation between statutory IFRS equity and Solvency II own funds.

Graph: IFRS equity and Solvency II own funds at 31 December 2022



Main reasons for the differences in valuation are as follows:

1. Revaluation of assets in the amount of EUR -/- 62 million mainly reflects mortgage loans held for general account which are valued at amortized cost under IFRS, and at market value under Solvency II.
2. Revaluation of liabilities in the amount of EUR 82 million and relates to prudent assumptions used under IFRS and at market value under Solvency II.

A more extensive analysis on the Solvency II to IFRS reconciliation is given in Chapter D.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

E.2.1. Solvency Capital Requirement

Aegon Schadeverzekering reports its Solvency Capital Requirement in line with the Standard Formula specifications.

Composition of the SCR at year end 2022

The graph below provides an overview of the SCR by risk categories. Each risk category is split into risk types. The amounts as provided in the graph are the sum of the risk types within the risk category, they therefore do not include diversification within the risk category. The line with diversification contains diversification amounts within risk categories as well as diversification amounts between the risk categories.

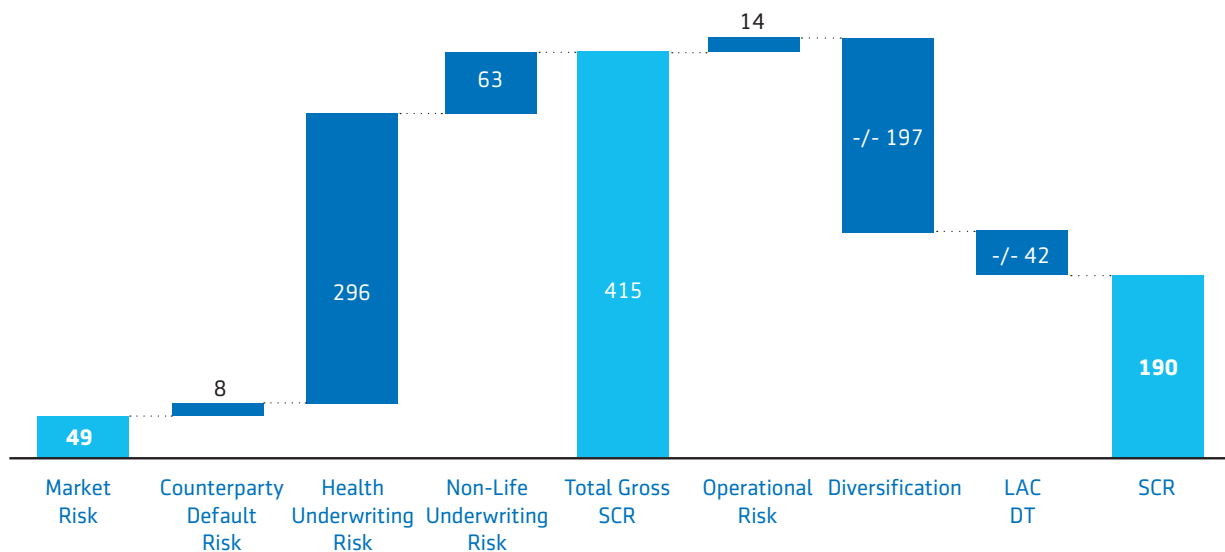
No simplified calculations or undertaking specific parameters have been used for the SCR components. Refer to chapter C on risk Profile for a further discussion on the SCR amounts by Risk Type.

Developments in 2022 regarding LAC DT

There have not been any changes to the LAC DT methodology last year:

- Similar to previous years, the Loss Absorbing Capacity of Deferred Taxes (LAC DT) is determined by applying a LAC DT Factor on the Dutch corporate tax rate, which is 70% per year-end 2022. The LAC DT is calculated according to the requirements as stated in the Solvency II (SII) regulations, which provides a principle-based approach for the LAC DT substantiation. The methodology reflects Aegon NL's current interpretation of both the SII regulations combined with the guidance provided by De Nederlandsche Bank (DNB) on this topic.
- In 2022 DNB started a sector-wide investigation into deferred taxes for which Aegon filled out a quantitative template and self-assessment for each legal entity. DNB is expected to give specific feedback to the different insurers in 2023. This could also result in revised or updated guidance from DNB.

Graph: SCR by Type of Risk at 31 December 2022



E.2.2. Minimum Capital Requirement

The MCR has been determined as the sum of the following components, leading to a linear MCR of EUR 78 million.

<i>Component MCR 2022 (in EUR million)</i>	MCR
Total non-life MCR	35
Total life MCR	43
Total MCR	78
MCR floor	47
MCR combined	78

E.2.3. Material changes to the Solvency Capital Requirements and Minimum Capital requirement

The SCR decrease was driven by the increase in interest rates.

E.3. Use of duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

Aegon Schadeverzekering does not make use of the duration-based equity risk sub-module set out in article 304 of Directive 2009/138/EC for the calculation of the Standard Formula SCR.

E.4. Differences between internal model and standard formula

Aegon Schadeverzekering does not use a (Partial) Internal Model to calculate its Solvency Capital Requirement.

