



**Solunion Seguros,  
Compañía Internacional de Seguros y  
Reaseguros, S.A. and Subsidiaries**

**Solvency and Financial Condition  
Report**

**31/12/2023**

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## Executive summary

The Solvency and Financial Condition Report forms part of the reporting requirements for supervisory purposes established by Directive 2009/138/EC of the European Parliament and of the Council of 25<sup>th</sup> November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (hereinafter "Solvency II Directive") and the Delegated Regulation (EU) 2015/35 of 10<sup>th</sup> October supplementing it, which have been transposed into Spanish law by Law 20/2015 of 14<sup>th</sup> July 2015 on the Regulation, Supervision and Solvency of Insurance and Reinsurance Entities ("LOSSEAR"), and Royal Decree 1060/2015 of 20<sup>th</sup> November 2015 on the Regulation, Supervision and Solvency of Insurance and Reinsurance Entities which implements it ("ROSSEAR").

Delegated Regulation (EU) 2015/35 and the ROSSEAR regulate the content to be included in the Solvency and Financial Condition Report.

### A. Business and performance

Solunion Seguros, Compañía Internacional de Seguros y Reaseguros, S.A. (hereinafter "the controlling Company") is a company which is the exclusive social purpose of the practice of insurance and reinsurance operations in the Credit and Suretyship line of business as well as other supplementary, ancillary, or related businesses as soon as they are permitted by the insurance legislation.

The controlling Company constitutes a joint venture between the Allianz Trade (formerly known Euler Hermes) and MAPFRE groups –each of which holds 50% of its share capital through Euler Hermes Luxembourg Holding S.à.r.l. and MAPFRE, S.A respectively– comprising the businesses of Credit insurance and the supplementary services of both groups in Spain and Latin America, and it is the parent company of a series of subsidiaries in these businesses in Argentina, Chile, Colombia, Spain, Mexico and Panama (hereinafter "the Group" or "the Solunion Group"). In December 2017, the shareholders extended the agreement scope to include the joint development of the suretyship insurance.

Turnover amounted to 337.21 million euros, which represents a growth of 23.55% and shows a positive evolution for the Solunion Group.

The net loss ratio<sup>1</sup> was kept under control at 43.79%, reflecting Solunion's strong risk management.

Operating efficiency is maintained with a stable expense ratio<sup>2</sup> of 33.7% in 2023 (30.7% in 2022).

The result of the insurance and reinsurance service shows a positive result of 38.25 million euros, an increase of 117.57% compared to the previous year.

Investment income amounted to EUR 5.1 million in 2023 (EUR 3.9 million in 2022).

The result after tax shows a positive result of 12.84 million euros, 3.41% more than in 2022.

### B. System of Governance

The controlling Company has the following bodies for its governance and for the Solunion Group: The General Meeting, Supervision Committee, Board of Directors, and its support committees (Audit and Compliance Commission, Investment Committee and Nomination and Compensation Committee) and the Management Committee.

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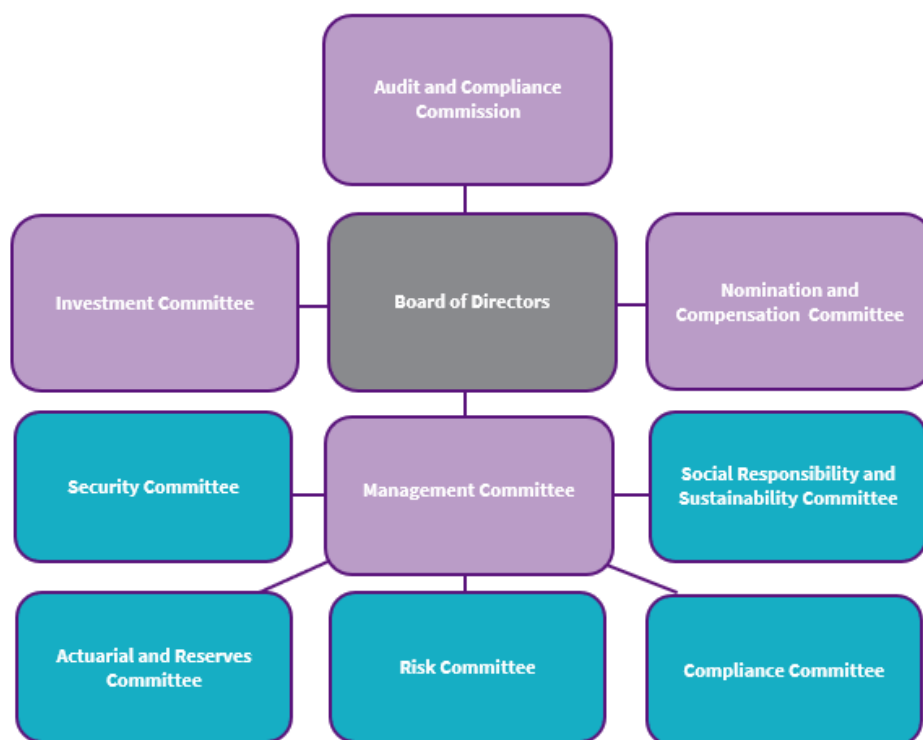
<sup>1</sup> Net benefits excluding allocated claims management expense in-house divided by net imputed premiums.

<sup>2</sup> The expense ratio is defined as gross operating expense minus service income divided by imputed premium.

(\*) Figures for 2022 restated under IFRS 17.

In the performance of its powers in the risk management Government, the Management Committee has the Risk, Actuarial and Reserve , Compliance, Security and Environment and Social Responsibility and Sustainability Committee's support.

The controlling Company's governance structure as of 31<sup>st</sup> December 2023 is set out below:



The governing bodies enable appropriate commercial and operating strategic management, and give for a timely and proper response to any incidence that should arise at different levels of the organisation and its business and corporate environment, in any of the countries in which the Group operates.

With the aim of ensuring the controlling Company and the subsidiaries of the Group have an adequate structured, have Policies that regulate Key Functions (Risk Management, Actuarial, Compliance and Internal Audit) and ensure that they meet the requirements defined by the Supervisor and are compliant with the governance guidelines set by the Solunion Group. Section B in the Report includes information on these Key functions.

The executives and Group members that perform Key Functions fulfil the fit and proper requirements established in applicable insurance regulations and by the controlling Company. Fit requirements relate to the employees possessing the professional qualifications, experience, and knowledge necessary for a position, while proper requirements relate to the absence of negative circumstances that might affect one's performance. To facilitate compliance therewith, the controlling Company and the subsidiaries have a Fit and Proper Policy.

The Board of Directors of the controlling Company is ultimately responsible for ensuring the effectiveness of the of the Risk Management System, for establishing the risk profile and tolerance limits, as well as for approving the main risk management strategies and policies within the framework of risk management established by the Group.

The Solunion Group has adopted, for risk management, the “Three Lines of Defence” model, which encompasses:

- The corporate managers of the "First Line of Defence" assume the risks and have the controls necessary to ensure that risks do not surpass the established limits.
- The Internal Control System and the areas of the "Second Line of Defence," (Actuarial, Compliance, Internal Control and Operational Risk, Risk Management and Internal Audit) perform supervision independently of risk management activities of the First Line of Defence within the framework of the policies and risk limits established by the Board of Directors.
- Internal Audit is the "Third Line of Defence", and independently guarantees the adequacy and efficacy of the Internal Control system and of other elements of the Corporate Governance System.

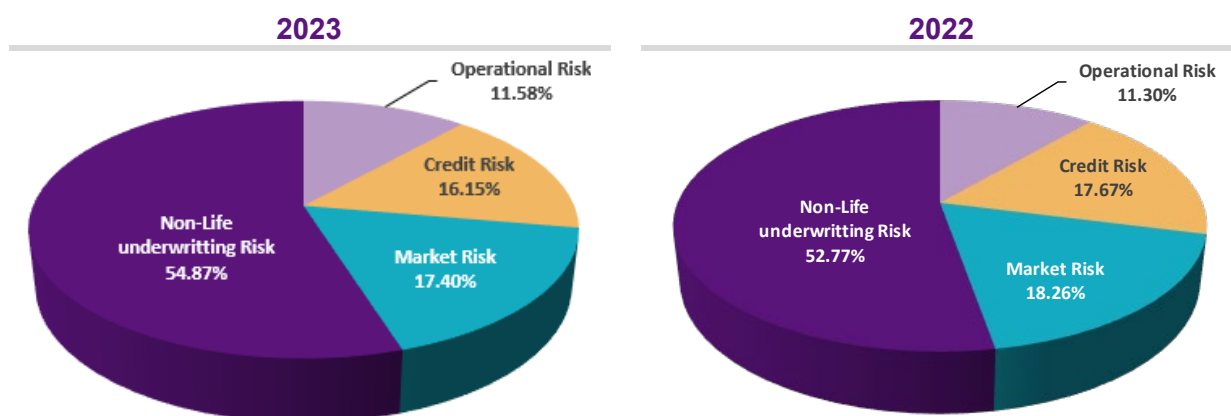
Within this framework, the Solunion Group's structure is comprised of Areas, which, in their respective frameworks, perform a number of independent supervisory activities within the scope of their respective areas with regard to assumed risks.

This governing structure reflects the requirements set out in the Solvency II Directive in relation to the system for management of business risks, so that the controlling Company establishes its own implementation and development strategy of the Risk Management and Internal Control Area, and the Board of Directors of Solunion defines the reference criteria and establishes and/or validates its organisational structure.

### C. Risk profile

The Solunion Group calculates the Solvency Capital Requirement (hereinafter "SCR") in accordance with the requirements of the standard formula, methodology established by the Solvency II regulations.

The following is the composition of the Group's SCR, which is based on the risks set out in the standard formula methodology and the percentage of regulatory capital required for each of them:



These charts show that the Group's risk profile has remained constant over the previous year; in both 2023 and 2022 the risk most strongly affected is Non-Life Underwriting risk, with the submodule of catastrophic credit and surety risk due to recession risk, which is charged to Solunion for 100% of the premium underwritten, contributing the most in 2023 and 2022.

This is followed by Market risk, mainly due to the exchange rate risk for the foreign currency equity from the Group companies.

Lastly, there are the Credit risk, mainly due to the increase in the market value of the reinsurance BEL and the Operational risk.

In addition to the risks mentioned, Solunion Group has carried out an internal process of identification of significant risks that might pose a threat for fulfilment of the strategic plan, the credit rating targets or that may prevent continued maintenance of the capitalisation level the controlling Company deems appropriate for its risk profile.

With respect to significant concentrations of risk, the controlling Company has Policies that set limits on risk diversification. Similarly, limits are laid down in its Liquidity Risk and Investment Risk Management Policy for ensuring adequate diversification by issuer, country, and sector of market risk. In addition, in financial year 2023 the Parent Company has revised the Risk Appetite Framework, the objective of which is to establish the level of risk that Solunion is willing to assume in order to be able to carry out its business objectives without significant deviations, even in adverse situations.

Conversely, the Solunion Group has also considered a series of stress tests for assessment of the resilience of the Group and the business model to adverse events. The results of these analyses show that the Solunion Group would continue meeting with regulatory capital requirements even in adverse circumstances.

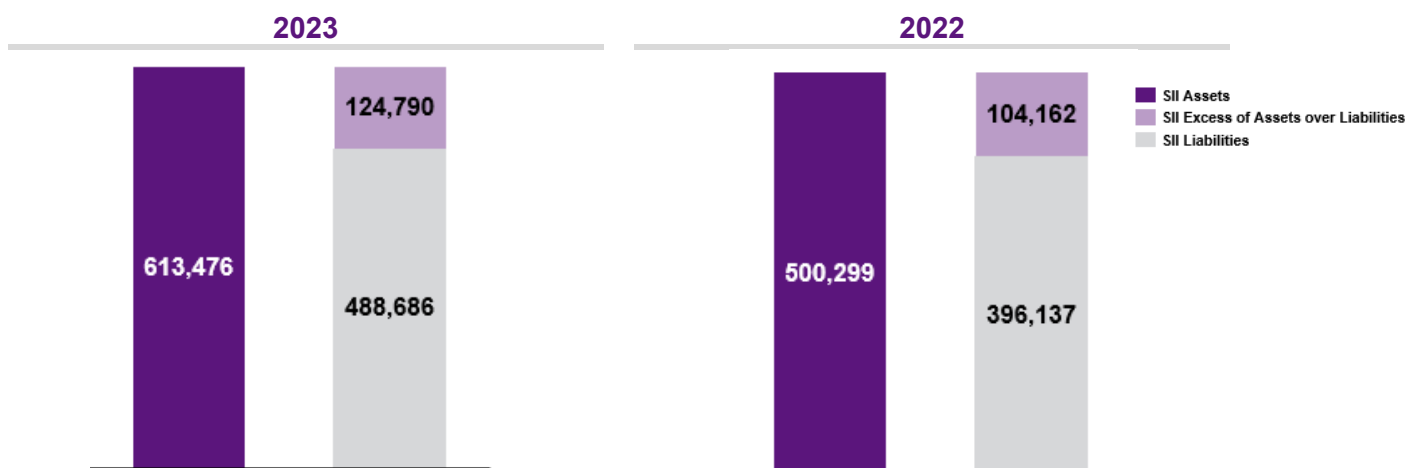
Based on the outcome of these stress tests and sensitivity analyses, the Group will continue to have sufficient own funds to comply with the SCR. The solvency ratio is kept at acceptable values so as not to put the Group's solvency at risk at any time.

#### **D. Valuation for solvency purposes**

The total value of assets under Solvency II regulations amounts to EUR 613,476 thousand, while the value measured in accordance with accounting regulations would amount to EUR 591,722 thousand. This difference mainly relates to the zero valuation under Solvency II regulations of the Goodwill, the prepaid fees and other acquisition costs, intangible assets and, to a lesser extent the lower value of the amounts of recoverable reinsurance due to the valuation following an economic market criteria under said regulations, and deferred tax assets.

The total value of liabilities under Solvency II amounts to EUR 488,686 thousand, compared to EUR 438,980 thousand according to accounting regulations. These differences correspond mainly to the technical provisions, other acquisition costs of the reinsurance commissions and the deferred tax liabilities.

The main difference in valuation criteria in both the assets and the liabilities between the two regulations lies in technical Provisions, as these are measured according to market economic criteria under Solvency II. D.2 offers information on actuarial methodologies and assumptions used in the calculation of technical provisions, best estimate, and risk margin.



Data in thousand euros

The total excess of assets over liabilities amounts to EUR 124,790 thousand under Solvency II, reducing by EUR 27,752 thousand with respect to accounting criteria.

During the year there have been no significant changes in the valuation criteria for assets and liabilities.

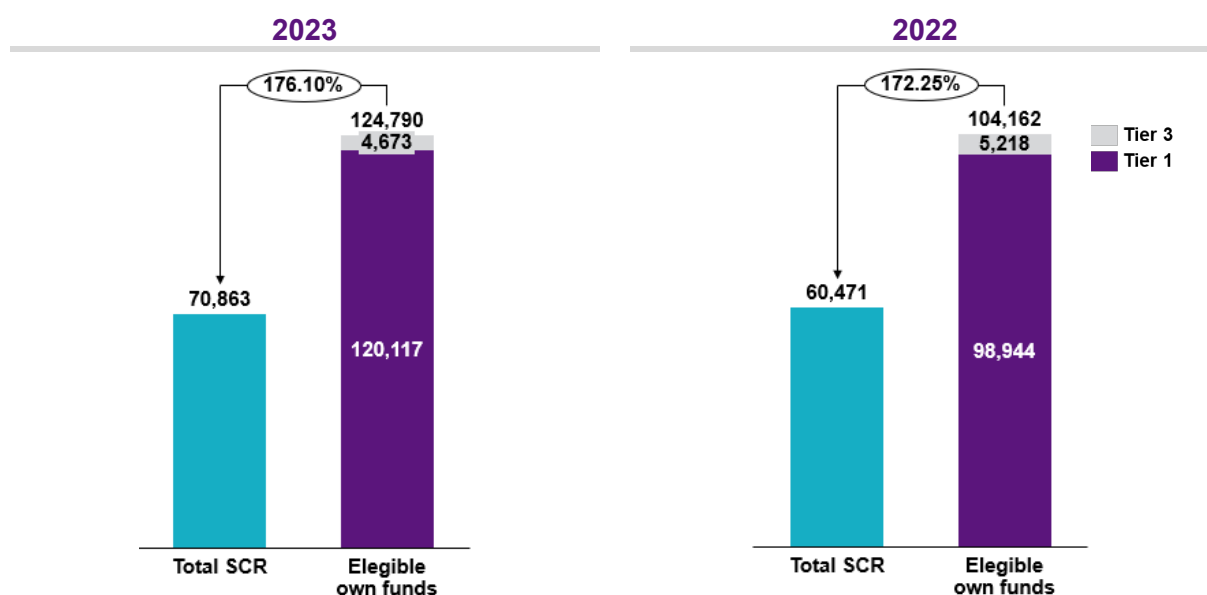
## E. Capital management

The Solunion Group maintains solvency levels within the limits established by the regulations and in its Risk Appetite and has a medium-term capital management plan.

The Group's solvency ratio, that denotes the share of its own funds available to meet the SCR, is 176.10%, while the share of its own funds available for meeting the MCR, that is, the Minimum Capital Required Ratio (hereafter "MCR"), reaches 678.02%. Therefore, the Group is in a suitable situation to be able to face future commitments taking into account the capital requirements established by the Solvency II regulations.

For calculating the solvency ratio, the Group has not applied the adjustment for volatility, nor the transitional measure about technical provisions by the Solvency II regulations.

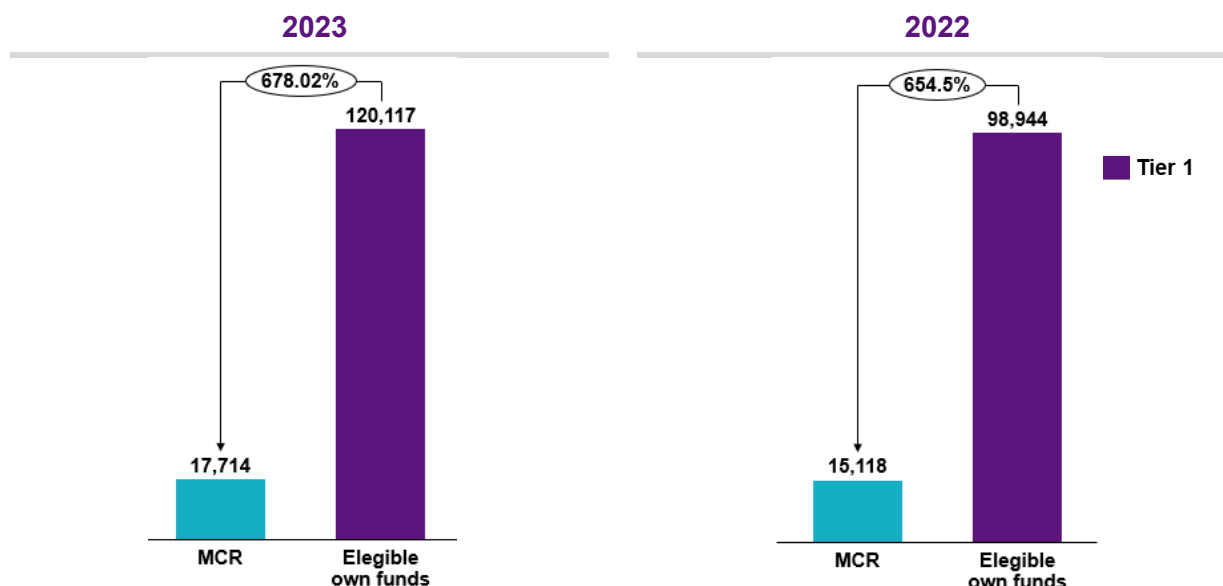
The Group's solvency ratio for SCR coverage in the years of study is as follows:



Data in thousands of euros

The Solvency Capital Requirement increased by 17.19% and the eligible own funds by 19.80% compared to the previous year, bringing the Solvency Capital Requirement coverage ratio to 176.10%.

The solvency ratio of the Group for the coverage of the MCR in the years of study is as follows:



Data in thousands of euros

The Group maintains an excess of capital of EUR 120,117 thousand, with eligible own funds that cover 6.78 times the minimum capital solvency requirement, which corresponds to the to the own funds that should have to limit the probability of ruin to one case per 200 years, or what is the same, that the Company is still in a position to fulfil with its obligations against the policyholders and beneficiaries of insurance in the following twelve months with a probability of 99.5 percent.

The Minimum Capital Requirement coverage ratio increased by 23.53 b.p., mainly due to the increase in the Eligible own funds, there was an increase of 21.39% over the previous year, due to a positive business performance during the year.

For calculating the solvency ratio, the Group has not applied the adjustment for volatility, nor the transitional measure about technical provisions by the Solvency II regulation.

In December 2022 the amount of the Group's MCR was EUR 15.118 thousand, in December 2023 this amount has been increased up to EUR 17,716 thousand. In both cases, the result is equal to the minimum limit of the combined MCR, which is obtained as the 25% of the SCR, amount that in 2023 has increased by EUR 2,598 thousand.

This level of capital is configured as the minimum level of security below which the financial resources of the Solunion Group should not descend.



## A. Business and performance

### A.1. Business

The accounting data in this section come from the consolidated Annual Accounts of the Group that have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (EU-IFRS).

#### A.1.1 Corporate name, legal form and activity

Solunion Seguros, Compañía Internacional de Seguros y Reaseguros, S.A. is a company with the sole corporate purpose of carrying out insurance and reinsurance transactions in Credit and Suretyship line of business, and transactions supplementary, ancillary, or related to this object to the extent allowed by insurance legislation.

The controlling Company was incorporated in Spain and its office is located in Madrid (Spain), Avenida del General Perón 40.

The controlling Company constitutes a joint venture between the Allianz Trade (formerly known Euler Hermes) and MAPFRE groups –each of which holds 50% of its share capital through Euler Hermes Luxembourg Holding S.à.r.l. and MAPFRE, S.A respectively– comprising the businesses of Credit insurance and the supplementary services of both groups in Spain and Latin America, and it is the parent company of a series of subsidiaries in these businesses in Argentina, Chile, Colombia, Spain, Mexico and Panama (hereinafter “the Group” or “ the Solunion Group”). In December 2017, the shareholders extended the agreement scope to include the joint development of the suretyship insurance.

The Solunion Group has the collaboration of mediators, professionals in insurance distribution that, in different positions (agents and brokers), play a key role in commercialisation of transactions and providing services to insured parties.

The Group's distribution capacity is completed by distribution agreements signed with different entities, especially with companies in bancassurance.

The Solunion Group has chosen to present a report for consolidation purposes, and reports corresponding to the different insurance and other activities companies.

#### Supervision

The Directorate General of Insurance and Pension Plans (Spanish Supervisory Authority, hereinafter DGSFP) is the party responsible for the financial supervision of Solunion, as it is based in Spain.

The DGSFP is located in Madrid (Spain) and its website is [www.dgsfp.mineco.gob.es](http://www.dgsfp.mineco.gob.es).

The Group's other insurance companies are under the supervision of their respective national regulatory authorities, the details of which appear in their respective individual reports.

Country	Regulator name
Chile	Commission for the Financial Market
Colombia	Financial Superintendency
Mexico	National Commission of Private Insurance

### External audit

The auditors of the Controlling Company's individual and consolidated financial statements on 31<sup>st</sup> December 2023 are KPMG Auditores S.L., a Spanish company with registered office in Madrid, Paseo de la Castellana 259 C-Torre de Cristal, with tax identification number B-78510153 and registered in the Official Register of Auditors (ROAC) under number S0702.

### Holders of qualifying holdings

The following table reflects the individuals or corporate persons who directly or indirectly hold qualified investments in the controlling Company:

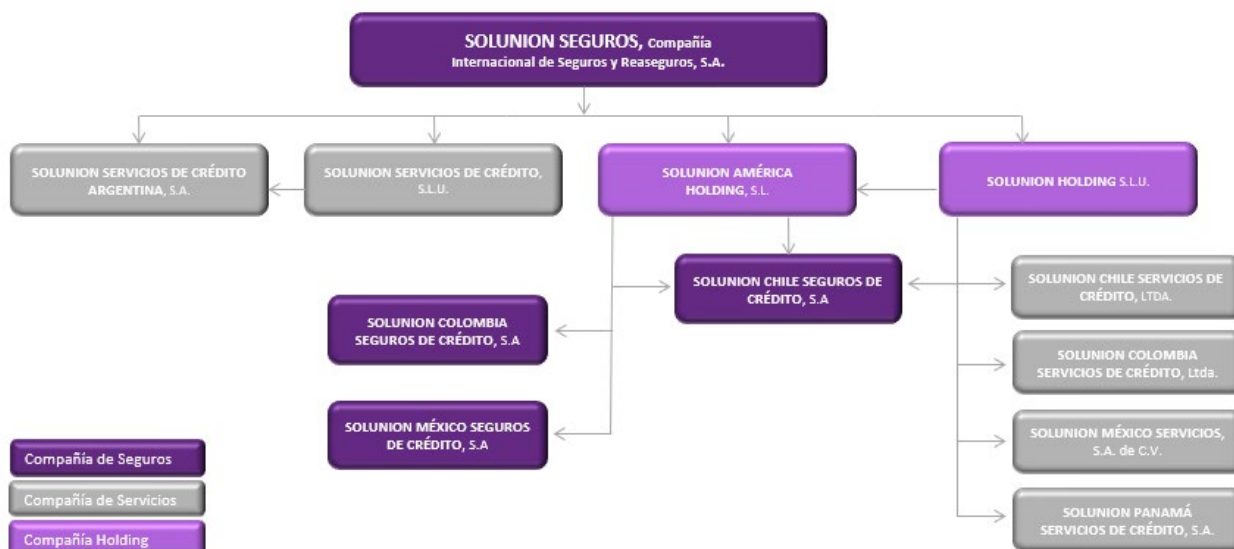
Corporate name	Legal form	Type of Shareholding	Location	Percentage of ownership
Euler Hermes Luxembourg Holding S.à.r.l.	Limited Company	Direct	Luxembourg	50%
MAPFRE, S.A	Limited Company	Direct	Spain	50%

### Details of the undertaking's position within the legal structure of the Group

Appendix 1 includes form S.32.01.22, which provides a description of the Group's subsidiaries and related companies.

The legal structure of the Group is shown in Appendix 2.

Following is an organization chart with the simplified structure of the Solunion Group:



### Lines of business

The Solunion Group identifies the following line of business established by the Solvency II regulation.

- **Credit and Suretyship insurance:** consists of insurance obligations other than life assurance:
  - Direct Insurance (Modality 9)
  - Accepted proportional reinsurance (Modality 21)
  - Accepted non-proportional reinsurance (Modality 28)

#### Geographic areas

The most significant countries, in which the Solunion Group operates, are Spain, Mexico, Colombia, Chile, France and Peru, as described in Appendix S.05.02.01.

#### **A.1.2. Business and/or events that have occurred over the reporting period that have had a material impact on the undertaking**

The following significant events took place during 2023, with a significant effect on the Solunion Group:

##### Significant events of the year

In 2023 Solunion has celebrated its 10<sup>th</sup> anniversary since it started operations in January 2013 in Spain and Argentina. Since then, the company has expanded its business to offer its products and services to companies in all sectors of activity in Spain and 15 Latin American countries, experiencing profitable and sustained growth in all markets where it operates.

The international rating agency A.M. Best has confirmed Solunion's "A" (Excellent) financial strength rating and its long-term issuer credit rating of "a" (Excellent), both with a stable outlook.

This rating reflects the strength of Solunion's balance sheet, which A.M. Best describes as "very solid". The rating agency also highlights the company's "adequate operational performance and sound enterprise risk management".

According to A.M. Best, the balance sheet strength is supported by its "risk-adjusted capitalisation, which remained at the strongest level at year-end 2022", according to Best's Capital Adequacy Ratio (BACR), as well as by its "prudent approach to its reserves and conservative investment strategy". In addition, the report mentions the limited risk associated with reinsurance, as its agreements are made only with Solunion's shareholders.

In 2023, Solunion has completed its migration process towards a single technology platform, with the entry of Solunion Colombia and the countries of the Solunion Central America and Caribbean region into Fénix, its common management system.

This project is part of the company's Strategic Plan, Arión, and enables the optimisation of IT resources aimed at improving the quality of Solunion's services; the acceleration of vertical and horizontal growth, increasing the pace of delivery of the necessary developments and enabling connectivity anywhere; and greater unification of operating systems to achieve more efficient internal processes and improve data-driven decisions.

