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## Summary






### The Company

Atradius Crédito y Caución S.A. de Seguros y Reaseguros (referred to as 'ACyC' or the 'Company'), with its office at Paseo de la Castellana 4, 28046 Madrid, Spain, is a global credit and bonding insurer and aims to support its customers' growth by strengthening their credit and cash management through a wide range of products, which include credit insurance, bonding, instalment credit protection, and services as commercial information, debt collections and credit management solutions.

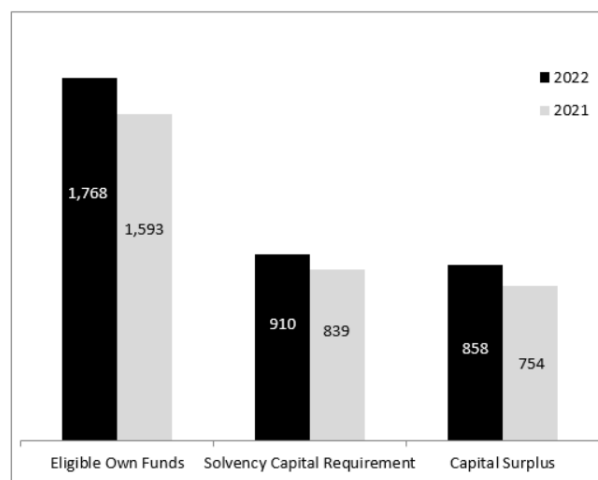
The main shareholder of ACyC is Atradius Insurance Holding N.V., a company incorporated and domiciled in Amsterdam, the Netherlands. The parent company of Atradius Insurance Holding N.V. is Atradius N.V. (together with its subsidiaries referred to as ANV or Atradius), incorporated and domiciled in Amsterdam, the Netherlands. The ultimate parent and controlling party of Atradius is Grupo Catalana Occidente, S.A. (hereinafter 'GCO'), a company incorporated and domiciled in Madrid, Spain.

### Key financial figures 2022

Eur Million (except %)

	Total insurance revenues	1,865
	Net combined ratio	71%
	Result after tax	216
	Eligible Own funds	1,768
	Cover Ratio	194%

### Strong capital position (EUR million)



### Regulation

For the preparation of the Solvency II reporting as at 31 December 2022, the Company has applied the following rules:

- Solvency II laws and regulations (Directive 2009/138/EC, Delegated Acts (EU) 2015/35)
- Implementing Technical Standards and EIOPA Guidelines
- Guidelines on reporting and public disclosure EIOPA – BoS-15/109
- Delegated Acts (EU) 2019/981.

The following table summarizes the Solvency II position of ACyC as at 31 December 2022.

<b>Eur Million</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Excess of assets over liabilities	<b>1,768</b>	<b>1,593</b>
Foreseeable Dividends	0	0
Eligible Own Funds Solvency II	<b>1,768</b>	<b>1,593</b>
Solvency Capital Requirement	<b>910</b>	<b>839</b>
Minimum Capital Requirement	<b>228</b>	<b>210</b>
<b>Surplus at 31 December before foreseeable dividends</b>	<b>858</b>	<b>754</b>
<b>Surplus at 31 December</b>	<b>858</b>	<b>754</b>
<b>Cover Ratio Eligible Own Funds</b>	<b>194%</b>	<b>190%</b>

Solvency II requires that own funds are classified into three tiers, based on whether they are basic or ancillary own fund items and to the extent to which they possess the following characteristics:

- a) loss-absorbing capacity
- b) subordination
- c) sufficient duration
- d) freedom from requirements and incentives to redeem
- e) freedom from mandatory costs
- f) absence of encumbrances.

ACyC basic own funds have a Tier 1 classification and ACyC does not have ancillary own funds.

ACyC applies a Partial Internal Model (with an internal model for non-life underwriting risk). By applying the tailored internal model, the risk profile is adequately quantified in particular through using risk parameters such as probability of default (PD) and loss-given-default (LGD) along with exposure amounts. Atradius has been using the internal model, formerly called the ECAP model, since 2004. Atradius adapted the previously existing ECAP model, to make it Solvency II-compliant, in line with the regulation in force.

ACyC has a strong solvency ratio.



## **A. Business and performance**

### **A-1 Business**

A-1 a) Name and legal form of the undertaking

A-1 b) Supervisory authority & group supervisor

A-1 c) External auditor

A-1 d) Holders of qualifying holdings in the undertaking

A-1 e) Details of the undertaking's position within the legal structure of the group

A-1 f) Material product lines and material geographical areas of business

A-1 g) Any significant business or other events that have occurred over the reporting period that have had a material impact on the undertaking

A-2 Underwriting performance

A-3 Investment performance

A-4 Performance of other activities

A-5 Any other information

## **A-1 Business**

### **A-1 a) Name and legal form of the undertaking**

Atradius Crédito y Caución S.A. de Seguros y Reaseguros (ACyC)  
Paseo de la Castellana 4  
28046 Madrid  
Spain

### **A-1 b) Supervisory authority & group supervisor**

Dirección General de Seguros y Fondos de Pensiones (DGSFP)  
Paseo de la Castellana 44  
28046 Madrid  
Spain

The Company is authorised by the DGSFP to carry out the business of credit and bonding (re)insurance. The DGSFP also acts as the group supervisor of the ultimate parent of ACyC, Grupo Catalana Occidente.

### **A-1 c) External auditor**

External auditing services are performed by:

PRICEWATERHOUSECOOPERS  
AUDITORES, S.L  
Paseo de la Castellana 259B  
Torre PWC  
28020 Madrid  
Spain

### **A-1 d) Holders of qualifying holdings in the undertaking**

The main shareholder of ACyC is Atradius Insurance Holding N.V. which is a company incorporated and domiciled in Amsterdam, the Netherlands. The parent company of Atradius Insurance Holding N.V. is Atradius N.V., which is a company incorporated and domiciled in Amsterdam, the Netherlands. The ultimate parent and the ultimate controlling party of Atradius is Grupo Catalana Occidente, S.A.

## A-1 e) Details of the undertaking's position within the legal structure of the group

ACyC is an indirect subsidiary of Grupo Catalana Occidente. GCO is the main shareholder of Atradius, holding an economic stake of 83.2% (35.77% directly and 47.43% indirectly through the holding company Grupo Compañía Española de Crédito y Caución, S.L).

Shareholder structure of Atradius N.V.	Percentage of Shares
Grupo Catalana Occidente, S.A.	35.77%
Grupo Compañía Española de Crédito y Caución, S.L.	64.23%
Grupo Catalana Occidente, S.A.	73.84%
Consorcio de Compensación de Seguros	9.88%
Nacional de Reaseguros, S.A.	7.78%
España, S.A. Compañía Nacional de Seguros	5.00%
Ges Seguros y Reaseguros, S.A.	3.50%
<b>Total</b>	<b>100.00%</b>

The shares of Grupo Catalana Occidente are listed on the Continuous Market of the Barcelona and Madrid Stock Exchanges. As of 31 December 2022, the main shareholder is INOC, S.A., controlling approximately 61.94% of the capital of Grupo Catalana Occidente, 33.54% of the capital is floating, 1.65% of its shares are treasury stock, and 2.86% of its shares are owned by the members of the board of directors, and related parties, of Grupo Catalana Occidente (not considered floating).

## Grupo Catalana Occidente

Grupo Catalana Occidente is one of the leaders in the Spanish insurance sector and in global credit insurance. Founded more than 150 years ago, it has experienced constant growth, thanks to its capacity to adapt to change and remain loyal to its principles, which are truly insurance oriented.

Grupo Catalana Occidente is committed to the professional development of its employees and insurance agents, its personalised customer service and the trust its shareholders have in the organisation.

## Strategic goal

Grupo Catalana Occidente's strategic goal is to be leaders in the field of risk protection and long-term savings of families and SMEs, and to be international leader in commercial risk coverage.

Thanks to the stability of the results and the prudent investment policy, GCO has a solid solvency position.

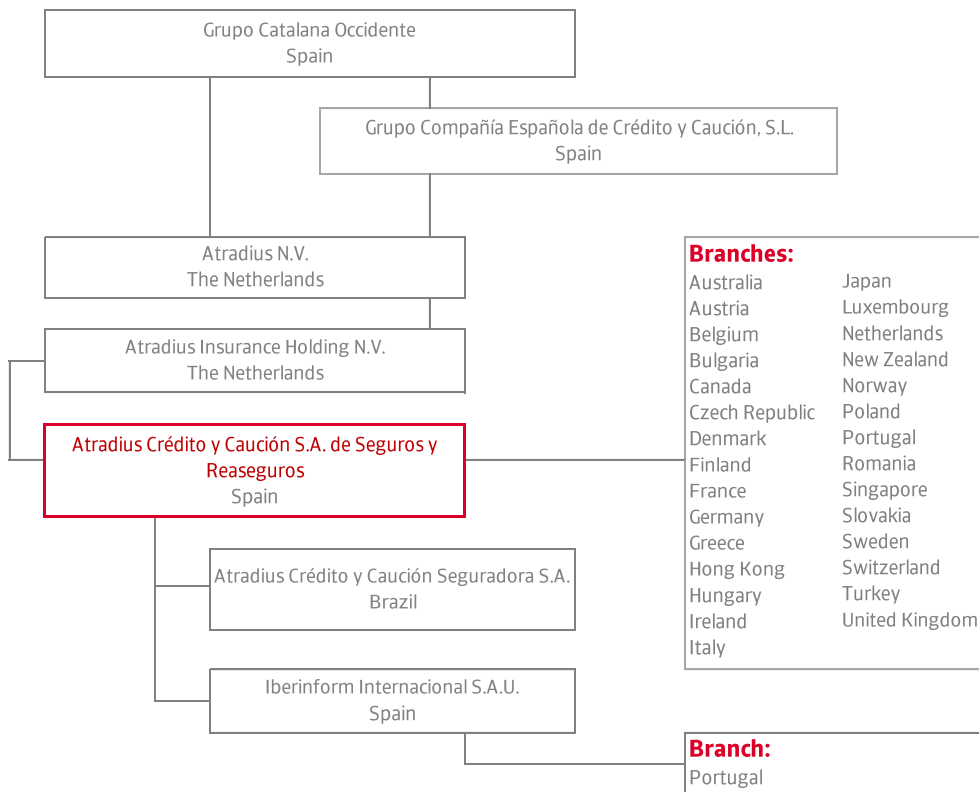
## Key financial figures 2022

Turnover and distribution of the business  5,245.6 M € +7.4% 54.2% Traditional business  
45.8% Credit insurance business

Combined ratio  90.8% + 1.9 p.p. Traditional business  
72.3% + 8.1 p.p. Credit insurance business

Consolidated result  542.6 M € Shareholder remuneration 123.4 M €  
Permanent resources at market value 4,916.3 M €

 Listed on the stock exchange. Stable, committed shareholders. Rating A (AM Best) and A2  Excellent non-life combined ratio  
Strict cost control  
Prudent and diversified investment portfolio.



Note: Atradius N.V. has 1 share in ACyC.

## Key figures Grupo Catalana Occidente

	2022	2021
<b>(EUR million)</b>		
<b>Long-term capital market value</b>	<b>4,916.3</b>	<b>5,191.5</b>
Equity	4,374.0	4,667.7
Subordinated debt	191.3	194.9
<b>Return on long-term capital</b>	<b>12.9%</b>	<b>10.5%</b>
<b>Funds under management</b>	<b>14,991.1</b>	<b>15,712.2</b>
<b>Total revenue</b>	<b>5,245.6</b>	<b>4,882.5</b>
<b>Consolidated result</b>	<b>542.6</b>	<b>468.3</b>



### Multi-risk

Family-home, stores, communities, offices and SMEs.



### Other

Industrial Products, engineering, accidents and civil liability.



### Credit insurance

Protects against financial losses due to the inability of a buyer to pay for goods purchased on credit.



### Surety insurance

Protects the beneficiary if a supplier does not comply with its contractual obligations.



### Life

Life risk, life savings, pension plans and investment funds as well as funeral and health.



### Motor

Coverage for vehicles or transport fleets



### Reinsurance

Wide range of reinsurance options for insurance companies of the main insurers in the world.

The brands of the Group in the traditional business are:



Will become  
**Occident**

The brands of the Group in Credit insurance are:



## Fundación Jesús Serra



Fundación Jesús Serra (the 'Foundation') was established in 2006 with the goal of channelling philanthropic action and promoting the human and professional values that characterized the founder of Grupo Catalana Occidente, Jesús Serra Santamans, from whom it receives its name. It is currently involved in projects in the fields of research, business, education, social action, sport, and promotion of the arts. In this way, we aim to contribute to the construction of a fairer, more united, and developed society in which values such as initiative, effort, and continuous improvement prevail.

The Foundation acts as a link between the different companies that make up the GCO Group. For this reason, one of its goals is to support the development of a common culture, by facilitating gatherings for the employees, agents and brokers of the group.

## Atradius N.V.

Atradius is a world-leading provider of trade credit insurance, bonding and debt collection services with a presence in every continent. Atradius operates through over 160 offices in more than 50 countries around the world, with a commitment to simplifying and improving its customers' credit management.

The main figures of Atradius for 2022 and 2021 are:

### Atradius N.V.

(EUR million)	2022	2021	vs 2021
Gross Insurance revenue	2,366	2,036	16%
Gross insurance claims and loss adjustment expenses*	(915)	(566)	(62%)
Gross insurance operating expenses	(801)	(757)	(6%)
Result Before Reinsurance	650	713	(9%)
Reinsurance result	(245)	(420)	42%
Result after reinsurance	405	293	38%

\* Overview includes inter-segment revenue and (claims) expenses

The main figures for ACyC for 2022 and 2021 are:

### ACyC

(EUR million)	2022	2021	vs 2021
Gross Insurance revenue	1,865	1,610	16%
Gross insurance claims and loss adjustment expenses*	(716)	(409)	(75%)
Gross insurance operating expenses	(619)	(596)	(4%)
Result Before Reinsurance	530	605	(12%)
Reinsurance result	(287)	(449)	36%
Result after reinsurance	243	156	55%

\* Overview includes inter-segment revenue and (claims) expenses

## A-1 f) Material product lines and material geographical areas of business

### Product lines

**Credit insurance** (91% of total gross revenue). ACyC's core product - credit insurance - provides cover against financial losses arising from non-payment for goods and services sold on credit (whether this results from insolvency, default, or political risks). We focus on a range of business segments: offering variations of credit insurance targeted at small and medium sized enterprises (SMEs) and large local companies and multinational corporations. For multinationals, we offer a sophisticated and tailor-made credit management solution in the form of our Global policy. As a market leader and pioneer with 25 years of experience in this segment, Atradius Global has developed an excellent understanding of the needs, structure, and geographies of multinationals. The structure of our modular cover and service footprint is uniquely designed to mirror the requirements of our customers, whether they have centralised or local credit management.

The Special Products unit offers solutions for customers outside the framework of the Company's whole turnover policies, to cover

trade but also to support trade financing.

**Bonding products** (7% of total gross revenue). A bond protects a beneficiary if the supplier - our customer - fails to meet its contractual obligations. Our range of bonding products puts customers in a stronger financial position when dealing with their business partners. ACyC offers two main groups of bonds: contract bonds (bid, performance, advance payment, maintenance) and commercial bonds (tax, excise, custom and authorization bonds) in traditional sectors like construction, engineering and travel. Our support towards our customers goes beyond the mere risks coverage and protection against worst-case scenarios. We provide tailor-made products and solutions that fit their needs and strategies. ACyC holds a leading position in the French, Italian, Nordic (Denmark, Finland, Norway and Sweden) and Spanish bonding markets.

The bonding unit also operates in Germany, Belgium, the Netherlands, Luxembourg and Portugal.

**Instalment Credit Protection** (2% of total gross revenue). Instalment Credit Protection (ICP) products cover short- and medium-term risks involved in instalment-based credit agreements with private individuals and businesses. Consumer credit, leasing

and renting have always been part of our product offering. In addition we added residential real estate insurance products for co-ownerships and for rental guarantee. Instalment Credit Protection products are offered to financial and corporate policyholders in Belgium and Luxembourg.

### **Geographical areas of business**

ACyC is incorporated in Spain and has branches in 20 countries in the European Economic Area ('EEA'). It also conducts its insurance business in all the other EEA countries, making use of the so called 'European Single Passport' as well as in Monaco and San Marino. ACyC also acts in Andorra with special authorization as a Spanish insurance company.

In the EEA ACyC has branches in: Austria, Belgium, Bulgaria, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Spain (registered office), and Sweden.

Outside the EEA, ACyC has branches in the United Kingdom ('UK'), Switzerland, Turkey, Canada, Hong Kong, Japan, Singapore, Australia and New Zealand. ACyC also conducts business through co-

operation agreements with local partners in other regions such as China, Dubai and India.

### **A-1 g) Any significant business or other events that have occurred over the reporting period that have had a material impact on the undertaking**

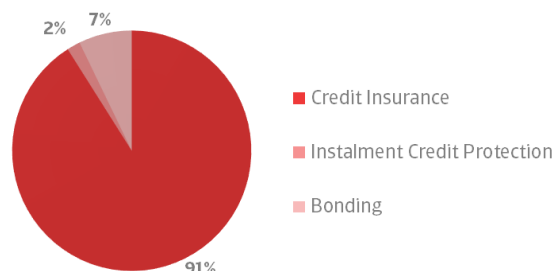
Reference is made to section A-2, Underwriting Performance, specific sections for change in reinsurance and changes in income statement.

## A-2 Underwriting performance

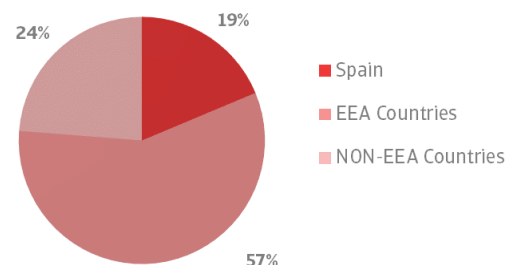
### Stable result and profitable growth

Eur Million	Credit insurance		Bonding		Total	
	2022	2021	2022	2021	2022	2021
<b>Premiums earned (direct and assumed)</b>	<b>1,689</b>	<b>1,458</b>	<b>129</b>	<b>120</b>	<b>1,818</b>	<b>1,577</b>
Premiums earned net of Return Prov.	1,757	1,509	129	136	1,885	1,645
+/- Change in provision of unearned premiums	(63)	(48)	1	(16)	(63)	(64)
+/- Change in provision of premiums outstanding recovery	(5)	(3)	(0)	(0)	(5)	(3)
<b>Premiums earned ceded and retroceded</b>	<b>(729)</b>	<b>(996)</b>	<b>(66)</b>	<b>(70)</b>	<b>(795)</b>	<b>(1,066)</b>
Premiums earned ceded and retroceded net of Return Prov.	(714)	(919)	(53)	(70)	(767)	(989)
+/- Change in provision of unearned premiums	(14)	(77)	(13)	(0)	(28)	(77)
<b>Net premiums earned</b>	<b>960</b>	<b>462</b>	<b>63</b>	<b>50</b>	<b>1,023</b>	<b>511</b>
<b>Claims (direct and assumed)</b>	<b>(685)</b>	<b>(377)</b>	<b>(39)</b>	<b>(41)</b>	<b>(724)</b>	<b>(418)</b>
Insurance claims and loss adjustment expenses	(408)	(286)	(41)	(33)	(448)	(319)
+/- Change claims and recoveries provision direct	(278)	(91)	2	(8)	(276)	(99)
<b>Claims (Ceded and Retroceded)</b>	<b>183</b>	<b>181</b>	<b>19</b>	<b>23</b>	<b>202</b>	<b>204</b>
Claims payments	199	186	23	21	222	207
+/- Change claims and recoveries provision ceded	(16)	(5)	(4)	2	(20)	(3)
<b>Net Insurance Claims</b>	<b>(502)</b>	<b>(196)</b>	<b>(20)</b>	<b>(18)</b>	<b>(522)</b>	<b>(214)</b>
+/- Change in other technical provisions net of reinsurance	(28)	(21)	(0)	(0)	(28)	(21)
Acquisition Cost (Direct and Assumed)	(215)	(181)	(10)	(9)	(225)	(190)
Administrative expenses (Direct and Assumed)	(338)	(343)	(39)	(46)	(377)	(389)
Broker and reinsurance commissions	293	375	30	32	323	406
Other technical income	53	49	5	5	58	54
<b>Total operating expenses and other net technical expenses</b>	<b>(235)</b>	<b>(122)</b>	<b>(14)</b>	<b>(18)</b>	<b>(250)</b>	<b>(140)</b>

### Premiums earned (direct and assumed)



### Geographical Area information



### Credit Insurance & Instalment Credit Protection

In 2022 premium earned by ACyC increased by 16% following 2021, where the most notable effects of Covid on trade and commerce began subsiding. While not entirely abated, the overall impact of Covid in 2022 was substantially lesser and in

some regions, its impact on trade, logistics and commerce very limited. As a result, our credit insurance business showed increases in insured turnover driven by increases in commodity prices combined with overall organic growth. Our credit insurance portfolio showed stable growth trends in all the regions across the group despite the uncertain times, the political instability in some regions and the high inflation generating a new set of adverse shocks for the global economy.

