PROTEQ LEVENSVERZEKERINGEN N.V.

ATHORA

Annual Report 2022

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1 OVERVIEW

1.1 KEY FIGURES

In € thousands	2,022	2021	2020	2019	2018
Ratios					
Regulatory Solvency II	197%[1]	242%	245%	241%	327%
Profit or loss					
Net premium income	3,717	4,247	4,929	5,421	6,121
Investment result	9,487	10,350	27,323	27,578	19,715
Total income	13,204	14,598	56,872	45,406	27,633
Total net benefits, claims and expenses	56,793	11,962	49,600	39,361	24,685
Result before taxation	**-43,589**	**2,636**	**7,272**	**6,045**	**2,948**
Tax expense	-22,184	17,869	838	1,642	1,586
Net Result IFRS from continued operations	**-21,405**	**-15,233**	**6,434**	**4,403**	**1,362**
Statement of financial position					
Total assets	**580,009**	**725,616**	**644,361**	**573,763**	**567,422**
Investments	424,191	621,007	678,380	625,330	565,076
Insurance liabilities	372,253	520,521	564,935	520,807	453,736

1 Regulatory Solvency II ratio 2022 is not final until filed with the regulator.

Proteq Levensverzekeringen N.V.

In this annual report, we use the name ‘Proteq’ when referring to the financial statements of Proteq Levensverzekeringen N.V.

The Proteq Report of the Executive Board, as referred to in section 2:391 of the Dutch Civil Code includes the following chapters: Key Figures (chapter 1.1), Message from the Executive Board (chapter 1.2), Organisation (chapter 2), Strategy and Developments (chapter 3) and Corporate Governance (chapter 4), excluding Report of the Supervisory Board (chapter 4.5).

1.2 MESSAGE FROM THE EXECUTIVE BOARD OF PROTEQ LEVENSVERZEKERINGEN N.V.

Dear stakeholders,

The year 2022 has been a volatile and uncertain period for the world and the economic environment. While the impact of COVID-19 on society gradually decreased during the year, the war in Ukraine has inflicted a large humanitarian toll but also led to an energy and food crisis. The related jump in inflation caused monetary authorities to adapt their policies with a substantial impact on financial markets.

In this volatile environment, Proteq was nonetheless able to make good progress with the execution of its Ambition 2025 strategy in terms of results evolution and organisational development. We implemented a new functional organisation at the beginning of the year, facilitating our ambition to become a simplified and efficient company that is well suited to our strategy. In addition, we were able to attract great talent to strengthen our senior management team. Our successful investment strategy allowed us to continuously offer compelling returns to our customers.

One of the levers of our strategy is to increase our investment income through the repositioning of part of our investment portfolio towards higher yielding assets, offering better risk-return characteristics. These efforts combined with cost containment underpinned the positive development in the Net Underlying Result and the Operating Capital Generation during 2022.

We continue to strive to be one of the most sustainable insurers in the Netherlands. We launched a dedicated sustainability department coordinating and consolidating all our efforts in this important domain. As an insurer with a sizeable investment portfolio we make a real impact on the world around us. As an example, we recently offered an empty office building to the municipality of Alkmaar to temporarily accommodate about 300 Ukrainian refugees. In addition our employees have contributed to multiple initiatives through the “Stichting Samen voor Later” that benefitted society at large.

I am proud on our performance in 2022 and would like to thank our customers and business partners for their continued trust. A special thanks goes to our valued employees for their relentless support in the realisation of the transformation of our company and the Works Council for their constructive cooperation.

Amstelveen, the Netherlands, 29 March 2023

On behalf of the Executive Board of Proteq Levensverzekeringen N.V.,
Jan de Pooter, Chief Executive Officer

2 ORGANISATION

2.1 ABOUT PROTEQ

Proteq Levensverzekeringen N.V. is a Dutch insurance company that manages an existing portfolio of individual life insurances. Proteq primarily operates in the Netherlands.

Legal Entity

Proteq Levensverzekeringen N.V. is a public limited company with a two-tier board structure consisting of an Executive Board and a Supervisory Board.

Proteq Levensverzekeringen N.V. is a full subsidiary of Athora Netherlands N.V. The members of the Executive Board of Athora Netherlands N.V. are also the members of the Executive Board of Proteq Levensverzekeringen N.V. Certain topics are managed and controlled from a consolidated perspective. To the extent applicable, information in this board report is therefore presented on Athora Netherlands level.

The figure below shows the total structure of Athora Netherlands N.V. and the position of Proteq in this structure.

Proteq Levensverzekeringen N.V. within the structure of Athora Netherlands N.V. and business lines.

2.1.1 Composition of the Executive Board

The Executive Board is responsible for the management, strategy and operations of the company. At 31 December 2022 the Executive Board consisted of the following members:

- J.A. (Jan) de Pooter – Chief Executive Officer
- A.P. (Annemarie) Mijer – Chief Risk Officer (vice-chair)
- E.P. (Etienne) Comon – Chief Capital & Investment Officer
- J.H. (Jan-Hendrik) Erasmus – Chief Financial Officer
- A. (Angelo) Sacca – Chief Transformation Officer

On 13 June 2022, J. (Jim) van Hees stepped down as Chief Financial Officer (a.i.). On 1 January 2023, A. (Angelo) Sacca stepped down as Chief Transformation Officer and his responsibilities as CTO have been shared amongst the other members of the Executive Board.

As of 1 January 2023, Proteq Levensverzekeringen N.V. has implemented an Executive Committee consisting of the members of the Executive Board and members appointed by the Supervisory Board at the proposal of the Executive Board.

On 19 January 2023 Proteq announced the appointments of Annemieke Visser-Brons as Chief Commercial Officer and Bart Remie as Chief Technology & Operations Officer to the Executive Committee.

More information on the Executive Board is stated in Chapter 4: Corporate Governance.

2.1.2 Composition of the Supervisory Board

The Supervisory Board is responsible for advising the Executive Board and overseeing the Executive Board's management and the general business of the company and its associated business. It has an important role in the company's governance, by approving or dismissing significant business-related decisions. At 31 December 2022 the Supervisory Board consisted of the following members:

- R.M.S.M. (Roderick) Munsters (chair)
- J.M.A. (Hanny) Kemna (vice-chair)
- M.A.E. (Michele) Bareggi
- E. (Elisabeth) Bourqui
- F.G.H. (Floris) Deckers
- H. (Henk) Timmer

On 14 February 2022, Pierre Lefèvre resigned from the Supervisory Board for personal reasons. On 20 September 2022, Henk Timmer was appointed to the Supervisory Board.

As of 1 January 2023, the Supervisory Board supervises the Executive Committee as implemented per that date.

More information on the Supervisory Board is stated in Chapter 4: Corporate Governance.

2.1.3 Shareholder

Proteq Levensverzekeringen N.V. is a wholly owned subsidiary of Athora Netherlands N.V. The sole shareholder of Athora Netherlands N.V. is Athora Netherlands Holding Ltd. Athora Netherlands Holding Ltd. is a full subsidiary of Athora Holding Ltd. (Athora).

Athora is an insurance and reinsurance group fully focused on the European market. Athora is a specialised operator focusing on the large and attractive traditional life and pensions market. Its ambition is to become a leading provider of guaranteed life and pensions products and solutions in Europe.

Athora offers innovative reinsurance and M&A solutions to insurers seeking to enhance their capital position or enact strategic change. It also serves the needs of individual and corporate customers that continue to demand products offering safety of returns, at a time when many operators are de-emphasising these products.

Athora's business model is centred on the disciplined accumulation of stable and long-dated insurance liabilities; a sophisticated approach to investment, capital and risk management; and an efficient operating model.

Athora has supportive long-term shareholders and benefits from a strategic relationship with Apollo Global Management Inc. and its subsidiaries (Apollo), which allows Athora to leverage the scale of Apollo's asset management platform.

Athora's culture is founded on a clear set of values: Dare to be different, Seek simplicity, Care, and Do the right thing.

2.2 OUR STORY

Proteq is a life insurance company in the Dutch market with Reaal as it's consumer brand. We build on a long heritage, stretching back more than 120 years. Complemented by the investment expertise and capital support of Athora Group and being part of Athora Netherlands, which aims to be a leading player in the Dutch pension and life insurance market.

With our colleagues, Proteq aims to fulfil its purpose ‘A sustainable partner for life, taking care of your tomorrow’. We do this by providing attractive and stable benefits and guarantees in every phase of our customers’ pension and retirement journey.

Our overarching sustainability approach ensures that Proteq delivers on its purpose in a sustainable way. By investing in companies that make our planet a better place to live and by influencing the sectors in which we invest to act in responsible way from an ecological, social and governance perspective.

In this way, Proteq aims to service in a balanced way and work towards a better world, so that our customers’ future is truly carefree.

2.3 OUR PEOPLE

We believe it is important that our employees can get the best out of themselves and each other and enjoy their work. This requires a solid foundation, such as good terms and conditions of employment and a safe, pleasant working environment.

2022 was the year we were able to return to the office. After working at home for a long time, it was nice to see each other back in the office again. We could get together again and celebrate successes. In 2022, we continued to build on shaping the new organisation. This meant a new top structure and several reorganisations in different domains. We tried to inform and support colleagues affected by reorganisation at the earliest possible stage. They were offered training opportunities and received an extra outplacement budget on top of their growth budget in order to receive the best possible guidance in finding another internal or external job.

Our award-winning hybrid working concept PASS has been introduced. This involves employees working in the office when necessary and at home when possible. PASS, which is an abbreviation that has several meanings: Pick a Smart Site, Pick a Smart Spot, Pick a Smart Solution.

And Athora Netherlands is also certified by the Top Employers Institute. This international quality mark is awarded annually to employers who are at the forefront of human resources management. We are very proud of obtaining the seal of approval and receive the Top Employers label. We believe it is important to create a challenging and inclusive working environment where our colleagues can develop and take control of their own careers.

The annual employee survey shows that we are on the right track in terms of employee satisfaction, but also that there are still some challenges. Following these results, Athora Netherlands is deploying several actions to follow this up across the organisation.

Our Employees in Numbers

Proteq's number of (internal and external) employees is 15 at the end of 2022 (2021: 17). Employees of Proteq are employed by Athora Netherlands. The costs of employees appointed to Proteq are charged to Proteq by Athora Netherlands. Below, the key figures are presented of Athora Netherlands as a whole.

KEY FIGURES ATHORA NETHERLANDS HUMAN RESOURCES		
	2022	**2021**
Number of employees	1,256	1,428
- of which internal	972	1,218
- of which external[1]	284	210
Number of FTEs	1,251	1,412
- of which internal	969	1,209
- of which external	282	204
Ratio male-female	67%/33%	66%/34%
Female managers	20%	20%
Female members of senior management	24%	22%
Average length of service (years)	16.4	15.5
Average age (years)	47	47
Full-time/part-time ratio	78%/22%	77%/23%
Male/female ratio full-time	76%/24%	77%/23%
Male/female ratio part-time	36%/64%	27%/73%
Ratio permanent/temporary contract	97%/3%	96%/4%
Male/female ratio permanent	65%/35%	64%/36%
Male/female ratio temporary	63%/37%	64%/36%
Training costs (million)	€ 2.2	€ 2.5
Sickness absence	5.0%	4.1%
Percentage of employees that have sworn the banker's oath	94%	98%

1 Number of external employees is based on contractual hours

More information regarding our staff can be found in section 3.3.8.1 Own Workforce

3 STRATEGY AND DEVELOPMENTS

3.1 CORPORATE STRATEGY

Athora Netherlands (including Proteq) is a pension and life insurance company focused on the Dutch market. We build on more than 120 years of knowledge and experience. With our strong consumer brands Zwitserleven and Reaal, we offer our customers attractive products and services to provide a good income for later.

Proteq has to manage its existing portfolio to be able to maintain our future obligations to our customers. Therefore we must continue to keep our cost base under control. We aim to increase efficiency by implementing digital technologies and digitise (back end) processes using both proven and innovative technologies in the field of Customer Relations Management (CRM) and Business Process Management (BPM).

Complemented by the investment expertise and capital support of Athora Group, we aim to be a leading player in the Dutch pension and life insurance market.

To achieve this aim and to fulfil our purpose “We are a sustainable partner for life, taking care of your tomorrow”, we have formulated our Ambition 2025 strategy, consisting of three key value creators:

Growth – a business for the future

We aim to address our target market successfully by providing attractive and stable benefits and guarantees in every phase of our customers’ pension and retirement journey. We offer accumulation solutions with our insured and pension premium institution (ppi) defined contribution plans. For the retirement (‘de-cumulation’) phase, we provide our customers immediate pensions and immediate (variable) annuities. Through providing superior service, we aim to keep customer loyalty high throughout their pension and retirement journey, ensuring high retention rates.

Furthermore, we have strengthened our capabilities to offer attractive solutions for pension funds opting for buy-outs of various sizes, with excellent, guaranteed and secured offerings.

We also continue to provide a best-in-class service level to our life service book customers, while this portfolio gradually runs off.

Operating model – our focus is our advantage

As a focused pensions and life insurance company, we strive for simplicity and customer centricity. This clear focus enables us to structure our organisation more easily, with fewer management layers and more agility to respond to market opportunities. Here cooperation across departments is crucial.

We also choose to cooperate with strategic partners if they can execute certain activities better or more efficiently than we can ourselves. In this way, we ensure continuity and keep costs under control by scaling up or down as needed. We have access to in-depth knowledge and can offer our products at low cost to our customers, leaving them with more income for later. Next to that, we promote a culture and organisation that attracts and retains top talent.

Investments & capital – deliver on the promise

We create and maintain stable financial resources to deliver on our promise to all stakeholders. We ensure that we maintain full control over our risk profile through an elaborate risk management framework founded on robust processes, clear governance, highly skilled people, and appropriate risk limits.

We target to provide stable and attractive offerings for our customers, while operating capital generation and efficient use of capital will contribute to a healthy financial position and provide resilient, long-term stable returns to our shareholder.

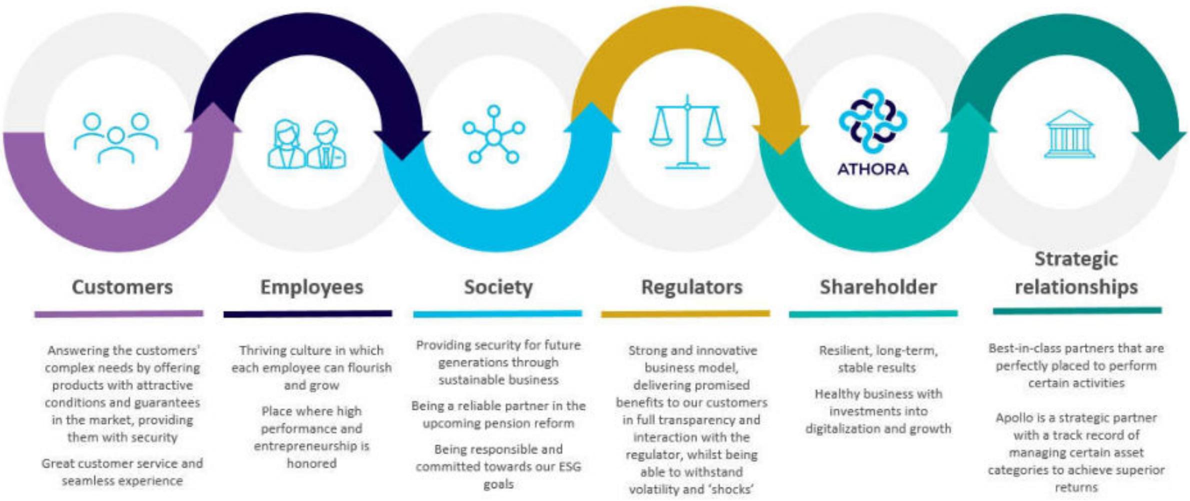
We leverage our strong asset management capabilities to have access to diversified investments. We also make the conscious choice to go for a diverse selection of private markets investments, while remaining selective and conscious of the risks we take.

Sustainability

Integrated in these three value creators is our overarching sustainability approach, ensuring Proteq delivers on its purpose in a sustainable manner. We will continue to embed sustainable investment and corporate social responsibility in the organisation. It is clear that sustainability is an important added value for all our stakeholders: customers, employees, society, regulators, shareholders and business partners. How sustainability is embedded in each pillar of our strategy is outlined in detail in Chapter 3.3.

A partner for life

By delivering on these three key value creators, we will be able to successfully execute our strategy and thereby fulfil our purpose to serve our stakeholders by being their sustainable partner for life.



3.2 DEVELOPMENTS AND BUSINESS PERFORMANCE

Trends and developments

The war in Ukraine is not only a humanitarian tragedy, but has also had far-reaching geo-political consequences and a very substantial impact on the global economy, food and energy prices, as well as financial markets. Most notably, risk-free interest rates have increased significantly, e.g., the 10-year euro swap rate increased from 0.34% at the beginning of the year to 3.2% at the end of 2022. This steep rise in rates led to a decline of the market value of fixed income assets, but also decreased the value of our insurance liabilities. Together with other market impacts, this led on balance to a decline of Solvency II Own Funds and IFRS shareholders equity. Furthermore, the rise in interest rates has increased operating capital generation and has made new business more profitable.

Another important development has been the adoption of the Future Pension Act (Wet toekomst pensioenen) by the Second chamber of the Dutch parliament (Tweede Kamer der Staten-Generaal) at the end of 2022. If also adopted by the First Chamber of the Dutch parliament (Eerste Kamer der Staten-General), the law will come into effect as of 1 July 2023 and will mean a profound change to the Dutch second pillar pension system. Second pillar pension schemes will have to conform to this law ultimately on 1 January 2027. This development may give rise to commercial opportunities for pension insurers, including Proteq.

Business Performance in 2022

Athora Netherlands, and therefore Proteq, continued to make progress with its Ambition 2025 strategy, which is based upon three value creators.

Growth

In 2022, we made significant progress with the execution of our growth strategy in pensions.

Reaal's Zuivere Lijfrente Awarded 5-star Rating

Reaal's Zuivere Lijfrente product, an immediate annuity (direct ingaande lijfrente), received the highest rating from Moneyview in November 2022. The comparison website awarded the product a 5-star rating for both product conditions and price.

Discontinuance of New Individual Term-life Products

Given Athora Netherlands' focus on growth in pensions, we have further simplified our product offering. This means we have stopped selling individual term life insurance policies under the Reaal and Zwitserleven brands in the course of the fourth quarter of 2022.

Operating Model

Implementation Functional Organisation

In March 2022, Proteq started with a new functional organisational structure, facilitating our ambition to become a more simplified and efficient company that is better suited to our pension-focused strategy after the completion of the sale of our non-life and asset management activities.

Launch of Transformation Office (TMO)

A dedicated TMO was established this year to ensure disciplined strategy execution. The TMO steers, monitors, and tracks the transformation initiatives of as part of our Ambition 2025 strategy.

Launch of a Dedicated Sustainability Department

The new department coordinates and consolidates all our efforts in the important domain of sustainability. The head of the sustainability department reports to the Chief Risk Officer.

Move to a New Sustainable Office Building

Proteq will move from Amstelveen to Amsterdam in April 2023. In September 2022, we signed the lease agreement with EDGE Amsterdam West. This striking office building dates back to the 1970s and has recently been redeveloped into a state-of-the-art and sustainable multi-tenant building. EDGE Amsterdam West is one of the most sustainable office buildings in Europe with the highest sustainability scores from BREAAM and WELL. With more than 6,000 m^2 of solar panels and underground thermal energy storage, the building provides more energy than it consumes.

Continued Rebalancing of Investment Portfolio

As part of our business strategy, we have continued the gradual rebalancing of our investment portfolio, achieving an increase in investment income and positive operating capital generation in

2022. Together with the continued diversification of investments, the investment management results —as a contribution to our overall performance— have shown continued improvement over the last twelve months.

2022 Milestones

Q1

- Athora Netherlands closed the sale of its asset management subsidiary ACTIAM to Cardona Group, in line with is ambition to be a leading focused pensions and life insurer in the Dutch market. A long-term strategic partnership has been concluded with ACTIAM.
- Athora Netherlands achieved 'Top Employer' certification in January. This international quality mark is awarded annually to employers with an excellent HR policy. The list of top employers was announced by the Top Employers Institute.
- In March, Proteq started with a new functional organisational structure.
- After an initial investigation on partnerships in 2021 and building on the experience we already have with outsourcing in the Life Service Business, we concluded that there is potential for a more strategic relationship with a service provider for the Individual Life portfolio. A diligent process was started with the aim of selecting a partner that is able to improve customer service levels, safeguard continuity and variabilise and lower expenses. This project is expected to come to a conclusion in 2023.

Q2

- Jan Hendrik Erasmus was appointed as Chief Financial Officer of Athora Netherlands in June
- In June, Athora Netherlands won the Award for Best Hybrid Employer of the North Holland province in the category companies larger than 200 employees. The award honours organisations that have an excellent hybrid work routine and have taken it a step further.

Q3

- In September, we started a cooperation with NL Cares through its own volunteer foundation Together for Later (Samen voor Later). This gives our employees access to the platform of NL Cares, which links supply and demand of volunteer work in an accessible way.
- Henk Timmer was appointed as member of the Supervisory Board of Athora Netherlands in September, bringing the Supervisory Board to full strength again after the resignation of Pierre Lefèvre earlier in 2022.
- In September, Proteq announced that it is moving to Amsterdam as it signed a lease agreement with EDGE Amsterdam West.
- Our empty office on the Wognumsebuurt in Alkmaar will be used to temporarily accommodate about 300 Ukrainian refugees. Proteq and the municipality of Alkmaar reached an agreement on this in September. Proteq will make the vacant property available to the municipality free of charge. The latter, in turn, will make the location suitable for temporary occupation. The first Ukrainians moved in in March 2023.

Q4

- Athora Netherlands reached an agreement in December to acquire the second pillar pension portfolio from Onderlinge ‘s-Gravenhage, consisting of about 11.300 policies, representing invested pension assets of approximately € 307 million.

3.3 SUSTAINABILITY

At Proteq, sustainability has long been an integral part of our strategy. Throughout our long heritage, our various predecessor companies were established with the goal of meeting the societal need for financial security in times of adversity and in the later stages of life. Our mission today is a continuation of that goal, supplemented with the conviction that financial security is worth so much more when it can be enjoyed in vibrant communities on a healthy planet, and that we have the means and, therefore, responsibility to contribute to a better world.

And whilst our sustainability credentials are widely recognised in the Netherlands, especially with respect to sustainable investing, we see that expectations from our stakeholders including clients, employees, regulators and society at large are increasing.

That is why in 2022 Athora Netherlands (and therefore Proteq) established a dedicated Sustainability Office to further refine and deepen the sustainability ambition and strategy and coordinate the efforts to realise that heightened ambition.

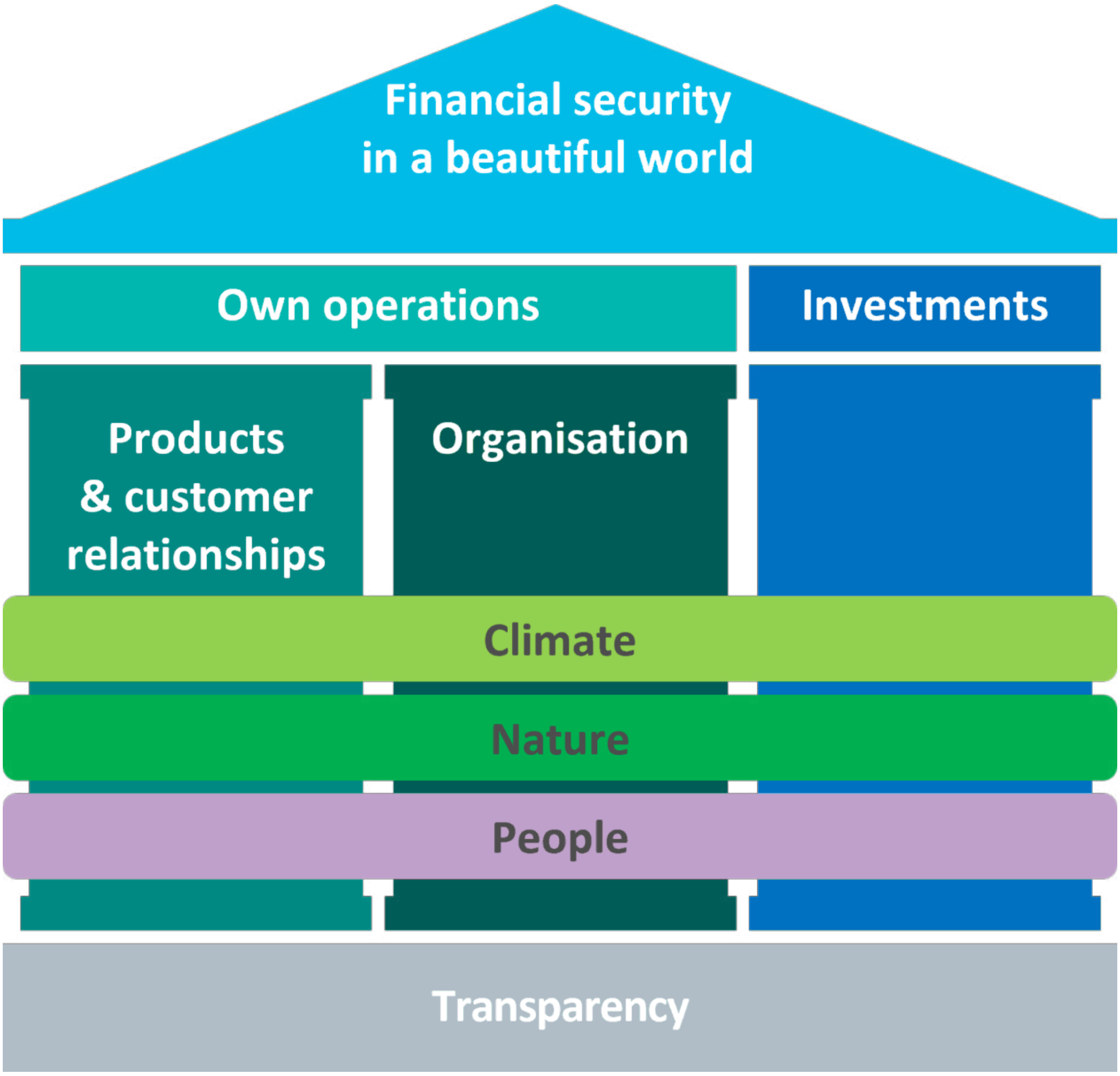
Under the stewardship of the Sustainability Office, all business lines and functions have started to translate our sustainability ambitions and commitments into concrete choices and initiatives. Also, at the end of last year we adopted an extensive set of sustainable investment KPIs and targets for each asset class in our investment portfolio, further integrating sustainability objectives into our core investment process. We are working with our asset management partners to shape investment opportunities in line with these sustainability objectives and we measure progress towards these targets.

3.3.1 Strategy

Our mission is that people enjoy financial security in a beautiful world, ecologically and socially.

We aim to deliver on this mission through the provision of excellent pension solutions, created and delivered in a sustainable manner, optimising financial, ecological and social return through:

- Products & customer relationships: In our role as insurer, we aim to ensure that our products are fair, transparent and accessible and protect the interest of our clients whilst empowering and incentivising them to make sustainable choices.
- Organisation: In our role as employer and corporate citizen, we aim to ensure that we offer a fair and stable work environment, improve communities and our planet, and raise awareness about our activities and impact.
- Investments: In our role as investor, through our investments and integration of sustainability risk mitigation, make a positive, real and measurable impact on the economy, community and planet, and deliver long-term returns for our clients and business.



Across all elements of our business model, we commit to mitigating climate change and protecting and restoring nature, as well as promoting a fair and just treatment of people.

We are transparent about our sustainability objectives and our progress towards those.

Thus, through what we offer and how we conduct ourselves, we contribute to a world where our clients, our employees, the community and the planet are thriving and as a result provide long-term stability for the company and stable financial returns to our shareholders.

Strategy for Own Operations

The very essence of our business is to serve society by providing fair and affordable pensions solutions whilst ensuring that our own operations are gentle on our planet and communities.

As part of our push to further embed sustainability in our own operations, we are strengthening policies and practices across all areas of our business and exerting influence on the companies and partners we work with. This spans from integration of sustainability in our product design and sales processes to energy and emissions saving measures in our facilities and IT, as well as supporting and developing our own employees and helping them make conscious choices e.g., with respect to commuting.

Whilst the impact of these combined measures is modest and sustainability risks mostly manifest themselves outside our own operations, we believe setting the right example in how we conduct ourselves in our role as insurer, employer and corporate citizen is critical to our credibility in our role as sustainable investor.

Strategy for Investments

Notwithstanding our efforts to embed sustainability in our own operations, it is in our role as investor that we can make the most impact. Therefore, Proteq has formulated a holistic investment policy that takes into account the sustainability opportunities and risks of investments and the impact of investments on society. The long-term sustainability goal of all of our investments is that the entities in which we invest will operate within the ecological boundaries of our planet and the social foundations of society. In order to achieve these goals and comply with current and new legislation, our Sustainable Investment Policy consists of three steps:

Step 1: Fundamental Investment Principles

The basis of our Sustainable Investment Policy is that companies, governments and institutions must comply with socio-ethical principles. These Fundamental Investment Principles are based on a range of international conventions and principles, including the United Nations' Principles for Responsible Investment (PRI), Global Compact (UNGC), the UN Guiding Principles on Business & Human Rights and the OECD Guidelines for Multinational Enterprises.

In addition, we do not invest in issuers that are subject to EU or UN sanctions, are involved in the production or trade of controversial weapons, are systematically involved in fraud, corruption or tax avoidance, or are significantly involved in tobacco, pornography or gambling. Companies, governments and institutions that do not comply with these principles exhibit unacceptable behaviour and are consequently excluded from the investment universe. All companies, governments and institutions that comply with our Fundamental Investment Principles are also considered to meet the conditions of good governance as formulated in the SFDR.

Compliance with our Fundamental Investment Principles is assessed on the basis of two main criteria: (1) repeated or systematic involvement in activities covered by the Principles, as well as failure to adequately address such involvement; and (2) insufficient measures to prevent this involvement in the future. Proteq assesses whether companies, governments or institutions should be excluded as soon as it becomes clear that they cannot be convinced to change their behaviour. When it is decided to exclude an issuer and a company, government or institution and an investment is already made in the issuer, this investment will be sold with due observance of a certain time limit. This may also apply to issuers that are not directly involved in violations of the Fundamental Investment Principles, but whose conduct or activities raise serious ethical questions.

Step 2: Sustainability Themes

On the basis of material sustainability drivers, Proteq also assesses the extent to which companies, governments and institutions have the potential and intentions to contribute to a more sustainable society and to prepare for the social transitions that are ongoing.

The purpose of this is twofold. On the one hand, this shows to what extent investments in these issuers contribute to the stated long-term sustainability goals. On the other hand, this assessment reduces the sustainability risks of the investments by assessing which companies, governments and institutions are (inadequately) prepared for changes in regulations, markets and society as required by the sustainability transition.

The potential and intention of companies, governments and institutions to change is referred to as the 'adaptability'. Companies, governments and institutions with insufficient adaptability are excluded from investment. This adaptability is assessed on the basis of seven Material Sustainability Drivers that indicate how issuers deal with various sustainability transitions, and take into account:

- **Use of fossil fuels**: Controlling the use of fossil fuels. This affects, among other things, climate change, air pollution, the availability of energy and health.
- **Water use**: Controlling the use of fresh water in areas where water is scarce. This affects, among other things, the availability of water, water quality, health and food production.

- **Land use**: The management of land use, especially for agricultural and mining purposes. This affects climate change, loss of biodiversity and water flows, but also local communities and social inequality.
- **Chemical waste management**: The management of toxic substances, long-life chemicals, hazardous waste and plastics. This affects the environment and public health.
- **Social capital management**: Activities to maintain the right to exist (the so-called license to operate). This affects, among other things, human rights, relationships within communities, social equality and the access to and affordability of, for example, health care and financing.
- **Human capital management**: Activities related to labour and trade union rights and working conditions. These affect educational opportunities and income and gender inequalities.
- **Organisational behaviour and integrity**: Actions to create an ethical business climate. These affect local communities, social justice and working conditions. For companies, this concerns their own organisational model, but also the way in which they deal with other companies in the chain.

We assess the degree of adaptability for every company, government or institution. A wide range of quantitative and qualitative sustainability indicators are used for this purpose, which come from a number of specialised ESG data suppliers. These indicators provide retrospective insight into the current degree of sustainability of companies and governments, but also provide insight into the goals, plans and investments to further shape the transition in a forward-looking manner. Companies or governments that through their activities or operations in the long run do not show to have the adaptive capacity towards operating within the planetary boundaries and social foundations, are not included in the investable universe. We therefore strive to only invest in companies or governments that are transitioning towards this end.

Step 3: Positive Impact

Proteq strives to create a (net) positive impact through its investments, in addition to excluding unacceptable behaviour and mitigating sustainability risks. For this, we select companies that make a conscious contribution to one of the UN Sustainable Development Goals, without doing significant harm to other sustainability factors. It may concern companies that develop services or products that enable others to make a positive contribution to society. It may also concern companies that make a positive contribution to the Sustainable Development Goals with their own production methods.

Risk Management

Proteq believes that sound corporate behaviour and high integrity levels contribute to the long-term financial performance of companies, the stability of communities and to the Sustainable Development Goals. It is, however, still not feasible to formulate internationally agreed targets on corporate behaviour that are more ambitious than the minima as formulated by for instance UN Global Compact or the OECD Guidelines for Multinational Enterprises. In the meantime, and in line with the Sustainable Development Goals, Proteq aims to invest in companies that are transparent about their contributions to sound corporate behaviour & integrity, such as those given in the GRI guidelines and its supplements. More transparency is expected to improve company behaviour and prevent integrity issues from happening.

For entities that comply with the Fundamental Investment Principles, we assess whether they are able to control their exposure to the material risks of not operating in the safe zone. Also part of this is their ability to capitalise on opportunities to operate within those zones. We are convinced that the integration of sustainability aspects and risks in the investment policy leads to better risk-return profiles. When assessing individual companies and governments according to the sustainability framework applied by Proteq, we explicitly look at the possible sustainability risks associated with the various sustainability themes and how companies and governments mitigate these risks.

In addition to sustainability risks relating to individual companies or sectors, Proteq also takes into account sustainability risks that may arise in specific countries or regions, such as increasing exposure to natural disasters (including climate change) or social unrest. Taking sustainability risks and opportunities into account creates a broader view of the companies, governments and institutions in which we invest in and improves decision-making, which can ultimately lead to the selection of companies, governments and institutions with lower downside risks and better returns.

Companies, governments and institutions can also be at-risk from involvement in controversial themes and practices. In general, reduced involvement in controversial topics and practices for entities leads to reduced market risk and lower cost of capital. Lower cost of capital is generally associated with a higher investment valuation and/or greater return potential. Specific sustainability risks and the way in which we deal with them in order to mitigate these risks in its portfolios are discussed below.

Engagement

This approach is applied to all entities and to investments in all asset classes. To this end, we use engagement as one of instruments to influence behaviour of entities we invest in. Engagement involves actively entering into a dialogue with companies, institutions and governments in order to propose solutions for their sustainability challenges and to stimulate change in the field of the environment, social aspects and/or corporate governance. The objectives of engagement include ensuring that improvement is shown in ESG policy and ESG performance; ensuring that improvements to ESG standards are achieved; and influencing laws and regulations related to ESG standards. The way in which the dialogue with companies, governments or institutions is entered into depends, among other things, on the reason for engagement, the willingness to cooperate and to answer questions. Engagement can be initiated from different angles, for example from new and/or changing laws and regulations and/or by collaborating with other investors to achieve certain ESG objectives and reduce ESG risks.

When it becomes clear after assessment that improvement of the policy or behaviour in the field of the environment, social aspects and/or corporate governance is necessary to prevent exclusion in the long-term, a proactive discussion is started. In the case of equity investments, for example, the interest in these companies can be made clear from the role of shareholder that improvement is necessary.

In 2022, we conducted individual engagements and collective engagements towards companies in our portfolio. In particular, the following topics were discussed:

Example: Biodiversity & Climate Risks in Aquaculture
On behalf of Proteq our partner ACTIAM participated in an investor trip to Bergen, Norway, in May 2022 as an opportunity to get on-the-ground experience and insights into a salmon farming operation at the company Leroy Seafood. Aquaculture is the farming of marine organisms including fish and shellfish and is often promoted as a solution to overfishing of wild species and as a sustainable protein source. However, it does come along with its sustainability challenges, which is why ACTIAM on behalf of Proteq is a part of FAIRR's collaborative engagement focused on the risks and opportunities relevant for the aquaculture industry. The investor group visited several of Leroy's sites, including a kelp farm, an indoor facility for growing young salmon and outdoor ecological salmon net pens.

The knowledge gained will help deepen the engagements being held with the companies that are part of the engagement program. ACTIAM is leading on discussions with Mowi, who is also headquartered in Bergen, Norway. Similar to the other companies in the program, the broad objective of the engagement is for Mowi to improve its strategy for reducing its reliance on soy and fishmeal and fish oil FMFO feed sources, as this will lead to positive impacts on biodiversity and reduce climate risks. It will also ensure the future resilience of Mowi and the aquaculture sector. The investor group is asking Mowi to conduct a risk assessment for continued FMFO usage and to disclose a target for increasing its use of novel and alternative feed ingredients.

Example: Water Risks in Supply Chains
In 2022, on behalf of Proteq, ACTIAM co-filed five shareholder resolutions in advance of the 2022 proxy voting season. The filing of shareholder resolutions is a powerful tool that can be used in combination with engagement and voting to put important issues on the agenda of a company's board and management. One of the companies for which ACTIAM filed a shareholder's resolution was Chipotle Mexican Grill (Chipotle) asking it to conduct a thorough water risk assessment of its supply chain. As a food company, Chipotle sources ingredients from producers that require a large volume of water consumption to grow its ingredients ranging from rice to chicken to beef for its burritos and bowls. A reliable supply of water is vital for its business and some of its suppliers operate in water-stressed regions. In previous discussions with Chipotle, it loosely stated that it would conduct a water risk assessment of suppliers to determine its highest risks, but they didn't commit to a concrete timeline in that respect.

After filing the resolution, the investor group including ACTIAM had multiple calls with the company. Chipotle's team accelerated its efforts on this front and developed a clear timeline outlining the water risk assessment project plan for each quarter in 2022 and what it was hoping to achieve. ACTIAM and the group found that this commitment was sufficient to withdraw the resolution but will continue to engage Chipotle on progress and to follow-up with an action plan pending the outcome of the risk assessment. ACTIAM sees this positive engagement outcome as one that has real world impacts by encouraging a more sustainable food supply chain - by limiting water use in water-stressed regions, but also encouraging a company to address its material risks and to ensure continuation of its product provision and contribute to food system stability.

Exclusion

If entities are categorised as non-adaptive, we consider them to be a significant risk to society and to investors. After consideration such entities will be excluded from investments. Since there is generally little willingness among these entities to change to business conduct that fits the safe and fair zone category, engagement is unlikely to be successful.

In 2022, the total number of companies excluded due to being non-adaptive increased again. Most of the new exclusions were based on high carbon intensity levels, either from own operations (scope 1 and 2) or products sold (scope 3). The high number of exclusions reflect the fact that the low carbon transition risks are materialising rapidly. The names of newly excluded entities and grounds for exclusion are published in quarterly reports published on our website throughout the year.

3.3.2 Governance

Investment governance

Various departments and committees within Athora Netherlands (and therefore within Proteq) have the responsibility to adequately implement our Sustainable Investment Policy. In respect of Proteq's own account investments Athora Netherland's Investment Office is responsible for the implementation and execution of the Sustainable Investment Policy. The Investment Office reports to the Investment & Balance Sheet Commission (IBSC) on compliance with this policy.

The Investment Office implements the outcome of the investment sustainability screening in the investment portfolios managed by the Investment Office itself and, where applicable, in the investments that are outsourced to external asset managers. For example, this could be the implementation of adjustments made in the exclusion list. In addition, the Investment Office takes an active role in assessing the sustainability level of external managers, both during the initial selection process and during the subsequent continuous monitoring. An assessment of external managers organisation and the relevant investment product is performed by taking into account its sustainable investment policy (including its exclusion policy and its policy on voting and engagement) and the most recent PRI assessment of the asset manager, if applicable.

3.3.3 Materiality Assessment

In 2022, we undertook our bi-annual engagement survey among a broad representative sample of our stakeholders, including customers, partners, employees, government authorities and civil society. The findings are discussed with the Executive Board and are used to refine our sustainability strategy, along with our underlying targets and priorities. We will also use the findings to update our disclosures and reporting in order to meet (information) requirements by these stakeholders.

In December 2022, we recalibrated these outcomes with internal key representatives. The outcomes and implications for the sustainability strategy of the survey were discussed with the Executive Board. As a result, updates in targets and policies were executed. The survey helped us to bring further focus to our strategy, priorities and sustainability programme.

Through a scientifically sound methodology respondents were asked to rank 20 sustainability topics, some respondents from a financial materiality perspective (the impact of the topic on the company) and other respondents from an impact materiality perspective (the impact of the company on the environment). The result was that the following topics were identified as being the most material across all respondents:

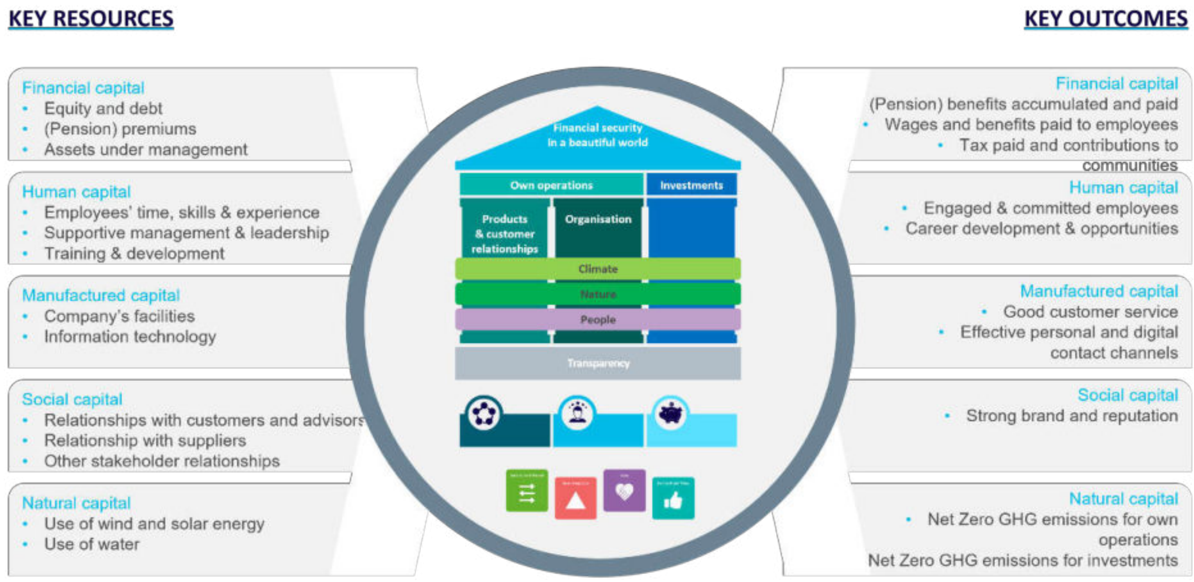
1. Financial resilience
2. Responsible governance
3. Employee wellbeing
4. Climate & decarbonisation
5. Human rights protection

Whilst this view of our stakeholder is very much aligned with where we pay most attention to, the other topics are also still relevant and part of our policies and practices. The aim of this periodical survey is to keep our focus aligned to trends and changing stakeholder requirements. Also, in December of 2022 we started an internal double materiality assessment as part of the preparations for future reporting conform the new Corporate Sustainability Reporting Directive (CSRD). The results of that exercise can lead to a recalibration of the material sustainability topics.