Solunion has once again received Top Employer certification in Spain. This rating is awarded by the Top Employers Institute programme based on the results obtained in its HR Best Practices Survey, which encompasses six dimensions related to human resources, including 20 areas such as People Strategy, Work Environment, Talent Acquisition, Learning, Wellbeing and Diversity and Inclusion, among others.

In addition, Solunion has once again been certified as an efr family-friendly company in Spain and in all the Latin American countries in which it operates.

The efr certification, a distinction awarded by the Másfamilia Foundation, which promotes the reconciliation of personal, family and work life, recognises the good practices implemented by Solunion in this regard in its subsidiaries in Spain, Mexico, Colombia, Chile, Panama and Argentina. In addition, the company has recorded a significant improvement in all the indicators that the foundation takes into account when awarding this certification, which demonstrates Solunion's efforts to continue to make progress in terms of work-life balance.

This year, the company has also been recognised as the most active efr Team in the efr Awards and has renewed its commitment to the Telework and Flexibility Charter promoted by the Másfamilia Foundation for the next three years, until 2026.

### Corporate matters

The Extraordinary General Shareholders' Meeting of the Company held on 18<sup>th</sup> December 2023 appointed Mr. José Manuel Inchausti Pérez and Mr. Javier del Río Martín as members of the Board of Directors, effective 1<sup>st</sup> January 2023, due to the resignations of the directors Mr. Ignacio Baeza Gómez and Mr. Raúl Costilla Prieto. The Board of Directors of the Company held on 18<sup>th</sup> December 2023 appointed Mr. José Manuel Inchausti Pérez as Vice-Chairman of the Board, effective 1<sup>st</sup> January 2024, due to the resignation of the Vice-Chairman Mr. Ignacio Baeza Gómez.

### Main activities in 2023

- General matters

The 2023 financial year has been characterised by persistent volatility and high Political Risk, with several places of Geopolitical tension. In addition, we have seen several countries with electoral processes which added some more uncertainty. Central Banks have continued policies aimed at limiting the negative effects of inflation and overall global economic growth has been moderate.

In this environment, credit insurance demand in our main markets has grown slightly, which has translated into growth in total premiums for our industry in 2023. In this scenario, Solunion has been able to improve market share in most of the markets in which it operates while maintaining an excellent level of profitability.

- New products and services

We strengthened our product portfolio in Latin America for customers in the financial sector with the launch of the Factoring product in Chile.

- Commercial action

The year 2023 reflects an increase in commercial activity compared to the previous year with a 10.2% growth in the commercial portfolio. Solunion's growth is based on a multi-channel distribution strategy, with the implementation of various initiatives for the development of brokers and distribution partners that have produced excellent results in the generation of new business. Likewise, high levels of service and customer care were established by the main areas of the Company, resulting in excellent levels of retention, generating very positive organic growth in the commercial portfolio. The main initiatives were boosting commercial networks with our shareholders support, the ongoing drive in the bancassurance channel, the permanent improvement in our customer satisfaction indicators, which are increasing both in Spain and Latin America, and a good interdepartmental dynamic to get the growth of policyholders.

Everything with two main enablers: our people and the improvement in management and customer interface tools.

In terms of commercial processes and management tools, it is also worth noting that in 2023 work was carried out on improving commercial processes, which aims to support the continued organic growth of the business, with the challenge of generating even greater operational efficiency and commercial agility throughout 2024.

- Risk underwriting

The underwriting policy has remained stable in recent quarters. The level of exposure continued to grow throughout 2023 and this growth slowed in the last months of the year, in line with the slowdown in the economy. The outlook for the coming months is one of stability and moderate growth in the sums insured in our main markets.

- Information and technology systems

During 2023, Solunion continued taking advantage of cloud computing to get the results of the harmonisation of the development model undertaken in previous years in order to maintain the levels of regularity and speed of delivery, as well as the quality of the final product.

The main milestone was the completion of the technological integration process of the subsidiaries in Latin America with the incorporation of Solunion Colombia's business into the single Fénix credit insurance management platform.

In addition, during 2023, a process of technological renewal of the infrastructure based on Microsoft operating systems and databases has been carried out in order to eliminate technical obsolescence and increase the resilience of our technological solutions.

Finally, this year also saw the provision of the necessary technological resources for the opening of up to seven new company offices in Spain and Latin America.

### Economic matters

Turnover amounted to 337.21 million euros, which represents a growth of 23.55% and shows a positive evolution for the Solunion Group.

The net loss ratio was kept under control at 43.79%, reflecting Solunion's strong risk management.

Operating efficiency is maintained with a stable expense ratio of 33.7% in 2023 (30.7% in 2022).

The result of the insurance and reinsurance service shows a positive result of 38.25 million euros, an increase of 117.57% compared to the previous year.

Investment income amounted to EUR 5.1 million in 2023 (EUR 3.9 million in 2022).

The result after tax shows a positive result of 12.84 million euros, 3.41% more than in 2022.

## A.2. Underwriting performance

Quantitative figures on the Solunion's Group business and underwriting results in 2023 and 2022 by line of business, as shown in figure S.05.01.02, indicate that the Solunion Group ended the year with gross earned premiums of direct insurance and accepted reinsurance of EUR 310,977 thousand (EUR 250,049 thousand in 2022), of which the net amount was EUR 30,973 thousand (EUR 25,390 thousand in 2022). The variation in gross earned premiums with respect to the previous year has resulted in an increase of 24.37%.

Also, the gross loss ratio in direct insurance and accepted reinsurance fell to EUR 126,895 thousand (EUR 82,120 thousand in 2022), and after discounting the effect of reinsurance corresponding to EUR 112,712 thousand (EUR 74,535 thousand in 2022), the net loss ratio amount to EUR 14,183 thousand (EUR 7,585 thousand in 2022), which entails an increase of 86.99% concerning the previous year.

By geographic area of the Solunion Group, as shown in figure S.05.02.01 of the Appendix, the following five countries, in addition to Spain, most important regarding the volume of gross earned premiums in the year 2023 were: Mexico, Colombia, Chile, France and Peru. The gross earned premiums for the top five countries amounted to 86,517 EUR thousand (EUR 84,235 thousand in 2022), which represented an increase of 2.71% compared to the previous year.

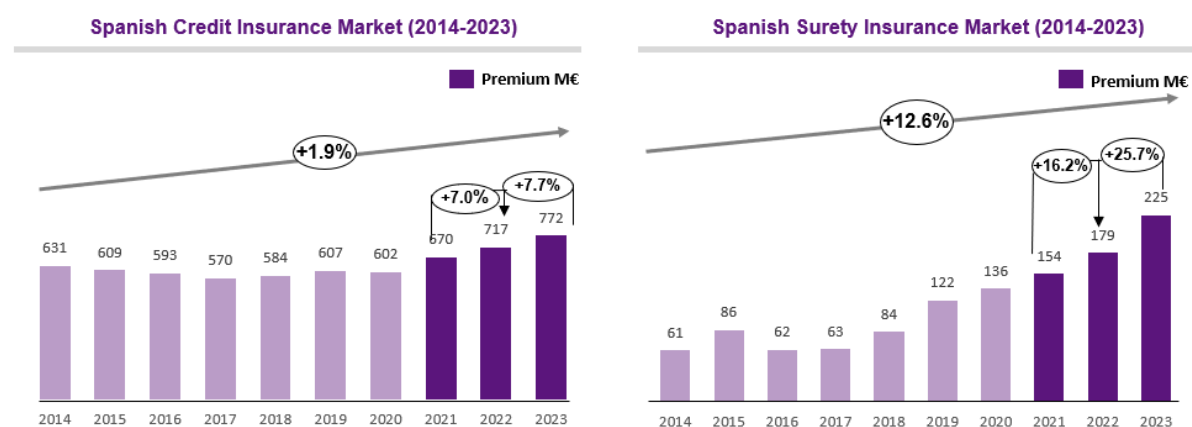
### Competitive situation

According to the first calculations provided by ICEA<sup>3</sup>, the evolution of the Credit and Surety insurance sector in Spain in 2023 showed an increase in revenues of 7.7% in the Credit line and an increase of 25.7% in the Surety line compared to the previous year.

The Credit line of business wrote premiums for an amount of 772 million euros and the Surety line of business wrote premiums for an amount of 225 million euros.

Solunion is ranked 33<sup>rd</sup> in Spain in the Non-Life business line, with a market share of 0.42%, 0.06% higher than in 2022. Within the Credit branch, Solunion is in second position with a market share of 21.92% and direct insurance premiums written of more than 169 million euros in 2023. In the Surety line, Solunion is the eighth company in the market with a market share of 4.48% and direct insurance premiums written of 10 million euros in 2023.

The following graph shows the situation of the Credit and Surety insurance market in Spain:

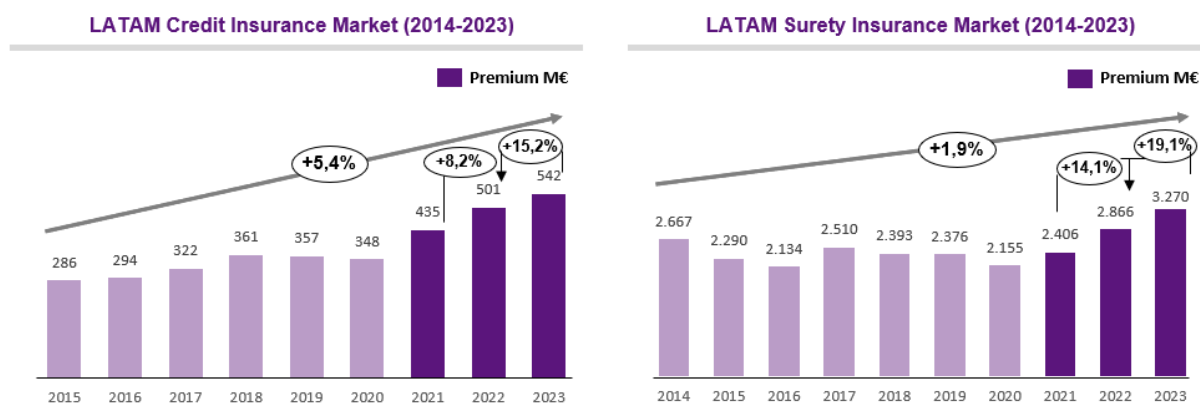


Evolution of the Spanish Credit and Suretyship insurance market. Source: ICEA. Data as of December 2023.

<sup>3</sup> Cooperative Investigation of Insurance Companies and Pension Funds

According to the latest available data as of September 2023, in the Latin American countries where the Solunion Group is present, there has been a 15.2% increase in the volume of premiums compared to December 2022 in Credit insurance, according to data from ALASECE<sup>4</sup>, and in Surety insurance, a 19.2% increase in the volume of premiums compared to December 2022, according to data from the Pan-American Surety Association (PASA). As of September 2023, Solunion occupies the third position in the Latin American market with a market share of 16%.

The following graph shows the situation of the credit and surety insurance market in Latin America.



Evolution of the Latin American Credit and Surety insurance market. Source: Latinoinsurance. Data as of September 2023 (\*In Surety: \*Figures as of September 2023 12 ms, except El Salvador, as of March 2023, Puerto Rico and Venezuela, as of December 2022, and Dominican Republic, as of June 2022 12 ms).

## Macroeconomic Environment

Spanish GDP grew by 2.5% in 2023. This is a better performance than that of other European economies, due to the strength of exports, the positive effect of European Union funds, aid for energy costs and a resilience of consumption in a context of tightening financial conditions.

Inflation, meanwhile, stood at 3.1% at the end of the year, rebounding from 1.9% in June due, among other factors, to base effects that are no longer favourable. On a month-on-month basis, inflation has also moderated, but its contribution to the rise in the headline index continues.

While 2023 has been good for economic activity, monetary policy transmission is proving strong. Euribor rose to over 4.2% in September but has eased to 3.5% by the end of the year. The tightening of financial conditions is being reflected in a fall of more than 20% in the granting of mortgages. As a result, the outstanding balance of mortgages has fallen below 2006 levels.

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Economic activity slowed down in Latin America in 2023 to around 2%, compared to 3.6% in the previous year, with a notable heterogeneity by country. This slower growth was mainly due to lower domestic demand caused by the cumulative effects of tight monetary policy and the loss of household purchasing power, in a context of high inflation, and a less favourable external environment. In 2024, activity is expected to grow at a slower pace of just under 1.5%, with the notable exception of Argentina, where the economy is expected to contract sharply. Some downside risks to economic growth persist, mainly of an external nature: that US monetary policy will be tighter than expected by markets and that the Chinese economy will slow down more sharply than expected.

<sup>4</sup> Asociación Latinoamericana de Seguro de Crédito



In the medium term, the region's potential growth outlook remains around 2%, lower than estimated for other emerging areas.

Inflation has continued to moderate in the region in recent quarters across the board and is expected to continue to do so, albeit very gradually, to within central banks' target ranges by 2024.

Against this economic backdrop, the main inflation-targeting central banks in the region, with the exception of Mexico, started to cut policy rates in the second half of 2023.





### A.3. Investment performance

#### A.3.1. Information on income and expense arising from investments by asset class:

The following tables present the detail of investments' income and expense for the years 2023 and 2022 as recorded in the financial statements:

##### Income from investments

	INVESTMENT INCOME FROM:				INVESTMENT INCOME FROM OTHER ACTIVITIES		Total	
	OPERATING		EQUITY					
	2023	2022 (*)	2023	2022 (*)	2023	2022 (*)	2023	2022 (*)
REVENUE FROM INTEREST, DIVIDENDS AND SIMILAR	-	-	-	-	-	-	-	-
Rev. from Financial investments at fair value through OCI	4,604	1,027	-	2,206	(105)	-	4,499	3,233
Rev. from Financial investments at amortized cost: Other inv.	-	-	-	-	-	-	-	-
Dividends form group companies	-	-	-	-	-	-	-	-
Other financial income	230	2,896	-	-	169	70	399	2,966
TOTAL REVENUE	4,834	3,923	-	2,206	64	70	4,898	6,199
REALIZED AND UNREALIZED GAINS	-	-	-	-	-	-	-	-
Net realized gains:	(11)	-	-	-	-	-	(11)	-
Financial investments at fair value through OCI	(11)	-	-	-	-	-	(11)	-
Unrealized gains	347	-	-	-	-	-	347	-
Others	347	-	-	-	-	-	347	-
TOTAL GAINS	336	-	-	-	-	-	336	-
TOTAL REVENUES FROM INVESTMENT	5,170	3,923	-	2,206	64	70	5,234	6,199

Data in thousands of euros

(\*) Restated data

##### Investment expenses

	INVESTMENT EXPENSES FROM:				INVESTMENT EXPENSES FROM OTHER ACTIVITIES		Total	
	OPERATING		EQUITY					
	2023	2022 (*)	2023	2022 (*)	2023	2022 (*)	2023	2022 (*)
FINANCIAL EXPENSES	-	-	-	-	-	-	-	-
Financial investment expenses at fair value through OCI	(1,315)	(1,588)	-	-	-	-	(1,315)	(1,588)
Other financial expenses	(301)	(179)	-	-	(99)	(670)	(400)	(849)
TOTAL EXPENSES	(1,616)	(1,767)	-	-	(99)	(670)	(1,715)	(2,437)
REALIZED AND UNREALIZED LOSSES	-	-	-	-	-	-	-	-
Net realized losses:	(650)	-	-	-	-	-	(650)	-
II. Financial investments at fair value through OCI	(650)	-	-	-	-	-	(650)	-
TOTAL LOSSES	(650)	-	-	-	-	-	(650)	-
TOTAL EXPENSES FROM INVESTMENT	(2,266)	(1,767)	-	-	(99)	(670)	(2,365)	(2,437)

Data in thousands of euros

(\*) Restated data

Total investment income amounts to EUR 5,234 thousand (EUR 6,199 thousand in 2022), of which EUR 4,449 thousand (EUR 3,233 thousand in 2022) from income from the fair value through equity portfolio, EUR -11 thousand in 2023 from net realised gains on investments in this portfolio, EUR 399 thousand (EUR 2,966 thousand in 2022) from other financial income and EUR 347 thousand from net unrealised gains on other in 2023.

Total investment expenses amount to EUR 2,365 thousand (EUR 2,437 thousand in 2022), of which EUR 1,315 thousand (EUR 1,588 thousand in 2022) come from the portfolio at fair value through equity, EUR 400 thousand (EUR 849 thousand in 2022) from other financial expenses and EUR 650 thousand in 2023 from net realised losses from the portfolio at fair value through equity, so that the overall result of the investments has been positive and their value amounts to EUR 2,869 thousand (EUR 3,762 thousand in 2022).

Some of the events that have influenced the Group's investments are listed below:

2023 was a tumultuous year, with another black swan event materializing (the war in the Middle East), while the world was still not rid of the previous one (the war in Ukraine). We estimate that global real GDP grew by 2.7% in 2023, though vulnerabilities have emerged at several levels.

The economic landscape in 2023 began with a sense of caution, primarily driven by the persistent challenges posed by the energy crisis and the swift normalization (tightening) of monetary conditions in the US and Europe. The Eurozone and the US faced the prospect of a mild recession, influenced by these factors. Additionally, concerns loomed over Europe's energy situation, with uncertainties in gas supply creating negative confidence effects. Geopolitical tensions, including policy shifts in the US and Europe, China's strategic moves, and upcoming elections across the world, added to the uncertainties. Meanwhile, hopes of a robust post-Covid economic rebound in China were cut short by another year of crisis in the real estate sector.

Despite long standing tensions in the Middle East, the outbreak of war between Israel and Hamas on 7 October 2023 caught the world off guard. The most directly impacted areas are of course Palestine and its neighbours, but the escalation of the conflict to the Red Sea and Suez Canal, crucial to global trade, promise to extend the economic consequences of the war globally. These tensions, combined with the ongoing war in Ukraine, cast a shadow on global economic growth.

This context of slower growth, sometimes close to recession, decelerating inflation and high interest rates has increased corporate risks. The latest data reveal an increase in insolvencies in most countries, the severity risk remains in check as it is mostly smaller firms that have been going bankrupt. Business insolvencies experienced double-digit increases in 55% of countries, accounting for more than 60% of global GDP. Moreover, in countries accounting for 40% of global GDP, the rebound has been extremely high, such as the US (+47%), France (+36%), the Netherlands (+59%), Japan (+35%) and South Korea (+41%). Looking ahead, we expect the upside trend in insolvencies to accelerate in 2024, rising by +8% (after +7% in 2023).

### **A.3.2. Information about any gains and losses recognised directly in equity:**

As can be seen in the tables in section A.3.1, on the income side, there was no effect on the Group's equity in 2023, although EUR 2,206 thousand were recognised in 2022 from the portfolio at fair value through equity. On the other hand, on the expense side, there was no effect on equity in 2023 and 2022.

### **A.3.3. Information on asset securitisation**

Solunion does not invest in this type of assets.

## A.4. Performance of other activities

### A.4.1. Other income and expense

During the years 2023 and 2022, the Solunion Group has incurred the following significant income and expenses other than those from the purely insurance business:

	2023	2022 (*)
Operating revenue	18,958	12,108
Operating expenses	(70,807)	(66,534)
Revenue from fixed assets and investments	8	-
Expenses from fixed assets and investments	(54)	(165)
Net financial income	11	(455)
<b>RESULT FROM OTHER ACTIVITIES</b>	<b>(51,884)</b>	<b>(55,046)</b>

Data in thousands of euros

(\*) Restated data

### A.4.2 Lease contracts

#### Operational leases

The controlling Company is a lessee of real estate for its own use. These leases have a duration of between one and five years, without renewal clauses stipulated in the contracts. There is no restriction for the lessee regarding the contracting of these leases.

Total payments for the period amount to EUR 944 thousand in 2023 (EUR 923 thousand in 2022).

Future minimum payments to be made on non-cancellable leases on 31<sup>st</sup> December of the last two years were as follows:

	Real estate for own use		Other fixed assets		Total	
	2023	2022 (*)	2023	2022 (*)	2023	2022 (*)
Up to one year	927	245	2,026	-	2,953	245
From one to five years	3,819	-	-	-	3,819	-
More than five years	-	-	-	-	-	-
<b>TOTAL</b>	<b>4,746</b>	<b>245</b>	<b>2,026</b>	<b>-</b>	<b>6,772</b>	<b>245</b>

Data in thousands of euros

(\*) Restated data

There are no contingent quotas recorded as an expense in the years 2023 and 2022.

#### Finance lease

The controlling Company does not have this type of lease.

## A.5. Any other information

There is no other relevant information other than that included in the above sections.

### Intercompany transactions

All transactions with related parties have been carried out at market conditions.

In addition to the transactions described in the other notes accompanying the consolidated annual accounts, the balances and transactions between Group companies are explained below.

	Expense		Income	
	2023	2022 (*)	2023	2022 (*)
<b>Services received/provided and other expenses/revenues</b>	48,459	24,417	10,232	5,788
<b>Real estate expenses/income</b>	-	-	-	-
<b>Investments and financial accounts expenses/income</b>	-	-	-	-
<b>Dividends paid out</b>	-	-	-	-
<b>Total</b>	<b>48,459</b>	<b>24,417</b>	<b>10,232</b>	<b>5,788</b>

Data in thousands of euros

(\*) Restated data

The effected operations, with shareholders and related parties that were not eliminated in the consolidation process, are detailed below:

	2023	2022 (*)
<b>Assets</b>	<b>315,665</b>	<b>265,229</b>
<b>Liabilities</b>	<b>24,150</b>	<b>15,771</b>
<b>TOTAL</b>	<b>291,515</b>	<b>249,458</b>

Data in thousands of euros

(\*) Restated data

## B. System of governance

### B.1. General Information on the system of governance

Solunion Group's system of governance, which is presented in detail below, aims to ensure sound and prudent management under a common operational and organizational model for the Group that establishes hierarchical and functional relationships, a common risk governance structure, Key Functions and written corporate governance Policies that include fit and proper requirements to be met by directors, executives, and Key Functions.

The Policies derived from the Solvency II regulations are reviewed on an annual basis, although modifications may be approved in them or in the rest of the internal regulations at any time when it is deemed convenient.

#### B.1.1 System of Governance

The system of governance of Solunion Group has the following characteristics:

- Operational structure comprising three levels: Shareholders, holding company and business units.
- Organizational structure according to objectives-based operating model.
- Common risk management governance structure for Solunion Group.
- Key Functions of system of governance: (i) Risk management, (ii) Compliance, (iii) Actuarial and (iv) Audit, which make up a Three-Line of Defense model.
- Written corporate governance policies.
- Adaptation of local bodies of administration and representation of Solunion Group companies to the regulation of their respective countries.
- Directors, executives, and individuals with Key Functions of Solunion Group must be persons of acknowledged commercial and professional propriety, and possess adequate knowledge and experience to enable sound and prudent management of the Group, in accordance with the fit and proper policy approved in each business unit.

The governing bodies of Solunion are regulated by the shareholders' agreement entered into by the shareholders, the articles of association and the mandatory standards established by the legislation applicable to each of the Group companies.

The following outlines the main functions and responsibilities of the controlling Company and Group's Governing Bodies:

- **General Meeting:** This is the highest governing body, and it has the power to decide on any matter relating to Solunion Group. It may give instructions to the companies Group's governing body or subject to its authorisation the adoption by the governing body of decisions or arrangements on management matters relating to the Group.

The General Meeting comprises the shareholders of Solunion Group and its meetings may be ordinary, for the sole purpose of approving company management, the financial statements of the previous year and deciding on the application of profit, or they may be extraordinary.

- **Supervision Committee:** This is the non-executive body through which Solunion Group shareholders: (i) are periodically informed by the CEO on financial data, the situation in commercial and risk, information, claims and Collection matters, and the most significant matters of the Group; and (ii) issue guidelines on management matters submitted for their consideration, to be submitted to the pertinent governing bodies as necessary.

It consists of the Chairman and Vice-Chairman of Solunion Group as the shareholders' representatives. The Solunion Group Corporate Affairs Director shall act as Secretary. It shall meet at least monthly, except in months when meetings of the Board of Directors are held or in August, notwithstanding its capability to meet whenever it is deemed appropriate or to receive information in writing outside meetings.

- **Board of Directors:** this is the body responsible for directing, managing and representing the Group, and for overseeing the performance of management. It has full powers of representation, disposition and management. Its decisions are mandatory for the controlling Company, except in matters attributed to the General Meeting, and it designates and removes members of Solunion committees, including the Management Committee.

It comprises an odd number between six and twelve directors as determined by the General Meeting, and it will select from its own members a Chairman and Vice-Chairman, and appoint a non-director Secretary. Members of the Board of Directors must meet the requirements of Solunion's fit and proper policy, are appointed for a term of three years. They may be re-elected up to the age of 70.

The position of Director of the Company is remunerated, under the conditions established by the General Shareholders' Meeting, and is incompatible with holding executive positions or functions in Solunion.

The Board of Directors shall meet at least four times a year to receive information on accounting, administration, finance, technical and statistical matters relating to the previous calendar quarter, and provided it is necessary to decide on matters under its competence. It shall have achieved quorum when half plus one of its members are in attendance, notwithstanding the adoption of resolutions via a written vote outside a meeting, and resolutions are adopted by an absolute majority of directors in attendance, except for matters that require a qualified majority under the Charter.

#### Board supporting committees

The Board has supporting committees to address certain management matters relating to the following: Audit and Compliance, Investment, Nomination and Compensation.

- **Audit and Compliance Commission:** It shall have the responsibilities set down in the Charter for advising and making recommendations to the Board on the following:
  - a) preparation of financial statements,
  - b) the nomination of accounts auditors and independent experts and the performance of their functions,
  - c) reporting and financial policy processes,
  - d) internal audit operation and functions,
  - e) the organisation and effectiveness of internal control and risk management systems,
  - f) oversight of the performance of Solunion's Key Functions, and

- g) compliance matters, including the identification and assessment of compliance risk and the prevention and correction of illegal or fraudulent conduct.

It comprises three members of the Board of Directors, two of whom must be independent directors, elected in consideration of their financial or accounting experience, and one of them shall be designated in consideration of their knowledge and experience in accounting or auditing, or both. They shall be elected for a three-year term, and it shall designate a Chairman who shall be an independent director, and Secretary shall be the Secretary of the Board of Directors.

It shall meet at least four times a year, and whenever necessary to decide on matters under its competence, and decisions shall be adopted by a simple majority of the members in attendance.

It has the status of Audit Committee for the purposes of the Third Additional Provision of Law 22/2015 of Accounting and Auditors.

- **Investment Committee:** will have the responsibilities set out in its Charter to provide guidelines in all matters relating to management of financial assets, and advises and offers recommendations to the Board of Directors on investment matters.

It comprises four members of the Board of Directors elected for three years, including a Chairman and Vice-Chairman.

It shall meet at least four times a year, once a quarter, and whenever necessary to decide on matters under its competence, and decisions shall be adopted by a simple majority of the members in attendance.

- **Nomination and Compensation Committee:** will have responsibilities set out in its Charter to coordinate the Solunion Group's Nomination and Compensation Policy, and it advises and offers recommendations to the Board of Directors on matters of compensation and benefits for senior executives of the Solunion Group and matters related to: governance, recruitment and selection of candidates for key executive positions and managers of Key Functions, compensation policies and plans and yearly allocation and payment programmes.

It comprises four members of the Board of Directors elected for three years, including a Chairman and Vice-Chairman.

It shall meet at least two times a year, once every six months, and whenever necessary to decide on matters under its competence, and decisions shall be adopted by a simple majority of the members in attendance.

- **Management Committee:** The Company Management Committee assists the CEO in supervising the management of the Business Units and fronting activities and the effective ordinary management of the Group's operations and of countries in which Solunion operates, in strategic, operational and coordination matters.

It comprises the CEO of Solunion, who chairs it, and the Corporate Directors of Finance and Administration (CFAO), Risk, Information, Claims and Collection (RICC), and Commercial and Marketing of Solunion, who are full members and voting rights. The Corporate Directors of Communications, People, Sustainability and Media, Legal and Compliance, Surety, Information Technology, Operations, the Director of Allianz Trade for Multinationals in the Solunion region and Solunion's Director of Corporate Affairs will be permanent guests, and any person may be invited to report on specific topics in their area.

The appointment of the members of the Management Committee, who must meet the requirements set out in Solunion Group's fit and proper policy, will be made by the Board of Directors, pursuant to a favourable report by the Nomination and Compensation Committee.

As a general rule, the committee will meet as many times as necessary, and on an extraordinary basis to deliberate on matters submitted to its consideration by any of its full members.

#### Support Committees of Group Management Committee

The Management Committee shall have the support of the Risk, Actuarial and Reserves, Compliance, Social Responsibility and Sustainability and Security and Environment Committees for the performance of its duties relating to governance of risk management.