In 2022, several uncertain environments proved to be increasingly challenging, however almost every local credit insurance unit grew versus the previous year finding sustainable solutions. Asia maintained strong growth of 35% in 2022 as we continue to pursue our ambition in this region and North America showed excellent growth of 44% despite the price decline, driven by strong insurable turnover volumes. All countries in Europe showed positive revenue development. Our markets in Germany and Central & Eastern Europe showed a strong growth (19% and 23% respectively), along with Italy (19%), UK and Ireland (16%) and Oceania (14%). Spain, our largest market, showed a solid increase of 11% driven by increases in insurable turnover.

As government support measures related to the pandemic have ended almost everywhere, insolvencies started a sharp increase in some major markets. During 2022, we saw a year-on-year increase in insolvencies due to a combination of delayed insolvencies from 2020-2021, the return of insolvencies to higher levels as fiscal support was phased out, the negative effect on GDP growth and the war in Ukraine.

Gross claims ended at EUR 685 million and a gross claims ratio of 41%, resulting from a sharp increase in the number of claims. This is due to a weaker economic outlook with high inflation and high energy prices, supply chain disruptions, the invasion of Ukraine, along with the end of the government support related to the pandemic. Increases in overall claims inflow and claims expenses were observed across business units.

Total operating expenses (and other net technical expenses) increased in 2022, with brokerage fees increasing in line with revenue growth. Other administrative expenses also increased (although maintaining similar proportionality to revenue as in the prior year) while the Company maintains its commitment to invest in innovations and systems



development that enhance customer experience.

## **Bonding**

ACyC Bonding works with different industries and maintains relationships with a large range of companies. Building a strong portfolio and maintaining good customer relationships are key priorities for ACyC Bonding. After expanding in different countries during recent years, Bonding is consolidating its strong presence within 12 markets (Italy, France, Spain, Portugal, Denmark, Finland, Norway, Sweden, Germany, Netherlands, Belgium and Luxembourg), offering tailor made products and solutions to our customers.

The support governments provided to the economy, and indirectly to our customers, helped avoid business defaults and provide opportunities for underwriting business. In particular, trade sectors like Construction and Energy benefitted most notably from these aids.

In 2022 ACyC Bonding saw a progressive recovery in its customer base as well as the on-boarding of new business. Combined with deep knowledge of the surety market as well as a constant and dynamic analysis

of the economic trends, ACyC Bonding saw favourable business development and consistent growth in all 12 markets during 2022. The result was a total of EUR 129 million in Earned Premium, growing 8% coming from 2021.

Despite a moderate increase in claims related expenses in a few regions, overall claims expenses remained at a level moderately below but comparable to that of 2021. With close support and monitoring activities we were able to help customers manage challenges brought on by the pandemic, and later by the invasion of Ukraine. As a result claims activity returned to levels much closer to those prior to the pandemic, but without exceeding those of 2019.

While administrative expenses decreased in 2022 by 15%, much of this was a result from reduced expenditure on a couple of expense lines, such as corporate travel, driven by ACyC's commitment to ESG and reducing carbon emissions. Despite reduced costs on some expense lines compared to 2021, expenses relating to investing in the development of a common Bonding platform for our customers, business partners and staff (the Bonding Business Transformation programme) continued

during 2022. This common platform will help us sustain and improve our market position through the use of new technologies. It will support our ambition to enable geographical expansion to countries where Atradius has a footprint, support the further expansion of our bonding service portfolio and strengthen our value proposition in the Bonding business.

ACyC Bonding has continued to support its customers on their specific needs throughout the year.

## **Changes in Reinsurance**

ACyC continues, as in previous years, to maintain quota share treaties for underwriting year 2022 which provide coverage for the majority of business. The cession to external quota share reinsurers remained at 37% (2021: 37%) while the cession to Atradius Reinsurance DAC is no longer in effect for underwriting year 2022 (2021: 11%). With an overall cession of 37%, retention under the quota share reinsurance treaty was 63% (2021: 52%).

### A-3 Investment performance

The net investment result amounts to EUR 33 million. The table shows the breakdown into the main components.

#### Gains and losses recognised in revaluation reserve

The revaluation reserve on financial investments decreased to EUR - 50 million per the end of 2022 from EUR 106 in 2021. This decline of the revaluation reserve was mainly driven by the negative performance of the equity markets during 2022 in combination with the lower valuation of bonds due to rising yields as result of the high level of inflation and central banks acting to bring down the inflation by raising the short-term interest rates.

#### Information about any investments in securitization

The undertaking has no direct nor indirect exposure to securitized investments.

### P&L

Eur Million	2022	2021
Interest income from Bonds	7	4
Dividend income Shares	9	10
Dividends of associated companies	-	19
Other Incomes	8	1
<b>Financial &amp; Properties Investments Incomes</b>	<b>24</b>	<b>34</b>

Eur Million	2,022	2021
Asset Management Expenses	(3)	(3)
Impairments	(0)	(2)
Other Interest expenses	(3)	(1)
<b>Financial Investment Expenses</b>	<b>(6)</b>	<b>(6)</b>

Eur Million	2,022	2021
Realised Gains & Losses from Bonds	(15)	2
Realised Gains & Losses from Shares	28	(0)
Realised Losses real estate investment	4	(0)
Other Realised Gains and Losses	(2)	(0)
<b>Total Realized Gains and losses</b>	<b>15</b>	<b>2</b>

### Revaluation Reserve

Eur Million	2022	2021
Bonds available for sale	(89)	7
Shares available for sale	39	99
<b>Revaluation reserve gross of tax</b>	<b>(50)</b>	<b>106</b>

## A-4 Performance of other activities

Other income and expenses correspond to services supplied and received by ACyC to/from other units within Atradius.

### Services

(EUR Million)	2022	2021	vs 2021
Services Income and Expenses	8	8	0%
Service result *	8	8	0%

*\* Overview includes inter-segment revenue and claims expenses*

## A-5 Any other information

### Atradius rated Entities

In 2022, A.M. Best confirmed the rating of the Atradius rated entities: Financial Strength Rating of A (Excellent) and Long-Term Issuer Credit Rating of 'a+', both with a stable outlook. According to A.M. Best the rating reflects Atradius' balance sheet strength, strong operating performance, favourable business profile and appropriate enterprise risk management.

Moody's confirmed the Insurance Financial Strength Rating of Atradius of 'A2' with a

change of outlook from 'stable' to 'positive'. This reflects Atradius' strong market position as the second largest global credit insurer, strong economic capitalisation, underpinned by a dynamic management of insured exposure, and good underwriting profitability through the cycle. ACyC is the largest insurance operating entity within Atradius

### Changes in the structure

It is currently expected that Atradius Reinsurance DAC (hereinafter ARE) will be merged into ACyC through a cross-border merger to be completed in 2023. The transaction remains subject to the necessary shareholder, court and regulatory approvals. Upon effectiveness of the merger, ARE's assets and liabilities, including all of its reinsurance obligations, would be transferred to ACyC, through its Irish branch, which would conduct ARE's reinsurance business as its legal successor, with ARE being dissolved without going into liquidation.

### Russia – Ukraine War

The large number of sanctions restrictions relating to Russia and Belarus imposed by authorities in the EU, the UK and the US, among others, have been closely reviewed by the organization to analyse their impact on the business. In line with its sanctions compliance programme, Atradius reviews the potential exposure of business counterparties and other entities to sanctions in close coordination between the Group Legal & Compliance, Risk Services and Commercial teams, based both on its regular screening tools as well as on ad hoc review initiatives. In the context of this situation, the organization has relied on a number of measures to closely monitor the impact of the updated sanctions regimes, including the daily screening of its main databases against certain tools coordinated by a central compliance team; the establishment of a task force with representatives from various departments to align the strategy and measures adopted; and the introduction of certain additional checks to enhance the monitoring capabilities.

## **B. System of governance**

- B-1 General information on the system of governance
  - B-1.1 Corporate governance framework
  - B-1.2 Key functions
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- B-2 Fit and proper requirements
  - B-2.1 Fitness requirements
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## **B-1 General information on the system of governance**

### **B-1.1 Corporate governance framework**

#### **ACyC Board of Directors (Consejo de Administración)**

ACyC is a public limited company organised under the laws of Spain with a one tier Board of Directors (Consejo de Administración, hereinafter referred to as 'BoD'), that currently consists of 9 members.

The BoD supervises the general affairs of the Company, taking into account the interests of the Company and its stakeholders. The primary responsibility for corporate governance within the Company rests with the BoD. The BoD ensures the proper organisation of the Company, the implementation of the internal control system and the definition and formalisation of suitable internal policies and procedures. The BoD provides direction concerning the running of the business in line with the Company strategy.

The BoD of ACyC currently consists of 9 members:

- Xavier Freixes , Chair
- Francisco Arregui (until 31 December 2022)
- Désirée van Gorp
- Joaquín Guallar (effective as per 1 January 2023)
- Juan Ignacio Guerrero
- Carlos Halpern
- John Hourican
- Bernd Hinrich Meyer
- Hugo Serra
- José María Sunyer

The BoD meets at least four times in any calendar year.

The BoD is, amongst others, supported in its role by:

- The General Manager (*Director General*), David Capdevila
- The Executive Committee
- The Audit Committee
- The key functions of the Company and the GCO/Atradius and ACyC group functions, which report directly into the BoD and/or the (members of the) Executive Committee, as necessary.

## **Executive Committee**

The Executive Committee has been established by the BoD and assists the General Manager in performing the day-to-day management of the Company.

The Executive Committee consists of:

- The General Manager, David Capdevila
- Andreas Tesch
- Christian van Lint
- Claus Gramlich-Eicher
- Marc Henstridge

## **Audit Committee**

The BoD has established an Audit Committee. This committee consists of three members and convenes at least three times in any calendar year.

### **Composition Audit Committee**

The Audit Committee currently consists of:

- Juan Ignacio Guerrero, Chair
- Xavier Freixes
- Carlos Halpern

The Audit Committee has an advisory role, and supervises auditing practices and the relationship with the external and internal

auditors. In addition, it monitors the effectiveness of the risk management systems and reviews the financial information that the Company has to make public.

## **Internal Audit function**

Internal audit fulfils an important role in assessing and testing the internal risk management and control system. The Director of Atradius Group Internal Audit reports to the Chair of the Audit Committee and, with respect to day-to-day activities, to the General Manager.

## **Corporate governance framework Atradius (ANV)**

Atradius endorses the importance of sound corporate governance. Key elements of independence, accountability and transparency create a relationship of trust between Atradius and all of its stakeholders.

ANV is a limited liability company, organized under the laws of the Netherlands, with a two tier board: a Management Board and a Supervisory Board.

## **Management Board**

The Management Board is responsible for achieving ANV's objectives, strategy, policy and results and is guided by the interests of ANV and the business connected with it. The Management Board as a whole is responsible for the management and the general affairs of Atradius and is supervised by the Supervisory Board. The Management Board determines Atradius operational and financial objectives, and the strategy designed to achieve these objectives, and ensures that Atradius has in place an effective risk management system, internal control system and internal audit function. The Management Board rules describe the (allocation of) duties and the decision making process of the Management Board

The Management Board consists of:

- David Capdevila – Chair and Chief Executive Officer
- Andreas Tesch - Chief Market Officer
- Christian van Lint - Chief Risk Officer
- Claus Gramlich-Eicher – Chief Financial Officer
- Marc Henstridge - Chief Insurance Operations Officer

CVs of each of the Management Board members, showing their roles, background and experience are available on the Atradius website.

### **Supervisory Board**

The Supervisory Board supervises ANV's general affairs and the policy pursued by the Management Board. The responsibilities of the Supervisory Board include, among others, supervising, monitoring and advising the Management Board on the company's strategy, performance and risks inherent to its business activities; the design and effectiveness of the internal risk management and control systems and the financial reporting process. The Supervisory Board rules describe the decision-making process and the composition and committees of the Supervisory Board.

The Supervisory Board consists of:

- Xavier Freixes, Chair
- Francisco Arregui, Vice-Chair (until 31 December 2022)
- Désirée van Gorp
- Joaquín Guallar (effective as per 1 January 2023)
- Juan Ignacio Guerrero

- Carlos Halpern
- John Hourican
- Bernd Hinrich Meyer
- Hugo Serra
- José María Sunyer

### **B-1.2 Key functions**

Four key functions support the ACyC BoD in discharging its obligations. These key functions are Compliance, Risk Management, Actuarial and Internal Audit. All these functions are described below.

#### **Compliance function**

The ACyC Compliance function supports the Company in meeting its objective of complying with all applicable laws and regulations and draws support from the Group Compliance function as necessary.

#### **Risk Management function**

The ACyC Risk Management function supports the Company in meeting its objective of effectively managing its risk profile relative to its risk appetite and draws support from the Atradius Group Risk Management department as necessary.

### **Actuarial function**

The ACyC Actuarial function supports the Company in ensuring the appropriateness of methodologies, underlying models and assumptions used in calculation of technical provisions, assesses the quality of data used in the calculation of technical provisions and capital requirements related to risk and regulations and ensures the adequacy of reinsurance arrangements.

### **Internal Audit function**

The ACyC Internal Audit function, which is an independent function, evaluates, amongst other things, the adequacy and effectiveness of the internal control system and other elements of the system of governance.

### **B-1.3 Remuneration policy**

The Atradius remuneration policy, which is applicable to ACyC, lays down the principles and key elements of sound and controlled remuneration of Atradius employees. The Atradius remuneration policy supports Atradius' business strategy, objectives, values and long-term interest and is aligned with the size, organisational set-up, nature

and complexity of the business activities of Atradius. The remuneration policy is designed to improve the performance and the value of Atradius, to motivate, retain and attract qualified employees and to contribute to sound and efficient risk management within Atradius and not to encourage the taking of more risk than is acceptable to Atradius.

The principles underlying the Atradius remuneration policy consist of, amongst other things:

- Fixed and variable remuneration shall be used to align individual performance with both short and long-term corporate strategy and objectives;
- Remuneration shall reward according to performance at group and individual level as appropriate. Individual objectives shall include a combination of financial and non-financial targets as appropriate to the role, taking into account ethical behaviour and corporate responsibility
- Performance criteria for employees will be objective, measurable and linked to individual, department and group performance as appropriate.

Typical elements of total compensation for

employees are annual base salary, annual variable remuneration and other benefits. Stock options or share purchasing programs are not applicable in Atradius. Supplementary pension schemes do exist in the form of a Defined Benefit scheme or a Defined Contribution scheme.

The variable remuneration components are further based on the following principles:

- Performance targets are split between individual targets, unit targets and group targets for each employee. Individual targets are set on individual level agreed between manager and employee. Unit targets are set on a business unit level, group targets are set at group level and apply to all employees.
- Atradius ensures that the total variable remuneration does not limit its ability to strengthen the regulatory capital, solvency margin or equity capital of the entities that are considered to be financial institutions.
- An employee may not make use of personal hedging or any insurance linked to remuneration and liability in order to undermine the risk control effects that have been embedded in his or her variable remuneration plan.

- Atradius does not award guaranteed variable remuneration other than upon the entry into employment of new employees for at most the first year. When granting such guaranteed variable remuneration this is in line with the long-term objectives of Atradius. The variable remuneration, including the conditionally awarded part, is paid or acquired only when this is consistent with the financial condition of the Atradius Group as a whole and is justified by the performance of the Atradius Group, the individual Atradius company, the business unit and the relevant employee.
- Atradius shall only award a severance payment if it is related to performance realised over the course of time and is shaped such that failure is not rewarded.
- Remuneration plans will include adjustments and claw-back provisions in line with any prevailing legislation.

#### **Non-financial criteria**

For staff of Atradius, variable remuneration is at least for 50% based on non-financial criteria. The non-financial criteria are well

established in the Atradius competency framework and are based on technical expertise, client/business orientation, creating and delivering solutions and working relationships.

### **Strategic staff**

Certain senior management roles in Atradius and ACyC are classified as strategic staff. Strategic staff are entitled to variable remuneration components as a percentage of their fixed salary. In line with the applicable legislation, the relationship between fixed and variable remuneration has been carefully considered, with a sufficiently high fixed component to allow for the non-payment of the variable component if performance criteria are not met. Furthermore, part of the pay out of variable remuneration for strategic staff is deferred in time.

There have been no material transactions with shareholders, nor with persons who exercise a significant influence on the undertaking.

## **B-2 Fit and proper requirements**

### **B-2.1 Fitness requirements**

The Company ensures that all strategic personnel (as defined in the ACyC Fit and Proper Policy) are ‘competent’ and, taking into account the obligations which are assigned to each particular individual, that they possess the proper mix of qualifications, skills and experience, to ensure that the Company is managed and supervised in a professional manner.

‘Qualifications’ are official certificates, diplomas or degrees issued by the competent authorities formally recognising the successful completion of a course of study by a person (knowledge, expertise or competency), after the corresponding evaluation. Such acknowledgment shows a certain level of education and in some cases may signal that the relevant individual possesses the skills required to practice a certain profession. More specifically, and depending on the function to be performed, the skills that must be proven are in the fields of insurance, finance, accounting, actuarial science and management. ‘Knowledge’ is the result of assimilating the

information acquired through learning, while competency and expertise enable the individual to apply the acquired knowledge in the task has been assigned. ‘Professional experience’ is the practical knowledge that is relevant to the performance of one’s current responsibilities.

With regard to the members of the BoD of ACyC, it must be ensured that the BoD as a whole and the members individually are suitable for such position. This means that they, as individual substantially, and if applicable, as a collective body jointly possess the necessary qualifications, experience and skills in the following areas:

- insurance and financial markets
- business model and company strategy
- governance system
- financial and actuarial analysis
- Regulatory framework and requirements.

### **B-2.2 Proper requirements**

According to the ‘proper’ requirement, an individual who performs a key function must be a person of integrity with a good reputation. An assessment whether such person is ‘proper’ includes an evaluation of



his or her financial soundness and honesty based on the evidence of his or her reputation, personal and professional conduct, including any criminal, financial or supervisory aspect that is germane to the evaluation.

Being proper professionally means that the person has throughout his or her life upheld the law and adhered to good commercial and financial practices.

The Fit and Proper Policy provides for further guidance to determine whether a person is considered proper.

### **B-2.3 Evaluation of what constitutes fit and proper**

In the process of evaluating the ‘fit and proper’ characteristics of strategic personnel, the requirements included in the Fit and Proper Policy will be reviewed individually for each member and for the BoD as a whole to ensure that the proper mix of qualifications, knowledge and experiences exist.

### **Situations that trigger a fit and proper evaluation**

An evaluation of the fitness and properness

of strategic personnel is conducted when:

- People are newly appointed in a position that qualifies them as Strategic Personnel.

Thereafter, a full or confirmatory evaluation of fitness and propriety will also be conducted:

- On a periodic basis at least once every three years.
- If there are significant changes in responsibility (promotions, internal reorganisations, etc.)
- If there may be a conflict of interest. The following situations constitute a conflict of interest:
  - Transactions with the Company.
  - Using the Company’s name or one’s position to have an undue influence on private transactions.
  - Using the Company’s assets, including confidential information, for private purposes.
  - Taking advantage of the Company’s business opportunities.
  - Obtaining benefits or compensation from third parties.
  - Taking part in activities that compete or could compete with the Company.

A more elaborate description of situations that may be a conflict of interest is included in the ACyC Fit and Proper Policy.

The foregoing provisions also apply in those cases where the beneficiary of the prohibited conduct or activity is a related party of the strategic personnel member.

In such cases, the strategic personnel member must notify the *Director General* (General Manager) and the Group Human Resources Director of the direct or indirect conflict between the Company’s interest and those of the strategic personnel member or the persons related to him or her.

### **B-2.4 Strategic personnel**

The ACyC Fit & Proper Policy applies to the persons appointed in the following positions in the Company:

- members of the BoD
- members of the Executive Committee
- Persons responsible for key functions for the daily management of the Company’s business. This relates to those who:
  - are employed by the Company, and
  - are in a senior management position, and

- report directly to a member of the Executive Committee, and
- are responsible for individuals whose tasks / activities may have a material influence on the risk profile of the Company.

Currently staff that falls within this definition hold the following key functions:

- Director of Group Finance (also assuming the responsibility for overseeing the actuarial function)
- Director of Group Risk Management
- Director of Internal Audit
- Head/Director of Group Legal and Compliance.

These persons are referred to jointly as 'Strategic Personnel'.

### **Procedure for evaluating the fitness of strategic personnel**

Strategic personnel are understood to be suitable, i.e. possessing adequate knowledge and professional experience for the performance of their functions, when they have the right education level and professional profile to perform the assigned functions as well as practical experience gained from previously occupied positions

in other companies or entities in similar functions. The experience criterion will be determined based on the nature, scale and complexity of the activities and the specific functions and responsibilities of the position (to be) occupied.

Furthermore, the members of the BoD considered as a whole, must have enough professional experience to ensure their ability to make decisions independently and autonomously on the Company's behalf.

In this way, since the Company defines a standard profile of the qualifications, knowledge and experience required for each position, the Group Human Resources Department is able to evaluate the fitness of each strategic personnel member by means of the supporting documentation (copies of diplomas, checking of professional background, curriculum vitae, etc.) that should be commensurate with the responsibilities assumed.