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

During 2022, there were no instances in which the estimated Aegon Schadeverzekering ratio was below the MCR and the SCR level. To ensure that Aegon maintains adequate solvency levels, actual and expected capital positions are monitored against capitalization zones that are defined in Aegon Schadeverzekering's Capital Management policy. Several activities are performed to monitor and assess the future development of Aegon's solvency position, such as the annual Budget and Medium Term Plan process and

periodic management reporting. Decisions to return capital to shareholders are based on solvency assessments that consider the impact of the decisions on the current and projected solvency positions.

Any solvency position is subject to risks, and Aegon Schadeverzekering therefore constantly monitors such risks. These are quantified to determine the impact on the current and the projected solvency position. The Capital Management policy provides actions that need to be performed as soon as the identified risks could cause the projected solvency ratio to fall within a particular capitalization zone.

E.6. Any other information

E.6.1. GS-II designation

IAIS Holistic Framework

In November 2022 the Financial Stability Board (FSB) confirmed that the annual identification of Global Systemically Important Insurers (G-SII's) was being discontinued. Aegon was previously identified as a G-SII. This decision was made in consultation with the International Association of Insurance Supervisors (IAIS) following the initial years of implementation of the IAIS Holistic Framework for the assessment and mitigation of systemic risk in the insurance sector which started in 2019.

As part of the Holistic Framework Aegon will continue to have a liquidity risk management plan, a systemic risk management plan, an ex-ante recovery plan. These plans are updated on an annual basis and are submitted to the DNB and Crisis Management Group (CMG). In addition, the Aegon Group's Resolution Authority (the Dutch Central Bank) is responsible for the development of Aegon's resolution plan.

Some of the provisions of the Holistic Framework are included in the IAIS Insurance Core Principles (that apply to all insurers), while others are included in ComFrame (the Common Framework for the Supervision of Internationally Active Insurance Groups, or IAIGs).

The Holistic Framework consists of an enhanced set of supervisory policy measures and powers of intervention, an annual IAIS global monitoring exercise, and an assessment of consistent implementation of supervisory measures. ComFrame establishes supervisory standards and guidance focusing on the effective group-wide supervision of IAIGs. ComFrame is a comprehensive and outcome-focused framework that provides supervisory

minimum requirements tailored to the international activities and sizes of IAIGs. ComFrame builds on the Insurance Core Principles that are applicable to the supervision of all insurers. The provisions of both ComFrame and the Insurance Core Principles must be implemented in local legislation in order to have a binding effect.

Aegon remain subject to ComFrame and ICS, to the extent these will be implemented in local legislation. In Europe, the relevant international standards are expected to be implemented in the Solvency II Framework through the Solvency II Review. The European Commission's proposal to amend the Solvency II Directive includes a number of macro-prudential tools. The legislative proposal to introduce a European Insurance Recovery & Resolution Directive (IRRD) is expected to include IAIGs based in the European Union.

Glossary

Collateral is an asset pledged by a borrower to secure a loan and is subject to seizure in the case of default.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Diversification is the general concept of reducing the total risk of a portfolio of assets and/or liabilities by spreading it across a mix of different risk exposures. Risk reduction occurs due to the less than perfect correlation among the individual risk exposures in the portfolio, meaning risks will not materialize all at the same time.

Financial risks are risks of a possible future change in one or more of the following variables: a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index or prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable, that the variable is not specific to a party to the contract.

Insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Insurance risk is a risk, other than financial risk, transferred from the holder of a contract to the issuer.

Interest rate risk is a market risk, more specifically the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Loss absorbing capacity of deferred taxes is a loss compensating effect of taxes taken into account in the solvency capital requirement.

Minimum capital requirement is the absolute minimum level of capital an insurance company must hold in excess of its Technical Provisions under Solvency II.

Operating expenses are all expenses associated with selling and administrative activities (excluding commissions) after reallocation of claim handling expenses to benefits paid.

Partial Internal Model is a combination of a Standard Formula and Internal Model, used to calculate the Solvency II capital requirement.

Policyholder is a party that has a right to compensation under an insurance contract if an insured event occurs.

Solvency II is the fundamental reform of European insurance legislation.

Solvency capital requirement is the level of capital an insurance company must hold in excess of its Technical Provisions under Solvency II.

Spread is the difference between the current bid and the current ask or offer price of a given security.

Standard Formula is a risk-based approach to the calculation of an insurer's solvency capital requirement, prescribed by the regulator.

Stochastic modeling is a statistical process that uses probability and random variables to predict a range of probable investment performances.

Transitional measures allow EEA entities to gradually move to a full implementation of Solvency II over a period of time.

Volatility adjustment is a volatility adjustment to the discount rates for calculating technical provisions aims at avoiding pro-cyclical investment behavior of insurers when bond prices deteriorate owing to low liquidity of bond markets or exceptional expansion of credit spreads. The adjustment has the effect of stabilizing the capital resources of insurers and will be calculated by EIOPA.

Cautionary notes

Intended use of the SFCR

This Solvency and Financial Condition Report is prepared and published in accordance with the requirements of the Solvency II regulations and EIOPA guidelines and follows a prescribed format.

The SFCR is primarily prepared for prudential considerations, which includes informing policyholders and other beneficiaries of Aegon's insurance products. While the document is made available to the public in general and may be of interest to stakeholders such as investors in Aegon shares and other financial instruments, it is not specifically aimed at them.