- **Risk Committee:** It is tasked with overseeing the risk management function and system, particularly compliance with Risk Appetite, and it comprises full members of the Management Committee, the Corporate Head of the Actuarial Area (without the right to vote) and the Corporate Head of Internal Control and Risk Management (without the right to vote).

It has the following competences: (i) to oversee the performance of business units' risk committees in their tasks of control of compliance in their respective areas of all the Group's risk management rules, guidelines and policies; (ii) to verify, at least yearly, that the risk appetite limits are effective and appropriate for the Group; and (iii) to escalate to the Board of Directors proposals for review of the Risk Management Policy.

- **Actuarial and Reserves Committee:** advises and offers recommendations to the Management Committee on the actuarial function and policy, and comprises full members of the Management Committee, the Corporate Head of Internal Control and Risk Management (without the right to vote) and the Corporate head of the Actuarial Area (without the right to vote).

Competence to oversee the Actuarial Function and Policy within the Group, and to establish reserves in the framework of policies and rules approved by the Board of Directors.

- **Compliance Committee:** tasked with verifying the functioning of the compliance function, overseeing correct application of general compliance guidelines and principles within the Group and to provide support in this area to the Group's head of compliance, and is composed of the full member of the Management Committee, the Corporate Director of People, Sustainability and Procurement and the Group Compliance Officer (without the right to vote.).

It has the following competences: (i) to collect information on compliance risk management assigned within the framework of its competences and to be apprised of any significant incident in compliance that affects or may affect the Group's activity; (ii) to oversee the functioning of the Ethics Whistleblowing Channel and hear any complaints made therein and examine them, adopt any appropriate resolutions and ensure enforcement of the same; (iii) to receive advisory from the Group Compliance Officer on regulation applicable to the Group, the potential consequences of changes in the legal environment of the business unit's operations and to determine and assess compliance risk, and (iv) resolve any matters that, owing to their complexity, that are escalated to it for its interpretation by the Group's head of compliance.

- **Social Responsibility and Sustainability Committee:** is responsible for verifying and ensuring the correct application of the principles and general guidelines for action in the area of Social Responsibility and Sustainability in the Group, and is made up of the Corporate Directors of People and Sustainability, Finance and Administration, Legal and Compliance, Communication and Security, and by the Head of the People and Sustainability Area.



- **Security Committee:** is in charge of verifying and ensuring the correct application of the general principles and guidelines for action in the area of Comprehensive Security, Cybersecurity and Business Continuity in the Group and is made up of the CEO of Solunion, who chairs it, the Corporate Directors of Finance and Administration, Legal and Compliance, Information Technology and Security (without voting rights). Depending on the matter to be discussed, the Corporate Director of People, Sustainability and Procurement and the Heads of Security of the Business Units may be invited. The Corporate Directors of Security and of Entity and Business Coordination of MAPFRE's Corporate Security Department shall be permanent guests.

Additionally, the government system is made up of the following bodies:

- **Local Administration Bodies:** The Boards of Directors, Directories or Managerial Boards of Solunion Group companies are the bodies in charge of administrating and representing the insurance entities of Solunion Group in Latin America, notwithstanding the powers of General Managers or Executives as the case might be, and of supervising the activity of each Business Unit according to the rules and policies of Solunion and the general policies and strategies defined by the Board of Directors of Solunion.

The composition of the local administration bodies of Solunion Group companies in Latin America, its powers and the existence, where appropriate, of delegated bodies thereof, will be adapted to the regulations of each country.

The non-insurance entities will have administrators and will be supervised by the local administration bodies of Solunion Group Companies in Latin America.

- **Local Management Committees:** the Management Committees of the Group's companies assist local Managing Directors in the effective ordinary management of the operations of the Business Units and of the countries in which Solunion operates, in its operational aspects, in accordance with rules, policies and the general policies and strategies defined by the Solunion Group Board of Directors and the instructions given by the local Management bodies.

They are integrated by the local General Director (Country Manager) of each Business Unit, who chairs the Committee, and the local Directors of Finance, Administration and Organization (CFAO), Risk, Information and Claims (RICC) and Commercial and Marketing (MMCD), who have the status of being full members, without prejudice to the possibility of designating permanent guests and invite any person in order to report on specific issues in their area.

The appointment of the members of the local Management Committees, who must meet the requirements established in the Solunion Group Fit and Proper Policy, will be made by the local Boards of Directors, with a prior approval of the Board of Directors of Solunion in the case of the General Manager.

#### Support committees for the local management committees

In the performance of their powers relating to the governance of risk management, the local Management Committees will have the support of the Risks, Actuarial and Reserve and Compliance Committees or, as the case might be, the equivalent or additional Committees established by local regulations.

- **Regional Managers:** The Regional Managers supervise and coordinate and drive business development in the Solunion Regions, especially fronting activities in countries where Solunion does not have a direct presence.

### **B.1.2. Key functions**

In order to ensure that the government system has an adequate structure, Solunion has Policies that regulate the key functions (Risk Management, Compliance, Internal Audit and Actuarial) and ensure that these functions follow the requirements defined by the Supervisor and they are faithful to the lines of government established by the controlling Company and the Group.

The Board of Directors of the Parent Company approved the latest revision of the Actuarial Function Policy at its meeting held on 23<sup>rd</sup> June 2023, the Internal Audit and Compliance Policies at its meeting held on 22<sup>nd</sup> September 2023 and the Risk Management Policy at its meeting held on 18<sup>th</sup> December 2023. These policies are reviewed annually.

The above policies establish the operational independence of these Key Functions and their direct line of reporting to the governing body, which gives them the necessary authority in the exercise of their functions. The governing body is informed, at least annually, by the areas of the Company responsible for carrying them out. The information and advice to the Board of Directors on the part of the key functions is expanded in the sections related to each of them.

The names of individuals responsible for Key Functions have been reported to the Dirección General de Seguros y Fondos de Pensiones.

The Key Functions have the necessary resources for the proper performance of the functions entrusted in their respective Policies.

More information may be found on Key Functions in Sections B.3, B.4, B.5, and B.6.

### **B.1.3. Relevant General Meeting of Shareholders and Board of Directors resolutions**

The Extraordinary General Shareholders' Meeting of the Company held on 18<sup>th</sup> December 2023 appointed Mr. José Manuel Inchausti Pérez and Mr. Javier del Río Martín as members of the Board of Directors, effective 1<sup>st</sup> January 2023, due to the resignations of the directors Mr. Ignacio Baeza Gómez and Mr. Raúl Costilla Prieto. The Board of Directors of the Company held on 18<sup>th</sup> December 2023 appointed Mr. José Manuel Inchausti Pérez as Vice-Chairman of the Board, effective 1<sup>st</sup> January 2024, due to the resignation of the Vice-Chairman Mr. Ignacio Baeza Gómez.

### **B.1.4. Balances and remuneration to the members of the administrative, management or supervisory body**

In the financial year 2023 the Board of Directors has received a fixed annual remuneration of EUR 88 thousand (EUR 88 thousand in the financial year 2022) and has no advances or loans granted.

The following table shows the remuneration received in the last two years by key management personnel, consisting of seven men and three women in 2023 and 2022:

	2023	2022
<b>Short-term remuneration</b>	<b>2,089</b>	<b>1,948</b>
Salaries	1,841	1,752
Fixed allocations	152	103
Per diems	-	-
Life insurance	28	14
Other	68	79
<b>Medium-term remuneration</b>	<b>290</b>	<b>262</b>
<b>Post-employment remuneration</b>	<b>27</b>	<b>22</b>
Defined contribution	27	13
Years of service award	-	9
<b>TOTAL</b>	<b>2,406</b>	<b>2,232</b>

Data in thousands of euros

Remuneration paid to the members of the Administrative body and employees of the Group is determined in accordance with prevailing regulations in the countries in which operates as well as its remuneration policy, the latest revision of which was approved by the Board of Directors on 18<sup>th</sup> December 2023.

Solunion's Remuneration Policy aims to link remuneration to the level of responsibility and degree of contribution of each employee to Solunion's results, as well as to apply individual management criteria based on merit.

The overall objective of the Group's remuneration policy is to define guidelines that are effective -meaning that they are aligned with the global strategy and business objectives, the risk management policy and the tolerance to such risks approved by Solunion Group- to foster sound and prudent management of the business and effective risk management.

Its objectives include:

- Supporting Solunion Group's business strategy by attracting and retaining talent.
- Incentivising employees' contribution to the Group's objectives.
- Promoting sound and effective risk management through establishment of requirements on remuneration aimed at prudent and appropriate management of business and to avoid remuneration mechanisms that foster excessive risk-taking by Solunion Group.
- Avoiding conflicts of interest.

Furthermore, in the year 2023 and within the framework of the executive remuneration policy, expenses for the medium-term incentive plan, which will run from 1 January 2022 to 31 December 2024, were accrued in the amount of 290 thousand euros. It should be taken into account that during 2023 the achievements of the medium-term incentive plan corresponding to the period 2019-2021 have been paid in the amount of Euros 59 thousand, corresponding to 13.3% of achievement, with the remaining 26.6% deferred over the next two years in accordance with the Remuneration Policy of the Solunion Group.

Payment of incentives was subject to compliance of certain corporate and specific objectives, and their permanence in the group. At the end of each exercise, an assessment of the fulfilment of the objectives is made by registering the amount earned in the income statement with credit to a provision account.

### B.1.5 Additional information

#### Significant operations with shareholders, individuals with significant influence, or Board Members

The Controlling Company's directors did not carry out any operations with the Controlling Company itself during the fiscal year 2023, nor with any other Group company, that was outside the ordinary business of the companies or outside of normal market conditions.

### B.2. Fit and proper requirements

The Solunion Group has a fit and proper policy, the latest revision of which was approved by the Board of Directors of Solunion on 28<sup>th</sup> March 2023, which facilitates application of regulatory requirements and ensures a high level of fit and proper requirements throughout the Group for managers and Key Functions.

Managers and Holders of the Key Functions of Solunion Group must be persons of recognized commercial and professional honour and possess adequate knowledge and experience to make possible the sound and prudent management of the Group. The following principles shall apply to ensure fulfilment of these objectives.

- a) This Policy applies to the Senior Management and the Key Functions Holders.
- b) The Fitness and Propriety of the members of the Board of Directors of Solunion and the local Governing Bodies of the Business Units shall be governed, in addition, by the criteria established by their shareholders and the applicable rules.
- c) A person's Fit and Proper shall be assessed when appointed for a Senior Management or Key Function Holder position, on the regular reviews and when situations arise that give rise to doubts about their Fitness or Propriety.

As far as suitability is concerned, the qualifications, knowledge, and experience required depending on the position:

- a) Members of the Board of Directors and the Local Management Bodies shall possess appropriate experience and expertise and, taken as a whole, shall possess sufficient knowledge and professional experience in the following areas, as a minimum: (i) insurance and financial markets; (ii) business strategies and models; (iii) governance system; (iv) financial and actuarial analysis; and (v) regulatory framework.
- b) The members of the Management Committee and the local Business Unit Management Committees and the permanent invitees thereto shall have the qualifications, knowledge, and experience necessary to carry out the responsibilities of each Committee and the specific responsibilities assigned to them by the Management Committee.
- c) The holders of Key Functions must have the appropriate knowledge and experience to perform the tasks entrusted to them by the respective Key Function Policy, if applicable, and by applicable law.

The people subject to the Fit and Proper Policy must have an accredited, personal, commercial and professional reputation based on reliable information about their personal behaviour, their professional conduct and their reputation, including any criminal, financial and supervisory aspects that are pertinent to these effects, and to act under the Solunion Code of Ethics and Conduct and meet the following requirements:

- Personal, commercial, and professional propriety:
  - a) The personal trajectory of respect for commercial and other laws that regulate economic activity and business life, as well as good commercial, financial, and insurance practices.

- b) Lack of criminal records for crimes against patrimony, money laundering, against the socioeconomic order and the Public Treasury and Social Security and sanctions for infringement of the regulatory rules for the insurance, banking, or stock market activities, or consumer protection.
- c) Lack of relevant and justified investigations, both in the criminal and administrative spheres, on any of the facts mentioned in section b) above.
- d) Not be disqualified from holding public or administrative or management positions in financial or insurance entities.
- e) Not be disqualified under Spanish bankruptcy regulations or equivalent in other jurisdictions.
- Capacity and compatibility:
  - a) Not being involved in causes of incompatibility, incapacity, or prohibition under current legislation and internal regulations.
  - b) Not being in an insurmountable conflict of interest situation under current legislation and internal regulations.
  - c) Not having incurred in circumstances that could give rise to the appointment or participation in the Controlling Company's administrative body that could put the interests of the entity or the Solunion Group at risk.

In the case of ongoing procedures or investigations, the Compliance Area will analyse the circumstances of each case to determine its impact on propriety.

#### Process to ensure fitness and propriety

Adequate assessment processes will be necessary during recruiting and the regular and specific reviews to ensure Fitness and Propriety.

To assess the Fitness and Propriety in a recruitment process of members of Management Committees or Key Function Holders it will be required .

- Job description/Fitness requirements definition for the position

Aptitude will be assessed based on the job description and the Fitness requirement definition, and the tasks and key responsibilities associated with the position defined People, Sustainability and Procurement Area.
- Curriculum vitae

All candidates must submit their current curriculum vitae at the beginning of the recruiting process.
- Background checking

The final candidate for a position within a Management Committee or Key Function Holder must be subject to a background check by the People, Sustainability and Procurement Area, comprising of:

  - The submission by the candidate of copies of his required qualifications.
  - The filling by the candidate of a Declaration of Fitness and Propriety stating their personal, professional or business circumstances, following the template established by the Corporate

Affairs Area and, where appropriate, the submission of a criminal records certificate presented not later than three months after the date of issue.

- A reference checks.

In the case of members of the Solunion Board of Directors or local Administration Bodies and Key Function Holders, the Corporate Affairs Area will be responsible for collecting from candidates the curriculum vitae, the Declaration of Fitness and Propriety, and, where appropriate, the criminal records certificate.

As regards Fitness, in the assessment by the People, Sustainability and Procurement area of practical and professional experience, special attention should be paid to the nature and complexity of the positions held, the competencies and decision-making powers and responsibilities assumed, as well as the number of people in charge, the technical knowledge gained on the sector and the risks they must manage. In any case, the criteria of knowledge and experience will be applied by assessing the nature, size, and complexity of the activity of each entity and the specific functions and responsibilities of the position assigned to the person evaluated. If the final candidate had a specific lack of knowledge, competencies, or skills, it shall be considered whether this lack can be solved through specific professional training, and if so, such training must be provided.

Regarding Propriety, if the evaluation reveals any situation that could affect the Property, it will be reported to the Compliance Area to analyse the circumstances of each case to determine its impact on the Propriety.

If, after the evaluation, the candidate does not meet the requirements of Fitness and Propriety, may not be appointed or hired for the position. If a periodic or specific review shows that the evaluated person can no longer be considered Fit or Proper for the position, the corresponding decision will be taken under the regulations.

In the case of members of the Board of Directors or local Governing Bodies, the Fitness of the candidates will be evaluated according to the Fitness requirements legally required in each Business Unit.

A person's Fitness and Propriety shall be assessed on a regular basis, to ensure ongoing Fitness and Propriety of the person for his position. Such assessment is done in performance reviews, once a year, assessing the person's Fitness and taking into account situations that may affect its Propriety.

Without prejudice to the regular reviews, the Senior Management and the Holders of the Key Functions must report their entity of any supervened circumstance that could affect their Propriety.

The specific reviews will be carried out when situations arise that give rise to doubts regarding a person's Fitness or Propriety of a person, such as: relevant breach of the Solunion Code of Ethics and Conduct; failure to submit required self-disclosure statements (e.g. statements of accountability or disclosure of security trading); investigation or any other procedure possibly leading to a conviction of a criminal, disciplinary or administrative offence relevant to the Business Unit or the person's position, or administrative sanctions for non-compliance with any financial services legislation.

Participants in the evaluation of the Fitness and Propriety and their responsibilities will be as follows:

- The Corporate Affairs Area will be responsible for:
  - a) To review and keep the Fit and Proper Policy updated.
  - b) To have the templates of the Declaration of Fitness and Propriety for the recruitment and annual review processes updated.

- c) To obtain the necessary documentation for the evaluation of candidates for members of the Solunion Board of Directors or local Governing Bodies and Key Function Holders.
- d) To update the information on Propriety for the regular reviews.
- The People, Sustainability and Procurement Area will be responsible for:
  - a) To draft the definitions of the Fitness requirements of the positions subject to this Policy, except for members of the Board of Directors and the local Governing Bodies.
  - b) To carry out the assessment of the Fitness and Propriety of Senior Management and Holders of Key Functions in the recruitment processes and the regular and specific reviews.
  - c) To communicate to the Compliance Area the situations that may affect the Propriety of Senior Management and Holders of Key Functions that are revealed in assessment processes.
  - d) To submit for the approval of the Nomination and Compensation Committee the proposals for appointments of Senior Management and Key Functions Holders.
- The Compliance Area will be responsible for:
  - a) To analyse and determine the impact of situations that may affect the Propriety of Senior Management and Holders of Key Functions that are revealed in assessment processes.
  - b) To promote the realization by the People, Sustainability and Procurement Area of a specific review when it becomes aware, through the Impulse Channel or by any other means, of situations that may affect the Propriety of Senior Management and Holders of Key Functions.

### **B.3. Risk management systems, including the own risk and solvency assessment**

#### **B.3.1 Governance framework**

The risk management system is a set of strategies, processes and information procedures necessary to identify, measure, monitor, manage and notify on a continuous basis the risks to which the Group is or may be exposed, and their interdependencies.

The fundamentals governing the performance of the Risk Management Function at Solunion are as follows:

##### **1. Fit and Proper**

The head of the Risk Management Function must have adequate knowledge and experience to perform the tasks of the Function and be a person of recognised commercial and professional honour to enable the sound and prudent management of Solunion and in accordance with the Code of Ethics and Conduct, for which purpose he/she must comply with the requirements set out in the Fit and Proper Policy.

##### **2. Status and authority**

The Risk Management Function is unique and any activity within its scope is subject to the coordination of the Corporate Head of Risk Management, who reports to Solunion's Corporate Director of Finance and Administration. The local Risk Management Officers report to the local Finance and Administration Directors and to the Corporate Head of Risk Management.

The Risk Management Function is supported by The Risk Management Policy in order to be able to carry out the tasks related to its competencies with complete independence, so that it may communicate on its own initiative with all persons in the organisation and have unrestricted access to any information relevant to the performance of its responsibilities, and all Group personnel must provide it with support and collaboration.



### 3. Operational independence

In the exercise of its responsibilities, the Risk Management Function is free from any undue or inappropriate influence, control, incompatibility, or limitation that could compromise its ability to perform its duties in an objective, impartial and independent manner.

The Risk Management Function operates under the ultimate responsibility of Solunion's Board of Directors, to which it shall report periodically on matters within its scope, and its hierarchical dependence in Solunion's organisational structure shall not hinder or prevent its holder from reporting to the management body. To this end, the Risk Management Function is empowered to propose to the Secretary of the Board the inclusion in the agenda of the meetings of the Audit and Compliance Committee of the matters within the scope of the Function that it deems appropriate, as well as to appear and present them directly.

Annually, the head of the Function shall issue a declaration of independence reflecting the terms under which he/she has carried out his/her work and, if applicable, any conflict of interest that may have arisen in the performance of his/her activity and the safeguards and procedures followed to mitigate or eliminate it.

### 4. Segregation of responsibilities

In order to prevent conflicts of interest that could arise if the tasks entrusted to the Function could compromise its independence, Solunion's organisational structure establishes a segregation of responsibilities between the performance of the activities of the Risk Management System and its review and monitoring, and controls any interference that limits the scope, analysis, and pronouncement of the Risk Management Function with respect to the tasks for which it is responsible:

- As regards Risk Appetite, the Board of Directors is responsible for setting the Risk Appetite and Tolerance Limits, and the Risk Management Function is responsible for monitoring them and informing the Board of Directors and the Management Committee of any non-compliance with them.
- The regulatory calculations required to obtain the Solvency ratio are performed by the Corporate Risk Management and Internal Control Area, reviewed by the Head of the Risk Management Function and the Risk Committee, and reported to the Board of Directors for approval.
- With respect to the ORSA, the Board of Directors approves the scenarios used in the ORSA process, the results of the ORSA process and the Contents of the ORSA Monitoring Report.

The Corporate Risk Management and Internal Control Area will take appropriate measures to address potential conflicts of interest should additionally tasks or activities be added to those entrusted to the local Risk Management Areas.

### 5. Management involvement

The Solunion's Management is involved in the overall treatment and supervision of the risks and the setting down of the general lines of control and mitigation. In this way, the responsibility for risk management falls on the Board of Directors, supported by the Management Committee, which is in charge of the operational management, for which:

1. Regarding the establishment and monitoring of the Group's Risk Appetite by management:
  - a. The Board of Directors approves the Policies that regulate the risks to which Solunion is subject and establishes the general solvency ratios and the minimum coverages that have to be adopted and sets down the risk appetite which the Company is willing to accept in the form of three major blocks, namely:
    - for the investment and liquidity risk.



- for the insurance risks (including commercial underwriting and risk and reinsurance underwriting).
  - for the operational, business continuity, compliance, strategic, reputational cybersecurity, and sustainability risks.
- b. The Management Committee supervises the margins in the Company, it performs a monitoring of the limits established by the Board of Directors, taking the appropriate decisions in order to comply with them, it keeps the Board of Directors informed on these matters and advises it on its decisions.

2. The Board of Directors defines Risk Appetite in the following terms:

- a. Critical Zone Maximum level of Risk Tolerance that Solunion is willing to admit.
- b. Surveillance Zone: Maximum level of Risk Appetite that Solunion is willing to admit.
- c. Safety Zone: Level of risk that Solunion considers admissible without mitigating actions being taken.

This definition of the Risk Appetite is made in accordance with the objectives set out in Solunion's Capital Management Policy:

- Provide the Company and the Group with a procedure to verify that the Eligible Own Funds comply with the applicable requirements.
  - Ensure that the projections of Eligible Own Funds consider the continued compliance with the requirements applicable throughout the period considered.
  - Establish a process of identification and documentation of the circumstances for loss absorbing capacity of the Eligible Own Funds.
  - Ensure that the Company has a Medium-Term Capital Management Plan, which will consider at least the following elements:
    - a) the compliance with Solvency regulations applicable throughout the projection period considered, paying particular attention to known future regulatory changes, and the maintenance of solvency levels compatible with the established in the Risk Appetite.
    - b) issuance of proposed Eligible Own Funds instruments.
    - c) the repayments, both contractual at maturity, and those that may be made on a discretionary basis before maturity, in relation to the elements of the Eligible Own Funds.
    - d) the results of the projections in the Own Risk and Solvency Assessment ( "ORSA"); and
    - e) the expected dividends and their effect on the Eligible Own Funds.
3. The head of the Risk Management Function shall report regularly to the Board of Directors on the development and monitoring of the risks relevant to Solunion and on the monitoring of compliance or non-compliance with the Risk Tolerance Limits established for all relevant risk categories.

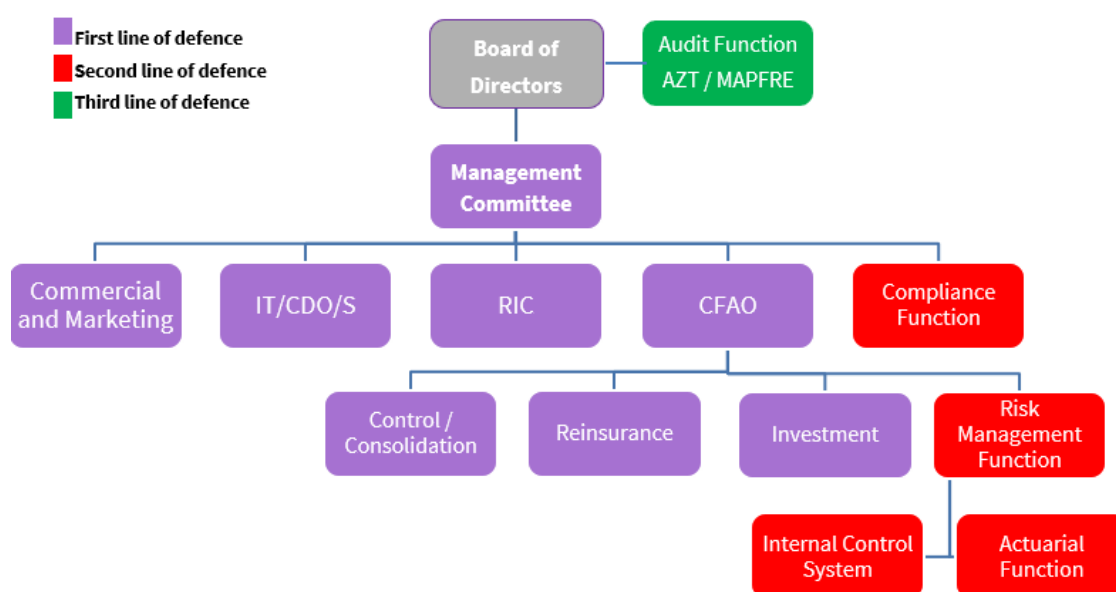
6. Three Lines of Defence Model

Risk management is structured in accordance with the "Three Lines of Defence" defined by ECIIA and FERMA, such that:

- a. The “First Line of Defence” is made up of the operational managers who take on the risks and possess the controls.
- b. The Actuarial, Compliance and Risk Management Functions, as well as the Internal Control System, dependent on the latter, form the "Second Line of Defence", which supervises the First Line of Defence according to the Policies and limits determined by the Board of Directors, and informs to the Management Committee.
- c. The “Third Line of Defence” consists of Internal Audit which, from its independence, guarantees the suitability and effectiveness of the internal control system and the Corporate Governance.

The Lines of Defence perform the assigned tasks in strict compliance with applicable legislation and the Group's internal regulations.

The location of the Risk Management Function in Solunion's organisational structure and within the Three Lines of Defence model is as follows:



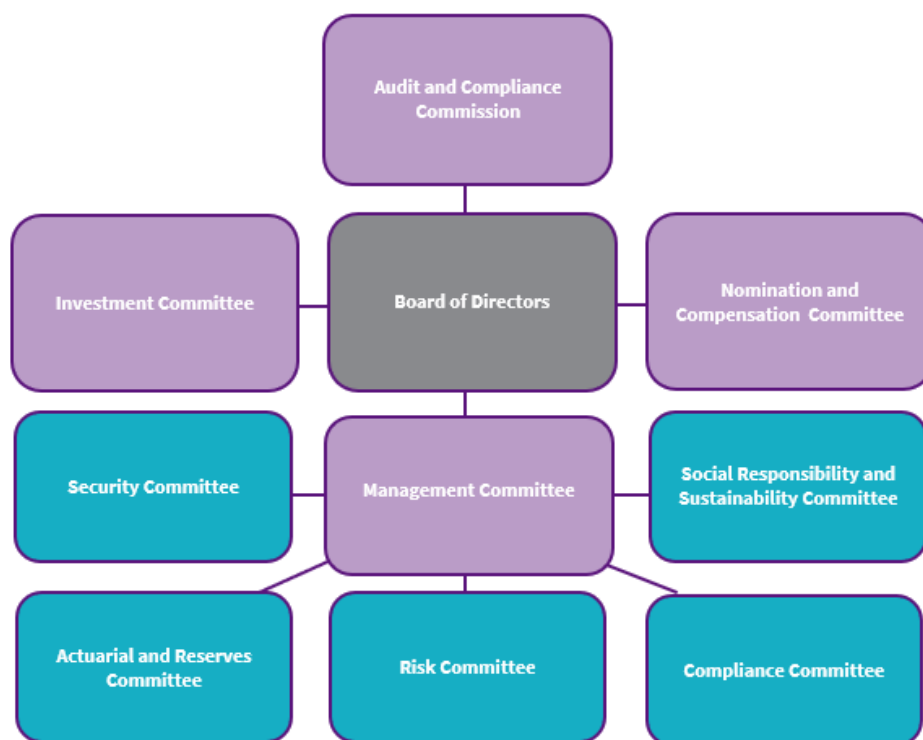
## 7. Structure and adequate means

Solunion must establish sufficient resources for adequate risk control and management.

The Lines of Defence are made up of professionals with a level of training and/or experience that guarantees an appropriate level of competence and prudence in risk assumption and management decisions in their areas of action, for which management policies and, where appropriate, assumption limits must be established with respect to the risks identified.

This prudent risk-taking, based on the diligence required of a prudent businessman under commercial law, is subject to the condition that the return on the risks assumed is sufficient to provide a return on the capital employed for this purpose.