### **Procedure for evaluating whether strategic personnel is proper**

The evaluation whether strategic personnel is proper includes an assessment of their financial solvency and honesty based on

reliable information about their reputation and their personal and professional conduct, including any criminal, financial or supervisory aspect that is relevant to the evaluation.

In the first place, with regard to proper requirements, it is important to emphasize that the Company is part of Atradius, and Atradius has a Code of Conduct that stipulates the general guidelines that govern the conduct of Atradius, its directors, employees, agents and associates, in the performance of their functions and in their commercial and professional relationships, acting in accordance with the law and respecting ethical principles.

Likewise, it is required that such individual declares in writing that he or she does not have a criminal record and must consent to the Company doing a criminal background check to verify such fact. The purpose of this analysis is to establish whether the proposed candidate for a position meets the necessary requirements.

Once the information referred to in the paragraphs above has been collected, along with any other information required on a case-by-case basis, it is analysed to

determine whether or not the individual proposed for the position meets the necessary requirements. While the initial evaluation will be conducted by Group Human Resources, the ultimate consideration and, if appropriate, approval of:

- Candidates for the position of member of the BoD will be provided by the Company's shareholders.
- Candidates for the post of member of the Executive Committee ("*Comité de Dirección*") shall be provided by the BoD.
- Other Strategic Personnel shall be approved by the Executive Committee ("*Comité de Dirección*").

#### **Procedure for evaluating the fit and proper of strategic personnel who have already undergone the evaluation process in another entity of GCO**

In those cases where certain members of strategic personnel have been evaluated for professional fit and proper purposes by another group company of GCO Group, a new evaluation will not be required if the position to be held by strategic personnel member is analogous to the one for which he/she was previously evaluated,

notwithstanding the fact that: Group Human Resources must obtain any information that is deemed necessary from the group company that conducted the evaluation and a statement from the strategic personnel member in question that his or her circumstances have not changed; and the notification obligations towards the Supervisory Authorities as included in the Fit & Proper Policy still apply to the extent relevant.

### **B-3 Risk management system including the own risk and solvency assessment**

The main components of the risk management system are:

- risk strategy
- risk governance
- risk management policies and guidelines
- risk boundaries
- measurement / monitoring / reporting;
- risk management function
- Own Risk and Solvency Assessment.

#### **Risk strategy**

The risk strategy is the Company's risk appetite framework. It is aligned with the risk strategy of the ultimate parent, GCO, and consists of the following main components:

- **Risk appetite** is the aggregate level of risk that ACyC is willing to assume and manage within a determined period of time.
- **Risk tolerance** is the maximum level of risk that ACyC is willing to assume in relation to a specific risk.
- **Risk limits** are operational limits established to facilitate control of risk-taking.

Next to capital-related risk appetite, tolerances and limits, the Company (in alignment with other companies of Atradius) has also established various operational tolerances and limits for different types of risk, which are used in the day-to-day operations and embedded in the Company through its risk governance structure (see below). These tolerances include, among others:

- strategic asset allocation for investments

- limitations on exposure or cover terms for countries and industry sectors
- group and individual buyer exposure limits
- credit risk limits (e.g. for reinsurance, deposits)
- policy and risk underwriting authority levels.

### **Risk governance**

Atradius has established several risk governance committees to make decisions involving material risks, including the following:

- Group Credit Committee and five Local Credit Committees underwrite the most material credit limits
- Country Committee monitors the prevailing level of country risk in a particular market and evaluates the impact of country events to set the underwriting strategy for each market
- Quantitative Model Committee approves quantitative models used within the Company. This includes both internally developed and purchased models
- Group Investment Committee decides on the tactical allocation of assets within the investment portfolio
- Outward Reinsurance Committee

recommends appropriate reinsurance arrangements

- Group Product Committee approves proposals for new insurance products, related service offerings, and material modifications to existing products
- Transaction Review Committee accepts business transactions that comprise the issuing of individual insurance policies, bonds or re-insurance contracts.

These committees are overseen by the Risk Strategy Management Board ('RSMB'). The RSMB members consist of the Management Board of ANV, the Director of Group Finance, the Director of Strategy and Corporate Development and the Director of Group Risk Management.

In addition to the committees that report to the RSMB, the Provisioning Committee assesses and decides on the appropriate amount of claims provisions on both a Solvency II and financial statements.

As well as the committee structure, the Company uses a framework of individual authorities to facilitate approval of less material risk exposures. In each product line, staff members are assigned well-defined underwriting authorities specifying

the levels of risk they can take within the framework of the Company's risk governance. The authority matrices specify 2-eyes, 4-eyes and 6-eyes requirements based on the levels of risk involved and individual authorities are assigned based on the level of expertise of the underwriter.

### **Risk management policies and guidelines**

A framework of risk management policies and guidelines ensure alignment with the Company's objectives and (risk) strategy. Policies and guidelines cover areas such as risk and policy underwriting, reinsurance, FX, investments, operational risk, business continuity, information security, compliance, etc.

The risk management policies of the Company are aligned with the policies of GCO. As the ultimate parent, GCO has established a common framework of policies for all companies within the GCO Group.

### **Risk boundaries**

Risk boundaries give a clear and company-wide aligned understanding of what business the Company wants to underwrite

and the lines that it does not want to cross. Risk boundaries are used to govern the business and to enable communication with stakeholders.

### **Measurement / monitoring / reporting**

To support the operation of the governance structure, the Company applies a system of measurement and monitoring of risks as well as reporting which enables the communication of relevant information to the appropriate decision-makers. Examples of the focus areas in this system are:

- buyer and limit underwriting performance reporting: provisions, underwriting targets, notifications of non-payment, claims paid and received, recovery success rate, premium earned, acceptance rates, market developments
- exposure distribution information: distributions of buyer rating, concentrations in industry sectors, buyer countries, and buyer groups
- economic capital consumption.

For measurement of economic capital-related aspects of underwriting risk, the Company employs a proprietary internal model. For measurement of economic

capital-related aspects of other risk types, the Company uses the Standard Formula under Solvency II. This “Partial Internal Model” was assessed and approved for use by the College of Supervisors and the Company regularly liaises with the College to ensure ongoing acceptability of the model.

### **Risk Management function**

The Risk Management function assists senior management of the Company with the effective operation of the Risk Management System, including the use of the (partial) internal model. This function is fulfilled by the Group Risk Management department (GRM), supported by designated risk functions within various parts of the Company.

The Risk Management function identifies, measures, monitors, reports and takes an aggregated view of risks for the purpose of:

- monitoring and reporting the risk profile relative to risk strategies in place
- monitoring and reporting risk profiles for different risk types and their contributions to the overall risk profile
- analysing the performance with regard

to the risk strategies in place.

The Risk Management function cooperates closely with central functions such as Group Buyer Underwriting, Corporate Finance, Group Finance, Strategy & Corporate Development, Group Legal and Compliance, Internal Audit, and with other organizational units within the Company.

One of the tasks of the Risk Management function is to obtain an independent validation of the Company’s (partial) internal model. The independent validation is outsourced to the independent validation team within the Risk Management Department of Grupo Catalana Occidente. This department provides a comprehensive and independent technical opinion regarding the development and operation of the model and the appropriateness of its results, considering the different uses in the management of the Company and the quantification of the solvency capital requirement under Solvency II. The independent validation team operates according to an approved Validation Policy, which describes the methodology and criteria applied. The validation team shares its findings with the Quantitative Model Committee. The Quantitative Model

Committee ensures that model owners take appropriate actions to remediate any findings. This ensures the ongoing quality and appropriateness of the internal model.

### **Own Risk and Solvency Assessment (ORSA)**

The Company has been producing a supervisory ORSA Report since 2013. It has an established policy, governance, methodology and team of resources dedicated to the execution of its ORSA process.

The Company executes a full ORSA process on an annual basis, but also runs all or part of the process in the event of a significant change in risk profile, Business Plan, internal model parameters or if required by management.

The ORSA is an integral part of the business, risk management and decision-making processes within the Company. The execution of the ORSA is linked to the preparation of the Company's Long-Term Plan and includes evaluation of risk and solvency positions, assuming both normal and adverse market conditions. [See Section C-7.1b for additional information on the use of scenario analyses within the ORSA

process.]

The ORSA includes analyses and reports of the main risks to which the Company is exposed, their resulting capital requirements, and an evaluation of the feasibility of the business plan over the normal planning horizon (5 years).

To determine and assess solvency positions, the various risks to which the Company is exposed are quantified and aggregated using the Partial Internal Model. The results are taken into consideration for capital management decisions.

For additional details on the ORSA governance and process, see Annex F-1.

### **Additional information per risk category**

In sections C0 to C7 below (Risk Profile) we provide more information on how risks are identified, measured, monitored, managed and reported for each risk category.

## **B-4 Internal control system**

The Company has established a framework of internal controls to assist in following the Company's strategy and achieving its objectives. The framework consists of numerous components that together comprise:

- Control environment - the foundation for the internal control system comprises the employees and the environment in which they operate. Aspects to consider include organisational values and the standards, processes and structures that provide the basis for internal control.
- Risk assessment – as part of the internal control system, risks must be identified, assessed and responded to.
- Control activities – specific tasks that must be executed on an on-going basis to ensure that risks are managed.
- Information and communication systems - to enable the Company to capture and disseminate the information necessary to conduct, monitor and control the business.
- Monitoring – the entire internal control framework is monitored to ensure that

it is operating as intended and reflects the current objectives and environment.

The Internal Audit and Compliance functions are important parts of the internal control system. The Internal Audit function is discussed in B-5, the Compliance function is described below.

### **Control environment**

The control environment is based upon organizational values and standards of conduct. To facilitate adherence to standards, senior management has established structures, standard practices and policies.

The professional competencies and practices are outlined in the Atradius' policies regarding conduct, recruitment, remuneration, appraisal and development of employees. The most important practices are outlined in specific policies, such as:

- Code of Conduct
- Speak up procedure – Policy on Whistle blowing
- Policy on Fraud Risk Management
- Policy on Customer Due Diligence
- Policy on Trading in Securities

- Policy on Employee Background Screening
- Policy on Fit and Proper
- Policy on Complaint Management
- Policy on Auditor Independence
- Policy on Anti-Trust and Fair Competition
- Policy on Business in Accordance with Licences
- Policy on External Authorisation
- Policy on Insurance Distribution
- Policy on Outsourcing
- Policy on Anti-Bribery and Corruption, Gifts and Hospitality
- Policy on Sanctions
- Policy on Personal Data Retention
- Policy on Information Security
- Policy on End User Information Security
- Policy on Anti-Money Laundering and Counter Terrorism Financing

The Company has established various control mechanisms which are implemented through policies and procedures.

Organisational structures define roles, responsibilities, authorities and reporting lines. Within the Company, two main organisational structures exist: the

managerial structure and the risk governance structure. Both structures outline the levels of authority delegated to the Company's employees when underwriting or transacting. This authority depends on an employee's function and competency.

### **Risk assessment**

Key mechanisms to ensure that the Company identifies, understands and responds to the risks it faces include (but are not limited to):

- strategy setting and long-term business planning
- periodic business review meetings between the Management Board and business units
- Risk Management System (see Section B-3 for further detail). This includes items such as the ORSA process, risk strategy setting and review, risk governance, and the risk management function.

### **Control activities**

The Company has implemented various control mechanisms. These mechanisms are established through policies and procedures

embedding segregation of duties, approvals, verifications, management reviews, and reconciliations.

Segregation of duties is embedded in the Company's underwriting process and in its financial transactions. The underwriting process is segregated by splitting the underwriting function into a policy underwriting function and a risk underwriting function (Note: the exact terminology used may vary among product lines, but the concept is the same). This segregation prevents commercial interests influencing the amount of credit limits to be underwritten.

A financial transaction is commonly segregated by splitting the roles into an initiator, an approver, a verifier, a recorder and a reconciler. Each role is in principle held by a different employee. This reduces the risk of erroneous or inappropriate payments.

Approvals are embedded in the Company's underwriting and financial transactions processes. For example, a risk underwriter requires the approval of another more senior underwriter to underwrite a credit limit above his/her authority level. Larger

amounts require the approval of more underwriters and the largest limits require Local or Group Credit Committee approval. The same principle applies in the policy underwriting and financial transactions processes.

Management regularly receives reports (financial and other key performance and risk indicators) to monitor performance versus budgeted, forecasted, prior period, etc. to assess the extent to which the Company's objectives are being achieved, and to gain insight into risk profile developments. Examples are:

- Monthly management reports, detailing the financial performance of the Company, its divisions and its functions.
- Risk Services performance overviews, detailing the credit limits underwritten, notifications of non-payment received, claims ratios, acceptance rates, etc.
- Competitor analyses, detailing and comparing the financial performance between the Company and its main competitors.
- Economic Cycle Management report, detailing the premium rates, cancellation rates, etc.

- Investment Reports, detailing the investment performance and investment position in terms of returns and allocation, credit ratings of debt instruments, splits per currency, etc.
- Risk reports, management information giving an overview of the Company's risk profile for different risk categories.

### **Information and Communication Systems**

Information and communication systems enable the Company to capture and disseminate the information required to conduct, manage and control the business.

Internally, the Company communicates through formal channels such as policies and procedures, but also through less formal communication channels such as intranet, emails and newsletters.

In certain circumstances, formal organizational structures may hinder communication of negative information upward through the managerial or risk governance structure. To ensure that negative information can also be communicated upward, the Company has established a Speak up procedure – Policy on Whistleblowing. This policy establishes



an alternative communication channel to the director of Internal Audit which employees can use to communicate negative information.

### **Monitoring**

The entire internal control framework is monitored to ensure that it is operating as intended and reflects the current objectives and environment. The Company has implemented various mechanisms, such as control self-assessments, incident reporting and internal audit exercises.

Control-self assessments are performed to monitor the effectiveness and efficiency of both key financial reporting controls and key non-financial controls.

Financial reporting control self-assessments are performed on a quarterly basis to ensure that the Company's financial statements do not contain material errors by preventing errors occurring or detecting errors that have occurred.

Control overviews are stored in an online system that details:

- what controls are in place
- why the control is performed

- which functions and employees perform the control
  - when and what frequency
  - who is responsible for the control?
- In addition, evidence of performance of controls is stored for review if necessary.

### **Compliance Function**

The Compliance function consists of the Atradius group compliance function and the local compliance functions, including the local compliance function of ACyC. The local compliance function reports to the Country Manager with functional reporting to the Atradius group compliance function. The ACyC compliance function reports to the BoD of the Company.

The Compliance function is responsible for managing relations with regulators, maintaining compliance policies, educating employees regarding compliance and drafting reports detailing relevant areas within the Company, and its branches, that are susceptible to compliance risk.

## **B-5 Internal audit function**

The Internal Audit ('IA') function has been established at ACyC level. The IA function is an independent function and all audit work undertaken is carried out freely, objectively and independent of the activity being audited/reviewed. The IA function has developed an Internal Audit charter, approved by the Audit Committee ('AC'), which outlines the authority, responsibility and governance over Atradius Internal Audit. The IA function advises the BoD on the Company's system of internal control and provides regular reporting to the BoD via the AC.

The AC supports the BoD of ACyC in fulfilling its supervisory and monitoring duties with respect to the assurance of the integrity of the Company's financial statements, the quality of the Company's risk management and controls, governance and compliance processes, the external auditor's qualifications, and the performance of internal and external auditors. The IA function has independent access to the Chair of the AC, reports to the

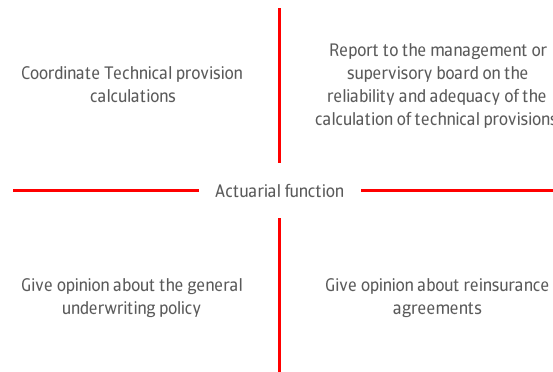
BoD of ACyC and reports –functionally- to the Director of GCO Corporate Internal Audit.

## B-6 Actuarial function

The ACyC Actuarial Function, which is an independent function, supports the BoD and the ACyC organization in ensuring the appropriateness of methodologies, underlying models and assumptions used in calculation of technical provisions, assesses the quality of data used in the calculation of technical provisions and capital requirements related to risk and regulations and the adequacy of reinsurance arrangements and underwriting policy. It also contributes to the effective implementation of the risk management system by ensuring the continuous compliance of technical provisions within the ORSA process.

Within ACyC the Director of Group Finance is appointed as key function, assuming the responsibility for overseeing the Actuarial Function, which is outsourced to GCO via an intra-group

outsourcing agreement. The ACyC Actuarial function is, amongst others, supported by a team of technical experts (actuaries/statisticians).



## B-7 Outsourcing

### Introduction

The Company has a process in place that must be followed when considering outsourcing of critical or material functions. The detailed description is laid down in the ACyC Policy on Outsourcing. This policy applies only in case of (possible) outsourcing of critical or material functions/activities to a provider. It describes the approach and process for

outsourcing from the start to the end of the contract.

### Preparation and (risk) assessment(s)

For any new outsourcing contract, or for the renewal of an existing outsourcing contract, the preparation, relevant assessments, due diligence and selection is performed by the relevant business area/unit.

The preparation starts with an assessment of whether the outsourced function/activity is considered to be critical or material for the Company.

The preparation must include:

- An assessment (in relation to the Company) on possible:
  - a) material impairment of the governance system
  - b) increase in operational risk
  - c) impairment of the regulator's ability to monitor compliance
  - d) undermining of the continuous and satisfactory service to policyholders.
- Business contingency planning (including exit strategies for outsourced activities).

## Approvals

Outsourcing requires prior approval by the Executive Committee. Overall responsibility for the outsourced activity/function remains with ACyC itself.

## Due diligence and selection process, tender process

A tender process applies for any material outsourcing contract. Several service providers are approached to tender for the contract. The tender document clearly describes the services and performance standards required, amongst other things to ensure that a provider of suitable quality is selected.

The due diligence and selection of (applicant) provider(s) enables ACyC to understand the main risks that may arise from the outsourcing, to identify the most suitable strategies for the mitigation or management of these risks and to ensure that the provider has the ability, capacity and authorisation required by law (if applicable) to perform the outsourcing reliably and professionally.

## Outsourcing key functions

If the Company intends to outsource a key function, it must address the following issues:

- Applying fit and proper procedures in assessing those employed by the service provider that will perform an outsourced key function for the Company. This requires the provider to check the fitness and propriety of all those working on the key function
- Ensuring that those within the Company designated with overall responsibility for overseeing the outsourced key function possess sufficient knowledge and experience of the outsourced key function so as to be able to challenge the performance and results of the provider. The responsible person must be notified to the regulator.

## Critical or material functions and activities

According to the Policy on Outsourcing critical or material functions and activities relate to the core business of ACyC that would otherwise be performed by ACyC itself and are essential to the operation of ACyC as it would be unable to deliver its

services to policyholders without the function or activity.

The following can be considered critical or important functions/activities:

- a) Key functions, which are the risk management, compliance, internal audit and the actuarial function within ACyC.
- b) The design and pricing of (re)insurance products.
- c) The investment of assets and portfolio management.
- d) Claims handling.
- e) Providing regular, or constant, compliance, internal audit, accounting, risk management or actuarial support.
- f) Providing data storage in relation to the core activities of ACyC.
- g) Providing ongoing, day-to-day systems maintenance or support in relation to the core activities of ACyC.
- h) The ORSA process.
- i) Underwriting activities.

## The outsourcing contract

The Policy on Outsourcing describes several subjects (not limitative) that are to be addressed in an outsourcing contract.

The relevant Atradius Country Manager, or unit Director, who outsources will ensure

that effective oversight of the provider can be performed by the Company by maintaining relevant competence and ability within ACyC.

For each proposed or existing outsourcing contract, the business continuity plans for Atradius offices/units impacted by non-performance of the provider must consider:

- Remedial action and processes to be invoked in the event of business disruption.
- Clear allocation of responsibility and accountability within Atradius to oversee and manage the period of disruption. If a major business disruption occurs at any time as a result of the failure of a provider to perform under an outsourcing contract, the Atradius business continuity plan will be invoked by the Company.

### **Internal (intragroup) outsourcing**

When outsourcing by the Company is to a provider within the GCO Group, the following applies:

- in relation to outsourcing of a key function, the GCO Group entity that performs the outsourcing (a) documents which function/activity relates to which legal entity in the GCO

Group and (b) ensures that the performance of the function/activity at the level of the Company is not impaired

- the Company makes an assessment as to whether and to what extent it should rely on outsourcing provided by a provider in the GCO Group
- the due diligence and selection process of the provider may be less detailed if the ACyC BoD/ Executive Committee has greater familiarity with the provider, the Company has sufficient control over, or can influence the actions of, the provider
- a written agreement must exist, stipulating the roles and responsibilities of both parties. This agreement may be in the form of a less detailed service level agreement.