Results of stakeholder survey

3.3.4 Our value creation model

Through the three key value creators of our Ambition 2025 strategy that align perfectly to the three sustainability pillars supported by our four company values we aim to create long-term value for all our stakeholders. In the simplified version of our value creation model below we show how we use various types of resources to create outcomes from our business activities.



3.3.5 Contribution to the Sustainable Development Goals through our Investments

Athora Netherlands (and therefore Proteq) invests in companies that contribute to the Sustainable Development Goals of the United Nations, or the Sustainable Development Goals (SDGs). The table below provides an overview of the contribution to the SDGs financed by Proteq. The percentages indicate which part of the turnover of companies that contribute to an SDG objective is made possible through the investments.

CONTRIBUTION TO SDGS (PERCENTAGE OF TURNOVER)

Percentage of turnover	1 No poverty / 2 Zero hunger	3 Good health and well-being	6 Clean water and sanitation	7 Affordable and clean energy / 13 Climate action	8 Decent work and economic growth / 9 Industry, innovation and infrastructure	11 Sustainable cities and communities	14 Life below water / 15 Life on land
Own Account	0.1%	0.3%	0.2%	0.6%	0.7%	0.1%	0.0%
Zwitserleven funds (unit linked)	0.8%	4.7%	1.1%	6.3%	0.4%	1.0%	0.4%

3.3.6 Climate

Responsibility to combat Climate Change

Proteq aims to provide financial security in a beautiful world, ecologically and socially. That is why we believe, along with the entire financial sector as financiers of the real economy, we have a responsibility to combat climate change.

In 2015 already, just after the Paris Agreement was adopted, Proteq's asset manager ACTIAM formulated a long-term climate target in line with that Agreement that Proteq adopted for its entire investment portfolio and own internal operations. At that moment, an intermediate target was formulated to reduce greenhouse gas emissions in 2030 by 30% compared to 2010. Proteq has already surpassed that target. That is why in 2021 we set new, more ambitious climate targets, in line with the latest scientific insights, with 2019 as the base year.

Our approach to reaching our climate targets acknowledges that climate change is caused by multiple factors and requires changes by all sectors. Where initial efforts focussed on the largest carbon emitters and scope 1 and 2 emissions, nowadays all sectors must realise they have to take responsibility and companies also have a responsibility to reduce emissions across their entire value chains (scope 3 emissions).

The shift from fossil fuels-based technologies to renewable energy technologies and the need to improve energy efficiency, already leads to a major paradigm shift in society. Yet, actions also have to reduce methane emissions from livestock, land use change and waste management, and nitrous oxide emissions from fertilizer use. In addition, they have to reverse the reduced carbon sink capacity of our ecosystems in the form of nature-based solutions. These require additional systemic changes that go beyond the technological solutions many climate change action plans currently focus on.

On top of that, knowing that climate impacts may be reduced but cannot be totally prevented, managing physical climate risks becomes more and more relevant where companies can take action to partly mitigate some of the physical climate risks they encounter.

Net-zero Greenhouse Gas Emissions by 2050, in line with a 1.5°C Climate Scenario

The overall, long-term target of Proteq is to achieve net-zero Greenhouse Gases (GHG) emissions at the latest by 2050, in line with the 1.5°C scenario of the IPCC, the ambitions stipulated by the Paris Agreement and the EU Climate Target Plan 2030.

The climate target applies to all investments of Proteq as well as its own operations, and covers scope 1 (direct operations), scope 2 (energy generation) and scope 3 (value chain) emissions.

It includes CO_2 emissions as well as emissions from other greenhouse gases such as methane, nitrous oxides and fluorinated gasses.

Given the timespan of the overall target, Athora Netherlands (and therefore Proteq) has defined intermediate targets for 2030 and 2040:

- 50% GHG emissions reduction by 2030 compared to end 2019
- 75% GHG emissions reduction by 2040 compared to end 2019

- Net-zero greenhouse gas emissions by 2040 for our own operations and 2050 for our investments
- Cover scope 1 (direct operations), scope 2 (energy generation) and scope 3 (value chain) emissions
- Includes CO_2 emissions as well as emissions from other greenhouse gases
- Intermediate reduction targets for investments:
  - 50% reduction by 2030
  - 75% reduction by 2040
  - This equates to an average annual reduction of ~7%
- In line with the 1.5°C scenario of the IPCC, the Paris Agreement and EU Climate Target Plan 2030

Proteq monitors and reports the aggregate scope 1 & 2 emissions and scope 3 emissions separately to avoid duplication and to prevent that mitigation efforts concentrate on own emissions while neglecting emissions within the value chain that may be more difficult to reduce.

Reductions will especially stem from energy efficiency, low carbon energy supply and renewable energy solutions. Yet, as only approximately two thirds of all greenhouse gases originates from fossil fuels related activities emitting CO_2, emitters of other greenhouse gases will also be targeted. For that reason, reductions will also be realised by lowering emissions from land use (e.g., (change of use, fertilizer use) and reducing fluorinated gas emission (e.g., from cooling appliances).

It is expected that different sectors will follow different reduction pathways. On top of this, as concluded by most carbon emission pathway studies that limit warming to 1.5°C with no or limited overshoot, it is expected that greenhouse gas emissions cannot completely be reduced to zero in 2050. The majority of scenarios assumes that a limited level of greenhouse gas emissions is unavoidable, and factors in negative emissions as a necessary solution to reach net zero in 2050. On the one hand, these negative emissions will need to come from nature-based solutions such as avoided deforestation and peatland drainage, peatland restoration, reforestation, restoration of cover crops, improved agricultural practices, improved fishing methods and protection of land and marine biodiversity. On the other hand, technological carbon capture and storage solutions play a role.

Proteq allows for limited negative emissions to offset emissions in its investment portfolio and own operations.

Climate Change Mitigation through a Net-zero Investment Portfolio

To achieve its climate targets, Proteq follows a strategy of climate change mitigation to reduce the sources or enhance the sinks of greenhouse gases.

Climate change adaptation, is necessary to mitigate risks stemming from climate change but does not help reach the net-zero greenhouse gas emissions target.

In our role as an investor, we aim to actively contribute to decarbonisation in the 'real economy'. Rather than reallocating portfolio positions, Proteq stimulates investee issuers to adopt business models that are in line with a 1.5°C pathway. This translates into three strategies to reach the climate targets for Proteq's investment portfolio:

1. **Reduce greenhouse gas emissions of issuers by engagement and voting**
   Proteq adopts an active ownership strategy and urges corporate issuers to set GHG emission targets and to define actionable implementation plans to reach those targets. In addition, we have adopted a thermal coal phase out strategy with clear maximum thresholds for thermal coal revenues per issuer, according to a predefined schedule for 2025, 2028 and 2030.
2. **Invest in solutions that reduce, capture and store greenhouse gas emissions or increase low-carbon energy supply**
   Proteq is increasing its investments in solutions that reduce greenhouse gas emissions, increase low-carbon energy supply or capture and store greenhouse gases. This includes investment in issuers generating renewable energy and developing the necessary technologies to generate low-carbon energy. It also includes investing in issuers that develop technologies and processes that use renewable instead of fossil-based sources or improve energy efficiency. As one means to measure progress, we have set targets for increasing investment in EU Taxonomy aligned activities.
3. **Divest from issuers that lack the capacity to make the transition required for a net-zero economy**
   Proteq already screens if and how issuers prepare for the low-carbon transition. Our Sustainable Investment Policy defines principles that lead to exclusion of the most environmentally impactful fossil fuel activities such as thermal coal, coal-fired power plants, as well as unconventional exploration such as shale oil and gas, tar sands and deep sea and arctic drilling.

The criteria to identify issuers that lack the capacity to adapt to the low carbon transition will become stricter, leading to divestment from (more) issuers in the future.

Net Zero Operations throughout the Value Chain

Proteq's own operations have been CO_2 net neutral since 2015.

We have been using only renewable energy for over decade for our own housing and facilities, both purchased and generated from solar panels on our offices. In addition, we have increased energy efficiency by adjusting technical installations and lightning. Any remaining emissions are being offset by acquiring high-impact Gold Standard carbon credits.

Our ambition

- Fully CO_2 neutral for own housing without use of carbon credits by no later than 2030
- Entire fleet of lease cars hybrid minimum no later than 1 Jan 2025, and full electric no later than 1 Jan 2026
- Introduction of an innovative and flexible mobility plan to encourage and enable staff to commute in the most CO_2 efficient manner
- Use only CO_2 neutral data centres running on renewable energy from Dutch wind and solar
- Build a comprehensive view on emissions and other climate risks in our value chain and develop purchasing policies aligned with our net-zero GHG emissions by 2040 target.

1. **Housing, facilities and transport**
   Going forward, we have set our ambitions even higher: we aim to have truly CO_2 neutral own housing and facilities without the need for offsetting by no later than 2030.
   A great step towards this goal is achieved by moving most of our staff to the energy positive EDGE Amsterdam West building in April 2023. Our other building in Alkmaar is also highly energy efficient (as well as gas-free), achieving an A-label.
   Additionally, as a result of tightening the car lease policy for staff our fleet will consist of only full electric vehicles by 2026, negating the single biggest source of CO_2 emissions from Proteq's own operations.
   We are developing an innovative and flexible mobility plan to encourage and enable staff to commute in the most CO_2 efficient manner (e.g., through a combination of public transport and bike).
   With most of our staff now partly working from home, we are also investigating ways to encourage staff to make their home office more sustainable.
2. **"Green IT"**
   The increase in applications of IT and their use comes with energy consumption and associated GHG emissions. We are very conscious about this, and we actively seek for ways to minimise both. By using cloud software and storage we make more efficient use of (shared) resources, reducing energy consumption and emissions. We also look critically at options to actively purge large volumes of no longer needed documents and investigate how we can develop energy efficient algorithms (e.g., for artificial intelligence applications).
   Also, our devices such as phone and laptop are 'waste neutral', which means that instead of ending up on landfills they are re-furbished and re-used and ultimately responsibly recycled, avoiding CO_2 emissions as well as saving valuable (and sometimes hazardous) raw materials.
3. **Other suppliers in the value chain**
   With the upcoming CSRD and CSDDD regulations, scope 3 emissions will over time need to be measured and reduced for alignment to a 1.5°C climate scenario.
   Proteq is already anticipating on this, by including sustainability criteria including GHG emission data requirements in supplier contracts to build a comprehensive view on emissions and other climate risks in our value chain. This includes catering, hospitability and cleaning services, but also consultants and employment agencies as well as outsourcings partners in the Netherlands and abroad. Ultimately, we will only contract with parties that align with our net-zero GHG emissions by 2040 target.

How we Measure and Track Progress

In line with recommendations from the Taskforce on Climate Related Financial Disclosures (TCFD), Proteq discloses the GHG emissions and its strategies to further reduce emissions in its annual report. Through our partner ACTIAM we use the Platform Carbon Accounting Financials (PCAF) method to calculate our carbon footprint. Proteq frequently monitors and on an annual basis reports progress on the climate targets by the following metrics for scope 1, 2 and 3 emissions for investments:

- Greenhouse gas emissions intensity (tons of CO2 equivalent / EUR);
- Absolute greenhouse gas emissions (tons of CO2 equivalent).

Emission intensity is adjusted for inflation to capture the real greenhouse gas emissions reduction achieved.

Next to that, progress on reaching net zero targets at issuer level will be monitored annually with the following sector- and issuer-specific metrics:

- Sector-specific GHG emissions to output metrics e.g., CO_2 equivalent / MWh generated from fossil fuels for the Utilities and Oil, Gas and Consumable Fuels sectors;
- Issuer-specific GHG emission reduction requirements to align with a 1.5°C scenario.

In line with the Financial Sector Science-Based Targets guide, the emission reduction targets will be recalculated and revalidated every 3 to 5 years and if necessary be strengthened.

Finally, Proteq will also review its target on scope 3 emissions in the upcoming 3 to 5 years as data quality and standardised reporting by corporates on scope 3 emissions will improve over time.

Carbon Footprint of our Investments

The carbon footprint of the investments is calculated in line with the method developed by the Partnership Carbon Accounting Financials (PCAF). The carbon footprint consists of the absolute total scope 1, scope 2 and scope 3 carbon emissions of the entities in which investments are made. The data is provided by external data providers MSCI ESG Research and Eurostat. The data is expressed in tons of CO_2 equivalents, and therefore includes various greenhouse gases. Based on the share of the enterprise value of the company invested in (by ways of an investment in equity (shares) or in debt (bonds)) a part of the total carbon emissions of the entities is allocated to our investments. The sum of the carbon footprint of all individual investments corresponds to the reported total carbon footprint of the investments.

CARBON EMISSIONS PER PORTFOLIO SCOPE 1 & 2 ATHORA NETHERLANDS

						Total carbon emissions		Carbon intensity[1]	
Investments	**Capital per 31 December 2022 In € millions**	**Of which capital in scope € millions**	**In Reported In %**	**Estimated In %**	**No estimation possible In %**	**Ton CO_2e**	**Change compared to 2021 in %**	**Ton CO_2e per € million**	**Change compared to 2021 in %**
Own account	24,410	23,802	56%	29%	14%	290,720	-26%	15	8%
Zwitserleven funds (unit linked)	16,974	16,974	79%	21%	0%	736,200	-28%	43	-8%
Total	**41,384**	**40,776**	**66%**	**26%**	**8%**	**1,026,920**	**-27%**	**25**	**2%**

1 In line with the recommendations by the Dutch Central Bank (DNB), the change in carbon intensity is adjusted for inflation and exchange rates effects. For this, a global inflation rate (source: Statista) of 8,75% has been used for 2022.

A distinction is made in the overview between the carbon footprint of Athora Netherlands' own account and the Zwitserleven funds (unit linked)[1]. In addition to the emissions, it is also shown which part of the emissions is based on reported values, estimated values and for which part of the portfolio no data is available. The reduction in carbon emissions is mainly determined by portfolio changes, which have resulted in a significant drop in emissions per million euros invested. The only comment that must be made here is that part of the portfolio cannot yet be measured or estimated properly, these are mainly the 'private' loans and investments where data availability is an obstacle. For the Zwitserleven funds, a decrease has also been realised. This was realised by the instruments at our disposal (engagement, exclusion, green bonds) and is in line with the stated objectives of reducing greenhouse gases in the portfolio by an average of 7% per year.

[1] Zwitserleven funds (unit linked) consist of the following funds: Zwitserleven Credits Fonds, Zwitserleven Duurzaam Index Aandelenfonds Europa, Zwitserleven Duurzaam Index Aandelenfonds Noord-Amerika, Zwitserleven Duurzaam Index Aandelenfonds Opkomende Landen, Zwitserleven Duurzaam Index Aandelenfonds Pacific, Zwitserleven Europees Aandelenfonds, Zwitserleven Government Bonds 10+ Fonds, Zwitserleven Impact Wereld Aandelenfonds, Zwitserleven Index Wereld Aandelenfonds, Zwitserleven Kortlopend Obligatiefonds, Zwitserleven Long Duration Fonds, Zwitserleven Medium Duration Fonds, Zwitserleven Mixfonds, Zwitserleven Obligatiefonds, Zwitserleven Selectie Fonds, Zwitserleven Ultra Long Duration Fonds, Zwitserleven Vastgoedfonds and Zwitserleven Wereld Aandelenfonds.

CARBON EMISSIONS PER PORTFOLIO SCOPE 3[1] ATHORA NETHERLANDS						
			Total carbon emissions		Carbon intensity	
Investments	Capital per 31 December 2022 In € millions	Of which capital in scope In € millions	Ton CO_2e	Change compared to 2021 in %	Ton CO_2e per € million	Change compared to 2021 in %
Own account	24,410	23,802	1,761,746	-7%	88	35%
Zwitserleven funds (unit linked)	16,974	16,974	4,950,600	-4%	292	22%
Total	**41,384**	**40,776**	**6,712,346**	**-6%**	**165**	**30%**

1 Although reporting on scope 3 carbon emissions by companies is increasing, most of these emissions are still estimated.

Climate risks

We also assess climate risk at portfolio level, for which we use scenario analyses. In that way we are even better able to identify the companies and sectors that are expected to be unable to make these sustainability transitions on time and therefore pose a sustainability risk for both equity and bond investments. It helps us to distinguish the frontrunners from the laggards within sectors, not only to identify which companies are most at-risk, but also to be able to identify risks for different asset classes. Based on this, we assess whether these companies should be encouraged even more to adjust their policy or whether the screening should be tightened up.

Climate risks are therefore included in the considerations from different angles of the investment process. We calculate the 'risk value' (Value-at-Risk; VAR) for each company and then for the portfolio. This risk value is an estimate of the costs that a company will have to incur, i.e. the impact on the valuation, under the scenarios that global warming is limited to 1.5°C, 2°C or 3°C (the 1.5 degrees Celsius scenario is shown below per portfolio).[1]

We try to distinguish between (i) the costs/benefits of stricter climate regulation, (ii) the costs/ benefits of changing preferences or technological progress; and (iii) the costs of physical damage from climate change.[2]

CLIMATE RISKS UNDER 1.5 DEGREES CELSIUS SCENARIO ATHORA NETHERLANDS						
	Capital per 31 December 2022	Of which capital in scope	Total Value at Risk	Related to regulation	Related to technology	Related to climate impact
Investments	In € millions	In € millions	In %	In %	In %	In %
Own account	24,410	23,280	-2.7%	-1.2%	0.1%	-1.6%
Zwitserleven funds (unit linked)	16,974	16,935	-12.2%	-8.5%	5.7%	-9.8%
Total	**41,384**	**40,215**	**-6.7%**	**-4.3%**	**2.5%**	**-5.1%**

The estimates of the climate risks are based on Value-at-Risk estimates for equities and bond investments. On average, the climate risks for bonds are lower than for equity investments because bonds have a greater chance of recover a part of the invested capital than shareholders in the event of bankruptcy (due to the effects of climate change). The underlying data show that for some of the companies in the portfolio, the climate transition does not result in risks, but offers the right opportunities of services that are necessary to generate renewable energy and realise energy savings. The risks from changing market conditions of stricter climate policies are expected to outweigh the opportunities for many companies. The markets are also ahead of investments, especially in common businesses. It is not easy to compare the climate risks of our investments over time. On average, the climate risks increased in 2022 compared to 2021. Legislation on this topic is increasing and more measures must be taken in a shorter time as it takes longer at a global level to substantially reduce

1 The Value-at-Risk measures the value of a company that is under pressure under a certain climate scenario. MSCI uses the AIM CGE model to calculate, assuming that carbon prices are introduced that incentivise companies to meet a given rise in global temperature, to what extent a company is at-risk from stricter legislation, has opportunities because it develops technologies that are needed for the energy transition, or is at-risk from the physical effects of climate change.

2 Note that the total climate risks are based on the companies for which risk estimates are available. For example, no estimates of climate risks are available for governments and supranationals because the models are not yet suitable for this.

greenhouse gas emissions. Climate risks are also increasing. On the one hand, this is due to a global transition to a low-carbon society that is too slow. On the other hand, more information is also available for different climate scenarios to estimate the risks.

Companies that run high risks are addressed through engagements and if this does not lead to sufficient action, are eventually excluded from investment. We encourage companies in our portfolio to also document the progress made in the transition to a low-carbon business model and to develop goals and policies to make a switch to, for example, renewable energy.

Carbon Footprint of our Operations

For Athora Netherlands (and therfore Proteq) it is important to minimise the negative impact of our own business operations on the environment. Being climate neutral with respect to housing is one of our main objectives. Our offices operate on one hundred percent green gas and electricity, as they have been doing for several years. In 2022, we achieved a 76% drop in net carbon emissions for our own internal organisation compared to our base year 2019. The main reasons for this decline were the way of working at home and in the office, the reduction of staff and the electrification of our lease cars. There was not only a reduction in net carbon emissions, but also a sharp reduction in usage of electricity (minus 45%) and gas (minus 83%) for own-use buildings compared to 2019.

Working in the office and business travel has resumed, and therefore our scope 3 has risen compared to 2021. However, due to further reductions in staff and the further stimulation of working from home, it has not returned to the level before the COVID-19 pandemic.

CARBON EMISSIONS OWN OPERATIONS ATHORA NETHERLANDS				
	2022		2021	
	Carbon emissions in tonnes	Carbon intensity in tonnes CO_2 per € million	Carbon emissions in tonnes	Carbon intensity in tonnes CO_2 per € million
Scope 1 (biogas, lease cars)	161		541	
Scope 2 (renewable electricity)	-		-	
Scope 3 (business travel, commuting, waste, paper and water)	673		185	
Net carbon emissions	**834**	**0.27**	**726**	**0.16**

At this moment Proteq has no projects for the removal of our own GHG emissions via biogenic or technical solutions. Our first objective to reduce our own emissions by altering our buildings and processes as well as by stimulating staff to make conscious transportation choices. To neutralise the own operations emissions, 1,200 tons of CO_2e Fairtrade Gold Standard, CDM for financial year 2022 were purchased. In total, this compensation is more than adequate for the actual emission basis, but it has also been decided to continue to support projects based on a social motive. It was therefore decided to support a project in Laos.

Nevertheless, our activities to work towards climate neutrality go beyond the offices in which we work. All our suppliers are requested to comply with our general procurement terms and conditions. Proteq is working with our suppliers to gain more insight into their CO_2e emissions and what effect this has on our Scope 3 emissions.

By agreeing to these terms and conditions, suppliers declare that they have taken steps or are in the process of taking steps to minimise their ecological footprint (including carbon emission, paper consumption, energy consumption and waste) and have implemented or are in the process of implementing similar sustainable procurement terms and conditions in their own organisation.

3.3.7 Nature

Equally important but less well-defined than the topic of climate are the topics that Proteq captures under the heading of nature. One critical difference is that for nature there is not yet a well-defined widely accepted metric or set of metrics that can be used to set and track progress towards a clear goal, such that reduction of greenhouse gas emissions is for climate. Nonetheless, Proteq is committed to adopting and contributing to the development of emerging standards and measurements frameworks such as those being worked on by the Taskforce on Nature-related Financial Disclosures (TNFD) and the Partnership for Biodiversity Accounting Financials (BPAF). In the meantime, we want to be transparent on how we already consider nature-related topics such as pollution, water & marine resources, biodiversity & ecosystems and resource use & circular economy in our investment decisions.

3.3.7.1 Pollution

Investments

Chemical pollution and improper waste management negatively contribute to several of the planetary boundaries and social foundations of the adaptive operating zone. They directly impact the planetary boundaries on chemical pollution, air pollution, ocean acidification and nitrogen and phosphorous loading in soil and water.

We aim to move towards a situation with zero waste generation in our investment portfolios. To reach this point, Proteq expects the companies in which it invests to adapt themselves towards a circular business model, i.e. a business model that prevents – if technically feasible - chemicals and (hazardous) waste problems. We monitor whether companies make the necessary adaptations to their business model.

3.3.7.2 Water and Marine Resources

Investments

The method for calculating the water footprint is currently limited to companies. As a result, the current water footprint of portfolios containing government bonds will be lower than the actual footprint. The calculation of the water footprint follows the same method as that of the carbon footprint. In addition, the raw data underlying the water footprint is still relatively uncertain. We expect that with better data, the results will still change in the future. Stressed water consists of the absolute water consumption of business activities in sectors and areas where there is high water scarcity. As a result of insufficient data availability for real estate the water footprint is only partially calculated for the investments in this asset class.

SCARCE WATER USE ATHORA NETHERLANDS							
				Total scarce water use		Intensity of scare water use	
Investments	Capital per 31 December 2022 In € millions	Of which capital in scope In € millions	Of which relevant In € millions	In thousand liter	Change compared to 2021 in %	Thousand liter per € million	Change compared to 2021 in %
Own account	24,410	23,215	539	11,745	-61%	22	-51%
Zwitserleven funds (unit linked)	16,974	16,974	2,489	78,070	-67%	31	-100%
Total	**41,384**	**40,189**	**3,028**	**89,815**	**-66%**	**30**	**-91%**

3.3.7.3 Biodiversity and Ecosystems

Investments

Athora Netherlands (and therefore Proteq) is a signatory of the Finance for Biodiversity Pledge, committing ourselves to:

- Collaboration and knowledge sharing on assessment methodologies, biodiversity-related metrics, targets and financing approaches for positive impact;

- Engaging with companies with the largest negative impact on biodiversity in the investment portfolio;
- Assessing our investments for significant positive and negative on biodiversity impacts;
- Setting targets on reducing negative impact on biodiversity;
- Measuring and reporting progress.

Biodiversity has already been part of our investment screening through several of our Material Sustainability Themes: water use, land use, chemicals & waste management as well as fossil fuel use, as climate change and biodiversity loss are very much interrelated challenges.

Wrong land use due to deforestation can increase the amount of CO_2, affect biodiversity and lead to less income and food. It is our ambition to have no more deforestation in our investment portfolios. However, the availability of data on deforestation is still in its infancy. Therefore, via our brand Zwitserleven and together with ACTIAM, we have taken steps to use up-to-date information from external partners about global deforestation, trends and causes. This allows us to detect and quantify changes in vegetation due to plantation development or fire damage. The ultimate goal is to work towards a deforestation-free investment portfolio.

There is still a lack of reliable and comparable data on biodiversity impact, but we are currently contemplating a first set of targets.

3.3.7.4 Resource Use and Circular Economy

Investments

So far, there is insufficient knowledge about the impact of toxic chemical and hazardous waste pollution to the planetary boundaries and social foundations. They can have immediate impact on ecosystems and health but may also become visible only after a long period of time or in geographical areas that surpass the original polluted site. As a result, at present, it is not possible to quantify a single chemical pollution target.

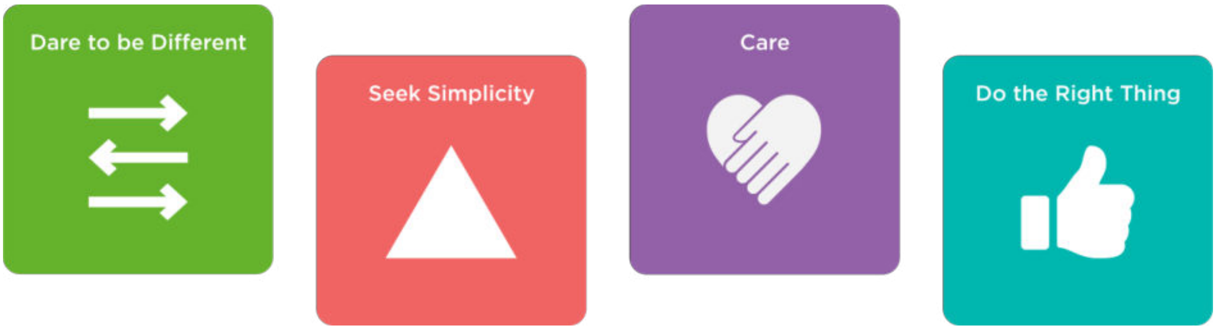
Proteq, however, believes that it is essential for companies to improve their performance regarding chemical pollution and (hazardous) waste management. Proteq, therefore, aims to move towards a situation with zero waste generation in our investment portfolios. To reach this point, Proteq expects the companies in which it invests to adapt themselves towards a circular business model, i.e. a business model that prevents – if technically feasible - chemicals and (hazardous) waste problems. Proteq monitors whether companies make the necessary adaptations to their business model.

3.3.8 People

3.3.8.1 Own Workforce

Critical for reaching our sustainability ambitions is the buy-in and commitment of our own people. That is why in 2022 we launched a sustainability awareness training for all staff and an accompanying intranet section outlining the sustainability strategy and related content. We have invited all employees to consider how they can make a personal contribution to our mission and to become the best version of themselves.

Becoming the best version of ourselves is a process, something we do together. A company is not the structure, the name or the buildings we work in. It is the people together that make an organisation. Within Athora, we have four values that guide our actions: Care, Do the Right Thing, Seek Simplicity and Dare to be Different. They are central to how we treat each other, our customers and the outside world.



Diversity and Inclusion

We want to create a culture where everyone can flourish. Where you can be yourself, regardless of where and when you were born, what you believe or who you love. Where you challenge and uplift, help and improve others.

Respect for every individual and their unique contribution is defined in our new Code of conduct and Diversity and Inclusion policy. We value differences and diversity, recognising that different perspectives make our organisation more colourful and better in serving our clients. To this end, we have goals to improve diversity and inclusion within the company.

Inclusion Goals

- 85% of the employees indicate that they can be themselves within our company;
- 75% of the employees indicate that they feel that they fit in with our company;
- 85% say that there is room for everyone's opinion within the team;
- 80% indicate that people of all backgrounds (culture, ethnicity, gender, sexual orientation, age, religion etc.) can succeed at our organisation.

Diversity Goals

- Our long-term goals for gender equality remains: 40% male or female in Supervisory Board, Executive Board, Senior Management, Management and Others, as mentioned in the Equality-policy. To take it step by step, we first aim to have 30% Female in Supervisory Board, Executive Board, Senior management and Management in 2022;
- A balanced distribution of the age structure within the teams;
- At least three persons with a distance to the labour market employed by Athora Netherlands in 2022 (10 persons in 2025) or working via secondment.

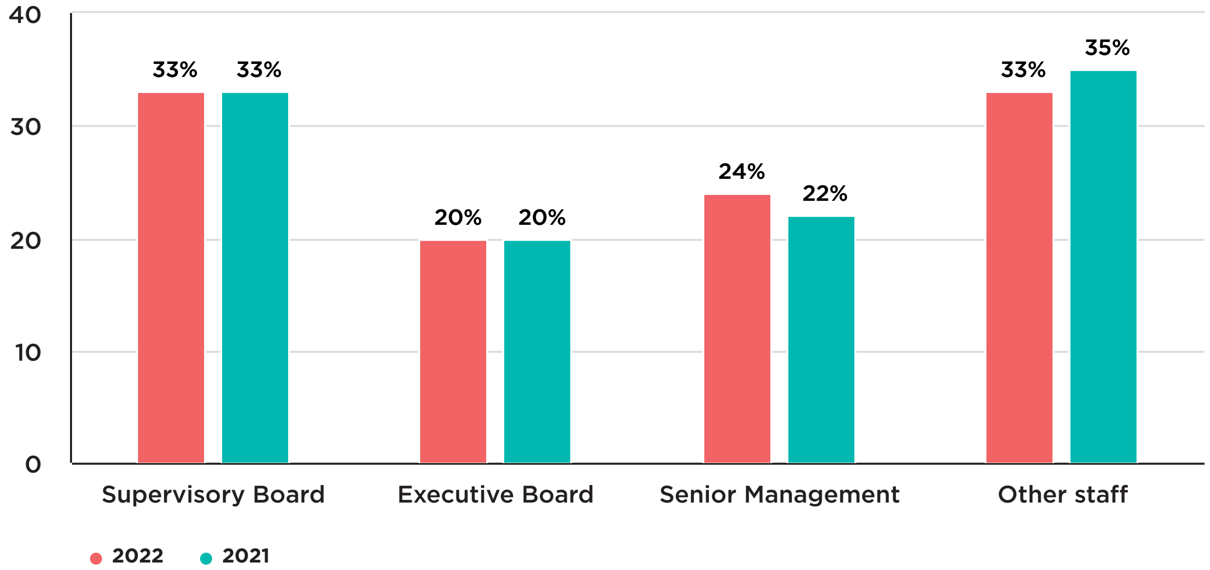
To further raise awareness within our company, a Diversity officer was appointed in 2022. He promotes and influences an important cultural change and he inspires and encourages fellow employees and specifically management to become more involved in, and take ownership for, achieving diversity and inclusion in their teams. It is about further positioning the topic of D&I within our organisation. Drawing up an annual plan and designing and implementing D&I guidelines and interventions in collaboration with the (HR) organisation and other stakeholders.

We organised for the second time Diversity Day on 4 October. This solidarity day—a national initiative of Diversity in Business of the Social and Economic Council of the Netherlands (Sociaal-Economische Raad)—illustrates the positive power that arises when you bring people together with differences in cultural origin, sexual orientation, age, gender or work capacity.

The employee survey we conducted in November showed that we have not yet achieved all the Inclusion targets this year, but we do see a slight improvement over last year. The number of employees who indicate that they can be themselves is 82% and the percentage saying they 'fit' the organisation is now 66%.

Also in terms of diversity we are not yet where we would like to be. Currently 33% are female on the Supervisory Board, in line with the forthcoming law “More balanced male/female distribution in the top of the business community". In the Executive Board this percentage is 20%. Especially when we look at women in management positions and the number of people with disabilities in employment, there is still considerable room for improvement. Therefore, in the coming years we are going to look at how we can further develop this theme in collaboration with the Diversity officer. The fact that the organisation is going to continue to shrink presents us with an additional challenge to make this happen.

GENDER DIVERSITY IN % BY FUNCTION GROUP AT THE END OF THE YEAR (FEMALE)



At Athora Netherlands (and therefore at Proteq), jobs are weighted regardless of gender. Women and men with comparable work experience, achievements and job level are given equal pay. The differences in wages between women and men are caused by the on average higher age of men and to level / grade differences. Within our company, women are on average 1.7 years younger than men and are underrepresented in the higher salary scales.

Sustainable Employability

To ensure the continuity of our business, we encourage employees to be healthy, motivated, competent and productive at work. The aim of our HRM Policy is to achieve sustainable employability for all employees. Sustainable employability is based on personal development, vitality and flexible employment conditions. In 2022, we received the certification of being a Top Employer. Being certified means that as a company you put people first and allow employees to flourish because they are empowered by the best working conditions.

Personal Development

We like to help our employees become the best version of themselves. As an employer, we actively invest in their development. This aligns with the eighth SDG: 'Fair work and economic growth'. We therefore support them in their pursuit of sustainable employability, within or outside our organisation. In order to keep up with their profession or to develop new competences or knowledge, every employee has access to a personal growth budget of € 1.000 per employee per year. In addition to the growth budget, we offer many other development options, such as a Summer School, workplace learning, the deployment of speakers, etc. During the year, managers and employees make development and result agreements with each other and discuss progress.

Develop & Accelerate

In June and December 2022 approximately sixty talented employees completed the Develop & Accelerate Programme (D&A). The D&A programme is an initiative that focuses on both personal development and the transformation of our company. The participants worked on personal learning goals and strategic assignments and were guided and challenged by their Business Challengers and executives. In addition to developing themselves and working on various assignments, the participants were also enlightened on themes such as Change Management, Stakeholder Management and Leadership.

Flexible Working Conditions

In 2022, we redesigned the way we work. Smarter, more efficient, with an eye for sustainability and the well-being of us all, and with an eye to achieving the desired result together.

That is why we use a hybrid concept of working: PASS. PASS, which is an abbreviation that has several meanings: Pick a Smart Site, Pick a Smart Spot, Pick a Smart Solution. But the most important thing is that we are smarter about how we do our work, where we work and which agreements we make together in order to achieve a good result. In this way we retain the benefits of working from home and the social cohesion of working at the office. Time at the office is important for transferring knowledge, inspiring and meeting each other. This new way of working also includes suitable employment conditions such as a working abroad guidelines.

There are 4 PASS principles:

1. The nature of the work determines where we work;
2. Joint responsibility for contributing to the organisation and to the team;
3. Each employee is responsible for his or her own vitality and performance;
4. The principles must be practical.

We believe in ownership and responsibility where teams and individuals work out for themselves what works best for them. The team and the joint contribution to our business goals always take precedence over personal preferences. Making appointments with your team about where and when you work is part of being a good employee/manager.

Vitality

In various ways we support employees as much as possible in this time when health and work/life balance are more important than ever. For example, we offer inhouse fitness in our Fit Boutique in Amstelveen and Alkmaar, and give employees the opportunity to participate in the Global challenge: a wellness solution that provides participants with knowledge and tools on a daily basis to build new healthy habits. In addition, employees can contact the company doctor or coach for a preventive conversation if they have concerns about their (mental) health. And we offered in the Summer school workshops in the field of lifestyle and vitality.

Every employee who works from home receives a budget to set up his home workplace according to the applicable health and safety requirements. An instructional video is available to explain how to set up one's workplace correctly.

Health Safety and Well-being

In collaboration with our occupational health and safety service, we support our employees in the field of absenteeism and reintegration. This year the absenteeism rate has increased to 5.0% (2021: 4.1%), above our target of 4.75%. This increase in absenteeism is a trend that is visible nationally, which can be explained by delayed medical care and additional waves of flu after a period of less social interaction. As a result, employees remain absent for a longer period.

Our annual employee survey, held in November 2022, had a good response rate of 85%. It gave us insight into what is valued by our employees and where there are opportunities for improvement. The results show a tentative increase in certain areas, such as commitment and 'trust' in management, but there are still plenty of challenges to work on. The score on Inspiring Vision is still low compared to the market and although we see a slight improvement on the theme Employership, the score is also still relatively low.

The Executive Board appreciated this feedback and will continue working to make improvements in 2023. In January, the results were shared further in the organisation and improvement plans were drawn up at various levels.

Human Capital Risk

The impact of the ongoing transformation was closely monitored until the third quarter of 2022 in the Human Capital Quarterly Report. This looked at the state of affairs with regard to the themes: In and Outflow, Absenteeism, Vacancies and results of the Pulse survey and/or employee survey. If necessary, mitigating measures were taken to make adjustments.

The Pulse survey in June showed that employees still saw not enough improvement in the actions initiated after the previous Employee survey. Many employees reported a high workload and they still felt less engaged to the company. In response, opportunities were sought to give employees some breathing space and projects were put on hold or postponed in the second half of the year. However, employees were satisfied with the opportunities that hybrid working offered them.

Staff turnover, number of vacancies and inflow and outflow in 2022 went according to plan and, as far as established, were in line with the Operational Plan (OP).

In December 2022, the Employee survey showed a tentative increase in certain areas, such as on engagement compared to the previous 2021 Employee Survey. The engagement score has now gone from 6.5 to 6.6 and the employer score from a 6.0 to a 6.1. We do see large differences between teams.

Although we see a slight improvement on the theme Employership within Athora, the score is still relatively low. This is mainly caused by low scores on appreciation and bottom-up improvement. A possible contributing factor here is that employees feel they are not yet heard enough. To prevent the risk of disengaged employees, unwanted turnover and to improve employee engagement, dialogue sessions with employees and managers are planned in the coming months.

The workload has further increased; however, this is in line with the benchmark scores. 40.2% of all employees experienced the workload as too high or much too high. On the other hand we see that employees score higher than the benchmark on feeling fit and satisfaction with working conditions. Workload will continue to be a focus in 2023. We will have conversations with our employees to discuss the outcomes of the Employee survey including workload. By being in conversation with employees, we look at how this can be addressed. We are also looking for a party to see how we can offer employees who experience work-related stress more help in this area.

Another striking score is the difference between men and women on psychological safety. The average scores are higher than the benchmark, but women within Athora score significantly lower than man on Psychological safety and Inclusion. We see this picture throughout the whole benchmark. For Athora, however, this is a result that will receive extra attention next year as it does not fit with the inclusive organisation we want to be. We are going to organise management-sessions in collaboration with our Health services to organise workshops on psychological safety.

Within Proteq, there is no room for unacceptable behaviour, such as discrimination, abuse of power, aggression or sexual intimidation. This principle is stated in our code of conduct 'Common sense, clear conscience'. We stand for equal rights and opportunities for everyone in our organisation, which is why we signed the LGBTI Manifesto in 2018. We also have an unacceptable behaviour policy, with preventive measures for unacceptable behaviour, protection for those who report such behaviour and information on how to report incidents.

Our Diversity and Inclusion Policy aims to create a culture of inclusion and equality, where people feel comfortable to express their thoughts, reach shared understanding and develop innovative solutions, ultimately creating value for our customers, our shareholders and our employees.

Proteq collects and uses personal data from its customers, suppliers, business partners, employees and other individuals in the course of its business activities as an insurer and financial services provider. Lawful, honest, transparent and secure handling of personal data is essential. Privacy is not only addressed in our Code of Conduct, but is also one of the integrity and compliance risk topics mentioned in the Compliance Charter. This Data Protection Risk Policy ("Policy") describes how we handle personal data, including the controls to identify, monitor and address compliance and integrity risks related to privacy, and how it will be implemented.

3.3.8.2 Workers in the Value Chain

The UN Guiding Principles on Business and Human Rights, endorsed unanimously by the UN Human Rights Council in June 2011, underline the corporate responsibility to respect human rights. This responsibility, also affirmed in Principles 1 and 2 of the UN Global Compact and the OECD Guidelines for Multinational Enterprises, requires companies to avoid causing or contributing to adverse human rights impacts through their own activities, and to prevent, mitigate or remedy human rights impacts directly linked to their operations, products or services. The responsibility of companies to respect human rights refers, as a minimum, to the core internationally recognised human rights, contained in the International Bill of Rights. Depending on the circumstances, companies may need to consider additional universal human rights standards, for instance relating to the protection of the human rights of specific groups, such as indigenous peoples, women, persons with disabilities, and migrant workers and their families.

Investments

We consider violations of the above-mentioned international human rights mechanisms to be a violation of the Fundamental Investment Principles it adheres to. In addition, insufficiently protecting or even violating human rights, can directly lead to reputational damage and decreasing sales, creating a financial risk to investors.

For Companies

Periodically, at least four times per year, we screen our investment universe on potential controversies of non-compliance with the above-mentioned Fundamental Investment Principles. Companies that do not comply with the Fundamental Investment Principles enter a three-month investigative period during which the controversies are systematically assessed. As part of this assessment, we investigate the severity, nature and number of controversies the companies are involved in as well as the actions they take to remedy the situation and prevent further violations from occurring. Based on this, the company is either:

- Excluded if systematic and large-scale non-compliance to any of the criteria proves that companies are incapable of preventing non-compliance from occurring in the future;
- Included if the violations are of incidental nature and if the company takes sufficient actions to prevent comparable incidents from happening in the future, or;
- Engaged if the company has not taken sufficient action to prevent future incidents and if engagement with the company is expected to result in the necessary behavioural improvements. During the engagement period, a dialogue is started with the company to discuss options to remedy any real or potential violations of the Principles. If after a two-year engagement period the company has taken appropriate action and proven to prevent further structural violations of the Fundamental Investment Principles, the company will be included in the investment period. If there is not sufficient progress after this period and compliance with the Fundamental Investment Principles is not reached, the company will be excluded. This approach ensures that we only exclude companies once it becomes clear that there is no ability to persuade or encourage them to change their behaviour.

For Sovereigns

As a starting point, we will not invest in any sovereign that repeatedly or systematically fails to uphold and protect the most basic of human, civic and political rights, such as those enshrined in the 1948 Universal Declaration of Human Rights, the 1966 International Covenant on Civil and Political Rights, and the 1966 International Covenant on Economic, Social and Cultural Rights. To help determine which sovereigns are failing to meet these obligations, all sovereigns are evaluated based on the well reputed indicators from the Freedom House's Freedom in the World report, which is an annual comparative assessment of political rights and civil liberties worldwide. Sovereigns that are deemed 'Not Free' by Freedom House will be excluded from investments.

In addition, in case Freedom House indicates that a country is 'Partially Free' or if there is a conflict area in the country which is labelled as 'Not Free' or 'Partially Free', an individual country assessment is conducted. In the latter case, the following rules are applied: if a disputed territory—within the borders of one country— is invaded, threatened, occupied and/or militarised by another country, then the first country is not necessarily excluded. The affected country does not have effective control over these areas. Countries that are considered 'Free' or 'Partially Free' are excluded from investments if it is obvious that such countries have effective control over the conflicted areas.