The following diagram shows the governance structure of risk management in Solunion Group:



The governing bodies of Solunion have the following powers over the risk management system, in accordance with the Code of Good Governance:

- Board of Directors:
  - Approval or authorisation of the risk identification, management and control policy.
  - Analysis of the information to be regularly received on the status and development of risks and of the decisions of the Management Committee and the Head of the Risk Management Function to verify their adequate management and control.
  - Adoption of measures to correct situations deemed inappropriate.

The Audit and Compliance Committee, the Investment Committee, the Nomination and Compensation Committee and the Management Committee will support it in its risk management duties.

- Management Committee:
  - Responsibility for implementation of policies and standards on Risk Management.
  - Supervision of performance of Second Line of defence Functions and Policies.
  - Information on Risk Management to the Board of Directors and escalation of proposals for action.
  - Operational decisions made within framework of policies and standards approved by Board of Directors.

In the performance of its duties relating to the governance of Risk Management, Solunion's Management Committee will be supported by the Risk, Actuarial and Reserves, Compliance, Social Responsibility and Sustainability, and Security and Environment Committees.

- Risk Committee:

Comprises all full members of the Management Committee, the Head of the Actuarial Function (without the right to vote) and the Corporate head of Management risk and Internal Control (without the right to vote), will be tasked with supervising the Risk Management Function and System, particularly compliance with Risk Appetite. The Corporate Head of Risk Management and Internal Control will receive the meeting minutes of established Corporate Committees and of the locals Risk Committees may attend such meetings without a vote, and report to the Corporate Risk Committee any decision or potential risks that may affect the Group's solvency position.

- Actuarial and Reserves Committee:

Comprises all members of the Management Committee, the Corporate Head of Management Risk, and Internal Control (without the right to vote) and the Head of the Actuarial Function of the Group (without the right to vote), will be tasked with overseeing the actuarial function and policy in the Group, and with the establishment of technical provisions within the framework of Policies and standards approved by the Board of Directors.

- Compliance Committee:

Comprises full members of the Management Committee, the Corporate Directors of People, Sustainability and Procurement and Corporate Affairs, and the Group Compliance Officer (without the right to vote), it is tasked with overseeing the compliance function and policy in the Group within the framework of the Policy and standards approved by the Board of Directors.

- Social Responsibility and Sustainability Committee

The Social Responsibility and Sustainability Committee is responsible for verifying and ensuring the correct application of the principles and general guidelines for action in the area of Social Responsibility and Sustainability in the Group, and is made up of the Corporate Directors of People, Sustainability and Procurement, Finance and Administration, Legal and Compliance, Communication and Security, and by the Head of the Social Responsibility and Sustainability Area.

- Security Committee

The Security Committee is responsible for verifying and ensuring the correct application of the general principles and guidelines for action in matters of Integral Security, Cybersecurity and Business Continuity in the Group, and is made up of the CEO of Solunion, who chairs it, and the Corporate Directors of Finance and Administration, Legal and Compliance, Information Technology and Security (without voting rights). Depending on the matter to be discussed, the Corporate Director of People, Sustainability and Resources and the Heads of Security of the Business Units may be invited. The Corporate Directors of Security and of Entity and Business Coordination of MAPFRE's Corporate Security Department shall be permanent guests.

Given that risk management is a local responsibility, notwithstanding the companies being a part of a business group and its integration in an organisational structure directed by the Group's holding structure, each business unit has a local risk committee that will oversees compliance with all the Group's risk management standards, guidelines, and policies.

It will comprise the heads of each corporate area of each unit and it will be tasked with overseeing the functioning of the Risk Management System and advising the local Management Committee for relevant decision making.

These risk committees will be under the supervision of the Corporate Risk Committee.

The risk management function enables adequate oversight of risks through the adoption of decisions that facilitate the identification, measurement, supervision, management, and monitoring of the same. This function encompasses Solunion's internal control process, which is included in the framework of internal control and operational risk, which is the Policy of the Internal Control Function. In addition, the Risk Management Function coordinates the assessment and oversight of the Company's main risks (Top Risk Assessment).

### **B.3.2. Risk management objectives, policies, and processes**

The aim of this Risk Management Policy is:

- a) Regulate Solunion's Risk Management System, for which purpose it comprises the strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report on an ongoing basis the risks to which, on an individual and aggregate level, it is or may be exposed, and provides for a Risk Management Function structured to facilitate the implementation of the Risk Management System and which enables the appropriate supervision of risks through the adoption of provisions that facilitate the identification, measurement, supervision, management and monitoring thereof. This function encompasses Solunion's Internal Control process, included in the Internal Control and Operational Risk Framework, and ensures that the risk policy is applied consistently throughout the Group.
- b) Preserve the Group's solvency and to facilitate the development of its business by means of: (i) definition of the strategy with regard to the risks taken on; (ii) the inclusion of risk analysis within the decision taking processes; (iii) the establishment of a general guideline, certain basic principles and a general framework of risk management that will facilitate its consistent application in the group; and (iv) the dissemination of the Risk Management Policy among managers and employees in order to achieve a risk management culture that will guarantee its effectiveness.

The Risk Management Policy of Solunion will apply to all companies belonging to the Group after adaptation to local regulations and approval by the respective management bodies.

As noted above, the risk function is tasked with risk supervision. The procedures are as follows:

- Identification: Solunion analyses the risks to which the entity is subject by means of a Major Risks Assessment which is carried out annually and approved by the Board of Directors with the aim of identifying new risks and verifying existing risks, both in terms of their nature and their assessment.

To enable management and control of risks, each has its own policy, which prevails in its area over the general Policy, describes in an exact way the risk that is being referred to and determines the scope of application, establishes a supervision system that will permit the identification, measurement, supervision, management and monitoring of the risks included in it, instigates measurements for guaranteeing adequate information for the Areas having the risk under their responsibility; and considers the possibility of conducting a stress test for the risks whose nature permits this.

- **Measurement:** for measurement of risks, the Corporate's Risk Management and Internal Control area establishes rules for setting the of parameters in accordance with both external and internal regulations, for measuring risks, the technical means that will permit the capital needs to be calculated in line with the set of risks, and that the measurement of the risks is correct.
- **Limits to the risk appetite:** The Board of Directors of Solunion defines the risk appetite of the Risk Management System, and sets both the limits to be applied to risk taking and the necessary measures for the Risk Committee to verify, at least once a year, that the Limits are effective and appropriate for the Group.

Basing itself on a criterion of proportionality that has to rule over the Risk Management System, for entities joining the Group the Management Committee will be able to agree to the temporary setting of different limits from those established on a general basis, until those companies can become fully integrated into the Risk Management Policy.

- **Supervision:** risk managers in each area of the Company are responsible for ensuring that the actions taken are consistent with the established technical standards and that the risks taken within the limits defined in the Risk Management System.

Supervision that risks are within limits of risk appetite is performed by the Risk Management Function and the other functions of the Second Line of Defence in their respective areas.

- **Management and mitigation:** risk managers in each area of each Business Unit First Line of Defence must take the necessary measures in their respective areas to mitigate risks to which the company is exposed, in accordance with the applicable policy and subject to the Appetite and Tolerance Limits to the Risk.

Supervision that necessary mitigation measures are being taken will be the responsibility of the other functions of the second line of defence in their respective areas, which will inform to Corporate Risk Management and Internal Control area and to the Risk Management Function.

- **Monitoring:** areas in the second line of defence provide, at least annually, unless the nature of the risk means that it can be done less frequently, with information that allows adequate monitoring of the control of risks within the Appetite and Tolerance Limits.

Notwithstanding the foregoing, information must be reported immediately if the event of risks that: (i) exceed established limits; (ii) may cause losses equal to or higher than such limits, or (iii) may compromise the Company's solvency requirements or its business continuity.

Own Risk and Solvency Assessment (ORSA) reports include monitoring of material risks that may affect the Company. It shall also identify any material exposure to climate change risks and, where appropriate, assess the impact of long-term climate change scenarios on the balance sheet.

- **Breach of limits:** when a risk exceeds the established limits, the Company's governing bodies may adopt measures aimed at:
  - Authorising an excess beyond the risk limit, in which case sufficient documentation and notification of the governing bodies and the Corporate's Risk Management and Internal Control Area is essential, along with the reason for such authorisation and an indication of any additional risk taken owing to the same. If the excess surpasses the limits set by the Group's parent, the governing bodies, the Corporate's Risk Management and Internal Control Area and the Group's governing bodies are notified.

- Cancel risk.
- Contract additional protection that allows for adjusting the risk to established limits, subject to an assessment of the consequences of breach by the supplier of such protection and its impact on operational risks.
- Raise additional capital resources as necessary to keep the risk taken within established risk limits.

In addition, the Risk Appetite Framework sets out specific measures for each indicator in the event of non-compliance.

The Risk Management Function will regularly report any breaches of the Risk Appetite and Tolerance Limits to the Board of Directors and the Management Committee.

To define and manage each of its risks, Solunion has established a framework of policies that have been approved by the Company's Board of Directors.

The strategies, objectives, and informing procedures for the key risks to which the Company is exposed, reflected in the Risk Appetite Framework approved by the Controlling Company's Board of Directors or equivalent body establishes the degree of risk the Controlling Company is prepared to assume to reach its business objectives with no relevant deviations, including in adverse situations.

Details are shown below of the main risks faced by Solunion with respect to their identification, measurement, management, monitoring and notification.

Type of Risk	Description	Measurement and management	Monitoring and notification
<b>General</b>	Refers to the Company's Solvency level.	Standard formula	Quarterly
<b>Investment Risk</b>	Risk that Solunion does not comply with the asset protection granted by the investment policy and includes the Market SCR.	Standard formula Specific indicators	Quarterly
<b>Liquidity Risk</b>	Risk that Solunion will not be able to realise investments and other assets in order to meet its financial obligations as they fall due.	Standard formula Specific indicators	Quarterly
<b>Underwriting risk</b>	Risk that Solunion does not conduct an adequate underwriting policy and includes the Non-Life Underwriting SCR.	Standard formula Specific indicators	Quarterly
<b>Constitution of Technical Provisions</b>	Risk due to insufficient reserves for Solunion to meet its commitments.	Standard formula Specific indicators Control in the calculation of technical provisions External validation	Quarterly Quarterly Monthly Annual
<b>Reinsurance risk</b>	This is the risk of loss resulting from fluctuations in the creditworthiness of counterparties in terms of reinsurance within one year and includes the Counterparty SCR.	Standard formula Specific indicators	Quarterly



Type of Risk	Description	Measurement and management	Monitoring and notification
<b>Operational Risk</b>	Includes risks arising from failures or inadequacies of systems, people, internal processes or external events and includes the Operational SCR.	Standard formula Specific indicators Dynamic qualitative analysis of processes Recording and monitoring of operational risk events	Quarterly Quarterly Annual  Continuo
<b>Security Risk</b>	Risks arising from non-compliance with the Security Policy	Specific indicators	Continuo
<b>Business Continuity Risk</b>	Refers to the possibility that future events could have adverse consequences for the achievement of Solunion's economic and business objectives or the financial position of Solunion.	Specific indicators Business continuity plans	Continuo Annual
<b>Cybersecurity risk</b>	Risks arising from non-compliance with the Information Security and Cybersecurity Policy that may exploit vulnerabilities in Information Systems.	Specific indicators	Continuo
<b>Strategic Risk</b>	Risk of non-achievement of the Company's strategic objectives	Specific indicators Monitoring of the Strategic Plan	Quarterly Continuo
<b>Compliance Risk</b>	Risk of loss arising from legal/regulatory sanctions or reputational losses due to non-compliance with applicable laws and regulations, internal and/or external, and administrative requirements.	Specific indicators Monitoring and recording of significant events	Quarterly Continuo
<b>Reputational Risk</b>	Risks arising from the materialisation of events that impact the Company's image in the eyes of the market and stakeholders.	Specific indicators	Quarterly
<b>Sustainability Risk</b>	Risk of negative impact of environmental, social and governance factors	Specific indicators	Annual

All calculations arising from the standard formula must be updated in any year in which a significant change in the risk profile is detected.

Generally, as mentioned previously, the Board of Directors must be periodically informed of the risks to which the Company is exposed.

### B.3.3. Own Risk and Solvency Assessment (ORSA)

Pillar II includes the Own Risk and Solvency Assessment (ORSA), which is a key element of Solvency II. The ORSA process is integrated and is part of the Risk Management System, and it has mechanisms to identify, measure, monitor, manage and report the risks in the short and long term of the Company, during the period envisaged in the strategic plan, as well as the sufficiency of capital resources according with the understanding of their real solvency needs.

To this end, it contemplates all the significant risks or potential sources of risk to which the Company is exposed, and facilitates undertaking initiatives aimed at its management and mitigation.



This requirement should define how companies can create value for different stakeholders, in order to integrate its business risk management framework in its process of governance decision/making, and to show that this Framework is also appropriate for the nature, scale and complexity of the risks in their business.

Performance of the ORSA requires a forward-looking exercise of bespoke strategic analysis that encompasses all the pillars of Solvency II, based on risk tolerance and appetite, the strategic and business plan, the environment, the moment in the cycle in which the assessment occurs, the governance system implemented and the quality of the own funds, in order to advise the Board of Directors on the viability of the company in the long term. Hence, an integrated approach is needed throughout the Company.

The process of critical risk assessment of Solunion aims to ensure that the Company's critical risks are identified, assessed, managed, mitigated and monitored.

In addition to supporting risk management, this process also ensures that Solunion is capable of meeting external regulatory requirements, that is, both the Solvency II requirements and local regulatory requirements.

At an overall level, the ORSA process is organised around the following components:



This process is detailed below:

### 1. Risk appetite and limits.

The first step is to establish a risk strategy that clearly defines a risk appetite for the achievement of business objectives. The risk strategy should be revised at least yearly, simultaneously with changes in the business strategy.

The Board of Directors of Solunion defines the risk appetite, which becomes part of the risk management system, and sets both the limits to be applied to risk taking and the necessary measures for the Risk Committee to verify, at least once a year, that the limits are effective and appropriate for the Company.

## **2. Strategic and business plan.**

The solvency capital needs are calculated so as to be sufficient in order to face all the risks that current impact the business or that may impact it in the future, using as the reference the period covered by the Business Plan (2024 to 2028).

## **3. Analysis and evaluation of critical risks.**

An assessment of critical risks is made in order to identify, assess and, as appropriate, mitigate potential risks to obtain a set of critical risks to be monitored and controlled on a yearly basis.

The process of critical risk assessment includes all risks categories and it is designed in order to:

- Identify the main critical risks.
- Assess and define critical risks (assessment of residual risks).
- Establish a risk appetite that is acceptable for each critical risk.
- Identify and prioritise mitigation activities.
- Guide the preparation of reports and the approval of critical risks.
- Control the development of risk exposure and mitigation plans.

## **4. Standard formula of solvency capital requirement**

This formula is used to calculate solvency capital needs with a methodology and principles established by EIOPA in the framework of Solvency II for all market, counterparty, assurance, and operating risks.

Solunion calculates the Solvency Capital Requirement (SCR) in accordance with the principles, assumptions and parameters established by EIOPA in the standard formula.

According to the nature, complexity, and proportionality, it is considered that the Company does not significantly depart from the assumptions applied in calculation of the standard model, thus justifying its use. Hence, it would not be deemed necessary to replace the subset of parameters used with specific Company parameters or apply an internal model.

## **5. Stress testing.**

Once the projection is made of the Solvency Capital Requirement for the base scenario –that is, the 2024-2028 business plan, to complete the solvency forecast– the Company has applied diverse stress scenarios for the years 2024-2028, the results of which are set out in the ORSA Report.

## **6. ORSA report.**

The ORSA report presents the results of the Own Risk and Solvency Assessment obtained by Solunion. It also sets out and documents the Company's overall solvency needs according to the risk exposures and capital requirements using the standard calculation defined by the regulatory implementations of Solvency II at the date of issue of that Report.

The ORSA is prepared and approved annually, although it would be prepared within a shorter term for extraordinary reasons if the Board of Directors requests it.

It should be noted that, at the issue date of this report, the 2023 ORSA Report has not yet been issued, so the point of reference is the 2022 ORSA.

## **B.4. Internal control system**

### **B.4.1. Internal control**

Solunion Group has an operational risk and internal control framework, whose latest review was approved on 18<sup>th</sup> December 2023, by the Board of Directors of Solunion. The framework sets out the most important actions to be implemented to maintain an optimal Internal Control System.

The Internal Control and Operational Risk Framework constitutes the Internal Control System Policy, whose scope of action is limited to the treatment of operational risks derived from the Technical or Internal Operational Standards of each department, Area or Business Unit, and establishes a general operating model that is materialised in a set of principles, guidelines and policies of a global nature implemented at all levels of Solunion so that they are applied continuously and homogeneously.

The Internal Control System supports the rest of the Functions and Areas in the management of risk identification, so that the principles, methodology or internal control cycle included in this Internal Control and Operational Risk Framework are common to the group and can be used by other Functions, Areas or Policies (Compliance, Investments, etc.) to measure, manage, evaluate, mitigate and deal with their own risks.

Solunion conceives internal control as a system whose performance requires the involvement and commitment of all members of the organisation, and in no case as an isolated organisational area created for the purpose of controlling the Company's performance with regard to the risks to which it is exposed.

The main objective of the Internal Control Principles is to establish the management approach, general requirements and minimum standards that Solunion follows in its Internal Control System.

Likewise, the principles are established taking into account the Company's philosophy, the provisions of the applicable legal regulations and the objectives to be pursued by the Internal Control System as set out in the best practice frameworks for Internal Control and Risk Management in the market.

These principles are:

- Effectiveness and efficiency of operations.
- Reliability and integrity of financial and non-financial information.
- Adequate risk management in accordance with strategic objectives.
- Compliance with internal policies and procedures.
- Effective and efficient articulation of the system as an instrument for continuous improvement.

By its nature, Internal Control involves everyone, regardless of the professional level they occupy in the organisation. In order for the Internal Control System to meet the established objectives effectively and efficiently, a Governance Model has been formally established, defining the general functions to be carried out by each of the defined profiles, and stressing the involvement in the performance of the system and the in-depth knowledge of the risks by the Company's Management.

From the organisational point of view, the Internal Control area is structured in the Three Lines of Defence system, in which each area, depending on the line in which it is located, assumes different responsibilities and functions:

- **First Line of Defence:** Operational areas, business lines or support units. They are responsible for the application of internal control procedures in every process in which they intervene and for which they are responsible, and manage the risks that originate in these processes.
- **Second Line of Defence:** Risk Management and Internal Control Function. It is a body that is independent from areas for the implementation of the internal control system with responsibility for defining applicable policies and procedures, coordinating and supervising evaluation and control activities, launching action plans and generating management reporting for different areas and governing bodies.

The Second Line of Defence also includes the Compliance Function and the Actuarial Function, which ensure that the controls are consistent with the control objectives and comply with the Policies and procedures on which they are based.

- **Third Line of Defence:** Internal audit, as an independent evaluator tasked with overseeing the correct functioning of the internal control system, compliance with policies and procedures and final evaluation of the effectiveness of the action plans and initiatives launched.

The definition of internal control and the different elements mentioned in the management framework are based on the COSO<sup>5</sup> Report, according to which there is a direct relationship between the objectives that the Group wishes to achieve (in terms of efficiency and operational effectiveness; confidence in accounting and financial records; and conformity with external and internal rules and regulations), the components of the internal control system (which represent what the organisation needs to achieve the objectives), and its organisational structure (operative units, legal entities, etc.) sets out a common internal control model that companies can use to evaluate and check their own control systems.

By means of compliance with risk management policies and procedures, adequate treatment is performed of risk, ensuring that the risks taken on by Solunion Group remain at an acceptable level and, hence, do not endanger the achievement of the Group's strategic objectives. Different internal and external events will be assessed, allowing for acting according to the impact such events represent at a business, operational and organisational level. For risk treatment, necessary corrective measures will be selected and applied to control and mitigate the assessed risks.

Ultimate responsibility in internal control at Solunion Group lies with the controlling Company's Board of Directors.

- It is ultimately responsible for the efficiency of the Internal Control System.
- It carries out the approval of this Internal Control and Operational Risk Framework and its successive versions.
- Defines and establishes the Operational Risk Appetite in Solunion.

Nevertheless, as a general rule, the Management Committee is the executive body that is periodically informed of the results of risk assessment and controls, and to which any significant matters related to internal control are escalated. Therefore, the Management Committee has decision-making authority for any matter related to risk management and control in Solunion Group, approval of the Operational Risk and Internal Control Framework and any possible modifications to the same, reporting and action plans launched to mitigate the Solunion's risk exposure or to implement improvements in the internal control function.

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<sup>5</sup> Committee of Sponsoring Organizations of the Treadway Commission

The Management Committee will regularly inform the Board of Directors on matters deemed critical in the area of control and it may also escalate to the Board any decisions as it deems necessary.

The Internal Control Function is supported by the Corporate Internal Control and Operational Risk Area for the development of the activities and guidelines indicated in the Internal Control Framework. This area reports to the Corporate Head of Risk Management and Internal Control.

The Management Risk and Internal Control Area performs the Internal Control Report which shows the current situation of the Group at the time of the risks and controls analysis, which allows updating the Risk and Control Map. This Map in turn serves as the basis for the next cycle of internal control.

The Annual Report on the Effectiveness of Internal Control Procedures for the year 2022 which shows the results of the analysis and the action plans to improve mitigation of the most significant risks was presented to the Board of Directors, on 23<sup>rd</sup> June 2023. At the date of issue of this report, the annual Report corresponding to the year 2023 has not yet been issued. The risk and control evaluation is being carried out without any relevant facts being identified for the Group.

#### **B.4.2. Compliance function**

The compliance function identifies risks of external and internal non-compliance that may occur as a result of the Group's activity, advises as a result of such risk assessment, alerts on possible non-compliance and monitors the measures adopted for its correction, in order to ensure that the group's operations are adjusted in all areas to the general and sector-specific regulations and to the internal ones established by Solunion to achieve a global compliance environment.

The Group has a Compliance Policy whose last revision was approved by the Board of Directors on 22<sup>nd</sup> September 2023, which describes the Role of Compliance throughout the Group.

The Policy states that, in accordance with the principle of decentralisation and to achieve coordinated implementation, the compliance function has teams that are proximate to business processes in order to assist all members of the organisation in fulfilling their responsibilities, and it is structured pursuant to specific regulatory requirements to which it is subject and to the principle of proportionality according to volume.

The head of the compliance function is responsible for reporting the monitoring of compliance risk to the Solunion CEO.

The process of compliance risk management enables determination and assessment of compliance risk, establishment of minimum parameters for the identification, measurement, mitigation, monitoring and reporting of compliance risk exposure and identification of compliance risks:

- Compliance risk identification: the identification process allows the set of compliance risks affecting the Group to be outlined, which forms the Compliance Universe.
- Compliance risk evaluation: an assessment of compliance risk consists of a quantification of the impact and probability of each of the identified risks. This assessment entails analysing the financial and non-financial impacts and prioritizing, according to these results, actions on risks.
- Compliance risk mitigation: mitigation of compliance risks is the response to compliance risk. Mitigation strategies should reduce the impact and/or probability of occurrence of identified compliance risks.
- Compliance risk monitoring: Monitoring of compliance risk allows for checking that risk mitigation activities are working properly and identifying any new risks affecting compliance. The business

processes report to the Group's Head of Compliance any indication of the existence of a compliance incident and provide updated information on the status until it is resolved.

- Compliance risk exposure information. Compliance reports on the management process of this risk will include at least the results of the assessment of the compliance risk, compliance risks that may generate losses, the results of monitoring activities and the status of mitigation and rectification actions.

## **B.5. Internal audit function**

As discussed in the Risk Management System section, Internal Audit is the risk management model's Third Line of Defence, and should provide an independent guarantee of the adequacy and effectiveness of the internal control system as well as other elements of the Governance System.

Solunion Group's Internal Audit Function is outsourced to its shareholders, Allianz Trade and MAPFRE, through their internal audit teams, who perform audit activities under the responsibility of the CEO of Solunion Group.

This relationship is supported by an outsourcing contract and the activity is supervised by the Finance and Administration Director of the Solunion Group, who is responsible for overseeing the correct operation of the outsourced Function. The conditions under which such outsourcing is provided can be found in the point, B.7.

The Internal Audit Policy, whose last annual review was approved by the Audit and Compliance Commission and the Board of Directors on 22<sup>th</sup> September 2023, aims to (i) ensure that the organization and work of the Solunion Group's internal audit adhere to a consistent set of minimum standards, rules and operating procedures such that the effectiveness of the controls necessary to achieve the Solunion goals is ensured, (ii) establish the mission, duties, powers and obligations of the Internal Audit Function within the Solunion Group, (iii) the framework of relations between the Internal Audit Function of Solunion and the Audit and Compliance Commission, rest of governance bodies, the Chairman and Senior Management.

## **B.6. Actuarial function**

The Solunion Group has an Actuarial Function Policy whose last review was approved by the Board of Directors on 23<sup>rd</sup> June 2023, which describes the Actuarial Function in the Company.

The Actuarial Area is responsible for coordinating and reviewing the mathematical, actuarial, statistical and financial calculations of the best estimate used in the calculation of capital requirements.

Responsibility for the actuarial quantifications and other predictive models, as well as the preparation of the technical documentation associated with these valuations, lies directly with the Actuarial Areas of the First Line of Defence.

The Actuarial Function shall establish the general principles and guidelines for intervention, taking into account best practices, with the aim of coordinating and standardising the guidelines for the performance of actuarial calculations and the local requirements applicable to each Business Unit.

The Actuarial Function ensures compliance with the general principles and guidelines for actuarial valuations, taking into account the local requirements applicable to each Business Unit, and when irregularities are detected in certain quantifications or when the general guidelines set by the Group are not being followed, it shall be responsible for promoting corrective actions.

The Actuarial Function shall advise the Actuarial or Financial Area of the Company in the fulfilment of its responsibilities.

The head of the Actuarial Function shall prepare and submit an annual report to the Actuarial and Reserves Committee, which shall forward it to the Management Committee and the latter, in turn, to the Board of Directors. This document shall report on the results of the performance of its functions, the adequacy of the level of technical provisions and shall also express an opinion on the Commercial Underwriting Policy, the Risk Underwriting Policy, and the Reinsurance Policy. In the event that deficiencies are identified, the report shall include recommendations as to how they can be addressed, including a timetable setting out when they need to be corrected.

## **B.7. Outsourcing**

### **Information on current outsourcing arrangements**

Solunion Group has an Outsourcing Policy, whose last review was approved by the Solunion's Board of Directors on 22<sup>nd</sup> September 2023, that establishes principles of management for the outsourcing of activities that enables the Group to manage its own suppliers map in accordance with methodology in place for outsourcing.

The existing governance structure ensures that the Company has sufficient control over functions, important activities or services which have been outsourced, in the terms established in the Solvency II Directive and local enacting legislation.

Solunion Group's Internal Audit Function is outsourced to its shareholders, Allianz Trade and MAPFRE, through their internal audit teams, who perform audit activities under the responsibility of the Chairman of the Board of Directors.

This relationship is underpinned by an outsourcing contract and the activity is supervised by the CFAO of the Solunion Group, who is the responsible for overseeing the correct operation of the outsourced function.

By outsourcing the mentioned functions, other important activities and services, the Group streamlines its processes, as it can exploit the knowledge and specialisation of its suppliers and very often benefit from positive synergies.

## **B.8. Any other information**

Solunion Group governance system reflects the requirements established in the Solvency II Directive on the System for Risks Management inherent to its activity. The group companies employ its own strategy for implementing and carrying out Solunion Group Risk Management and Internal Control Area Function, where it is the responsibility of the Solunion Management Committee to define the reference criteria and establish/validate its organisational structure.

Its structure is based on the related regulatory requirements, as well as the principle of proportionality related to its business size and the nature/complexity/size of the risks assumed.



## C. Risk profile

After the entry into force of Solvency II regulations, the Solunion Group calculates its Solvency Capital Requirements (SCR) in accordance with standard formula requirements. For the main risk categories, this total SCR is considered an excellent measurement tool for determining the Group's risk exposure, as it recognises the capital charge corresponds to key risks (such as underwriting, market, and credit risk).

As explained below in sections C.4 and C.6, the Group's exposure to other risks not included in the SCR calculation using the standard formula (risk of liquidity, technical provisions, business continuity, compliance, reputational and outsourcing) are not considered significant, since the Group applies effective measures to manage and mitigate them.

As indicated in regulations, the SCR corresponds to the Group's equity for limiting the probability of bankruptcy to one case per 200 years, or that the Group is still 99.5% able to meet its commitments to insurance beneficiaries and policyholders during the following year.