Currently, the actuarial function is outsourced to a provider at Group level (GCO). The Director of Group Finance is responsible for overseeing the outcome of that outsourced function.

### **B-8 Any other information**

Not applicable.

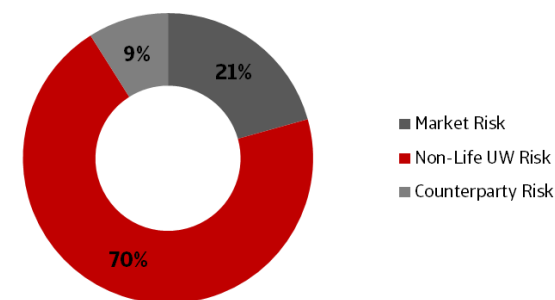
## C. Risk profile

- C-0 Contribution of the risk types to the solvency capital requirement
- C-1 Underwriting risk
- C-2 Market risk
- C-3 Credit risk
- C-4 Liquidity risk
- C-5 Operational risk
- C-6 Other material risks
  - C-6.1 Concentration Risk
  - C-6.2 Strategic risk
  - C-6.3 Cyber risk
  - C-6.4 Emerging risk
- C-7 Any other information
  - C-7.1 Stress testing and sensitivity analysis
  - C-7.2 Environmental, Social, and Governance Risk (ESG)

## C-0 Contribution of the risk types to the Solvency Capital Requirement

In 2017 ACyC's ultimate parent, GCO, was granted regulatory approval to use a Partial Internal Model to calculate regulatory capital requirements. ACyC uses the internally developed economic capital model for most of the non-life underwriting risk module and the Standard Formula for the market, counterparty and operational risk modules – hence the “Partial” Internal Model.

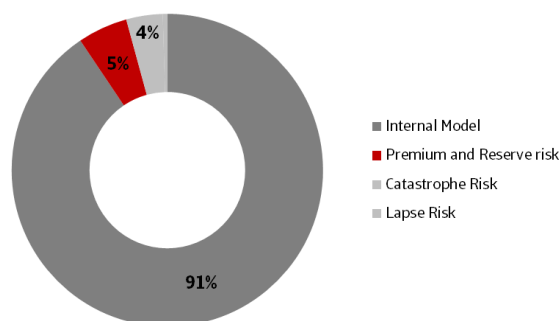
The table illustrates the contribution of the risk types described in this section to the Basic Solvency Capital Requirement (BSCR), calculated using the Partial Internal Model.



*in EUR million*

	Q4 2022	Q4 2021
<b>Basic Solvency Capital Requirement</b>		
Market Risk	243	327
Non-Life UW Risk	826	725
Counterparty Risk	105	104
Intangible Asset Risk	0	0
Total undiversified	1,174	1,156
Diversification	(198)	(232)
<b>Total diversified</b>	<b>976</b>	<b>924</b>
<b>Operational Risk</b>		
	<b>56</b>	<b>48</b>
<b>Solvency Capital Requirement</b>		
Total before tax adjustment	1,032	972
Tax adjustment	(122)	(134)
<b>Solvency Capital Requirement</b>	<b>910</b>	<b>839</b>
<b>Minimum Capital Requirement</b>		
	<b>228</b>	<b>210</b>

## C-1 Underwriting risk



in EUR million

### Non-Life UW Risk

	Q4 2022	Q4 2021
Internal Model	766	669
Premium and Reserve risk	44	41
Catastrophe Risk	32	29
Lapse Risk	4	4
<b>Total undiversified</b>	<b>846</b>	<b>743</b>
Diversification	-19	-18
<b>Total diversified</b>	<b>826</b>	<b>725</b>

### Risk identification / management

Underwriting risk is the largest contributor to the Solvency Capital Requirement. It represents 70% of the Company's Basic

Solvency Capital Requirement before diversification, with a charge of EUR 826 million. The largest contribution to this risk category comes from the Internal Model, which increased 15% mainly in line with exposure growth.

The Company incurs underwriting risk by issuing insurance contracts and subsequently approving credit limits and bonds under those contracts.

The Company operates two main direct insurance product lines: credit insurance and bonding. Credit insurance is divided into three sub-categories: traditional credit insurance, special products and instalment credit protection. Each of these sub-categories has particular risk characteristics. This section describes the different risk characteristics as well as some of the methods used to manage these risks.

The starting point for the management of underwriting risk is:

- all staff have well-defined authorities specifying the level of risk they can accept
- all risk acceptance must take place within the framework of the risk governance structure.

Furthermore, the Company's reinsurance structure imposes checks on the largest exposures. Exposures beyond a certain threshold are subject to special acceptance by our leading reinsurers.

### Traditional credit insurance and special products

In traditional credit insurance, the Company insures its customers against the risk of non-payment of trade receivables. The causes of loss covered differ by policy and usually include all forms of legal insolvency and protracted default. Policies can also cover so-called 'political' causes of loss which include, but are not limited to, the risk of non-payment due to payment transfer problems, cancellation of export/import licenses and contract frustration. Each policy stipulates a maximum credit period that the policyholder can offer to their buyers without prior approval from the Company. 'Buyers' are the customers of the Company's insured customers, i.e., the parties on which the Company covers the credit risk. To mitigate the risk of adverse selection, the traditional credit insurance products of the Company usually cover the entire portfolio of buyers of a policyholder. For traditional credit insurance, there are

two underwriting processes: policy underwriting and risk (or buyer) underwriting. Policy underwriting is the process by which the Company decides which customers to accept as policyholders and the terms and conditions of cover that are offered. Buyer underwriting is the process by which the Company sets risk limits for each buyer and issues credit limits, thus managing risk on existing policies. Both processes are subject to Atradius' Governance as referred in Section B and below.

In general, a policy is issued for a year. Customers must retain some of the risk for their own account to protect the Company from the risk of moral hazard. That self-retention can take the form of an uninsured percentage, a deductible on each claim, an aggregate first loss amount or a combination of these. Almost all policies stipulate the Company's maximum liability.

A customer is only covered for the credit risk on a buyer when a credit limit on the buyer has been established. Most policies allow customers to establish credit limits themselves for smaller amounts, under strict conditions specified in the policy. Larger credit limits must be decided by

dedicated risk underwriting functions and issued by the Company. Credit limits are an important risk management instrument for the Company as they cap the amount that ACyC would have to pay out to a customer in the event of a claim. Moreover, the Company has, in principle, the right to immediately withdraw the credit limit of a buyer at any time if circumstances demand. Credit limits may be subject to specific conditions. The Company can also set conditions for cover on a country or withdraw cover on a country altogether. These are important conditions and parameters for managing the Company's risk exposure.

Staff in Commercial units have well-defined authorities specifying what terms and conditions may be included in a policy. Authorities typically require the approval of two pairs of eyes and conditions become stricter as policy amounts increase. The pricing of credit insurance policies is also subject to governance within Commercial units. In addition, the methodologies applied to establish a benchmark price require the approval of the Quantitative Model Committee.

Staff in Risk Services have well-defined authorities for setting capacity on buyers

and for approving credit limits.

The Company's Special Products business offers a range of bespoke policies to insure against various credit and political risks. This product line includes policies that cover single transactions, single trade relationships and asset confiscation. Unlike traditional credit insurance, credit limits in Special Products policies usually cannot be immediately withdrawn. However, the conditions of Special Products policies tend to place a greater onus of risk monitoring and diligence on the insured.

All policies are bound within clearly defined authorities issued to the policy underwriters. All buyer risk is signed off by dedicated Risk Services teams.

### **Instalment Credit Protection (ICP)**

Policies are generally issued for a fixed period with automatic renewal. The indemnification rate can rise to 100% and recoveries are for the benefit of the Company. Recovery rates are significantly higher for ICP than for credit insurance and bonding.

Risk underwriting is performed by the risk

underwriting teams. Authorities are granted to underwriters according to their experience and expertise. Larger exposures are decided upon by appropriate committees according to pre-determined thresholds.

### **Bonding**

Surety bonds insure beneficiaries against the risk of our customer not meeting contractual, legal, or tax obligations. Beneficiaries include national, regional and local governments and tax authorities as well as companies.

While a customer may fail to meet its obligations, either because it is unable to perform to the agreed or required level or because it is insolvent, there is also the risk that the customer may intentionally fail to meet its obligations. Therefore, assessment of both the customer's financial strength and its ability to perform plays an important part in the underwriting process. Unlike traditional credit insurance, exposure related to issued bonds cannot be unilaterally cancelled by the Company.

When a bond is called by the beneficiary, ACyC might mediate to resolve conflicts by

working with both the customer and the beneficiary. If a payment is made by ACyC to the beneficiary, recovery action is taken against the customer who remains ultimately liable. If ACyC incurs an irrecoverable loss, it is always due to the customer's financial distress.

A sizeable portion of the bonding portfolio relates to the construction sector, while different legal and market environments in the various countries also translates into bonding customers active in other sectors. In addition, the types of bonds issued range from bid bonds, performance bonds, maintenance bonds and advance payment bonds to various types of administrative bonds. These are issued with tenors ranging from a few weeks to years.

Given the two dimensions of bonding risk – the technical risk and the financial risk – two separately organized underwriting streams exist. When establishing or renewing a bonding facility and/or issuing an individual bond the Technical Underwriting is performed by members of the Commercial units. They assess the risk of non-performance as well as bond wordings and other aspects. Financial Underwriting is performed separately from the Commercial staff, and focusses on the

creditworthiness of the customer. Financial Underwriting staff set the limits within which the bonding facilities and individual bonds can be provided to the customer. There is an authority structure in which decisions are escalated depending on the amount involved. The last two steps in this authority structure are the Local Credit Committee and the Group Credit Committee.

### **Measurement / monitoring**

The Company monitors exposure by counterparty, sector and country across all product lines. It holds records of all policies, credit limits and buyers in various connected systems. These systems enable the Company to set system specific limits by buyer or buyer group (including bonding customers) and to monitor aggregate exposure along various dimensions.

All significant exposures are reviewed at least annually. The Company receives continuous information on buyers through online connections with business information providers and from customers reporting negative payment experiences. Buyers are reviewed whenever pertinent new information is received. The Company assigns an internal rating to buyers and the



review process takes into account all sources of exposure on a buyer, including exposure for Special Products and Bonding. For ICP, consumer credit risk underwriting utilizes databases maintained by national authorities as well as its own internal consumer credit database.

### **Partial Internal model**

The relationship between risk and capital is fundamental; risk-taking requires (regulatory) capital to be held. For many years, the Company has been using an internally developed economic capital model as a best practice measure of underwriting risk exposure. In 2017, ACyC obtained regulatory approval to use this model for calculation of regulatory capital requirements. ACyC combines this internal model with Standard Formula components and thus uses a “Partial Internal Model” as a measure of risk, which allows calculation of overall regulatory (but also economic) capital requirements.

The Company takes the results of the Partial Internal Model into consideration for risk and capital management and strategic decisions. In addition to overall risk profile quantification, the model contributes to a

multitude of risk assessment activities and helps management to better monitor and manage risk levels within the organization through the allocation of risk-based capital.

For more information on the economic capital model, please see section E-4.

### **Risk mitigation**

The Company transfers a significant portion of its underwriting risk to reinsurers, through a number of reinsurance arrangements that include quota share and excess of loss treaties covering either the entire portfolio of the Company or specific risks.

The reinsurance treaties are renewed annually. However in order to ensure stability of capacity and pricing, the Company renews its reinsurance a year in advance.

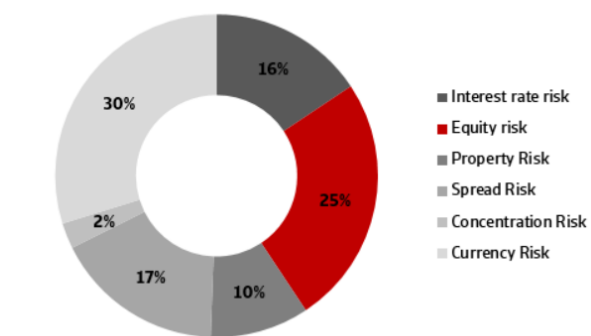
At the time of renewal, the Company assesses the optimal structure of the treaties for the forthcoming period. A number of items are taken into consideration during this review, including the cost of the synthetic capital that reinsurance provides as measured by the internal economic

capital model.

For the underwriting year 2023, main reinsurance program remained unchanged: a quota share reinsurance treaty is in place covering the majority of the Company’s business. Own retention under this treaty is 63% (same as in 2022).

There is also an excess of loss program on a per buyer/buyer group basis, covering the Company’s retention under all these quota share treaties. This excess of loss treaty also provides protection for all the insurance entities within Atradius. The top of the excess of loss layers is chosen so that, in the judgement of management, there remains only a very remote possibility that failure of any single buyer group would exceed the excess of loss coverage purchased. The attachment point of the excess of loss treaties has been set such that the net retention for business ceded under the quota share treaties and excess of loss structure for any buyer group does not exceed EUR 26 million at the level of Atradius.

## C-2 Market risk



in EUR million

### Market Risk

	Q4 2022	Q4 2021
Interest rate risk	58	38
Equity risk	92	170
Property Risk	37	36
Spread Risk	63	90
Concentration Risk	9	10
Currency Risk	110	114
<b>Total undiversified</b>	<b>368</b>	<b>458</b>
Diversification	-126	-130
<b>Total diversified</b>	<b>243</b>	<b>327</b>

### Identification

The Company exposes itself to market risk by obtaining assets and incurring liabilities whose value is sensitive to movements in market prices. This risk represents 21% of the Company's undiversified BSCR, before diversification and tax adjustments. With a charge of EUR 243 million, significantly

lower compared with previous year (EUR 327m). This risk is incurred by:

- investing in debt instruments
- investing in equity instruments
- investing in real estate
- underwriting insurance contracts generating provisions for future claims payments
- holding assets and incurring liabilities denominated in foreign currencies.

The total decrease of the market risk is mainly driven by the underlying risk components. Where the interest rate risk shows an increase due to additional investments, the equity risk and spread risk components were the most important drivers of the total decrease in market risk. The decline in equity risk was driven by both negative market developments and the sale of equity exposure, while the drop in spread risk is a result of a combination of factors. These factors were a decrease in portfolio duration, the shift to higher rated securities and to a lesser extent the higher interest rates resulting in lower market valuations.

### Measurement

Market risk is measured by using several risk metrics, including:

- value-at-risk
- capital models of external credit assessment institutions
- interest rate duration.

Value-at-risk and capital models from external credit assessment institutions are both used to determine potential maximum loss for a given confidence level on the Company's financial instruments due to adverse movements in market prices or counterparties' creditworthiness. Interest rate duration assists in determining sensitivity of debt instruments and claims provisions to movements in interest rates.

### Management/prudent person principle

Market risk is managed in several ways, such as:

- restriction on investment types, e.g. widely traded capital market instruments vs. derivatives
- diversification of the investment portfolio

- restrictions on the interest rate duration of the debt instruments portfolio
- implementation of a strategic asset allocation.

The Company uses an asset liability management (ALM) approach to analyse the impact of market risk on its assets and liabilities. Additionally, through the use of Solvency II constraints the Company aims to define the strategic asset allocation (SAA), so that the commitments resulting from the exposure to purchased assets and Company's insurance liabilities can be met while maximizing the expected investment return within given risk and capital constraints.

The policy of the Company is to invest only in investment grade, liquid investments taking into account the short interest rate duration of the claims provisions. Furthermore, the policy regarding financial instruments is to invest only in capital market instruments and refrain from investing in derivative instruments.

The investment process complies with the 'prudent person' principles:

- all assets covering technical provisions are invested in a manner appropriate to

the nature and duration of the Company's liabilities

- investments are only made in assets which risks can be properly identified, measured, monitored, managed and controlled and reported
- all assets are invested in such a manner as to ensure the security, quality, liquidity and profitability of the portfolio as a whole
- non-traded investments are kept to prudent levels
- exposure to speculative grade assets is prudent
- derivatives can be used only to reduce risks or facilitate efficient portfolio management
- assets are properly diversified (asset type, issuer, group, region) to avoid excessive accumulation of risk in the portfolio as a whole.

Market risk is monitored by and reported to the Group Investment Committee and the RSMB. The Group Investment Committee meets on a monthly basis and reviews metrics such as value-at-risk, interest rate duration, and degree of diversification/concentration of the investment portfolio while the RSMB also reviews similar management information

on a quarterly basis.

Under the umbrella of market risk, the largest type of risk exposure is currency risk, contributing EUR 110 million of the EUR 368 million total undiversified market risk.

### **Risk mitigation**

Market risk is mitigated on several layers in the Company. Firstly, constraints are set in the Group Investment Policy. This policy sets parameters within which investment risk can be taken. Investment decision making and monitoring of compliance is undertaken by the Group Investment Committee. In addition, governance bodies such as the FX Committee, Group Investment Committee and RSMB regularly review investment decisions and portfolio developments.

## **C-3 Credit risk**

### **Identification**

The Company exposes itself to credit risk (also referred to as counterparty default risk) by obtaining assets whose value

depends on counterparties' ability to repay their obligations when due. This risk represents 9% of the Company's undiversified BSCR, before diversification and tax adjustments with a charge of EUR 105 million (2021: EUR 104 million). This risk is incurred by:

- investing in debt instruments
- depositing cash at credit institutions
- underwriting insurance contracts which generate premium receivables from insurance contract-holders, and insurance intermediaries such as brokers and agents
- entering into reinsurance contracts generating reinsurance recoverables and receivables from reinsurers.

### **Measurement / assessment**

Counterparty default risk is measured using several risk metrics, such as:

- capital models developed by external credit assessment institutions
- credit ratings issued by external credit assessment institutions
- payment history of insurance contract-holders
- delinquency reports (credit control reports).

Developments in these main risk metrics (as well as other information) are monitored and assessed to ensure that the exposure to credit risk is maintained within acceptable boundaries.

Counterparty default risk is monitored and reported to the relevant risk committees: Group Investment Committee in the case of investment assets or deposits; Outward Reinsurance Committee in the case of risk on reinsurers; the RSMB as the committee with the most holistic view of risk exposure. The Group Investment Committee meets monthly and reviews the distribution of credit ratings within the investment portfolio while the RSMB performs the same review of the investment portfolio on a quarterly basis. The Reinsurance Committee meets quarterly and, among others, reviews the quality of the reinsurance panel.

### **Management / mitigation**

Counterparty default risk is managed and mitigated in several ways, such as:

- deployment of credit ratings issued by external credit assessment institutions
- setting risk exposure limits
- inclusion of contingent collateral

- clauses in reinsurance contracts
- withholding premiums due to reinsurers to offset occurred claims.

Credit ratings issued by external credit assessment institutions are used to ensure that the Company invests only in debt instruments or enters into reinsurance contracts with an acceptable likelihood of being settled. Currently, the policy is to invest in debt instruments with a credit rating of 'BBB-' or higher and to enter into reinsurance contracts with reinsurers with a credit rating of 'A-' or higher.

If the credit rating of a debt instrument falls below the minimum rating mentioned above, the Group Investment Committee discusses whether the Company should divest the instrument. If the credit rating of a reinsurer falls below the minimum, the reinsurance contract allows the Company to terminate the reinsurer's subscription to the reinsurance treaty. In this way, a decision to avoid the increased risk may be taken.

The inclusion of a contingent collateral clause in a reinsurance contract requires a reinsurer that is downgraded below 'A-' to provide collateral by pledging assets with, or providing an irrevocable letter of credit from a credit institution. As a result the

increased risk is mitigated.

The inclusion of offset clauses in a reinsurance contract ensures that the Company can offset the receivables from and payables towards a reinsurer if any reinsurer defaults on its payables. This reduces the size of the risk exposure.

## C-4 Liquidity risk

### Identification

Liquidity risk may arise due to insufficient funds being available to meet cash flow requirements (funding liquidity risk), but also due to illiquidity of the assets held to meet the cash flow requirements (asset liquidity risk).

### Risk mitigating measures

Liquidity risk is managed centrally, in close coordination with local business units. The primary risk mitigating practice is the monitoring of ongoing cash flow patterns combined with the maintenance of levels of cash and highly marketable securities that reflect expected cash needs.

The Company employs several supplementary measures:

- cash-pooling (enabling the Company to instantly transfer cash between branches participating in the cash-pool)
- inclusion of a simultaneous settlement clause in reinsurance contracts
- daily pricing of financial instruments with the ability to liquidate those instruments in a reasonable time-period (the Company's investment policy limits investments in financial instruments to those that can be sold in less than three business days)
- uncommitted lines of credit to cover infrequent peaks in short-term liquidity requirements while also permitting the Company to reduce its cash balances and to benefit from a more substantial and stable investment portfolio.

### Expected Profit in Future Premium.

Expected profit in future premium is calculated as per Article 260(2), Article 260(3) and Article 260(4) of the Delegated Regulation.

Methods used for the calculation of technical provisions remain the same in accordance with Article 77 of the Directive and is

specified in detail within section D.2 of this document. Assumptions used within the EPIFP calculations are consistent with ones used to calculate the best estimate. The calculation to estimate expected profit in future premium is performed at the level of homogeneous risk group.

The expected profit included in future premiums calculated in accordance with Article 260 (2) of the Delegated Regulation, before tax and before reinsurance for Q4 2022 is EUR 137 million (2021: 109 million).