Human Capital Management as part of our Sustainability Drivers

It is Proteq's belief that sound human capital management contributes to the quality of life of employees and the wellbeing of society, and in that way supports the long-term financial performance of companies. So far, there is no internationally agreed target on human capital management. Yet, an important component of human capital management relates to income. Quality of life for employees and society is largely determined by an income that provides decent living. Therefore, and in line with the Sustainable Development Goals, a living wage for employees is an essential criterium when making investment decisions. Indirectly, this also contributes to improvements in human rights, labour rights and poverty alleviation. The extent to which companies report on or measure human capital differs highly. Many human capital dimensions are not quantifiable, as they concern 'soft' indicators like employee satisfaction or wellbeing. Currently, Proteq uses ESG rating data as a proxy to assess human capital materiality and human capital management performance. Other sources are the Corporate Human Rights Benchmark, Workforce Disclosure Initiative Survey, Access to Medicine, Access to Nutrition Indices, Platform Living Wage Financials, and Equileap.

Over time, Proteq evaluates whether developments in human capital management give reason to cover other topics or to redefine the human capital management zones. Based on this information, and especially for the dimensions that are material to a company, Proteq assesses for each human capital dimension the extent to which the company is exposed to the risks that result from the current trends and challenges as well as how well they mitigate these risks. An assessment resulting in a high exposure and low management score means companies are more likely to fall in the at-risk category, while an assessment resulting in a low exposure and high management score means companies are more likely to fall in the adaptive zone. The dimension with the lowest score determines the category in which the company falls.

Own Operations

We screen our vendors and outsourcing partners against similar standards as we do for our investments (e.g., the important component of at least a minimum income necessary for a worker to meet their basic needs), and through our general procurement conditions we ensure adherence to the same UN and OECD guidelines. In 2022 we have started to be bring our outsourcing and vendor management policies and practices fully in line with our Fundamental Investment Principles, with the aim of full consistency across all both parts of our value chain with respect to human rights, labour rights, weapons, sanctions, fraud, corruption, tax evasion, human (mental) health and animal welfare as well as environmental damage.

3.3.8.3 Affected Communities

Own operations

We enable all employees to spend 3 workdays a year on community involvement. To further encourage employees to make use of this opportunity, we started a collaboration with NL Cares, a platform making volunteering more fun, easier and more accessible for all colleagues. Various individual, team and company volunteering events have since been held, from cleaning the surroundings of our Amstelveen Office together with lonely elderly to helping out on the Winter Fair, organised to give care home residents a much needed day out full of active and social activities.

The vacant office building of Proteq at the Wognumsebuurt in Alkmaar has been made suitable to temporarily accommodate about 300 Ukrainian refugees. Proteq and the Municipality of Alkmaar have reached an agreement on this.

Investments

Companies must manage social capital aspects in a sound and proper manner for their long-term financial performance and for the well-being of the communities they operate in. In absence of internationally agreed targets on social capital management, Proteq or ACTIAM on its behalf, contributes to working groups and initiatives to further develop targets and measures related to social capital management. For that reason, and in line with the Sustainable Development Goals, Proteq aims to invest in companies that provide transparency about how they address human and community concerns in their policies, processes and procurement. More transparency is expected to prevent issues related to product quality & safety or data & privacy security from happening.

3.3.8.4 Consumers and End-users

Fair and Transparent Service

Customers are essential for our success. We strive to earn and maintain the trust of our customers by being fair and transparent in our customer approach and by offering appropriate and simple products that add value to our customers. In doing so, we consistently apply the criteria of cost efficiency, usefulness, safety and understandability (CUSU) as prescribed by the regulator, the Dutch Authority for the Financial Markets (AFM) in our product design and approval processes for any new or adjusted propositions, as well as in our marketing, sales and customer service approach. This Product Approval and Review Process (PARP) is described in the Underwriting Risk Management Policy, the criteria are described in detail in the Product Oversight and Governance Policy Reference Model.

We measure our performance on development of appropriate, simple and value-added products by a set of key risk indicators (KRIs). The KRIs include the number of product approvals that resulted in an orange and/or red PARP advisory code at an earlier stage of the development process. Some decisions were made with an orange advisory score, meaning a proper risk assessment was made by the business taken into account second line advice and coming to an overall conclusion with a client stakeholder view in mind. Orange colouring is also used for stressing specific conditions under which approval is given. These specific conditions are monitored for implementation as part of the total PARP process.

Another KRI is the number of changed and/or new applicable laws and regulations that have not been (fully) implemented on time or that are reported to be at-risk of not being (fully) implemented on time. In 2022, we identified three relevant legislations for which timely implementation is at-risk because legislation has not yet been finalised and approved by Parliament. This situation is comparable to 2021 and mainly relates to the new Pension Reform legislation for which an extensive decision process in Parliament was needed. Laws will be applicable as of 1 July 2023 once Parliament approves the Pension Reform as well. We expect the new Pension Law to be approved and all preparations towards 1 July date are made.

We also measure the number of complaints about products and/or distribution by our customers and relations. For 2022 we saw a comparable trend in a very low number of complaints.

Customer Loyalty and Customer Satisfaction

We take customer loyalty and customer satisfaction very seriously. Therefore, we continuously monitor our performance in these areas. Our customer loyalty measure (Net Promoter Score) helps us understand the customers' willingness to recommend a brand to friends and family, providing a broad perspective on how customers value the overall relationship with the brand. Our Customer Satisfaction measure (Delighted Customer Score) helps us to understand how our service is perceived by our customers, identifying drivers for short-term improvement in key customer service processes.

NPS

The Net Promoter Score (NPS) is an important indicator for Customer Centricity within Athora Netherlands (and therefore within Proteq). Based on the NPS survey results, our customers can be categorised into different groups: 'Promotors', 'Passives' or 'Detractors'. NPS is measured on a continuous basis among the various customer segments (e.g., both private and business customers, and per product line). As a result, an overall score is derived and reported quarterly, in order to monitor the progress and gain insights in the areas for improvement.

In 2022, the NPS was stable with the score of -31.

NET PROMOTER SCORE		
	2022	**2021**
Proteq	-31	-31

Customer Satisfaction

In addition to NPS, the customer satisfaction is measured among the various customer segments. These scores reflect the level of customer satisfaction on a scale from 1 to 10 (1 = extremely dissatisfied, 10 = extremely satisfied) and is expressed as the percentage of customers that value our services with an 8 or higher (so called Delighted Customers).

The Delighted Customers Score for Proteq has increased to 48%. Overall, more than half of the customer base values their relationship with an 8 or higher in 2022.

DELIGHTED CUSTOMER SCORE		
	2022	**2021**
Proteq	48%	44%

Investments

Proteq considers products or businesses that are harmful to human (mental) health and/or animal welfare a violation of good product and business integrity. Therefore, as described in the Fundamental Investment Principles, Proteq excludes certain harmful products and services, such as tobacco, adult entertainments, gambling and animal testing if this is not required by law and when there is an alternative available.

3.3.9 Business Conduct

Customer Privacy and Data Protection

Through our business operations, we record and maintain a large amount of data for a very long time. We are bound to secure customer data and data about our interactions with our customers. Proteq not only needs to make sure that we serve our customers well and respect their privacy, but we also have to be able to provide evidence that over the span of our often long-term relationship with our customers, we adequately perform our duty of care and fulfil all our legal requirement such as tax filings and regular Sanction List scans.

With that in mind, data protection and the privacy of customer data are critical to us. Customers can trust that their personal data are safe with us. That is why we have implemented policies to protect customer data and customer privacy. The privacy statements as published on the websites of Athora Netherlands and our brands describe the categories of data we collect, the purposes of the collection of these data and how customers may access such data. Customers can contact us with requests related to their data.

We also have a policy to handle data breaches to minimise possible damage to customers. The appointed Data Protection Officer is responsible for monitoring compliance with the law (e.g., GDPR). In 2022, 157 data breaches (2021: 166) were detected within our company of which 10 (2021: 9) were reported to the Dutch Data Protection Authority. In 2022, we had key risk indicators in place regarding major data breaches and data breaches reported to authorities. Various management and process controls were also in place related to privacy.

Anti-corruption and Bribery Risks

It is Proteq's policy to conduct all business in an honest and ethical manner. This is also expressed in the zero-tolerance approach take to corruption and bribery. The prevention, detection and reporting of corruption and bribery are the responsibility of all those working for us.

Proteq endorses the following conventions and principles: UN Convention Against Corruption, 2003, OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, 1997, OECD Guidelines for Multinational Enterprises and Principle 10 of the UN Global Compact.

Proteq has a corruption and bribery policy in place. Closely related to the corruption and bribery policy, Proteq also has a code of conduct, pre-employment screening policy, client integrity policy (AML, CFT and Sanctions regime), procurement policy, institutional conflict of interest policy, incident management policy and whistle-blowing policy in place. These policies describe, among others, principles to counter corruption and bribery on which Proteq must takes adequate measures.

The principles and measures as described in the policies are translated in business controls and management controls. Among others the controls are related to:

1. the due diligence of employees, third parties, closely related stake holders and clients;
2. accepting and providing of gifts, hospitality and donations;
3. financial record keeping;
4. training and awareness of employees;
5. whistleblowing and hotline incident reporting mechanisms;
6. yearly business risk analyses on corruption, bribery, conflicts of interests and client integrity.

Proteq assesses bribery, corruption and internal fraud risks systematically as part of the systematic integrity risk analysis. This analysis consists of several bribery and corruption integrity risk scenario's which are discussed in the business lines. For this risk analyses Proteq follows the guidelines of DNB. Systematic means that this is a cyclical process, which means that Proteq performs the whole cycle of identification, analysis and assessing the effectiveness of controls at regular intervals (at least yearly). The output of the systematic integrity risk analysis serves as a steering document for Proteq's management. It sets Proteq into action to take adequate measures to control integrity related risks. The output of the risk analysis also plays an important role for the Compliance Function. The Compliance Function uses the results for gap analyses, developing annual plans and testing of controls.

Proteq assessed the risks of corruption, bribery and internal fraud as low, taking into account geographical-, sector-, product- and transaction factors. Senior management (network and family related risks), procurement, account management, marketing & communication departments (third party risks) are considered the most vulnerable positions when it comes to corruption and bribery. The mitigating controls consists of (code of conduct) policies, corresponding training & awareness and (tested) process and management controls. Proteq has indicators in place to detect possible operation outside the boundaries of the risk appetite.

If a case of bribery, corruption or internal fraud occurs, it could lead to operational costs, reputation damage and damaged relations with stakeholders. Proteq has no explicit quantitative performance key risk indicators with respect to corruption, bribery and internal fraud. Proteq has however quantitative performance key risk indicators regarding employee conduct and incidents. The number of incidents related to dishonest, inappropriate and/or unprofessional behaviour (which include also internal corruption, bribery and internal fraud) were all within the corresponding key risk indicator norms. Proteq has not detected and reported any forms of corruption and bribery in 2022.

Furthermore, Proteq has a risk policy outsourcing in place which describes the several phases of an outsourcing procedure. When Proteq considers outsourcing any activity or function, Proteq has the objective to have a collective understanding of the risks (including corruption, bribery and internal fraud) of the potential outsourcing deal and the activities required to respectively maximise, minimise, and mitigate these.

Financial Economic Crime

Financial Economic Crime refers to unlawful acts (including omissions) committed by an individual or a group of individuals resulting in a financial or economic advantage. Financial Economic Crime includes amongst other money laundering, terrorism financing, circumventing sanction regulations and external fraud.

For a Pension- and Life insurer, the financial economic crime risks are considered to be low. The mortgage and real estate investment activities are being perceived and assessed as medium respectively higher risks. As a financial institution, Proteq has the responsibility to ensure detection and prevention of unusual transactions. In Proteq's efforts to ensure compliance with applicable laws and regulations, instances of non-compliance can potentially occur. Proteq assesses product specific risks with regard to sanctions, money laundering and terrorist financing on a regular basis.

In June 2022, Athora Netherlands, through its subsidiary SRLEV N.V., received a letter from DNB requiring remediation with regard to regulations relating to anti-money laundering and countering the financing of terrorism to be completed before 31 December 2022. During 2022, we continued remediation activities to further address shortcomings. In the course of our remediation activities some risk acceptance decisions have been made. The remediation activities resulted in a reduced risk profile and further enhancements will be implemented in 2023. For Athora Netherlands (and therefore also for Proteq), anti-money laundering Compliance will remain a strategic priority. Therefore, Athora Netherlands will continue enhancing its anti-money laundering procedures, taking into account any potential Compliance and/or Internal Audit findings.

Proteq has key risk indicators in place with regard to financial economic crime such as the number of high risk classified clients and/or business partners and the number of overdue actions. Proteq is operating within the acceptable key risk indicators norms.

3.4 FINANCIAL RESULTS

The Net Result IFRS amounts to a loss of € 21,405 thousand after tax (2021: loss of € 15,233) and was negatively influenced by a decline in the fair value of derivatives as a result of a sharp increase in market interest rates. This decline is partly offset by an opposite movement due to interest increase in the change LAT shortfall.

Net premium income decreased 12% from € 4,247 thousand to € 3,717 thousand as a result of a shrinking portfolio.

Balance sheet

Assets
Total assets of Proteq decreased by € 64.5 million to € 580 million. Investments for own account have decreased by € 196.8 million in 2022. Main outflows originated from higer paid and lower received cash collateral for derivatives and decreased prices of investments due to increased market interest rates.

Liabilities
Total liabilities of Proteq decreased by € 39.1 million to € 515 million, mainly due to the decrease of insurance liabilities and amounts due to banks.

Insurance liabilities decreased in 2022 mainly as a result of increased market interest rates.

Loans and advances due from banks increased as a result of higer paid cash collateral for derivatives.

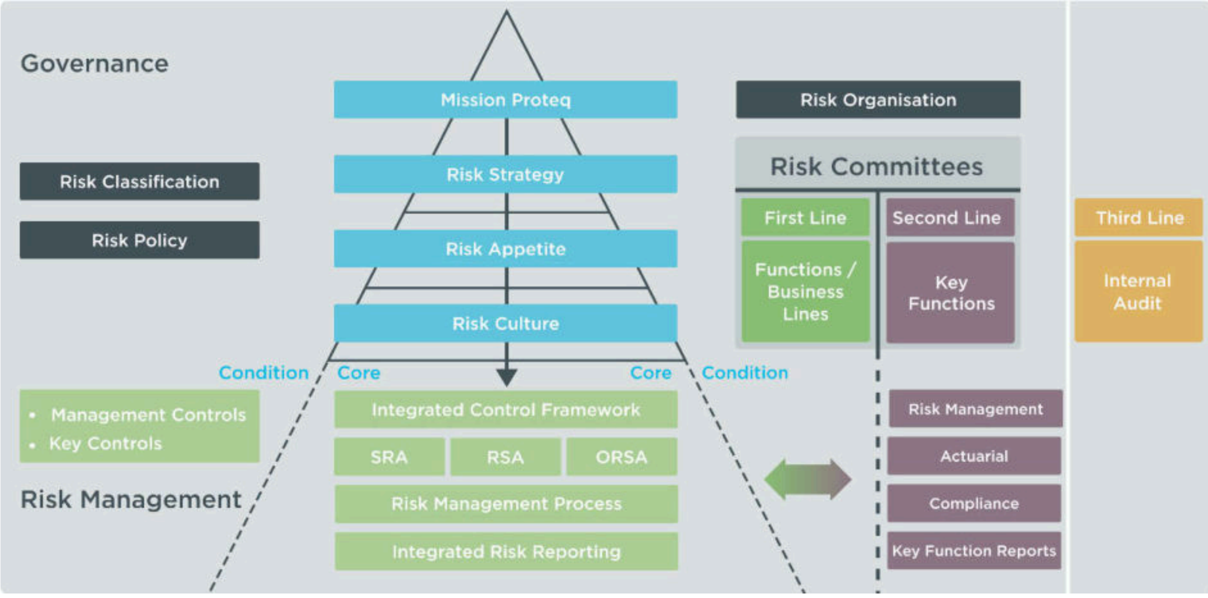
3.5 RISK AND CAPITAL MANAGEMENT

Risk and capital management is more extensively described in Chapter 7 ‘Managing Risks’ in the financial statements.

Risk Management System

We have implemented a consistent and efficient risk management system in which specific Solvency II requirement such as the Key Functions and the Own Risk and Solvency Assessment (ORSA) are incorporated. It operates an integrated approach, with risk management integral part of the decision-making process.

Risk Management



The Risk Management System consists of a Governance part and a Risk management part. In the governance part, starting from the Mission and business strategy, the Risk Strategy and Risk Appetite are derived. The components Risk Policy, Risk Taxonomy and Risk Organisation are necessary conditions to enable the strategic risk processes. To ensure an integrated approach the first line (Business Lines and Functions) and the second line Key Functions use the same risk taxonomy, operations are covered by the Risk Appetite and are aligned by a policy structure.

Risk Strategy

Proteq has derived a Risk Strategy, a supporting set of objectives following from the Proteq's mission and vision to achieve the strategic goals. As main principles Proteq has defined a robust capital position, a sustainable operating capital generation and sound and controlled business operations. The Risk Strategy contains the key guiding principles and statements used when setting the Risk Appetite for each risk category from the risk taxonomy. Proteq guarantees future payments to its customers and therefore needs adequate reserving and a robust capital position. Proteq maintains a buffer above regulatory capital requirement to absorb temporary volatility and provide more certainty to its customers.

Risk Appetite

The Risk Appetite Statement (RAS) is divided into the Risk Appetites per risk type and the underlying Risk Tolerances. The Risk Appetite Statements are set at least annually. The risk tolerances-part contains measures for the maximum risk that Proteq willing to accept. These measures are defined for various sub-risks for every individual legal entity or specific Business Lines or Functions and are split into risk triggers (comparable to hard limits) and risk indicators (comparable to soft limits). When implementing the strategy, the Executive Board gives guidelines to the Business Lines for establishing Operational plans, taking into account the set Risk Tolerance in the Risk Appetite and corresponding limits on entity level. This helps the Business Lines and Functions optimise risk and return when developing the best possible products and services.

Risk Culture

Culture and conduct in general play a vital role in steering a company, and specifically in adequate risk management. Both are considered standard elements in performance evaluation meetings and in annual performance objectives. Athora Netherlands (and therefore Proteq) has awareness programmes in place that focus on how employees hold each other accountable for their conduct and how they can escalate matters if necessary. Furthermore, Proteq ensures that senior management and employees on Key Functions at all times are fit and proper to fulfil their job. Finally, the Remuneration Policy discourages taking undesired and irresponsible risks focused on short-term profit and personal gain.

Risk Organisation

Athora Netherlands (and therefore Proteq) implemented the 'Three Lines' control model including the Solvency II Key Functions and a risk committee governance structure. It contributes to the strengthening of the Risk Culture, taking responsibility for managing risks and internal control, and eventually to the further optimisation and integration of the risk management.

Integrated Control Framework

The Integrated Control Framework (ICF) is Proteq's internal control system and is part of its Risk Management System. The ICF forms the basis for sound and controlled operations within Proteq, measures the maturity of risk management and monitors process Key Controls and Management Controls. The basis of the ICF and the GRC tooling was implemented in the period 2015-2017. In the previous years, new initiatives were taken for further improvements. In 2022 the program that started in 2021 to strengthen the fundament of the ICF, namely the quality of process risk assessments, process- and key control design and change procedures ended successfully and activities and monitoring are fully embedded in business as usual. Sustainability is more and more embedded within the ICF, as it has become one of the ICF key components. Management controls are designed and assessed regarding the existence of governance, policies, reporting and awareness trainings. Also data collection processes and corresponding key controls are being formalized to provide customers reliable information on the sustainability of our products, and to ensure accurate and complete disclosure of sustainability data.

Underwriting and Investment management

Proteq assesses underwriting risks by following the Product Approval and Review Process (PARP) for new or adjusted products and management of the existing portfolio. Proteq mitigates underwriting risks primarily by means of diversification and reinsurance. The reinsurance programme is determined on the basis of risk assessments of the various portfolios, the size of the portfolios, the nature of the underwriting risks, the profit or loss, the risk appetite and the financial strength of the reinsurance company. As part of optimising the risk profile, Proteq has concluded an additional longevity risk transfer on a part of the individual life portfolio.

The starting point for the ALM policy is the Balance Sheet Assessment (BSA), which is drawn up annually. The BSA seeks to find an optimum between risk and return within the preconditions that apply with regards to solvency, laws and regulations. This BSA is used as a basis for defining a Strategic Asset Allocation (SAA), which is in turn used to translate specific investment activities into an investment plan and investment mandates for selected asset managers, taking into account the risk tolerances in the Risk Appetite Statements (RAS), solvency ratio, the tax position and the long-term risk exposure. When finalising the SAA, specific attention is paid to the availability of sufficient expertise in the segments in which investments are held. All investments are monitored by means of reports on performance and capital. Investments are made in accordance with the prudent person principle taking into account the interests of the policyholders. The prudent person principle is part of the ALM policy. Investments are made exclusively in assets and instruments whose risks are properly identified, measured, monitored, managed, controlled and reported, but also comply with ESG principles.

Developments Non-financial risks

In 2022 the main developments in non-financial risks were: 1) remediation program Sanctions AML 2) change risks associated with volume of change on transformation initiatives and programs such as implementation of IFRS 9/17 3) HR Risk associated with labour market and high work pressure 4) Business Process risk associated with strategic change and new operational processes such as within the investment Office and the CTO (Buy out) 5) Third party risk including new strategic outsourcing initiates 6) further attention and mitigation of cybercrime threats and ransomware developments. In order to maintain a sound and controlled organisation, the associated risks were addressed, managed and monitored according to the Proteq risk management procedures. Overall, the risk levels as reported in 2022 were steadily decreasing and becoming more within appetite towards the end of 2022.

In 2022 IT has been continuing the work on improving process automation of the IT processes. Proteq is aware that these developments require high standards of change management and service delivery management within the IT department in order to maintain an IT landscape that is in control and is managing IT risks. The In Control Framework (ICF) has been improved to a next level. Compliance with regulations and legislation is key and IT Risk Management is at the right level to monitor and mitigate risks. A low number of incidents and high availability of the business applications show the success of these high standards.

Cybercrime risk is growing over the years, and attackers are becoming more professionalised and aggressive. Also the political situation around Ukraine gives extra threats. Ransomware but also supply chain attacks are becoming more frequent and sophisticated. As more services are outsourced, cybercrime does not only concern Proteq itself, but may also impact the outsourced services and data. For Proteq mitigating the cybercrime risk is a key priority which is also reflected in the Board level attention it gets. In 2022 no major incidents related to cybercrime occurred within Proteq. To manage the increasing risk effectively in 2022 additional mitigating measures were implemented. In October Proteq participated in the 'Alert Online' campaign with a lot of awareness improving activities. A cybercrime plan for 2023 has been drafted and Proteq will keep on focusing on mitigating this risk, also for outsourced services.

In 2022, Proteq updated the compact model risk overviews to maintain good insight in its model risk. Model risk was further reduced by follow-up of second line findings via improving models. Within the model landscape important steps towards lower model risk have been taken by improving models and systems. Ongoing model assessments on reporting, (asset) valuation and pricing models, following a risk based approach, further increased model insight and provides guidance towards lower model risk.

Proteq is exposed to potential governance risks. Addressing these risks Proteq has a dedicated Institutional Conflict of Interest Policy including a concrete procedure. Furthermore, a governance framework with Athora Group is in place supporting collaboration and cooperation between Athora Netherlands and its shareholder Athora and its affiliates. From the end of 2021 to the beginning of 2022, DNB performed a governance effectiveness assessment on the functioning of the governance of Athora Netherlands (and therefore on Proteq). On 9 June 2022, Athora Netherlands received feedback from DNB on their governance effectiveness assessment. On 30 November 2022, Athora Netherlands submitted a detailed plan with governance enhancements taking into account the large company regime and other regulatory expectations including a roadmap for implementation of these enhancements. The roadmap provides, amongst others, for a pilot on the governance framework with Athora Group to test the revised governance protocol. The regulator will continue to monitor and evaluate the enhancements as part of its ongoing supervisory activities.

Athora Netherlands (and therefore Proteq) assesses product specific risks with regard to sanctions, money laundering and terrorist financing on a regular basis. In June 2022, Athora Netherlands, through its subsidiary SRLEV N.V., received a letter from DNB requiring remediation with regard to regulations relating to anti-money laundering and countering the financing of terrorism to be completed before 31 December 2022. During 2022, we continued remediation activities to further address shortcomings. In the course of our remediation activities some risk acceptance decisions have been made. The remediation activities resulted in a reduced risk profile and further enhancements will be implemented in 2023. For Athora Netherlands (and therefore also for Proteq), anti-money laundering Compliance will remain a strategic priority. Therefore, Athora Netherlands will continue enhancing its anti-money laundering procedures, taking into account any potential Compliance and/or Internal Audit findings.

Capital Position

The estimated Solvency II ratio of Proteq decreased to 197 per cent at year-end 2022 from 242 per cent at year-end 2021.

The main items driving the change in the Solvency II ratio were:
- Operating capital generation of +7 percentage point.
- Market impacts of +18 percentage point.
- One-off items of -87 percentage point.
- Capital flows of 0 percentage point.
- Other of +18 percentage point.

More information about the change in Solvency II ratio can be found in Chapter 7 'Managing Risks' in the financial statements.

SOLVENCY II POSITION		
In € millions	**2022[1]**	**2021[2]**
Total eligible own funds	55	87
SCR	28	36
Solvency II Surplus	27	51
In %		
Solvency II ratio	197%	242%

1 Regulatory Solvency II ratio 2022 is not final until filed with the regulator
2 Figures as filed with the regulator

SENSITIVITY						
	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
In € millions / In %	**2022**	2021	**2022**	2021	**2022**	2021
10% lower mortality rates for all policies (longevity risk)	4	2	4	2	13%	7%
10% increase in expenses assumptions + 1% increase in inflation[1]	-15	-15	-15	-15	-63%	-44%
Interest +50 bps	-4	-13	-4	-13	-5%	0%
Interest -50 bps	4	17	4	17	4%	-5%
UFR -15 bps	-2	-3	-2	-3	-8%	-3%
UFR -50 bps	-5	-10	-5	-10	-34%	-13%
Excluding VA	0	0	0	0	-47%	-3%
Credit spreads Government Bonds +50 bps	-12	-21	-12	-21	-49%	-30%
Credit spreads Corporates/Mortgages +50 bps	-2	-2	-2	-2	15%	9%
All Credit spreads +50 bps	-14	-23	-14	-23	-25%	-19%

1 The inflation linked swaps are conservatively not recalculated in this scenario.

Capital Management

Capitalisation refers to the extent to which Proteq and its underlying legal entities have capital available to cover unforeseen losses and to achieve the strategic objectives of the company. Proteq manages its capitalisation within limits set in the Risk Appetite Statements and sets annual targets culminating in a Capital & Funding Plan. Proteq assesses its capitalisation regularly.

Proteq aims for a robust capital position, which contributes to both the confidence that clients have in the institution and access to financial markets. Proteq deems a solvency ratio above 175% as a normal going concern level. The objective of the Capital Policy is to ensure that there is sufficient capital to fulfil obligations towards policyholders under adverse scenarios. The second objective of the Capital Policy is to ensure capital is used as efficiently and flexibly as possible to facilitate the implementation of Proteq's strategy.

A preparatory crisis plan exist which describes the procedure that applies in a contingency situation in which a capital deficit arises, or threatens to arise, that poses a threat to the going concern of Proteq. In its Risk Appetite, Proteq has defined triggers that determine whether a contingency situation exists.

The ORSA is an integral part of Proteq's management control cycle. It is input for the operational plan and capital management and is used in determining the risk appetite. The ORSA 2022 concludes that Proteq's risk profile is well reflected in the SCR standard formula and solvency is adequate.

Solvency II

Under Solvency II, the supervision of the risks to which an insurer is exposed and the management of those risks play a central role. The financial requirements reflect the risks to which insurers are exposed to. Solvency II aims to provide a framework for a risk-based approach to assess and mitigate risks and the overarching objective is to strengthen policyholder protection.

Proteq is subject to Solvency II regulation and disclosure requirement to publish public reports as required by law. Solvency II applies to the supervised insurance entitity Proteq.

Proteq calculates its solvency capital requirement under Solvency II using the standard formula, applying the Volatility Adjustment (VA) and thus making use of the possibility of applying long-term guarantee measures.

When determining the Solvency II capital ratio, the loss absorbing capacity of deferred tax assets may be set off against the Solvency Capital Requirement.

Managing Sensitivities of Regulatory Solvency

The solvency of Proteq is sensitive to changes in the parameters used for calculating the value of insurance liabilities. These relate to mortality risk, longevity risk, expense risk (including inflation) and surrender risk, since these insurance risks proved to have most impact on the SCR.

In addition to these insurance or underwriting risks, the other key risk is market risks predominantly driven by interest rate and (credit) spread risk. Sensitivities are performed to measure the impact of alternative scenarios such as market and interest rate movements.

Quantitative information about risks and related sensitivities for both Solvency II and IFRS have been described in Chapter 7 ‘Managing Risks’ in the financial statements.

4 CORPORATE GOVERNANCE

4.1 SHAREHOLDER

Athora Netherlands Holding Ltd. is the sole shareholder of Athora Netherlands N.V.
Proteq Levensverzekeringen N.V. is a wholly owned subsidiary of Athora Netherlands N.V.

4.2 THE EXECUTIVE BOARD

The Executive Board is responsible for the management, strategy and operations of Proteq Levensverzekeringen N.V. The Executive Board carefully weighs the interests of all stakeholders and acts in the interests of Proteq Levensverzekeringen N.V. and its associated business.

From the fourth quarter of 2021 to the second quarter of 2022, a team of the Dutch Central Bank (DNB) has performed a governance effectiveness assessment on the functioning of governance at Athora Netherlands (and therefore on Proteq). Work on findings and observations has started in the second quarter of 2022 and will be further addressed in 2023 and beyond.

In line with the large company regime, Proteq Levensverzekeringen N.V. is governed by a two-tier board comprising an Executive Board and a Supervisory Board. Both boards perform their duties and powers as laid down in the relevant laws and regulations and the company's articles of association. As part of its governance effectiveness assessment Proteq Levensverzekeringen N.V. has decided to implement an Executive Committee to align with the new functional model of the organisation and to support the achievement of the Ambition 2025 strategy by including two functions currently in the CEO domain at the highest collective executive level. The Executive Committee consists of the members of the Executive Board and members appointed by the Supervisory Board at the proposal of the Executive Board. The installation of the Executive Committee became effective as per 1 January 2023.

On 19 January 2023, Proteq announced its new Executive Committee and the appointments of Annemieke Visser-Brons as Chief Commercial Officer and Bart Remie as Chief Technology & Operations Officer to its new Executive Committee.

Composition, Appointment and Role

Proteq Levensverzekeringen N.V. is subject to the full large company regime under which the members of the Executive Board are appointed by the Supervisory Board. The Supervisory Board may suspend or remove a member of the Executive Board.

At 31 December 2022 the Executive Board consisted of the following members:

COMPOSITION, APPOINTMENT AND ROLE			
Name	Nationality	Position	Date of appointment
J.A. (Jan) de Pooter	Dutch	Chief Executive Officer	8 July 2021
A.P. (Annemarie) Mijer	Dutch	Chief Risk Officer (vice-chair)	1 July 2020
E.P. (Etienne) Comon	French	Chief Capital & Investment Officer	1 July 2021
J.H. (Jan-Hendrik) Erasmus	British, South African	Chief Financial Officer	13 June 2022
A. (Angelo) Sacca	Italian	Chief Transformation Officer	1 April 2020

On 13 June 2022, J. (Jim) van Hees stepped down as Chief Financial Officer (a.i.). On 1 January 2023, A. (Angelo) Sacca has stepped down as Chief Transformation Officer and his responsibilities as CTO have been shared amongst the other members of the Executive Board.

J.A. (Jan) de Pooter - Chief Executive Officer

Jan de Pooter (1969) studied business administration at the Amsterdam Academy and the VU University Amsterdam. From 2015 to 2020 he served as Chief Executive Officer (CEO) at Portuguese insurer Seguradoras Unidas (Tranquilidade). From 2005 to 2015, Mr. De Pooter held various leadership positions at Millennium bcp Ageas including Chairman of the Board of Directors. He started his career as Operations Manager at Fortis Investments Nederland.

A.P. (Annemarie) Mijer - Chief Risk Officer & Vice Chair

Annemarie Mijer (1970) holds a master's degree in Actuarial Mathematics. Mrs. Mijer joined from ABN AMRO where she served as Head of Central Risk Management. In 2015, she was appointed Chief Risk Officer and member of the Executive Board of Delta Lloyd Group. Prior to this, Mrs. Mijer held various senior leadership positions in ING Group and Nationale-Nederlanden. In April 2019, she was appointed as member of the Supervisory Board and Chair of the Audit Committee at Klaverblad Verzekeringen. Mrs. Mijer is a Certified Actuary of the Dutch Society of Actuaries and holds professional qualifications in Investment Analysis.

E.P. (Etienne) Comon - Chief Capital & Investment Officer

Etienne Comon (1973) holds a PhD in economics from Harvard University. He started his career at Goldman Sachs International as a member of the liability management team. Thereafter, Mr. Comon served as Head of ALM and Risk Advisory Team of both Nomura and Lehman Brothers. He joined Proteq from Goldman Sachs Asset Management International where he served as Head of Insurance Asset Management for the EMEA region. As Chief Capital & Investment Officer (CCIO) of Proteq, his areas of responsibility are Balance Sheet Optimisation, Investment Office and Asset Management.

J.H (Jan-Hendrik) Erasmus - Chief Financial Officer

Jan-Hendrik Erasmus (1980) holds an Executive MBA (with distinction) from London Business School (United Kingdom) and a degree in Actuarial Science from the University of Pretoria (South Africa). Jan-Hendrik was most recently the Group Chief Risk Officer of Aviva plc, where he was responsible for the Risk, Actuarial, Compliance, Financial Crime and Regulatory Affairs functions. Prior to Aviva, Jan-Hendrik served as Chief Risk Officer and Member of the Management Board of NN Group. He joined NN Group from the consulting firm Oliver Wyman where he was a Partner and Head of the UK Insurance practice. Mr. Erasmus holds both South African and British nationality.

A. (Angelo) Sacca - Chief Commercial Officer

Angelo Sacca (1977) holds a master's degree in Corporate Communications with Economics from Università degli Studi in Siena and is a certified Chartered Financial Analyst. Formerly a Managing Director in the Athora M&A team, he has led the management of the VIVAT transaction for Athora. He previously worked in the Financial Institutions Group at the M&A division of UBS and Greenhill & Co and as a Credit Analyst in the European insurance team of Standard & Poor's credit ratings. In the early part of his career, Mr. Sacca worked as management consultant with a focus on the financial services industry.

4.3 GOVERNING RULES

The gender balance in the Executive Board has not changed in 2022 and remains 80% men and 20% women. From a diversity perspective, in terms of age, background and nationality, but also experience in different settings a good balance has been maintained.

For future appointments of Executive Board and Executive Committee members, Proteq will take into account all laws and regulations and its diversity in terms of gender, age, experience, nationality and background. The principle of having at least 30% men or 30% women is applied in succession planning for the Executive Board and Executive Committee, Supervisory Board and senior leadership. With the announcement of the new Executive Committee in January 2023 the gender balance has been changed to 67% men and 33% women.

As part of the continuing education programme of Proteq, the Executive Board members participate in various education sessions. These sessions are sometimes attended together with the Supervisory Board members or with senior management of Proteq and are provided by internal and external speakers. The topics this year were inflation, pensions, governance, sustainability, IFRS 17/9 and financial economic crime.

4.4 THE SUPERVISORY BOARD

The Supervisory Board is responsible for supervising the management of the Executive Board and the general business of the company and its associated business, as well as providing advice to the Executive Board. Supervision includes monitoring the company's strategy including realisation of the objectives, risk policy, integrity of business operations and compliance with laws and regulations.

The Supervisory Board may on its own initiative provide the Executive Board with advice and may request any information from the Executive Board that it deems appropriate. In performing its duties, the Supervisory Board weighs the interests of all stakeholders and acts in accordance with the interests of Proteq and the business connected with it.

As part of the installation of the Executive Committee as per 1 January 2023, the Supervisory Board supervises the Executive Committee as from that date.

Meetings of the Supervisory Board

The Supervisory Board meets on a regular basis in accordance with an annual schedule, which in practice implies two-day meetings every two months on average. Decisions of the Supervisory Board are taken by a majority of votes cast. The Supervisory Board has drawn up internal regulations to specify and complement the company's articles of association. Members of the Supervisory Board have declared their acceptance of these regulations and have undertaken to abide by the rules contained therein.

Composition, Appointment and Role

The members of the Supervisory Board are appointed by the General Meeting upon nomination of the Supervisory Board. The General Meeting and the Works Council may recommend candidates for nomination to the Supervisory Board. The Supervisory Board is required to nominate one-third of the Supervisory Board members on the special right of recommendation ('versterkt recht van aanbeveling') of the Works Council and one-third of the Supervisory Board members on the special right of recommendation ('versterkt recht van aanbeveling') of the General Meeting, unless the Supervisory Board objects to the recommendation on certain grounds.

At 31 December 2022 the Supervisory Board consisted of the following members:

COMPOSITION, APPOINTMENT AND ROLE			
Name	**Nationality**	**Position**	**Date of appointment**
R.M.S.M. (Roderick) Munsters	Dutch	Chairman	8 September 2021 (chair per 1 October 2021)
J.M.A. (Hanny) Kemna	Dutch	Vice-chair	1 April 2020
M.A.E. (Michele) Bareggi	Italian	Member	1 April 2020
E. (Elisabeth) Bourqui	Swiss	Member	16 November 2021
F.G.H. (Floris) Deckers	Dutch	Member	1 April 2020
H. (Henk) Timmer	Dutch	Member	20 September 2022

On 14 February 2022, Pierre Lefèvre stepped down as a member of the Supervisory Board.

R.M.S.M. (Roderick) Munsters

Roderick Munsters (1963) is chair of the Supervisory Board, chair of the Conflict of Interest Committee, member of the Audit Committee and member of the Risk Committee. He has gained extensive executive managerial experience at various financial institutions. From 2009 to 2015, he was Chief Executive Officer at Robeco Group. From 2005 to 2009, he was a member of the Executive Committee and Chief Investment Officer of ABP Pensioenfonds & APG All Pensions Group. From 1997 to 2005, Mr. Munsters was Managing Director and Chief Investment Officer at PGGM Pensioenfonds. In addition to his function at Proteq, Roderick Munsters is a member of the Monitoring Committee Corporate Governance and a member of the Supervisory Board of Unibail-Rodamco-Westfield. In addition, he is Independent non-executive director at Moody's – Europe and at BNY Mellon European Bank. Mr. Munsters has both Dutch and Canadian nationality and holds a master's degree in Economics & Corporate Finance and in Financial Economics from Tilburg University.

J.M.A. (Hanny) Kemna

Hanny Kemna (1960) is vice-chair of the Supervisory Board, chair of the Remuneration and Nomination Committee, member of the Audit Committee and member of the Conflict of Interest Committee. In addition to her function at Proteq, Mrs. Kemna is chair for the Supervisory Board of MN Services N.V. and vice chair of the Supervisory Board as well as Audit Committee Chair for Menzis. In addition, she is a non-executive director for ASA International, member of the Audit and Risk Advisory Committee to the Board of Géant and Extraordinary member to the board of the Dutch Court of Audit.

M.A.E. (Michele) Bareggi

Michele Bareggi (1973) is member of the Renumeration and Nomination Committee and member of the Risk Committee. He is President and Deputy CEO of Athora Group where he is responsible for the coordination and direction of the Athora Group subsidiaries as well as growth, sustainability, transformation and culture. Mr. Bareggi worked in the past as Managing Director at Morgan Stanley. He also held senior roles at Nomura Holdings, Lehman Brothers, JPMorgan and Credit Suisse First Boston.

E. (Elisabeth) Bourqui

Elisabeth Bourqui (1975) is chair of the Risk Committee, member of the Conflict of Interest Committee and member of the Remuneration and Nomination Committee. She has held various board and senior management positions in the pension, asset management and consulting sector including CalPERS, ABB Group and Mercer. Mrs. Bourqui is currently CEO and co-founder at Berg Capital Management, an investment advisory firm. She is also a member of the Board of Directors at Bank Vontobel, Chair and member of the Board of Directors at Helsana HealthInvest AG and Board member at the Banque Cantonale Neuchâteloise, the Louis Jeantet Foundation, the Greenbrix Investment Foundation and the Swiss-Japan Chamber of Commerce. Mrs. Bourqui holds a master's degree in mathematics, and a PhD in financial mathematics, from the Swiss Federal Institute of Technology in Zurich.

F.G.H. (Floris) Deckers

Floris Deckers (1950) is a member of the Audit Committee and member of the Remuneration and Nomination Committee. Previously, he worked as CEO of Van Lanschot Bankiers and Senior Executive at ABN AMRO. In addition, Mr. Deckers has been chair of the Supervisory Board of Deloitte Netherlands as well as chair of the Supervisory Board of SBM Offshore. Mr. Deckers is currently a member of the Supervisory Board of Arklow Shipping Group Ireland, as well as for its Dutch subsidiary, he is Chairman at Utrecht Holdings N.V. , and active as Board Member / Executive in a number of not-for-profit organisations.

H. (Henk) Timmer

Henk Timmer (1961) was appointed as member of the Supervisory Board in September 2022. He is chair of the Audit Committee and member of the Risk Committee and member of the Conflict of Interest Committee. He has held various management and board positions in the Dutch insurance and pensions sector, amongst others he was Chief Risk Officer and member of the Board of Directors at Achmea. Henk has an educational background in economics, audit and risk management.

4.5 REPORT OF THE SUPERVISORY BOARD

Functioning of the Supervisory Board

The Supervisory Board aims to have a strong representation of diversity in terms of experience, gender, age, professional and cultural background. In accordance with the regulations of the Supervisory Board, the Supervisory Board considers complementarity, collegial collaboration, independence and diversity to be conditions for a proper performance of duties by the Supervisory Board.

The gender balance in the Supervisory Board is 67% men and 33% women. There is diversity in terms of experience, age and professional and cultural background. The principle of having at least 30% men or 30% women is applied in succession planning for the Executive Board, Supervisory Board and senior leadership.

All members have confirmed the moral and ethical conduct declaration, which includes the need to make a balanced assessment of the interests of customers, shareholder, bondholders, employees and the society in which the company operates. The regulations of the Supervisory Board explicitly provide that the Supervisory Board shall strike a careful balance between the interests of the company's stakeholders, such as the customers, the shareholder and all employees.

Self-assessment

The Supervisory Board assessed its functioning in 2022 in order to evaluate the functioning of the Supervisory Board as a whole, the functioning of the individual committees, the individual supervisory directors, the relationship with the Executive Board and the effectiveness of continuous education. The desired profile, composition and competences of the Supervisory Board has also been discussed. The report also states how the assessment of the Supervisory Board, the various committees and the individual members of the Supervisory Board was conducted. This evaluation found that the Supervisory Board has performed according to what can be expected, with sufficient expertise and involvement from the individual members. The Supervisory Board has played a constructive role in building the foundation for future progress at Proteq.

Continuous Education

Members of the Supervisory Board are encouraged to maintain and develop their expertise at the required standard and enhance it where necessary. This year, the Supervisory Board participated in trainings on financial economic crime, sustainability, asset allocation, inflation and IFRS 17/9.

Important Topics and Key Discussions

The formal meetings of the Supervisory Board took place every two months (on average). Many additional meetings and conference calls were held. The attendance rate at meetings and committees is high, demonstrating the strength of the Supervisory Board's commitment. None of the Supervisory Board members were frequently absent at these meetings, meaning that there was always a valid quorum. During the formal meetings, the Supervisory Board was kept abreast of the strategy updates, capital and funding initiatives, risk appetite and commercial developments. Furthermore, the Supervisory Board was informed about the discussions and the resulting recommendations from committee meetings of the Supervisory Board.