After the analysis carried out, it is concluded that the risk modules of the standard formula that apply to Group are the following:

- Market risk
- Non-Life Underwriting risk
- Counterparty Risk
- Operational risk

The following graphs shows the risks that make up the risk profile of the Solunion Group based on the regulatory capital required (reported in template S.25.01.22 of the Appendix) (SCR calculation is explained in section E.2 of the Report):



\* BSCR: SCR Components before Diversification.  
Data in thousands of euros

These graphs show that the Group's risk profile has remained constant; in both 2023 and 2022, the risk with the greatest impact is Non-Life Underwriting, which accounts for 54.87% of the total SCR (52.77% in 2022), followed by Market risk, which accounts for 17.40% of the total SCR (18.26% in 2022). Lastly, Credit and Operational risk account for 16.15% of the total SCR in 2023 (17.67% in 2022) and 11.58% of the total SCR in 2023 (11.30% in 2022), respectively.



The Group does not apply an adjustment for loss absorbency of deferred taxes in 2023 and 2022 due to the Group's adaptation to the temporary limits of recoverability approved in Delegated Regulation 2019/981.

With regard to the measures used to assess the main risks within the Group in 2023, no significant risks have arisen.

Other significant risks to which the Group is exposed are considered in Section C.6. A new material risk included in this section is represented by the climate change.

Following is the degree of exposure, risk by risk, as well as the reduction and mitigation techniques used by each Group to minimise them.

## C.1 Underwriting Risk

### C.1.1 Exposure to the risk

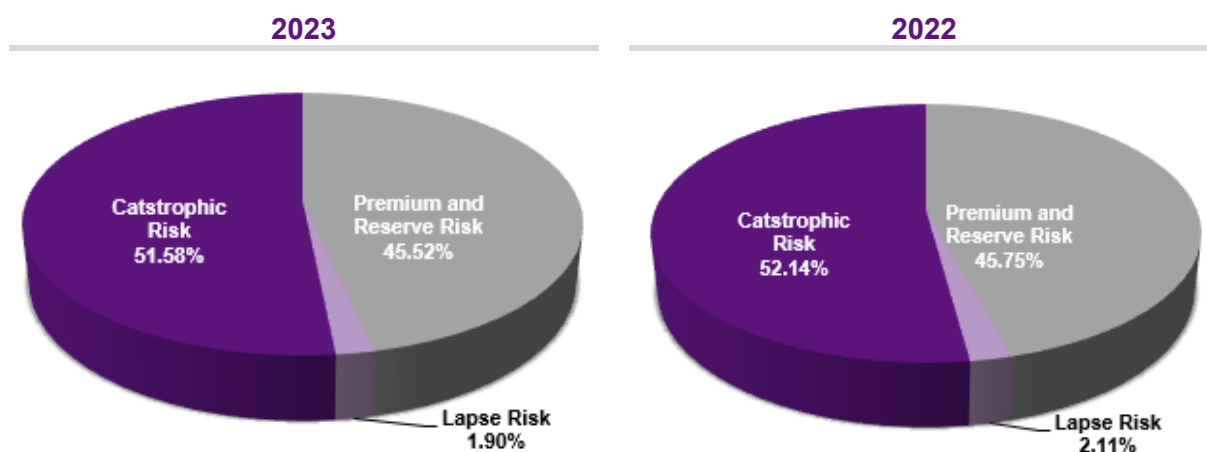
Underwriting Risk is defined as the risk of loss or adverse value changes in the commitments arising from insurance activities, due to incorrect pricing hypotheses and constitution of provisions.

It is also subdivided into:

- Premium and reserve risk: the risk of loss or of adverse change in the value of insurance liabilities, due to fluctuations in relation to the timing, frequency, and severity of insured events, and in the timing and amount of claim settlements.
- Lapse risk: as the expected benefits included in future premiums of existing insurance contracts are recognised in the eligible own funds of insurance and reinsurance entities, the non-life underwriting risk module should take into account the downside risk associated with insurance and reinsurance contracts.
- Catastrophic risk: CAT risks arise from extreme or irregular events that are not adequately reflected by mandatory capitals for premium and reserves risk. Therefore, it could be said that it is the risk of loss or adverse value changes of the liabilities derived from insurance, due to a notable uncertainty of the pricing hypotheses and constitution of provisions corresponding to extreme or exceptional events.

Underwriting Risk is included under the SCR Standard Formula calculation and entails 54.87% (52.77% in 2022) of the total SCR before diversification and taking into account the capacity of loss absorption.

The composition of the underwriting risk is detailed below:



The module with the largest impact in 2023 and 2022 is catastrophe risk, which accounts for 51.58% (52.14% in 2022) of the underwriting risk SCR before diversification. The most significant component of this module is recession risk, which generates a capital charge of 100% of the expected premium in the next 12 months after the mitigating effect of reinsurance agreements. This is followed by premium and reserve risk, which accounts for 46.52% (45.75% in 2022).

The exposure to downside risk is residual, with 1.90% of the underwriting SCR (2.11 % in 2022).

### C.1.2 Risk management and mitigation techniques

The Solunion Group minimises underwriting risk thanks to a number of measures:

- **Establish directives, limits, and exclusions in underwriting risk:**

The Group establishes authorisation and exclusion limits for reducing undesired Underwriting Risk in its manual or policies, as well as the maximum acceptable exposure to specific risk concentrations.

- **Sufficient reserves or technical provisions set aside:**

Claim handling and the sufficiency of technical provisions are basic principles of insurance company management. Technical provisions are calculated by the actuarial teams of each of the companies and their amounts are validated by an independent third party not involved in the calculations. The establishment of technical provisions is regulated by specific Policy.

- **Reinsurance utilization:**

The Solunion Group uses the reinsurance technique in order to balance the risk distribution contained in its portfolio and optimise its capital through: (i) an increase in its underwriting capacity and available capital, (ii) stabilisation of its financial results and reduction of its losses, and (iii) protection of its equity.

At a minimum annual frequency, reinsurance management procedures are reviewed and updated if applicable in the Reinsurance Policy.

Note that the Group's Actuarial Area expresses its opinion about the Underwriting Policy, the sufficiency of the rates and the technical provisions, as well as the adequacy of the reinsurance coverages contracted in the Report issued with a minimum annual frequency.

To mitigate catastrophic risk specific reinsurance coverage is contracted. Additionally, there are reports that define the catastrophic exposure to which the Group is exposed, to estimate the scope of losses should a catastrophic event occur. Catastrophic risk underwriting is done with based on the above information, the economic capital available, as well as the reinsurance mitigation capacity contracted.

Through its Reinsurance Area, the Group is responsible for correctly identifying the appropriate level of risk transfer for its previously defined risk limits, and for defining/designing the types of reinsurance agreements based on its risk profile.

Once its reinsurance needs have been defined, the companies communicate them to the reinsurers to jointly plan the optimal structure and conditions for assignment contracts.

- **Setting a sufficient premium:**

Premium sufficiency is of special importance, and its determination is supported by specifically designed IT applications, as well as by actuarial calculations.

### C.1.3 Concentration

Solunion applies limits that allow it to control the level of concentration of underwriting risk and use reinsurance contracts in order to reduce the underwriting risk derived from concentrations or accumulations of guarantees that exceed the maximum acceptance levels.

The greater exposures to underwriting risk are derived from the man-made catastrophes in the credit and suretyship risk. To mitigate this risk specific supplementary reinsurance coverages are contracted.

### C.1.4 Transfer of risk to special purpose entities

The Solunion Group does not transfer underwriting risks to special purpose entities.

## C.2 Market Risk

### C.2.1 Exposure to the risk

Market Risk is the risk of loss or adverse modification of a financial situation, directly or indirectly arising from fluctuations in the volatility and level of market prices of assets, liabilities, and financial instruments.

Group investment strategy is based on prudent policy, and characterised by a high proportion of fixed-income securities with high credit ratings.

The following is a breakdown of the Group's investments with exposure to Market risk:

Asset category	2023		2022	
	Market value	Portfolio composition	Market value	Portfolio composition
Real estate investments	50	0.03%	50	0.04%
Financial Investments	166,250	99.97%	120,775	99.96%
Fixed-income securities	162,150	97.53%	116,104	96.13%
Equity securities and investment funds	4,100	2.47%	4,671	3.87%
<b>TOTAL</b>	<b>166,300</b>		<b>120,825</b>	

Data in thousands of euros

As of 31<sup>st</sup> December 2023, 99.97% of all Group investments were financial investments whose breakdown is reflected in the table above (99.96% in 2022).

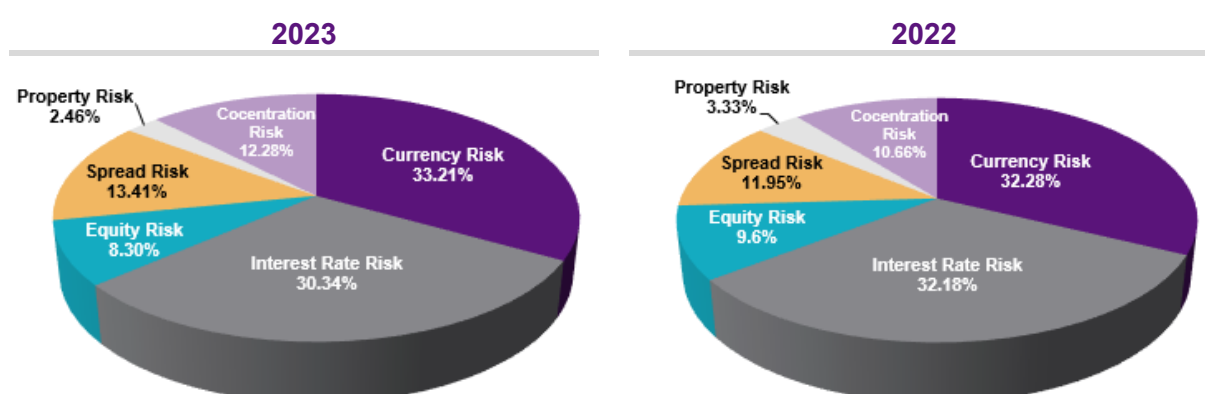
The submodels existing within the investment risk to which the Group is exposed are listed below:

- Equity risk: sensitivity of the value of the assets, liabilities, and financial instruments to changes in the level or the volatility of market prices of the shares.
- Concentration risk: additional risks to which an insurance or reinsurance company is exposed because of a lack of asset portfolio diversification or significant exposure to noncompliance risk of a securities issuer or a group of connected issuers.
- Interest rate risk: sensitivity of the value of the assets, liabilities, and financial instruments to changes in the temporary structure of interest rates or the volatility of the interest rates.

- Spread risk: sensitivity of the value of the assets, liabilities, and financial instruments to changes in the level or the volatility of credit differentials with regard to the time structure of risk-free interest rates.
- Currency risk: sensitivity of the value of the assets, liabilities, and financial instruments to changes in the level or the volatility of the currency exchange rates.
- Property risk: sensitivity of the value of the assets, liabilities, and financial instruments to changes in the level or the volatility of the market prices of the real estate property.

The SCR market risk entails 17.40% (18.26% in 2022) of the total SCR before diversification and taking into account the loss absorption capacity.

The composition of the market risk is detailed below:



The assets and liabilities denominated in foreign currency as of 31<sup>st</sup> December 2023 and 2022 are as shown below:

Currency	Assets		Liabilities		Net Total	
	2023	2022 (*)	2023	2022 (*)	2023	2022 (*)
Euros	405,687	333,254	272,548	220,148	133,139	113,106
US dollar	104,162	72,188	111,116	74,966	(6,954)	(2,778)
Mexican peso	27,618	28,694	21,030	21,650	6,588	7,044
Chilean peso	19,098	24,574	9,594	17,960	9,504	6,614
Argentinean peso	448	352	259	109	189	243
Colombian peso	34,523	28,052	24,441	19,870	10,082	8,182
Sterling pound	-	176	-	(7)	-	183
Peruvian sol	36	24	-	-	36	24
Other currencies	150	-	(8)	-	158	-
<b>TOTAL</b>	<b>591,722</b>	<b>487,314</b>	<b>438,980</b>	<b>354,696</b>	<b>152,742</b>	<b>132,618</b>

Data in thousands of euros

(\*) Restated data

## C.2.2 Risk management and mitigation techniques

The main method Solunion Group uses to mitigate market risk is following the Principle of Prudence and it establishes certain concentration limits when making investments, i.e. the Risk Appetite, which is defined and approved by the Board of Directors.

The Investment Committee defines the investment limits applicable to each country, checking that they meet the diversification and dispersion limits, which require local regulations.

Additionally, for each risk submodel:

- Share investments are subject to the maximum limit of the investment portfolio, and issuer limits.
- Spread and concentration risks are mitigated by the high proportion of fixed income securities with credit ratings classified as degree of investment, and through issuer diversification.
- The Investment Policy establishes an asset exposure limit for currency coverage in order to minimise foreign currency risk. It also looks for a correlation between the currencies in which the assets and liabilities are denominated.

There is a list of assets in which it is permitted to invest, others that are not permitted and others for which prior approval is required from the Investment Committee.

- The modified duration is an interest rate risk management variable, which is conditional on the limits established and approved by the controlling Company's Board of Directors for portfolios with free management.

### C.2.3 Concentration

The greatest concentration of investments is the European Public Debt.

## C.3 Credit risk

### C.3.1 Exposure to the risk

Credit Risk is the risk of loss or adverse modification of a financial situation arising from fluctuations in the solvency of values issuers, counterparties, and any other debtors to which insurance and reinsurance entities are exposed, materializing as counterparty non-compliance, differential, or market risk concentration.

The Group's Credit Risk Management Policy distinguish between three types:

- Exposure to which reinsurers are exposed: counterparty risk is generated mainly because of Groups heightened exposure in reinsurance agreements. The exposure level of reinsurance recoverables is affected by the heightened level of transfer defined in the reinsurance structure. (Reinsurers)
- Exposure to banks, savings banks, credit cooperatives, financial entities, and other similar entities. Their exposure to Credit Risk is measured by their economic value. (Financial entities)
- Fixed income securities, derivative instruments, and other financial investments not considered fixed income. Its exposure to Credit Risk is measured at its economic value, once possible mitigating factors have been deducted. (Investments)

The Credit Risk is included under the SCR Standard Formula calculation in the section C.4.

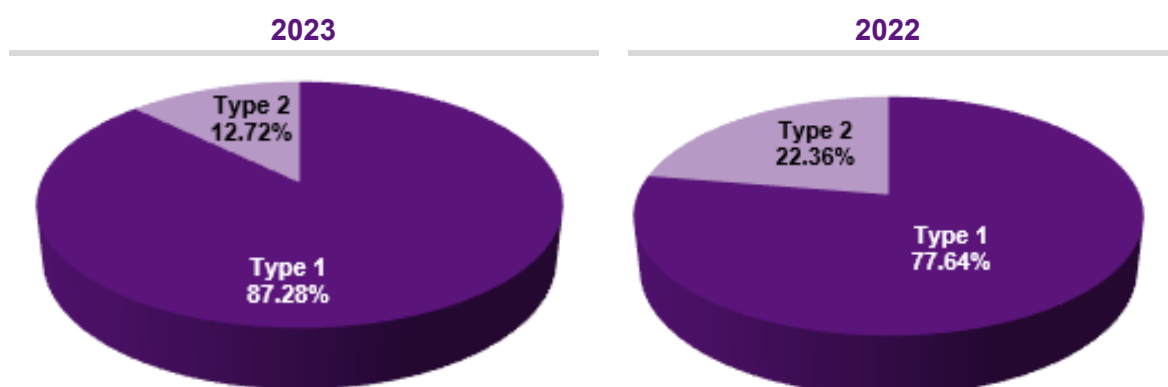
- Such as spread and concentration risk, under Market Risk.
- Such as credit risk or counterparty noncompliance. This module distinguishes between two types of exposure:
  - Type 1 exposure: includes reinsurance contracts, cash in banks, among others, in which entities generally have credit ratings.
  - Type 2 exposure: includes accounts receivable from intermediaries, and policyholder debts, among others.

The following is a table reflecting the exposure to Credit Risk on 31<sup>st</sup> December 2023 and 2022:

	2023	2022
Type 1 Expositions	307,969	264,178
Type 2 Expositions	9,557	19,432
<b>TOTAL</b>	<b>317,526</b>	<b>283,610</b>

Data in thousands of euros

The SCR Credit Risk entails 16.15% (17.67% in 2022) of the total SCR before diversification and taking into account the loss absorbing capacity. The composition of the Credit Risk is detailed below:



### C.3.2 Risk management and mitigation techniques

The Policy followed for Credit risk management sets limits in line with the counterparty's or investment instrument's risk profile, as well as exposure limits related to the counterparty's rating. A risk exposure monitoring and notification system is also set up.

Regarding the Credit Risk of investments, the Solunion policy is based on applying prudence criteria based on the solvency of the issuer. Investments in fixed income are subject to limits by issuer and a high degree of geographical correspondence is sought between the issuers of the assets and the commitments.

In the case of reinsurance counterparties, the Group's strategy is to transfer business to reinsurers of proven financial capacity. The transfer of Solunion is aimed primarily at reinsurers belonging to the shareholder groups, Allianz Trade and MAPFRE, and aims to benefit from its extensive capacity and high credit quality.

The chief principles which must be met which inspire the management of the use of reinsurance and other risk-reduction techniques within the Group are:

- The principle of optimizing capital consumption.
- The principle of optimizing conditions.
- Counterparty solvency principle.
- The effective transferability of risk principle.
- The principle for matching risk transfer level.

### C.3.3 Concentration

In relation to reinsurance, the highest concentration is found in reinsurers of the group.

## C.4 Liquidity risk

### C.4.1 Exposure to the risk

The Liquidity Risk is the risk that the insurance and reinsurance companies might not be able to realise its investments and other assets in order to meet its financial obligations at expiration.

Liquidity Risk is not included in the calculation of the SCR of the standard formula. The exposure to Liquidity Risk is considered low taking into account the prudent investment strategy included in the Investment Policy, which is characterized by a high proportion of fixed-income securities with high credit quality that are quoted in liquid markets. However, in the current environment of uncertainty, appropriate management of this risk is even more necessary.

Additionally, Liquidity Risk in the face of extreme events is minimized with the use of reinsurance as a technique to reduce concentrations to underwriting risk and the selection of reinsurers with a high credit quality.

The Group has an Investment and Liquidity Risk Management Policy which represent the framework of reference for handling Liquidity Risk. The entity's policy is based on maintaining sufficient cash to cover any situations arising as a result of its commitments with policyholders and creditors.

On 31<sup>st</sup> December 2023, the balance of cash and cash equivalents amounted to EUR 20,332 thousand (EUR 5,076 thousand in the previous year), which is equivalent to 10.44% of total financial investments and cash equivalents (3.92% in 2022).

Additionally, the majority of fixed-income investments have appropriate credit ratings and are traded on organised a financial market, which grants a great deal of leeway for action in the face of potential liquidity tensions.

The Investment and Liquidity Risk Management Policy foresees the possibility at any moment of the need for large quality liquid amounts, credit lines available and forecasted cash entries sufficient to cover expected cash balances for the whole year.

### C.4.2 Risk management and mitigation techniques

Liquidity risk is managed mainly by maintaining cash balances high enough to cover any incidence derived from the obligations facing the insurers and creditors, i.e. having a cash volume that, as a whole, ensures compliance with the limits established in the Investment and Liquidity Risk Management Policy.

Likewise, the Investment and Liquidity Risk Management Policies establish liquidity risk limits for the investment portfolio and the correlation with liabilities, with regard to the short-term nature of its technical liabilities as well as management of the foreign currency investment.

### C.4.3 Concentration

No risk concentrations have been identified in relation to liquidity risk.

### C.4.3 Expected benefits included in future premiums

In calculating the best estimate of the technical provisions, the expected benefits included in the future premiums have not been taken into account (as a lower value of the best estimate in case of be positive or higher value in case of expected losses).

The Group does not consider future business in this line due to the characteristics of its business, since nearly all its portfolio should be subject to a detailed analyses of the risk limits granted under the contract.

In calculating the best estimate for the Suretyship line of business of technical provisions, the expected benefits included in future premiums have been taken into account (as a lower value of the best estimate in case of be positive or higher value in case of expected losses). On 31<sup>st</sup> December 2023, the amount of these expected benefits was EUR 1,010 thousand, gross of reinsurance.

## C.5 Operational risk

### C.5.1 Exposure to the risk

The Operational Risk is the risk of loss arising from the inadequacy or errors in internal processes, personnel, systems, or external events.

The Operational Risk is included under the SCR Standard Formula calculation. The Operational Risk model reflects those not previously included in the above modules. It includes legal risks, but not those arising from making strategic decisions, or reputational risk.

The Operational Risk SCR represents 11.58% (11.30% in 2022) of the total SCR (before diversification). Below is a table reflecting the results based on earned premiums and technical provisions:

	2023	2022
<b>Operational risk module</b>	<b>9,903</b>	<b>8,331</b>
<b>30% BSCR</b>	<b>18,288</b>	<b>15,642</b>
<b>Maximum premiums and provisions</b>	<b>9,903</b>	<b>8,331</b>
<b>Accrued premiums risk</b>	<b>9,903</b>	<b>8,331</b>
<b>Technical provisions risk</b>	<b>9,658</b>	<b>7,670</b>

Data in thousands of euros

The most critical inherent operational risks to which Solunion Group is exposed are included in the Annual Report on Internal Control Effectiveness.

### C.5.2 Risk management and mitigation techniques

The identification and evaluation of operational risks and business processes are managed by the Risk Management Area of each of the companies, which create Risk Maps for the say, in which analyses on the importance and probability of occurrence of different risks are performed.

The analysis is carried out through a computer platform dedicated to the evaluation, identification and monitoring of the risks that exist in the whole business.

This risk maps are also used for handling control activities (process manuals, inventories of risk-associated controls, and the evaluation of their effectiveness), as well as corrective measures established to mitigate/reduce risks and/or the control environment.

The operational risk management model is based on a qualitative dynamic analysis of the Company's processes, so that each area/department manager identifies and evaluates the potential risks affecting business processes behind the scenes. Management Planning and Control, Management Risk Function, Strategic Marketing, Development of Products, Operational Marketing, Commercial Underwriting, Underwriting of Risks, Policy Administration, Claims, Claims and Collections Administration, Collections,



Reinsurance, Technical Provisions, Investments, Quality and Service, Operations, People, Sustainability and Procurement, Administrative Management, Customer accounting, Legal and Compliance Function, Communication, Technology and System, Internal Audit Function and Security.

This analysis considers the self-assessment of risks, the documentation of manuals of internal controls in which the controls associated with risks are identified, the evaluation of the effectiveness of the controls and the management of corrective measures established to mitigate or reduce the risks and / or improve the control environment.

### **C.5.3 Concentration**

No risk concentrations have been identified in relation to operational risk.

## **C.6 Other material risks**

In addition to the risks that were just described, Solunion Group is exposed to other material risks:

- **Geopolitical risk:**

Geopolitical risk refers to international conflicts with a global impact that may affect Solunion's business regardless of where they have arisen.

At the date of preparation of the Report, the economic effects that the international conflicts in Ukraine-Russia and Israel-Gaza could cause are uncertain. However, with regard to the Russia-Ukraine conflict, measures have been taken to reduce exposure and there is currently practically no exposure in these territories. With regard to the Israel-Gaza conflict, all limits in Gaza and the West Bank have been cancelled. Limits have only been maintained in Israel in multinational groups of proven solvency.

The conflict has already caused, among other effects, an increase in volatility in financial markets and commodity market prices that put upward pressure on the current level of consumer prices. Depending on the evolution of the conflict, this could lead to macroeconomic tensions affecting the gross domestic product growth rates of the countries in which Solunion operates and, consequently, the performance of the insurance market as a whole.

The Company continuously monitors the evolution and impact of conflicts and anticipates the possible effects of decisions taken by international bodies and market behaviour.

- **Cybersecurity risk**

Cybersecurity risk is the risk relating to the threats inherent in the use and application of information and communication technologies which, if manifested, may compromise the confidentiality, integrity and availability of information and systems.

Solunion develops security management in conjunction with MAPFRE's Corporate Security Directorate. As of the date of this Report, Solunion has not recorded any significant information security incidents.

The Company's Security Management continuously monitors the measures implemented to mitigate these risks and reminds its employees to follow good security practices.

Solunion has taken out a Cyber Risk Insurance Policy to cover claims arising from cybersecurity incidents, privacy breaches and cyber extortion.

- **Technical Provisions risk:**

The Constitution of Technical Provisions is made considering the best estimated assessment, as is required under the Solvency II framework.

The Group Actuarial Function is in charge of the constitution reserves risk management as established the Actuarial Function Policy and the establishment of Technical Provisions Policy and the Reserves Committee ensures compliance with it.

The sufficiency of technical provisions is one of the fundamental factors to maintain Solunion's solvency and the basis for meeting the obligations acquired with the policyholders.

To guarantee and meet the sufficiency level of the provisions, there must be a monitoring system that guarantees reliability of the process for establishing technical provisions.

The Actuarial Area coordinates the calculations and guarantees sufficiency of provisions. Therefore, it is responsible for overseeing risk management for insufficient reserves.

In addition, the calculations are subject to independent review on at least an annual basis.

- **Business Continuity risk:**

The Business Continuity risk is the one that Solunion assets support due to the possibility that future events may lead to adverse to meeting the financial and business goals, or the Group's financial situation.

This risk is discussed in the Business Continuity Policy, the purpose of which is to define the processes to follow before, during and after an incident that causes or can cause interruption in Company operations so as to reduce the impact on the business to a minimum.

To handle this risk, business continuity plans are developed, which include a sufficient set of procedures to adequately respond, from the moment in which the disaster is reported until return to normalcy. For this, the areas, internal departments, suppliers and services of the Company are taken into account and must be updated and revised continuously to include possible significant changes.

- **Compliance risk:**

Risk that Solunion may suffer legal or regulatory sanctions, material financial losses or reputational losses due to non-compliance with general and regulatory regulations and the internal rules and regulations set out in the Code of Ethics and Conduct.

Monitoring Compliance risk allows us to verify if the risk mitigation activities are working properly and identify new risks that affect compliance.

Compliance incidents are defined as events that could have a material financial or reputational impact on the Group.

The business processes report to the Group's Head of Compliance any indication of the existence of a compliance incident and provide updated information on the status until it is resolved.

- **Reputational risk:**

Key risk that affects to the Company reputation, bearing in mind the expectations of the interest groups and the market sensitivity.

The following measures are carried out to mitigate the risk:

- In all areas of activity of Solunion, continue promoting ethical and socially responsible behaviour to reflect the principles that guide the actions of all employees, brokers and suppliers.
- Involve all employees, brokers and suppliers in the importance of preserving the Company's good image.
- Keep the crisis and reputational risk management procedures up to date.

- **Sustainability risk:**

Sustainability risk is defined as any condition or event arising from non-financial, environmental, social or corporate governance factors (ESG factors) that, if they occur, could have an impact on the Company's activity, on the value of the investment or on the value of the liability. This risk is regulated in the Social Responsibility and Sustainability Policy and is monitored by the Safety and Environment and Social Responsibility and Sustainability Committees.

In this line, the actions carried out in 2023 focused in:

In the insurance business:

- Collaboration and transparency between insured and insurer to facilitate better risk assessment and pricing.
- Updating and revising underwriting policies that already included the incorporation of environmental, social and governance criteria in business strategy decision-making to make them more restrictive and better regulate the scaling-up process.
  - Underwriting restrictions in the coal and petrol industries and comprehensive analysis of mining, oil and gas, nuclear power, hydroelectric power, agriculture, fisheries and forestry operations, investments in agricultural raw materials, animal welfare and large-scale infrastructure health care, human rights, animal trials, sex industry, gambling and gaming, defence, banned weapons, weapons in high voltage zones, sanctions and taxation.
  - Underwriting of individual coal-fired power plant and coal mine operations is not accepted.
- Inclusion of ex post ESG and reputational controls in risk underwriting.

Own operations:

- Assessment according with materiality of our adverse impacts to contribute to their mitigation.
- Assessment according to the materiality of our positive impacts to contribute to their maximisation.
- Environmental Policy.
- Human Rights Policy.
- Corporate Tax Policy.
- Prevention and Compliance Measures in the area of Human Rights.
- Monitoring of Sustainability Master Plan 2022-2025.
- Inclusion of ESG criteria in our investments.

During the year 2023 the company included in the ORSA Report the assessment of climate change risk.

## C.7 Any other information

### C.7.1 The most significant concentrations of risk.

Solunion Group applies a system of procedures and limits enabling it to control the degree of concentration of insurance risk. The Group employs reinsurance contracts to reduce insurance risk arising from the concentration or accumulation of guarantees well over maximum acceptance limits.

