

# ANNUAL REPORT

2018

The logo for ethias, featuring the word "ethias" in a lowercase, sans-serif font. The letter "h" is stylized with a vertical stroke that has a brush-like, textured appearance, extending above and below the main text.



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# INTRODUCTORY WORD FROM THE CHAIRS

2018 was a springboard year rich in concrete achievements on strategic, business, organizational and governance levels

As at 31 December 2018, the **net result of Ethias amounts to 170 million euros**. This net result increases by more than 61% compared to the previous year, which was marked by exceptional items.

The **operating result amounts to 177 million euros**. This result mainly comes from Non Life business for an amount of 152 million euros. The Life business generates an operating result of 38 million euros.

**Overall income amounts to 2,694 million euros**, i.e. an increase by 8% compared to the previous financial year. This performance comes from both Non Life business (1,382 million euros, up 3.6%) and Life business (1,312 million euros, up 14%).

The **Solvency II ratio<sup>1</sup>** stands at **181%** after distribution of the dividend of 118 million euros.

These excellent results demonstrate the **commitment of all employees** to the company's transformation programme. It will enable Ethias to continue developing its offer in such a way as to best meet the client's expectations.

This performance also reflects the relevance and strength of a **unique business model**, with Ethias being the direct integrator of the entire insurance value chain for the benefit of the customer, from underwriting to claim settlement, without forgetting prevention and all the services complementary to the insurance product.

As such, Ethias is the only insurer on the Belgian market offering 10 insurance products that can be fully underwritten online (entire process from quotation to payment).

In a rapidly changing environment, Ethias has embarked on a programme for revising and reinforcing its **strategic fundamentals**. This strategic programme aims to strengthen Ethias' position as the n° 1 Direct insurer, the n° 1 Digital insurer and the n° 1 insurer for Public Bodies.

Hence, all employees were given the opportunity to express their views on the company's **values**. The new values (Human - Commitment - Enthusiasm - Customer Satisfaction) reflect the identity and culture of Ethias. They are applied on a daily basis within and outside the company. The **mission** of Ethias has also been reviewed: "Making insurance easier so as to bring you security, peace of mind and freedom of

initiative, with innovative services and products. As partner of your daily life, we put our expertise and our energy at your service." Our advisers, inspectors, prevention officers ... are the main ambassadors of this mission, as partners in our clients' daily lives.

After defining our values and mission, we determined the future to which we aspire: our **vision** for the future. This vision aims to enrich the customer experience through our range of innovative products and services, our omnichannel distribution model and the continuous innovation in our processes and solutions. It is based on the main themes of mobility, health and ageing.

In a transversal way, the company is engaged in an ambitious plan for technological and organizational transformation.

The main key facts of the year 2018 are presented on page 11.

We are particularly proud of the development in our activities, of our organization and of the results achieved in 2018, the fruit of a successful and unique model and of committed and enthusiastic employees, at the client's service. This performance was highlighted in January 2019 by the agency Fitch Ratings, which upgraded Ethias SA's rating for Insurer Financial Strength (IFS) from BBB+ (Good with Positive Outlook) to A- (Strong with Stable Outlook).

In 2019, we will celebrate our centenary, an additional opportunity to express gratitude to all our partners for their trust. We see this as an opportunity to consolidate our Belgian anchorage, our durability, to demonstrate our know-how and enthusiasm, our desire for progress and our prospects.



**Philippe LALLEMAND**

Chair of the Executive Committee  
Chief Executive Officer



**Myriam VAN VARENBERGH**

Chair of the  
Board of Direct

<sup>1</sup> Based on the annual QRT (quantitative Solvency II reporting).



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# INTRODUCTION

Ethias SA's Annual Report includes the management report and the annual accounts of Ethias SA prepared in accordance with the provisions of the Belgian Company Code and the Royal Decree of 17 November 1994 on the annual accounts of insurance companies.

These statutory financial statements were established by the Board of Directors of Ethias SA on 27 March 2019.

Unless otherwise specified, the amounts in this report are stated in thousands of euros.