In 2022, the Supervisory Board discussed and approved several items, such as topics related to the Operational Plan, Employee Survey, Strategy update, Update Code of Conduct and Governance Effectiveness. The Supervisory Board had multiple discussions and reflection sessions on the internal governance.

The Supervisory Board has developed in cooperation with the Executive Board a detailed plan with governance enhancements. This resulted in a roadmap to implement behaviour, culture and governance changes to further build a strong organisation capable of realising the Ambition 2025 strategy. As part of this roadmap in January 2023 the Executive Committee has been introduced to enhance the effectiveness of its governance.

The implementation of the ExCo model aligns Proteq's top governance to the new functional model of the organisation by including two key functions currently in the domain of the Chief Executive Officer (Commerce and Operations & IT) in the achievement of the Ambition 2025 strategy on the highest collective executive level. The Executive Committee is composed of the members of the Executive Board and two additional non-statutory members for the Commerce and Operations & IT functions.

The Supervisory Board safeguarded the corporate interest and properly weighed the interest of all stakeholders involved, such as policy holders, the shareholder employees and its bondholders. In addition, a strong focus of the Supervisory Board has been the governance framework under which Proteq operates.

The Supervisory Board and the Chairman of the Supervisory Board have been in regular contact with other stakeholders such as the Dutch Central Bank (DNB) and Dutch Authority for Financial Markets (AFM) on these topics.

Cooperation with Committees

The Supervisory Board has four committees: the Audit Committee, the Risk Committee, the Remuneration and Nomination Committee and the Conflict-of-Interest Committee. Each member of the Supervisory Board has sufficient knowledge and experience to assess the main aspects of Proteq's policy and to form an independent opinion of the basic risks. Decisions regarding risk matters and audit matters are prepared by the Risk Committee (RC) and the Audit Committee (AC), respectively. These committees have been carefully composed with at least two members of these committees having extensive knowledge of risk management / risk control and internal control / reporting, to enable them to properly supervise these subjects.

- The Audit Committee discussed the audit scope, key audit matters, the external auditor's reports and the management letter of the external auditor. The independence of the external auditor and fees were also reviewed by the Audit Committee. The Audit Committee maintains regular contact with the external auditor through meetings between the chair of the Audit Committee and the external auditor. The Audit Committee discussed the annual plan and quarterly reports of the internal audit function. Furthermore, the progress on the implementation IFRS 17 and 9 has been frequently discussed.
- The Risk Committee discussed the profile of the financial and non-financial risks related to the approved risk appetite. This included capital developments, operating capital generation and investment policy. The structure and operation of the risk control system was discussed, including compliance with relevant legislation and regulations such as Sanctions law and Wwft. The Risk Committee noted and discussed Proteq's consultations with DNB. Furthermore, the Risk Committee discussed amongst others the impact of inflation and the Ukrainian war.
- The Remuneration and Nomination Committee (ReNomCo) is responsible for supporting the Supervisory Board in overseeing the design of the remuneration policy and remuneration practices, their implementation and operation, and the preparation of decisions on remuneration. The ReNomCo also provides the Supervisory Board with advice in respect of nomination matters. The ReNomCo prepared decisions on remuneration regarding the Executive Committee, Identified Staff and employees in control functions. The ReNomCo members have sufficient expertise with regard to (i) the remuneration policy and remuneration culture and the incentives created to control risk, capital and liquidity, and (ii) the nomination policy and nomination culture.
- The Conflicts of Interest Committee discussed decisions with regard to (possible) institutional conflicts of interest in dealings with Athora Group or other parties as referred to in the company's Institutional Conflicts of Interest Policy such as related party transactions. The meetings of the committee takes place in the presence of the Risk Management Key Function Holder and Compliance Key Function Holder. The committee is a committee governed by the Institutional Conflicts of Interest Policy. The topics of the Conflicts of Interest Committee include secondments and various investments.

The committees met in the presence of members of the Executive Board. The external auditors were represented by mutual agreement at meetings of the Audit Committee and Risk Committee in 2022. Both the internal auditor and external auditor reported on the quality and effectiveness of governance, internal control and risk management. Cooperation between the Supervisory Board and the committees has been positive. The meetings of the committees elaborate on various subjects, so that the decisions of the Supervisory Board can be carefully prepared. The content of the meetings of the committees is fed back to the meeting of the Supervisory Board to ensure that the Supervisory Board members are kept fully informed and are well prepared to take balanced decisions.

On behalf of the Supervisory Board, I would also like to convey my sincere thanks to Pierre Lefèvre, our former member of the Supervisory Board and Chairman of the Risk Committee. Pierre was a dedicated and valued member of the Supervisory Board and we are grateful to have been able to draw on his expertise over the past years. He made an important contribution to the supervision of the company, especially in his role as chairman of the Risk Committee, and during the transition to new ownership.

The Supervisory Board appreciates the efforts made by the Executive Board and all employees in 2022 and complements them with the results achieved. We look forward to continuing our cooperation in 2023.

Amstelveen, the Netherlands, 29 March 2023
On behalf of the Supervisory Board,

Roderick Munsters, Chairman

4.6 REMUNERATION

Introduction

Proteq Levensverzekeringen N.V. is a full subsidiary of Athora Netherlands N.V. All employees are employed by Athora Netherlands. The Group Remuneration Policy Athora Netherlands applies to all employees working under the responsibility of Athora Netherlands. The costs of employees appointed to Proteq are charged to Proteq by Athora Netherlands. The remuneration information in this paragraph is presented on Athora Netherlands level and as far as it applies to Proteq.

The remuneration paragraph describes the principles, governance and elements of the remuneration policies (4.6.1). It also gives an overview of the payment of (variable) remuneration in 2022 (4.6.2), as well as the actual remuneration of the (former) members of the Executive Board and Supervisory Board in 2022 (4.6.3).

4.6.1 Remuneration Policies

Proteq's Vision

The objective of our remuneration policies is to recruit and to retain highly qualified staff and to motivate employees to achieve high performance and to provide appropriate remuneration to all employees that contributes to the sustainability of Athora Netherlands and its subsidiaries including Proteq. Athora Netherlands ensures long-term value creation and has chosen to use four Sustainable Development Goals ("SDG") as a guideline for further development of the Corporate Social Responsibility policy in business operations. Pursuant to the SDGs, the HR principles for remuneration are aimed at ensuring high performance of the employees and focusses on personal growth of its employees by development of their talents and focusses on collaboration, enabling the customers to benefit of this growth.

Athora Netherlands operates a careful, controlled and sustainable Group Remuneration Policy which is in line with its business and risk management strategy, its risk profile, objectives, risk management practices and the long-term interests and its performance. The Group Remuneration Policy is in accordance with and contributes to solid and effective risk management and does not encourage risk-taking that is in breach of its policies and risk appetite. The Group Remuneration Policy has been drawn up in compliance with existing legislation and regulation and it takes account of the long-term interests of Athora Netherlands and its stakeholders. Athora Netherlands ensures that the Group Remuneration Policy is enforced within Athora Netherlands, its branches and subsidiaries including Proteq.

Athora Netherlands, including Proteq, is aware of its position within the broader society and the crucial role of the financial sector in the Netherlands and the importance of creating trust in this sector within society. As such, Athora Netherlands has a strong governance framework in place to ensure that employees are remunerated in a manner that is aligned with the interests of all stakeholders involved.

Within this context, the key focus is on fixed remuneration rather than variable remuneration. When adopting the Group Remuneration Policy and underlying remuneration policies, the relevant corporate bodies involved and especially the Supervisory Board liaised with the Works Council, representatives of staff and the Athora Netherlands shareholder in order to establish a remuneration framework that is supported by all such stakeholders and society in general. Athora Netherlands will continue these dialogues.

Group Remuneration Policy

The Group Remuneration Policy Athora Netherlands applies to all employees working under the responsibility of Athora Netherlands and all of its subsidiaries, including Proteq and branch offices. The Group Remuneration Policy contains a number of annexes, which specify specific rules on remuneration in respect of the following (groups of) employees, summarised, (i) the Executive Board, (ii) "Above-CLA employees" — our senior management, being employees of Athora Netherlands and its subsidiaries and branches who do not fall under the scope of our collective labour agreement ("CLA"), excluding the members of the Supervisory Board and the members of the Executive Board ("Remuneration Policies").

The Group Remuneration Policy is published internally and on the website: www.athora.nl.

Our Group Remuneration Policy incorporates the requirements which apply to remuneration as included in the Dutch Civil Code, Dutch Financial Markets Supervision Act (Wet op het financieel toezicht or "FMSA"), the Commission Delegated Regulation (EU) 2015/35 ("Solvency II") and the Guidelines on System of Governance of the European Insurance and Occupational Pensions Authority ("EIOPA Guidelines"), as applied to Athora Netherlands and all of its subsidiaries and branches.

Principles

Athora Netherlands' remuneration policies are based on the following principles:
- It supports Proteq's corporate strategy, and is aligned with the mission, vision and values of Proteq;
- It is compliant with the applicable legal rules and regulations;
- It may not threaten Proteq's ability to maintain an adequate capital base;
- It takes into account the interests of all stakeholders of Proteq: customers, employees, shareholders and society;
- It is transparent, easy to understand and simple to execute;
- It is aligned with Proteq's ambition to be a socially responsible and number one pension provider in the Netherlands;
- It fits the risk profile of Proteq and of the relevant employee;
- It supports the attraction and retention of qualified employees that fit the job;
- It supports effective governance of remuneration and supervision thereof, and, where relevant, contains measures to prevent a conflict of interest;
- It encourages high team and company performance; and
- It is gender and age neutral. Jobs are weighted regardless of gender at Proteq. Men and women with comparable work experience, achievements and job level are given equal pay.

Governance

The members of the Executive Board and the members of the Supervisory Board of Athora Netherlands are also the members of the Executive Board and the members of the Supervisory Board of Proteq. Athora Netherlands' general meeting adopted the remuneration policy for the members of the Executive Board after consultation with the Supervisory Board. The Supervisory Board is also responsible for the implementation and evaluation of this policy.

The Supervisory Board, being the internal supervisory body of Athora Netherlands, has the authority to approve our Group Remuneration Policy and shall supervise its implementation by the Executive Board. The Group Remuneration Policy was established by the Executive Board and approved by the Supervisory Board after, insofar as applicable, fulfilment of any rights of the Works Council.

The remuneration and nomination committee of the Supervisory Board (the "ReNomCo") is responsible for supporting the Supervisory Board in overseeing the design of the Group Remuneration Policy and remuneration practices, their implementation and operation, and the preparation of decisions on remuneration, including decisions that may have consequences for the risks and risk control of Athora Netherlands which the Supervisory Board has to take.

The remuneration for Supervisory Board members is determined by the General Meeting. The remuneration for the current Supervisory Board members consists of an annual Supervisory Board fee and an additional fee for attending the meetings of Supervisory Board committees. The remuneration package consists of a fixed remuneration only.

Role of the Executive Board
The Executive Board implements and evaluates the Group Remuneration Policy as approved by the Supervisory Board in accordance with the provisions of the Group Remuneration Policy.

Role of the Working Group Remuneration
In addition, there is a working group remuneration ("WGR") in place comprising of the directors and/or specialists of the HR, legal, financial risk, non-financial risk, financial control and audit departments. The WGR participants may provide and will at request provide input on any decision of the Executive Board and/or the Supervisory Board on the following subjects: (i) the determination of the Identified Staff (as referred to below) list, (ii) the Group Remuneration Policy and the other Remuneration Policies, (iii) the setting of Key Performance Indicators ("KPIs"), (iv) the processes around variable remuneration and (v) any other material remuneration matters. Athora Netherlands reserves the right to prepare decisions of the Executive Board and Supervisory Board regarding the above-mentioned subjects in another way than through the WGR, provided that the input of the HR, legal & compliance, risk, financial control and audit department is taken into account.

Control Functions
Control functions are departments that are responsible for the control and supervision of operations as well as the risks arising from those operation, and in doing so operate independently from the organisation. Control functions play an active role in drafting, application and monitoring the Group Remuneration Policy. For this reason, officers in control functions are subject to additional rules aimed at safeguarding their independence, in case they are eligible to receive variable remuneration, as set out in the Remuneration Policies, as applicable. Athora Netherlands, including Proteq, has functions that are considered control functions.

Identified Staff

Every year, Athora Netherlands designates members of staff as 'Identified Staff' by using the Solvency II regulation.

Apart from certain specific requirements applicable to variable remuneration within the investment team of Athora Netherlands, the provisions of our Group Remuneration Policy, our CLA, if applicable, and any of the other Remuneration Policies apply equally to Identified Staff and staff not qualifying as Identified Staff.

Elements of the Remuneration Policies

Fixed Annual Salary
The regular fixed remuneration consists of a fixed annual gross salary, which includes a holiday allowance of 8% and a 13th month payment of 8.33%. The annual gross salary is based on the applicable salary scales. According to the CLA, once a year an employee may receive a periodic increase. This periodic increase in salary is linked to the extent to which the employee is judged to have grown in his or her role (achievement on competences) and depends on the relative salary position. The precise link between the competency assessment and the periodic increase is as follows: Insufficient: 0.0%; Almost sufficient: 0.0%; Good: 2.6%; Very good: 3.3%; Excellent: 4.0%.

The process regarding the annual salary increase for the Above-CLA Employees follows the process as described above, applicable for the employees in the CLA. Increase of the salaries of the members of the Executive Board is only possible, after adopting a proposal of the ReNomCo in the Supervisory Board in line with the remuneration policy for the Executive Board.

Total direct compensation is the total of fixed and variable remuneration (for Proteq only the total of fixed remuneration as we abolished variable remuneration), excluding benefits such as pension and allowances. We aim to provide total direct compensation levels for expected business and individual performance which, on average, are at the median of the markets in which we operate, benchmarked against relevant peer groups. To ensure we adhere to the Remuneration Policies, we monitor and benchmark salary levels. Fixed remuneration represents a sufficiently high proportion of the total direct compensation, which is in line with the level of expertise, years of experience and required skills. Job functions at Athora Netherlands are independently evaluated. The outcome of this evaluation results in a certain salary scale for such function which will be applied to the employees in scope.

Allowances
Employees may be entitled to fixed cash allowances in line with applicable legislation and in accordance with the applicable governance framework as included in this Group Remuneration Policy.

Employees that were previously entitled to variable remuneration based on performance, may, at the discretion of the Executive Board, in case of a cancellation or a deduction of such variable remuneration opportunity, be entitled to a fixed annual compensation. Reference is made to the paragraph on Variable Remuneration set out below.

Pension
Nearly all employees participate in the same pension scheme of Athora Netherlands. The current scheme is a Collective Defined Contribution (CDC) pension scheme, which is based on a pension accrual including an employee contribution of 4.5%. The scheme qualifies as a defined contribution scheme for IAS 19 purposes. The contributions are paid by Athora Netherlands and employees respectively as employer and employee contributions. For employees who were employed by Athora Netherlands as per 31 December 2017 and with a salary exceeding the maximum pensionable salary for pension accrual, a compensation for the loss of pension accrual is applied. The compensation consists of a permanent supplement payment for as long as a maximum pensionable salary applies. The annual compensation is 16.35% of the fixed annual gross pensionable salary as indicated in the collective labour agreement of VIVAT (previous name for Athora Netherlands) 2017 minus the maximum amount for pension accrual referred to in article 18ga of the Wage Tax Act 1964 (2015: € 100,000 gross; and 2022: € 114,866 gross). The permanent supplement payment is not pensionable and is not taken into account for the calculation of severance payments, including the transition fee (transitievergoeding) or any other wage components or benefits. Athora Netherlands does not award discretionary pension.

Performance Management
Performance management is a core business process, in which (i) KPIs are set to align individual KPIs with the long-term strategy of the business of Athora Netherlands and Proteq and to ensure a sustainable and successful business for all its stakeholders and (ii) competences with respect to the individual behaviour of employees will be measured.

KPIs are used to monitor and track progress towards realisation of our strategic goals. As a result, the proposed KPIs are fully aligned to the strategy and operational plan. Athora Netherlands operates a performance management process linked to remuneration to prevent rewarding for failure and to address the long-term impact of the profitability of the organisation within the risk appetite framework approved by the Supervisory Board.

The performance management cycle starts every year with setting the KPIs in the first quarter of a financial year. These KPIs are in line with the company targets and the company's mission, its long-term strategy and the aim to ensure a sustainable and successful business for all stakeholders of Athora Netherlands and shall not encourage risk taking that exceeds the risk tolerance limits. The KPIs do not result in incentifying and/or rewarding excessive risk taking as well as unwanted behaviours relating to market conduct, reputational risks, conflicts of interest, etc. More than 50% of the KPIs are related to non-financial targets. The KPIs are for example related to maintaining customer advocacy (delighted customer score), sound and controlled organisation, sustainability, employee satisfaction, financial KPIs and one or more individual KPIs. The KPIs are defined on the following levels: organisational, department and personal. For the Control Functions, insofar as the KPIs are used to determine any Variable Remuneration, the KPIs used shall be independent from the performance of the operational units and areas that are submitted to their control.

Besides KPIs, also competences will be set, covering behavioural aspects of employees: for example, their attitude towards change and collaboration (the "How").

Variable Remuneration
As of 2018, Athora Netherlands has abolished the performance related bonus in the CLA and abolished the variable remuneration for the Executive Board and for Above-CLA Employees.

Retention & Sign-on Bonus
Athora Netherlands exercises restraint when agreeing such arrangements as retention bonus or sign-on bonus. Such arrangements may be agreed only if this is in line with the Remuneration Policies and such arrangements are approved in accordance with applicable legislation, regulations and Athora Netherlands' governance.

Other Benefits
Depending on the position on the salary scale; our senior management, employees in the highest CLA salary scale and our field/sales employees may be eligible for a lease car or a lease car allowance in line with the car policy. As part of Athora Netherlands' commitment to sustainable investment principles, certain types of cars and certain brands are no longer included in this policy, however exceptions are made for 100% electric models.

Hold Back & Claw Back
Athora Netherlands has the power to hold back or claw back all or part of any variable remuneration awarded (in line with article 135(6 and 8) and Book 2 of the Dutch Civil Code in connection with FMSA article 1:127(2 and 3)) and Remuneration Policies.

Severance Payment
If and insofar a severance payment is due to an employee, such payment will be equal to the transitional fee within the meaning of article 7:673 of the Dutch Civil Code unless (i) the relevant employee can benefit from a different arrangement as explicitly agreed upon in an applicable social plan or (ii) otherwise determined at the discretion of the Executive Board or, where it relates to Above-CLA Employees or Identified Staff, the Remuneration and Nomination Committee and approved by the Supervisory Board. No severance payment is due and payable when a contract is terminated at the employees' own initiative, by serious culpable conduct or neglect by the employee or failure of Athora Netherlands if the employee is considered day-to-day policy maker.

A severance payment to day-to-day policy makers, which also includes the members of the Executive Board, may not be in excess of 100% of the fixed annual gross salary.

Athora Netherlands has a Social Plan until 2023, agreed with the trade unions, which is applicable in case of reorganisation(s).

4.6.2 Overview Remuneration 2022

Fixed Remuneration

According to the CLA, employees have received a periodic salary increase on 1 February 2022, insofar the maximum of the scale is not reached and a collective salary adjustment of 2.25% as of July 2022. For Above-CLA Employees, the previously mentioned was applied as well. In June 2022, every employee (including temporary workers and interns) received a one-off payment of € 250 net. This to provide some relief from the rising energy and fuel prices. The employees who joined after 1 July 2022, received an amount of € 125 net in December 2022. In November 2022 was announced that again € 250 net will be paid in January 2023.

Performance Management

In 2022, KPIs were set on a company, department and individual level. KPIs are e.g., operating capital generation, Solvency 2 ratio, return on capital, customer engagement, employee engagement, sustainability, control of risk, strategy, program Ambition 2025 and personal targets. More than 50% are non-financial KPIs. Besides the KPIs also competences were set. These personal development themes are in line with our strategy and chosen from the company's broad set of values: results driven, to strengthen the realisation of the results; personal leadership, to strengthen accountability and commitment; continuous improvement, so that we each deliver more on change and Agile working; development in the function, to strengthen professionalism; personal ambition.

Variable Remuneration

In 2022, no variable remuneration for awarding performance was paid within Proteq.

In 2022, Athora Netherlands did not use the right to apply a hold back and claw back.

Retention & Sign-on Bonus

The retention schemes offered in 2018 and 2019 due to the strategic review which led to the change of ownership of Athora Netherlands, have been awarded end of 2020 as the conditions were met. The Identified Staff in this scheme are partly paid in 2020 (60%) and will be partly paid in three deferred payments up and uncluding 2023 (in total 40%). In 2022, a total amount of € 1.5 million to 40 employees within Athora Netherlands is paid as sign-on and for the retention schemes. This also includes employees of Proteq.

Severance Payment

Our Athora Netherlands N.V. Social Plan 1 January 2021 — 31 December 2023 has been applied for employees who became redundant in 2022. They received severance payments in line with this Social Plan.

Pay Ratio

The 2022 pay ratio of Athora Netherlands was 13.3 (2021: 11.8). The pay ratio compares the total annual remuneration of the CEO and the average annual remuneration of the employees, as included in the (consolidated) financial statements of Athora Netherlands on an IFRS basis.

Pay Gap

At Athora Netherlands jobs are weighted regardless of gender. Men and women with comparable work experience, achievements and job level are given equal pay. See also our Remuneration Policy Principles.

Annually Athora Netherlands analyses yearly the gender pay gap, the analysis of the existence of a possible salary gap between women and men. The differences between the salaries of women and men are calculated on the basis of the gross hourly wage, which includes besides salary, also fixed allowances, in order to exclude differences caused by the fact employees work part-time or fulltime. This results in 17.3%, being the so-called unadjusted pay gap. If refined per salary scale the pay gap is 2.3%. Our remuneration policy, as mentioned above explains men and women should be given equal pay. The difference is to be explained by the following factors: Women are overrepresented in positions in lower salary scales, whilst men are overrepresented in positions with higher salary scales. The average years of service of women is 15.8, this is lower compared to men with an average years of service of 16.9. Besides this, women are in age younger than men; 47.1 versus 48.8.

Number of Employees which received a Remuneration Exceeding € 1 Million

In 2022, two employees received a total annual remuneration exceeding € 1 million (in 2021: one employee). These employees work for Athora Netherlands, SRLEV N.V. and Proteq.

4.6.3 Actual Remuneration (former) Members of the Executive Board and the Supervisory Board

Reference is made to Note 11 Related parties (Intragroup balances with key management personnel of Proteq) for the actual remuneration of (former) members of the Executive Board and the Supervisory Board.

FINANCIAL STATEMENTS

5 FINANCIAL STATEMENTS

5.1 STATEMENT OF FINANCIAL POSITION

Before result appropriation and in € thousands	Ref.[1]	31 December 2022	31 December 2021
Assets			
Investments	1	424,191	621,007
Derivatives	2	97,955	19,017
Deferred tax	3	13,812	-
Loans and advances due from banks	4	39,566	-
Other assets	5	429	2
Cash and cash equivalents	6	4,056	4,433
Total assets		**580,009**	**644,459**
Equity and liabilities			
Share capital[2]		3,178	3,178
Share premium reserve		45,121	45,121
Fair value reserve		-190	3,719
Retained earnings		17,055	38,460
Total shareholders' equity	7	**65,164**	**90,478**
Insurance liabilities	8	372,253	520,521
Derivatives	2	135,409	1,817
Deferred tax	3	-	9,093
Corporate income tax		2,653	3,638
Amounts due to banks	9	3,150	17,702
Other liabilities	10	1,380	1,210
Total equity and liabilities		**580,009**	**644,459**

1 The references relate to the notes to the financial statements in Section 6.3

2 The share capital amounts to € 15,890,000 and comprises of 35,000 ordinary shares with a nominal value of € 454 per share. Of all shares, 7,000 shares are issued and fully paid-up.

5.2 STATEMENT OF PROFIT OR LOSS

In € thousands	Ref.[1]	2022	2021
Income			
Total gross regular premiums Life		3,481	3,803
Total gross single premiums Life		238	446
Less: Reinsurance premiums		2	2
Net premium income	14	**3,717**	**4,247**
Fee and commission income		-	1
Net fee and commission income		**-**	**1**
Investment result	15	9,487	10,350
Total income		**13,204**	**14,598**
Net benefits, claims and expenses			
Technical claims and benefits	17	-1,761	-7,347
Net benefits and claims		**-1,761**	**-7,347**
Result on derivatives	16	55,249	16,306
Staff costs	18	2,112	2,094
Other operating expenses	19	1,135	846
Other expenses	20	58	63
Total expenses		**58,554**	**19,309**
Total net benefits, claims and expenses		**56,793**	**11,962**
Result before tax from continued operations		**-43,589**	**2,636**
Tax expense	21	-22,184	17,869
Net result continued operations for the period		**-21,405**	**-15,233**
Attributable to:			
- Shareholders		-21,405	-15,233
Net result continued operations for the period		**-21,405**	**-15,233**

1 The references relate to the notes to the financial statements in Section 6.3.

5.3 STATEMENT OF TOTAL COMPREHENSIVE INCOME

Statement of Other Comprehensive Income

In € thousands	Ref.[1]	2022	2021
OCI to be reclassified subsequently to profit or loss			
Unrealised revaluations investments available for sale	22	-137,934	-36,179
Realised gains and losses fair value reserve transferred to profit or loss	22	-1,835	1,077
Results on allocated investments and interest derivatives	22	134,501	24,545
Income tax relating to items that may be reclassified		1,359	3,714
Tax rate adjustment relating to items that may be reclassified		-	-1,115
Net OCI to be reclassified to profit or loss subsequently		**-3,909**	**-7,958**
Other comprehensive income (net of tax)		**-3,909**	**-7,958**

1 The references relate to the notes to the financial statements in Section 6.3

Statement of Total Comprehensive Income

In € thousands	2022	2021
Net result for the period	-21,405	-15,233
Other comprehensive income (net of tax)	-3,909	-7,958
Total comprehensive income (net of tax)	**-25,314**	**-23,191**
Attributable to:		
- Shareholders	-25,314	-23,191

5.4 STATEMENT OF CHANGES IN EQUITY

Statement of Changes in Shareholders' Equity 2022

In € thousands	Issued share capital[1]	Share premium reserve	Fair value reserve	Retained earnings	Total shareholders' equity
Balance as at 1 January 2021	**3,178**	**45,121**	**3,719**	**38,460**	**90,478**
Other comprehensive income	-	-	-3,909	-	-3,909
Net result 2022	-	-	-	-21,405	-21,405
Total comprehensive income 2022	**-**	**-**	**-3,909**	**-21,405**	**-25,314**
Total changes in equity 2022	**-**	**-**	**-3,909**	**-21,405**	**-25,314**
Balance as at 31 December 2022	**3,178**	**45,121**	**-190**	**17,055**	**65,164**

1 The share capital amounts to € 15,890,000 and comprises of 35,000 ordinary shares with a nominal value of € 454 per share. Of all shares, 7,000 shares are issued and fully paid-up.

The Executive Board proposes to the General Meeting of Shareholders to distribute, similar to 2020, no dividends on ordinary shares for 2021.

Statement of Changes in Shareholders' Equity 2021

In € thousands	Issued share capital	Share premium reserve	Fair value reserve	Retained earnings	Total shareholders' equity
Balance as at 1 January 2021	**3,178**	**45,121**	**11,677**	**53,693**	**113,669**
Other comprehensive income	-	-	-7,958	-	-7,958
Net result 2021	-	-	-	-15,233	-15,233
Total comprehensive income 2021	**-**	**-**	**-7,958**	**-15,233**	**-23,191**
Total changes in equity 2021	**-**	**-**	**-7,958**	**-15,233**	**-23,191**
Balance as at 31 December 2020	**3,178**	**45,121**	**3,719**	**38,460**	**90,478**

Statement of Changes in Fair value Reserve

In € thousands	2022	2021
Balance as at 1 January	**3,719**	**11,677**
Unrealised revaluations	-137,934	-36,179
Realised gains and losses transferred to profit or loss	-1,835	1,077
Results on allocated investments and interest derivatives	134,501	24,545
Income tax	1,359	3,714
Tax rate adjustment	-	-1,115
Total changes in equity	**-3,909**	**-7,958**
Balance as at 31 December	**-190**	**3,719**

5.5 CASH FLOW STATEMENT

In € thousands	2022	2021
Cash flow from operating activities		
Result before tax	-43,589	2,636
Adjustments for non-cash items included in profit before tax:		
Amortisation of investments	-1,144	-375
Unrealised results on investments through profit or loss	54,739	16,339
Taxes		
Taxes paid	-	-
Change in operating assets and liabilities:		
Change in amounts due from banks	-39,566	-
Change in amounts due to banks	-14,552	-15,698
Change in investments	136,131	23,738
Change in derivatives	372	323
Change in other assets	-428	30
Changes in insurance liabilities	-148,268	-44,414
Change in other liabilities	-177	-4,148
Net cash flow from operating activities	**-56,482**	**-21,569**
Cash flow from investment activities		
Sale and redemption of investments and derivatives	269,637	271,106
Purchase of investments and derivatives	-213,532	-247,654
Net cash flow from investment activities	**56,105**	**23,452**
Cash flow from finance activities		
Net cash flow from financing activities	**-**	**-**
Net increase in cash and cash equivalents	**-377**	**1,883**
Cash and cash equivalents 1 January	4,433	2,550
Cash and cash equivalents as at 31 December	**4,056**	**4,433**
Additional disclosure with regard to cash flows from operating activities:		
Interest income received	10,538	10,017
Dividends received	-	-
Interest paid	-	53

6 NOTES TO THE FINANCIAL STATEMENTS

6.1 ACCOUNTING POLICIES FOR THE FINANCIAL STATEMENTS

6.1.1 General Information

Proteq Levensverzekering N.V., incorporated and established in the Netherlands, is a public limited liability company incorporated under the laws of the Netherlands. Proteq Levensverzekering N.V. is a wholly owned subsidiary of Athora Netherlands N.V. with a registered office at Amstelveen, the Netherlands and Athora Netherlands N.V. is a wholly owned subsidiary of Athora Netherlands Holding Ltd. with a registered office in Dublin, Ireland, whose ultimate parent is Athora Holding Ltc. domiciled in Bermuda.

Proteq Levensverzekering N.V. has its registered office located in Alkmaar, the Netherlands and has its principal place of business located at Kruseman van Eltenweg 1, 1817 BC Alkmaar, the Netherlands. The registration number at the Dutch Chamber of Commerce Trade is no. 37056151. Proteq Levensverzekering N.V. is a provider of individual life insurance products.

In the financial statements within this annual report the name 'Proteq' is used.

The key accounting policies and the changes herein used in the preparation of the financial statements are set out in this section.

Adoption of the Financial Statements

The financial statements of Proteq for the year ended on 31 December 2022 were authorised for publication by the Executive Board following the approval by the Supervisory Board on 29 March 2023. The financial statements will be submitted to the General Meeting of Shareholders for adoption.

6.1.2 Basis of Preparation

Statement of IFRS Compliance

Pursuant to the option offered in article 2:362(8) of the Dutch Civil Code, Proteq prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Relevant New standards, Amended Standards and Interpretations of Existing Standards Effective as of 2022

New or amended standards become effective on the date specified in the relevant IFRS, but may allow early adoption. New or amended standards that become effective in 2022 are disclosed below:

- Reference to the Conceptual Framework (Amendments to IFRS 3 Business Combinations): no impact on current Proteq's reporting but it will be applied to the future business combinations undertaken by Proteq.
- Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets): a very limited impact on Proteq's reporting as majority of contracts issued by Proteq are insurance contracts, which are not in scope of IAS37.
- Annual improvements to IFRSs 2018-2020 Cycle (Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standard) : Subsidiary as a First-Time adopter : No impact on Proteq's reporting.
- Annual improvements to IFRSs 2018-2020 Cycle: Fees in the '10 percent 'test for derecognition of financial liabilities (Amendment to IFRS 9 Financial instruments): No impact on Proteq's reporting
- Proceeds before Intended use (Amendment to IAS 16 Property, Plant and equipment): No impact on Proteq's reporting.

- Annual Improvements to IFRSs 2018-2020 Cycle: Taxation in fair value measurements (Amendment IAS 41 Agriculture): Not relevant for Proteq's reporting.

Relevant New Standards, Amended Standards and Interpretations of Existing Standards Effective Date on or after January 2023

Relevant new standards, amendments to existing standards and interpretations, effective for reporting periods beginning on or after 1 January 2023, were not early adopted by Proteq. New or amended standards that become effective on or after 1 January 2023 and that are relevant to Proteq are disclosed below.

IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments

Proteq will implement IFRS 17 and IFRS 9 for the annual reporting period beginning on 1 January 2023 (implementation date). As IFRS 17 and IFRS 9 are not applicable for the year ended 31 December 2022 they have not been applied in preparing these financial statements. IFRS 17 and IFRS 9 are addressed below.

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4, Insurance Contracts, for annual periods beginning on or after 1 January 2023 (effective date). As the retrospective application is required the transition date is 1 January 2022.

The nature of the changes in accounting policies can be summarised, as follows:

Changes to Classification, Measurement
Proteq was previously permitted under IFRS 4 to continue accounting using its previous accounting policies. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by Proteq.

There are three measurement models available under IFRS 17 for the measurement of insurance contracts, these include the General Measurement Model ('GMM'), Variable Fee Approach ('VFA') and the Premium Allocation Approach ('PAA'). The GMM is the default approach. The VFA is an adjusted version of the GMM applied for contracts with direct participation features. This approach is for contracts where substantially investment-related services are provided. Insurance contracts are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts are contracts for which, at inception (or transition date for the policies in force at the transition date):

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items,
- Proteq expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items, and
- Proteq expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

Some contracts issued by Proteq meet the requirements to be considered direct participating contracts. These contracts are measured applying the VFA. All other insurance contracts and all reinsurance contracts are classified as contracts without direct participation features. The GMM, is used for the measurement of the contracts without direct participation features. Proteq does not measure any of the contracts applying the PAA.

The key principles of IFRS 17 are that Proteq:

- Identifies insurance contracts as those under which Proteq 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.
- Separates specified embedded derivatives, distinct investment components and distinct goods or services other than insurance contract services (if any) from insurance contracts and accounts for them in accordance with other standards

- Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into cohorts based on the issue date (not grouping contracts issued more than 12 months apart in the same group) and each cohort into three groups based on the profitability of contracts:
  - any contracts that are onerous on initial recognition,
  - any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
  - any remaining contracts in the annual cohort.
- Recognises and measures groups of insurance contracts at the fulfilment cash flows plus the contractual service margin.

The fulfilment cash flows represent the risk-adjusted present value of an entity's obligations to the policyholders, comprising estimates of expected cash flows, discounting and an explicit risk adjustment for non-financial risk. Proteq determines discount rates using the top-down approach . These IFRS 17 curves are determined as risk-free rate plus a portfolio specific spread that is based on the illiquidity premium of the reference portfolio.

Proteq generally determines the risk-free rates using the observed mid-price swap yield curves. The yield curve is interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real interest rate and inflation expectations. Although the ultimate forward rate is subject to revision, it is expected to be stable and would change only on significant changes to long-term expectations. Illiquidity premiums are generally determined by a (credit) risk-corrected spread that is derived from Athora Netherland's own asset allocation.

The risk adjustment is determined based on the cost of capital approach. Applying a cost of capital technique, Proteq determines the risk adjustment for non-financial risk by applying a cost-of-capital rate to the amount of capital required for each future reporting date and discounting the result using risk-free rates adjusted for illiquidity. The required capital is determined by calculating the required capitals based on IFRS 17 assumptions, but taking into account the magnitude of the required capitals for each risk under Solvency II, since Solvency II represents the regulatory regime in which Athora Netherland's operates and holds capital. The cost-of-capital rate represents the additional reward that investors would require for exposure to the non-financial risk.

The contractual service margin represents the unearned profit from in force contracts that an entity will recognise if it provides services over the coverage period. If the fulfilment cash flows lead to a negative contractual service margin at inception it will be zero and the corresponding loss will be recorded immediately in the statement of profit or loss.

At the end of the reporting period, the carrying amount of a group of insurance contracts is the sum of the liability of remaining coverage and the liability for incurred claims. The liability for remaining coverage consists of the fulfilment cash flows related to future services and the remaining contractual service margin, while the liability for incurred claims consists of the fulfilment cash flows related to past services. The contractual service margin for contracts without direct participation features gets adjusted for changes in cash flows related to future services and for the interest accretion at interest rates locked-in at initial recognition. A release from the contractual service margin is recognised in profit or loss each period to reflect the services provided in that period based on "coverage units". If a group of contracts becomes onerous subsequently, the corresponding loss will be recorded immediately in the statement of profit or loss.

For contracts with direct participation features, the contractual service margin is adjusted for changes in cash flow related to future services and changes in the amount of the entity's share of the fair value of the underlying items. No explicit interest accretion is required since the contractual service margin is effectively remeasured when it is adjusted for the effects of changes in financial risks.
The recognition of insurance revenue and insurance service expenses in profit or loss is based on the concept of services provided during the period. Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income and expenses.
Proteq recognises an asset for insurance acquisition cash flows in respect of acquisition cash flows paid, or incurred, before the related group of insurance contracts is recognised. Such an asset is derecognised

when the insurance acquisition cash flows are included in the measurement of the related group of insurance contracts.

Transition Date Fair Valuation
Proteq has assessed that it is impracticable to apply the Full Retrospective Approach (FRA) to all Proteq of insurance contracts at the transition date (i.e., 1 January 2022). Instead, Proteq has chosen to apply the Fair Value Approach (FVA) for all groups of contracts, because obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort and cannot obtain reasonable and supportable information for that group of contracts to use the modified retrospective approach.

At transition date, the CSM included in the liability for remaining coverage is determined as the difference between the fair value of Proteq of insurance contracts and the fulfilment cash flows measured at that date, where the fair value was determined applying the requirements of IFRS 13 'Fair Value Measurement'.

Proteq has applied the following choices allowed under the FVA:

- The allocation of insurance contracts to group of insurance contracts were performed at the transition date instead of the date at inception or initial recognition. Contracts issued more than one year apart are included in the same group of insurance contracts.
- assessed if the insurance contracts meet the requirements to be considered direct participating insurance contracts based on the facts and circumstances that existed at the transition date instead of the date of inception or initial recognition.

Proteq has elected not to disaggregate insurance finance income or expenses between amounts included in profit or loss and amounts included in other comprehensive income as it has opted for the recognition of insurance finance income or expenses in profit or loss.

IFRS 9 Financial Instruments

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. However, Proteq elected, under the amendments to IFRS 4 to apply the temporary exemption from IFRS 9, deferring the initial application date of IFRS 9 to align with the initial application of IFRS 17, for annual periods beginning on or after 1 January 2023 (effective date). Consequently, Proteq will apply IFRS 9 for the first time on 1 January 2023.

Changes to Classification, Measurement
To determine their classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories for financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity (HTM) and loans and receivables (L&R) at amortised cost) have been replaced under IFRS 9, by:

- Financial assets at fair value through profit or loss including equity instruments and derivatives;
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition (not used by Proteq).
- Debt instruments at fair value through other comprehensive income, with gains or losses reclassified to equity on derecognition; and
- Deb instruments at amortised cost.

On transition, however, Proteq, has irrevocably designated all financial assets as measured at FVTPL, other than the categories loans and advance from banks with a collateral, other receivables and cash & cash equivalents that are valued at amortised cost, so as to eliminate or significantly reduce a measurement or recognition inconsistency (referred to as 'an accounting mismatch') that would otherwise arise from measuring financial assets and insurance liabilities on different bases. Further, the financial assets that are managed, and their performance evaluated, in a fair value business model are measured at FVPL.

The financial liabilities, other than derivatives and liabilities investments for account of third parties, will continue to be measured at amortised cost. Derivates and liabilities investments for account of third parties continue to be measured against fair value through profit or loss.

Whilst the hedge accounting requirements under IFRS 9 are more closely aligned with risk management practices and follow a more principle-based approach, Proteq has determined not to engage in hedge accounting under the standard.Any previous hedging activities under IAS 39 have been ceased.

Transition
Proteq will apply IFRS 9 for the first time on 1 January 2023. The comparative period will be restated. In accordance with IFRS 9 transition requirements IFRS 9 does not apply to financial assets that have already been derecognised before 1 January 2023. By applying the classification overlay of IFRS 17 to these derecognised items, Proteq presents the comparative information of the financial assets derecognised in 2022, as if the classification and measurement including impairment requirements of IFRS 9 had been applied to such assets, by using reasonable and supportable information to determine how they would be classified and measured on initial application of IFRS 9.

On the transition date, Proteq measured all financial assets (other than the categories loans, advance from banks with a collateral, other receivables and cash & cash equivalents loans) at their fair value in accordance with IFRS 9.

IFRS 17 and IFRS 9, Impact on Transition Date

Proteq has substantially completed transition to and implementation of IFRS 9 and IFRS 17. Proteq has assessed the estimated impact that the initial application of IFRS 17 and IFRS 9 will have on its consolidated financial statements. The total estimated net impact is a reduction in shareholders' equity between € 30 million and € 35 million at 1 January 2022. This is only contributed to IFRS 17.

Whilst, on transition at 1 January 2022, shareholders' equity has an adverse impact, the interest rates have increased during 2022 and the impact on shareholders' equity on implementation at 1 January 2023 is expected to be smaller. This is because rising interest rates under current accounting will reduce the value of investments with a more limited effect on insurance liabilities under IFRS 4. Under IFRS 17, this mismatch will be significantly reduced.

The assessment of the impact on the shareholders' equity on 1 January 2022 is preliminary because not all of the transition work has been finalised. The actual impact on equity of adopting IFRS 17 and IFRS 9 may change. Parallel runs were carried out in 2022 and 2023 but the new systems and associated controls in place have not been operational for more extended periods. The statement of financial position as per 31 December 2022 and the 2022 comparatives have not been finalised. The transition from project to a business-as-usual situation where the IFRS 9/17 reporting process and key IFRS 9/17 metrics are part of the regular management information will take place in 2023. The new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until Proteq finalises its first annual financial statements that include the date of application.

Proteq expects that the new standards will result in an important change to the accounting policies and is likely to have a significant impact on profit, total equity, presentation, disclosure, etc.

It is noted that the cash flows and underlying operating capital generation of group's businesses are unaffected by IFRS 17 and IFRS 9, and the standards will have little or no impact on groups' Solvency II performance metrics.

Other standards, amendments and interpretations

The following standards, amendments and interpretations become effective on or after 1 January 2023 but are not expected to have a significant impact on Proteq's reporting:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current: no changes in liabilities' classification are expected as a result of the amendment.

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2): no expected impact on amounts recognised in Proteq's financial statements, small adjustments in accounting policies disclosed are possible.
- Definition of Accounting Estimates (Amendments to IAS 8): due to the clarifying character of the amendment no significant impact is expected on the amounts recognised in Proteq's financial statements.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS12): due to the narrow scope of the amendment no significant impact is expected on the amounts recognised in Proteq's financial statements.

Changes in Policies, Presentation and Estimates

Changes in Policies

In 2022 there were no significant changes in policies.

Changes in Presentation

The current presentation differs from last year's presentation in some aspects. Where applicable, in accordance with IFRS, comparative figures have been included in the new presentation format, including related disclosures, to ensure comparability. These changes in presentation have no impact on net result nor equity.

Changes in Estimates

The effects of significant changes in estimates are disclosed in the notes to the financial statements relating to the items concerned. The most significant changes in estimates concern the insurance liabilities and reinsurance assets (refer to note 7 'Insurance Liabilities') and LAT assumptions (refer to the section 'Assumptions IFRS LAT' under 'Insurance Liabilities' in 6.1.4 Accounting Policies for the Statement of Financial Position) and the determination of the fair values.