In relation to market risk, it applies the limits established in the Investment Policy, which ensures sufficient diversification by issuer, country, and activity sectors.

There are no future concentrations of risk expected during the activity planning period apart from the aforementioned.

### C.7.2 Sensitivity analysis

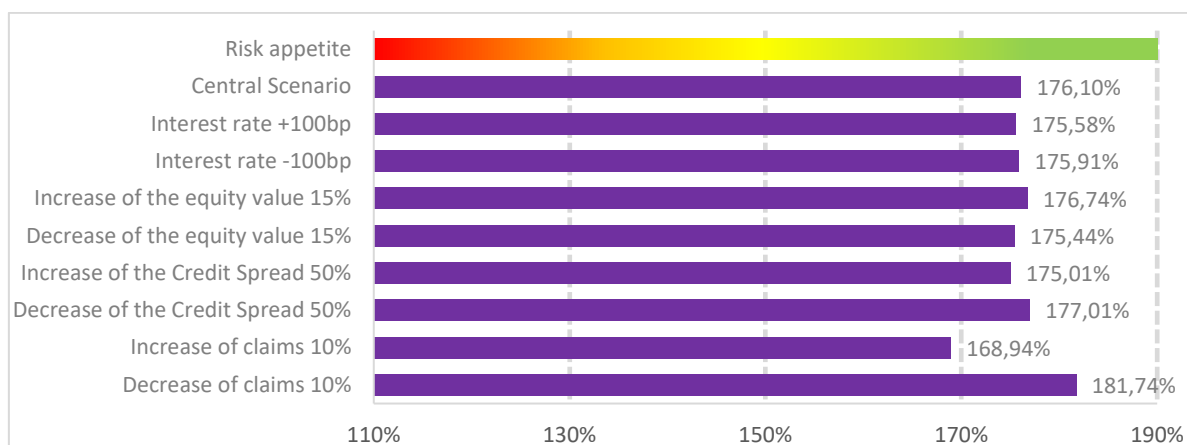
The purpose of the sensitivity scenarios is to analyze the impact on the solvency ratio of changes in the risk profile. To analyze its impact in terms of the solvency ratio, the sensitivities are carried out in both directions, that is, by increasing and decreasing the exposure to risk.

The method used to obtain the results consists of:

- Establish a starting situation referring to the economic balance, solvency capital requirement (SCR) and solvency ratio, at a specific date.
- Select the initial variables that would be affected by the application of stressed hypotheses that have been defined for the different tests or scenarios.
- Determine the final effect on solvency through the new values of the affected variables.

Eight sensitivity scenarios involving movements in both the Group's balance sheet and the calculation parameters have been proposed. These movements are summarized in:

- Effect on interest rates: variations in interest rates imply changes in the valuation of assets and liabilities. A rise of the curve will imply a decrease of the value of the asset but also of the obligations of Solunion, which in this case, are the technical provisions.
- Effects on the valuation of the equity: it supposes an increase and decrease of its valuation in the balance sheet of Solunion and consequently, of the requirements of capital by equity risk.
- Effect of variations in the credit spread: it implies variations in the shock applied in the calculation of spread risk and consequently the capital requirements for this risk.
- Effects on claims, these variations suppose variations in the value of the gross and ceded technical provisions.



The sensitivities with the greatest impact in terms of eligible capital and capital consumption for the Group are the following:

- Increase of claims: this sensitivity causes a decrease in the result due to the increase in the volume of technical provisions. This impact means a decrease in eligible own funds and an increase in the required solvency capital, which harms the solvency ratio.

Included in the annual ORSA process, a sensitivity study is conducted in terms of risk exposure and capital requirements as of the closing date of exercise. This annual procedure reflects the impact on the solvency ratio if the fundamental risk parameters had changed.

### C.7.3 Other matters

#### Off-balance-sheet positions

There are no significant exposures to the above risks arising from off balance sheet positions.

#### Transfer of risk to special-purpose entities

The Solunion Group does not transfer risk to special-purpose entities.

## D. Valuation for Solvency Purposes

### Solunion Group Solvency II consolidation scope

The Solunion Group's solvency calculation under Solvency II regulations on 31<sup>st</sup> December 2023, has been carried out considering the same perimeter as that contemplated in the consolidated financial statements.

Appendixes I and II list the companies included in the Group's scope and the consolidation methods applied for the purposes of the scope of consolidation on 31<sup>st</sup> December 2023.

### D.1. Assets

#### Information on asset valuation

This heading includes a description, for every type of asset, of methods and main hypotheses used for both valuations for the purposes of Solvency II and for the purposes of the financial statements (according to the International Financial Reporting Standards, hereinafter IFRS). In the event that there were significant differences among the bases, methods, and main valuation hypotheses of both balances, a quantitative and a qualitative explanation will be provided for them.

The valuation of the majority of the assets is based on the fair value in accordance with the Delegated Regulation 2015/35. The determination of the fair value of the financial and non-financial instruments is carried out with the valuation methodology described in the articles 9, 10 and 75 and the following of the Delegated Regulation.

It is important to consider that the model balance sheet on 31<sup>st</sup> December 2023 presented is adjusted to Solvency II regulations, and therefore it was necessary to reclassify the data included under "Accounting value" since each model structures its balance sheet differently. Thus, under certain headings differences in classification arose between the data included in the financial statements and those reflected under "Accounting value."

The valuation of each category of tangible assets is described below. The figures correspond to the balance sheet at the end of 2023 that has been reported in template S.02.01.02 of the Appendix.

	2023		
	Accounting Value	Valuation changes	Solvency II Value
Goodwill	38,288	(38,288)	-
Deferred acquisition costs	1,863	(1,863)	-
Intangible assets	12,619	(12,619)	-
Deferred tax assets	14,798	34,655	49,453
Assets and rights to reimbursement for long-term remuneration to the personnel	3,842	-	3,842
Property, plant & equipment held for own use	7,856	304	8,160
Investments (other than assets that are held for "index-linked" and "unit-linked" funds)	166,283	17	166,300
Property (other than for own use)	33	17	50

	2023		
	Accounting Value	Valuation changes	Solvency II Value
Bonds	162,150	-	162,150
<i>Public debt</i>	116,907	-	116,907
<i>Private debt</i>	45,243	-	45,243
Investment Funds	4,100	-	4,100
<b>Insurance other than life insurance, and health similar to insurance other than life insurance</b>	<b>315,665</b>	<b>(24,177)</b>	<b>291,488</b>
<b>Deposits established for accepted reinsurance</b>	<b>-</b>	<b>445</b>	<b>445</b>
<b>Credits for direct insurance and coinsurance operations</b>	<b>-</b>	<b>60,166</b>	<b>60,166</b>
<b>Reinsurance operation credits</b>	<b>-</b>	<b>3,484</b>	<b>3,484</b>
<b>Other credits</b>	<b>7,884</b>	<b>-</b>	<b>7,884</b>
<b>Cash and cash equivalents</b>	<b>20,332</b>	<b>-</b>	<b>20,332</b>
<b>Any other assets, not elsewhere shown</b>	<b>2,292</b>	<b>(370)</b>	<b>1,922</b>
<b>TOTAL ASSETS</b>	<b>591,722</b>	<b>21,754</b>	<b>613,476</b>

Data in thousands of euros

The following are the valuations of significant assets for Solvency II purposes, as well as the qualitative explanations of the main valuation differences between the Solvency II criteria and those used for the preparation of the Annual Accounts as of 31<sup>st</sup> December 2023. The valuation corresponding to those headings that do not present differences between the criteria established in the Accounting Regulation and Solvency II are detailed in the Annual Accounts of the Group as of 31<sup>st</sup> December 2023.

#### D.1.1. Goodwill

In accordance with Solvency II criteria, goodwill was valued at zero, in accordance with Article 12 of Delegated Regulation 2015/035. Unlike under the Solvency II regulation, according to the IFRS regulations, goodwill is value at its cost adjusted in line with any possible impairment. The above goodwill represents the excess amount paid during a business combination for the fair value of identifiable assets acquired and the liabilities and contingencies assumed.

#### D.1.2. Deferred acquisition costs

For purposes related to the Solvency II balance sheet, "Deferred acquisition costs" are presented at 0 value, since the cash flows considered during the valuation of the technical provisions includes the total amount of expenses associated to the evaluated insurance contracts, including those arising from acquisition costs. Unlike the presentation that is made in the regulation applicable to the Balance sheet under IFRS are disaggregated in this heading.

### D.1.3. Intangible assets

As regards the Solvency II balance sheet, recognition of intangible assets unrelated to goodwill must be recognised at a value other than 0 only if they may be sold separately, and the Group may demonstrate the existence of a market value for the same or similar assets.

The Group recognises software under this heading, as well as, the agreement signed with MAPFRE Global Risks, Compañía Internacional de Seguros y Reaseguros, S.A. in the month of December 2017, under which it undertakes to develop the necessary actions to ensure that its clients of the Suretyship line of business subscribe new insurance policies with Solunion as of 1<sup>st</sup> January 2018, thus leaving MAPFRE Global Risks operate in the Suretyship line of business.

Due to a reorganization of the MAPFRE Group carried out through a structural modification operation through the complete spin-off of MAPFRE Global Risks (Order ECE/328/2019, of 6<sup>th</sup> March), the rights derived from said agreement was assumed by MAPFRE España Compañía de Seguros y Reaseguros, Sociedad Anónima. At the end of 2023, the amount of this intangible assets reduced by its accumulated amortization is EUR 12,619 thousand.

For this heading, which it considers does not meet the conditions established in the above Solvency regulations for market value recognition, and therefore they are presented at a 0 value.

Under IFRS guidelines, intangible assets are measured at cost less their accumulated amortisation and, where applicable, less the possible impairment, as opposed to the abovementioned Solvency II criteria.

### D.1.4. Deferred tax assets

According to the Solvency II regulations, the deferred taxes corresponding to all the assets and liabilities that are recognized for tax or Solvency purposes are recognized and valued. Deferred taxes are measured under Solvency II as the difference between the values assigned to assets and liabilities for solvency purposes, and their assigned values as recognised and valued for tax purposes.

The Controlling Company has recognised deferred tax assets with an accounting value of EUR 14,798 thousand in 2023, whereas in the Solvency II economic balance sheet the amount is EUR 49,453 thousand.

Under IFRS, deferred taxes are recorded for the temporary differences that arise as a result of the differences between the tax valuation of assets and liabilities and their book values.

The differences between the Solvency II and accounting value of the deferred tax assets mainly arose due to the different valuation criteria used for the following items:

Deferred tax liabilities Solvency II	Value
Deferred acquisition costs	558
Intangible assets	3,155
Best estimate of net technical provisions for Reinsurance	15,597
Risk Margin	857
Deposits received on ceded reinsurance	1,378
Debts for insurance and coinsurance operations	11,286
Reinsurance operation debts	1,824
<b>TOTAL</b>	<b>34,655</b>

Data in thousand euros



#### **D.1.5. Pension benefit surplus**

The controlling Company does not have a surplus resulting from long-term remuneration to the personnel.

#### **D.1.6. Property, plant & equipment for own use**

In accordance with Solvency II criteria, property, plant & equipment held for own use must be measured at fair value. For the purposes of determining the fair value of property for own use, the market value is taken to be the value of the appraisals carried out periodically by authorised independent valuers, as established by the supervisory bodies. All other items of property, plant and equipment other than buildings are measured at acquisition cost adjusted for accumulated depreciation and, where applicable, the accumulated amount of any impairment losses.

Under IFRS regulations, property, plant, and equipment for own use is recognised at acquisition or production cost, corrected by the accumulated amortisation, and where applicable, the accumulated amount of impairment losses.

The difference in valuation between the two criteria has meant the recognition of a higher value of the properties in the Balance sheet under Solvency II for an amount of EUR 304 thousand.

#### **D.1.7. Investments (other than assets held for "index-linked" and "unit-linked" contracts)**

All investments must be measured at fair value on the Solvency II balance sheet, regardless of the accounting portfolio under which they are classified. The determination of fair value is performed by following the same procedures and methodology used for determining fair value based on IFRS standard 13 «Fair Value Measurement».

IFRS 13 defines fair value as the price received in exchange for an asset or paid for transferring a liability during an orderly transaction between market participants at the valuation date. In a fair value valuation, the transaction should take place in the main asset or liability's market, and where this does not exist, in the most advantageous market. Valuation techniques appropriate to the circumstances for which there is sufficient data to conduct a fair value measurement must be used, maximizing the use of relevant observable variables while minimizing the use of variables which cannot be observed.

In order to increase the coherence and comparability of the fair value measurements, IFRS 13 establishes a fair value hierarchy making it possible to classify the valuation technique variables used to determine fair value in three different levels.

Level 1 corresponds to unadjusted quoted prices on active markets. Level 2 uses observable data, or listed prices for instruments which are similar to those being appraised, or other valuation techniques in which all the significant variables are based on observable market data; Level 3 uses specific variables for each case. Nonetheless, it must stress the slight relevance of assets included in the last level.

Although the observable market transactions or information may not be available for all assets and liabilities, in any case the purpose of a fair value appraisal is always the same: estimate the price for an orderly transaction for selling or transferring the liability between market participants at the valuation date in present market conditions.

Under this heading, and based on the Solvency II balance sheet, the following investments are included:

#### **D.1.7.1 Property (other than for own use)**

This category includes items which are not considered for own use, and are devoted to earning payments, capital gains, or both.

For the purpose of determining the fair value of the property, the market value is considered to be that corresponding to the appraisal made by authorized independent appraisal entities. As established in Order ECO/805/2003 of 27<sup>th</sup> March, on valuation standards of property, the Company requests the appraisals before two years have elapsed since the previous valuation and, regardless of the age of the previous valuation, whenever a significant alteration in the value of the same could have taken place.

The regulations established in the IFRS indicate that the properties that are not considered for own use are recognised at acquisition or production cost, corrected by the accumulated amortisation, and where applicable, the accumulated amount of impairment losses, as opposed to Solvency II criteria, in which they are restatement at market value.

The difference in valuation criteria between Solvency II and IFRS represented the recognition of the higher value of properties on the Solvency II balance sheet in the amount of EUR 17 thousand. This estimate is based on appraisal reports made by independent experts.

#### **D.1.7.2 Bonds and obligations**

Bonds are classified as follows:

- Public debt:

This sub-category includes those issued by central governments or organs forming part of the government structure. This includes instruments issued by autonomous or local administrations in European Union member states, which are considered similar to the debt instruments issued by their central governments.

- Private debt:

Within this subcategory have been included those emissions made by institutions that cannot be included in the category of government issuers,

Bonds are valued at fair value or amortised cost depending on the category in which they were designated according to IFRS / IAS 39. It will be necessary to recalculate the public and private debt items valued at amortized cost to adjust them to their fair value.

#### **D.1.7.3 Investment Funds**

This category encompasses vehicles whose ownership does not include a substantial right beyond the aliquot ownership of a portfolio of financial instruments or investments which are mainly devoted to group savings. Fair value is considered to be the market value on the valuation date.

IFRS and Solvency II valuations coincide; therefore, there were no valuation differences.

#### **D.1.8. Reinsurance recoverables**

For the purposes of the Solvency II Economic Balance Sheet the calculation of the reinsurance recoverables amounts is in accordance with the calculation of the technical provisions for the direct business and accepted reinsurance, which means that these amounts will be recorded at their best estimate, taking into account, additionally, the temporary difference between recoveries and direct payments, as well as the expected losses due to non-compliance of the counterparty.

When determining the value of the amounts to be recovered from reinsurance from the amounts considered in the technical provisions, the following aspects have been taken into account:

- The expected value of potential reinsurance default based on its credit quality and the time horizon of the expected payment patterns.
- Expected reinsurance collection patterns based on historic experience.

The recoverable amounts of reinsurance contracts are calculated consistently with the limits of the underlying covered contracts, and treaty by treaty without taking into account approximations.

For reinsurance recoveries extending beyond the established payment period outlined in contracts in force, a renewal of current contractual terms is contemplated, with no substantial modification in contracted cost or coverage.

The classification among the different reinsurance businesses and the development of reinsurance claims are based on the hypotheses and assumptions made for direct insurance and accepted reinsurance with regard to the technical provisions.

The value of the potential reinsurance recoverables arising as a result of technical provisions for direct business is directly linked to estimations and projections for future cash flows which might be subject to a number of factors of uncertainty, which are mainly the following:

- Development of direct business and accepted reinsurance claims, to which reinsurance contracts are linked.
- Possibility of facing the future payments that the reinsurer has.
- Reinsurance payment pattern.

The estimate of the reinsurance amounts includes an adjustment for the probability of default of the reinsurers, to reflect the expected losses. This adjustment has very little impact due to the creditworthiness of Solunion's reinsurers.

Under IFRS, technical provisions for cessions to reinsurers are listed under assets on the balance sheet, and are calculated in accordance with the reinsurance contracts written and using the same criteria applied to direct business and accepted reinsurance to be addressed later in this Report.

#### **D.1.9. Deposits constituted by accepted reinsurance**

In the Solvency II balance sheet the value of the potential recovery of deposits held by grantors is directly linked to estimations and projections for future cash flows which might be subject to a number of factors of uncertainty, which are mainly the following:

- The possibility of facing the future payments that the transferor has.

- Historic experience on the effective time horizon of these recoveries, as well as the possibility of offsetting these balances with totally different ones, generated by other types of transactions or contracts.

Under IFRS, deposits constituted by accepted reinsurance are valued at zero.

#### **D.1.10. Insurance and intermediaries receivables**

In accordance with the criteria of Solvency II economic balance sheet, when determining the value of loans with policyholders and intermediaries, the time effect implicit in the loans is irrelevant. The obligatory estimates of possible loan default with insurers related to bills pending payment are considered to correctly reflect their economic value, which only include rights related to invoices effectively issued and presented for collection.

As outlined in the section D.2 covering Technical Provisions, future cash flows from invoices pending issue corresponding to insurance obligations within the limits of the contractual framework are considered as part of the calculation of technical provisions.

Under IFRS insurance and intermediaries receivables are valued at zero.

#### **D.1.11. Reinsurance receivables**

This heading includes loans arising as a result of reinsurance ceded transactions.

In the Solvency II economic balance sheet, when determining the value of amounts receivable from reinsurance transactions, the expected value of potential default by the reinsurer is considered, based on its credit quality and the time horizon of the recoveries.

The value of potential reinsurance collections is directly linked to estimates and projections for future cash flows which might be subject to a number of factors of uncertainty, which are mainly related to the possibility of meeting the counterparty's future payment commitments.

Under IFRS reinsurance receivables are valued at zero.

#### **D.1.12. Receivables (trade, not insurance)**

This heading records commercial loans that are not due to insurance transactions and therefore have not been contemplated in the previous sections, for the purposes of the economic balance of Solvency II they have been valued taking into account their fair value.

IFRS and Solvency II valuations coincide; therefore, there were no valuation differences.

#### **D.1.13 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits in current accounts, deposits held at call with banks, and other short-term highly liquid investments which are easily convertible in certain cash amounts, whose value is subject to fairly insignificant risk of change.

For the purposes of Solvency II valuations, cash and cash equivalents were valued under IFRS, which is the methodology that by default establishes for this heading the valuation methodology for the purposes of Solvency II.

IFRS and Solvency II valuations coincide; therefore, there were no valuation differences.

#### D.1.14. Any other assets, not elsewhere shown

The item "Other assets, not included in other items" collects those assets not collected in other preceding sections and has been valued according to the IFRS at fair value.

Due to the varied nature of this line, below you will find a list of the assets that have been grouped together in this item:

- Commissions and other granted accrued reinsurance expenses are contemplated during the valuation of technical provisions, as they include the entirety of the associated expenses.
- Other: depending on the nature of the assets, they may need to be revalued at market value.

#### D.1.15. Additional information

There is no other additional information to be highlighted.

### D.2. Technical provisions

#### *Information on technical provision valuation*

Following are the technical provision valuations using Solvency II criteria (hereinafter, "Solvency II Provisions"), including qualitative explanations for the main differences arising from their valuations using Solvency II and those used in preparing the financial statements based on IFRS, which establishes the applicable criteria to be applied (hereinafter, "Accounting provisions" - under "Accounting value") at 31<sup>st</sup> December 2023.

	2023		
	Accounting Value	Valuation changes	Solvency II Value
Technical provisions calculated as a whole	-	-	-
Best Estimate (BE)	-	-	330,116
Risk margin (RM)	-	-	3,427
Other technical provisions	-	-	-
<b>TOTAL TECHNICAL PROVISIONS</b>	<b>291,902</b>	<b>41,641</b>	<b>333,543</b>

Data in thousands of euros

As mentioned above, the controlling Company is an insurance and reinsurance Company that operates in the Credit and Surety lines of business.

In general terms, the main difference between the two valuation methods is the criteria framework under which each regulation falls. While under Solvency II technical provisions are measured using market economic criteria, for financial statements, annual technical provisions listed under the heading 'listed under the heading "Liabilities under the insurance contract" are calculated based on accounting standards. The most significant differences were as follows.

With regard to the valuation of technical provisions, the Group establishes its accounting provisions according to IFRS.

Under Solvency II, following Directive 2009/138/CE and the ROSSEAR articles on the valuation of provisions for solvency purposes, the value of technical provisions for Non-Life insurance is determined using two procedures:

- Technical provisions calculated as a total: this methodology is applied when future cash flows associated to insurance obligations may be replicated using financial instruments with a directly observable market value. In this case, the value of technical provisions coincides with the market value of these financial products used for replicating future cash flows; it is unnecessary to make a determination between best estimate and risk margin.
- For all other cases, the technical provisions are calculated as the sum of two parts: the best estimate plus the risk margin.

In the case of Solunion Group, the technical provisions of the insurance that use Non-Life techniques are obtained as the sum of the best estimate and the risk margin.

### **D.2.1. Best estimate and risk margin**

#### **Best estimate**

In the best estimate of the (*Best Estimate Liabilities*, hereafter BEL) commitments of the Non-Life business are calculated separately from the pending claim Provision and premiums Provision.

#### **a) Best estimate of the pending claims provision**

Provision of claims refers to the projection of claims flows that occurred prior to the valuation date, whether or not they were declared. Future flows should include payments for claims and administration expenses related to said claims.

Reserves are provided both in gross and transferred and are separated by currency.

The best estimate for the pending claims Provision is based on the following principles:

- This corresponds to claims taking place prior to the valuation date, regardless of whether they have been declared or not.
- It is calculated by the current value of expected future cash flows associated to the commitments. Projected cash flows include payments for services and related expenses: claims and investment management.
- Should there be any commitments transferred to a counterparty, the recoverable amounts are adjusted to contemplate the expected losses arising from non-payment.
- The best estimate considers the time value of money based on the consideration of the claim inflows and outflows.
- From a methodological point of view, it is determined as the difference between the final cost of claims and effective payments made, net of their potential recovery or collection.

The Provision for pending claims calculated for use in the financial statements include: the Provision for claims pending settlement and payment; the Provision for claims pending declaration; and the Provision for internal claim settlement expenses. The Provision for settling pending claims is calculated using statistical methods and therefore includes claims pending settlement or payment, as well as those not yet declared.

The above statistical calculation meets the requirements established in prevailing legislation (Article 43 of ROSSP). Regarding the Provision for internal expenses arising from settlement of claims, the calculation is based on applying methodologies which permit the best possible quantification of this type of risk.

As a conclusion, the calculation of the best estimate of claims pending Provision based on Solvency II criteria present the following differences with respect to claims Provisions calculate based on financial statement requirements:

- While under Solvency II technical provisions are measured using market economic criteria, for financial statements, annual technical provisions are calculated based on accounting standards.
- The consideration of all cash flow sources.
- The credit risk adjustment to recoverable reinsurance amounts.
- The financial discount of cash flows.

b) Best estimate of the premiums Provision

The Premium provision refers to the projection of the flows of losses that will occur after the valuation date during the period of time up to expiry of the contract. The future flows must include future flows due to losses, administration expenses associated with those losses, administration expenses of management of the policies, future premiums deriving from current policies.

The best estimate for the premium provision is based on the following principles:

- c) It corresponds to future claims, or those which take place subsequent to the valuation date, corresponding to the remaining claim coverage period.
- d) This is calculated as the current value of expected cash flows associated to the portfolio in force, in accordance with contractual limits.
- e) Projected cash flows include payments for services and related expenses: administration, acquisition, claim management, and investment management.
- f) Should there be any commitments transferred to a counterparty, the recoverable amounts are adjusted to contemplate the expected losses arising from non-payment.
- g) The best estimate considers the time value of money based on the consideration of the claim inflows and outflows.

The calculation of this provision is comprised of the flows corresponding to two portfolios:

- Current portfolio that includes the following headings:
  - h) Expected loss ratio. Two methodologies may be used to calculate the current value of benefits payments:
    - The frequency and average cost method: claims are calculated as the result of exposure based on frequency hypotheses and final average costs.

- Loss ratio method: the expected loss ratio arising from applying the final claim ratio to gross PPNC acquisition expenses.
- i) The expenses attributable to the current portfolio: acquisition (without commissions), administration, chargeable to benefits, investment expenses, as well as other technical expenses.
- Future business that includes the following headings:
  - j) Premiums corresponding to policies which have not yet been renewed but include Group commitments to renew (this is the case for tacit renewals or those for pluri-annual policies with annual guaranteed premium payments). For this calculation, the future behaviour of policyholders is applied with a prudent assumption that the in force portfolio is maintained in the future with an estimated probability of cancellation equal to zero.
  - k) Expected claims corresponding to future premiums. The same methodologies for claims in force may be used.
  - l) Expenses attributable to future premiums (charged expense-to-premium ratio applying future premiums): acquisition expenses (including commissions), administration, chargeable to services, investment expenses, as well as other technical expenses.

In the calculating of the best estimate for the Credit line of business of the technical provisions, the expected benefits included in future premiums have been taken into account (as a lower value of the best estimate in case of be positive or higher value in case of expected losses).

The Solunion Group does not consider the future business, since, due to its business characteristics, it does not produce tacit renewals and nearly all its portfolio should be subject to renegotiation in each renewal.

In the calculating of the best estimate for the Suretyship line of business of the technical provisions, the expected benefits included in future premiums have been taken into account (as a lower value of the best estimate in case of be positive or higher value in case of expected losses). On 31<sup>st</sup> December 2023, the amount of these expected benefits was EUR 1,010 thousand, gross of reinsurance.

#### Contract limits

As outlined in the Solvency II Directive, in order to consider the future premiums established in the contracts when calculating the best estimate, it is necessary to take into account the limits of the contracts.

The obligations arising from the contract, including those, which correspond to the insurance/reinsurance company's unilateral right to renew or increase its limits and corresponding premiums; will be included in its text, except for:

- Commitments provided by the companies of the Group after the date during which has the unilateral right to:
  - m) Cancel the contract.
  - n) Reject premiums payable related to the contract.
  - o) Modify its premiums or services to which it is bound by virtue of the contract, so that the premiums clearly reflect the risks.



- All obligations which do not correspond to premiums which have already been paid, unless the policyholder may be forced to pay future premiums, and as long as the Contract:
  - p) Does not establish an indemnity for a specific undetermined event which may adversely affect the reinsured party.
  - q) Does not include a financial guarantee for coverage provided.

As a conclusion, it can be indicated that the Best Estimate of the premiums Provision calculated according to the criteria established in Solvency II present the following differences with respect to those calculated according to the requirements required on the Financial Statements:

- The application of the concept of contractual limits, which involves the consideration of future business. Under NIIF, future premiums must be taken into account if they contemplate the corresponding technical note.
- The consideration of all cash flow sources. In general, under Solvency II, the premiums Provision for profitable products included in a portfolio in force are less than the Provision for unearned premiums (PPNC) reflected on financial statements. In cases of premium inadequacy, the premium provision will be comparable to the PPNC plus the prevailing risk provision (without taking the discount effect into account). For future business, the Solvency II premium Provision for profitable products will be negative.
- The credit risk adjustment to recoverable reinsurance amounts.
- The financial discount of cash flows.

### **Risk margin**

This is a part of the technical provisions used for guaranteeing that the value of the provisions equals the amount that the Group would need to cover and meet the insurance and reinsurance commitments.

The risk margin conceptually equals the cost of providing a quantity of eligible Own Funds equal to the SCR needed to support the commitments by insurances throughout its terms and until its final settlement.

To calculate the risk margin, the hypothesis of transferring the best estimate for the Group's current business to a theoretical insurance agency known as reference unit (hereafter «RU») the SCR of which is called  $SCR_{RU}$ .

The rate used to determine the cost of providing this amount of eligible own funds is called the capital cost rate. Solunion has used the 6 percent rate set by the Delegated Regulation of the European Commission 2015/25.