## C-5 Operational risk

Operational risk is the “risk of loss arising from inadequate or failed internal processes, or from people and systems, or from external events”. The Solvency II Directive also states that operational risk “shall include legal risks, and exclude risks arising from strategic decisions, as well as reputation risks.”

Using the Standard Formula for calculation, operational risk represents 6% of the Company's SCR, with a charge of EUR 56 million (2021: EUR 48 million).

The Company uses a framework for identifying, assessing, responding to and monitoring operational risk, which is based in part on the Committee of Sponsoring Organizations' Enterprise Risk Management (COSO ERM) Integrated Framework. The framework ensures that operational risks are considered in all parts of the Company and that objectives are more likely to be met with fewer surprises along the way.

To provide oversight and assurance in an auditable and efficient manner, the Company employs a dedicated governance, risk and compliance software platform (the 'GRC Portal') that integrates existing risk management activities across the business.

### Identification

Operational risk is inherent in all the Company's key activities. The Company has developed a number of methods and tools to support identification, assessment and management of operational risk, such as:

- risk registers
- risk and control self-assessments
- business impact analyses
- training (such as fraud awareness training to assist in the identification of

fraudulent customers or buyers)

- monitoring of indicators of risk in the various sub-categories of operational risk.

### Measurement

Atradius Leadership Team members, assisted by designated 'risk champions' across the Company, maintain local risk registers that are updated on a quarterly basis. The risk registers contain topics that management identify as significant risks for achieving objectives. Risks are quantified based on assessments of potential impact and the likelihood of a risk materialising.

The local risk registers are consolidated into a central risk register and a risk map. The highest priority risks (according to impact and likelihood) are reviewed against a risk tolerance, while mitigating actions are evaluated.

### Monitoring and reporting

The performance of internal controls is monitored in a number of ways including:

- risk and control self-assessments

- quarterly review and sign-off of financial reporting controls
- business continuity tests
- incident reporting (High-level information on crystalized risks has been captured for several years. Due to their unique characteristics, information technology risk events are recorded separately).

Risk indicators are reported quarterly to the Operational Risk Committee. The Operational Risk Committee comprises senior management representatives from a cross-section of departments. It meets on a quarterly basis to discuss risk indicators and developments in the Group's assurance methods.

### Management / mitigation

Once identified and assessed, risks may be accepted or mitigating actions may be taken to bring them to an acceptable target level.

Risks, the related controls, and risk mitigating actions are discussed at all levels, locations and units across the Company.

Operational risk is managed and mitigated through a framework of internal controls

that address the different areas where such risk is present. This internal control system includes:

- policies, procedures and standards
- Business Continuity Plans
- manual and automated operational controls such as the segregation of duties, the application of signing authorities and role-based system privileges
- ongoing education.

## C-6 Other material risks

### C-6.1 Concentration risk Identification

The Company exposes itself to concentration risk primarily by accumulating assets with a debtor and by underwriting credit limits on a buyer, on a group of buyers under common control, in a country or in a trade sector. If Atradius has underwritten bonds for a buyer, this contributes to the concentration.

#### Management / Mitigation

Concentration risk is managed using various methods:

- concentration is a driver in the

Company's economic capital model, therefore capital decisions take concentration risk into account

- concentration risk on underwriting exposures is typically analysed with respect to individual buyer, customer, trade/industry sector, country and/or product
- credit concentration limits are assigned on an aggregated level (e.g. name / group, country) in order to manage exposure concentration on portfolio level
- for concentration on the largest individual buyer exposures, special excess-of-loss reinsurance treaties are established to mitigate liability in case of large claims
- for concentration in assets, the Company limits investments with one counterparty to less than 5% of the investment portfolio (this applies to non-government counterparties only). Similarly, the policy is to maintain no more than 5% of reinsurance contracts with one reinsurer, unless the reinsurer is considered a lead or a strategic reinsurer.

### Monitoring and reporting

Concentration risk is, depending on the type, monitored and reported to the Group Investment Committee, Outward Reinsurance Committee and the RSMB. The Group Investment Committee meets monthly and reviews adherence to the policy on concentration limits for the investment portfolio while the RSMB performs a similar review of the investment portfolio on a quarterly basis. Furthermore, the RSMB reviews the concentration of credit limits underwritten per country and trade sector and for the top 50 buyers. As part of the process of renewal of the Company's reinsurance treaty, the Outward Reinsurance Committee reviews the adherence to the concentration limits for reinsurance treaties.

The Total Potential Exposure (TPE) details show TPE gross of reinsurance; due to the non-linear nature of the excess of loss cover in ACyC's reinsurance program, which has a finite number of reinstatements for each layer, there is no natural way to show TPE net of reinsurance. In the following table, the TPE has been aggregated and shows the exposure for ACyC credit insurance (including special products), non-



consolidated. Exposures for Bonding and for ICP are not included in the table. The bonding exposure in 2022 is 28.8 billion (2021: EUR 25.6 billion). Exposure for ICP amounts to EUR 3.4 billion (2021: EUR 3 billion).

Buyer country (Eur Billion)	TPE 2022	%	TPE 2021	%
Germany	124	16%	107	17%
Spain, Portugal	97	13%	87	13%
Central and Eastern Europe	87	11%	73	11%
Italy	61	8%	49	8%
France	58	8%	50	8%
United Kingdom	58	8%	50	8%
USA, Canada, Mexico	56	7%	42	7%
The Netherlands	39	5%	33	5%
Nordic	37	5%	32	5%
Other	146	19%	122	19%
<b>Total</b>	<b>762</b>	<b>100%</b>	<b>645</b>	<b>100%</b>

## C-6.2 Strategic risk

Strategic risk is the risk arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. It is the risk related to strategic planning, market developments and reputation.

Strategic risk categories are used to structure the process of identifying and assessing strategic risks. The main categories used within the Company are:

- allocation of resources: risks linked to an inadequate strategic planning and budgeting process
- market developments: risks linked to market developments, economic environment, clients, competition
- reputation: risks linked to an adverse change in the reputation or image of Atradius.

Strategic risks are identified and assessed quarterly at board level. The Company identifies and analyses strategic risks through various internal channels such as: the Strategy Forum (an internal discussion of strategic initiatives), the Strategic Risk Platform (comprised of senior management from various parts of the business to evaluate identified risks), Economic Research Department's overview of long-term macro-economic risks, megatrends analyses, Risk Registers of individual business units, and quantifications of required and available capital in the Long Term Planning and ORSA processes.

## C-6.3 Cyber risk

Risk of financial loss, disruption or damage to reputation due to failure of IT systems or loss of data. This would typically materialise

due to attacks over networks and could result in theft and misuse of information, service outages, changes in operating systems, among events.

Cyber risk is an area in which increased focus is warranted. The Atradius Information Security team monitors and addresses threats and coordinates the management of cyber risk across the Company. The growing threat landscape, including malware (viruses), highlights the importance of education for end users on topics such as, phishing, maintaining software and the dangers of unsupported or non-authorised software. To minimise this risk cyber risk awareness is included in staff training. Further mitigation of this risk includes protections for critical ACyC applications and Multi-Factor Authentication for all remote access. A medium-term Cyber Security Strategy is in place to enhance the Company's governance, protection, resilience and vigilance.

## C-6.4 Emerging risks

Emerging risks are newly developing or changing risks, which may arise due to increased exposure or sensitivity to



unknown factors or to an already known threat.

Emerging risks are identified through the surveillance and assessment of the external (regulatory, geopolitical, technological changes, market developments, etc.) and internal (development of new products, entering in new markets, etc.) environment.

Among the risks defined in ACyC's risk map, the following emerging risks are identified as principal emerging risks, as these could have a major impact on the strategy of ACyC:

- Financial volatility
- Inflation
- Extended economic recession
- Regulatory developments
- Cyber risks.

## C-7 Any other information

### C-7.1 Scenario and sensitivity analyses

Sensitivities of the risk profile are regularly explored by sensitivity tests as well as stress tests/scenario analyses. In the first, individual risk parameters and/or volume measures are being shocked while in the second the combined effect of several adverse developments is considered. Scenario analysis and stress testing activities are executed firm wide, embedded into the Company's risk management process and serve the purpose of examining the business' resilience.

This section exemplifies sensitivity tests for different risk categories and overall scenario analyses and quantifies the impact on the Solvency Ratio. The Solvency Ratio is the key metric for ACyC to measure its ability to meet its obligations.

#### C-7.1.a Sensitivity analyses

As of 31 December 2022, the impact of external factors related to various risk types on ACyC has been assessed. For several sensitivity tests the impact on Solvency

Ratio (as percentage point change) is shown in the following table:

Scenario	Risk Type	Solvency Ratio Impact	Resulting Solvency Ratio
Default of largest buyer	Underwriting risk	-5%	190%
Decrease of premium volume by 5%	Underwriting risk	-5%	190%
Increase of claims ratio by 10%	Underwriting risk	-9%	186%
Interest rate -1%	Market risk	-8%	187%
Interest rate +1%	Market risk	2%	197%
Equity prices -10%	Market risk	-1%	194%
Equity prices +25%	Market risk	-4%	191%
Impairment of corporate bonds according to S&P transition matrix	Market risk	0%	194%
Increase of credit spread with 100 bps	Market risk	-3%	192%

## C-7.1b Scenario Analyses

The interplay and simultaneous occurrence of adverse developments are considered as part of the annual Own Risk and Solvency Assessment (ORSA) process. These analyses take a holistic approach and consider the impact of scenarios on the balance sheet, profit and loss statements, and ultimately on the solvency needs. Various scenarios are investigated to study the Solvency Ratio development over a multi-year time horizon – including expected (base case) and adverse developments.

The most recent ORSA has considered among others a prolonged global recession scenario with simultaneous adverse developments on revenues, claims, and the value of the investment portfolio. The scenario assumes that insurance exposures are reduced in year  $t$  and in year  $t+1$  and then progressively increase thereafter. Here, “year  $t$ ” refers to the first full year after the scenario materializes.

The following table summarizes the scenario assumptions:

Used variables	Shocks	Balance Sheet Impact
Revenues	-5% growth in year $t$ and -10% in year $t+1$ , with moderate increase thereafter.	Indirect effect on B/S, mainly through a reduction in P&L results
Total Potential Exposure	-10% in year $t$ and -15% in year $t+1$ , followed by a slow growth thereafter.	Indirect effect on B/S, mainly through reinsurance recoverables and best estimates/risk margin
Claims ratio	At 104% in year $t$ with slow recovery thereafter.	Indirect effect on B/S, mainly through a reduction in P&L results
Equities	-35% in year $t$ .	Reduction in market value
Property	-15% in year $t$ .	Reduction in market value
Corporate Bonds, Government Bonds, Structured Notes	+200bps credit spread. Interest Rate Curve of October 2020	Reduction in market value Reduction in market value

The scenario and its assumptions are based on 2022 information, so that year  $t$  represents a hypothetical year 2023 under the assumptions above. The following table summarizes the year  $t$  impact of the scenario on the Solvency Ratio.

### Prolonged Global Recession scenario

Projected end year $t$ impact as per ORSA SCR projection 2023	
Impact	Solvency Ratio
	-46%

## C-7.2 Environmental, Social, and Governance risk (ESG)

Atradius has been enabling trade for nearly 100 years. It is important for us to now think about what the next 100 years will look like, and how we will contribute to global economic growth and the global sustainability agenda.

We expect to see big changes in the way that trade will take place – especially as the world takes on the enormous challenge to be net zero by 2050. Businesses are increasingly expected to consider criteria other than economic profitability, which means embedding sustainability in the decision-making process.

We are fully committed to building sustainability within our own business and supporting our customers to make their trade more sustainable.

In 2022, we formalised our sustainability ambitions and created a dedicated ESG Committee chaired by our CFO Claus Gramlich-Eicher that meets regularly. The Committee has been set up to structure

our various ESG initiatives. We have also recruited a Head of ESG to drive our actions in 2023 and beyond.

Atradius' sustainability initiatives and reporting are aligned with our parent company GCO.

Three pillars reflect the different aspects of our sustainability ambitions: Planet, People and Prosperity.

#### **Planet:**

We aim to:

- Shift our portfolio to Net Zero by 2050
- Help our customers find planet positive trading partners
- Support our customers' transitions to clean production and supply chains
- Support our customers to lower their carbon footprint
- Invest responsibly
- Achieve carbon neutrality in our own operations

#### **People:**

We aim to:

- Ensure we are an equal opportunity employer regardless of genders, races

and cultures

- Deliver value through diversity and inclusion
- Enhance employability
- Support the well-being of our employees
- Give back to society and our local communities
- Strive for a good balance between the prosperity of communities and the impact on the environment
- Help / coach sustainable entrepreneurs
- Guide / train our colleagues to play their part in contributing to a more sustainable future

#### **Prosperity**

We aim to:

- Safeguard sustainable growth for the company through compliance with relevant international ESG rules and regulations
- Build ESG factors into our strategic decision framework
- Become the insurer of choice, a trusted partner for sustainable global trade
- Attract, motivate and retain the best talent to help us achieve our sustainability goals

To remain a trusted partner for sustainable global trade we have started a dialogue with customers and business partners about sustainability topics. In 2022 we held a virtual event titled 'Clean energy transition: a new way forward for global trade?' The panel of experts included an energy economist as well as Atradius partners and customers, who together helped us to highlight and explore some of the key issues and risks facing businesses in the areas of clean energy transition specifically and sustainability more generally. We acknowledge that achieving net zero requires new thinking and we do not have all the answers yet – but we are committed to supporting our customers in this process.

As the management of Environmental, Social, and Governance risk is performed comprehensively at Group level, further information is available in the Sustainability Report, Grupo Catalana Occidente non-financial information statement, audited and published on the website [www.grupocatalanaoccidente.com](http://www.grupocatalanaoccidente.com). The report identifies the main

Environmental, Social, and Governance risk map to which the Group and its individual entities would be exposed, as well as the impact that climate change risks could have on their activities according to the adverse scenarios analysed within the framework of the Own Risk and Solvency assessment (ORSA) of GCO.

## D. Valuation for solvency purposes

- D-0 Introduction
- D-1 Assets valuation
- D-2 Technical provisions
- D-3 Other liabilities valuation
- D-4 Alternative methods for valuation
- D-5 Valuation techniques used on the basis of model approach

## D-0 Introduction

The economic assets of ACyC under Solvency II at the end of 2022 amount to EUR 4,187 million, EUR 167 million lower than Statutory Financial Statements, performed according to Spanish Local accounting standards (hereinafter 'PCEA') and EUR 215 million higher than 2021.

The tables below show the total difference in valuation per category. PCEA figures are already reclassified under the equivalent SII items.

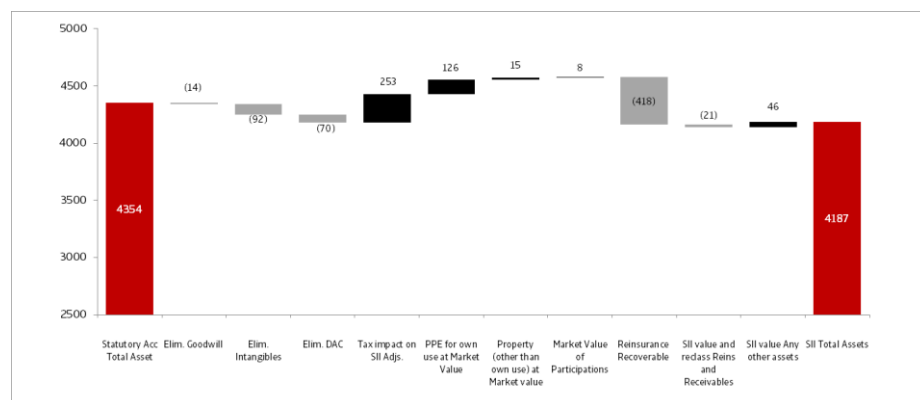
The following table shows balance sheet items under SII and Statutory Accounts:

ACyC			
Eur million	31.12.2022	31.12.2022	
Assets	Solvency II	(Statutory Acc)	Difference
Goodwill	0	14	(14)
Intangible assets	0	92	(92)
Deferred acquisition costs	0	70	(70)
Deferred income tax assets	446	193	253
Pension Benefit Surplus	89	89	(0)
Property, plant and equipment for own use	188	62	126
Property (other than own use)	22	7	15
Participations	25	17	8
Other Financial investments	1,791	1,791	0
Deposits other than cash equivalents	82	82	0
Reins. Recoverables	471	889	(418)
Deposit to Cedant	2	2	(0)
Reinsurance Receivables	254	277	(23)
Receivables (Insurance, intermediaries and trade)	348	346	2
Cash and cash equivalents	400	400	0
Any other assets, not elsewhere shown	69	23	46
<b>Total</b>	<b>4,187</b>	<b>4,354</b>	<b>(167)</b>

Investments: represent 46% of the total assets, of which the investment in Debt securities is the main item.

In addition, when analysing valuation differences, it is necessary to consider reclassifications, according to the asset QRT (CIC CODE classifications). Such reclassifications have no economic impact.

The following graph shows the assets bridge between statutory accounts and SII.

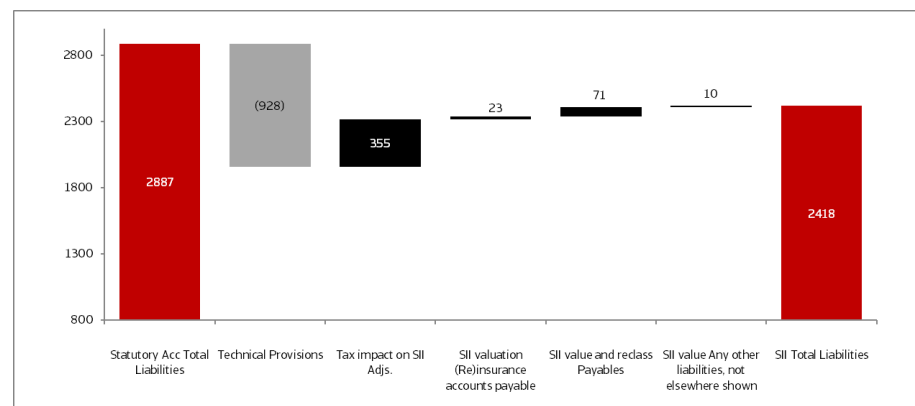


Solvency II Total liabilities balances EUR 2,418 million, EUR 469 million lower than PCEA and EUR 38 million higher than 2121. Being technical provision and deferred tax liabilities the more significant items as shown in the following table.

Liabilities Bridge between PCEA and Solvency II is as follows:

## ACyC

Eur million			
	31.12.2022 Solvency II	31.12.2022 (Statutory Acc)	Difference
<b>Liabilities</b>			
Technical Provisions	1,077	2,005	(928)
Provisions other than technical provisions	1	1	0
Pension benefit obligations	59	59	0
Deposits from reinsurers	10	10	0
Deferred tax liabilities	564	209	355
Insurance & intermediaries payables	61	61	0
(Re)insurance accounts payable	137	114	23
Payables (trade, not insurance)	355	284	71
Any other liabilities, not elsewhere shown	154	144	10
<b>Total</b>	<b>2,418</b>	<b>2,887</b>	<b>(469)</b>



Annex F 3 details the valuation differences between PCEA and Solvency II.

## D-1 Assets valuation

At the end of 2022, ACyC has assets with a total value of EUR 4,187 million under Solvency II (EUR 4,354 million under PCEA).

The main differences are as follows:

- goodwill: in the economic balance this is valued at zero (EUR 14 million PCEA)
- intangibles: in the economic balance sheet these assets are valued at zero (EUR 92 million under PCEA)
- recoverables from reinsurance: in the economic balance sheet these are valued in accordance with the valuation criteria of the technical solvency provisions (see section D.2) and considering the probability of default by the reinsurers
- deferred acquisition costs: the economic value of deferred acquisition costs is nil. (EUR 70 million under PCEA)
- property, plant & equipment for own use: in the economic balance sheet are valued at their market value, determined by approved independent real state valuator registered in the relevant countries.

In 2019 IFRS 16 was adopted and applied for Solvency II, in consideration of art. 75 of the Directive, with an impact both in assets and liabilities. Therefore, difference in this item, with PCEA is:

- + EUR 58 million due to market value
- + EUR 68 million corresponding to IFRS 16 Right of use assets. See further details in Chapter F-4, Solvency II Valuation principles
- property (other than for own use): in the economic balance sheet are valued at their market value, determined by approved appraisal companies. (+ EUR 15 million)
- participation under PCEA are valued at cost value while under Solvency II are valued according to their economic value which for ACyC is participated own funds valued applying SII rules (+ EUR 8 million)
- any other asset not elsewhere shown: Mainly technical items considered as customer deposit given contracts boundaries. (+ EUR 46 million)
- deferred tax assets: + EUR 253 million, records the tax effect of the valuation differences between PCEA and Solvency II.

Other differences are reclassification between assets and liabilities.

### Comparison with the previous year

The movement in this item is mainly driven by PCEA Balance Sheet movements across periods.