6.1.3 General Accounting Policies

The accounting policies set out below have been applied consistently to all the periods presented in the financial statements.

Functional Currency and Reporting Currency

The financial statements have been prepared in thousands of euros (€). The euro is the functional and reporting currency of Proteq. All financial data presented in euros is rounded to the nearest thousand, unless stated otherwise.

Foreign Currencies

Upon initial recognition, transactions in foreign currencies are converted into euros against the exchange rate at the transaction date.

Monetary items in the statement of financial position denominated in foreign currencies are translated into euros at the exchange rate applicable at the reporting date. Exchange rate differences arising from these transactions and from converting monetary items in the statement of financial position denominated in foreign currencies are recognised in the statement of profit or loss within investment income or gains and losses on financial instruments, depending on the item in the statement of financial position to which they relate.

The exchange rate differences of non-monetary items in the statement of financial position measured at fair value, with changes in the fair value recognised in the statement of profit or loss, are accounted for as part of these changes in the value of the related item in the statement of financial position. Exchange rate differences of non-monetary items in the statement of financial position measured at fair value, with changes in the fair value being recognised in other comprehensive income, are incorporated into shareholders' equity. Non-monetary items measured at historical cost are measured at the exchange rate applicable on the initial transaction date.

Accounting Based on Transaction Date and Settlement Date

All purchases and sales of financial instruments that have been settled in accordance with standard market practices are recognised at the transaction date, i.e., the date on which Proteq commits itself to buying or selling the asset or liability. All other purchases or sales are recognised as forward transactions until they are settled.

Offsetting Financial Instruments

Financial assets and liabilities are offset and their net amounts are reported in the statement of financial position if the following conditions are met:
- a legally enforceable right to set off the recognised amounts exists,
- Proteq intends to settle the items on a net basis, or to realise the asset and the liability simultaneously.

If either of these conditions are not met, amounts are not offset.

Estimates and Assumptions

The preparation of the financial statements requires Proteq to make estimates and assumptions based on complex and subjective opinions and best estimates. In this process, management judges situations on the basis of available information and financial data that are likely to change in the future. Although estimates are made to the best of the management's knowledge, actual results will differ from these estimates and the use of other assumptions or data can lead to materially different results.

Estimates and underlying assumptions are reviewed on a regular basis. The resulting impact on accounting estimates is recognised in the period in which the estimate is revised or in the period of revision and future periods if the revision impacts both the reporting period and future periods. The main accounting policies involving the use of estimates concern the methods for determining liabilities arising from insurance contracts, the provisions for bad debts, the fair value of assets and liabilities, deferred tax impairments and the treatment of contingent liabilities.

For further details on estimates and assumptions, refer to the relevant policy in section 6.1.4. Accounting Policies for the Statement of Financial Position and the relevant note in section 6.3 Notes to the Financial Statements.

Fair Value of Assets and Liabilities

Fair Value

The fair value is the price that Proteq would receive to sell an asset or to pay to transfer a liability in an orderly transaction between market participants in the principal market, or in the most advantageous market and assuming the highest and best use for non-financial assets.

Fair Value Hierarchy

The fair value of financial assets and liabilities is determined using quoted prices where available. These quoted prices are primarily derived from transaction prices for listed instruments. If transaction prices are not available, market prices from independent market participants or other experts are used. Proteq applies a transfer price when determining fair value; as a result, financial assets are initially recognised at their bid prices and financial liabilities at their offer prices.

In markets where activity has decreased or in inactive markets, the range of prices from different sources can be significant for a certain investment. Selecting the most appropriate price requires judgement; available market information relating to the fair value of the instrument is taken into account.

When no market price is available for certain financial assets and liabilities, the fair value of these financial assets and liabilities is determined using valuation techniques, which may vary from net present value calculation to valuation models that use accepted economic methodologies. Input used in these models is based on observable market information to the extent possible. All valuation methods used are assessed and reviewed according to the Proteq governance procedures.

6.1.4 Accounting Policies for the Statement of Financial Position

Financial Assets

Proteq classifies its financial assets in one of the following categories: (1) available for sale, or (2) loans and receivables. The classification depends on the purpose for which the financial assets are acquired. Management decides to which category the asset is allocated at initial recognition.

Upon initial recognition, financial assets are measured at fair value including transaction costs, with the exception of the category 'at fair value through profit or loss', in which transaction costs are recognised directly in the statement of profit or loss.

The categories of financial assets are explained in more detail in the following section.

Proteq measures its financial liabilities at amortised cost with the exception of derivatives and liabilities from investments for account of third parties. For more information see the corresponding sections.

Investments

Available for Sale (Fair Value Through Other Comprehensive Income)

Financial assets that do not meet the criteria defined by management for loans and receivables or are not designated as at fair value through profit or loss are classified as available for sale.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Unrealised gains and losses arising from fair value adjustments of these investments are recognised within other comprehensive income (shareholders' equity), net of deferred taxes.

When financial assets are sold, any accumulated fair value adjustments are recognised in the statement of profit or loss as investment income. Proteq uses the average cost method to determine the related gains and losses.

Loans and Receivables (Amortised Cost)

Loans and receivables comprise unlisted debt investments with a fixed term and private loans. Loans and receivables are measured at amortised cost using the effective interest method, less an allowance for impairment if deemed necessary.

Impairment of Financial Assets

At reporting date, Proteq assesses whether there is objective evidence of an impairment of investments classified as loans and receivables and as available for sale. Impairment losses are recognised directly in the statement of profit or loss as 'impairment losses'.

Investments in Fixed Income Instruments
Investments in debt securities measured at amortised cost or available for sale are tested for impairment if there is objective evidence of financial distress at the counterparty, declining markets for the counterparty's product or other relevant indicators. This test comprises both quantitative and qualitative considerations. Debt securities are assessed for aspects including expected credit losses and credit losses already incurred (e.g., due to default), market data on credit losses and other evidence of the issuer of the instrument's inability to meet its payment commitments.

When a loan is uncollectable, it is written off against the relevant allowance for impairment.

Investments in Equity Instruments
An investment in equity instruments is considered to have been subject to impairment if its carrying amount exceeds the recoverable value for an extended period, which means that its fair value:
- has decreased 25% or more below cost; or
- has been at least 5% below cost for nine months or more.

Depending on the availability of data, the fair value of unlisted equities is determined based on:
- the price of the most recent transaction (as an indication);
- current fair values of other, similar investments (in entities); or
- valuation methods in accordance with accepted economic methods that use market data to the extent possible.

Reversal of Impairments
If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the impairment allowance is (partially) reversed. That reversal is recognised in profit or loss. Impairments on equity securities are never reversed.

Derivatives

Derivatives are recognised at fair value upon inception. The fair value of publicly traded derivatives is based on quoted bid prices for assets held or liabilities to be issued, and quoted offer prices for assets to be acquired or liabilities held.

The fair value of non-publicly traded derivatives depends on the type of instrument and is based on a present value model or an option valuation model. Proteq recognises derivatives with a positive market value as assets and derivatives with a negative market value as liabilities.

Changes in the fair value of derivatives, which do not qualify for cash flow hedge accounting, are accounted for in the statement of profit or loss as gains and losses on financial instruments.

Loans and Advances due from Banks

These assets concern receivables from banks with a remaining maturity of one month or more, not including interest-bearing securities. These receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and Cash Equivalents

Cash and cash equivalents include bank balances and demand deposits with a remaining maturity of less than one month. Cash and cash equivalents are measured at amortised cost using the effective interest method, less any impairment losses.

Taxes

Income tax expense

Income tax relates to payable or recoverable tax on the taxable profit for the reporting period and taxes due from previous periods, if any. Current tax receivables and payables are measured using the tax rate applicable at the reporting date or the tax rate applicable to the previous period the taxes due relate to.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised for tax losses carried forward and for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. This is based on the tax rates that will apply in the period in which the deferred tax assets or tax liabilities are settled.

Deferred tax assets and liabilities are measured at the undiscounted amount expected to be received or paid. Deferred tax assets are only recognised if sufficient taxable profits are expected to be available in the near future against which these temporary differences can be utilised. Deferred taxes are recognised for temporary differences between the carrying amount and the value for tax purposes.

Deferred tax assets are assessed at the reporting date; if it is no longer likely that the related taxable profit will be achieved, the asset is reduced to its recoverable value. Deferred tax assets and liabilities are presented on a net basis to the extent that they relate to the same tax authority and that they are settled simultaneously.

Tax group

Athora Netherlands N.V. and its subsidiaries, including Proteq Levensverzekeringen N.V., form a tax group for corporate income tax and value-added tax (VAT) and as a result are jointly and severally liable for the fiscal unity's corporate income tax and VAT liabilities.

Other Assets

Other assets consist of receivables from direct insurance policies, other receivables and accrued assets.

Equity

Issued share capital

The share capital comprises the issued and paid-in ordinary shares.

Share premium reserve

The share premium reserve concerns the paid-in surplus capital in addition to the nominal value of the issued ordinary shares.

Fair value reserve

Gains and losses arising from changes in the fair value of assets that are classified as available for sale are recognised in the fair value reserve (net of taxes). If the particular assets are sold, settled or as a result of other events are no longer recognised; the corresponding cumulative gains and losses is then transferred from the fair value reserve to profit or loss (see the section entitled ‘Financial assets’). Exchange rate differences on non-monetary financial assets that are classified as available for sale are also recognised in this reserve.

Shadow accounting is applied to the fair value reserve for fixed-income securities that are held to cover insurance liabilities.

Insurance Liabilities

Insurance liabilities arise from insurance contracts. Insurance contracts are contracts that concern the transfer of significant insurance risk. These contracts can also involve investment risks. Proteq issues life insurance contracts. Proteq recognises insurance liabilities from the earliest of the beginning of the coverage period or the date on which the first payment of the policyholder becomes due.

Proteq has continued applying the accounting policies in use at the time of transition to IFRS for the valuation of the insurance contract liabilities since the first adoption of IFRS (the historically applied accounting policies). The insurance liabilities reported at the reporting date are valued at the higher of:
- the historic value based on the assumptions used to calculate the (guaranteed) premium and
- the minimum value according to the liability adequacy test.

The first method uses premium calculation principles for interest and mortality (life insurance contracts).

For insurance liabilities IFRS requires a liability adequacy test to be performed. The carrying amount of the insurance liability based on historical cost and reduced by related intangible assets like the Value of Business Acquired (VOBA) and deferred acquisition costs (if applicable) is compared to the current estimates of future cash flows corresponding to the insurance liability. When the latter is higher, there is a deficit. Under IFRS 4, the carrying amount of the insurance liability has to be supplemented by this deficit, thus increasing the value of the insurance liability based on the current estimates of future cash flows.

The details of the valuation principles for life insurance contracts and the corresponding liability adequacy test are described below.

Life Insurance

Life insurance contracts comprise general account life insurance policies (funeral insurance only). These contracts provide mainly long-term insurance for events that lead to a payment in cash upon the death of the insured.

General Account Life Insurance Policies

General

For these contracts, Proteq incurs insurance risk as well as investment risk. These insurance contracts are individual funeral expenses insurance policies.

Measurement of life insurance liabilities is in principle based on historical tariff rates set at the inception date of the underlying contracts. A periodic IFRS liability adequacy test is performed on these liabilities. Since there is a deficit in the liability adequacy test (LAT) at the end of 2021 and 2022, the insurance liabilities are currently measured at the probability weighted best estimate of future cash flows based on current assumptions discounted by the swap curve including Ultimate Forward Rate (UFR). Both measurement principles are explained below.

Measurement at Tariff Rates

Locked-in Interest Rate

Liabilities arising from life insurance contracts with a locked-in interest rate are determined on the basis of a prospective actuarial method taking into account all future benefit payments and premiums to be received, if applicable.

Actual payments and the timing of payments also depend on social, economic and demographic trends, inflation, investment returns, the behaviour of policyholders and other factors, as well as assumptions about developments in mortality rates. Lapse, like early surrender or a waiver of premium, is also taken into account for some life insurance products. The assumptions used in the measurement of life insurance contracts at the reporting date are based on the calculation principles set at the contract's inception date.

Large part of policies have a fixed discount rate between 3% and 4%. The discount rate for recent insurance contracts is generally lower than 3%. For guaranteed products, the rate of return guaranteed in the insurance contract is used. The interest rate in these insurance contracts equals the investment return achieved on the corresponding investments.

Embedded Options and Guarantees in Insurance Contracts

Proteq does not separately recognise embedded derivatives in insurance contracts, such as options to surrender insurance contracts at a fixed amount, or at a fixed amount and a guaranteed interest rate (i.e., closely linked to the basic insurance contract), but recognises them under the host contract from which they stem. The time value of the embedded options is not included in the measurement of the embedded derivative, but it is taken into account when determining LAT.

Cost Surcharges

Premiums include loadings to cover expenses. When premiums are received or fall due, the surcharges are released; they are then available to cover actual expenses, including administration, renewal expenses and acquisition costs.

Profit-sharing

The present value of any profit share that has been awarded but has not yet been distributed is included in the provision for profit-sharing which is included in the life insurance liabilities.

In addition to non-profit-sharing insurance contracts, the insurance portfolio also contains insurance contracts with discretionary or contractual profit-sharing rights.

Discretionary profit-sharing schemes concern the right of individual policyholders to receive additional benefit payments over and above any insured or guaranteed capital. The determination of the amount and timing of these additional benefits is at the discretion of Proteq's management. Profit shares already awarded are also included in liabilities arising from insurance contracts.

For insurance contracts with discretionary participation features, all realised and unrealised gains and losses, which are eligible for profit sharing, on fixed-income financial assets in the portfolio backing the participating insurance contracts are transferred to insurance liabilities, if they constitute a net gain on a cumulative basis. These additions are made regardless of the management's decision about the profit amounts paid out to the policyholders.

Shadow Accounting

Realised gains and losses on assets backing insurance liabilities can affect the measurement of insurance liabilities. IFRS 4 contains an option generally referred to as 'Shadow Accounting' to reduce accounting mismatches which may occur when insurance liabilities and investments backing those liabilities:
- are measured on a different basis; or
- have changes in their measurements recorded in different line items of total comprehensive income (net income versus other comprehensive income).

Proteq applies this option which means that unrealised gains or losses on assets backing certain insurance liabilities are treated similarly to realised gains and losses for the purpose of measuring insurance liabilities. For Proteq this leads to the following changes in the way cumulative unrealised net gains are accounted for:
- Unrealised fair value changes of Available for Sale fixed income financial assets, which are initially recognised in other comprehensive income, are transferred to the insurance liabilities without affecting profit or loss.
- Fair value changes of interest rate derivatives, to which no cash flow hedge accounting is applied, are initially recognised in profit or loss. Subsequently these changes are transferred to the insurance liabilities through profit or loss.

Shadow Accounting limits accounting mismatches only as far as those are caused by market interest rate changes. If, after the application of Shadow Accounting, any deficit under the Liability Adequacy Test remains, Proteq strengthens the insurance liabilities further through profit or loss.

Measurement Based on Current IFRS LAT Assumptions.

IFRS LAT Methodology

Under IFRS, the carrying amount of an insurance liability, net of VOBA and deferred acquisition costs (if applicable), is required to be at least equal to the discounted current estimates of future cash flows under its insurance contract plus a risk margin. The total carrying amount of the liabilities tested, consists of the carrying amount based at historical tariff rates, supplemented with any liabilities arising from interest rate guarantees on life insurance contracts, liabilities to cover for the longevity risk and the effects of shadow accounting.

It is tested, based on current assumptions, whether these carrying amounts will ultimately be adequate to cover the commitments to policyholders. When performing this test, best estimate future contractual cash flows are projected, taking into account current and future developments in mortality, the behaviour of policyholders, claims handling and management costs. These cash flows are discounted using the (bid price) swap curve including the Ultimate Forward Rate as set for Solvency II reporting purposes for the financial year. The valuation of the future expected profit-sharing and the time value of embedded options and guarantees are included in the resulting best estimate provision. The best estimate is increased with a risk margin, which is calculated using the Cost of Capital method. The resulting liability is compared to the carrying amount, after shadow accounting, of the insurance liabilities adjusted for any differences between fair value and book value of other balance sheet items. If the discounted current estimates of future cash flows arising from the insurance contract increased with a risk margin is higher, a LAT deficit exists.

The IFRS LAT is calculated on a net basis; the effects of reinsurance contracts on the projected cash flows are comprised in the outcome.

Recognition of a Deficit

If the outcome of the test, taking into account the shadow accounting adjustments, is a deficit, the carrying amount of insurance liabilities will be supplemented via technical claims and benefits in profit or loss. The increase of the carrying value of insurance liabilities and related assets is effected first by impairing any VOBA or any deferred acquisition costs, if available. Any remaining deficit will be added to insurance liabilities through profit or loss. If the deficit decreases in the next reporting period, the prior addition will be reversed to the extent it was recognised in profit or loss (technical claims and benefits).

Test Level and Frequency

The IFRS liability adequacy test is performed at least quarterly for the entire portfolio of life insurance contracts.

Assumptions IFRS LAT

The following assumptions were used in performing the IFRS liability adequacy test as at 31 December 2022 (for the assumptions that were adjusted in the current year also the assumptions from the previous year are presented):

- Discount rate: derived from the (bid price) swap curve. The curve converges to the Ultimate Forward Rate (UFR) based on the Smith-Wilson method in accordance with Solvency II including an Ultimate Forward Rate as set for Solvency II reporting which for the financial year 2022 converges after the 20 years point (last liquid point) to 3.45% (2021: 3.60%) in 40 years.
- Profit allocation is in accordance with the applicable profit-sharing arrangements and the company's decisions regarding discretionary profit-sharing.
- Cost allocation and distribution of efficiency gains based on internal assessment in line with assumptions used for Solvency II technical provisions.
- Projected mortality probability data for the entire population based on Prognose Model AG 2022 (Prognose Model AG 2020 in 2021) adjusted for experience on each portfolio based on internal research.
- Lapse and early surrender data based on internal research.
- Inflation rate: derived from market data.
- Cost inflation consists for around 75% out of expected salary increases, taking into account the agreements in the Collective Labour Agreements (CLA) and for 25% the inflation of other costs and the price inflation curve with an instantaneous 2% UFR from last liquid point 20 years onwards.
- Cost of capital rate: 4% (2021: 4%).

Financial Liabilities

Derivatives

See the previous section entitled 'Derivatives'.

Amounts Due to Banks

Amounts due to banks comprise unsubordinated debts to credit institutions. Upon initial recognition, amounts due to banks are measured at fair value, including transaction costs incurred. These liabilities are subsequently measured at amortised cost.

Any difference between the measurement at initial recognition and the redemption value based on the effective interest method is recognised in the statement of profit or loss.

Other Liabilities

Other liabilities include creditors, other taxes and accrued liabilities.

6.1.5 Accounting Policies for the Statement of Profit or Loss

Income and expenditure are allocated to the period to which they relate. Costs are recognised in the cost category to which they relate.

Income

Income represents the fair value of the services. Income is recognised as described in the following sections.

Premium Income

Premium income from insurance contracts, exclusive of taxes and other charges, comprises regular premiums.

Regular premiums are recognised as income when payment by the policyholder falls due.

Investment Income

Investment income consists of interest, dividends and revaluations.

Interest

The item interest comprises interest income from investments. Interest on financial assets is accounted for using the effective interest method based on the actual purchase price. The effective interest method is based on estimated future cash flows, taking into account the risk of early redemption of the underlying financial instruments and direct costs and income, such as transaction costs charged, brokerage fees and discounts or premiums.

Commitment fees, together with related direct costs, are deferred and recognised as adjustments of the effective interest on a loan if it is likely that Proteq will conclude a particular loan agreement. If the commitment expires without Proteq having provided the loan, the fee is recognised at the moment the commitment term expires. If it is unlikely that a particular loan agreement will be concluded, the commitment fee is recognised pro rata as a gain during the commitment period.

Interest income on monetary financial assets that have been subject to impairment and have been written down to the estimated recoverable amount is calculated over the amortised cost of the financial asset net of any reduction for impairment or uncollectability.

Dividends

Dividends income is recognised in the statement of profit or loss as soon as the entity's right to payment is established. In the case of listed securities, this is the date on which these securities are quoted ex-dividends.

Revaluations

This item serves to recognise realised and unrealised increases and decreases in the fair value of financial assets qualifying as at fair value through profit or loss. Revaluations concern the difference between the fair value at the reporting date or net proceeds from the sale during the reporting period on the one hand, and the fair value at the beginning of the reporting period or the purchase price during the reporting period on the other.

Realised gains and losses, i.e., the difference between the selling price and amortised cost, of financial assets coming under the other categories are recognised in this item as well.

Result on Derivatives

Gains and losses on derivative and other financial instruments are recognised under this item. Derivatives are measured at fair value. Gains and losses from revaluations to fair value are directly recognised in the statement of profit or loss within gains and losses on financial instruments. However, if derivatives are designated as hedging instruments, the recognition of a resulting gain or loss depends on the nature of the hedged item and the effectiveness of the hedging relationship. The ineffective portion of any gains or losses of a cash flow hedge is recognised directly as result on derivatives.

Expenses

Expenses are recognised in the statement of profit or loss on the basis of a direct relationship between costs incurred and the corresponding economic benefits. If future economic benefits are expected to occur in different reporting periods, expenses are recognised in the statement of profit or loss based on a systematic allocation method. Expenses are directly recognised in the statement of profit or loss if they do not generate any future economic benefits.

Technical Claims and Benefits

This item comprises benefits and claims paid, surrender, claim handling costs and the changes in the general account insurance liabilities which include the difference between actual and expected results on the general account insurance portfolio. The changes in insurance liabilities resulting from shadow accounting on interest rate derivatives and LAT-deficit are also presented as this item.

Staff Costs

This item concerns expenses related to staff, including salaries, social security contributions and pension costs. The salaries, social security contributions and costs of the SNS REAAL defined contribution pension scheme were charged by Athora Netherlands to Proteq.

Other Operating Expenses

This includes office expenses, accommodation expenses and other operating expenses.

Impairment Losses

This item includes impairments of assets whose carrying amounts exceed their recoverable amounts. Financial assets, receivables and other assets may be subject to impairment. As soon as an impairment loss is identified, it is recognised in the statement of profit or loss. The specific policies for impairment are explained in greater detail in Section 6.1.4 entitled ‘Accounting policies for the statement of financial position’ (see the applicable items).

Other Interest Expenses

This item comprises interest expenses on loans issued by Proteq. Interest expenses are recognised in the statement of profit or loss based on the effective interest method.

Other Expenses

Other expenses comprise all expenses that cannot be accounted for within the items in the statement of profit or loss described above. These expenses have no direct relation with the primary and secondary business operations, occur occasionally, and are incurred in a single reporting period or arise in a single reporting period; they are amortised over multiple reporting periods, where applicable.

6.1.6 Contingent Liabilities and Commitments

Contingent liabilities are liabilities not recognised in the statement of financial position because the existence is contingent on one or more uncertain events that may or may not occur in the future not wholly within the control of Proteq. It is not possible to make a reliable estimate of such liabilities.

The maximum potential credit risk arising from pledges and guarantees is stated in the notes. In determining the maximum potential credit risk, it is assumed that all the counterparties will no longer live up to their contractual obligations and that all the existing collateral is without value.

6.1.7 Cash Flow Statement

The cash flow statement is prepared according to the indirect method, and distinguishes between cash flows from operational, investment and financing activities. Cash flows in foreign currency are converted at the exchange rate applicable on the transaction date. With regard to cash flow from operations, operating results before tax are adjusted for gains and losses that did not result in income and payments in the same financial year and for movements in provisions and accrued and deferred items.

6.2 ACQUISITIONS AND DISPOSALS

There were no acquisition or disposal of businesses in the financial year 2022. There were no acquisition or disposal of businesses in 2021 either.

6.3 NOTES TO THE FINANCIAL STATEMENTS

1 Investments

BREAKDOWN OF INVESTMENTS		
In € thousands	**2022**	2021
Available for sale	424,179	620,996
Loans and receivables	12	11
Balance as at 31 December	**424,191**	**621,007**

BREAKDOWN OF AVAILABLE FOR SALE: LISTED AND UNLISTED						
	Shares and similar investments		Fixed-income investments		Total	
In € thousands	**2022**	2021	**2022**	2021	**2022**	2021
Listed	-	-	391,888	598,289	**391,888**	**598,289**
Unlisted	32,291	22,707	-	-	**32,291**	**22,707**
Total	**32,291**	**22,707**	**391,888**	**598,289**	**424,179**	**620,996**

The increase of shares and similar investments in 2022 was related mainly to investments in money market funds. Fixed-income investments decreased by € 206 million mainly due to negative revaluation as a result of increased market interest rates.

STATEMENT OF CHANGES IN AVAILABLE FOR SALE						
	Shares and similar investments		Fixed-income investments		Total	
In € thousands	**2022**	2021	**2022**	2021	**2022**	2021
Balance as at 1 January	**22,707**	**23,115**	**598,289**	**655,255**	**620,996**	**678,370**
Purchases and advances	143,351	139,784	70,180	107,868	**213,531**	**247,652**
Disposals and redemptions	-133,515	-140,019	-136,578	-131,086	**-270,093**	**-271,105**
Revaluations	945	-173	-141,300	-33,853	**-140,355**	**-34,026**
Amortisation	-	-	1,144	375	**1,144**	**375**
FX Result	53	-	-	-	**53**	**-**
Received Coupons	-	-	-7,490	-8,361	**-7,490**	**-8,361**
Accrued Interest	-	-	7,643	8,091	**7,643**	**8,091**
Dividend Received/ Negative Distribution	-1,250	-	-	-	**-1,250**	**-**
Balance as at 31 December	**32,291**	**22,707**	**391,888**	**598,289**	**424,179**	**620,996**

BREAKDOWN OF AVAILABLE FOR SALE: MEASUREMENT						
	Shares and similar investments		Fixed-income investments		Total	
In € thousands	**2022**	2021	**2022**	2021	**2022**	2021
(Amortised) cost	32,547	22,745	387,145	453,280	**419,692**	**476,025**
Revaluation	-256	-38	-187	139,364	**-443**	**139,326**
Accrued interest	-	-	4,930	5,645	**4,930**	**5,645**
Balance as at 31 December	**32,291**	**22,707**	**391,888**	**598,289**	**424,179**	**620,996**

The carrying amount of the fixed-income investments lent in a securities lending program as at 31 December 2022 amounts to zero (2021: € 39,199 thousand). The lending periods are open-ended and can be terminated on request. The fair value of investments received from the counterparty as collateral at 31 December 2022 was zero (2021: € 40,208 thousand). Collateral is only accepted in the form of equity and fixed income securities, with restrictions on the quality. Although collateral is at the disposal of Proteq, it is Proteq's policy not to trade with collateral received given the open-ended character of the initial securities lending transaction.

Some investments have been posted as collateral for amounts due to derivates. The carrying amount (market value) of investments posted as collateral at 31 December 2022 was € 14,136 thousand (2021: € 38,122 thousand). The collateral received for derivatives are reported in Note 23 Financial Instruments.

BREAKDOWN OF LOANS AND RECEIVABLES		
In € thousands	**2022**	**2021**
Private loans	12	11
Total	**12**	**11**

STATEMENT OF CHANGES IN LOANS AND RECEIVABLES		
In € thousands	**2022**	**2021**
Balance as at 1 January	**11**	**9**
Purchases and advances	1	2
Balance as at 31 December	**12**	**11**

Investment Portfolio

BREAKDOWN OF INVESTMENTS IN INTEREST-BEARING INVESTMENT PORTFOLIO		
In € thousands	**2022**	**2021**
Investments		
- Available for sale	391,888	598,289
- Loans and receivables	12	11
Interest-bearing investment portfolio	**391,900**	**598,300**

The following table shows the breakdown of the interest-bearing investment portfolio by sector.

BREAKDOWN OF INTEREST-BEARING INVESTMENT PORTFOLIO (SECTOR)				
In € thousands	**2022**		**2021**	
Sovereign	282,295	72%	471,039	79%
Corporate bonds - financial sector	68,044	17%	83,388	14%
Corporate bonds - non-financial sector	41,549	11%	43,863	7%
Loans	12	0%	2	0%
Other	-	0%	9	0%
Total	**391,900**	**100%**	**598,301**	**100%**

The following table shows a breakdown of the interest-bearing investments by rating category.

BREAKDOWN OF INTEREST-BEARING INVESTMENT PROFILE (RATING)				
In € thousands	**2022**		**2021**	
AAA	272,941	70%	407,645	68%
AA	23,375	6%	66,765	11%
A	58,799	15%	69,844	12%
BBB	36,402	9%	53,065	9%
< BBB	371	0%	971	0%
Not rated	12	0%	11	0%
Total	**391,900**	**100%**	**598,301**	**100%**

Of the interest-bearing investment portfolio, 91% of investments had an A rating or higher (2021: 91%).

The table below contains the breakdown of the interest-bearing investment portfolio by geographic area.

BREAKDOWN OF INTEREST-BEARING INVESTMENT PROFILE (GEOGRAPHIC)				
In € thousands	**2022**		**2021**	
Netherlands	148,027	38%	193,191	32%
Germany	126,885	32%	220,347	37%
France	27,534	7%	39,466	7%
United States Of America	20,775	5%	30,327	5%
United Kingdom	9,584	3%	11,400	2%
Australia	5,332	1%	5,982	1%
Luxembourg	5,035	1%	5,543	1%
Spain	4,404	1%	13,123	2%
Sweden	3,680	1%	2,150	0%
Belgium	2,868	1%	4,160	1%
Austria	2,242	1%	14,816	2%
Japan	2,176	1%	2,494	0%
Switzerland	1,926	1%	3,281	1%
Cayman Islands	1,206	0%	1,539	0%
Other European countries	28,919	7%	47,694	9%
North America	738	0%	2,442	0%
Oceania	569	0%	346	0%
Total	**391,900**	**100%**	**598,301**	**100%**

The interest-bearing investment portfolios of Proteq have predominantly European debtors. With German And Dutch issued bonds and loans representing 70% of the total interest-bearing portfolio.

The category "Other European countries" also consists of European and other international institutions that cannot be allocated to a single country (2022: € 28,919 thousand / 2021: € 47,694 thousand).

2 Derivatives

BREAKDOWN OF DERIVATIVES						
	Positive value		Negative value		Balance	
In € thousands	**2022**	2021	**2022**	2021	**2022**	2021
Derivatives held in the context of asset and liability management to which no hedge accounting is applied	97,955	19,017	135,409	1,817	**-37,454**	**17,200**
Total	**97,955**	**19,017**	**135,409**	**1,817**	**-37,454**	**17,200**

The derivatives position decreased with € 54,654 thousand in 2022. This is due to changes in market value caused by long-term interest rate movements.

STATEMENT OF CHANGES IN DERIVATIVES		
In € thousands	**2022**	**2021**
Balance as at 1 January	**17,200**	**33,863**
Realised gains and losses	-20	33
Disposals	457	-
Revaluations	-55,193	-16,339
Exchange rate differences and FX result	-36	-
Accrued interest	138	-357
Balance as at 31 December	**-37,454**	**17,200**

For more information about derivatives see Note 15 Results on derivatives and Note 23 Hedging.

3 Deferred Tax

ORIGIN OF DEFERRED TAX 2022				
In € thousands	**1 January**	**Change through profit or loss**	**Change through equity**	**31 December**
Investments	**-34,491**	-484	36,060	**1,085**
Derivatives	**-4,281**	14,222	-	**9,941**
Insurance contracts	**47,190**	-3,130	-34,701	**9,359**
Other	-17,511	10,938	-	**-6,573**
Total	**-9,093**	**21,546**	**1,359**	**13,812**

ORIGIN OF DEFERRED TAX 2021				
In € thousands	**1 January**	**Change through profit or loss**	**Change through equity**	**31 December**
Investments	**-42,342**	190	7,661	**-34,491**
Derivatives	**-8,225**	3,944	-	**-4,281**
Insurance contracts	**56,455**	-4,203	-5,062	**47,190**
Other	-	-17,511	-	**-17,511**
Total	**5,888**	**-17,580**	**2,599**	**-9,093**

The total amount of change in deferred tax through profit or loss is € 21,546 thousand (2021: € -17,580 thousand). This amount is due to temporary differences (2022: € 10,607 thousand; 2021: € -370 thousand), the impact of the change in corporate income tax rate of (2021: € 0 thousand; 2021: € 301 thousand) and the impact of non-recoverable deferred tax assets (DTA) of € 10,938 thousand in 2022 (2021: € -17,511 thousand). See also note 20 Income Tax.

On 21 December 2021 The Senate approved the Tax Plan 2022 including the increase of the corporate income tax rate from 25% to 25.8% as of 1 January 2022. This means that this tax rate change is substantively enacted and that the 31 December 2021 deferred tax calculation is based on the updated rate. The total impact of the change 2021 in tax rate is € 261 thousand (gain) of which € 301 thousand via the profit or loss account as tax benefit and € 40 thousand as a loss via equity. The income tax rate as of 31 December 2022 stays at 25.8%.

In 2021 Proteq updated the model applied to the reassessment of the DTA recoverability. The most significant update relating to the tax loss carry-back and carry-forward rules stemmed from the new tax laws in respect of loss compensation adopted in 2021. Also, the assumptions regarding the dividend payments and loans' redemption and coupon payments were updated following Proteq' new capital deployment policies. Other adjustment included the refinements in DTA and DTL run-off patterns, refinements in modelling for new business and fiscal equalization reserves.

These model adjustments combined with the update of the economic data (mostly relating to interest rates and spreads) resulted in DTA no longer being fully recoverable in 2021. Based on this updated net DTA recoverability reassessment, the carrying amount of deferred tax assets decreased with € 17,511 thousand of non-recoverable DTA. This decrease was recognised in profit or loss as tax expense.

In 2022 the DTA reassessment has been performed with the updated economic data. Due to the increased interest rates and spread, the DTA is partly recoverable. Therefore, the expense of non-recoverable DTA in 2021 is partly reversed in 2022 (refer to note 20 Income Tax). A sensitivity analysis is performed on the DTA recoverability. Among all the factors that were taken into consideration in the sensitivity analysis, spread has a relatively higher impact on the recoverability of DTA.

SENSITIVITY DTA RECOVERABILITY	
DTA recoverability in %	
in %	**2022**
Spread	
Spread + 10PB	61%
Spread - 10BP	63%
Spread - 20BP	50%
Spread - 50BP	18%

4 Loans and Advances due from Banks

BREAKDOWN OF LOANS AND ADVANCES DUE FROM BANKS		
In € thousands	**2022**	**2021**
Collateral	39,566	-
Balance as at 31 December	**39,566**	**-**

Cash collateral advanced to banks is related to the market value of derivatives. The increase of the market value of the derivatives liabilities explains the increase of the paid collateral for the year.

5 Other Assets

BREAKDOWN OF OTHER ASSETS		
In € thousands	2022	2021
Receivables from policyholders	3	2
Receivables from direct insurance	**3**	**2**
Receivables from group companies	1	-
Other accrued assets	17	-
Other receivables	408	-
Total	**429**	**2**

The receivables are expected to be recovered within twelve months after reporting date.

6 Cash and Cash Equivalents

BREAKDOWN OF CASH AND CASH EQUIVALENTS		
In € thousands	2022	2021
Short-term bank balances	4,056	4,433
Total	**4,056**	**4,433**

Short-term bank balances are at the company's free disposal.

7 Equity

BREAKDOWN OF EQUITY		
In € thousands	2022	2021
Equity attributable to the shareholder	65,164	90,478
Total	**65,164**	**90,478**

The share capital amounts to € 15,890,000 and comprises of 35,000 ordinary shares with a nominal value of € 454 per share. Of all shares, 7,000 shares are issued and fully paid-up.

For further details on shareholders' equity, see Section 5.4. Statement of changes in equity.

Legal Reserves

The total shareholders' equity as per 31 December 2022 amounts to € 65,164 thousand (2021: € 90,478 thousand) of which € 30,189 thousand (2021: € 120,868 thousand) is restricted for dividend pay out due to the requirements in Section 2 of the Dutch Civil Code to hold legal reserves for unrealised gains for unrealised gains on investments and share capital of Proteq.

8 Insurance Liabilities

As per 31 December 2022 the total amount of insurance liabilities is € 372,252 thousand (2021: € 520,521 thousand).

BREAKDOWN OF INSURANCE LIABILITIES		
In € thousands	**2022**	**2021**
Provision for Life insurance obligations	335,982	337,616
Results on allocated investments and interest derivatives	13,420	182,905
Cumulative LAT deficit	22,851	-
Total	**372,253**	**520,521**

Measurement of life insurance liabilities is in principle based on historical tariff rates set at the inception date of the underlying contracts. A periodic IFRS liability adequacy test is performed on these liabilities. Since there is a deficit in the liability adequacy test (LAT) at the end of 2022 and 2021, the insurance liabilities are currently measured at the probability weighted best estimate of future cash flows based on current assumptions discounted by the swap curve including Ultimate Forward Rate (UFR).

STATEMENT OF CHANGES IN PROVISIONS FOR LIFE INSURANCE OBLIGATIONS		
In € thousands	**2022**	**2021**
Balance as at 1 January	**337,616**	**339,120**
Benefits paid	-11,777	-12,262
Premiums received	3,719	4,249
Interest added	11,905	11,976
Technical result	-3,115	-2,970
Release of expense loading	-2,366	-2,497
Balance as at 31 December	**335,982**	**337,616**

Individual insurance policies are sold as policies with a benefit in money (the traditional insurance that may or may not include profit-sharing or interest profit-sharing).

Traditional insurance policies
Proteq bears the investment risk related to traditional insurance policies. A form of profit-sharing (discretionary) exists for a significant portion of the portfolio. This breakdown is shown in the accompanying table.

BREAKDOWN OF TRADITIONAL INSURANCE POLICIES		
In € thousands	**2022**	**2021**
Discretionary profit-sharing	255,604	256,286
Without profit-sharing	80,378	81,330
Total	**335,982**	**337,616**

RESULTS ON ALLOCATED INVESTMENTS AND INTEREST DERIVATIVES		
In € thousands	**2022**	**2021**
Revaluation reserve of fixed income investment portfolio	-64	55,574
Results on fixed income financial assets backing insurance contracts with discretionairy participation features and related derivates	13,484	127,331
Total	**13,420**	**182,905**

The revaluation reserve of fixed income investment portfolio decreased by € 55,638 thousand. The increasing interest rates have lead to a negative impact on the market value of assets.

Shadow accounting decreased with € 113,847 thousand mainly as a result of interest rate movements (shadow accounting mainly consists of returns and expected cashflows on derivatives, realised results on bonds sold and amortisation on Shadow Accounting).

Liability Adequacy Test results

RECONCILIATION OF THE IFRS INSURANCE LIABILITIES AND THE LAT RESULTS		
In € thousands	**2022**	**2021**
Insurance liabilities before LAT[1]	349,465	464,947
IFRS LAT reserve	372,253	520,521
Deficit	**-22,788**	**-55,574**

1 Insurance liabilities before LAT is excluding revaluation reserve of fixed income investment portfolio.

The deficit is covered by the revaluation reserve of the fixed income investment portfolio. The development of the provision calculated for LAT was mainly a result of portfolio developments and the related market impact (€ -160 thousand) and operating assumption changes (€ 21 thousand). The category 'other' consist of the model and methodology updates (€ -9 thousand).

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STATEMENT OF CHANGES IN IFRS LAT RESERVE		
In € thousands	**2022**	**2021**
Balance as at 1 January	**520,521**	**564,935**
Portfolio Movements	-13,569	-11,486
Operating Assumption Changes:		
- Lapse	-8	615
- Mortality	-208	780
- Expense	17,116	-317
- Assetmanagement costs	1,084	3,437
- Update Risk Margin Assumption Changes	3,157	835
Market Impacts	-146,706	-40,714
Other	-9,133	2,436
Balance as at 31 December	**372,253**	**520,521**

The category 'other' consist of the model and methodology updates.

9 Amounts due to Banks

BREAKDOWN OF AMOUNTS DUE TO BANKS		
In € thousands	**2022**	**2021**
Due on demand	3,150	17,702
Total	**3,150**	**17,702**

The amount of € 3 million (2021: € 18 million) due on demand relates to cash collateral. The decrease is caused by increased long-term interest rates which leads to a decrease of the net derivative exposure.

10 Other Liabilities

BREAKDOWN OF OTHER LIABILITIES		
In € thousands	**2022**	**2021**
Debts to group companies	456	306
Investment transactions to be settled	-	6
Other liabilities	30	49
Benefits to be Paid	894	849
Total	**1,380**	**1,210**

The other liabilities are expected to be settled within twelve months after reporting date.

11 Guarantees and Commitments

Netherlands Reinsurance Company for Losses from Terrorism

In 2023, Proteq will take a 0.03% share in the Life cluster (2022: 0.04%) of the Netherlands Reinsurance company for Losses from Terrorism (Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V.). In 2023, the guarantee will be € 22 thousands (one third of total guarantee of € 67 thousands) (2022: € 27 thousands) for the Life cluster and total premiums will amount to € 1 thousands (2022: € 2 thousands).

Legal proceedings

In Proteq's efforts to ensure compliance with applicable laws and regulations, instances of non-compliance occur. This includes insufficient compliance with anti-money laundering regulations for the life insurance portfolio of Proteq. Regulatory risk is present. Remediation actions have been initiated and closely monitored to address and resolve this.

In Proteq’s ordinary course of its business disputes arise, mainly regarding coverage and compensation of damages. These lead to proceedings involving claims by but mostly against Proteq. In certain of such proceedings, very large or indeterminate amounts are sought. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened proceedings, Proteq is not aware of any proceedings (including any such proceedings which are pending or threatened of which Proteq is aware) which may have, or have in the recent past had, a significant effect on the financial condition, profitability or reputation of Proteq.

Guarantee schemes

As per 1 January 2019, the Recovery and Resolution insurance companies Act (Wet herstel en afwikkeling van verzekeraars) came into force. This also affects Proteq. The Recovery and Resolution insurance companies Act will enable insurance companies and DNB to be better prepared for a crisis situation and gives DNB opportunities to intervene better in case of a bankruptcy of an insurance company. In those cases DNB is enforced to take care of the interests of policyholders.

12 Related Parties

Identity of Related Parties

Parties qualify as a related party if one of the parties has the power to exercise control or significant influence on the other in terms of deciding on financial or operational issues.

Proteq's related parties are its ultimate parent Athora, its parent Athora Netherlands, affiliates and Athora Netherlands' key management personnel and their close family members. Unless stated otherwise, transactions with related parties are conducted at arm’s length.

Intra-group Balances and Transactions between Proteq, Athora Netherlands, Athora and Affiliates

INTRA-GROUP BALANCES AND TRANSACTIONS						
	Athora Netherlands		Affiliates		Total	
In € thousands	**2022**	2021	**2022**	2021	**2022**	2021
Positions						
Assets						
Other assets (receivables from group companies)	-	-	1	-	**1**	**-**
Liabilities						
Corporate income tax payable	2,652	3,638	-	-	**2,652**	**3,638**
Other liabilities (liabilities to group companies)	456	306	-	-	**456**	**306**
Transactions						
Expenses						
Service fees expenses	-	-	-	432	**-**	**432**
Staff costs	2,112	2,094	-	-	**2,112**	**2,094**
Other operating expenses	1,135	846	-	-	**1,135**	**846**

There are no intra-group balances and transactions between Proteq and Athora. Regarding staff costs and other operating expenses we refer to the Note 18 and Note 19.