There are several simplifications for calculating the risk margin:

- Level 1: details how to approximate the underwriting, counterparty, and market risks.
- Level 2: it is based on the hypothesis that the future solvency capital requirements are proportional to the "best estimate" of the technical provisions for the year in question.
- Level 3: consists of using the modified duration of the liabilities to calculate the current Solvency Capital Requirements and all futures in a single step.
- Level 4: calculates the risk margin as a percentage of the best estimate of the net technical provisions for reinsurance.

The Group calculates the risk margin with the methodology described as Level 2.

### **Degree of uncertainty regarding to the amount of technical provisions**

The value of the technical provisions is directly linked to the estimations and projections for future cash flows which might be subject to a number of factors of uncertainty, which are mainly the following:

- The probability that the obligation will materialise with regard to future cash flows.
- The moment the obligation materialises.
- Potential amount of the future cash flows.
- The risk-free interest rate.

The first three factors are generally estimated based on expert opinions, or using market data and, their derivation and impacts on technical provisions being duly documented.

The Credit and Surety lines of business are closely linked to the state of the economy and can have significant impacts on the frequency and severity of claims. On the other hand, the volume and timing of payments and recoveries may be impacted by legislative changes related to the insolvency law.

### **Actuarial methods and hypotheses used when calculating technical provisions**

The Group uses commonly accepted actuarial methodologies for calculating technical provisions under Solvency II. The combinations of methods used for the actuarial estimates are adequate, applicable and relevant to the risk profile of the Group.

The methods used for the estimation of the accident based on the selection of factors for the development of frequencies and severity used by the Group are:

- Deterministic Chain Ladder Method.
- Deterministic Bornhuetter Fergusson Method.
- Mack Bootstrap Stochastic Method.

The following two key hypotheses were used during the calculation of the technical provisions:

- Economic hypotheses, which are contrasted against available financial and macroeconomic indicators which mainly include:
  - r) Interest rate structure broken down by the commitment currencies.
  - s) Exchange rates.
  - t) Market trends and financial variables.
- Non-economic hypotheses, which are mainly obtained from generally available data based on the Group or external sector/market sources:
  - u) Realistic administration, investment, acquisition, etc. expenses which are incurred throughout the duration of the contracts.
  - v) Portfolio lapse.

- w) The frequency and severity of claims based on historical data.
- x) Legislative changes.

Additionally, it is worth noting that under accounting regulation, Management's actions and policyholder behaviour are not included when calculating technical provisions, while under Solvency II, companies may establish a comprehensive plan covering future decisions considering the necessary period to calculate their best estimates, including a probability analysis of when policyholders might exercise certain rights included in their insurance policies.

The Group employs an effective Actuarial Function which guarantees the appropriateness and coherence of the underlying methodologies and models used, as well as the hypotheses used in these calculations.

#### **D.2.2. Measures designed for managing long-term guarantees**

The Solunion Group has not used the transitional measures for managing long-term guarantees established in Delegated Regulation 2015/035 and Directive 2009/138/EC, which include: reconciliation and volatility adjustments, transitional adjustment in the structure of risk-free interest rates, and the transitional deduction include in Article 308 *quinquies* of Directive 2009/138/EC.

For that reason, form S.22.01.22 regarding the impact on long-term guarantee and transitional measures is not included in accordance with the information included in Appendix I of 30<sup>th</sup> April 2014, on technical specifications.

##### **D.2.2.a. Marriage adjustment**

Solunion has not used this adjustment.

##### **D.2.2.b. Volatility adjustment**

Solunion has not used this adjustment.

##### **D.2.2.c. Transitory temporary structure of interest rates without risk**

Solunion has not used this transitory temporary structure of interest rates without risk.

##### **D.2.2.d. Transitory deduction on technical provisions**

Solunion has not carried out this transitory deduction.

#### **D.2.3. Significant changes in hypotheses used when calculating technical provisions**

There have been no significant changes in relation to the assumptions used in the calculation of technical provisions.

### **D.3. Other liabilities**

Below are detailed the valuations of other liabilities for the purposes of Solvency II, as well as the qualitative explanations of the main valuation differences between the Solvency II criteria and those used to prepare the financial statements (column "Book Value") as of 31<sup>st</sup> December 2023. The valuation corresponding to those headings that do not differ between the IFRS and Solvency II criteria is detailed in the financial statements of the Group of 2023.

	2023		
	Accounting Value	Valuation changes	Solvency II Value
Total technical provisions	291,902	41,641	333,543
Provisions other than technical provisions	2,185	-	2,185
Pension and similar obligations provision	3,842	-	3,842
Deposits received on ceded reinsurance	-	5,511	5,511
Deferred tax liabilities	6,680	38,100	44,780
Financial liabilities other than debt to credit institutions	4,700	-	4,700
Debts for insurance and coinsurance operations	-	45,144	45,144
Reinsurance operation debts	-	7,295	7,295
Other debts and payables	8,198	-	8,198
Any other liabilities, not elsewhere shown	121,473	(87,985)	33,488
<b>TOTAL LIABILITIES</b>	<b>438,980</b>	<b>49,706</b>	<b>488,686</b>
<b>SURPLUS OF ASSETS VS. LIABILITIES</b>	<b>152,742</b>	<b>(27,952)</b>	<b>124,790</b>

Data in thousands of euros

### D.3.1. Provisions other than technical provisions

The value of the liabilities is directly linked to estimations and projections for future cash flows, which might be subject to a number of factors of uncertainty, which are mainly the following:

- The probability that the obligation will materialise with regard to future cash flows.
- The moment the obligation materialises.
- Potential amount of the future cash flows.
- The risk-free interest rate.

The first three factors are generally estimated based on expert opinions within the area linked to the obligation, in environments with little statistical experience, or using market data.

For purposes related to the Solvency II balance sheet, 'Non-current commitments to employees' are included under 'Other non-technical provisions' and were valued based on the same criteria as that used for the consolidated financial statements.

IFRS and Solvency II valuations coincide; therefore, there were no valuation differences.

### D.3.2. Pension benefit obligations

The IFRS/IAS 19 use an adequate approximation for the valuation of liabilities for pensions on the balance sheet at market value. The amount is determined by the current value of estimated future cash flows.

IFRS and Solvency II valuations coincide; therefore, there were no valuation differences.

### D.3.3. Deposits from reinsurers

This heading includes amounts of deposits held by the Solunion Group to cover ceded and receded reinsurance technical provisions.

For the purposes of the Solvency II balance sheet, the valuation of deposits received from reinsurance transactions is considered to have to be valued at the amount at which they may be transferred or settled between duly informed interested parties carrying out transactions in mutually-independent conditions.

Under IFRS Deposit from reinsurers are valued at zero.

#### **D.3.4 Deferred tax liabilities**

Under IFRS, deferred taxes are recorded for temporary differences that arise as a result of the differences between the tax valuation of assets and liabilities and their book values. The Company has deferred tax Liabilities for a "Solvency II value" of EUR 44,780 thousand and a "book value" of EUR 6,680 thousand in 2023.

The difference between the Solvency II Value and the book Value of deferred tax Liabilities is mainly explained by the following items in the Balance Sheet:

Deferred tax liabilities Solvency II	Value
Property, plant & equipment held for own use	76
Property (other than for own use)	4
Deposits established for accepted reinsurance	111
Credits for direct insurance and coinsurance operations	15,042
Reinsurance operation credits	871
Commissions and other accrued acquisition expenses of ceded reinsurance	21,996
<b>TOTAL</b>	<b>38,100</b>

Data in thousand euros

#### **D.3.5 Financial liabilities other than debt to credit institutions**

Other financial liabilities other than debts with credit institutions are valued as the real expected value of future flows discounted at the risk-free interest rate at the valuation date, increased by the own risk differential (DVA) that exists at beginning of the operation, so that subsequent fluctuations in said differential have no impact on the valuation. As of 31<sup>st</sup> December 2023, IFRS and Solvency II valuations coincide; therefore, there were no valuation differences.

This item collects financial liabilities linked to "Rental Right to use".

#### **D.3.6. Insurance & intermediaries payables**

This heading includes borrowings arranged as a result of transactions performed with insurers other than those related to claims pending settlement, as well as those related to cash balances with intermediaries arising from transactions performed.

Under IFRS insurance & intermediaries payables are valued at zero.

#### **D.3.7. Reinsurance payables**

Collects those debts with reinsurers as a consequence of the current account relationship established with them due to reinsurance operation ceded and retroceded.

Under IFRS reinsurance payables are valued at zero.

#### **D.3.8. Payables (trade, not insurance)**

This section includes other payables unrelated to the insurance activity.

For the purposes of the Solvency II balance sheet, the valuation is considered consistent with those under IFRS, valued at the amount at which they may be transferred or settled between duly informed interested parties carrying out transactions in mutually independent conditions.

#### **D.3.9. Any other liabilities, not elsewhere shown**

This item includes the amount of any other liabilities not included in other balance sheet items, whose valuation was discussed previously.

The difference between the amounts shown in both valuations is basically due to the elimination under Solvency II of the commissions and other granted accrued reinsurance expenses that are contemplated during the valuation of technical provisions, as they include the entirety of the associated expenses amounting to EUR 50,353 thousand. Under IFRS regulations, these items fall under this heading.

#### **D.3.10. Additional information**

There is no other significant information to be highlighted.

### **D.4. Alternative methods for valuation**

The Solunion Group does not have material assets for which alternative valuation methods must be used and does not use alternative valuation methods for their liabilities.

### **D.5. Any other information**

During the year there were no significant changes in the valuation criteria of the assets and liabilities. There is no other significant information to be highlighted.

### **Finance and operating leases**

Finance and operating leases are described in Section A.4.2 of the Report.

## E. Capital management

### E.1. Own Funds

#### E.1.1 Own fund objectives, policies, and management processes

The Solunion Group has a Capital Management Policy whose last revision was approved by the Board of Directors on 28<sup>th</sup> March 2023.

The principal objectives of this Policy are the following:

- Provide the Group and its companies with a procedure to check that the eligible own funds meet the applicable requirements.
- Ensure that the projections of eligible own funds contemplate the continuous compliance with applicable requirements throughout the period contemplated.
- Establish an identification and documentation process for funds with limited availability, as well as the circumstances in which own funds may absorb losses.
- Ensure that the Group has a medium-term Capital Management Plan.

The Medium-term Capital Management Plan takes into consideration at least the following elements:

- The compliance with Solvency regulations applicable throughout the projection period considered, paying particular attention to known future regulatory changes, and the maintenance of solvency levels compatible with the established in the Risk Appetite.
- Issuance of proposed eligible Own Funds instruments.
- the repayments, both contractual at maturity, and those that may be made on a discretionary basis before maturity, in relation to the elements of the Eligible Own Funds.
- the result of the projections in the Own Risks and Solvency Assessment ("ORSA"); and
- the expected dividends and their effect on Eligible Own Funds.

The Risk Management and Internal Control Area submit the medium-term Capital Management Plan to the Board of Directors for approval. The Plan is part of the ORSA Report. The projected period covers five years and is aligned with the budget preparation approach.

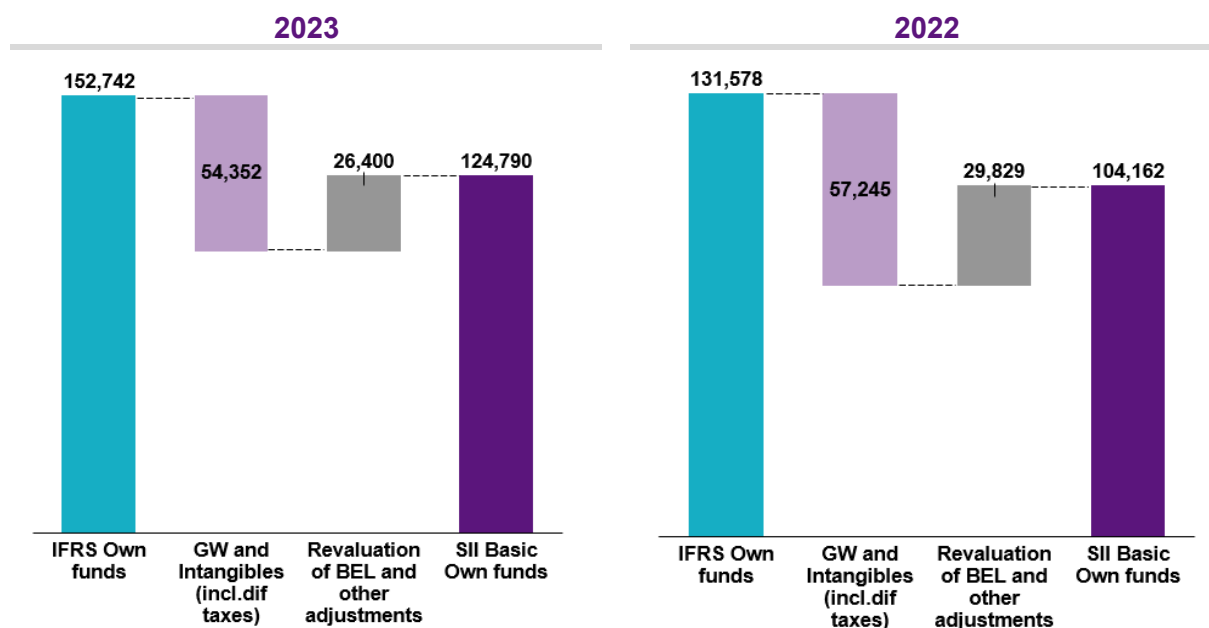
In fiscal year 2023 there have been no significant changes regarding the objectives, policies and processes used for the management of own funds.

#### E.1.2 Structure, amount, and quality of own funds

##### Structure, amount, and quality of own funds

In figure S.23.01.22 of the Appendix, the structure, amount and quality of the basic Own Funds of the net group of intra-group transactions and complementary own funds are shown, as well as the coverage ratios, i.e. the level of own funds within the SCR, and the MCR.

Below is a comparison of the Solunion Group's own funds at the end of 2023 and 2022 and an explanation of the origin of the changes in the value of the Solvency II own funds:



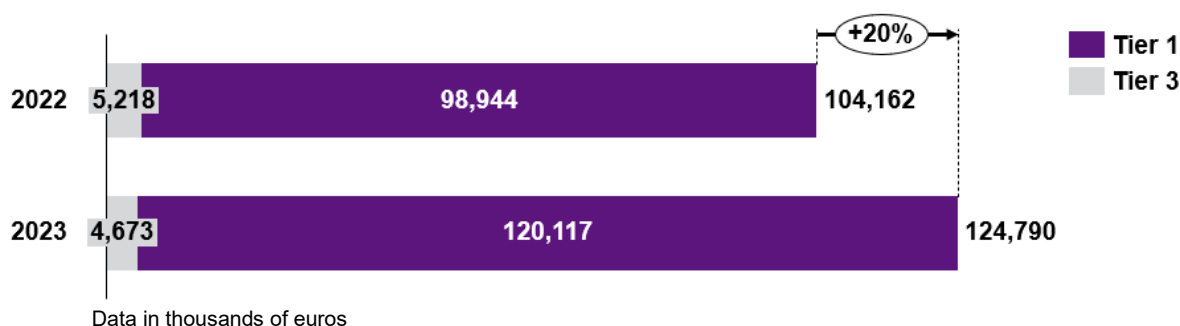
Data in thousands of euros

As for other adjustments item, the increase is generated by changes in value between the Solvency II framework and Accounting in investments and the other items of assets and liabilities that are not shown in other balance sheet headings.

Article 72 of the LOSSEAR determine the classification of basic own funds in three levels; the criteria for classifying them will be determined in the European Union regulations of Direct Application, which in this case is Directive 2009/138 CE, in which Article 93 establishes the characteristics and aspects to be taken into account for the realization of said classification:

- the item is available, or may be required, to fully absorb losses whether the company is in operation or in the event of liquidation (permanent availability);
- in the event of liquidation, the total amount of the item is available to absorb losses and the reimbursement of the item to its holder is not allowed until all the other obligations, including the insurance and reinsurance obligations against the policyholders, have been satisfied. and beneficiaries of insurance and reinsurance (subordination) contracts.

The Company's available own funds on the basis of its classification:



Data in thousands of euros



As of 31<sup>st</sup> December 2023, the Group has its not restricted Tier 1 own basic funds by an amount of EUR 120,117 thousand (EUR 98,944 thousand in 2022). These own funds have the maximum availability for absorbing losses. They are comprised of:

- ordinary paid-in share capital
- Issue premium of treasury shares and
- conciliation reserve

Additionally, on 31<sup>st</sup> December 2023 the Solunion Group has Tier 3 basic own funds for an amount of EUR 4,673 thousand (EUR 5,218 thousand in 2022) composed of net deferred taxes assets, that arise from the valuation of the balance according to Solvency II criteria.

All own funds are considered basic. Complementary own funds have not been computed.

#### **The eligible amount of own funds to cover SCR and MCR, broken down by levels.**

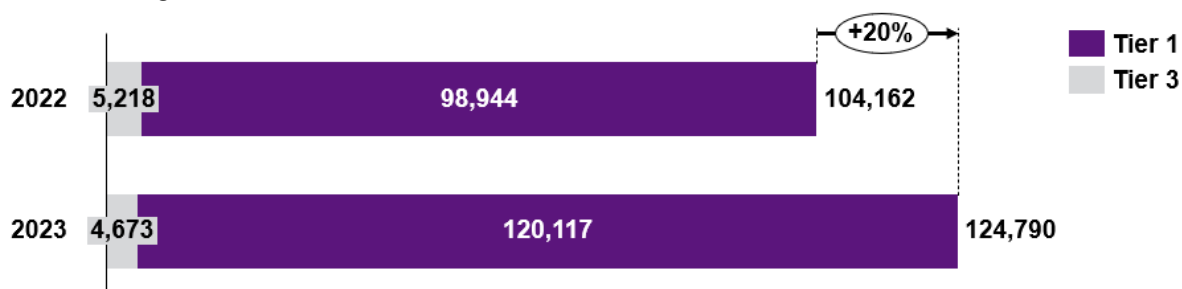
The SCR corresponds to the own funds that the Group should have to limit the probability of ruin to one case per 200 years, or what is the same, that the Group is still in a position to fulfil with its obligations against the policyholders and beneficiaries of insurance in the following twelve months, with a probability of 99.5 percent.

Once the own funds have been classified, the LOSSEAR in Article 73 establishes eligibility limits for them, to cover the solvency capital required and the minimum capital required.

For the SCR coverage, the following quantitative limits are established:

- The regulation dictates that there must be at least 80% of the Admissible Own Funds classified as Tier 1.
- With respect to Tier 3, they are not fully eligible to cover the regulatory capital, but may represent a maximum of 15% of the SCR.
- The sum of Tier 2 and 3 will not represent more than 50% of the SCR.

The Group's own funds are included in Tier 1 and Tier 3, and, depending on the eligibility thereof, the eligible own funds for SCR coverage amount to:



Data in thousands of euros

The Minimum Compulsory Capital corresponds to the amount of the eligible basic own funds below which the policyholders and beneficiaries would be exposed to an unacceptable level of risk in the case that the Group continued its activity.

The MCR is the level of capital that is set as the minimum level of security below which financial resources should not be lowered.

The Tier 1 eligible own funds are equivalent to the basic ones and those at Tier 3 are equivalent to the net deferred taxes assets, that arise from the valuation of the balance according to Solvency II criteria, so admissible amount to cover the SCR is EUR 124,790 thousand (EUR 104,162 thousand in 2022), 17% higher than the previous year.

With regard to the MCR coverage, the following quantitative limits are established:

- The admissible amount of the elements of Tier 1 will be equal to at least 80% of the MCR.
- The admissible amounts of the Tier 2 elements will not exceed 20% of the MCR.

Given the classification of the Group's own funds, the admissible amount to cover the MCR is EUR 120,117 thousand (EUR 98,944 thousand in 2022). The following table shows the detail:



#### **Availability, subordination and duration of significant Own Fund items used to evaluate their quality**

The Solunion Group's basic, restricted Level 1 funds hold the characteristics indicated in Article 93.1.a) and b) of Directive 2009/138/EC and they are fully disbursed and available to absorb losses. However, the Tier 3 own funds are not fully eligible to cover the regulatory capital as they do not have sufficient availability to absorb losses if necessary.

#### **Difference between equity on the financial statements and surplus assets vs. liabilities for Solvency II purposes**

When valuing assets and liabilities for the purposes of Solvency II, different criteria is used from that employed for the preparation of the consolidated financial statements. The above criteria differences lead to differences between the equity on the financial statements and surplus assets vs. liabilities for Solvency II purposes.

The quantitative and qualitative explanations are reflected under Sections D.1 Assets, D.2 Technical Provisions, and D.3 Other liabilities on this report.

### **E.1.3 Management of deferred tax assets and liabilities and deferred tax loss absorption capacity**

#### **Management of deferred tax assets and liabilities**

By Article 15 of Delegated Regulation (EU) 2015/35, the valuation of deferred taxes results from the difference between the values assigned to the assets and liabilities recognised and measured by the criteria set out in Solvency II and their valuation for tax purposes.

In addition, a positive value is only assigned to those deferred tax assets where it is probable that there will be a future taxable profit against which the deferred tax asset can be utilised, taking into account the restrictions on the timing of offsetting.

The main balance sheet items giving rise to deferred tax assets in Solunion are as follows:

	Solvency II
<b>DEFERRED TAX ASSETS</b>	<b>49,453</b>
Deferred tax assets: Intangible assets	3,155
Deferred tax assets: Prepaid commissions and other acquisition costs	558
Deferred tax assets: Best estimate of net technical provisions for Reinsurance	15,597
Deferred tax assets: Risk Margin	857
Deferred tax assets: Deposits received on ceded reinsurance	1,378
Deferred tax assets: Debts for insurance and coinsurance operations	11,286
Deferred tax assets: Reinsurance operation debts	1,824
Accounting deferred tax assets	14,798
Data in thousands of euros	

	Solvency II
<b>DEFERRED TAX LIABILITIES</b>	<b>44,780</b>
Deferred tax liabilities: Property, plant & equipment held for own use	76
Deferred tax liabilities: Property (other than for own use)	4
Deferred tax liabilities: Deposits established for accepted reinsurance	111
Deferred tax liabilities: Credits for direct insurance and coinsurance operations	15,042
Deferred tax liabilities: Reinsurance operation credits	871
Deferred tax liabilities: other other liabilities	21,996
Accounting deferred tax liabilities	6,680
Data in thousands of euros	

Solunion will adhere to the cash flows projected in the Business Plan approved by the Board of Directors to recognise deferred tax assets over deferred tax liabilities in the Economic Balance Sheet for Solvency II purposes.

The value of deferred assets included in the Solvency II economic balance sheet is EUR 49,453 thousand and EUR 44,780 thousand corresponds to deferred tax liabilities.

As of 31<sup>st</sup> December 2023, the Group has Tier 3 Basic Own Funds of EUR 4,673 thousand (EUR 5,218 thousand in 2022), consisting of net deferred taxes, which arise from the balance sheet valuation according to Solvency II criteria.

Of the net deferred tax assets, the one hundred percent have been recognised as eligible own funds, taking into account the eligibility limits set out in Article 82 of Delegated Regulation (EU) 2015/35.

#### **Loss absorbing capacity of deferred taxes**

The Group in compliance with the temporary recoverability limits approved in Delegated Regulation 2019/98 does not apply adjustment for loss absorbency of deferred taxes in 2023 and 2022.

## E.1.4 Other information

### Essential items on the Reconciliation Reserve

The amount of the Solunion Group's Reconciliation Reserve is EUR 40,503 thousand and it is composed mainly of "Other items of basic own funds" and of "Surplus of assets vs. liabilities." A breakdown is shown below:

	2023	2022
Surplus of assets vs. liabilities	124,790	104,162
Treasury shares (included as assets on the balance sheet)	-	-
Dividends, distributions and foreseen costs	-	-
Other elements of basic own funds	84,287	84,832
Adjustments for own fund items restricted by FDL and CSAC	-	-
<b>Total reconciliation reserves</b>	<b>40,503</b>	<b>19,330</b>

Data in thousands of euros

### Own Funds issued and instruments redeemed

Both the Solunion Group and the companies that form parts of the group have not issued new own funds during the fiscal year, and there were no redemptions of instruments.

### Special purpose entities that are members of the Group

In the Solunion Group, it does not have special purpose entities.

### Transitional measures

The Solunion Group has not considered items of its Own Funds to which the transitional provisions contemplated in Article 108 ter, sections 9 and 10 of Directive 2009/138/EC have been applied.

### Shareholder distribution

No dividends distributions have been made to Solunion Group shareholders, therefore there was no effect on the Group's own funds.

## E.2. Solvency Capital Requirement and Minimum Capital Requirement

### E.2.1. Amount and valuation methods of Solvency Capital Requirement

#### SCR amounts and Minimum Capital Requirements

The SCR by risk models has been calculated by the Solvency II standard formula methodology as of 31<sup>st</sup> December 2023, that is listed in Section C Risk Profile. Additionally, figure S.25.01.22 of the Appendix contain more detailed information on the regulatory capitals.

The Consolidated Group's total SCR included in Appendix S.25.01.22 amounts to EUR 70,863 corresponding to the level of own funds required by the supervisory authorities from the insurance and reinsurance companies for the purpose of absorbing significant losses and offering the policyholders and insurance beneficiaries a reasonable guarantee that the payments will be made upon maturity.

As detailed in Section C the risk profile of the Solunion Group is mainly affected by the non-life underwriting risk, where catastrophic credit and surety risk is the main contributor.

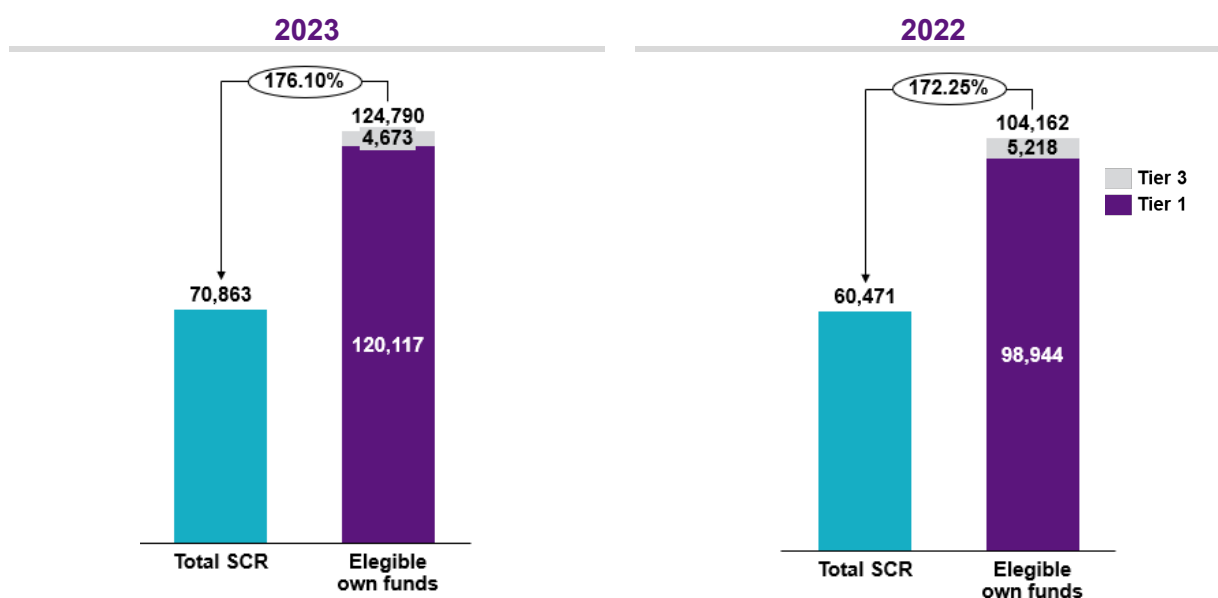
In second place is market risk, in which exchange rate risk is the highest for the Group's companies in Latin America.

Third is credit risk, which is mainly generated by the Group's high exposure to reinsurance agreements. The level of exposure of reinsurance recoverables is affected by the high level of cession defined in the reinsurance structure. Finally, there is operational risk.

As of December 2023, the amount of the SCR is EUR 70,863 thousand, which implies an increase in the capital charge of EUR 10,392 thousand; this is mainly due to the increase in Market and Non-Life Underwriting.

For the calculation of the SCR no simplifications or specific parameters have been used.

The Solvency ratio of the Group is shown below; this ratio measures the relationship between eligible own funds and the SCR to absorb extraordinary ones arising from an adverse scenario of one case every 200 years.