## D-2 Technical provisions

### Valuation principles

As prescribed by the Solvency II Directive (DIR), the technical provisions are made up of three components:

- Provisions for claims outstanding (PCO): The PCO is the best estimate of cash flows relating to claim events that have already occurred, regardless of whether the claims arising from those events have been reported or not
- Premium provisions (PP): The PP is the best estimate relating to future claim events covered by insurance and reinsurance obligations falling within the contract boundary. Cash flow projections for the calculation of the PP include claims, expenses and premiums
- Risk Margin (RM): The Risk Margin is intended to be the amount of capital that another (re)insurer taking on the liabilities at the valuation date would require over and above the best estimate. It is calculated using a cost-of-capital approach as prescribed within the Solvency II Directive.

For the purposes of this report, the best estimate, unless otherwise specified is gross, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles.

The calculation of the technical provisions includes cash flows associated with existing contracts, for obligations up to the contract boundary.

For all products the best estimate is determined by relevant actuarial and statistical methods in combination with realistic assumptions.

The methods used and the choice of loss occurrence definition determines the split between PCO and PP. This methodology is specific to the different products within the ACyC Credit & Suretyship (C&S) business.

### Choice of contract boundary

The Company has chosen the following contract boundaries. The choices are specified by product: Credit Insurance (CI), Special Products (SP), Bonding (BO), and Instalment Credit Protection (ICP).

Product	Acronym	Contract Boundary
Credit Insurance	CI	Risk Insured before balance sheet date.
Special Products	SP	All policies issued before balance sheet date that have not expired.
Bonding	BO	Bond issued before balance sheet date including extensions.
Instalment Credit Protection	ICP	End of the underlying credit obligation for all policies issued before balance sheet date.

The Company has a unilateral right to terminate future cover (shipments) to be brought under the credit insurance policies because the Company can amend i.e. vary, review or withdraw credit limit decisions under the policy. Without a credit limit decision on a buyer, no new business will be insured on that buyer.

For credit insurance, the contract boundary is chosen such that all contractual obligations for insured risks (shipments) at reporting date are provisioned for within Solvency II technical provisions.

The choice of contract boundary hence reflects the credit insurance business' ability to continually re-underwrite risks as it may at any time reduce or withdraw credit limit decisions.

### Valuation methodologies

The Solvency II best estimate is valued



using methodologies consistent with principles and bases used for financial reporting.

A short description of the methodologies used to determine provisions by product is provided below:

- Traditional Credit Insurance: Provisions are calculated based on statistical methods. These are used to project claim counts for each month of risk taken on and an average claim severity to estimate ultimate claim cost. For large cases, case-by-case assessments of provisions are made. In addition, reserves are carried for future large losses and losses resulting from reporting on specific events
- Special Products: Provisions for reported claims are calculated on a case-by-case basis. Provisions for future claims are based on an expected premium times expected loss ratio approach
- Bonding: Provisions for reported claims are calculated on a case-by-case basis. Provisions for future claims are based on an expected premium times expected loss ratio approach
- ICP: Claims reserves for reported but not

settled claims are determined on a case-by-case basis. Salvage and subrogation dominate the ICP provisions due to the nature of the product: Claims paid are in the order of three times premium. Claims paid are typically recovered in full over a period of over ten years. Provisions for salvage and subrogation for ICP are estimated using a chain ladder method.

Future premiums are estimated based on methods that project premiums to be received in the future at a policy level.

For all products the best estimate is determined by relevant actuarial methods in combination with realistic assumptions.

There are no future management actions assumed in the calculation of the Company's gross of reinsurance best estimate liabilities.

### **Reinsurance recoverables**

The ACyC C&S business' reinsurance protection derives from its reinsurance program. The main program consists of a Quota share (QS) treaty, and an Excess of Loss (XoL) program.

The C&S business main proportional reinsurance covers 37% for UWY 2022 (48% UWY 2021) of all technical amounts: premiums and claims.

Main proportional reinsurance treaty above, no longer includes the internal cession with Atradius Reinsurance DAC.

The amounts recoverable from reinsurance contracts are estimated consistently with the boundaries of the underlying contracts to which they relate. The reinsurance recoverables are calculated directly, treaty by treaty in essence without approximation.

An adjustment for expected losses due to counterparty default is included in the estimate of reinsurance recoverables. The reinsurance panel predominantly has a Standard and Poor's rating of A- or better.

### **Risk margin**

The risk margin is defined as the cost needed to cover all future capital requirements until the final settlement of existing business.

The solvency capital requirement (SCR) is the risk capital required for one year only.

Hence the SCR for individual points of time in the future needs to be estimated.

The Company follows the general guidance given under Method 1 within the EIOPA Solvency II Guideline 62 (EIOPA-BoS-14/166 EN). This assumes that the risk margin is based on a cost of capital approach for business that is considered ‘existing’. For the cost-of-capital, a rate of 6% is used according to the Delegated Regulation (Article 39).

The overall approach used to calculate the risk margin is to perform a full calculation of the SCR at each future point in time using the Standard Formula with certain simplifications. The simplifications are used for the counterparty default and operational risk modules.

The method used to calculate the risk margin is based on the formula below which is prescribed in DR: Article 37(1),

$$RM = CoC \cdot \sum_{t=0} \frac{SCR(t)}{(1 + r(t+1))^{t+1}}$$

where the cost-of-capital (CoC) rate used is 6% as is prescribed in DR: Article 39 and SCR(t) denotes the Solvency Capital Requirement referred to in DR: Article 38(2)

at year (t). It is a formula similar to that which is used to calculate the Actual SF SCR as outlined in DIR: Article 103.

### Overview of technical provisions

The table below shows the Solvency II gross best estimate, risk margin and the share of reinsurance recoverables as of 31 December 2022 for the Credit & Suretyship business:

#### Solvency II Technical Provision by Product

31.12.2022

Eur Million

SII B/S Component/BE Split	Direct, Accepted		Total
	PCO	PP	
Gross BE Split by Product			
CI	356	733	1,089
SP	7	17	24
BO	94	(56)	38
ICP	(160)	7	(153)
Gross BE Split by Product	297	701	998

#### Reinsurance Recoverable

CI	159	275	434
SP	4	6	10
BO	59	(31)	28
ICP	(4)	3	(1)
Reins Recov. Split by Product	218	253	471
Implied Net Best Estimate	79	448	527
<b>Risk Margin</b>			79

### Comparison with financial statements

The following table shows a Technical Provision comparison between PCEA, IFRS and SII.

SII calculation are based on IFRS figures. The most material differences between the SII and PCEA valuations of TP are:

Eur Million	PCEA (*)	IFRS (**)	SII (***)
Gross Technical provisions	2,005	1,889	1,077
Ceded Technical provisions	889	864	471

(\*) Includes UPR and Return Premium accrual

(\*\*) Includes UPR

(\*\*\*) Includes Risk Margin

### PCEA to IFRS

- Spain and Portugal estimated claims recoveries are shown under PCEA in the assets split in reinsurance recoverables and Receivables (trade, not insurance). This reclassification amounts to EUR 69 million;
- Under PCEA, Return Premium accrual (gross and ceded) are shown as part of technical provisions gross when under IFRS are shown in “any other liabilities or other asset not elsewhere shown” (gross and ceded respectively). Net reclassification for this concept is EUR

64 million (EUR 115 million gross and EUR 51 million ceded).

### IFRS to SII

- Change in bases of moving from IFRS to SII, as profit is recognised on IFRS UPR
- Change in assumptions for the traditional credit insurance product that determines the Solvency II best estimate. In principle, underlying methodologies to arrive at a best estimate do not differ from current financial statements but calibrated parameters and assumptions reflect a probability weighted average. Overall impact (Net of Reinsurance including Risk margin) of these changes is favorable by EUR 278 million.

### Comparison with the previous year

The Solvency II Best Estimate (gross of reinsurance) increased by EUR 196 million. Contrarily Solvency II reinsurance recoverable decreased EUR 83 million, due to the cancelation of the internal cession and the fact that first semester of 2021 was impacted by the Government Support Schemes to face pandemic effects with

higher cessions; both movements bred to an increase in Solvency II Best estimate net of reinsurance of EUR 279 million.

The Risk Margin has increased by EUR 23 million mostly as a consequence of the increase in the SCR.

No other material assumption changes were made compared to the previous reporting period.

### Level of uncertainty

The status of the economy is a major driver of the frequency and severity of claims for the credit and suretyship line of business. All forms of credit insurance and bonding bear the risk that changes in legislation, in particular of insolvency law, may affect the amount and timing of claims payments or recoveries.

In the case of traditional credit insurance, the main sources of uncertainty for estimates of future claim payments include:

- the amounts that will be paid out as a percentage of the claim amount
- the speed with which customers submit claims, as measured from the moment that the insured shipment took place, the expected average claims payment and

the expected percentage of cases that do not lead to a payment

- the expected number of claims for risks taken on during the most recent months since very few claims will have been reported for the most recent five to seven months (depending on the country of the customer)
- the inflow by number and size of large case
- the estimation of the expected recovery percentages.

As result of Russian and Ukraine war which the timing and impact of roll-back is not known, the state of the economy in the near future is significantly more uncertain than usual. This, in turn, impacts uncertainty related to the frequency and severity of claims.

Estimates for future claims payments for bonding have a greater uncertainty than estimates for future claims payments for credit insurance. Bonding is a 'longer tail' business: i.e., the time between issuance of the bond and receipt of the bond call tends to be much longer than that of traditional credit insurance. For example, most credit insurance covers credit periods up to 180 days, while around half the bonds written

have tenors of over two years. After receipt of a bond call, it will take longer to settle the claim and litigation is not uncommon, either following the bond call or when trying to realise recoveries. Especially in Italy, litigation tends to be a lengthy process. Outcomes of litigation cannot be predicted with certainty.

For the Instalment Credit Protection business, legislative changes in Belgium may bring significant uncertainty to the estimates of salvage and subrogation held as best estimate. The C&S business is not aware of any changes in legislation that would materially affect the Best Estimate on this product.

**ACyC does not apply:**

- Matching adjustment referred to in Article 77b of Directive 2009/138/EC
- Volatility adjustment referred to in Article 77d of Directive 2009/138/EC
- Transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC
- Transitional deduction referred to in Article 308d of Directive 2009/138/EC

### D-3 Other liabilities valuation

Economic liabilities excluding technical provisions, amount to EUR 1,341 million (EUR 883 million under PCEA).

As shown in D-0, the main differences between Solvency II and PCEA are:

- deferred tax liability: + EUR 564 million, records the tax effect of the valuation differences between PCEA and Solvency II
- payables (trade, not insurance): In 2019 IFRS 16 has been adopted, thus in this item is included the lease + EUR 70 million. See further details in F-4, Solvency II Valuation principles.

#### Comparison with the previous year

The movement in this item is mainly driven by PCEA Balance Sheet movements across periods, where main variation in comparison with 2022 is in Reinsurance account payables which has decreased in EUR 206 million explained by the settlements with the Governments in ACyC UK, ACyC Germany and ACyC Spain.

### Subordinated liabilities as part of the eligible own funds

ACyC does not have any subordinated loans.

### D-4 Alternative methods for valuation

Not applicable.

### D-5 Valuation techniques used on the basis of model approach

Not applicable.

## E. Capital management

- E-0 Introduction: principles, processes, reinsurance program, capital fungibility and transferability
- E-1 Own funds
- E-2 Solvency capital requirement and minimum capital requirement
- E-3 Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement
- E-4 Differences between the standard formula and any internal model used
- E-5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement
- E-6 Any other information

## E-0 Introduction

Atradius, including ACyC, manages its capital with the goal of maximising shareholders value in the long run, while maintaining the necessary financial strength at entity and Group level to develop the business strategy. The capital is managed taking into account internally developed risk appetite framework as well as the solvency requirements of the relevant regulatory authorities and credit rating agencies.

No material changes have been introduced throughout 2022 in the policies and processes regarding capital management.

### Principles

Capital management is guided by the following principles:

- to ensure that ACyC is sufficiently capitalised to have the ability to survive by maintaining sufficient available capital after meeting its financial obligations
- to meet the local regulatory capital requirements of all ACyC branches worldwide
- to manage the capital adequacy of ACyC

and its entities, taking into account the economic and accounting views along with the external rating agencies and regulatory capital requirements

- to optimise capital structure by allocating funds across ACyC's entities
- to minimise the overall cost of funding while preserving financial flexibility.

In addition to the internally developed economic capital model, ACyC considers the solvency calculation models of the relevant regulatory authorities and credit rating agencies in its processes of managing capital to ensure capital adequacy.

### Processes

ACyC has embedded processes and procedures for:

- capital planning
- capital monitoring
- capital management.

Those processes and procedures aim to ensure compliance with compulsory regulations and internally self-imposed requirements for capital adequacy.

Such compliance is ensured by:

- regular assessment of solvency needs,

taking into account the business strategy, actual and desired risk profile and applied risk appetite levels

- incorporating a view on expected future investments in new businesses, revenues, claims, reinsurance expectations and dividends as these impact both available and required capital
- monitoring duration of assets; and taking into consideration capital market expectations such as expected returns, volatilities and correlations as these may impact earnings and the shareholder equity reserves.

To ensure capital adequacy, a capital buffer above the regulatory solvency capital required is maintained, such that large loss events would not impair the ability of ACyC to carry on its normal course of business.

### Reinsurance program

ACyC transfers a significant portion of its underwriting risk to a very strong panel of reinsurers, through a number of reinsurance arrangements.

The cancellation of the intra-group cession from ACyC to Atradius Reinsurance DAC

from underwriting year 2022 results into an increase of the reinsurance self-retention of ACyC. Reference is made to Chapter A-5 and C-1.

### Capital fungibility and transferability

In managing its capital ACyC takes into account the risk limits defined in the internally developed risk appetite framework as well as the solvency thresholds set by the relevant regulatory authorities and credit rating agencies. In certain countries in which ACyC has insurance operations, the local insurance regulators may specify the minimum amount and type of capital that must be held locally. In such cases, the minimum required capital is to be maintained at all times throughout the year and, in addition, the local insurance regulators may have the discretionary right to impose additional capital requirements in excess of the required minimum.

### E-1. Own funds

The structure of available capital follows the regulatory requirements for quality of capital (tiering) and coverage limits. Under Solvency II the own funds are classified into

three categories ranked Tier I, II and III, with Tier I being the highest quality.

The following table shows the Own funds for ACyC as at 31 December 2022:

	31.12.2022	31.12.2021
Eur Million	Tier 1	Tier 1
Ordinary Share Capital	25	25
Share Premium	1	1
Members contributions	60	60
Reconciliation Reserve	1,682	1,507
Reserve and Retained earnings from financial Statements	1,381	1,264
Adjustment to assets	(167)	(132)
Adjustment to Technical Prov	928	779
Adjustments to other liabilities	(459)	(404)
Foreseeable Dividends	0	0
<b>Total Basic Own funds</b>	<b>1,768</b>	<b>1,593</b>
	0	0

**Tier I** represents the share capital, share premium and other reserves based on the accounting balance sheet plus the reconciliation reserve. The reconciliation reserve comprises, among others the differences between accounting valuation and Solvency II valuation, and includes adjustments/deductions for items such as foreseeable dividends.

The Company has no Tier 2 and Tier 3 basic own funds nor any ancillary own funds.

Material differences between equity as shown in the ACyC's financial statements

and the excess of assets over liabilities as calculated for solvency purposes have been explained in Section D.

Eligible own funds increased mainly due to the good performance of the result in 2022, as explained in section A-1 and A-2, partially off-set by the reduction of the revaluation reserve described in A-3. These movements led to the following main variations in the balance sheet items:

- Increase financial investments (excluding cash and cash equivalents) by EUR 105 million (usual transaction & market value decrease).
- Increase in net technical provisions EUR 302 million
- Increase in net reinsurance receivable/payables EUR 256 million.

## E-2 Solvency capital requirement and minimum capital requirement

In 2022, SCR has increased by EUR 71 million (8%) in line with business and market developments:

- market risk decrease by EUR 85m (26%) is largely due to adverse market developments

- non-life UW risk increase of EUR 102m (15%) is explained by the exposure growth
- counterparty default risk remained stable
- tax adjustment decrease of EUR 11m (8%) is mainly attributed to adverse developments in financial markets increasing deferred tax assets originating from investments.

The following table shows the solvency capital requirement, calculated under the approved partial internal model, and the various risk components. ACyC makes use of simplifications described in Articles 107 and 111 of the Delegated Regulation (EU) 2015/35 for the calculation of the counterparty default risk. The calculation uses no undertaking-specific parameter or the duration-based equity risk sub-module.

<i>Eur Million</i>	<b>Q4 2022</b>	<b>Q4 2021</b>
<b>Market Risk</b>		
Interest rate risk	58	38
Equity risk	92	170
Property Risk	37	36
Spread Risk	63	90
Concentration Risk	9	10
Currency Risk	110	114
<b>Total undiversified</b>	<b>368</b>	<b>458</b>
Diversification	(126)	(130)
<b>Total diversified</b>	<b>243</b>	<b>327</b>
<b>Non-Life UW Risk</b>		
<b>Internal Model</b>	<b>766</b>	<b>669</b>
<b>Premium and Reserve risk</b>	<b>44</b>	<b>41</b>
<b>Catastrophe Risk</b>		
CAT recession scenario	32	29
CAT default scenario	0	0
CAT other scenario	0	0
<b>Total undiversified</b>	<b>32</b>	<b>29</b>
Diversification	0	0
<b>Total diversified</b>	<b>32</b>	<b>29</b>
<b>Lapse Risk</b>	<b>4</b>	<b>4</b>
<b>Total undiversified</b>	<b>846</b>	<b>743</b>
Diversification	-19	-18
<b>Total diversified</b>	<b>826</b>	<b>725</b>
<b>Counterparty Risk</b>	<b>105</b>	<b>104</b>
<b>Basic Solvency Capital Requirement</b>		
<b>Total undiversified</b>	<b>1,174</b>	<b>1,156</b>
Diversification	-198	-232
<b>Total diversified</b>	<b>976</b>	<b>924</b>
<b>Operational Risk</b>	<b>56</b>	<b>48</b>



Eur Million

#### Solvency Capital Requirement

Total before tax adjustment	1,032	972
Tax adjustment	(122)	(134)
<b>Solvency Capital Requirement</b>	<b>910</b>	<b>839</b>
Eligible own funds	1,768	1,593
<b>SCR Cover Ratio</b>	<b>194%</b>	<b>190%</b>

#### Minimum Capital Requirement

TP <sub>nl, 9</sub>	528	249
Premium <sub>9</sub>	1,115	593
<b>MCR<sub>linear</sub></b>	<b>219</b>	<b>111</b>
<b>MCR<sub>combined</sub></b>	<b>228</b>	<b>210</b>
<b>AMCR</b>	<b>4</b>	<b>4</b>
<b>Minimum Capital Requirement</b>	<b>228</b>	<b>210</b>

### E-3 Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement

Not applicable.

### E-4 Differences between the standard formula and the partial internal model used

In order to align regulatory capital requirements with economic capital and with the risk profile of each insurance undertaking, the Solvency II regulation

allows (re)insurers to calculate solvency capital requirements with internal models. This provides the opportunity to model an undertaking's specific risks more accurately than using the Standard Formula.

GCO uses an internal model to calculate the solvency capital requirement for the entities within its C&S line of business, which includes ACyC. In 2017, GCO was granted regulatory approval to use its internal model to calculate regulatory capital requirements; however, GCO has been using an internal model, formerly called the ECAP model, since 2004. GCO did not create an internal model to calculate the solvency capital requirement of ACyC as a result of the onset of Solvency II, but adapted its former ECAP model by making it Solvency II compliant with the aim of aligning capital management, risk management and overall solvency needs with the strategy of the business.

The Standard Formula, as defined in the Solvency II regulation, is a one-size-fits-all methodology, which is applied in the same way to all lines of business of the non-life segment, by means of the following risk sub-models:

- premium and reserve risk

- lapse risk
- catastrophe risk

The solvency capital requirement (SCR) is derived from the capital charges linked to each of the three modules above. This is done by aggregating these charges using a correlation matrix stipulated in the regulation, in a similar way for all companies and lines of business in non- life insurance.

The specific features of the C&S line of business prevents it from being able to be managed or measured by the Standard Formula. Risk within C&S is adequately quantified using drivers such as probability of default (PD) and loss given default (LGD) from counterparties along with exposure amounts.

The internal model is a sophisticated mathematical and statistical model used to derive a loss distribution that fits the risk profile of the Company. Following Solvency II regulation, the internal model is used to derive the 99.5 percentile of the losses stemming from ACyC's risk exposures on a one-year time horizon.

The main inputs of the internal model are



the total potential exposure (TPE), the probabilities of default (PD), default correlations, and the losses given default (LGD).

To obtain the aforementioned distribution of losses, the internal model makes use of a Monte Carlo simulation. Up to one million scenarios are simulated in order to reach a result based on the respective convergence criterion.

The internal model is applied to all product segments within ACyC except for Instalment Credit Protection, which represents less than 1% of the business in terms of TPE.