Intra-group Balances and Transactions with Key Management Personnel of Proteq

The key management personnel consists exclusively of the members of the Executive Board and the Supervisory Board. This applies to Proteq and also to Athora Netherlands N.V. and SRLEV N.V. Proteq Levensverzekeringen N.V. is a full subsidiary of Athora Netherlands N.V. The members of the Executive Board and the members of the Supervisory Board of Athora Netherlands N.V. are also the members of the Executive Board and the members of the Supervisory Board of Proteq Levensverzekeringen N.V. The remuneration information is presented on Athora Netherlands level.

The Executive Board comprised five members at 31 December 2022 (31 December 2021: five members). The Supervisory Board comprised six members at 31 December 2022 (31 December 2021: six members).

Actual Remuneration (former) Members of the Executive Board

The following table provides a breakdown of the total remuneration of the Executive Board, including former and existing key management.

BREAKDOWN OF REMUNERATION (FORMER) MEMBERS OF THE EXECUTIVE BOARD		
In € thousands	**2022**	**2021**
Short-term employee benefits	7,032	3,775
Post-employment benefits	111	103
Termination benefits	14	1,443
Total	**7,157**	**5,321**

The short-term employee benefits consist of fixed remuneration, social contributions and expense allowances. In 2022 the short-term employee benefits also consist of sign-on bonusses paid, respectively to be paid to members of the Executive Board in their first year of their appointment.

The post-employment benefits consist of pension contributions.

The termination benefits 2021 consist of contractual agreed severance payments to former members of the Executive Board and their salary until the end of their notice period without the obligation to perform work. This is in line with the applicable remuneration policy Executive Board and applicable legislation.

Reference is made to Section 6.1.5 for the accounting principles of 'Staff Costs'.

Loans, Advances and Guarantees

There are no loans, advances or guarantees outstanding on 31 December 2022 (and 2021) and/or granted to members of the Executive Board during 2022.

Actual Remuneration (former) Members of the Supervisory Board

The following table provides an overview of the total remuneration of the Supervisory Board members (excluding 21% VAT).

BREAKDOWN OF REMUNERATION (FORMER) MEMBERS OF THE SUPERVISORY BOARD		
In € thousands	**2022**	**2021**
Total fixed actual remuneration for Supervisory Board members	498	554
Total remuneration related to membership Supervisory Board Committees	59	21
Total	**557**	**575**

Per 1 July 2022, the remuneration for Supervisory Board members has changed. The remuneration per membership of Supervisory Board Committees has been changed from a total amount for the membership to a payment per membership of a committee and the fixed remuneration has been reduced.

Loans, Advances and Guarantees

There are no loans, advances or guarantees outstanding on 31 December 2022 (and 2021) and/or granted to members of the Supervisory Board during 2022.

Other intra-group balances and transactions

Athora Group maintains a number of active share plans and schemes, which includes a Management Equity Plan, a Long-Term Incentive Plan and a Employee Co-invest Plan.

Some members within the Executive and Supervisory Board were already part of management within Athora Group and continue participating in one or more of these plans. These plans and its requirements did not have an impact on Proteq's financial statements.

13 Events after the Reporting Date

There are no events after reporting date which should be disclosed in the financial statements.

14 Net Premium Income

BREAKDOWN OF NET PREMIUM INCOME		
	Own account	
In € thousands	**2022**	2021
Total gross regular premiums Life	3,481	3,803
Total gross single premiums Life	238	446
Total gross premium income Life	3,719	4,249
Reinsurance premiums	2	2
Total net premium income Life	**3,717**	**4,247**

The reinsurance premium relates to Terrorism coverage (NHT).

15 Investment Income

BREAKDOWN OF INVESTMENT INCOME		
In € thousands	**2022**	**2021**
Fair value through profit or loss	1,159	1,102
Available for sale	8,223	9,110
Loans and receivables	105	138
Total	**9,487**	**10,350**

BREAKDOWN OF INVESTMENT INCOME 2022				
In € thousands	**Fair value through profit or loss**	**Available for sale**	**Loans and receivables**	**Total**
Total interest and dividend	1,159	10,005	105	**11,269**
Realised gains and losses	-	-1,782	-	**-1,782**
Total	**1,159**	**8,223**	**105**	**9,487**

Interest income from Fair value through profit or loss consists of interest income from derivatives. Realised loss as a result of the sale of bonds with lower market values due to the increased interest rates.

BREAKDOWN OF INVESTMENT INCOME 2021				
In € thousands	**Fair value through profit or loss**	**Available for sale**	**Loans and receivables**	**Total**
Total interest and dividend	1,102	8,033	138	**9,273**
Realised gains and losses	-	1,077	-	**1,077**
Total	**1,102**	**9,110**	**138**	**10,350**

16 Result on Derivatives

The result on derivatives in 2022 (€ -55,249 thousand) is caused by changes in interest rates (2021: € 16,306 thousand). For further details, see Note 2 Derivatives.

17 Technical Claims and Benefits

Technical claims and benefits include benefits paid, surrenders and changes in insurance liabilities. This item also includes profit-sharing and discounts.

BREAKDOWN OF TECHNICAL CLAIMS AND BENEFITS		
In € thousands	**2022**	**2021**
General account benefits and surrenders	11,777	12,262
Change in general account insurance liabilities	-1,633	-1,681
Profit-sharing and discounts	228	437
Results on allocated investments and interest derivatives	-34,984	-18,365
LAT deficit	22,851	-
Total	**-1,761**	**-7,347**

18 Staff Costs

Staff costs amount to € 2,112 thousand (2021: € 2,094 thousand) and mainly consist of staff costs recharged by Athora Netherlands N.V. The staff cost slightly increased as a result of a higher recharge by Athora Netherlands of staff costs.

Proteq's number of internal FTE's is 12 at the end of 2022 (2021: 15).

19 Other Operating Expenses

Other operating expenses € 1,135 milion (2021: € 846 thousand) include direct and indirect costs related to IT, marketing, external advisors and other expenses.

20 Other Expenses

BREAKDOWN OF OTHER EXPENSES		
In € thousands	**2022**	**2021**
Other management fees	33	39
Other interest expenses	25	24
Total	**58**	**63**

21 Income Tax

BREAKDOWN OF TAX EXPENSE		
In € thousands	**2022**	**2021**
In financial year	-639	289
Corporate income tax due	**-639**	**289**
Due to temporary differences	-10,607	370
Due to change in income tax rate with regard to deferred tax	-	-301
Non-recoverable deferred tax	-10,938	17,511
Deferred tax (including tax rate change)	**-21,545**	**17,580**
Total	**-22,184**	**17,869**

The corporate income taxes are irrevocable for the years up to and including 2020.

RECONCILIATION BETWEEN THE STATUTORY AND EFFECTIVE TAX RATE		
In € thousands	**2022**	**2021**
Statutory income tax rate	25.8%	25.0%
Result before tax	-43,589	2,636
Statutory corporate income tax amount	**-11,246**	**659**
Due to change in income tax rate with regard to deferred tax	-	-301
Non-recoverable deferred tax	-10,938	17,511
Total	**-22,184**	**17,869**
Effective tax rate	50.9%	677.9%

The effective tax rate of 50.9% differs compared to the nominal rate of 25%. This is the result of the reassessment of the deferred tax assets recoverability as explained in note 3 Deferred Tax.

22 Income tax effects relating to Other Comprehensive Income

BREAKDOWN OF INCOME TAX EFFECTS RELATING TO OTHER COMPREHENSIVE INCOME						
In € thousands	**Before tax amount**		**Tax (expense) benefit**		**Net of tax amount**	
	2022	2021	**2022**	2021	**2022**	2021
Unrealised revaluations investments available for sale	-137,934	-36,179	35,587	7,883	**-102,347**	**-28,296**
Realised gains and losses fair value reserve transferred to profit or loss	-1,835	1,077	473	-222	**-1,362**	**855**
Results on allocated investments and interest derivatives	134,501	24,545	-34,701	-5,062	**99,800**	**19,483**
Total comprehensive income	**-5,268**	**-10,557**	**1,359**	**2,599**	**-3,909**	**-7,958**

23 Financial Instruments

23.1 Fair Value of Financial Assets and Liabilities

The table below shows the fair value of Proteq's financial assets and liabilities. It only shows the financial assets and financial liabilities. The total fair value shown below does not represent the value of the company as a whole.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES				
	Fair value	Carrying amount	Fair value	Carrying amount
In € thousands	**2022**	**2022**	2021	2021
Financial assets				
- Available for sale	424,179	424,179	620,996	620,996
- Loans and receivables	12	12	11	11
Derivatives	97,956	97,956	19,017	19,017
Loans and advances due from banks	39,566	39,566	-	-
Other assets	429	429	2	2
Cash and cash equivalents	4,056	4,056	4,433	4,433
Total financial assets	**566,198**	**566,198**	**644,459**	**644,459**
Financial liabilities				
Derivatives	135,409	135,409	1,817	1,817
Amounts due to banks	3,150	3,150	17,702	17,702
Other liabilities	1,380	1,380	1,210	1,210
Total financial liabilities	**139,939**	**139,939**	**20,729**	**20,729**

The fair values represent the amount that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the reporting date. The fair value of financial assets and liabilities is based on quoted market prices, where observable. If prices in an active market are not available, various valuation techniques are used to measure the fair value of these instruments. Parameters used in such valuation techniques may be subjective and various assumptions are used, for instance for the discount rate and the timing and size of expected future cash flows. Changes in assumptions can significantly influence estimated fair values. The main assumptions for each item are explained in the section on fair value hierarchy below.

The carrying amount of financial assets and liabilities at amortised cost is shown excluding accrued interest. Accrued interest related to these instruments is recognised within other assets or other liabilities.

23.2 Measurement of Financial Assets and Liabilities

The following methods and assumptions are used to determine the fair value of financial instruments.

Investments

The fair value of equities is based on quoted prices in an active market or other available market data. The fair value of interest-bearing securities, is also based on quoted market prices or if actively quoted market prices are not available, on the discounted value of expected future cash flows. These discounted values are based on the relevant market interest rate, taking into consideration the liquidity, creditworthiness and maturity of the investment.

Derivatives

The fair value of nearly all derivatives is based on observable market inputs, such as market interest rates and foreign exchange rates. The fair value of a number of non-publicly traded derivatives depends on the type of instrument and is based on a discounted value model or an option valuation model.

Other Assets

Given the predominantly short-term nature of other assets, the carrying amount is considered to be a reasonable approximation of the fair value.

Cash and Cash Equivalents

The carrying amount of the cash and cash equivalents is considered to be a reasonable approximation of the fair value.

Amounts Due to Banks

The fair value of amounts due to banks has been estimated based on the discounted value of the future cash flows, using the prevailing interest rate plus a risk premium. The risk premium is based on the credit risk assumed by the market for holding such instruments issued by Proteq Levensverzekeringen N.V., differentiated by maturity and type of instrument. The carrying amount of any amount that is due within one month is considered to be a reasonable approximation of the fair value.

Other Liabilities

The carrying amount of the other liabilities is considered to be a reasonable approximation of the fair value.

23.3 Hierarchy in Determining The Fair Value of Financial Instruments

A large part of the financial instruments is recognised at fair value. The fair value of financial instruments measured at fair value in the statement of financial position or for which the fair value is disclosed is classified as a level. This level depends on the parameters used to determine fair value and provides further insight into the valuation. The levels are explained below:

Level 1 – Fair Value Based on Quoted Prices in an Active Market

Quoted prices from exchanges, brokers or pricing institutions are observable for all financial instruments in this valuation category. In addition, these financial instruments are traded on an active market, which allows the price to accurately reflect current and regular market transactions between independent parties. The investments in this category mainly concern listed equities and bonds, including investment funds on account of policyholders whose underlying investments are listed.

Level 2 – Fair Value Based on Observable Inputs

This category includes financial instruments for which no quoted prices are available but whose fair value is determined using models where the parameters include available market inputs. These instruments are mostly privately negotiated derivatives and private loans. This category also includes investments whose prices have been supplied by brokers but for which there are inactive markets. In these cases, available prices are largely supported and validated using market inputs, including market rates and actual risk premiums related to credit rating and sector classification.

Level 3 – Fair Value not Based on Observable Market Data

The financial instruments in this category have been assessed individually. The valuation is based on management's best estimate, taking into account most recently known prices. In many cases analyses prepared by external valuation agencies are used. These analyses are based on data unobservable in the market, such as assumed default rates associated with certain ratings.

The table below shows the instruments in level 1, level 2 and level 3. Financial assets and liabilities not measured at fair value and whose carrying amount is a reasonable approximation of fair value are not classified by level.

FAIR VALUE HIERARCHY 2022					
		Fair value			
In € thousands	Carrying amount	Level 1	Level 2	Level 3	**Total**
Financial assets measured at fair value					
Investments available for sale	424,179	418,742	367	5,070	**424,179**
Derivatives	97,956	-	97,956	-	**97,956**
Financial assets not measured at fair value					
Investments loans and receivables	12	-	12	-	**12**
Loans and advances due from banks	39,566	-	39,566	-	**39,566**
Other assets	429	-	-	-	**429**
Cash and cash equivalents	4,056	-	-	-	**4,056**
Financial liabilities measured at fair value					
Derivatives	135,409	-	135,409	-	**135,409**
Financial liabilities not measured at fair value					
Amounts due to banks	3,150	-	-	-	**3,150**
Other liabilities	1,380	-	-	-	**1,380**

FAIR VALUE HIERARCHY 2021					
		Fair value			
In € thousands	Carrying amount	Level 1	Level 2	Level 3	**Total**
Financial assets measured at fair value					
Investments available for sale	620,996	619,447	1,549	-	**620,996**
Derivatives	19,017	-	19,017	-	**19,017**
Financial assets not measured at fair value					
Investments loans and receivables	11	-	11	-	**11**
Other assets	2	-	-	-	**2**
Cash and cash equivalents	4,433	-	-	-	**4,433**
Financial liabilities measured at fair value					
Derivatives	1,817	-	1,817	-	**1,817**
Financial liabilities not measured at fair value					
Amounts due to banks	17,702	-	-	-	**17,702**
Other liabilities	1,210	-	-	-	**1,210**

The table below shows the movements in financial instruments measured at fair value and classified in level 3 in 2022.

STATEMENT OF CHANGES IN LEVEL 3 FINANCIAL INSTRUMENTS - AVAILABLE FOR SALE		
In € thousands	**2022**	**2021**
Balance as at 1 January	-	351
Realised gains or losses recognised in profit or loss	53	-
Unrealised gains or losses recognised in other comprehensive income	-312	-
Purchase/acquisition	6,570	-
Sale/settlements	-1,241	-351
Balance as at 31 December	**5,070**	**-**
Total gains and losses included in profit or loss	53	-

BREAKDOWN OF LEVEL 3 FINANCIAL INSTRUMENTS		
In € thousands	**2022**	**2021**
Equities	5,070	-
Total	**5,070**	**-**

The fair value financial instruments classified in level 3 is partly based on inputs that are not observable in the market.

The sensitivity of the fair value of equity securities is calculated as the movement in fair value of the equity securities in the event of a general shock in the market. In this calculation, the look through principal is taken into account. The impact on shareholders' equity of a +10% equity shock and a -10% equity shock will be less then 1 million (2021: nihil).

23.4 Offsetting Financial Assets and Liabilities

The table below shows the financial assets and liabilities that are subject to offsetting and the related amounts that are not set off but serve to mitigate credit risk.

FINANCIAL ASSETS AND LIABILITIES 2022							
				Related amounts not netted in the carrying amount			
In € thousands	Gross carrying amount	Offsetting carrying amount	**Netted carrying amount**	Financial instruments	Cash collateral	Other financial collateral	**Netted value**
Financial assets							
Derivatives	97,956	-	97,956	-	3,150	-	**94,806**
Total financial assets	**97,956**	**-**	**97,956**	**-**	**3,150**	**-**	**94,806**
Financial liabilities							
Derivatives	135,409	-	135,409	-	39,566	-	**95,843**
Total financial liabilities	**135,409**	**-**	**135,409**	**-**	**39,566**	**-**	**95,843**

FINANCIAL ASSETS AND LIABILITIES 2021							
				Related amounts not netted in the carrying amount			
In € thousands	Gross carrying amount	Offsetting carrying amount	**Netted carrying amount**	Financial instruments	Cash collateral	Other financial collateral	**Netted value**
Financial assets							
Derivatives	19,017	-	**19,017**	-	17,702	-	**1,315**
Total financial assets	**19,017**	**-**	**19,017**	**-**	**17,702**	**-**	**1,315**
Financial liabilities							
Derivatives	1,817	-	**1,817**	-	-	-	**1,817**
Total financial liabilities	**1,817**	**-**	**1,817**	**-**	**-**	**-**	**1,817**

23.5 Management of Past Due and Impaired Assets

The table below sets out the financial instruments by arrears and/or impairment.

FINANCIAL INSTRUMENTS - IMPAIRMENTS 2022					
In € thousands	**Not in arrears nor impaired**	**Financial assets that are past due but not impaired**	**Financial assets that have been impaired**	**Provision for bad debt**	**Total**
Investments	424,179	-	-	-	**424,179**
Loans and receivables	12	-	-	-	**12**
Other financial assets	429	-	-	-	**429**
Total	**424,620**	**-**	**-**	**-**	**424,620**

FINANCIAL INSTRUMENTS - IMPAIRMENTS 2021					
In € thousands	**Not in arrears nor impaired**	**Financial assets that are past due but not impaired**	**Financial assets that have been impaired**	**Provision for bad debt**	**Total**
Investments	620,996	-	-	-	**620,996**
Loans and receivables	11	-	-	-	**11**
Other financial assets	2	-	-	-	**2**
Total	**621,009**	**-**	**-**	**-**	**621,009**

Proteq recognises impairments on equities if the market value has fallen to 25% below cost price, or has been at least 5% below cost price uninterruptedly for at least nine months.

Proteq recognises impairments on fixed-income financial instruments if there is a loss event related to the financial instrument. To identify such events, the financial instruments are periodically assessed on the basis of a number of criteria set by Finance. Financial instruments meeting one or more of these criteria are analysed and assessed individually to determine whether there is a loss event.

23.6 Maturity schedule for financial liabilities

The table below shows the undiscounted cash flows from the principal financial liabilities, other than derivatives, by contract maturity date. In 2022 there were no undiscounted cash flows from the principal financial liablities, other than derivatives.

LIQUIDITY CALENDAR FINANCIAL LIABILITIES 2022						
In € thousands	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Amounts due to banks	3,150	-	-	-	-	**3,150**
Total	**3,150**	**-**	**-**	**-**	**-**	**3,150**

The table below shows the undiscounted cash flows from all derivative contracts by maturity date.

LIQUIDITY CALENDAR DERIVATIVES 2022						
In € thousands	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Interest rate derivatives	31	-	-	9,421	125,957	**135,409**
Total	**31**	**-**	**-**	**9,421**	**125,957**	**135,409**

LIQUIDITY CALENDAR DERIVATIVES 2021						
In € thousands	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Interest rate derivatives	-	-	-	382	1,435	**1,817**
Total	**-**	**-**	**-**	**382**	**1,435**	**1,817**

The table regarding the cash flows from insurance business is included in chapter 7.6.2.1.

23.7 IFRS 9 Disclosures

As mentioned in the section “Relevant New Standards” Proteq qualifies for the temporary exemption and consequently is allowed to defer the implementation of IFRS 9. Due to the application of the temporary exemption, Proteq is required to provide additional disclosures in order to enable comparability with financial statements published by entities applying IFRS 9. These disclosures concern the changes in fair value of financial instruments and credit risk exposure.

Changes in Fair Value

According to amended IFRS 4-requirements the disclosures concerning the fair value and the changes in fair value for all the interest-bearing financial assets are disclosed divided on two groups:

- Financial assets that pass the SPPI-test excluding the financial assets held for trading or managed on a fair value basis;
- Other financial assets that fail the SPPI-test including financial assets held for trading and financial assets that are managed on a fair value basis.

Along with the Business Model Assessment, the Solely Payments of Principal and Interest (SPPI) test is one of the two criteria in IFRS 9 to determine whether an interest-bearing financial asset should be classified as measured at amortised cost or fair value through other comprehensive income (FVOCI). It is tested whether the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

A financial asset that fails the SPPI-criterion is measured at fair value through profit or loss (FVTPL). Equity instruments and derivatives are excluded from the SPPI-test.

The disclosures are required for the following items:

Investments

STATEMENT OF CHANGES IN FAIR VALUE OF INVESTMENTS SPPI AND NON-SPPI 2022						
	Available for sale		Loans and receivables		Total	
In € thousands	SPPI[1]	non-SPPI	SPPI	non-SPPI	**SPPI**	**non-SPPI**
Balance as at 1 January	**577,817**	**20,472**	**11**	**-**	**577,828**	**20,472**
Purchases and advances	63,299	6,881	1	-	**63,300**	**6,881**
Disposals and redemptions	-131,353	-5,225	-	-	**-131,353**	**-5,225**
Changes in fair value	-138,975	-2,325	-	-	**-138,975**	**-2,325**
Other movements	1,414	-117	-	-	**1,414**	**-117**
Balance as at 31 December	**372,202**	**19,686**	**12**	**-**	**372,214**	**19,686**

1 Available for sale is excluding equity instruments which do not pass SPPI test.

STATEMENT OF CHANGES IN FAIR VALUE OF INVESTMENTS SPPI AND NON-SPPI 2021						
	Available for sale		Loans and receivables		Total	
In € thousands	SPPI[1]	non-SPPI	SPPI	non-SPPI	**SPPI**	**non-SPPI**
Balance as at 1 January	**627,146**	**28,109**	**9**	**-**	**627,155**	**28,109**
Purchases and advances	103,238	4,630	2	-	**103,240**	**4,630**
Disposals and redemptions	-119,442	-11,644	-	-	**-119,442**	**-11,644**
Changes in fair value	-33,543	-310	-	-	**-33,543**	**-310**
Other movements	417	-312	-	-	**417**	**-312**
Balance as at 31 December	**577,816**	**20,473**	**11**	**-**	**577,827**	**20,473**

1 Available for sale is excluding equity instruments which do not pass SPPI test.

Other movements includes accrued interest and received coupons.

Other Assets

There are items recognised in Other assets, that qualify as financial instruments under IFRS 9. All financial assets recognised in Other assets meet the SPPI-test. As these assets constitute short-term receivables that are expected to be recovered within 12 months, their face value is deemed to be an approximation of their fair value. Bearing in mind their short-term character, no statement of changes is being presented. For more details refer to section 6.3 Note 5 'Other assets' in the notes to the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include bank balances and demand deposits with a remaining maturity of less than one month. These items meet SPPI-conditions. For the changes in value of these items refer to 5.5 cash flow statement.

Credit Risk Disclosures

For the financial assets that pass the SPPI-test (excluding the financial assets held for trading or managed on a fair value basis) the disclosure of their carrying amounts under IAS 39 separated into credit risk rating grades need to be made. Additionally for the assets that do not have low credit risk, the fair value needs to be disclosed.

BREAKDOWN OF FAIR VALUE OF FINANCIAL ASSETS 2022 (RATING)			
In € thousands	**Available for sale**	**Loans and receivables**	**Total**
AAA	272,941	-	**272,941**
AA	19,550	-	**19,550**
A	50,877	-	**50,877**
BBB	28,463	-	**28,463**
< BBB	371	-	**371**
Not rated	-	12	**12**
Total	**372,202**	**12**	**372,214**

BREAKDOWN OF FAIR VALUE OF FINANCIAL ASSETS 2021 (RATING)			
In € thousands	**Available for sale**	**Loans and receivables**	**Total**
AAA	407,643	-	**407,643**
AA	62,751	-	**62,751**
A	64,367	-	**64,367**
BBB	42,084	-	**42,084**
< BBB	971	-	**971**
Not rated	-	11	**11**
Total	**577,816**	**11**	**577,827**

Proteq considers the financial assets with the credit rating BBB or higher as the assets with low credit risk.
The assets rated lower than BBB are not considered to be the assets with low credit risk. As these assets are classified as available for sale, their fair value equals their carrying amount.

24 Hedging

Proteq was applying hedge accounting until 1 July 2021. On 1 July 2021, Proteq voluntarily decided to prospectively discontinue the application of the hedge accounting, as the management concluded that the application of hedge accounting would not provide a significant benefit from a financial risk volatility perspective.

The nominal amounts of the derivatives used for hedging purposes shown in the table below reflect the degree to which Proteq is active in the relevant markets.

DERIVATIVES FOR HEDGING PURPOSES 2022						
	Nominal amounts				Fair value	
In € thousands	< 1 year	1 - 5 years	> 5 years	**Total**	Positive	Negative
Interest rate contracts						
- Swaps and FRAs	75,382	188,950	1,198,000	**1,462,332**	97,956	-135,409
Total	**75,382**	**188,950**	**1,198,000**	**1,462,332**	**97,956**	**-135,409**

DERIVATIVES FOR HEDGING PURPOSES 2021						
	Nominal amounts				Fair value	
In € thousands	< 1 year	1 - 5 years	> 5 years	**Total**	Positive	Negative
Interest rate contracts						
- Swaps and FRAs	20,000	253,950	515,000	**788,950**	19,017	-1,817
Total	**20,000**	**253,950**	**515,000**	**788,950**	**19,017**	**-1,817**

The nominals of the derivatives are not disclosed netted (positive and negative).

The nominal amounts are the units of account relating to the derivatives, specifying the relationship with the underlying values of the primary financial instruments. These nominal amounts are not an indication of the size of the cash flows or market and credit risks relating to the transactions.

25 Audit Fees

Pursuant to Section 382a(3) of Book 2 of the Dutch Civil Code, the company has availed itself of the exemption from disclosing the audit fees in the annual report. These disclosures have been included in the annual report 2022 of Athora Netherlands N.V.

26 Result Appropriation

For the provisions of the articles of association governing the appropriation of profit or loss reference is made to Section Other information.

The Executive Board proposes to the General Meeting of Shareholders to deduct the negative result for 2022 of € 21,405 thousand from the retained earnings of Proteq Levensverzekeringen N.V.

In accordance with the resolution of the General Meeting of Shareholders held on 30 March 2022, the result for 2021 of € 15,233 thousand has been deducted from the retained earnings of Proteq Levensverzekeringen N.V.

7 MANAGING RISKS

7.1 RISK MANAGEMENT SYSTEM

7.1.1 General

Athora Netherlands (and therefore Proteq) has implemented a Risk Management System (see figure Risk Management) that is aimed at a controlled and effective achievement of the strategic objectives. It relates risks to the strategic, financial and operational objectives as well as to the objectives in the areas of sustainability and reputation. The framework consists of organisational, control and culture components. The management of Athora Netherlands recognises that transparency is a vital element in effective risk management. The Executive Board, which is responsible for setting the Risk Management System, monitors that the desired culture and level of risk awareness are translated into identifiable aspects, such as desirable behaviour, details of the risk appetite or criteria for evaluation of employees.

The guidelines in the Risk Management System enable risk assessments to be performed properly and efficiently. These guidelines apply to the entire organisation. Athora Netherlands encourages an open corporate culture in which risks are to be discussed, employees feel responsible to share knowledge on risks and (pro)active risk management is appreciated.

The implemented Integrated Control Framework (ICF), part of the Risk Management System, provides the basis for the internal control system consisting of key controls (process, general IT and application) and management controls measuring risk maturity and performance within Athora Netherlands.

The management of Business Lines and Functions is responsible for day-to-day operations within the Risk Management System, schedules testing of operating effectiveness of key controls. The Management Controls, divided in different components, are assessed periodically by a management Self-Assessment and are monitored risk-based by second line Risk.

7.1.2 Overview

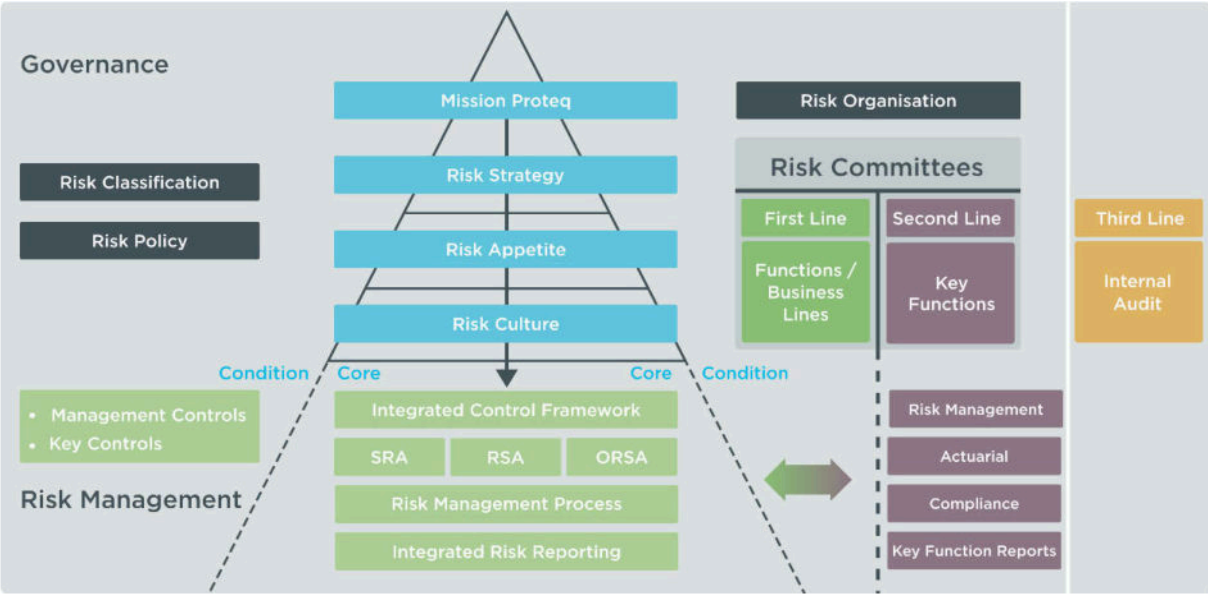
In the Risk Management System, specific Solvency II requirement such as the Key Functions and the Own Risk and Solvency Assessment (ORSA) are incorporated. The Athora Netherlands' Risk Management System operates an integrated approach for risks that the organisation is or could be exposed to, with Risk Management being an integral part of the decision-making process. Major decisions of the Executive Board have to be accompanied by a Key Function opinion.

The core of the Risk Management System consists of a Governance part and a Risk management part. In the governance part, starting from the Mission and business strategy, the Risk Strategy and Risk Appetite are derived. The components Risk Policy, Risk Taxonomy and Risk Organisation are necessary conditions to enable these strategic risk processes. To ensure an integrated approach the first line (Business Lines and Functions) and the second line key functions use the same risk taxonomy, operations are covered by the Risk Appetite and are aligned by a policy structure.

Governance including an adequate Risk Culture, is conditional for performing risk management on operational level, with as the core a control cycle of risk identification-measurement- mitigation and continuous monitoring and reporting. The Risk Management Process is supported by the ICF, built up from several components that together form the basis for sound and controlled business operations and hence for visibly being in control of Athora Netherlands (including Proteq) and its Business Lines and Functions. The ICF measures maturity and performance of risk management and ensures steering on correct and complete risk reports.

The internal reports are a part of (the operation of) the Risk Management Process. The reports on recognised types of risks are input for the integrated risk reports, enabling Key Risk Indicator (KRI) monitoring and drawing management attention to deviations of the risk appetite.

Athora Netherlands performs Risk Self Assessments (RSA) and Strategic Risk Assessments (SRA), enabled by the Risk Management Function (RMF). An ORSA is incorporated in the Risk Management System, enabled and coordinated by the RMF, and is performed at least annually, for which the Executive Board is accountable.



Risk Management

7.2 RISK MANAGEMENT GOVERNANCE

7.2.1 Mission

Athora Netherlands (including Proteq) aims to be a leading player in the pension and life insurance market. To achieve this aim and to fulfil the purpose "We are a sustainable partner for life, taking care of your tomorrow", Athora Netherlands has formulated the Ambition 2025 strategy. With this focus as starting point a Risk Strategy is set out that contributes to a sustainable growth, for the benefit of all its stakeholders.

Athora Netherlands (and therefore Proteq) takes its role in society seriously. Environmental, social and corporate governance (ESG) forms an integral part of the strategy and business operations. Proteq believes that responsible corporate behaviour with respect to ESG factors is key to deliver long-term value for policyholders, employees, shareholders and the wider society. ESG trends and changes in regulation may also introduce considerable financial risks (on assets) and non-financial risks (e.g., reputational) and need careful management and consideration. Proteq aims to set the example and will actively but cautiously target sustainable investments.

Athora Netherlands wishes to offer competitively priced products in efficient business processes and pursues a customer-centric strategy, with Zwitserleven positioned clearly in the pension market. The focus on Pensions allows for a more agile and lean operation bringing costs to a lower required level.

7.2.2 Risk Strategy

Athora Netherlands (and therefore Proteq) has derived a Risk Strategy, a supporting set of objectives following from the Athora Netherlands' mission to achieve the strategic goals. As main principles Athora Netherlands has defined a robust capital position, a sustainable operating capital generation and sound and controlled business operations. A robust and strong capital position contributes to the trust of customers, employees, society and financial markets in the company.

The Risk Strategy contains the key guiding principles and statements used when setting the Risk Appetite for each risk category from the risk taxonomy. The risk appetite is the extent to which Athora Netherlands is prepared to accept/take risks in pursuit of realising its strategic objectives. As an Insurance company and Asset manager, Athora Netherlands deliberately takes Insurance

(Underwriting) risks and Market risks aiming for returns. In doing so, taking Credit (investments) risk and Liquidity risk may contribute to those returns.

Operational and Compliance risks are inherent risks that have to be controlled and managed, as they are part of Athora Netherlands' license to operate and support being able to successfully execute our strategy.

Athora Netherlands provides guarantees for future payments to its customer and therefore needs adequate reserving and a strong capital position. The Athora Netherlands board chooses to hold a buffer above regulatory requirement to absorb temporary volatility and provide more certainty to its customers.

7.2.3 Risk Appetite

The Risk Appetite Statement (RAS) of Proteq is divided into the Risk Appetites per risk type and the underlying Risk Tolerances. The Risk Appetite Statements are set at least annually by the Executive Board and confirmed by the Risk Committee (RC) of the Supervisory Board.

Risk Appetite Framework

Risk Appetite is defined at Athora Netherlands level, including Proteq. The risk tolerances-part contains measures for the maximum risk that Proteq is willing to accept. These measures are defined for various sub-risks for every individual legal entity or specific Business Lines or Functions and are split into risk triggers (comparable to hard limits) and risk indicators (comparable to soft limits).

When implementing the strategy, the Executive Board gives guidelines to the Business Lines for establishing Operational plans, taking into account the set Risk Tolerance in the Risk Appetite and corresponding limits on entity level. This helps the Business Lines and Functions optimise risk and return when developing the best possible products and services.

The evaluation of the Risk Tolerance in the Risk Appetite, consists of several steps, including risk identification, the selection of measures, risk mitigation, risk criteria, reporting and monitoring.

7.2.4 Risk Culture

Culture and conduct in general play a vital role in steering a company, and specifically in adequate risk management. Both are considered standard elements in performance evaluation meetings and in annual performance objectives. Proteq has awareness programmes in place that focus on how employees hold each other accountable for their conduct and how they can escalate matters if necessary.

Proteq values are Drive for results, Seek simplicity, Care, Dare to be different and Do the right thing. These contribute to simpler, better and above responsible operations, with more care for customers and the world around us. This ensures a clear link with Culture and defined behaviours.

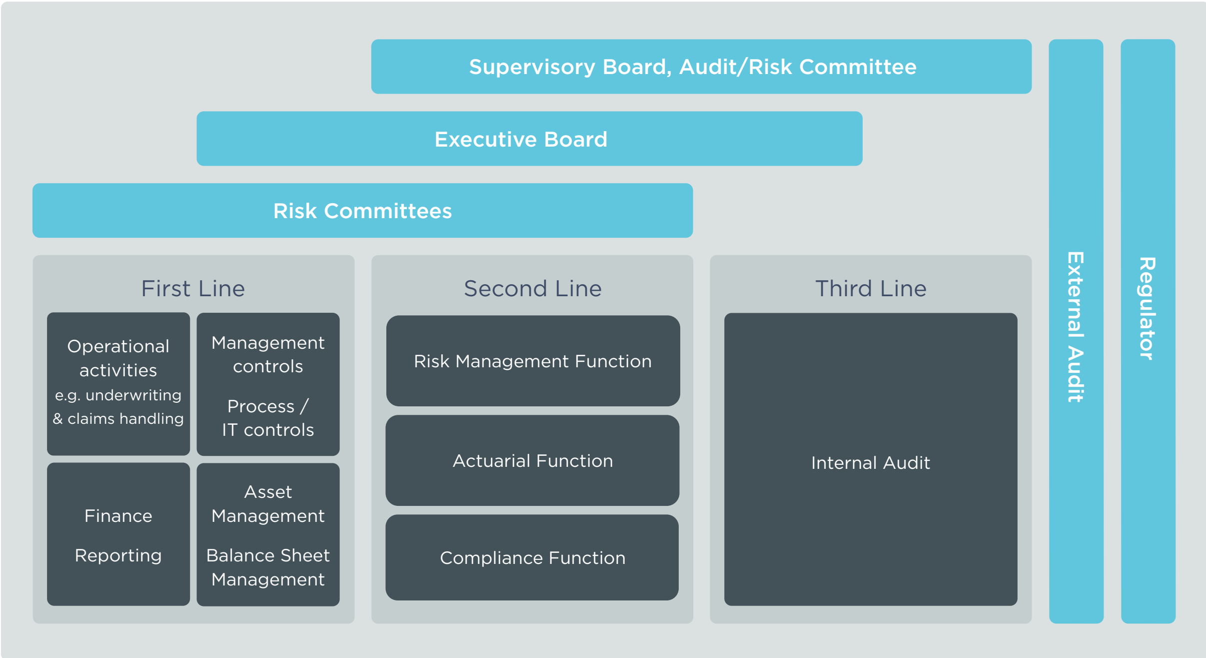
Proteq realises that the tone at the top is defining for Risk Culture, which makes communication and exemplary behaviour determinant. Proteq encourages an open corporate culture in which risks are to be discussed, employees feel responsible to share knowledge on risks and where (pro) active risk management is appreciated. Exemplary behaviour, the openness for discussion of dilemmas, practicability of policy and transparency are inseparably linked to an open corporate culture.

Risk Culture is also embedded in the organisation by risk management being an integral part of the organisational processes and decision-making of Proteq. Decision-making is clear, explicit, and in line with the Risk Policy and Risk Appetite of Proteq. The management teams of the Business Lines and Functions promote awareness of risks and are supported by the second line departments of the Risk organisation. The management teams are responsible for ensuring that risk decisions are made in accordance with the delegated authorisations, in consultation with all second line Solvency II key functions.

Furthermore, Proteq ensures that senior management and employees on key functions at all times are fit and proper to fulfil their job. Finally, the Remuneration Policy of Athora Netherlands discourages taking undesired and irresponsible risks focused on short-term profit and personal gain.

7.2.5 Risk Organisation

Proteq implemented the 'Three Lines' control model including the Solvency II Key Functions and a risk committee governance structure. It contributes to the strengthening of the Risk Culture, taking responsibility for managing risks and internal control, and eventually to the further optimisation and integration of the risk management.



Three Lines of Defence

First Line: Risk Taker

Business plans are prepared in the first line. With this preparation, the first line operationalises the (risk) strategy, focusing on the primary process (i.e., underwriting, claims handling, preparing financial accounts) of the business and on investment activities.

Within the policy framework and subject to internal procedures and risk limits, it is the objective of the risk taker to achieve an optimum risk/return. Consequently, risks are managed by identifying, measuring, mitigating and monitoring them and report whether the risks remain within the risk appetite of Athora Netherlands and its underlying entities, including Proteq.

Risk Self Assessments are carried out and in combination with the ORSA, these assessments could lead to changes in the (risk) strategy. For all these activities the first line has an active role in various risk committees including the ability to demonstrate management and process key controls according to the standards as set by the ICF.

Second Line: Risk Management

The second line has a monitoring role in respect of the risk management actions and activities carried out by the first line. The second line assesses actions in the first line and is responsible for monitoring the overall risk profile to be in line with the risk appetite.

The second line is also responsible for formulating the Risk Management System and setting Risk Policies. The first line is responsible for the execution of these policies. The second line assesses policy compliance on a regular basis, using risk reports, reports on management and process key controls and own observations. Furthermore, the second line sets the mandates in line with the risk appetite. It also defines basic principles and preconditions for risk models and the control framework and supports central decision-making bodies. The data used, including models, assumptions and techniques, are validated periodically.

The second line risk management organisation of Athora Netherlands, including Proteq, is part of the Risk department, resorting under the Chief Risk Officer (CRO). The CRO is member of the Executive Board.

Third Line: Internal Audit

Audit Athora Netherlands is the independently operating audit function: Audit Athora Netherlands provides assurance and consulting services, helping Athora Netherlands to accomplish its objectives by evaluating and improving the effectiveness of governance, risk management and control processes.

Audit Athora Netherlands does not take part in determining, implementing or steering of Athora Netherlands' risk appetite, risk management processes and risk responses. Audit Athora Netherlands reports to the chairman of the Executive Board of Athora Netherlands and has direct access to the Chairman of the Audit Committee of the Supervisory Board of Athora Netherlands.

Audit Athora Netherlands performs risk-based audits on Proteq's risk management processes, including their design and how well they are working, on the management of key risks, including the effectiveness of the controls and other activities, and on the reliability and appropriateness of risks and reporting of risk and control status. This means formulating an opinion on whether the organisation's risk management methodology is understood by key groups or individuals involved, including the Executive Board and the Audit Committee. Further, Audit assesses whether risk management processes are sufficient to protect the assets, reputation, and ongoing operations of the organisation.

Risk Committees

In addition to the risk management organisation, Athora Netherlands has established Risk Committees to manage risks effectively, in line with regulatory expectations. Athora Netherlands has established the following Risk Committees: Finance and Risk Committee (FRC), Investment and Balance Sheet Committee (IBSC), Operational Risk and Compliance Committee (ORC Athora Netherlands) and Product Committee (PC). Decisions of the ORC Athora Netherlands are leading for the local Business Lines and Functions MT's in the area of sound and controlled business operations. In the MTs, the issues regarding Operational Risk and Compliance are discussed. Decisions of the PC are leading for the local Business Lines MTs in the area of Product, Marketing, Customer/Clients and Pricing.

Key Functions

In accordance with Solvency II Athora Netherlands recognises four Key Functions. The Functions carry out activities on behalf of all insurance entities of Athora Netherlands, including Proteq. All Key Functions are segregated from each other and are not structured hierarchically in relation to each other. The second line Key Functions report to the CRO. The Director Risk is the Risk ManagementFunction Holder, the Director Actuarial Risks is the Actuarial Function Holder and the Director Legal and Compliance is the Compliance Function Holder. The Director Audit Athora Netherlands is the Audit Function Holder.

The Risk Management Function (RMF) coordinates the Enterprise Risk Management Report (ERM Report), an integrated report on the overall risk profile with Key Takeaways from the three second line Key Functions (Risk Management Function, Actuarial Function and Compliance Function). Besides the major risks within Athora Netherlands it shows strategic developments and emerging risks. The ERM Report presents issues compiled on the basis of the information obtained from monitoring reports, risk dashboards, RAS, Internal Control Statements, reports by internal and external regulators, incidents and issues reported, and own assessments & perceptions. The Risk opinion is discussed in the risk committees, in the Executive Board and in the Risk Committee of the Supervisory Board.

The RMF annually provides the Risk Management Function Review Report, aimed at providing a sufficient level of assurance that the Solvency II-figures, and Solvency II and IFRS sensitivities, are determined adequate and reliable. This RMF report is submitted to the Executive Board and the Audit Committee of the Supervisory Board.