## PRESENTATION OF ETHIAS SA

### A group with a mutual insurance philosophy

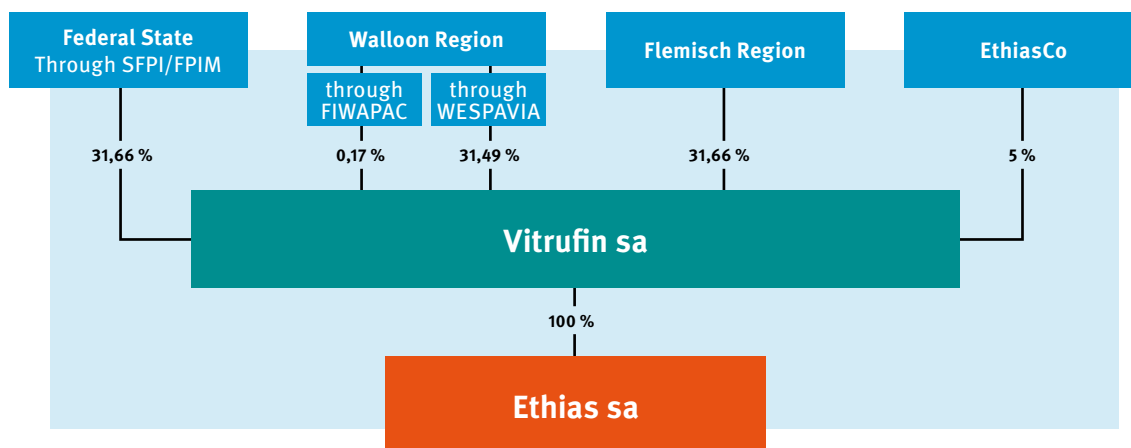
A mutual insurance association is created by its members and operates for its members. Although our legal form has evolved over time, we remain imbued with this philosophy that we have translated in the slogan «**The Efficient Insurers**», i.e. to act efficiently for the well-being of our policyholders and our staff members.

In 1919, a group of municipal and provincial authorities founded the «**Société Mutuelle des Administrations Publiques**» (abbreviated as SMAP) for the insurance against fire, lightning and explosions.

This was the beginning of a rich history with various turns and many successes, leading up to a strong insurance group which today has over one million two hundred thousand policyholders.

### Our structure<sup>1</sup>

**Vitrufin SA** is a holding company in which the public authorities (Belgian State, Walloon Region and Flemish Region) have acquired interests, accounting together for 95% shares of its capital. Vitrufin owns 100% of the shares of Ethias SA.



**Ethias SA** is the operational entity of the group since it centralises all Life and Non Life insurance activities.

<sup>1</sup> On 28 September 2018 and pursuant to a Walloon Government decree of 19 April 2018, SA FIWAPAC, which held 31.66% of Vitrufin, contributed to SA Wespavia, another sub-subsidiary of the Walloon Region, all of the 629,833 ordinary shares held, in delegated mission, for the latter. The share of the Walloon Region in Vitrufin's capital is therefore now divided between SA Wespavia, which holds 31.49% of Vitrufin, and SA FIWAPAC, which holds 0.17%.

Ethias SA is also the sole or majority shareholder of the companies of the Group, such as Ethias Services (services company specialized in pension insurance in particular), Ethias Patrimoine (acquisition and management company for movable and real estate assets), Ethias Sustainable Investment Fund (institutional SICAV under Belgian law) and NRB (IT company) and various real estate subsidiaries.

The main purpose of EthiasCo is the holding and management of participating interests. Among these, the most important ones are Vitrufin (holding 5% of shares alongside public investors), Socofe and VEH (both active in the energy sector).

### Our values, our mission and our vision

Our **values** are the foundation of our identity, our culture and our personality.

In a nutshell, they constitute the DNA of Ethias:

#### #HUMAN

humanity is at the heart of all our relationships.  
We are a true partner for each of our interlocutors.  
For us, proximity and solidarity are no empty words.

#### #COMMITMENT

for nearly 100 years, we are daily committed to our clients, to our colleagues and to society. We are reliable, trustworthy and purposeful. This commitment also relates to ethics, which remains at the root of all our actions, and to our social responsibility.

#### #CLIENT SATISFACTION

this is the driving force of our activities and of all our actions. Through our mutualist origins, we emphasize on client contact possibilities and on exemplary service quality. Our accessibility, our efficiency, our flexibility clearly contribute to the satisfaction of our clients.