The internal model is not used exclusively for SCR calculation purposes. It is widely used within the Company for decision-making and risk management, including:

- underwriting strategy - use of the model output in combination with other risk evaluation measures to generate buyer underwriting strategies
- pricing - including an internal model-based calculation of capital costs in the pricing model
- business planning - this use of the model includes the annual long-term planning

and budgeting processes

- reinsurance analysis - the model output is used in the evaluation process of different reinsurance program scenarios for capital management purposes and for deriving an appropriate risk mitigation strategy
- product development - use of the model for calculation and evaluation of the impact of a new product on SCR.

In the context of the risk management function, the internal model is used in the ORSA process, the ongoing assessment or redevelopment of the risk strategy and risk appetite framework, and in risk reporting.

In 2022, the Company continued its efforts on further elaborating its risk appetite and risk tolerance levels.

The Company operates with a system of governance specific to the internal model to ensure appropriate control over, among other things, statistical quality, data quality, validation and the calculation processes themselves.

## E-5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

There is no foreseeable risk of non-compliance with ACyC's Minimum Capital Requirement or Solvency Capital Requirement. The risk profile and solvency positions are monitored continuously and in case of an increase of the risk of a capital shortfall, management will take appropriate action.

## E-6 Any other information

### Loss-absorbing Capacity (LACDT)

Deferred tax assets: are the amounts of income taxes recoverable in future periods in respect of income tax settlements, and may be either:

- deductible temporary differences: which are temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled

- the carry forward of unused tax credits: amount of the decrease in profit tax to be paid in the future derived from existing deductions or rebates pending of application
- the carry forward of unused tax losses: amount of the decrease in profit tax to be paid in the future derived from prior financial years existing losses carry forward pending of application

In general, for all differences between the tax valuation method under PCEA and the Solvency II valuation requirement are subject to be tax effected, except for those considered as permanent differences.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. If the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss, it is considered nil.

The tax base of an asset is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to an entity when it recovers the carrying amount of the asset. If those economic benefits will not be taxable, the tax base of the asset is equal to its carrying amount. Time horizons for reversal of temporary differences is identified considering the different tax- authorities' legislation and limitations. See more details in F-4, Solvency II Valuation principles.

The LACDT calculation is carried out at branch level, taking into account the approved five years business plan as the basis for the probable (stressed) future taxable profit forecast for each of the branches. Loss carry forward and carry back rules are applied in accordance with the respective tax jurisdictions. Existing net DTAs and net DTLs in the SII balance sheet are limiting and (potentially) extending the support of the Tax Adjustment for LACDT respectively.

Net DTAs that have been recognised in the SII balance sheet are deducted from the forecasted probable (stressed) future taxable profit amounts (times tax rate) that

are available to support the Tax Adjustment for LACDT purposes, i.e. the DTA corresponding with the loss caused by the SCR shock. Net DTLs that have been recognised in the SII balance sheet are taken into account to support the Tax Adjustment for LACDT purposes, to the extent that these relate to the same nature and to the same taxation authority and taxable entity as the assets that are impacted by the SCR shock.

The following table shows the amount with which the Solvency Capital Requirement has been adjusted for the loss-absorbing capacity of deferred taxes and it how it is justified.

	LAC DT
Eur Million	
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	(122)
Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	86
Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	36
Amount/estimate of AC DT justified by carry back, current year	0

## **F. Annexes**

- F-1 Details of the governance and process for the execution of the ORSA
- F-2 All relevant QRTs in EUR thousand
- F-3 Overview of subsidiaries and minority shareholdings
- F-4 Solvency II Valuation principles

## F-1 Details of the governance and process for the execution of the ORSA

Activity	Responsibility	Participants	Main Activity
<b>Review and Approval of ORSA Policy</b>	Board of Directors of ACyC	Risk Strategy Management Board (RSMB), ORSA Platform	ACyC ORSA Policy review and approval.
<b>Approval of Scenarios</b>	Board of Directors of ACyC	RSMB, ORSA Platform,	Base case, scenarios and sensitivity analyses preparations and approval.
<b>Design and implementation of ORSA Process</b>	Board of Directors of ACyC	RSMB, ORSA Platform, ORSA Technical Group	Ensure that the ORSA Process is designed in accordance with the ORSA Policy.
			Ensure that the ORSA Process addresses all material risks of ACyC.
			Ensure that sufficient resources are allocated to the ORSA Process.
			Ensure the planning and coordination of participating areas.
<b>Process Execution and Results</b>	ORSA Platform	ORSA Technical Group	Implement the ORSA Process in compliance with the ORSA Policy.
			Ensure that a relationship with other management processes is established and that all participating areas are coordinated.
			Ensure that the various contributions are consolidated into a single ORSA Report and verify their overall cohesion.
			Run analysis, projections, sensitivities, stress tests, etc.
			Ensure the compliance with the requirements for the calculation of the technical provisions.
			Coordinate the process and results with areas involved.
<b>Review of results</b>	RSMB	ORSA Platform, ORSA Technical Group	Drafting ORSA Report
			Verify that the process complies with ORSA Policy and has been duly executed.
			Analyse ORSA results, methods and assumptions before submission to the Board of Directors of ACyC.
<b>Review compliance of Technical Provisions</b>	Actuarial Function	Actuarial Function	Examine results provided by the participating departments.
<b>ORSA Approval</b>	Board of Directors of ACyC	RSMB, ORSA Platform	Review the methodologies and assumptions underlying the Technical Provisions estimates for ORSA purposes.
<b>Review of Risk Strategy</b>	Board of Directors of ACyC	RSMB, ORSA Platform	Approve ORSA results based on proposal of the ORSA Platform and ensure that they reflect the risk profile of ACyC.
			Review and advise on setting the maximum level of risk which ACyC is willing to accept in order to achieve the objectives set in the Strategic Plan.

The **ORSA Platform** consists of the following permanent members:

- Director of Group Risk Management (Chair)
- Director of Group Finance
- Director of Corporate Finance
- Director of Group Control
- Director of Strategy and Commercial Development
- Representative of Atradius Spain Portugal Brazil
- Representative of Atradius Reinsurance
- Representative of GCO (with standing invitation).

The **ORSA Technical Group** is composed of dedicated resources assigned by the ORSA Platform members. The ORSA Technical Group is authorized to execute operational ORSA activities and deliver ORSA report elements. The ORSA Technical Group reports to the ORSA Platform and is coordinated by Group Risk Management.

The **Dirección de Control de Riesgos of GCO** (responsible for execution of the Group's ORSA) may intervene in meetings

held in order to ensure alignment with GCO's Group-level ORSA.

The ORSA process is outlined as follows:

1. Define base case/adverse scenarios and sensitivity analyses;
2. Project business drivers;
3. Determine P&L's, capital requirements, own funds;
4. Assess and determine management actions;
5. Review methodologies and assumptions underlying technical provisions;
6. Report ORSA results.

## F-2 All relevant QRTs (all amount in EUR thousand)

S.02.01.02

### Balance sheet

		Solvency II value C0010
<b>Assets</b>		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	0
Deferred tax assets	R0040	445,508
Pension benefit surplus	R0050	88,504
Property, plant & equipment held for own use	R0060	188,391
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	1,920,798
Property (other than for own use)	R0080	22,412
Holdings in related undertakings, including participations	R0090	25,314
Equities	R0100	80,583
Equities - listed	R0110	80,583
Equities - unlisted	R0120	0
Bonds	R0130	1,486,933
Government Bonds	R0140	303,039
Corporate Bonds	R0150	1,183,894
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	223,144
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	82,411
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	R0230	13
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	13
Reinsurance recoverables from:	R0270	470,530
Non-life and health similar to non-life	R0280	470,530
Non-life excluding health	R0290	470,530
Health similar to non-life	R0300	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	2,320
Insurance and intermediaries receivables	R0360	128,556
Reinsurance receivables	R0370	253,855
Receivables (trade, not insurance)	R0380	219,376
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	400,349
Any other assets, not elsewhere shown	R0420	69,047
Total assets	R0500	4,187,246

<b>Liabilities</b>		
Technical provisions - non-life	R0510	1,076,966
Technical provisions - non-life (excluding health)	R0520	1,076,966
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	998,411
Risk margin	R0550	78,555
Technical provisions - health (similar to non-life)	R0560	0
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	0
Risk margin	R0590	0
Technical provisions - life (excluding index-linked and unit-linked)	R0600	0
Technical provisions - health (similar to life)	R0610	0
Technical provisions calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	0
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	0
Risk margin	R0680	0
Technical provisions - index-linked and unit-linked	R0690	0
Technical provisions calculated as a whole	R0700	0
Best Estimate	R0710	0
Risk margin	R0720	0
Other technical provisions	R0730	0
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	975
Pension benefit obligations	R0760	59,475
Deposits from reinsurers	R0770	9,903
Deferred tax liabilities	R0780	563,743
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	61,107
Reinsurance payables	R0830	136,847
Payables (trade, not insurance)	R0840	355,423
Subordinated liabilities	R0850	0
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	0
Any other liabilities, not elsewhere shown	R0880	154,337
Total liabilities	R0900	2,418,776
Excess of assets over liabilities	R1000	1,768,470

## S.05.01.02 Premiums, claims and expenses by line of business

### S.05.01.02.01

Non-Life (direct business/accepted proportional reinsurance and accepted non-proportional reinsurance)

		Line of Business for:	Total
		Credit and suretyship insurance	
		C0090	
		C0200	
Premiums written			
Gross - Direct Business	R0110	1,755,914	1,755,914
Gross - Proportional reinsurance accepted	R0120	124,452	124,452
Gross - Non-proportional reinsurance accepted	R0130		
Reinsurers' share	R0140	767,447	767,447
Net	R0200	1,112,919	1,112,919
Premiums earned			
Gross - Direct Business	R0210	1,691,173	1,691,173
Gross - Proportional reinsurance accepted	R0220	126,557	126,557
Gross - Non-proportional reinsurance accepted	R0230		
Reinsurers' share	R0240	795,040	795,040
Net	R0300	1,022,690	1,022,690
Claims incurred			
Gross - Direct Business	R0310	610,704	610,704
Gross - Proportional reinsurance accepted	R0320	43,395	43,395
Gross - Non-proportional reinsurance accepted	R0330		
Reinsurers' share	R0340	202,062	202,062
Net	R0400	452,038	452,038
Changes in other technical provisions			
Gross - Direct Business	R0410		
Gross - Proportional reinsurance accepted	R0420		
Gross - Non- proportional reinsurance accepted	R0430		
Reinsurers' share	R0440		
Net	R0500		
Expenses incurred	R0550	353,577	353,577
Other expenses	R1200		
Total expenses	R1300		353,577

## S.05.02.01.03

## Total Top 5 and home country - non-life obligations

		Home country	NETHERLANDS	ITALY	UNITED KINGDOM	FRANCE	GERMANY	Total Top 5 and home country
		C0080	C0090	C0090	C0090	C0090	C0090	C0140
Premiums written								
Gross - Direct Business	R0110	351,715	143,631	147,000	155,383	147,029	243,319	1,188,078
Gross - Proportional reinsurance accepted	R0120	0	14,519	16	787	49	0	15,371
Gross - Non-proportional reinsurance accepted	R0130	0	0	0	0	0	0	0
Reinsurers' share	R0140	141,971	73,266	64,595	59,937	61,532	92,930	494,231
Net	R0200	209,743	84,884	82,421	96,233	85,546	150,389	709,217
Premiums earned								
Gross - Direct Business	R0210	346,647	138,423	138,081	148,618	143,154	239,685	1,154,608
Gross - Proportional reinsurance accepted	R0220	0	14,609	19	861	49	0	15,538
Gross - Non-proportional reinsurance accepted	R0230	0	0	0	0	0	0	0
Reinsurers' share	R0240	149,504	75,171	66,106	60,214	63,184	99,072	513,251
Net	R0300	197,143	77,861	71,994	89,265	80,020	140,613	656,895
Claims incurred								
Gross - Direct Business	R0310	102,425	112,055	21,779	67,096	59,694	56,527	419,577
Gross - Proportional reinsurance accepted	R0320	6	-970	-20	257	44	0	-683
Gross - Non-proportional reinsurance accepted	R0330	0	0	0	0	0	0	0
Reinsurers' share	R0340	5,871	28,537	8,571	27,690	25,532	16,540	112,742
Net	R0400	96,560	82,548	13,189	39,662	34,205	39,987	306,152
Changes in other technical provisions								
Gross - Direct Business	R0410	0	0	0	0	0	0	
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	
Gross - Non-proportional reinsurance accepted	R0430	0	0	0	0	0	0	
Reinsurers' share	R0440	0	0	0	0	0	0	
Net	R0500	0	0	0	0	0	0	
Expenses incurred	R0550	72,331	10,758	27,737	24,596	35,949	45,597	216,968
Other expenses	R1200							
Total expenses	R1300							



## S.17.01.02.01

## Non-Life Technical Provisions

		Direct business and Credit and suretyship insurance	Total Non-Life obligation
		C0100	C0180
Technical provisions calculated as a whole	R0010		
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050		
Technical provisions calculated as a sum of BE and RM			
Best estimate			
Premium provisions			
Gross	R0060	701,135	701,135
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	252,573	252,573
Net Best Estimate of Premium Provisions	R0150	448,562	448,562
Claims provisions			
Gross	R0160	297,276	297,276
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	217,958	217,958
Net Best Estimate of Claims Provisions	R0250	79,319	79,319
Total Best estimate - gross	R0260	998,411	998,411
Total Best estimate - net	R0270	527,881	527,881
Risk margin	R0280	78,555	78,555
Amount of the transitional on Technical Provisions			
Technical Provisions calculated as a whole	R0290		
Best estimate	R0300		
Risk margin	R0310		
Technical provisions - total			
Technical provisions - total	R0320	1,076,966	1,076,966
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	470,530	470,530
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	606,436	606,436

S.19.01.21.01

Gross Claims Paid (non-cumulative) - Development year (absolute amount). Total Non-Life Business

		Accident year / Underwriting year	0	1	2	3	4	5	6	7	8	9	10 & +
COLUMN_AXIS	ORD_Y	Z0020	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
R0100	Prior	Underwriting year [UWY]											(375,069)
R0160	N-9	Underwriting year [UWY]			93,237	(3,536)	(12,275)	(326)	(10,990)	(2,904)	(9,551)	(2,655)	
R0170	N-8	Underwriting year [UWY]		574,301	91,883	1,383	(3,088)	(15,653)	1,235	(7,555)	6,846		
R0180	N-7	Underwriting year [UWY]	237,742	735,637	133,299	(49,916)	(17,401)	11,394	(17,466)	(11,786)			
R0190	N-6	Underwriting year [UWY]	317,888	608,445	133,862	5,289	869	(4,436)	(13,687)				
R0200	N-5	Underwriting year [UWY]	328,697	698,307	98,467	(7,146)	(4,333)	(18,726)					
R0210	N-4	Underwriting year [UWY]	287,679	939,877	89,834	(7,718)	(772)						
R0220	N-3	Underwriting year [UWY]	311,994	796,996	113,996	32,683							
R0230	N-2	Underwriting year [UWY]	288,191	301,164	62,612								
R0240	N-1	Underwriting year [UWY]	133,914	381,556									
R0250	N	Underwriting year [UWY]	275,274										

S.19.01.21.02

Gross Claims Paid (non-cumulative) - Current year, sum of years (cumulative). Total Non-Life Business

		Accident year / Underwriting year	In Current year	Sum of years (cumulative)
COLUMN_AX	ORD_Y	Z0020	C0170	C0180
Prior	R0100	Underwriting year [UWY]	(29,714)	(375,069)
N-9	R0160	Underwriting year [UWY]	(2,655)	51,000
N-8	R0170	Underwriting year [UWY]	6,846	649,353
N-7	R0180	Underwriting year [UWY]	(11,786)	1,021,504
N-6	R0190	Underwriting year [UWY]	(13,687)	1,048,230
N-5	R0200	Underwriting year [UWY]	(18,726)	1,095,268
N-4	R0210	Underwriting year [UWY]	(772)	1,308,901
N-3	R0220	Underwriting year [UWY]	32,683	1,255,669
N-2	R0230	Underwriting year [UWY]	62,612	651,967
N-1	R0240	Underwriting year [UWY]	381,556	515,470
N	R0250	Underwriting year [UWY]	275,274	275,274
Total	R0260	Underwriting year [UWY]	681,632	7,497,565

## S.19.01.21.03

Gross undiscounted Best Estimate Claims Provisions - Development year (absolute amount). Total Non-Life Business

		Accident year / Underwriting year	0	1	2	3	4	5	6	7	8	9	10 & +
COLUMN_AXIS	ORD_Y	Z0020	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
R0100	Prior	Underwriting year [UWY]											(115,076)
R0160	N-9	Underwriting year [UWY]				(48,318)	(39,701)	(44,485)	(30,179)	(13,604)	(6,681)	79	
R0170	N-8	Underwriting year [UWY]			(8,185)	(13,126)	(22,339)	(14,683)	(5,112)	(865)	(4,391)		
R0180	N-7	Underwriting year [UWY]		46,590	(81,454)	(52,320)	(43,540)	(35,401)	(21,750)	(6,550)			
R0190	N-6	Underwriting year [UWY]	152,713	(19,767)	(111,053)	(113,040)	(98,652)	(64,158)	(52,601)				
R0200	N-5	Underwriting year [UWY]	195,033	9,371	(92,728)	(53,867)	(40,915)	(32,806)					
R0210	N-4	Underwriting year [UWY]	245,530	(30,872)	(61,947)	(47,576)	(31,383)						
R0220	N-3	Underwriting year [UWY]	263,691	101,411	(3,322)	(34,123)							
R0230	N-2	Underwriting year [UWY]	363,403	104,005	(5,283)								
R0240	N-1	Underwriting year [UWY]	327,328	161,060									
R0250	N	Underwriting year [UWY]	316,164										

## S.19.01.21.04

Gross discounted Best Estimate Claims Provisions - Current year, sum of years (cumulative). Total Non-Life Business

		Accident year / Underwriting year	Year end (discounted data)
COLUMN_AXIS	ORD_Y	Z0020	C0360
Prior	R0100	Underwriting year [UWY]	106,291
N-9	R0160	Underwriting year [UWY]	(677)
N-8	R0170	Underwriting year [UWY]	(4,146)
N-7	R0180	Underwriting year [UWY]	(7,387)
N-6	R0190	Underwriting year [UWY]	(46,584)
N-5	R0200	Underwriting year [UWY]	(32,483)
N-4	R0210	Underwriting year [UWY]	(30,520)
N-3	R0220	Underwriting year [UWY]	(33,509)
N-2	R0230	Underwriting year [UWY]	(5,454)
N-1	R0240	Underwriting year [UWY]	156,068
N	R0250	Underwriting year [UWY]	310,319
Total	R0260	Underwriting year [UWY]	411,917

## S.23.01.01.01

## Own Funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	24,870	24,870			
Share premium account related to ordinary share capital	R0030	61,231	61,231			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	1,682,369	1,682,369			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	1,768,470	1,768,470	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400	0				
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	1,768,470	1,768,470	0	0	0
Total available own funds to meet the MCR	R0510	1,768,470	1,768,470	0	0	
Total eligible own funds to meet the SCR	R0540	1,768,470	1,768,470	0	0	0
Total eligible own funds to meet the MCR	R0550	1,768,470	1,768,470	0	0	
SCR	R0580	910,018				
MCR	R0600	227,504				
Ratio of Eligible own funds to SCR	R0620	194.33%				
Ratio of Eligible own funds to MCR	R0640	777.33%				

## S.23.01.01.02

## Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	1,768,470
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	0
Other basic own fund items	R0730	86,101
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0
Reconciliation reserve	R0760	1,682,369
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	136,961
Total Expected profits included in future premiums (EPIFP)	R0790	136,961

## S.25.02.21.01

## Component specific information

Unique number of component	Components Description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
C0010	C0020	C0030	C0070	C0090	C0120
1	Market Risk	242,597	0	Don't use undertaking specific parameters	Simplifications not used
2	Counterparty default risk	105,297	0	Don't use undertaking specific parameters	Simplifications used
5	Non-life underwriting risk	826,221	765,691	Don't use undertaking specific parameters	Simplifications not used
7	Operational risk	56,402	0	Don't use undertaking specific parameters	Simplifications not used
9	LAC Deferred Taxes	(122,382)	0	Don't use undertaking specific parameters	Simplifications not used

## S.25.02.21.02

## Calculation of Solvency Capital Requirement

		C0100
Total undiversified components	R0110	1,108,135
Diversification	R0060	(198,117)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	R0200	910,018
Capital add-ons already set	R0210	0
Solvency capital requirement	R0220	910,018
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	(122,382)
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirement for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

S.25.02.21.03

Approach to tax rate

		Yes/No
		C0109
Approach based on average tax rate	R0590	Approach not based on average tax rate

S.25.02.21.05

Calculation of loss-absorbing capacity of deferred taxes

		LAC DT
		C0130
Amount/estimate of LAC DT	R0640	(122,382)
Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	R0650	(85,749)
Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	R0660	(36,382)
Amount/estimate of AC DT justified by carry back, current year	R0670	(250)
Amount/estimate of LAC DT justified by carry back, future years	R0680	0
Amount/estimate of Maximum LAC DT	R0690	(238,838)

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.28.01.01.01

Linear formula component for non-life insurance and reinsurance obligations

		MCR components
		C0010
MCRNL Result	R0010	219,418

## S.28.01.01.02

### Background information

		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100	527,881	1,114,891
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

## S.28.01.01.05

### Overall MCR calculation

		C0070
Linear MCR	R0300	219,418
SCR	R0310	910,018
MCR cap	R0320	409,508
MCR floor	R0330	227,504
Combined MCR	R0340	227,504
Absolute floor of the MCR	R0350	4,000
Minimum Capital Requirement	R0400	227,504



### F-3 Overview of subsidiaries and minority shareholdings

The following table sets forth, as at 31 December 2022, the name and jurisdiction of establishment of the subsidiaries, branches, associated companies and minority shareholdings of Atradius Crédito y Caución S.A. de Seguros y Reaseguros. All companies are, directly or indirectly, wholly owned unless otherwise indicated.