Data in thousands of euros

This ratio amounts to 176.10%, which means that it is within the risk appetite safety zone established for the Group and approved by the Board of Directors.

#### **Data used by the Group in calculation of the MCR Solvency**

The Solunion Group calculated Minimum Solvency Capital Requirements (MCR) as indicated in Delegated Regulation 2015/035, Article 248. This amount is the capital amount that guarantees the minimum level of security, under which financial resources should never drop and has a value of EUR 17,716 thousand at the end of 2023.

To obtain the MCR, the linear MCR should be calculated, the value of which is EUR 10,439 thousand. It was obtained applying the factors corresponding for each business line to the different elements used in their calculation:

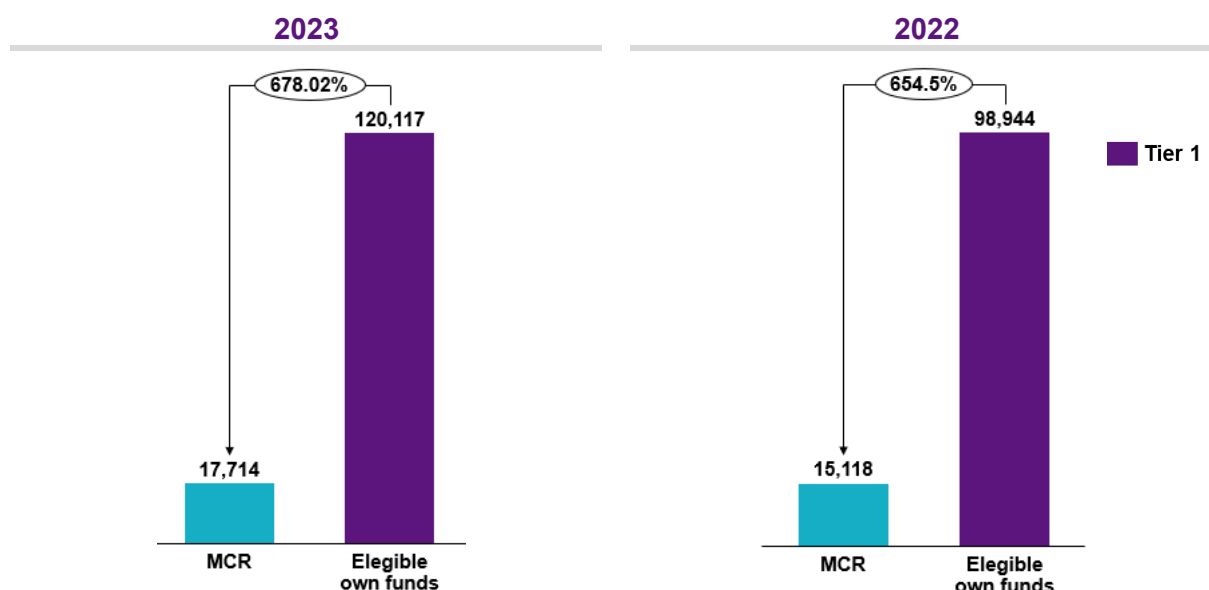
- Best net reinsurance estimates, and technical provisions calculated as a whole, where appropriate.
- Premiums earned net of reinsurance in the last 12 months.

Likewise, the combined MCR is EUR 17,716 thousand, which is obtained by applying the maximum and minimum limits to the linear MCR, 25% and 45% of the SCR.

Since the combined MCR is higher than the MCR's absolute limit (which is EUR 4,000 thousand), the amount of the combined MCR is considered as the amount of MCR, which is, therefore, EUR 17,716 thousand.

As of December 2022, it was EUR 15,118 thousand; this increase is mainly due to the fact that in both cases the result is equal to the minimum limit of the combined MCR, which is obtained as 25% of the SCR, an amount that in 2023 has increased by EUR 2,598 thousand.

The Group's solvency ratio, which measures the ratio between eligible own funds and the MCR, amounts to 678.02% (654.5% in 2022).



Data in thousands of euros

### **Significant sources of the effects of group diversification**

The Solunion Group does not benefit from significant sources of diversification effects because it operates in a single Credit and Surety line of business.

### **E.2.2. Information relating to the Solvency Capital Requirement and Minimum Capital Requirement**

#### **Loss absorption capacity of deferred taxes**

The underlying assumptions used by Solunion for the projection of probable future taxable profits for the purposes of Article 207 of Delegated Regulation (EU) 2015/35 have been:

- No new business is assumed beyond the horizon of the projections used, in line with regulatory requirements.
- The projections used for the calculation of future profits are the latest ones approved by the Company's Board of Directors for the next three years.
- The following assumptions have been considered in the calculation of future profit after loss:

- The new investments made have an implicit return similar to the structure derived from risk-free interest rates.
- The estimated future business and profit is not higher in each year than the future business and profit in the projections approved by the Controlling Company's Board of Directors for the next three years.
- The results that have already been recorded in the economic Solvency balance sheet II prior to the recording of the loss have been eliminated from the future profit.

### **E.3. Use of the duration-based equity risk submodule in the calculation of the Solvency Capital Requirement**

The Solunion Group did not use this option when performing its solvency valuation.

### **E.4. Differences between the Standard Formula and any internal model used**

The Solunion Group does not use Internal Models in the calculation of their Solvency needs, it is governed by the Solvency II Standard Formula.

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

On 31<sup>st</sup> December 2023, the Group Solunion had sufficient SCR and MCR with eligible Own Funds; therefore, it was considered unnecessary to adopt any other action or corrective measure.

### **E.6 Any other information**

There is no other significant information on capital management not included in previous sections.

## Appendix I

### List of forms reported (Data in thousands of euros):

S.02.01.02 – Balance sheet

S.05.01.02 – Premiums, loss ratio, and expense by business line

S.05.02.01 – Premiums, loss ratio, and expense by country

S.23.01.22 – Equity

S.25.01.22 – Obligatory solvency capital – for companies that use the standard form

S.32.01.22 – Undertakings in the scope of the group



## S.02.01.02

	C0010	
Assets	Solvency II value	
Intangible assets	-	R0030
Deferred tax assets	49,453	R0040
Pension benefit surplus	3,842	R0050
Property, plant & equipment held for own use	8,160	R0060
Investments (other than assets held for index-linked and unit-linked contracts)	166,300	R0070
<i>Property (other than for own use)</i>	50	R0080
<i>Investments</i>	-	R0090
<i>Equities</i>	-	R0100
<i>Equities - listed</i>	-	R0110
<i>Equities - unlisted</i>	-	R0120
<i>Bonds</i>	162,150	R0130
<i>Public debt</i>	116,907	R0140
<i>Private debt</i>	45,243	R0150
<i>Structured financial assets</i>	-	R0160
<i>Asset securitisation</i>	-	R0170
<i>Investment funds</i>	4,100	R0180
<i>Derivatives</i>	-	R0190
<i>Deposits other than cash equivalent assets</i>	-	R0200
<i>Other investments</i>	-	R0210
Assets held for index-linked and unit-linked contracts	-	R0220
Loans and mortgages	-	R0230
<i>Loans on policies</i>	-	R0240
<i>Loans and mortgages to individuals</i>	-	R0250
<i>Other loans and mortgages</i>	-	R0260
Reinsurance recoverables from:	291,488	R0270
<i>Non-life and health similar to non-life</i>	291,488	R0280
<i>Non-life excluding health</i>	291,488	R0290
<i>Health similar to non-life</i>	-	R0300
<i>Life and health similar to life, excluding health and index-linked and unit-linked</i>	-	R0310
<i>Health similar to life</i>	-	R0320
<i>Life excluding health and index-linked and unit-linked</i>	-	R0330
<i>Life index-linked and unit-linked</i>	-	R0340
Deposits to cedents	445	R0350
Insurance and intermediaries receivables	60,166	R0360
Reinsurance receivables	3,484	R0370
Receivables (trade, not insurance)	7,884	R0380
Own funds (held directly)	-	R0390
Amounts due in respect of own fund items or initial fund called up but not yet paid in	-	R0400
Cash and cash equivalents	20,332	R0410
Any other assets, not elsewhere shown	1,922	R0420
<b>Total assets</b>	<b>613,476</b>	<b>R0500</b>

Data in thousands

	C0010	
Liabilities	Solvency II value	
Technical provisions - non-life	333,543	R0510
Technical provisions - non-life (excluding health)	333,543	R0520
Technical provisions calculated as a whole	-	R0530
Best Estimate	330,116	R0540
Risk margin	3,427	R0550
Technical provisions - health (similar to non-life)	-	R0560
Technical provisions calculated as a whole	-	R0570
Best Estimate	-	R0580
Risk margin	-	R0590
Technical provisions - life (excluding index-linked and unit-linked)	-	R0600
Technical provisions - health (similar to life)	-	R0610
Technical provisions calculated as a whole	-	R0620
Best Estimate	-	R0630
Risk margin	-	R0640
Technical provisions - life (excluding health and index-linked and unit-linked)	-	R0650
Technical provisions calculated as a whole	-	R0660
Best Estimate	-	R0670
Risk margin	-	R0680
Technical provisions - index-linked and unit-linked	-	R0690
Technical provisions calculated as a whole	-	R0700
Best Estimate	-	R0710
Risk margin	-	R0720
Contingent liabilities	-	R0740
Provisions other than technical provisions	2,185	R0750
Pension benefit obligations	3,842	R0760
Deposits from reinsurers	5,511	R0770
Deferred tax liabilities	44,780	R0780
Derivatives	-	R0790
Debts owed to credit institutions	-	R0800
Financial liabilities other than debts owed to credit institutions	4,700	R0810
Insurance & intermediaries payables	45,144	R0820
Reinsurance payables	7,295	R0830
Payables (trade, not insurance)	8,198	R0840
Subordinated liabilities	-	R0850
Subordinated liabilities not in Basic Own Funds	-	R0860
Subordinated liabilities in Basic Own Funds	-	R0870
Any other liabilities, not elsewhere shown	33,488	R0880
Total liabilities	488,686	R0900
Excess of assets over liabilities	124,790	R1000

Data in thousands

## S.05.01.02

		C0090		
		Credit and suretyship insurance	C0160	C0200
		Legal defence insurance	Property	TOTAL
Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)				
	Premiums written			
R0110	Gross - Direct Business	249,951	-	249,951
R0120	Gross - Proportional reinsurance accepted	57,120	-	57,120
R0130	Gross - Non-proportional reinsurance accepted	-	1,196	1,196
R0140	Reinsurers' share	275,420	971	276,391
R0200	Net	31,651	225	31,876
	Premiums earned			
R0210	Gross - Direct Business	244,031	-	244,031
R0220	Gross - Proportional reinsurance accepted	65,750	-	65,750
R0230	Gross - Non-proportional reinsurance accepted	-	1,196	1,196
R0240	Reinsurers' share	279,033	971	280,004
R0300	Net	30,748	225	30,973
	Claims incurred			
R0310	Gross - Direct Business	96,967	-	96,967
R0320	Gross - Proportional reinsurance accepted	29,928	-	29,928
R0330	Gross - Non-proportional reinsurance accepted	-	-	-
R0340	Reinsurers' share	112,712	-	112,712
R0400	Net	14,183	-	14,183
	Changes in other technical provisions			
R0410	Gross - Direct Business	(19,285)	-	(19,285)
R0420	Gross - Proportional reinsurance accepted	-	-	-
R0430	Gross - Non- proportional reinsurance accepted	-	-	-
R0440	Reinsurers' share	(17,339)	-	(17,339)
R0500	Net	(1,946)	-	(1,946)
R0550	Expenses incurred	24,783	86	24,869
R1200	Other Expenses	-	-	-
R1300	Total expenses	24,783	86	24,869

## S.05.02.01

		C0080	C0090	C0100	C0110	C0130	C0120	C0140
		SPAIN	MEXICO	COLOMBIA	CHILE	FRANCE	PERU	Total Top 5 and home country
	<b>Premiums written</b>	179,712	29,011	25,315	16,031	-	-	250,069
R0110	<b>Gross - Direct Business</b>	4,089	-	-	-	6,768	8,800	19,657
R0120	<b>Gross - Proportional reinsurance accepted</b>	-	-	-	-	-	150	150
R0130	<b>Gross - Non-proportional reinsurance accepted</b>	165,763	27,361	23,244	14,635	5,696	7,484	244,183
R0140	<b>Reinsurers' share</b>	18,038	1,650	2,071	1,396	1,072	1,466	25,693
R0200	<b>Net</b>	-	-	-	-	-	-	-
	<b>Premiums earned</b>	169,749	31,240	24,462	14,911	-	-	240,362
R0210	<b>Gross - Direct Business</b>	3,898	-	-	-	7,192	8,562	19,652
R0220	<b>Gross - Proportional reinsurance accepted</b>	-	-	-	-	-	150	150
R0230	<b>Gross - Non-proportional reinsurance accepted</b>	156,778	29,767	22,462	13,620	6,444	7,240	236,311
R0240	<b>Reinsurers' share</b>	16,869	1,473	2,000	1,291	748	1,472	23,853
R0300	<b>Net</b>	-	-	-	-	-	-	-
	<b>Claims incurred</b>	65,107	12,797	14,747	4,114	-	-	96,765
R0310	<b>Gross - Direct Business</b>	817	-	-	-	6,752	5,104	12,673
R0320	<b>Gross - Proportional reinsurance accepted</b>	-	-	-	-	-	-	-
R0330	<b>Gross - Non-proportional reinsurance accepted</b>	59,440	11,478	13,355	3,740	6,077	4,307	98,397
R0340	<b>Reinsurers' share</b>	6,484	1,319	1,392	374	675	797	11,041
R0400	<b>Net</b>	-	-	-	-	-	-	-
	<b>Changes in other technical provisions</b>	(4,774)	(28)	-	(186)	-	-	(4,988)
R0410	<b>Gross - Direct Business</b>	-	-	-	-	-	-	-
R0420	<b>Gross - Proportional reinsurance accepted</b>	-	-	-	-	-	-	-
R0430	<b>Gross - Non-proportional reinsurance accepted</b>	(4,292)	-	-	-	-	-	(4,292)
R0440	<b>Reinsurers' share</b>	(482)	(28)	-	(186)	-	-	(696)
R0500	<b>Net</b>	15,770	6,048	1,304	3,368	(1,995)	(159)	24,336
R0550	<b>Expenses incurred</b>	-	-	-	-	-	-	-
R1200	<b>Other Expenses</b>	15,770	6,048	1,304	3,368	(1,995)	(159)	24,336
R1300	<b>Total expenses</b>	179,712	29,011	25,315	16,031	-	-	250,069

Data in thousands

## S.23.01.22

		C0010	C0020	C0030	C0040	C0050
		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35					
R0010	Ordinary share capital (gross of own funds)	40,149	40,149			
R0030	Share premium account related to ordinary share capital	39,465	39,465			
R0040	Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings					
R0050	Subordinated mutual member accounts					
R0070	Surplus funds					
R0090	Preference shares					
R0110	Share premium account related to preference shares					
R0130	Reconciliation reserve	40,503	40,503			
R0140	Subordinated liabilities					
R0160	An amount equal to the value of net deferred tax assets	4,673				4,673
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above					
	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	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					
	Deductions					
R0230	Deductions for participations in financial and credit institutions					

Data in thousands

		C0010	C0020	C0030	C0040	C0050
		<b>Total</b>	<b>Tier 1 - unrestricted</b>	<b>Tier 1 - restricted</b>	<b>Tier 2</b>	<b>Tier 3</b>
R0290	<b>Total basic own funds after deductions</b>	124,790	120,117			4,673
	<b>Ancillary own funds</b>					
R0300	Unpaid and uncalled ordinary share capital callable on demand					
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand					
R0320	Unpaid and uncalled preference shares callable on demand					
R0330	Compromiso jurídicamente vinculante de suscribir y pagar pasivos subordinados a la vista					
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC					
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC					
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
R0370	Supplementary member calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
R0390	Other ancillary own funds					
R0400	<b>Total ancillary own funds</b>					
	<b>Available and eligible own funds</b>					
R0500	<b>Total available own funds to meet the SCR</b>	124,790	120,117			4,673
R0510	<b>Total available own funds to meet the MCR</b>	120,117	120,117			
R0540	<b>Total eligible own funds to meet the SCR</b>	124,790	120,117			4,673
R0550	<b>Total eligible own funds to meet the MCR</b>	120,117	120,117			

Data in thousands

		C0010	C0020	C0030	C0040	C0050
		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
R0580	Consolidated Group SCR	70,863				
R0600	Consolidated Group MCR	17,716				
R0620	Ratio of Eligible own funds to Consolidated Group SCR	176.10%				
R0640	Ratio of Eligible own funds to Consolidated Group SCR	678.02%				

	Reconciliation reserve	
R0700	Excess of assets over liabilities	124,790
R0710	Own funds (held directly and indirectly)	
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	84,287
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
R0760	Reconciliation reserve before deduction for participations in other financial sector	40,503
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	Total Expected profits included in future premiums (EPIFP)	

Data in thousands

## S.25.01.22

		C0030	C0040	C0120
		Gross solvency capital requirement	USP	Simplifications
R0010	Market risk	14,884	14,884	
R0020	Counterparty default risk	13,816	13,816	
R0030	Life underwriting risk	-	-	
R0040	Health underwriting risk	-	-	
R0050	Non-life underwriting risk	46,936	46,936	
R0060	Diversification	(14,677)	(14,677)	
R0070	Intangible asset risk	-	-	
R0100	Basic Solvency Capital Requirement	60,959	60,959	

	Calculation of Solvency Capital Requirement	C0100
		2023
R0130	Operational risk	9,903
R0140	Loss-absorbing capacity of technical provisions	
R0150	Loss-absorbing capacity of deferred taxes	-
R0160	Capital requirement for business operated in accordance with Art, 4 of Directive 2003/41/EC	
R0200	Solvency Capital Requirement excluding capital add-on	70,863
R0210	Capital add-on already set	
R0220	Solvency capital requirement	
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	
R0440	Diversification effects due to RFF NSCR aggregation for article 304	

Data in thousands



## S.32.01.22

C0020	C0010	C0040	C0050	C0060	C0070	C0080	
Identification code of the undertaking	Country	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual / non mutual)	Supervisory Authority	ID <sup>6</sup>
LEI/959800LM5VB6ST5FT348	Spain	Solunion Seguros S.A.	Non-life insurance undertaking	Public Limited Company	Non-mutual	Dirección General de Seguros y Fondos de Pensiones	1
LEI/959800AHVAAJY9SUGQ03	Spain	Solunion Servicios de Crédito S.L.	Ancillary services undertaking, as defined in Article 1,52 of the Delegated Regulation (EU) 2015/35	Limited Company	Non-mutual		2
LEI/9598004QNUF0C359UA95	Spain	Solunion América Holding S.L.	Insurance holding company, as defined in Art. 212 [f] of Directive 2009/138/EC	Limited Company	Non-mutual		3
LEI/959800JSM05U84PGHM59	Spain	Solunion Holding S.L.U.	Mixed-activity insurance holding company, as defined in Art. 212,1 [g] of Directive 2009/138/EC	Limited Company	Non-mutual		4
Specific Code/GRC0571CO02100	Colombia	Solunion Colombia Seguros de Crédito S.A.	Non-life insurance undertaking	Public Limited Company	Non-mutual	Superintendencia Financiera de Colombia	5
Specific Code/GRC0571CL01300	Chile	Solunion Chile Seguros de Crédito S.A.	Non-life insurance undertaking	Public Limited Company	Non-mutual	Comisión para el Mercado Financiero	6
Specific Code/GRC0571MX01500	Mexico	Solunion México Seguros de Crédito S.A.	Non-life insurance undertaking	Public Limited Company	Non-mutual	Comisión Nacional de Seguros y Fianzas	7
Specific Code/GRC0571CO02600	Colombia	Solunion Servicios de Crédito Colombia LTDA	Ancillary services undertaking, as defined in Article 1,52 of the Delegated Regulation (EU) 2015/35	Limited Company	Non-mutual		8
Specific Code/GRC0571CL04600	Chile	Solunion Chile Servicios de Crédito LTDA	Ancillary services undertaking, as defined in Article 1,52 of the Delegated Regulation (EU) 2015/35	Limited Company	Non-mutual		9
Specific Code/GRC0571MX02000	Mexico	Solunion Servicios de Crédito S.A. de C.V.	Ancillary services undertaking, as defined in Article 1,52 of the Delegated Regulation (EU) 2015/35	Public Limited Company	Non-mutual		10
Specific Code/GRC0571AR02000	Argentina	Solunion Servicios de Crédito Argentina S.A.	Ancillary services undertaking, as defined in Article 1,52 of the Delegated Regulation (EU) 2015/35	Public Limited Company	Non-mutual		11
Specific Code/GRC0571PA00500	Panamá	Solunion Servicios de Crédito Panamá S.A.	Ancillary services undertaking, as defined in Article 1,52 of the Delegated Regulation (EU) 2015/35	Public Limited Company	Non-mutual		12

<sup>6</sup> Identification column included to facilitate on-screen search.

Criteria of influence						Inclusion in the scope of group supervision		Group solvency calculation	
C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	
% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if Art. 214 is applied	Method used and under method 1, treatment of the undertakings	ID
						YES	31/12/2013	Method 1: full consolidation	1
100%	100%	100%		Significant	100%	YES	31/12/2013	Method 1: full consolidation	2
100%	100%	100%		Significant	100%	YES	31/12/2013	Method 1: full consolidation	3
100%	100%	100%		Significant	100%	YES	31/12/2013	Method 1: full consolidation	4
100%	100%	100%		Significant	100%	YES	31/12/2013	Method 1: full consolidation	5
100%	100%	100%		Significant	100%	YES	31/12/2013	Method 1: full consolidation	6
100%	100%	100%		Significant	100%	YES	31/12/2013	Method 1: full consolidation	7
100%	100%	100%		Significant	100%	YES	31/12/2013	Method 1: full consolidation	8
100%	100%	100%		Significant	100%	YES	31/12/2013	Method 1: full consolidation	9
100%	100%	100%		Significant	100%	YES	31/12/2013	Method 1: full consolidation	10
100%	100%	100%		Significant	100%	YES	31/12/2013	Method 1: full consolidation	11
100%	100%	100%		Significant	100%	YES	28/02/2020	Method 1: full consolidation	12

## Appendix II

### Legal Structure of Solunion Group:

SOLUNION SEGUROS, COMPAÑÍA INTERNACIONAL DE SEGUROS Y REASEGUROS, S.A.  
 SUBSIDIARIES, ASSOCIATED UNDERTAKINGS AND JOINT VENTURES

				Participation in Capital			Year end data (thousands euros)										Consolidation method	
				Holder	Percentage		Assets		Equity		Revenues		Results					
					2023	2022	2023	2022	2023	2022	2023	2022	2023	2022				
SOLUNION SERVICIOS DE CREDITO S.L.U.	Avda.General Perón 40, 2 (Madrid) Spain	-13,42% (1) (2)	Services	■ SOLUNION SEGUROS S.A.	100.00	100.00	24,610	18,420	15,664	11,609	32,391	28,329	4,032	561	(A)	(A)		
SOLUNION SERVICIOS DE CREDITO ARGENTINA, S.A.	Av. Corrientes 485, 10° (C1043A/ Buenos Aires (Argentina)	-35,23%	Services	■ SOLUNION SEGUROS S.A.	95.00	95.00	448	768	189	469	2,141	1,595	92	-	254	(A)	(A)	
SOLUNION AMERICA HOLDING, S.L.	Avda.General Perón 40, 2ª (Madrid) Spain	-25,04% (1)	Holding	■ SOLUNION SERVICIOS DE CREDITO S.L.U.	5.00	5.00	-	-	-	-	-	-	-	-	-	(A)	(A)	
				■ SOLUNION SEGUROS S.A.	81.31	81.31	17,348	16,930	17,337	16,919	-	1,074	419	1,721	(A)	(A)		
SOLUNION CHILE SEGUROS DE CREDITO, S.A	Isidora Goyenechea,3520 piso 17 Los condes, 7550071 Santiago Chile	-4,28%	Insurance	■ SOLUNION HOLDING, S.L.	18.69	18.69	-	-	-	-	-	-	-	-	-	(A)	(A)	
				■ SOLUNION AMERICA HOLDING, S.L.	51.831	51.831	25,455	28,939	7,407	7,220	17,473	12,859	1,010	1,293	(A)	(A)		
				■ SOLUNION COLOMBIA SEGUROS DE CREDITO, S	0.00	0.00	-	-	-	-	-	-	-	-	-	(A)	(A)	
				■ SOLUNION HOLDING, S.L.	36.32	36.32	-	-	-	-	-	-	-	-	-	(A)	(A)	
				■ SOLUNION CHILE SERVICIOS DE CREDITO, LTDA.	11.845	11.845	-	-	-	-	-	-	-	-	-	(A)	(A)	
SOLUNION COLOMBIA SEGUROS DE CREDITO, S.A.	Calle 7 sur 42-70 Medellín (Colombia)	-39,66%	Insurance	■ SOLUNION AMERICA HOLDING, S.L.	948.936	948.936	37,285	26,019	10,815	6,870	26,339	24,848	1,384	1,836	(A)	(A)		
				■ SOLUNION SEGUROS DE CREDITO, S.A.	47.872	47.872	-	-	-	-	-	-	-	-	-	(A)	(A)	
				■ SOLUNION MEXICO SEGUROS DE CREDITO, S.A	0.1064	0.1064	-	-	-	-	-	-	-	-	-	(A)	(A)	
				■ SOLUNION CHILE SEGUROS DE CREDITO S.A.	0.1064	0.1064	-	-	-	-	-	-	-	-	-	(A)	(A)	
				■ SOLUNION SERVICIOS DE CREDITO S.L.U.	0.1064	0.1064	-	-	-	-	-	-	-	-	-	(A)	(A)	
SOLUNION MEXICO SEGUROS DE CREDITO, S.A.	Torre Planco, Mariano Escobedo 1 piso 15, Colonia Nueva Anzures C.P. 11590 Mexico D.F., Mexico	-26,36%	Insurance	■ SOLUNION AMERICA HOLDING, S.L.	100.00	100.00	49,518	40,607	9,414	8,104	35,442	30,593	-	146	890	(A)	(A)	
SOLUNION HOLDING, S.L.U.	Avda.General Perón 40, 2ª Planta (Madrid) Spain	-11,32%	Holding		0.00	0.00	-	-	-	-	-	-	-	-	-	-	(A)	(A)
				■ SOLUNION SEGUROS DE CREDITO S.A.	100.00	100.00	7,451	6,022	7,412	6,062	1,590	1,594	1,410	1,571	(A)	(A)		
SOLUNION PANAMA SERVICIOS DE CREDITO, S.A	Costa del Este, Edificio Financiero Oficina 27b, Panamá City	-23,60%	Services	■ SOLUNION HOLDING, S.L.U.	100	100	1,347	1,395	948	827	2,498	2,040	219	64	(A)	(A)		
SOLUNION CHILE SERVICIOS DE CREDITO, LTDA.	Isidora Goyenechea,3520 piso 17 Los condes, 7550071 Santiago, Chile	-22,53%	Services		0	0	-	-	-	-	-	-	-	-	-	-	(A)	(A)
				■ SOLUNION HOLDING, S.L.U.	99.33	99.33	1,630	2,663	956	1,803	2,918	2,512	315	256	(A)	(A)		
SOLUNION SERVICIOS DE CREDITO DE COLOMBIA,LTDA	Calle 7 sur 42-70 Medellín (Colombia)	-35,26%	Services	■ SOLUNION SERVICIOS DE CREDITO S.L.U.	0.67	0.67	-	-	-	-	-	-	-	-	-	-	(A)	(A)
				■ SOLUNION HOLDING, S.L.U.	983.333	983.333	2,468	1,924	1,000	912	4,112	3,491	336	495	(A)	(A)		
SOLUNION MEXICO SERVICIOS, S.A. DE C.V.	Torre Planco, Mariano Escobedo 1 piso 15, Colonia Nueva Anzures C.P. 11590 Mexico D.F., Mexico	-29,09%	Services	■ SOLUNION SERVICIOS DE CREDITO S.L.U.	16.667	16.667	-	-	-	-	-	-	-	-	-	-	(A)	(A)
				■ SOLUNION HOLDING, S.L.U.	100	100	1,958	910	1,155	473	3,637	2,817	562	116	(A)	(A)		
				■ SOLUNION SERVICIOS DE CREDITO S.L.U.	0	0	-	-	-	-	-	-	-	-	-	-	(A)	(A)
CONSOLIDATION METHOD OR PROCEDURE				TAX GROUP														
(A) Subsidiaries consolidated by global integration				(1) Entity from Tax Group number 171/14 (2) Entity from VAT Group number 87/10														