The Actuarial Function (AF) opines on the adequacy of the Technical Provision used for IFRS-LAT and Solvency II purposes. It furthermore assesses the reliability and adequacy of Underwriting and

Reinsurance programmes. The Actuarial Function Report (AFR) is submitted to the Executive Board and the Audit Committee of the Supervisory Board.

Regularly the RMF and the AF submit an update based on the follow-up of findings in the AFR and RMF report, supplemented with recent findings and advice.

The main purpose of the Compliance Function is to support management in conducting its business operations in a controlled, honest and sound manner, and with regard to the risks which in this context are a threat to achieving the strategic objectives, obligations arising from laws and regulations, insights from social discussions and guidelines imposed by regulators. The Compliance Function provides regularly, as part of the ERM Report, a report on the most important Compliance Risks of Proteq to the Executive Board and the Risk Committee of the Supervisory Board.

7.2.6 Risk Policy

Proteq has an integrated risk management policy structure. The entire policy structure is accessible to employees through the internal policy site. The policy structure ensures the timely identification and assessment of risks and adequate monitoring and reporting of the material risks, both on board and workplace level. The Risk Policy is structured in levels, the aim is to give insight in the cascading from (Solvency II) legislation, (second line) risk policy, corresponding processes and (first line) implementation. At least once a year the Risk Policies are assessed, adjusted if necessary and approved following regular governance.

7.2.7 Risk Taxonomy

Proteq provides insight into the risks for the business itself and for its stakeholders in order to manage these risks within the indicated tolerance levels. This includes both behaviour related and financial aspects of Risk Management. Clarity is crucial to ensure adequate risk management. In order to clarify the communication and management of risks, the risk taxonomy includes an extensive list of mutually exclusive risk types to which Proteq is or could be exposed.

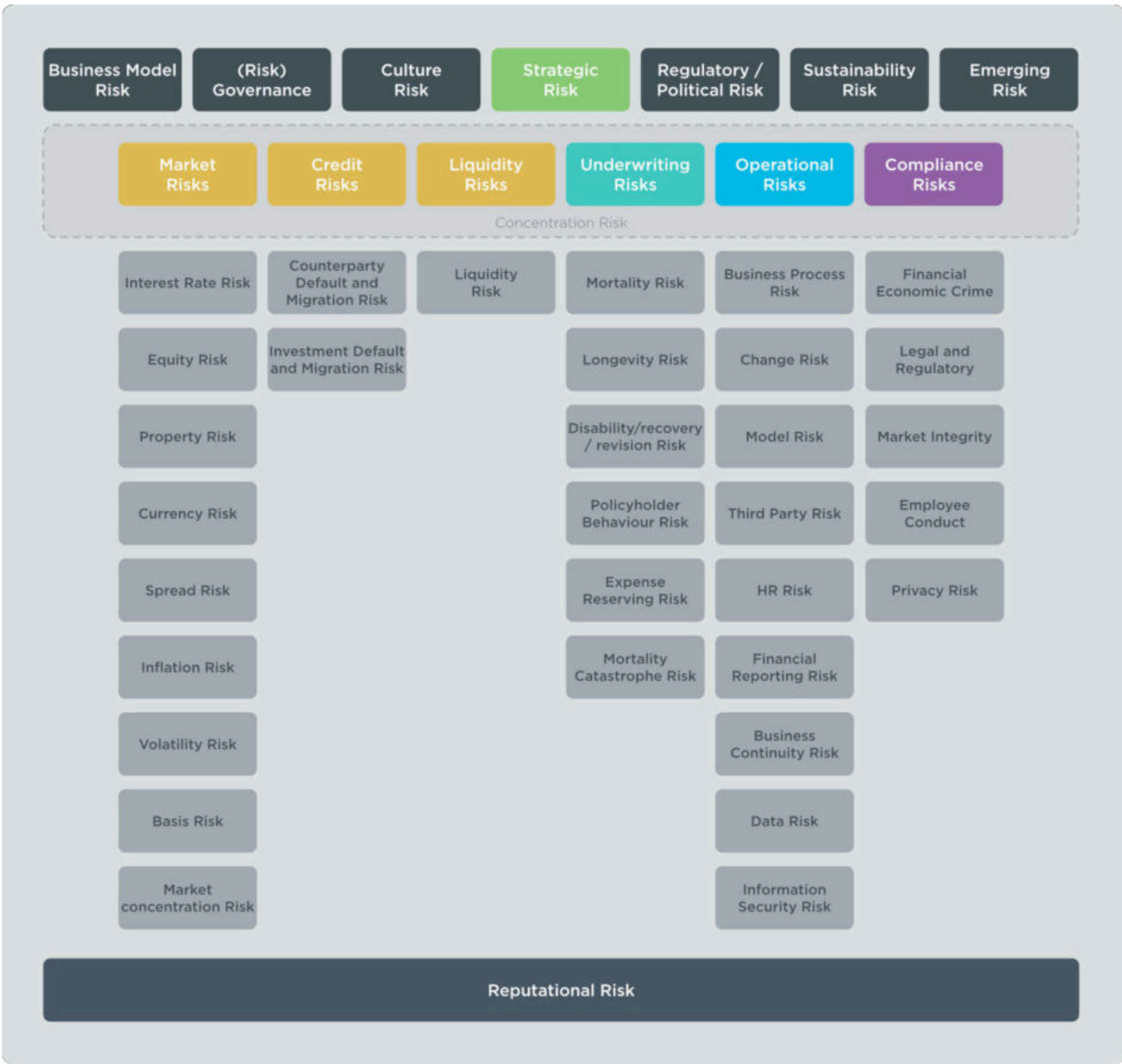
Proteq has defined and structured different risk types, partly based on applicable laws and regulations (such as Solvency II Standard Formula), and on the international ORX Reference Taxonomy.

As part of its strategy, deliberately takes Underwriting risks and Market risks aiming for returns. As a consequence, taking Credit (investments) risk and Liquidity risk may contribute to those returns. Compliance risk and Operational risks are inherent risks that have to be controlled and managed.

Strategic and emerging Risks

Strategic and emerging risks relate to future business and society developments and may eventually materialise as one of the main or sub risk types. Strategic and emerging risks are monitored in the Enterprise Risk Management Report. In the risk assessment on the Operational Plans several internal and external strategic development scenarios are taken into account.

Proteq recognises several strategic risks, from which Business model risk, Governance risk and Sustainability risks are most notable. Emerging risk is a newly developing or changing risk that may evolve to one of the main or sub risk types, and which is perceived to have a potential significant impact on Proteq's financial strength, competitive position or reputation. Identifying and assessing emerging risks are incorporated in the risk management system.



Risk Taxonomy

Proteq applies the Solvency II Standard Formula. Not all of the risk categories are part of the Solvency Capital Requirement (SCR) calculation. The SCR calculation does not contain Liquidity, Model and Compliance Risk.

The risk categories will be explained in the more detail in the next paragraphs.

To give more insight in the risks the company is exposed to, sensitivities are determined on best effort basis for different underwriting and market risks in paragraph 7.5 and further. For underwriting risks and spread risks the sensitivities shown are the estimated impact on own funds without recalculating the SCR after shock. For the other market risks the sensitivities shown are the estimated impact on own funds including the estimated impact on the SCR market and life underwriting risk after shock.

7.3 RISK CONTROL

Risk control within the risk management process is a continuous process of identifying and assessing risks and establishing controls. Risk control is an inextricable part of the strategy, policy, processes, procedures, operational embedding, allocation of capacity and responsibilities, and independent testing of control effectiveness. The first and second line departments have been assigned a responsibility in this process, which is supported by the Integrated Control Framework (ICF).

7.3.1 Integrated Control Framework

The Integrated Control Framework (ICF) is Proteq's internal control system and is part of its Risk Management System. The objective of the ICF is to provide reasonable assurance regarding the design, effectiveness and efficiency of Proteq's management activity, operations and processes, the reliability of Proteq's financial, operational and other internal and external reporting, and compliance with regulatory requirements.

IInternal control is a dynamic and iterative process.
The ICF contains core components that form the basis for a sound and controlled operational environment within Proteq. For all components within the ICF, standards are defined that outline the key requirements that should be met to develop the level of control to the desired level.

The ICF forms the basis for sound and controlled operations within Proteq, measures the maturity of risk management and monitors process Key Controls and Management Controls.

7.3.2 Process Controls and Management Controls

Optimisation of Integrated Control Framework

The improvement and optimisation of the ICF is a continuous process. Proteq's organisation develops and changes over time and the ICF continuously adapts to the new situation. The basis of the ICF and the GRC tooling was implemented in the period 2015-2017. In November 2022 the ICF Transformation Steerco, which was installed in May 2021 successfully discharged itself as the objectives set in 2021 were achieved and confirmed by the Proteq third line Audit department. With this, the program that started in 2021 to strengthen the fundament of the ICF, namely the quality of process risk assessments, process- and key control design and change procedures ended successfully and activities and monitoring are fully embedded in business as usual. Accountability and responsibility are set in a new policy and RACI, RCSA sessions are frequently held to assess (new) risks in processes, processes are set up to timely recognise changes leading to operation changes, and first and second line collaborate in the continues monitoring and upgrading of design of ICF processes and (key) controls.

In the first line risk report each quarter the key Business Lines and Functions report on their Risk profile. The reports includes non-financial risk KRI results, changes with operational impact, incidents & risk events, Key control testing results and number of action points. For each category the results are presented including impact and follow up actions where necessary. The first line Risk Reports are reported by the Functions and Business Lines to the Local ORC’s and the ORC Athora Netherlands.

Testing of Effectiveness

Process controls
Periodically the effectiveness of process key controls is tested according to a predefined schedule. Within a quarterly cycle the first line performs the testing activities for those process key controls that are subject to testing requirements. Results are part of the first line risk report that is reported to the ORCs of the Business lines and Functions and also to the ORC Athora Netherlands. The second line department performs an independent review which may contain a reperformance. The results of the review activities are discussed with, reported to and followed up by responsible first line management. As part of the review the second line assesses and provides maturity scores to the first line to score the quality of the testing files.

Management controls
Management controls (i.e., entity level controls) provide an understanding and insight in the maturity level of risk management and risk control in the individual Business Lines- and Functions. Management controls are designed on the basis of relevant legislation (e.g., WFT, Solvency II) and internal risk management and compliance policies. The individual management controls are tested annually by the first line in a self-assessment process. The second line review results are reported to Business Lines and Functions, and on an aggregated level to the Executive Board.

The professional standards and scoping used for testing by Proteqs first and second line are assessed by the external auditor in order to, as much as possible, make use of these testing procedures for audit purposes.

7.3.3 Risk Management Process

In this section for Underwriting Risk, Market Risk, Counterparty Default Risk and Non-financial risk the Risk Management Process is elaborated. For Liquidity Risk and Model Risk this is included in Section 7.8 and Section 7.9.

7.3.3.1 Underwriting Risk

Proteq assesses new underwriting risks continuously and manages existing underwriting risks, for both new business and for the existing portfolio.

Operational Plan

Derived from the Athora Netherlands strategy, the Operational Plan (OP) sets targets with respect to volume and value of new business and the existing portfolio. The OP describes the planned development of the insurance portfolio together with the related capital requirement for the next three years taking into account an assigned risk budget or available capital. The OP sets out in broad terms whether Proteq wants to enter new markets, which forms of distribution will be used, whether new (forms of) insurance products will be developed, and which products will be adjusted or terminated. It also lays down possible measures relating to acceptance and the mitigation of claims.

Product Development, Pricing and Acceptance

In accordance with the OP, new or adjusted products are developed following the Product Approval and Review Process (PARP). Starting from the customer's interests the target group, coverage and terms and conditions are determined. This is the basis for the best estimate risk premium, taking into account options and guarantees, capital requirements and the internal pricing curve. Furthermore, criteria related to profitability and risk control measures (acceptance criteria, clauses, any reinsurance) must be met.

The Product Committee (PC), in which Solvency II second line Key Functions are represented, is responsible for approval of new products, including the pricing. A selling product review is performed regularly, existing products follow a risk-based product review calendar.

Technical Provisions

The provision is calculated monthly. The IFRS Liability Adequacy Test on the premium and claims reserves is performed once a quarter, or more frequently if this is deemed necessary. Any reserves that are inadequate are increased. The most recent insights as to parameters are involved. The Actuarial Function assesses the Solvency II Technical Provision and expresses an opinion on its reliability and adequacy at least once a year.

Parameter Study

The evaluation for long-term policies (Life, Disability) of the underwriting parameters (e.g., mortality, lapses, disability, recovery) takes place by a parameter study. The aim of this study is to value the existing insurance portfolio and set the cost price of new Life insurance policies. Thereby relevant information on portfolio developments is taken into account.

Portfolio Analysis

Portfolio analysis is aimed to optimise risks and returns within the risk policy structure. This can lead to new strategic insights in areas such as entering new markets or terminating products. The analysis is based on the impact of underwriting risks following from various measures, e.g., Solvency II own funds, long-term profitability, SCR and the VNB. Based on the risk appetite, Proteq mitigates underwriting risks primarily by means of diversification and reinsurance.

7.3.3.2 Market Risk

The ALM policy covers the management of market risk, counterparty default risk and liquidity risk.

The starting point for the ALM policy is the current and projected balance sheet and capital outlook, which is drawn up annually. The BSA seeks to find an optimum between risk and return within the preconditions that apply with regards to solvency, laws and regulations. This BSA is used as a basis for defining a Strategic Asset Allocation (SAA), which is in turn used to translate specific investment activities into an investment plan and investment mandates for selected asset managers, taking into account the risk tolerances in the Risk Appetite Statements (RAS), solvency ratio, the tax position and the long-term risk exposure. When finalising the SAA, specific attention is paid to the availability of sufficient expertise in the segments in which investments are held. All investments are monitored by means of reports on performance and capital.

Investments are made in accordance with the prudent person principle and in the interest of the policyholders. The prudent person principle forms part of the ALM policy. Investments are made exclusively in assets and instruments for which the risks are properly identified, measured, monitored, managed, controlled and reported, but also comply with ESG principles.

The way Proteq has organised its investment governance and oversight for Own Account ensures that the investment process operates in the context of (and ensures consistency with) the nature and duration of the insurance and re-insurance liabilities, the strategic and financial plans, the Risk Strategy and ensures that the overall risk position remains within the Risk Appetite Statement and other risk limits.

Proteq monitors market risk end for mitigation, instruments are used such as interest rate swaps, futures, FX forwards, interest rate swaptions and fixed income investments.

Sensitivity analyses and stress tests

Stress tests provide information on how sensitive investments and liabilities are to interest rate risk and other market risk. These risks are quantified (and monitored) on a regular basis.

For interest rate risk several parallel and non-parallel shocks are defined. For market risk a number of combined scenarios is determined with (different) simultaneous shocks to the various sub-market risks.

These market risk scenarios are monitored and reported on a regular basis, and if deemed necessary adjustments are made to existing market risk exposures (e.g., interest rate risk). The aim is to mitigate interest rate risk through hedging, to achieve appropriate resilience in Proteq capital position over time.

This approach reflects the sensitivity of the entire statement of financial position (of fixed cash flows, options, risk margin and required capital) drawn up.

7.3.3.3 Compliance Risks and Operational Risks

Compliance risks and Operational risks (see section 7.9) are managed following the risk management cycle: risk identification, risk measurement, risk mitigation, risk monitoring and risk reporting.

Risk identification

Risks are identified to its strategic objectives and at all levels within the organisation. Several different approaches are used such as risk assessments, analysis of incidents, and leveraging the experience of its employees and its competitors, including the consideration of emerging risks. Risk identification is both considered from top-down and bottom-up bases. Proteq maintains a Risk Taxonomy to facilitate the risk identification process. The Risk Taxonomy also serves as a major organizing principle for its risk control, risk oversight activities and risk reporting.

Risk measurement

In order to understand the magnitude of the exposure of the identified risks, risks are measured. The measurement of risks supports the risk management process through quantitative controls and limits. Risk measurement involves either or both qualitative and quantitative approaches depending on the nature of the risk and taking account of expert judgement and considering both normal and stressed scenarios. The level of risk is measured before and after considering additional mitigating measures.

Risk mitigation

The risk mitigation activities (avoid, transfer, mitigate and accept) are aimed at controlling risks within the boundaries set by the risk appetite.

Risk Monitoring

In order to ensure that risks stay within the risk appetite, they are monitored. Within the monitoring activities both the first line and second line take their role. Given the outcome of the monitoring activities Proteq can determine the most appropriate course of action. The goal of risk monitoring is to ensure that Proteq carefully controls its risk-taking decisions as well as its total risk profile.

Risk Reporting

The primary objective of risk reporting – defined as all regular and ad-hoc reports by first and second line – is to create internal risk transparency and meet external disclosure requirements. Objectives are to provide stakeholders with accurate and timely information about material risk issues by means of concise and understandable messages, to design reports so that they optimally meet recipients' needs and to facilitate informed decision-making.

Developments

In 2022 the main developments in non-financial risks were 1) remediation program Sanctions AML 2) change risks associated with volume of change on transformation initiatives and programs such as implementation of IFRS 9/17 3) HR Risk associated with labour market and high work pressure 4) Business Process risk associated with strategic change and new operational processes such as within the investment Office and the CTO (Buy out) 5) Third party risk including new strategic outsourcing initiatives 6) further attention and mitigation of cybercrime threats and ransomware developments. In order to maintain a sound and controlled organisation, the associated risks were addressed, managed and monitored according to the Athora Netherlands risk management procedures. Overall, the risk levels as reported in 2022 were steadily decreasing and becoming more within appetite towards the end of 2022.

7.4 CAPITAL MANAGEMENT

7.4.1 Definition

Capitalisation refers to the extent to which Proteq has capital available to cover unforeseen losses and to achieve the strategic objectives of the company. Proteq manages its capitalisation within limits set in the Risk Appetite Statements. Annually target setting happens in the Operational Plan culminating in a Capital & Funding Plan. Monthly and quarterly forward-looking monitoring enables Proteq taking timely action if capitalisation would deteriorate. Proteq assesses its capitalisation regularly with respect to level and quality.

7.4.2 Capital Policy

Proteq aims for a robust capital position, which contributes to both the confidence that clients have in the institution and access to financial markets. Proteq deems a solvency ratio above 175% as a normal going concern level. The objective of the Capital Policy is to ensure that there is sufficient capital to fulfil obligations towards policyholders and meet requirements. The available capital of Proteq has to meet internal risk appetite standards as well as external requirements of regulators, rating agencies and also includes commercial considerations. Capitalisation generally refers to the relationship between risk-bearing activities and available regulatory capital (own funds). The second objective of the Capital Policy is to ensure that capital is used as efficiently and flexibly as possible to facilitate the implementation of Proteq's strategy.

A preparatory crisis plan exists, which describes the procedure that applies in a contingency situation. A contingency situation is a situation in which a capital deficit arises, or threatens to arise, that poses a direct threat to the going concern of Proteq. In its Risk Appetite, Proteq has defined specific triggers that determine whether a contingency situation exists. The emphasis of these triggers is on capital metrics and these are linked to governance and management measures. Proteqs Capital Policy forms the basis for lower-level policies, process descriptions and procedures.

Management uses the Operational Plan, Capital and Funding Plan, Balance Sheet Assessment, Risk Dashboards, ORSA, Preparatory Crisis Plan and Financial Risk Reporting for managing the capital position. The Capital and Funding Plan describes the medium-term activities relating to capital and funding, including a five-year solvency forecast. The Capital and Funding Plan is based on the Operational Plan.

7.4.3 Regulatory Framework

Solvency II is a risk-based regime consisting of three pillars. Pillar 1 regulates the capital requirements. Insurers should be capitalised adequate to their risks. Therefore, this pillar introduces two risk weighted measures: the Minimum Capital Ratio (MCR), and the Solvency Capital Ratio (SCR). Pillar 2 demands an adequate level of risk management and governance. Pillar 3 establishes standards of transparency. Currently, Solvency II is under review by EIOPA and the European Commission and the impact of envisaged changes is being investigated by Proteq.

7.4.4 ORSA

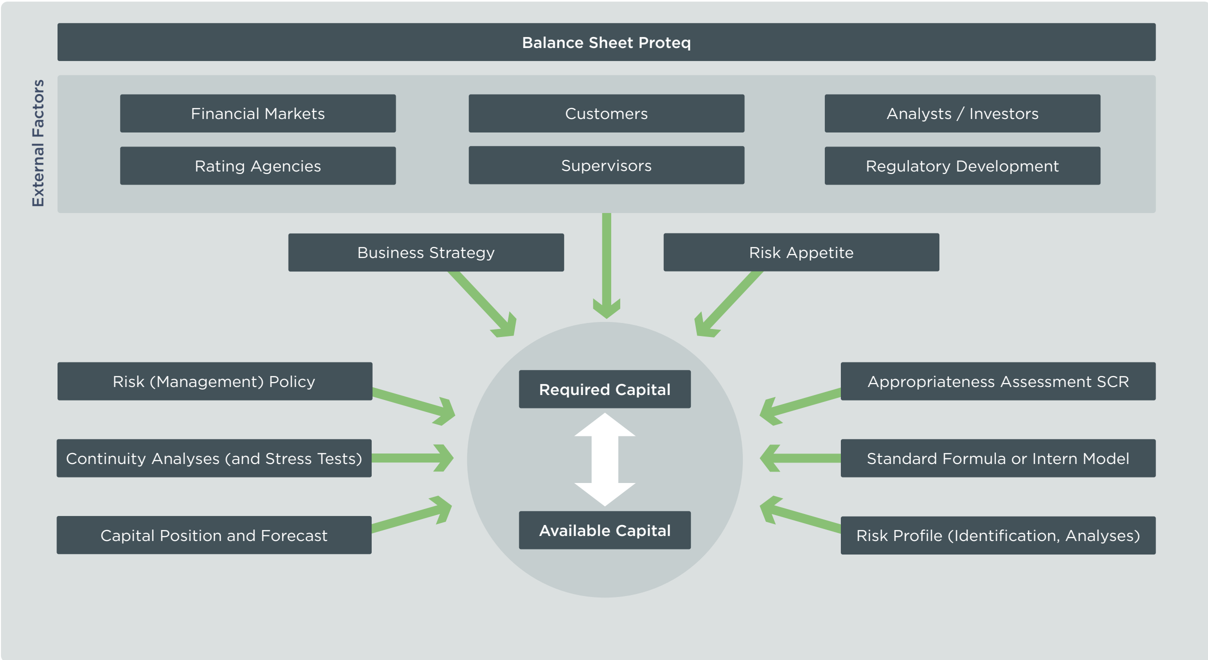
As part of its risk-management system Proteq conducts its own risk and solvency assessment (ORSA). That assessment includes:

- the overall assessment of solvency taking into account the specific risk profile, approved risk tolerance limits and the business strategy of Proteq;
- the significance in which the risk profile of Proteq deviates from the assumptions underlying the SCR calculated with the standard formula.

The ORSA is an integral part of Proteq’s management control cycle and is filed with the regulator.

7.4.4.1 ORSA Process

The ORSA considers external factors, the business strategy, future developments, the risk profile and risk appetite to assess the amount and quality of capital. An overview is shown in the figure below.



ORSA Process

Proteq performs the ORSA annually and if any significant change in its risk profile occurs. The Executive Board is accountable and actively involved. The appropriateness of the risk measurement is assessed and adequacy of capital is tested against a range of stressed scenarios thereby considering the possible effect of management actions.

7.4.4.2 Scenario Tests and Mitigating Action

An extensive risk identification process takes place. The identified risks are subject to a range of stress scenarios, which are severe but plausible, to test the financial position of Proteq. This is in contrast to the Preparatory Crisis Plan, in which the scenarios should be severe enough to create a direct threat to the going concern of Proteq.

For all scenarios in the ORSA mitigating management actions have been assessed.

7.4.4.3 Main Conclusions

Proteq concludes that the standard formula is an appropriate risk management for Proteq's risk profile and Proteq's solvency is adequate for protecting its policy holders. Risks that are out-of-scope of the standard formula have been identified in risk assessments, examined in stress scenarios and mitigated by managerial actions. The quality of Proteq's capital is sufficient. Proteq complies with capital requirements and substantial liquidity. A Revolving Credit Facility is available to withstand liquidity demands during stress. Proteq believes that operating capital generation will improve by moving towards the new strategic asset allocation, making the organisation more efficient and simultaneously growing the pension business, as planned in the new strategy.

7.4.5 Preparatory Crisis Plan

On 1 January 2019, the new law on Recovery and Resolution of insurers (Wet herstel en afwikkeling van verzekeraars) came into force in The Netherlands. As a result of this law, Proteq has established a Preparatory Crisis Plan. In a Preparatory Crisis Plan an insurance group identifies its core businesses and sets out the possible key recovery measures to be taken in a situation of financial distress. The Preparatory Crisis Plan includes early warning indicators for emerging crises, a crisis management governance framework and the management actions Proteq has at its disposal in a crisis situation to maintain its core businesses viable for the future. The effectiveness of the management actions is evaluated using different stress scenarios.

7.4.6 Capital Position

In 2022, as part of Proteq's strategy to achieve profitable growth for our company, Athora Netherlands remained focused on improving operating capital generation. For example, by asset deployment, gradually rebalancing, achieving an increase in investment income within the appropriate risk limits. By improving the business contribution by further optimising the risk profile (by Balance Sheet Management initiatives) taking into account the Risk Appetite.

The Solvency II ratio of Athora Netherlands decreased to 197% at 31 December 2022 from 242% at 31 December 2021.

For more details see the AOC of the Solvency II ratio.

Solvency II Ratio

Proteq falls under the Solvency II regulatory framework and complies with the guidance notes on the interpretation of Solvency II as published by the supervisory authorities EIOPA and DNB.

For internal purposes, Proteq calculates the Solvency II position on a quarterly basis and updates monthly this position in the intervening months. Proteq calculates its position under Solvency II using the standard formula, applying the Volatility Adjustment (VA) and thus making use of the possibility of applying long-term guarantee measures. Proteq does not apply the Matching Adjustment. The required and available capital (own funds) under Solvency II are determined on the basis of information at year-end. The yield curve used, including the Ultimate Forward Rate (UFR), Credit Risk Adjustment (CRA) and VA, is published by EIOPA.

For the euro the UFR was 3.45% in 2022. The calculated target UFR for 2023 remains at 3.45%. That UFR has been applicable for the calculation of the risk-free interest rates since 1 January 2022.

Under Solvency II, capital is called 'eligible own funds' and is divided into three tiers. These tiers reflect the ability to absorb capital losses, with Tier 1 being the highest capital quality (which can be further split in restricted and unrestricted Tier 1 capital) and Tier 3 the lowest. Proteq does not have 'ancillary own funds' (such as letters of credit and guarantees) which require supervisory approval.

The following table shows the breakdown of the eligible own funds, starting from shareholders' equity:

BREAKDOWN OWN FUNDS		
In € millions	2022	2021[1]
Shareholders' equity	65	90
Reconciliation IFRS-Solvency II	-2	-3
Total available own funds	**63**	**87**
Tiering restriction	-8	-
Total eligible own funds	**55**	**87**

1 Figures as filed with the regulator.

The key items of the reconciliation between IFRS shareholders' equity and Solvency II own funds are:

Reconciliation IFRS-Solvency II

The reconciliation encompasses the following significant differences in measurement under Solvency II and under IFRS:

- Technical provisions – Under Solvency II the technical provisions are measured using Solvency II parameters, taking into account current market estimates. Under IFRS a liability adequacy test on

the technical provision is performed, if the carrying amount of the technical provision is inadequate, the provision is increased. With respect to economic parameters used, there are differences regarding the interest rate curve and the cost of capital. The difference in the interest rate curves increased and is a main driver for the development of the reconciliation of IFRS and Solvency II. The difference also stems from the difference in cost of capital.
- Deferred Tax Assets – Due to differences in the calculation method and in the valuation of assets and liabilities the resulting DTA position is different.

Tiering Restriction

The use of own funds of different tiers is subject to certain limits under Solvency II. These limits are related to the required capital or Tier 1 capital, and is applied to define the Eligible Own Funds. These limits can cause a difference between the Available Own Funds and the Eligible Own Funds. In 2022 Proteq has no tiering restriction.

The table below shows the eligible own funds, the Solvency Capital Requirement and the resulting Solvency II ratio.

BREAKDOWN TIERING					
	Tier 1		Tier 2	Tier 3	Total
In € millions	Unrestricted	Restricted			
Eligible own funds to meet the SCR 2022	51	-	-	4	**55**
Eligible own funds to meet the SCR 2021	87	-	-	0	**87**

Tiering restriction

The use of own funds of different tiers is subject to certain limits under Solvency II. These limits are related to the required capital or Tier 1 capital, and is applied to define the Eligible Own Funds. These limits cause a difference between the Available Own Funds and the Eligible Own Funds.

The Tier 3 restriction became applicable. The Tier 3 restriction consists of the net DTA position restricted to maximum of 15% of the SCR. Ineligible own funds were € 4 million at the end of 2022.

SOLVENCY II RATIO		
In € millions	**2022[1]**	**2021[2]**
Total eligible own funds	55	87
SCR	28	36
Solvency II Surplus	27	51
In %		
Solvency II ratio	197%	242%

1 Regulatory Solvency II ratio 2022 is not final until filed with the regulator
2 Figures as filed with the regulator

Development Solvency Ratio

The development in 2022 of the solvency ratio is explained by the analysis of change as presented in the graphs below. The movement consists of the categories Operating Capital Generation, Market Impacts, One-off items, Capital flows and Other.

Operating Capital Generation is defined as the change of eligible own funds minus the SCR change. The overall principle is that this is a predictable and stable metric. Elements are the expected release of risk margin and SCR, the expected excess spread, the expected UFR drag and the (insurance) experience variance.

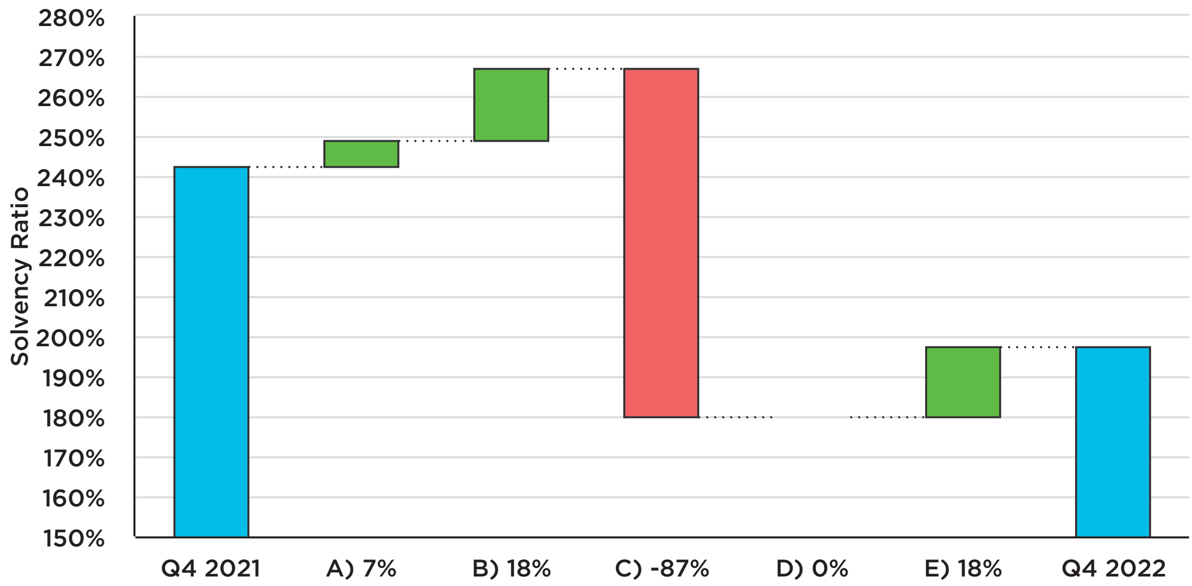
In Market Impacts Movements in assets and liabilities due to economic environment changes, other than the expected part in the operating capital generation. Next to these movements, also the change caused by the Volatility Adjustment is taken into account.

One-off items show the impact of events like changes in coverage of the longevity reinsurance contracts, the UFR decrease, Balance Sheet Management actions like investment deployments, interest rate hedge adjustments and changes in models and assumptions.

Capital flows, e.g., capital injections, issuance of (subordinated) loans, coupon payments on (subordinated) loans, dividends paid etc.

Other, for instance the difference in actual changes in the Deferred Tax Asset and Deferred Tax Liability versus the tax included in the operating capital generation.

Proteq



The estimated movement in Solvency II ratio over 2022 is driven by:

A) Capital Generation (+/+7%)
The operating capital generation during 2022 was mainly driven SCR plus risk margin release, partly offset by the UFR drag.

B) Market Impacts (+/+18%)

Market impacts had a positive impact on the Solvency II ratio. The main drivers were the volatility adjustment and the inflation expectations. The volatility adjustment increased to 19bps at 31 December 2022 from 3bps at 31 December 2021 which impact was offset by market spread movements. The increase of inflation expectation had a positive impact on the inflation linked swaps partly offset by the increase of the insurance liabilities due to higher inflation assumptions.

C) One-off Items (-/-87%)

One-off items had a negative impact of 87%-point on the Solvency II ratio, mainly due to updates to (investment management) expense assumptions and asset deployments, partly offset by capital optimisation initiatives and interest rate hedge rebalancing.

D) Capital Flows (+/+0%)

No capital flows in 2022.

E) Other (+/+18%)

Includes the increase of the percentage of loss absorbing capacity of deferred taxes (LAC DT) driven by higher interest rates, spreads and the release of the 20 per cent haircut, which has a positive effect on the Solvency II ratio.

7.4.7 Risk Profile

SOLVENCY CAPITAL REQUIREMENT		
In € millions	2022	2021
Life underwriting risk	22	24
Market risk	9	19
Counterparty default risk	2	7
Diversification	-7	-13
Basic Solvency Capital Requirement	**26**	**37**
Operational risk	2	2
Loss-absorbing capacity of technical provisions	-	-
Loss-absorbing capacity of deferred taxes	-	-3
Net Solvency Capital Requirement	**28**	**36**

Diversification reflects that not all risks will materialise at the same time and at their full magnitude resulting in diversification between different risk types.

Interest rate shocks can also have an impact on the loss-absorbing capacity of technical provisions (LAC TP). Article 83 of the Delegated Regulations requires to report this impact separately from the SCR Interest rate scenario. The leading up scenario explains the zero LAC TP in 2022.

When determining the Net Solvency Capital Requirement, the loss-absorbing capacity of deferred taxes may be set off against the Basic Solvency Capital Requirement. Proteq has examined whether, following a loss of the same size as the (pre-tax) SCR shock, future profits will be sufficient to be able to recover, partially or fully, the change in deferred tax assets caused by that loss.

For Solvency II and IFRS the recoverability of the DTA is tested using the same model and assumptions. However, the non-recoverable amount for IFRS is based on a single scenario of the recoverability calculation, where for Solvency II the non-recoverable amount is based on the weighted average of multiple scenarios, including future new business.

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

The risk categories will be explained in more detail in the next paragraphs. To give more insight in the risks the company is exposed to, sensitivities are determined on best effort basis for different underwriting and market risks in the next sections. For underwriting risks and spread risks the sensitivities shown are the estimated impact on own funds without recalculating the SCR after shock. For the other market risks the sensitivities shown are the estimated impact on own funds including the estimated impact on the SCR market and life underwriting risk after shock.

7.5 UNDERWRITING RISK

7.5.1 Risks - General

The underwriting risk is the risk that the own funds, earnings or solvency will be threatened as a result of the inability to make payments (either now or in the future) from premium and/or investment income owing to incorrect and/or incomplete assumptions (mortality, longevity, claims, policy holders' behaviour, catastrophes, interest and expenses) used in the development of the product and the determination of its premium. The interest rate risk related to insurance products forms part of the market risk.

7.5.2 Life

Proteq Levensverzekeringen N.V. includes only Life insurance.

7.5.2.1 Risk Categories

The underwriting risk in the Life business includes the significant sub-risk categories of mortality risk, longevity risk, lapse risk, catastrophe risk and expense risk. Proteq is also exposed to interest rate risk in the context of guarantees for both IFRS and Solvency II.

Mortality Risk and Longevity Risk

The risk most typically associated with Life insurance policies is mortality and longevity risk. These risks mainly affect the duration and timing of the payment of the insured cash flows. Mortality risk indicates the risk for the company of the policyholder dying earlier than expected. In the case of a life benefit, the longevity risk for Proteq is that the policyholder might live longer than expected.

To derive the longevity assumptions, Proteq uses the latest model published by the Netherlands Actuarial Association (Projection table AG2022) which combines mortality rates of several European countries with those of the Netherlands. The assumptions are reviewed at least annually. Proteq further reviews and if required updates the empirical figures for portfolio mortality on the basis of research into observed mortality within the Life portfolio.

Lapse Risk

Lapse risk reflects the impact of policyholders' behaviour, such as surrender (the policyholder terminates the policy before the maturity date) or conversion to a paid-up status (the policyholder terminates the regular premium payment before the maturity date).

Life Expense Risk

Proteq is exposed to expense risk as actual expenses may exceed expense loadings included in the pricing calculation. This relates to changes in the level, trend or volatility of the costs related to the fulfilment of insurance or reinsurance contracts.

Proteq uses a moderate going concern assumption to derive the expense assumptions. This means that it takes into account portfolios that decline in size owing to growth from new policies failing to keep pace with the expiry of existing policies. As a result, it will be harder to spread fixed costs over a declining total number of policies.

Interest Rate Guarantee Risk

In traditional insurance policies and unit-linked investment policies with an interest rate guarantee, Proteq bears the interest rate risk on the investments that are held to cover the obligations to policyholders. When a benefit or annuity payment is due, Proteq pays the policy holder a predetermined nominal amount.

The following table indicates which risks are associated with specific products for the Life insurance portfolio of Proteq.

PRODUCTS IN THE LIFE INSURANCE PORTFOLIO (SOLVENCY II)								
Product	**Product features**		**Risks per product**					
	Guarantee	Profit-Sharing	Mortality	Longevity	Catastrophe	Lapse	Expense	Disability
Funeral insurance	Insured capital	√	√	√	√	√	√	

7.5.2.2 Life Insurance Portfolio

The individual Life insurance portfolio mainly consists of funeral policies.

The next table provides an overview of the product portfolio.

SCOPE OF VARIOUS INSURANCE CATEGORIES 2022			
In € millions	Annual premium	Sum insured	Technical provision for insurance contracts[1]
Savings-based mortgages	-	-	-
Life annuity	-	-	-
Term insurance	-	-	-
Traditional savings	-	-	-
Funeral insurance	4	513	338
Traditional insurance policies (individual)	**4**	**513**	**338**
Individual insurance policies in investment units	-	-	-
Traditional insurance policies (group)	-	-	-
Group insurance policies in investment units	-	-	-
Subtotal	**4**	**513**	**338**
Reinsurance of term insurance	-	-	-
Proportional reinsurance	-	-	-
Total	**4**	**513**	**338**

1 The technical provision for insurance contracts is before LAT.

BREAKDOWN OF VARIOUS INSURANCE POLICIES 2021			
In € millions	Annual premium	Sum insured	Technical provision for insurance contracts[1]
Savings-based mortgages	-	-	-
Life annuity	-	-	-
Term insurance	-	-	-
Traditional savings	-	-	-
Funeral insurance	4	513	338
Traditional insurance policies (individual)	**4**	**513**	**338**
Individual insurance policies in investment units	-	-	-
Traditional insurance policies (group)	-	-	-
Group insurance policies in investment units	-	-	-
Subtotal	**4**	**513**	**338**
Reinsurance of term insurance	-	-	-
Proportional reinsurance	-	-	-
Total	**4**	**513**	**338**

1 The technical provision for insurance contracts is before LAT.

7.5.2.3 Life Reinsurance

Proteq has an integrated reinsurance programme for the life and disability portfolios. A Catastrophe reinsurance contract for mortality and disability was concluded as an umbrella cover for the different sub portfolios together, with a cover from € 15 million up to € 90 million. Terrorism is covered via a reinsurance pool (NHT).

7.5.2.4 SCR and sensitivities

The table below shows the SCR of the underwriting risk Life. In these calculations only the policies which are negatively affected by these sensitivities are taken into account.

SCR LIFE UNDERWRITING RISK		
In € millions	**2022**	**2021**
Mortality risk	6	5
Longevity risk	2	2
Lapse risk	3	2
Life expense risk	17	21
Life catastrophe risk	0	0
Diversification	-6	-6
SCR Life underwriting risk	**22**	**24**

As Proteq's portfolio consists of funeral insurances only. The main drivers of life underwriting risk are life expense risk and mortality risk. The expense risk decreased slightly, mainly due to the increase of interest rates.

Proteq's portfolio of funeral policies is not directly exposed to longevity risk. However, in case policyholders live longer than expected, expenses will be higher.

Mortality risk

The capital requirement for life mortality risk is equal to the loss in basic own funds resulting from an instantaneous permanent increase of 15% in the mortality rates used for the calculation of the technical provisions. The increase in mortality rates will apply only to insurance policies for which the increase in mortality rates leads to an increase in technical provisions, without risk margin, being the best estimate provision.

Longevity Risk

The capital requirement for life longevity risk is equal to the loss in basic own funds resulting from an instantaneous permanent decrease of 20% in the mortality rates used for the calculation of the technical provisions. The conditions for the calculation are exactly the same as those specified in relation to life mortality risk, although in this case it concerns an increase in the best estimate provision in the event of a falling mortality rate. The groups whom this concerns will generally be those that are less affected by the life mortality risk.

Disability-morbidity risk

This risk is not present in the portfolio, the effect of the shock is set to 0.

Lapse risk

The capital requirement for life lapse risk is equal to the largest of the following capital requirements:
- The capital requirement for the risk of a permanent increase in lapse rates. This is equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from an instantaneous permanent increase of 50%.
- The capital requirement for the risk of a permanent decrease in lapse rates. This is equal to the loss in basic own funds of insurers and re-insurers that would result from an instantaneous permanent decrease of 50%.

- The capital requirement for mass lapse risk. This is equal to the loss in basic own funds that would result from a discontinuance of 40% of the policies.

Year end 2021 Proteq was sensitive for permanent decrease in lapse rates, per year end 2022 the mass lapse risk is leading.

Life expense risk

The capital requirement for life-expense risk is equal to the loss in basic own funds that would result from the following combination of instantaneous changes:
- an increase of 10% in the amount of expenses taken into account in the calculation of the technical provisions;
- an increase of 1 percentage point in the cost-push inflation rate (expressed as a percentage) used for the calculation of the technical provision.

The above shock is applied to all Proteq's continuing operating expenses.

Life catastrophe risk

The capital requirement for life catastrophe risk is equal to the loss in basic own funds resulting from an instantaneous permanent increase of 0.15 percentage points to the mortality rates in the following twelve months.

The increase in mortality rates will apply only to insurance policies for which the increase in mortality rates leads to an increase in technical provisions, without risk margin, being the best estimate provision.

Diversification

Not all risks will materialise at the same time and at their full magnitude resulting in diversification between different risk types.

Sensitivities

The value of the Life insurance portfolio is sensitive to changes in the underwriting parameters used for calculating the market value of liabilities. In order to obtain information on these sensitivities, the effects of changes in mortality rates, surrender rates (including conversions to non-contributory policies) and expense assumptions, including inflation, are calculated separately. The most material items have been disclosed.

The key sensitivities of IFRS equity and the Solvency II ratio to changes in the underwriting parameters are the sensitivities to longevity, expense and inflation risk. Due to the long-term nature of the Life insurance portfolio these sensitivities are sensitive for interest rate movements.

The Solvency II ratio sensitivities for underwriting parameters are based on the estimated impact on own funds without recalculating the SCR after shock.