Name	Country	Ownership
Atradius Crédito y Caución S.A. de Seguros y Reaseguros	Spain	
Australia branch	Australia	
Austria branch	Austria	
Belgium branch	Belgium	
Bulgaria branch	Bulgaria	
Canada branch	Canada	
Czech Republic branch	Czech Republic	
Denmark branch	Denmark	
Finland branch	Finland	
France branch	France	
Germany branch	Germany	
Greece branch	Greece	
Hong Kong branch	Hong Kong	
Hungary branch	Hungary	
Ireland branch	Ireland	
Italy branch	Italy	
Japan branch	Japan	
Luxembourg branch	Luxembourg	
Netherlands branch	Netherlands	
New Zealand branch	New Zealand	
Norway branch	Norway	
Poland branch	Poland	
Portugal branch	Portugal	
Romania branch	Romania	
Singapore branch	Singapore	
Slovakia branch	Slovakia	
Sweden branch	Sweden	
Switzerland branch	Switzerland	
Turkey branch	Turkey	
United Kingdom branch	United Kingdom	
Atradius Crédito y Caución Seguradora S.A.	Brazil	
Crédito y Caución do Brasil Gestão de Riscos de Crédito e Serviços LTDA	Brazil	
Iberinform Internacional S.A.U.	Spain	
Portugal branch	Portugal	
Iberinmobiliaria, S.A.U.	Spain	
B2B SAFE, S.A.	Spain	
Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V.	Netherlands	0.50%
Verenigde Assurantiebedrijven Nederland N.V.	Netherlands	0.65%

## F-4 Solvency II Valuation principles

### Valuation for solvency Purposes

The Solvency II valuation principles are in accordance with articles 75-86 of the Solvency II Directive, articles 7-16 of the Delegated Acts and the secondary Solvency II laws and regulations.

### Functional and presentation currencies

Items included in the financial statements of each of the Company's branches are measured using the currency of the primary economic environment in which the branch operates (the 'functional currency'). The Solvency II balance sheet is presented in Euro (EUR).

### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses, that result from the settlement of foreign transactions and from the translation at year-end exchange rates of monetary assets and liabilities

denominated in foreign currencies, are recognised in the income statement under Spanish Local accounting standards (hereinafter 'PCEA') and is part of the eligible capital in the Solvency II balance sheet.

Non-monetary assets and liabilities whose valuation criterion is their fair value and are denominated in a foreign currency are converted in accordance with the exchange rates in force on the date when their fair value was established. Any profit or losses found are allocated to equity or to the income statement under PCEA following the same criteria as for the recording of variations in the fair value, being part of the eligible capital in the Solvency II balance sheet.

### Goodwill

Goodwill under PCEA represents the excess, on the acquisition date, of the cost of the business combination over the fair value of the identifiable net assets identified in the transaction. Consequently, the goodwill is only stated when it was acquired on an onerous basis and corresponds to the future financial profits from assets that could not be

individually identified and separately stated.

The goodwill is allocated to each of the cash generating units on which the profits from the synergies of the business combination are expected to fall. After the initial recognition, the goodwill is valued at its acquisition price minus the accumulated depreciation, and, if applicable, the accumulated amount of the impairment valuation adjustments recognised. Under the applicable regulations, the useful life of the goodwill has been established at 10 years, and its depreciation is linear.

Moreover, at least on a yearly basis, it is examined whether there are signs of impairment in the value of the cash generating units, and should there be any, they are subject to an "impairment test". Impairment valuation adjustments recognised in the goodwill cannot be reversed in later financial years.

The base valuation principle for Solvency II purposes is that the economic value / fair value of goodwill is nil.

Goodwill is not an identifiable and separable asset, as a result, it does not

represent an 'economic value' under Solvency II that can be separately sold or transferred if necessary to a third party.

### **Insurance Portfolios**

Represents the difference between the fair value of the contractual insurance rights acquired and insurance obligations assumed and the liability measured in accordance with the insurer's accounting policies for insurance contracts that it issues. For Solvency II purposes ACyC applies the definition as defined for PCEA purposes.

For Solvency II purposes insurance portfolios are part of the best estimate calculation of the technical provisions. Insurance portfolios as a separate (intangible) asset must be valued to nil.

### **Software**

Computer software acquired is treated as an intangible asset.

For ACyC annual reporting initially acquired computer software licenses are capitalised on the basis of costs incurred to acquire and to bring to use the specific software. These costs are amortised on the

basis of the expected useful life between three and five years. Article 75 of the Solvency II Directive sets out the valuation of assets for Solvency II purposes: 'assets shall be valued at the amount for which they could exchange between knowledgeable willing parties in an arm's length transaction'.

Pre-designed purchased software applications (i.e. 'off the shelf' software licenses) cannot be sold to another user. Therefore the fair value for Solvency II purposes must be stated at nil.

Computer software self-developed is treated as an intangible asset. It is tailored specially for ACyC's needs and cannot be resold to another entity. Therefore the fair value for Solvency II purposes must be stated at nil.

### **Property, Plant & General Equipment**

The Property Plant and Equipment (PP&E) asset group consists of Land and buildings, Fixtures and fittings, IT hardware and 'Other fixed assets'.

#### **Land and buildings**

Under PCEA, real estate investments are

defined as investments on lands or buildings that are owned to obtain rents, capital gains or both. Any other land or buildings owned for the provision of services or for administrative purposes are registered as tangible fixed assets.

For ACyC annual reporting purposes land is stated at cost of acquisition (no depreciation is allowed). In the same annual report buildings are stated at cost of acquisition or construction, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The Solvency II directive 2009/138/EC, article 75, and the EIOPA 'Guidelines on recognition and valuation of assets and liabilities other than technical provisions' state that under Solvency II property assets must be valued at the most representative estimate of the amount for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The economic valuation is based on market conditions at the reporting date.

In articles 9 and 10 of the Delegated Regulation (EU) 2015/35, EIOPA sets out a valuation methodology and fair value

hierarchy. The main principle is to apply a valuation method for Land and buildings that is consistent with the valuation approach set out in Article 75 of Directive 2009/138/EC (fair value) as well as the fair value requirements of international accounting standards.

The fair value of land and buildings is usually determined from market based evidence by appraisal that is normally undertaken by professionally qualified persons / companies. In particular and for properties located in Spain, the appraisal value needs to be established by companies authorized to value assets in the mortgage market, pursuant to the provision in order ECO2011/2007 of October 4. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. External valuations on property must take place when significant changes occur in the real estate market or assumptions change on which previous valuations were based.

In ACyC's opinion, the Solvency II fair value needs to be assessed reflecting market conditions at the reporting date. A

'mark to market' (re)valuation approach is applied by the use of external valuations. Frequency of external valuation of the fair value should fit for probable volatilities of land and buildings. ACyC assesses a 2 year valuation cycle appropriate for his land and buildings and applies accordingly.

The fair value valuation of Land and buildings is subject to the approval of the Investments Committee.

Attention must be given to the valuation of properties concerning the valuation approach used by the external valuator. The valuation of buildings is performed excluding fixtures and fittings. The fair value of fixtures and fittings is an additional value to be accounted for to the fair value of Land and buildings.

<sup>1</sup> Mark to market approach: the valuation of the asset as if it was traded on an open active market.

### **Fixtures and fittings, IT hardware and other fixed assets**

Fixtures and fittings are part of the Property, plant and equipment (PP&E) asset group and as such the same definition applies as mentioned previously.

ACyC uses the following definition for assets that are classified under 'Fixtures and fittings': Items that form part of the building and would not be removed (if ACyC left) are coded to this category.

Article 75 of the Solvency II directive 2009/138/EC states that assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction. ACyC applies the cost model for Fixtures and fittings.

In terms of Solvency II, the fair value of Fixtures and fittings is prudently approximated by its book value. For this opinion ACyC has also considered the marginal materiality of fixtures and fittings for each of the regulated entities.

ACyC will measure fixtures and fittings for Solvency II purposes as it does for PCEA. The cost model applied for Fixtures and fittings as per the ACyC PCEA, except for the application of IFRS16 (as explained below), deems to reflect the fair value of Fixtures and fittings.

Specific attention should be in place to prevent double counting within the valuation of fixtures and fittings and land

and buildings.

## **IFRS 16**

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right of use (“ROU”) of the underlying asset during the lease term.

### **Investment property**

In accordance with PCEA, an Investment property is a property held to earn rentals, or for capital appreciation, or both.

This principle is considered to be in line with EIOPA’s Solvency II Directive 2009/138/EC of 25 November 2009.

For Solvency II purposes, ACyC applies fair value definition (described for Land and Building, described in the Property, Plant & Equipment item).

For ACyC annual reporting purposes investment property is stated at cost of acquisition or construction, less any subsequent accumulated depreciation and

subsequent accumulated impairment losses.

The Solvency II directive 2009/138/EC, article 75, and the EIOPA ‘Guidelines on recognition and valuation of assets and liabilities other than technical provisions’ state that ‘under Solvency II property assets must be valued at the most representative estimate of the amount for which the assets could be exchanged between knowledgeable willing parties in an arm’s length transaction. The economic valuation is based on market conditions at the reporting date’.

In articles 9 and 10 of the Delegated Regulation (EU) 2015/35, EIOPA sets out a valuation methodology and fair value hierarchy. The main principle is to apply a valuation method for Investment Property that is consistent with the valuation approach set out in Article 75 of Directive 2009/138/EC (fair value) as well as the fair value requirements of international accounting standards.

In ACyC’s opinion the Solvency II fair value needs to be assessed reflecting market conditions at the reporting date. A ‘mark to market’ (re)valuation approach is applied by the use of external valuations.

Frequency of external valuation of the fair value should fit for probable volatilities. ACyC assesses a 2 year valuation cycle appropriate and applies accordingly.

Attention must be given on the valuation of investment properties concerning the valuation approach used by the external valuator. If in the valuation of investment properties the valuation of fixtures and fitting is included this should be taken into account in calculating the Solvency II adjustments.

### **Financial investments**

Under PCEA, ACyC’s financial investments are classified as:

- Available-for-Sale instruments
- Loans and receivables
- Investment in subsidiaries, associated, and multi-group companies under PCEA

For the purposes of Solvency II, EIOPA CIC CODEs are used to classify these assets in the SII balance sheet.

**Available-for-sale instruments.**

For the annual report purposes ACyC uses IAS 39.9 as the basis for the definition of available-for-sale financial instruments.

IAS 39.9 defines fair value as “the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm’s length transaction”. This definition corresponds to Article 75 of the Solvency II Directive for the valuation of assets and liabilities. All financial assets shall be measured at fair value.

The fair values of financial instruments traded in active markets are based on quoted market prices at the end of the reporting period. The quoted market price used for financial investments held by the Group is the current bid price. Transaction costs on initial recognition of financial investments are expensed as incurred.

The fair values correspond with the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Whenever possible, the fair values are based on quoted market prices. If no quoted market

price is available, we use valuation techniques which are based on market prices of comparable instruments or parameters from comparable active markets (market observable data).

**Loans and receivables**

The Company states the financial assets in its balance sheet when it is a mandatory part of the contract or legal business under its provisions.

Recoveries of claims are only stated when their performance is sufficiently guaranteed on the date when the annual statements are prepared, and thus financial profits are expected to be obtained from them. In the case of the Spain and Portugal business, for specific recoveries in the credit insurance, by virtue of the provisions in article 43 of the Regulations for the Regulation and Supervision of Private Insurance and in Order EHA/339/2007 of February 16, implementing certain specific aspects of private insurance, the Company activates recoveries, using statistical methods, executing certain requirements and periodically subjecting the calculations made to the valuation of independent experts. In this case, the Company

calculates the estimated recoveries by means of a statistical method developed for this purpose, which examines the historical evolution of the settlements for all the claims declared, including settled and ended claims under a recovery perspective, and makes it possible to establish future behavior trends, in order to apply them in a real way, estimating the recoveries in a reasonable way to be received by means of the relevant projections. For the other entities, the estimated recovery is implicit in the calculation of the technical provisions.

The amount of the estimated recoveries for the Spain and Portugal business, net of the reinsurance share, is stated in the "Loans and receivables - Other Receivables – other receivables" section in the balance sheet. For Solvency II purposes, the estimated recoveries are included in the BEL calculations.

Financial all other assets classified under the "Loans and receivables category" are valued at their depreciated cost.



### **Investment in subsidiaries, associated, and multi-group companies.**

They are valued at their cost, minus, if applicable, the accumulated amount of the valuation adjustments from deterioration. Under Solvency II they are registered at economic value.

### **Accounts receivable on (re)insurance business**

As per IAS 32 Accounts receivables (on (re)insurance business) is a financial asset defined as: it represents the contractual right to obtain cash from another party. In each case one party's contractual right to receive cash is matched by the other party's corresponding obligation to pay.

For Solvency II valuation purposes the IAS 32 definition is assumed to be a good proxy for 'the amount for which an asset could be exchanged [...] between knowledgeable, willing parties in an arm's length transaction' (article 75 of the Solvency II Directive).

ACyC recognises its Accounts receivables on (re)insurance business when due. These include amounts due to and from agents, brokers and (re)insurance contract

holders. The carrying amount as per ACyC periodic financial statements reflects the fair value for Solvency II basis.

The outstanding receivables on (re)insurance business are substantially all current and consequently their fair values do not materially differ from the book value. Therefore, the balances do not need to be adjusted for Solvency II purposes.

### **Miscellaneous assets and accruals**

Based on the annual report of ACyC several different assets are included in 'miscellaneous assets and accruals'. Therefore, no specific definition is available. The asset items included in miscellaneous assets and accruals are:

- pre-payments
- accrued income investments
- accrued interest
- staff loans
- other

The items included in miscellaneous assets and accruals are substantially all current and consequently the fair values of these assets do not materially differ from the book value.

For the purposes of Solvency II, accrued investment interests are reclassified to the corresponding item of the list of assets in accordance with their CIC codes.

### **Cash and cash equivalents**

For Cash and cash equivalents the definitions are used as per the IAS 7 definitions:

#### **Cash**

Cash comprises cash at hand (including borrowings) and deposits on demand (an account from which deposited funds can be withdrawn at any time without any notice to the depository institution).

#### **Cash equivalents**

Cash equivalents correspond to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk in change of value.

For Solvency II purposes cash and cash equivalent (including borrowings) should be valued at an amount not less than the amount payable on demand. The cash and

cash equivalent balances on the PCEA based annual report of ACyC are all current and short term.

The cash and cash equivalent (including borrowings) balances on the balance sheet are all current and short term (less than three months) based. Therefore the PCEA based carrying amount reflects the fair value and no additional adjustments are needed.

### **Current and deferred income tax**

For Solvency II purposes IAS 12 is used as basis for the definition of deferred tax assets and liabilities:

Deferred tax liabilities: amounts of income taxes payable in future periods in respect of taxable temporary differences.

Deferred tax assets: amounts of income taxes recoverable in future periods in respect of:

- deductible temporary differences
- the carry forward of unused tax losses
- the carry forward of unused tax credits.

Temporary differences are differences between the carrying amount of an asset

or liability in the statement of financial position and its tax base. Temporary differences may be either:

- taxable temporary differences, which are temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled; or
- deductible temporary differences, which are temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.

The valuation principles for current income tax receivable and payable are identical to the valuation principles as for other receivables (not reinsurance receivables) and other trade payables (not reinsurance payables). These valuation principles remain under Solvency II.

In general, for all differences between the tax valuation method and the Solvency II valuation requirement the impact on deferred tax should be taken into account and accounted for. In practice, this means

that since the deferred tax between tax accounts and PCEA are already processed, any difference between Solvency II and PCEA a deferred tax has to be calculated.

For Solvency II purposes the recognition and measurement of deferred tax assets and liabilities follows the same principles as stated in IAS 12. For items that are not allowed to be recognised and measured as per Solvency II but are recognised for tax purposes a deferred tax must be calculated.

While measuring deferred tax assets the time horizon of profit and losses must be taken into account for the reversal period.

### **Non-underwriting provisions**

The Company, when preparing the annual statements, differentiate between:

- provisions: creditor balances covering current obligations derived from past events, the cancellation of which is likely to generate an outflow of resources, but the amount and/or time of cancellation of which are not fixed
- contingent liabilities: potential obligations generated as a result of past events, whose future materialization is



conditional upon the occurrence or non-occurrence of one or more future events independent from the Company's will.

The annual statements include all the provisions with a higher likelihood of having to fulfil the obligation than the opposite.

Provisions are stated at the current value of the best estimate possible of the amount required to cancel or transfer the obligation, taking into account the information available on the event and its consequences at year's end, recording the adjustments made for the updating of those provisions as a financial expense as they are accrued.

Provisions for restructuring, onerous contracts, and lawsuits are recognized when ACyC has a legal or implicit obligation, as a result of past events, and there is a high likelihood of an unfruitful result entailing a loss for the Company derived from its settlement, and that loss is reasonably quantifiable.

For Solvency II valuation and classification purposes the PCEA definitions for the items included in the

balance of non-underwriting provisions are assumed to be a good proxy.

### **Employee benefits assets/liabilities**

Post-employment benefit plans are determined by periodic actuarial calculations and are generally funded through payments to state plans, insurance companies or trustee-administered funds.

For Solvency II purposes the valuation of employee benefits (assets – including reimbursement rights and liabilities) is based on IAS 19. For ACyC annual report / financial statement purposes the valuation of employee benefits (assets – including reimbursement rights- and liabilities) are also based on IAS 19 with actuarial gain and losses directly recognised in OCI. Therefore no Solvency II related adjustments are required.

### **Defined benefit plans**

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, dependent on one or more factors such as age, years of service and compensation. In a defined benefit plan

the Company may pay contributions into a separate entity or fund. The Company, and in some cases the employees who are participating, fund a defined benefit plan and the Company has a legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The amount recognised as a defined benefit liability is the net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly. The recognition of assets that arise by over-funding of the defined benefit plan is limited to cover future deficits.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of high-quality corporate bonds that are denominated in the

currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

### **Other long-term employee benefits**

The main plans are lump sum payment plans and pre-pension plans. A lump sum payment plan is a plan where the employees are entitled to a lump sum payment at the date their employment is terminated. A pre-pension plan is a plan where the employees are entitled to receive payments if they stop working before their actual retirement date.

The net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The net obligation is calculated annually by independent actuaries using actuarial techniques.

### **Termination benefits**

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy

in exchange for these benefits. Termination benefits are recognised when the Company is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. When termination benefits are related to an overall restructuring plan, the liability is included as part of the provisions.

### **Profit sharing and bonus plans**

A liability for bonuses and profit sharing is recognised based on a formula that takes into consideration, amongst other things, individual targets and the profit attributable to the Company's shareholders. A liability is recognised where contractually obliged or where there is a past practice that has created a constructive obligation.

### **Accounts payable on (re)insurance business**

For ACyC annual report purposes other liabilities are defined as: a liability is a present obligation of the entity arising from past events, the settlement of which

is expected to result in an outflow from the entity of resources embodying economic benefits.

For Solvency II purposes the definitions used in the annual report is assumed to be a good proxy.

### **Trade and other payables**

For Solvency II valuation and classification purposes PCEA is used as basis for the definition of trade and other payables: trade payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier.

### **Other liabilities**

For Solvency II purposes the measurement of other liabilities follows the PCEA approach. Since the balances as per PCEA are substantially all current the balances reflect the fair value as for Solvency II purposes and no additional adjustments are needed.

### **Contingent liabilities**

Contingent liabilities are not stated in the

financial statements under PCEA. For Solvency II purposes, the IFRS (IAS 37) definition of a contingent liability is used:

‘A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the undertaking; or a present obligation that arise from past events but is not recognised because: it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.’

For Solvency II purposes the contingent liabilities have to be valued based on: the probability of the occurrence of future cash outflow, and the expected present value of possible future cash outflows.

Only if the possible obligation is material it has to be included in the Solvency II balance sheet, in all other cases the obligation is to be included in a separate Solvency II disclosure.

The Secretary non-Director of the Board of Directors of Atradius Crédito y Caución S.A. de Seguros y Reaseguros, Mr. David Casanueva certifies that the members of the Board of Directors have formulated the Solvency and Financial Condition Report (SFCR) corresponding to the fiscal year ended 31 December 2022, consisting of 87 pages numbered from 1 to 87.

Madrid, 31<sup>st</sup> of March, 2023

THE SECRETARY OF THE BOARD OF  
DIRECTORS

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Mr. David Casanueva