SENSITIVITY AS A RESULT OF CHANGES IN UNDERWRITING PARAMETERS

	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
In € millions / In %	**2022**	2021	**2022**	2021	**2022**	2021
10% lower mortality rates for all policies (longevity risk)	4	2	4	2	13%	7%
10% increase in expenses assumptions + 1% increase in inflation[1]	-15	-15	-15	-15	-63%	-44%

1 The inflation linked swaps are conservatively not recalculated in this scenario.

7.6 MARKET RISK

7.6.1 Risks - General

Market changes may have a material impact on the value of the assets and liabilities of the insurance business. To manage the mismatch between the assets and liabilities an Asset and Liability Management (ALM) framework is in place in order to optimise between risks and returns and ensure that Proteq's operations remain within its risk appetite.

Market risk is the risk arising from changes in the level or volatility of market prices of financial instruments which have an impact on the value of the assets and liabilities of Proteq. The ALM-framework aims to properly reflect the structural mismatch between assets and liabilities, with respect to the duration thereof.

The following nine sub-market risks have been defined: interest rate, equity, property, spread, inflation, basis, concentration, currency and volatility risk. Proteq achieves its financial objectives by managing these risks adequately. This is done by reducing losses due to movements in the level and/or volatility of market prices of financial assets, liabilities and financial instruments.

Compared to Solvency II (standard model) market risk classification, Proteq recognises three additional market risks, namely inflation (see section 7.5.2.4), volatility and basis risk.

7.6.2 SCR Market Risk

Exposure to market risk is measured under the Solvency II regime using adverse movements in financial variables. The main driver of market risk is the Solvency Capital Requirement for spread risk and to lesser extent the Solvency Capital Requirements for Equity and interest rate risk.

The relevant types of market risk in Solvency II are displayed in the table below:

SCR MARKET RISK		
In € millions	**2022**	**2021**
Interest rate risk	2	16
Equity risk	2	-
Property risk	-	-
Spread risk	7	10
Concentration risk	-	-
Currency risk	-	-
Diversification	-2	-7
SCR market risk	**9**	**19**

The SCR market risk decreased mainly due to a decrease of interest rate and spread risk. This was partly offset by an increase of equity risk.

7.6.2.1 Interest Rate Risk

Interest rate risk is a key component of Proteq's market risk profile. Interest rate risk arises when the interest rate sensitivities of the assets and liabilities are not equal and it is expressed as movements in the capital position if market rates change.

Nominal Insurance Liabilities by buckets

The table below presents nominal cash flows arising from insurance liabilities, net of reinsurance (liabilities) by maturity segment.

CASH FLOWS FROM INSURANCE BUSINESS 2022							
In € millions	**< 1 year**	**1 - 5 years**	**5 - 10 years**	**10 - 15 years**	**15 - 20 years**	**> 20 years**	**Total**
Insurance liabilities - Life	16	58	72	75	66	378	**665**
Total	**16**	**58**	**72**	**75**	**66**	**378**	**665**

CASH FLOWS FROM INSURANCE BUSINESS 2021							
In € millions	**< 1 year**	**1 - 5 years**	**5 - 10 years**	**10 - 15 years**	**15 - 20 years**	**> 20 years**	**Total**
Insurance liabilities - Life	14	53	69	74	66	414	**690**
Total	**14**	**53**	**69**	**74**	**66**	**414**	**690**

The cash flows from the underwriting provisions concern cash flows with a nominal guarantee. This does not include cash flows driven by options and guarantees and the risk margin. The cash flows arising from the underwriting provisions are estimated on a best estimate basis. Assumptions are made of mortality, surrender and costs. A change in assumptions can alter the view of the cash flows in the table. The cash flow projections do not include future profit-sharing. Also the Ultimate Forward Rate (UFR) introduces a risk. It limits the interest rate sensitivity of value of the cash flows of the liabilities included in the table above. Over the course of time, this downward pressure of the UFR on the interest rate sensitivity of the in-force liabilities will disappear.

Solvency Capital Requirement

The capital requirement for interest rate risk is determined on the basis of two scenarios in which the risk-free yield curve is exposed to shocks affecting both assets and liabilities. The first scenario is ‘interest rate up’ and the second ‘interest rate down’. The capital requirement for interest rate risk is defined by the scenario which has the most negative impact on basic own funds. The sign of the SCR interest rate shock (up or down) has to be determined based on the net SCR interest rate risk in accordance with SII legislation. However, the gross SCR interest rate risk determines the size of SCR interest rate risk.

The interest rate scenario used for the up and down Solvency II shocks are prescribed; being in effect a non-parallel up shock with a minimum of 100 bps and a non-parallel down shock, both shocks decreasing for longer maturities and both without re-applying the UFR. For Proteq the down shock is leading.

SCR INTEREST RATE RISK		
In € millions	**2022**	**2021**
SCR interest up shock	-2	-16
SCR interest down shock	-1	-
SCR interest rate risk	**2**	**16**

The interest rate risk decreased mainly due to interest rate hedge rebalancing.

Sensitivities

Proteq uses a scenario-based approach to control the sensitivity of solvency to market conditions, such as interest rates and spreads. The key solvency metric to express the risk is based on the regulatory solvency reported to the Dutch Central Bank (DNB). This method is chosen because Proteq has decided to use regulatory solvency as the principal factor in managing market risks.

Over the course of time, the positive valuation effect of the UFR reduces, which puts downward pressure on the trend in solvency in the future. EIOPA annually re-calculates the UFR in accordance with the methodology to derive the UFR.

For the euro the calculated target UFR for 2022 was 3.45.%. Per 1 January 2023 the applicable UFR will remain at 3.45%, this should have a neutral impact on solvency. Annual change of the UFR is according to the methodology limited to 15 basis points.

The tables below show the sensitivity of the IFRS result, IFRS equity and Solvency II ratio to changes in interest rates as a result of a decrease or an increase by 0.50% of the interest rates (maintaining the UFR at 3.45%), decreases in the UFR of 0.15% and 0.5% and the impact of the VA on the Solvency II ratio.

Under IFRS the impact of different UFR is slightly different than under Solvency II due to tiering and the VA (not applicable under IFRS).

SENSITIVITY						
	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
In € millions / In %	**2022**	2021	**2022**	2021	**2022**	2021
Interest +50 bps	-4	-13	-4	-13	-5%	0%
Interest -50 bps	4	17	4	17	4%	-5%
UFR -15 bps	-2	-3	-2	-3	-8%	-3%
UFR -50 bps	-5	-10	-5	-10	-34%	-13%
Excluding VA					-47%	-3%

Proteq's interest rate hedging policy aims to ensure that obligations towards policyholders are fulfilled in both the short-term and the long-term. In addition, it aims to enable its providers of capital to receive a reasonable return (in terms of market value) that is in line with Proteq's risk exposure and to stabilise the solvency ratio. Proteq manages its interest rate risk by stabilising the Solvency II ratio after an up or down interest rate shock, taking the UFR of 3.45% into account.

7.6.2.2 Equity Risk

The SCR for equity risk is equal to the loss in market value of the basic own funds in the event of a sudden shock to equities including a so-called symmetric adjustment. This adjustment corrects the equity shock for the difference between the current level of global equity prices and a long-term average and can vary between a minus 10% adjustment and a plus 10% adjustment.

SCR for equity risk consists of type 1 and type 2 equities. Type 1 equities are equities listed in regulated markets which are members of the EEA or OECD. Type 2 equities are equities listed in countries other than members of the EEA and/or OECD, non-listed equities, private equities, hedge funds, commodities and other alternative investments.

The SCR for equity risk is defined as the aggregation of the capital requirement for type 1 equities and the capital requirement for type 2 equities, allowing a correlation of 0.75 between types 1 and 2.

A transitional arrangement can be applied to type 1 equities in order to reduce the standard capital charge. Proteq does not apply this transitional arrangement.

In € millions	2022	2021
Type 2 equities	2	-
Equity risk	**2**	**-**

The SCR for equity risk is € 0 million at year end 2022.

7.6.2.3 Spread Risk

Spread risk is defined as the sensitivity of the value of assets, liabilities and financial instruments to changes in the level or volatility of the credit spread above the risk- free interest rate term structure. The spread risk for the insurance business arises in the fixed-income investment portfolio, which includes securitisations, loans, corporate and government bonds that are sensitive to changes in credit risk surcharges. Increasing credit risk surcharges have a negative effect on the market value of underlying bonds.

The SCR for spread risk is determined by calculating the impact on the eligible own funds due to the volatility of credit spreads over the term structure of the risk-free rate. The required capital for spread risk is equal to the sum of the capital requirements for bonds, loans and structured products. The capital requirement takes into account the market value, the modified duration and the credit quality category.

SCR SPREAD RISK		
In € millions	**2022**	**2021**
Bonds and loans	7	10
Spread risk	**7**	**10**

Spread risk decreased mainly due to improved modelling of parts of our bond portfolio including options. And also due to spread and interest rate increases, decreasing the value of the credit and bond portfolio.

Proteq defines basis risk as the risk that offsetting investments in a hedging strategy will not experience price changes in entirely opposite directions from each other. This imperfect correlation between the two investments creates the potential for excess gains or losses in a hedging strategy, thus adding risk to the position.

Credit risk surcharges are also a source of basis risk in the valuation of insurance liabilities. The basis risk relates to the risk of a mismatch between the interest rate used in the valuation of the liabilities and the interest rate used for the asset portfolio. This basis risk mainly emanates from the risk that movements in the interest rate on the EU government bonds held in portfolio will not be in line with movements in the swap rate.

The swap curve (including UFR) is currently used when discounting insurance liabilities under IFRS. A change in the swap curve has a direct impact on the value of the insurance liabilities. This leads to volatility in the available capital, as the interest rate used for the valuation of the investment portfolio differs from the relevant swap curve for the insurance liabilities.

Under the Solvency II regime the swap curve with a prescribed Ultimate Forward Rate (UFR) is used when discounting insurance liabilities, adjusted for credit risk (CRA) and a Volatility Adjustment (VA). The VA moves along with the credit spreads, but still substantial basis risk exists because the VA is based on a reference portfolio instead of Proteq's own asset portfolio, and also a 65% scaling factor is applied to determine the VA. For managing market risks a number of combined scenarios is determined with (different) simultaneous shocks to risk categories. In this scenario-based approach among others credit spreads, volatility (interest rate volatility and equity volatility) and best estimates for the VA are taken into account.

While interest rate risk regarding the Solvency II ratio sheet is well matched, there remains significant volatility as the credit risk profile of Proteq differs from the profile implied by the Volatility Adjustment (VA).

Under Solvency II an increase of credit spreads also leads to an increase of the Volatility Adjustment impacting the value of the liabilities. Proteq assumes that an increase of all credit spreads of 50 bps leads to an increase of the VA of 23 bps, an increase of 50 bps on corporates to an increase of the VA of 13 bps and an increase of 50 bps on government bonds to an increase of the VA of 10 bps. The change of the VA has no impact on the value of the liabilities under IFRS.

SENSITIVITY						
	IFRS net result		IFRS shareholders' equity		Solvency II ratio[1]	
In € millions / In %	**2022**	2021	**2022**	2021	**2022**	2021
Credit spreads Government Bonds +50 bps	-12	-21	-12	-21	-49%	-30%
Credit spreads Corporates +50 bps	-2	-2	-2	-2	15%	9%
All Credit spreads +50 bps	-14	-23	-14	-23	-25%	-19%

1 An increase of credit spreads also leads to an increase of VA, impacting the value of the liabilities.

7.6.2.4 Concentration Risk

Concentration risk is defined as all risk exposures associated with a potential loss that is significant to endanger the solvency or financial position of insurance and reinsurance undertakings.

A concentration risk charge is prescribed under Solvency II when the issuer exposure exceeds a certain percentage threshold of the asset base depending on the credit rating of the issuer and the type of investment. The SCR for concentration risk is calculated on the basis of single name exposure. This means that undertakings which belong to the same corporate Group are treated as a single name exposure.

Proteq still holds substantial investments in German and Dutch government bonds and supranational issuers which are excluded from (the Solvency II scope of) concentration risk. As of 31 December 2021, the applicable Solvency II thresholds have not been exceeded and as a result no concentration risk charge was applicable to Proteq.

7.6.2.5 Currency Risk

Currency risk is defined as the sensitivity of the value of assets and liabilities to changes in the level or volatility of exchange rates.

Proteq is not exposed to currency risk.

7.6.2.6 Volatility Risk

Volatility risk is defined as the risk of losses due to changes in (implied) volatilities (interest rate and equity). The volatility risk is not material.

7.6.2.7 Diversification

Not all risks will materialise at the same time and at their full magnitude, resulting in diversification between different risk types. Solvency II prescribes a correlation matrix for the diversification effect in the SCR Market Risk module in order to aggregate the results of the types of market risks. This leads to a lower amount of total Market Risk compared to the sum of the individual market risk types. Solvency II furthermore prescribes that a downward SCR interest rate shock will be more correlated with an equity, spread and property shock compared to an upward interest rate shock.

At 31 December 2022, Proteq had a net balance sheet exposure to a upward interest rate shock.

7.7 COUNTERPARTY DEFAULT RISK

7.7.1 Risks - General

Proteq defines counterparty default risk as the risk of potential losses due to unexpected payment defaults of the counterparties and debtors of Proteq within the next twelve months.

The SCR Counterparty Default Risk covers risk-mitigating contracts such as reinsurance arrangements, derivatives, security lending and repos, and cash at bank, retail mortgages and receivables from intermediaries, as well as any other credit exposures not covered by the SCR Spread Risk.

For each counterparty, the overall credit default risk exposure of Proteq to that counterparty is measured, irrespective of the legal form of its contractual obligations. Its calculation also takes into account collateral or other security held by or for the account of Proteq and the risks associated therewith.

Fixed-income Investment Portfolio

The counterparty default risk within the fixed-income investment portfolios of Proteq is the risk that an issuer of a bond or a debtor of a private loan does no longer meet its obligations. The strategic allocation to the various investment grade categories within the fixed-income portfolio is determined in the context of ALM and laid down in mandates with the asset managers.

Derivatives Exposure

The counterparty default risk related to the market value of the derivatives held by Proteq with a counterparty is managed by means of a Credit Support Annex (CSA) agreement in accordance with standard industry practice. These agreements stipulate that the underlying value of the derivatives must be posted as collateral in liquid instruments, such as cash and government bonds, to cover the counterparty default risk.

7.7.2 SCR Counterparty Default Risk

The counterparty default risk module reflects the possible loss as a consequence of defaults and deterioration in the credit standing of counterparties over a 12-month period. The SCR for the counterparty default risk is determined by aggregating the capital requirements of type 1 and type 2 exposures.

Type 1 exposures are exposures that have low diversification effects and for which the counterparty is likely to have an external rating. Solvency II treats the following as type 1 exposures:

- risk-mitigation contracts, including reinsurance arrangements, special purpose vehicles (SPVs), insurance securitisations and derivatives;
- cash at bank;
- deposits with ceding undertakings;
- commitments received by an insurance or reinsurance undertaking which have been called up but are unpaid;
- legally binding commitments which the insurer has provided or arranged and which may create payment obligations depending on the credit standing of a counterparty.

The capital requirement for counterparty default risk on type 1 exposures depends on the loss-given-default (LGD) and the probability of default (PD) of every single name exposure. The PD depends on the creditworthiness of the single name exposure.

Type 2 exposures consist of all exposures to which the capital requirement for spread risk is not applicable and which are not of type 1. In general, these are diversified exposures which do not have an external rating. Solvency II explicitly mentions the following exposures in the context of type 2:

- receivables from intermediaries;
- policyholder debtors;
- mortgage loans which meet a set of requirements.

The capital requirement for counterparty default risk on type 2 exposures as defined by EIOPA is equal to the sum of 90% of the LGD of receivables from intermediaries due for more than three months and 15% of the LGD of other type 2 exposures.

The SCR for counterparty default risk is determined by aggregating the capital requirements for type 1 and type 2 exposures with a correlation of 0.75 between types 1 and 2. This gives rise to diversification between type 1 and type 2 capital requirements because not all risks will materialise at the same time and at their full magnitude.

COUNTERPARTY DEFAULT RISK		
In € millions	2022	2021
Type 1 exposures	2	7
SCR counterparty default risk	**2**	**7**

The decrease in SCR counterparty default risk for type 1 exposures is mainly due the de decrease of the market value of derivatives.

7.8 LIQUIDITY RISK

7.8.1 Risks - General

Liquidity risk is defined as the risk that Proteq would have insufficient liquid assets to meet its financial liabilities in the short-term, in a going concern situation or in times of a stress situation, or if obtaining the necessary liquidity would mean incurring unacceptable costs or losses.

The liquidity risk is monitored and managed both at consolidated level and at legal entity level separately as no risk capital is charged according to the standard formula of Solvency II.

7.8.2 Policy

The policy of Proteq is to have more liquidity available than it is required to hold based on internal risk management minimum levels. The objective of the internal risk management minimum levels is to ensure that Proteq is able to fulfil its obligations towards policyholders and all legal obligations.

The liquidity risk policy uses three sources of liquidity:
1. the cash position
2. the liquidity buffer
3. the liquidity contingency policy.

Cash position

The first source of liquidity concerns the cash position. This position is built up from the cash management process from investments management and cash management process from underwriting and operating activities. In the investments cash management process all cash flows from investments are managed by our investment managers.

Proteq has taken into account that all obligations to policyholders must be respected and that these obligations will be paid throughout the underwriting and other operating cash management process. If at any time these obligations exceed the premium income additional cash will be transferred from the investment cash management process. Otherwise, when premiums exceed the payments in the operational cash management process, cash will be transferred to the investments cash management process, for the purpose of the investing excess cash (temporarily).

Liquidity buffer

The second source is the liquidity buffer. Together with the cash position, the liquidity buffer forms the overall liquidity position of the entity. The liquidity buffer is a good indicator for the overall liquidity position of Proteq and takes into account all available assets and the impact of prescribed shocks in a stress scenario, including the respective liquidity needs in these scenarios for the margining of derivatives. Furthermore, on the asset side Proteq applies liquidity tiering and assigns a liquidity value for various time horizons and scenarios. Monitoring of this buffer accounts for an important part of the daily activities of Proteq.

Liquidity contingency policy

The last source of liquidity relates to a situation in which the normal liquidity and buffers turn out to be insufficient. In case of such a contingency, Proteq has implemented a Crisis Management Team (CMT) structure and a predefined set of potential management actions. The CMT must take timely action in rapidly deteriorating liquidity circumstances in order to avoid default or bankruptcy that could occur in the worst case and/or to settle all of the obligations under the insurance portfolio in an orderly manner.

7.8.3 Exposure

The required liquidity is determined based on absorbing shocks in a stress situation. The shocks are applied on prescribed risk categories. These risk categories are mass lapse (Life insurance) and interest rate movements. In total, the liquidity buffer is sufficient to cover a severe liquidity stress scenario.

7.9 NON-FINANCIAL RISK

7.9.1 Risks - General

Management of the Business Line or Function is responsible for the overall risk management cycle in their Business Line or Function from identification to monitoring and management of action plans. They report about the status of both operational and compliance risk directly to the Executive Board members. Compliance and Operational Risk, as second line departments, monitor and provide advice to management on compliance risk and operational risk. They frequently have direct contact with the Executive Board and Supervisory Board and are represented in the Risk and Audit Committee of the Supervisory Board, PC, ORC Athora Netherlands and in the ORC's and PMP's of the MTs (see Section 7.2.5 Risk Organisation) of Proteq. Within the PMP MTs, Compliance advises on the development, evaluation and approval of products in accordance with laws, regulations, the AFM criteria and criteria related to treating customers fairly.

Compliance Risk

Compliance risk is the risk that an organisation is potentially able to suffer legal or regulatory sanctions, material financial loss, or loss of reputation as a result of non-compliance with applicable laws, regulations, rules, self-regulatory standards, codes and unwritten rules.

Non-compliance with integrity- and/or conduct related rules can potentially lead to regulatory action, financial loss and/or damage to the reputation of Proteq, for example fines, compensation, disciplinary action, imprisonment or exclusion proceedings.

Laws and regulations within scope pertain amongst others to those laws and regulations as supervised by the Authority for the Financial Markets (AFM), the Dutch Central bank (DNB), the Authority for Consumers and Markets (ACM) and the Data Protection Authority (AP) for aspects related to non-financial risks. This includes the Dutch Financial Supervision Act (Wft), the Dutch Financial Supervision Act (Wwft), the Dutch Sanctions Act, as well as relevant European laws such as Solvency II and guidance from the Dutch Association of Insurers and other relevant bodies.

Operational Risk

Operational risk represents the risk of an economic loss, a negative reputational or supervisory impact resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risks include the risk of a material misstatement in Proteqs financial reporting and legal risks, but excludes strategic and business risks. Operational risk events can lead to adverse consequences beyond a pure financial loss. The assessment of possible reputational impacts following an operational event is an explicit part of the operational risk management process.

Operational risks are inherent in all of Proteq's insurance products, activities, processes and systems and the management of operational risk is a fundamental element of Proteq's risk management framework. Operational (and compliance) risks are inherent risks that do not provide more returns when taking more risk and have to be controlled and managed. The responsibility of Proteq also extends to managing risks for outsourced activities. Proteq recognises the following types of operational risk categories: Business Process risk, Change risk, Model risk, Third Party risk, HR risk, Reporting risk, Business Continuity risk, Data risk and Information Security risk.

7.9.2 Exposure to Non-financial Risks

During 2022, as an important part of Proteq's risk management system, Proteq further improved the Integrated Control Framework where process and management controls are an important part. Continuous attention on the quality of process and control design, testing of effectiveness of controls, monitoring compliancy, reporting and analysis tooling and process ownership enables the organisation to manage and monitor compliance and operational risks in an efficient and effective manner. Based on the monitoring of all risk types, in this paragraph the main developments and risk events are described. Proteq's management is of the opinion that action plans and programs are in place to sufficiently address and mitigate these risks.

Compliance Risk

Due to the great complexity of the legislation with regard to Solvency II, IFRS, GDPR, Wwft, SFDR, IDD, PRIIPS and Supply Chain Responsibility and changes to the pension legislation (Wtp), legislation may not be unequivocally implemented on time, resulting in Proteq not being compliant and potentially suffering reputational damage. Proteq has a framework in place to track the implementation of legislative requirements in order to be in control of this risk.

Proteq is exposed to potential governance risks. Addressing these risks Proteq has a dedicated Institutional Conflict of Interest Policy including a concrete procedure. Furthermore, a governance framework with Athora Group is in place supporting collaboration and cooperation between Athora Netherlands and its shareholder Athora and its affiliates. From the end of 2021 to the beginning of 2022, DNB performed a governance effectiveness assessment on the functioning of the governance of Athora Netherlands (and therefore on Proteq). On 9 June 2022, Athora Netherlands received feedback from DNB on their governance effectiveness assessment. On 30 November 2022, Athora Netherlands submitted a detailed plan with governance enhancements taking into account the large company regime and other regulatory expectations including a roadmap for implementation of these enhancements. The roadmap provides, amongst others, for a pilot on the governance framework with Athora Group to test the revised governance protocol. The regulator will continue to monitor and evaluate the enhancements as part of its ongoing supervisory activities.

For a Life insurer, the financial economic crime risks are considered to be low. As a financial institution, Proteq has the responsibility to ensure detection and prevention of unusual transactions. In Proteq's efforts to ensure compliance with applicable laws and regulations, instances of non-compliance can potentially occur. Proteq assesses product specific risks with regard to sanctions, money laundering and terrorist financing on a regular basis.

In June 2022, Athora Netherlands, through its subsidiary SRLEV N.V., received a letter from DNB requiring remediation with regard to regulations relating to anti-money laundering and countering the financing of terrorism to be completed before 31 December 2022. During 2022, we continued remediation activities to further address shortcomings. In the course of our remediation activities some risk acceptance decisions have been made. The remediation activities resulted in a reduced risk profile and further enhancements will be implemented in 2023. For Athora Netherlands (and therefore also for Proteq), anti-money laundering Compliance will remain a strategic priority. Therefore, Athora Netherlands will continue enhancing its anti-money laundering procedures, taking into account any potential Compliance and/or Internal Audit findings.

We have key risk indicators in place with regard to financial economic crime such as the number of high risk classified clients and/or business partners and the number of overdue actions. We are operating within the acceptable key risk indicators norms.

Risks (including reputational risk) are not fully excluded in the non-accruing investment-linked policy file, due to the combined effects of intermittent media exposure, political opinion, court judgements and inaction on the part of customers. The client base is continuously addressed through Proteq’s aftercare programme.

Due to the General Data Protection Regulation's consequences on systems and processes, privacy risks are taken into account. In 2022 special attention has been paid to cleansing of data. As part of the 2022 Compliance Monitoring Plan, a review of GDPR Governance, Communication to Data Subjects and privacy related to Third Parties has been conducted. Given the importance of protecting personal data, monitoring of privacy risks is also part of the 2023 Compliance Monitoring Plan. Local Privacy Champions, in cooperation with the appointed Data Protection Officer, safeguard full attention on Proteq's compliance with the privacy regulation.

Operational Risk

Business Process Risk
Proteq change projects, both initiated from strategic change, as well as license to operate projects were identified as the main source of business process risk as same resources were often needed for both change as daily operations. New strategic activities required embedding in the ICF and training and awareness for process risk management. The ICF program that started in 2021 to strengthen the fundament of the ICF, namely the quality of process risk assessments, process- and key control design and change procedures ended successfully and activities and monitoring were fully embedded in business as usual.

Change Risk
Important strategic changes combined with a large volume of license to operation programs bear change risk and alignment on strategic steps forward. During 2022 improvements were made in the change portfolio management governance to further align strategy execution and improve business agility. Improvements include installation of bi-weekly Steering committee meetings and quarterly business reviews (QBR). To facilitate this an integrated strategy & roadmap has been drafted. The improvement of the process change process further facilitates sound and controlled change implementation.

Model Risk
In 2022, Proteq updated the compact model risk overviews to maintain good insight in its model risk. Model risk was further reduced by follow-up of second line findings via improving models. Within the model landscape important steps towards lower model risk have been taken by improving models and systems. Ongoing model assessments on reporting, (asset) valuation and pricing models, following a risk-based approach, further increased model insight and provides guidance towards lower model risk.

Third Party Risk
Monitoring and governance regarding outsourcing within Proteq required further risk attention. An Outsourcing and Vendor management Team was installed to further develop monitoring and reporting standards, and make Proteq's outsourcings partners further adhere to strict outsourcing requirements in order to mitigate Proteq third party risk and withstand future strategic challenges.

The approach of Proteq is to outsource activities in those areas in the customer value chain where an external service provider can provide added value. When specific activities for outsourcing have been identified a risk analysis is part of the preparation phase. In case of cloud services an additional risk analysis is performed to manage the risks particularly related to cloud. The results of the risks analysis are reflected in the contracts with the service providers.

HR Risk
Effective resourcing is essential for the execution of strategy and to qualitatively maintain business as usual activities including a healthy balance on in- and external FTE 's. To accomplish a new and fit company culture, culture aspects are embedded within the strategy program, removing possible silos and stimulating involvement in the hybrid working concept. Staff turnover was monitored in 2022 closely to mitigate HR that was perceived relatively high in 2022 in specific areas of the organisation due to work pressure, (Strategic) change program in combination with attractive labour market.

Reporting Risk
Effective and timely implementation of IFRS17 is identified as the main source for future reporting risk. The ICF transformation within Finance improved demonstrability and risk awareness of financial reporting processes but will require further attention and awareness to further align with ICF requirements and to demonstrably mitigate financial reporting risks.

Business Continuity Risk
Business continuity risk was regarded minimal in 2022 as working from home proved to be no obstacle for running efficient and effective processes. Fallback tests were held and proved to be successful. Further strategic outsourcing may impact business continuity and therefore require additional mitigating measures.

Data Risk
Data risk was regarded minimal throughout 2022 but attention for data expertise will increase to mitigate data risk related strategy initiatives for digitalisation and automation.

Information Technology Risk
For the Proteq IT organisation, 2022 has been a year of a lot of changes and challenges. In the beginning of the year the IT department became part of the new OPS and IT organisation, which gives new opportunities to improve efficiency and effectivity. As a consequence the name changed from DTC to IT.

Also in 2022 the P&C migration to NN is successfully finished and the applications and infrastructure for P&C have been removed which simplifies the IT landscape. ACTIAM has successfully been migrated to Cardano. IFRS has been implemented and a lot of other change related projects were delivered on schedule and within financial boundaries. IT also focused on possibilities for outsourcing parts of IT as an alignment with the new Proteq business strategy and organisation.

In 2022 IT has been continuing the work on improving process automation of the IT processes. Proteq is aware that these developments require high standards of change management and service delivery management within the IT department in order to maintain an IT landscape that is in control and is managing IT risks. The In Control Framework (ICF) has been improved to a next level. Compliance with regulations and legislation is key and IT Risk Management is at the right level to monitor and mitigate risks. A low number of incidents and high availability of the business applications show the success of these high standards.

Proteq is more and more a data driven organisation thus improving the quality of decision-making and customer orientation. Data governance is in place to evaluate, direct and monitor data initiatives and the implementation of data policies and data related legislation. The integration of processes, systems and data based on a solid data infrastructure has been successful to improve quality, efficiency and cost reduction.

Cybercrime Risk
Cybercrime risk is growing over the years, and attackers are becoming more professionalised and aggressive. Also the political situation around Ukraine gives extra threats. Ransomware but also supply chain attacks are becoming more frequent and sophisticated. As more services are outsourced, cybercrime does not only concern Proteq itself, but may also impact the outsourced services and data. The new Digital Operational Resilience Act (DORA) requires financial institutions to increase the level of security of their outsourcing partners to mitigate these risks. Athora already started implementing the new act.

For Proteq mitigating the cybercrime risk is a key priority which is also reflected in the Board level attention it gets. Cybercrime will remain high on the agenda of the Proteq Board and Risk Boards. In 2022 no major incidents related to cybercrime occurred within Proteq. To manage the increasing risk effectively in 2022 additional mitigating measures were implemented. In October Proteq participated in the ‘Alert Online’ campaign with a lot of awareness improving activities. Suppliers were monitored in their security testing. Also in 2022 Proteq contracted four specialised suppliers to strengthen its cyber defense, for example to improve the security monitoring and provide more threat intelligence. Incident response training has been practised, also at Board level, to minimise damage done by an attack. A cybercrime plan for 2023 has been drafted and Proteq will keep on focusing on mitigating this risk, also for outsourced services.

7.9.3 SCR Operational Risk

Operational risk is the risk of losses caused by weak or failing internal procedures, weaknesses in the action taken by personnel, weaknesses in systems or because of external events. This takes into account legal risks, but risks that are a consequence of strategic decisions or reputational risks are disregarded. The technical provision for own risk is part of the calculation of the SCR operational risk.

The basic capital requirement for operational risk is calculated by taking the maximum of (a) the capital requirement for operational risks on the basis of earned premiums and (b) the capital requirement for operational risks on the basis of technical provisions and adding 25% of the expenses incurred in respect of unit linked business.

SCR OPERATIONAL RISK		
In € millions	**2022**	**2021**
Proteq	2	2

Amstelveen, the Netherlands, 29 March 2023

The Supervisory Board

R.M.S.M. (Roderick) Munsters

M.A.E. (Michele) Bareggi

E. (Elisabeth) Bourqui

F.G.H. (Floris) Deckers

J.M.A. (Hanny) Kemna

H. (Henk) Timmer

The Executive Board

J.A. (Jan) de Pooter

A.P. (Annemarie) Mijer

E.P. (Etienne) Comon

J.H. (Jan-Hendrik) Erasmus

OTHER INFORMATION

1 PROVISIONS IN ARTICLES OF ASSOCIATION GOVERNING THE APPROPRIATION OF PROFIT OR LOSS

Article 35

35.1. The profit shall be to the appropriation of the general meeting.

35.2. The company can only make payments to shareholders and other entitled parties to the account of the profit up for distribution in so far as the own capital is larger than the subscribed capital increased by the reserves that have to be kept by law.

35.3. Profit distribution shall only take place after adoption of the annual accounts which show that the distribution is allowed.

Article 36

36.1. Dividend shall become payable within fourteen days after declaration, unless the general meeting determines another date on a motion by the board of directors.

36.2. Dividend that has not been claimed within five years after it has become payable, shall revert to the company.

36.3. The general meeting may decide that dividends shall be paid entirely or partially in another form than in cash.

36.4. If so decided by the general meeting on a motion by the board of directors, interim dividend shall be distributed, including an interim distribution of reserves, with due observance of the provisions in section 2:105 paragraph 4 Civil Code.

36.5. A deficit may only be amortised to the account of the statutory reserves insofar as is allowed by law or these articles of association.

Independent auditor's report

To: the shareholder and supervisory board of Proteq Levensverzekeringen N.V.

Report on the audit of the financial statements 2022 included in the annual report

Our opinion

We have audited the financial statements 2022 of Proteq Levensverzekeringen N.V. ('Proteq' or 'the Company'), based in Alkmaar, the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Proteq Levensverzekeringen N.V. as at 31 December 2022, and of its result and its cash flows for 2022 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The statement of financial position as at 31 December 2022
- The following statements for 2022: the statements of profit or loss, total comprehensive income and changes in equity and the cash flow statement
- The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Proteq Levensverzekeringen N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

Proteq Levensverzekeringen N.V. is a life insurance company with Athora Netherlands N.V. as holding company. Proteq manages an inactive, individual life insurance portfolio of the Reaal brand that mainly consists of funeral insurances.

We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	EUR 1.3 million (2021: EUR 1.8 million)
Benchmark applied	2.0% of total shareholder's equity (2021: 2.0% of total shareholder's equity)
Explanation	We consider Proteq's total shareholder's equity and solvency, and the ability to meet policyholder liabilities, key indicators for the users of its financial statements. As such, we have based materiality on total shareholder's equity.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of EUR 65 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Teaming and use of specialists

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a client in the financial services industry. We included specialists in the areas of IT audit, forensics, sustainability, legal and income tax and have made use of our own actuaries and experts in the areas of valuation of technical provisions and valuation of unlisted investments.

Our focus on climate risks and the energy transition

Climate change and the energy transition are emerging topics and lead to significant change for many businesses and society. The executive board of Proteq has reported in the section 3.3 'Sustainability' of the annual report how the Company is addressing climate-related and environmental risk and taking into account related regulatory and supervisory guidance and recommendations.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the possible effects of the energy transition are taken into account in accounting estimates and significant assumptions as well as in the design of relevant internal control measures by Proteq, including those related to the estimation of liabilities related to insurance contracts. Furthermore, we read the Executive Board report and considered whether there is any material inconsistency with the financial statements.

Based on the audit procedures performed, we do not deem climate-related risks to have a material impact on the accounting estimates or significant assumptions used in the financial reporting per 31 December 2022.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Our audit response related to fraud risks

We identify and assess the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the Company and its environment and the components of the system of internal control. This includes the risk assessment process and the executive board's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes.
We refer to section 3.3.9 of the Executive Board report for the Executive Board's (fraud) risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. In our risk assessment we considered the potential impact of amongst others organizational changes. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls, and used data analysis procedures to identify and address high-risk journal entries. We also performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in 'Estimates and Assumptions' (Note 6.1.3 to the financial statements), that include valuation of insurance contract liabilities including shadow accounting and liability adequacy test. We refer to the description of our audit approach in the key audit matter 'Estimates used in calculation of insurance liabilities including shadow accounting and Liability Adequacy Test (LAT)'.

We did not identify a risk of fraud in revenue recognition.

We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance, actuarial function and risk management) and the Supervisory Board.

The fraud risk we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations
We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the Executive Board, inspecting the integrity risk analysis (SIRA), reading minutes, inspection of internal audit and compliance & risk management reports and performing substantive tests of details of classes of transactions, account balances or disclosures. We refer to note 7.9 to the financial statements for details of the Proteq's compliance risk (management).

We also read lawyers' letters, communicated with and read correspondence with regulatory and supervisory authorities and remained alert throughout the audit to any indication of (suspected) non-compliance relevant to the audit. In case of potential non-compliance with laws and regulations that may have a material effect on the financial statements, we assessed whether Proteq has an adequate process in place to evaluate the impact of non-compliance for its activities and financial reporting and, where relevant, whether Proteq implemented remediation plans, amongst which compliance with the Dutch Act on the prevention of money laundering and financing of terrorism for which there are still outstanding remediation actions to be concluded. Furthermore at the end of 2022 Proteq prepared a detailed plan with governance enhancements taken into account the large company regime and other regulatory expectations including a road map for implementation of these enhancements. We refer to section 'Compliance Risk' in note 7.9.1 'Exposure to Non-financial Risks – Compliance Risk'. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern

The executive board made a specific assessment of the Company's ability to continue as a going concern and to continue its operations for the foreseeable future. We discussed and evaluated the specific assessment with the executive board exercising professional judgment and maintaining professional skepticism.

We considered whether the executive board's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. , also focusing on whether the Company will continue to meet the regulatory solvency requirements. To this end, we also inspected the Own Risk & Solvency Assessment (ORSA). If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify serious doubts on the Company's ability to continue as a going concern for the next 12 months. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

In comparison with previous year, the nature of our key audit matters did not change.

Estimates used in calculation of insurance liabilities including shadow accounting and Liability Adequacy Test (LAT)	
Risk	Proteq has insurance liabilities of EUR 372 million representing 72% of the Company's total liabilities. The measurement of insurance liabilities involves judgment over uncertain future outcomes, mainly the ultimate total settlement value of long-term liabilities, including any guarantees provided to policyholders. The Company's IFRS liability adequacy test (LAT) is performed in order to confirm that insurance liabilities are adequate in the context of expected future cash outflows. As at 31 December 2022, the LAT shows a deficit. As a consequence, insurance liabilities are primarily measured on the basis of the LAT to cover for this deficit. Changes in estimates and assumptions used in the LAT therefore directly impact Proteq' profit or loss. The setting of mortality, longevity, expense and lapse assumptions in the LAT, as well as discount curves and the assumptions to determine the fair value of loans, require application of significant judgment and we considered the potential risk of management override of controls or other inappropriate influence over the financial reporting process. The company applies shadow accounting in its financial reporting as disclosed in note 6.1.5. Shadow accounting is complex, requires judgment regarding results that apply for shadow accounting and has a significant impact on the liabilities arising from insurance contracts. The company has comprehensive procedures and internal controls in place to determine the shadow accounting. We therefore consider estimates used in calculation of insurance liabilities including shadow accounting and Liability Adequacy Test (LAT) and related disclosures a key audit matter. We refer to the Accounting Policies for the Statement of Financial position (6.1.5) on 'Insurance Liabilities' and Note 15 'Insurance Liabilities and Reinsurance Share' of the financial statements.
Our audit approach	Our audit procedures included, amongst others, assessing the appropriateness of the Company's accounting policies related to the measurement of insurance liabilities and the IFRS LAT according to IFRS 4 'Insurance contracts'.

Estimates used in calculation of insurance liabilities including shadow accounting and Liability Adequacy Test (LAT)	
	We involved our actuarial specialists to assist us in performing audit procedures in this area. This included among others consideration of the appropriateness of the mortality, longevity, expense and lapse assumptions used in the valuation of life insurance liabilities. As part of these procedures, we evaluated Company and industry data, and expectations of developments in this respect. In addition, we considered the validity of the Company's IFRS LAT results which is a key test performed in order to ensure that insurance liabilities are adequate in the context of expected future cash flows based on best estimate assumptions plus a risk margin. Our work on the LAT includes evaluating the reasonableness of the projected cash flows and challenging the assumptions adopted, including mortality, longevity, expenses (including inflation) and lapses and discount curves. We audited the application of shadow accounting amongst others by inspecting the reconciliations of the fair value changes of the investments with the investment administration, assessing the calculation and the accounting of the related shadow accounting adjustment in the liabilities arising from insurance contracts. Other key audit procedures included evaluating the Company's methodology for calculating the insurance liabilities and an evaluation of the design of internal controls in this respect. We considered the analysis of the movements in insurance liabilities during the year. We assessed whether the movements are in line with the changes in assumptions adopted by the Company, our understanding of developments in the business and our expectations derived from market experience. We evaluated Proteq disclosures in relation to insurance liabilities and LAT results in accordance with IFRS 4 'Insurance contracts'.
Key observations	We consider the estimates used in the calculation of insurance liabilities and in the IFRS LAT to be within a reasonable range. The disclosures of insurance liabilities and LAT results meet the requirements of EU-IFRS.

Reliability and continuity of the information technology and systems	
Risk	Proteq is highly dependent on its IT systems and IT infrastructure for the continuity of the operations and preparation of its annual accounts. Proteq continues to invest in its IT systems and IT infrastructure and processes to meet clients' needs and business requirements. Proteq is continuously improving the efficiency and effectiveness of its IT systems and IT infrastructure and the reliability and continuity of the electronic data processing, including its defense against cyber-attacks. Taking into account the significance of the IT systems and IT infrastructure for Proteq's process of preparation of annual accounts, we considered this a key audit matter with respect to potential impact it can have on the financial statements and continuity of processes and effectiveness of internal controls in processes relevant to reporting.
Our audit approach	IT audit professionals are an integral part of the audit team and assessed the reliability and continuity of the IT environment to the extent necessary for the scope of our audit of the financial statements. Our audit was not primarily designed to express an opinion on the continuity and reliability of Proteq's automated data processing (or parts thereof) and we have not been instructed to do so by the executive board. As part of our audit procedures we have assessed the changes in the IT systems and IT infrastructure and have tested the reliability and continuity of electronic data processing within the scope of the audit of the financial statements. Our procedures included evaluating the design and testing

Reliability and continuity of the information technology and systems	
	operating effectiveness of controls with regards to IT systems and processes relevant for financial reporting as well as additional (substantive) procedures if deemed necessary. In response to the (inherent) increased frequency and severity of cyber incidents and heightened concerns from regulators and other stakeholders about cybersecurity attacks and breaches, we have evaluated cybersecurity risks as part of our annual audit procedures. Our main focus during this audit was to gain an understanding of the cybersecurity risks at Proteq and the actions taken by the Company to address these risks.
Key observations	Our testing of the IT (general) controls and IT substantive procedures performed, provided sufficient evidence to enable us to rely on the adequate and continued operation of the IT systems relevant for our audit of the financial statements.

Report on other information included in the annual report

The annual report contains other information in addition to the financial statements and our auditor's report thereon

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Executive Board is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the supervisory board as auditor of Proteq Levensverzekeringen N.V. on 29 October 2015, as of the audit for the year 2016 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of the executive board and the supervisory board for the financial statements

The executive board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the executive board is responsible for such internal control as the executive board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the executive board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the executive board should prepare the financial statements using the going concern basis of accounting unless the executive board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The executive board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The 'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.
Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee of the Supervisory Board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 29 March 2023

Ernst & Young Accountants LLP

Signed by M. Koning

ADDITIONAL INFORMATION

1 PRINCIPLES UNDERLYING/NON-UNDERLYING RESULT

Definition and usefulness of Net Underlying Result (NUR):

Net Result IFRS of Proteq has a high volatility as result of the valuation of all assets and liabilities on a fair value basis. In the NUR, major fair value movements as result of market developments and parameter changes have been eliminated from Net Result IFRS. Proteq believes that the NUR provides improved insight to stakeholders and investors which results in greater comparability of results with peers and that it enhances their understanding on the financial impact of management decisions (e.g., repositioning of investments, additional cost-savings). The NUR should be viewed as complementary to, and not as a substitute for Net Result IFRS.

Limitations of the usefulness Net Underlying Result:

Given the complexity in valuation of derivatives it is not possible to fully eliminate all fair value movements from NUR. This could lead to distortion in comparability of figures between different periods. In addition to the impact of additional investment income from derivatives the increase of the NUR was also supported by ongoing investment deployment activities and lower costs.

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