#### #ENTHUSIASM

because whatever happens, a heart beats within Ethias. Every day, we show energy, vitality, optimism and dynamism. This enthusiasm leads us to be creative and to undertake innovative projects in support of clients.

In 2018, these values were implemented both within and outside the company. An internal campaign was conducted to give employees the opportunity to express themselves and to specify how values are naturally applied in their daily lives. On the basis of these reactions, a charter was drawn up.

Hence, our values are expressed in daily life (when welcoming our clients, settling a claim, providing advice on prevention, etc.). They are also materialized when implementing our dynamic policy of corporate social responsibility (CSR), listening to the concerns of our policyholders, private individuals as well as public bodies.

Our **mission** is our raison d'être. In a clear and concise way, it presents what we do and how we stand out. It gives meaning to all our actions and makes us work together in the same direction. Our mission is as follows:

**Making insurance easier so as to bring you security, peace of mind and freedom of initiative, with innovative services and products. As partner of your daily life, we put our expertise and our energy at your service.**

After defining our values and mission, we determined the future to which we aspire: our vision for the future.

It is expressed through 3 axes:



For more information, check our corporate website: <https://www.ethias.be/corporate/fr.html>

## Our policyholders and our products

### PRIVATE INDIVIDUALS

Ethias is a direct insurer, offering a complete range of Life and Non Life products:

- In Non Life, besides its flagship products, namely car insurance and home insurance, Ethias also offers assistance, health care coverage, coverage for civil liability and travel cancellation insurance.
- In Life, Ethias mainly sells life insurance policies with no life component and branch 23 contracts. Ethias has also entered into a distribution partnership with Integrale for branch 21 products.

Our customer approach revolves around a continuous development of new and even more efficient products, on the one hand, and accessible and customized solutions with the best price/quality ratio, on the other hand. Our goal is that our products are designed in such a way that they give the best possible answer to the needs of our policyholders, whether they are agents of the public service or private individuals.

Our customer base is loyal and includes over one million policyholders with insurances for personal risks.

### PUBLIC & CORPORATE SECTOR

Ethias has been the privileged insurance partner of the Public Sector since 1919. Its insured parties include the Federal State, Regions and Communities, local public authorities (provinces, cities and municipalities, public social welfare centres ...), public companies as well as thousands of intercommunity and semi-public bodies, schools, hospitals, public interest organisations and miscellaneous associations ...

Ethias covers all the potential risks which employees face in public services: civil liability, health care, accidents, including not only work accidents but also sporting injuries, motor vehicle and assistance ...

Ethias also covers damage to or destruction of equipment, buildings and installations.

With regard to pension insurance, Ethias is a player of major importance in the development of first and second pillar pension schemes in the public sector.

But being an insurer today is not simply covering a series of financial risks, it is also about adopting a comprehensive prevention risk policy. For several years now, Ethias has been conducting a proactive and dynamic prevention policy across all its products and services (risk prevention relating to work accidents or hazardous weather conditions), and through innovative initiatives (prevention blog on the website [www.ethias.be/pro](http://www.ethias.be/pro), numerous training courses for our clients through the training institute “Ethias Members’ Academy”, various publications, ...).

### COMPANIES

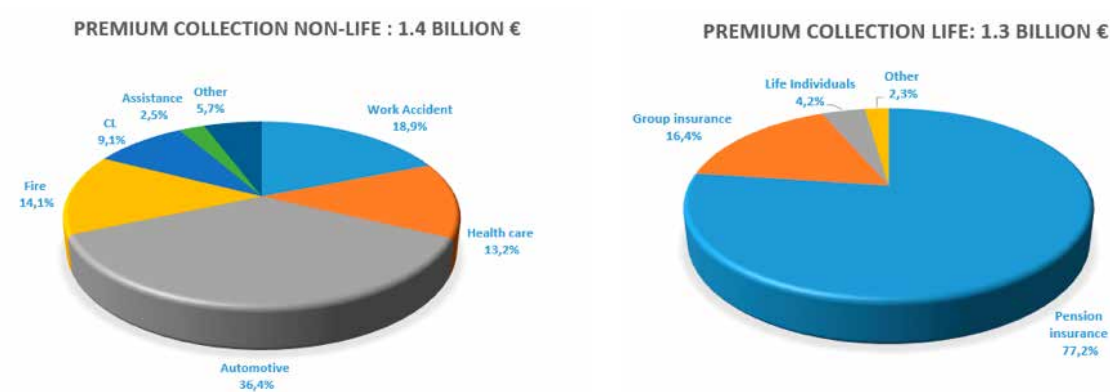
Since 2000, Ethias has also been accessible to private businesses, offering them its skills and expertise acquired in the public sector and non-profit sector. For allowing these businesses to take a lead in risk management, Ethias offers them a range of insurances responding to their specific needs and including the protection of:

- Their patrimony: car insurance, property and casualty insurance, machine breakage, all-risk insurance ...
- Their liabilities: civil liability for businesses, civil liability for directors and officers;
- Their staff: work accidents insurance, life accidents insurance, hospitalization insurance, guaranteed income insurance, group insurance.



## Partition of premium income 2018 for Ethias SA

The premium income stands at 2.7 euros by end-2018 and is relatively balanced between Life and Non Life activities. It is split per product as follows:



The majority of Ethias' activities are focused on the Belgian market. Ethias is the country's fourth-largest insurer, for all activities combined, with a 9.1% market share, of which 11% in Non Life and 8% in Life<sup>1</sup>, and is the country's premier insurer of the public sector and its agents.

### Our distribution network

Ethias is the only major direct insurer in Belgium.

Since October 1, our offices and customer centers have extended their opening hours to meet the needs of our clients.

For private individuals, Ethias distributes its products via three direct distribution channels:

- Insurance advisers, located throughout the country, in a network of 42 offices;



- Two «customer centers» available to policyholders where 96 employees managed in 2018 more than 860,000 incoming and outgoing calls, 53,000 emails, 9,000 text chats and 11,000 social media contacts;
- The website with over 12,500,000 web pages viewed in 2018:
  - » o a secure personal space (named «My Ethias»), allowing policyholders to consult their insurances and to declare certain claims;
  - » o 10 insurance products (various products and formulas in Owner and Tenant Home Insurance, Assistance Insurance, Cancellation and Luggage, Private Life Civil Liability Insurance, Digital Omnium) can be fully underwritten online (entire process ranging from quote to payment).

A team of inspectors and prevention specialists is at the service of local public authorities and companies, with the collaboration of specialized brokers for private businesses. With the Ethias Extranet, public authorities and companies can obtain all the required information on the nature and type of products offered by Ethias, they can calculate one or more quotes and directly subscribe online the insurance contract(s) they require in view of an optimal protection.

<sup>1</sup> Based on Assuralia data 31/12/2017.

## Business Plan 2019-2023

The company's strategic axes are based on 3 pillars, viz. digital, direct and reinforced partnership with public authorities, linked to a constant drive for innovation at the customer's service.

For Private Individuals, we continue the work to make insurance easier and accessible to all, with the strengthening of our position as a direct insurer while maintaining profitable growth in Belgium. The strategic actions focus on 4 axes: CRM (customer relationship management), omnichanneling, diversification in the way Ethias supports the client and excellence in technical management.

For Public Sector clients, our ambition is to decline our position as a multi-product and service insurer in the form of a partnership with local authorities and to pursue development in the corporate and social profit segments. Furthermore, we have the ambition to be an all-round player in first and second pension pillar management.

In a transversal way, the company is engaged in an ambitious plan for technological and organizational transformation.



## Trophies obtained in 2018

We were awarded three DECAVI trophies thanks to the quality of our products and the relevance of our marketing approach:

- Ethias won, for the 8th time, the trophy for **Best Family Insurance**. This trophy is a recognition for an unbeatable product. It offers, at a competitive price, very wide guarantees against material and bodily injury caused to other persons in the private life context as well as legal protection and protection against the third party faults.
- For the 3rd time in a row, **our Tenant Fire Insurance** has been rewarded. It offers, from 10.6 euros per month, a cover specifically reserved for tenants, for any type of house rent below 1,319 euros per month. Ethias covers not only rental liability but also the content and legal protection in the event of perils such as fire, storm, water damage or glass breakage. The Tenant Insurance goes even further since it also covers the reimbursement of the relocation allowance if the tenant leaves his home during the first 3 years following a loss of employment, a death, a divorce or the end of legal cohabitation. A theft and vandalism option is also available.
- Ethias has won, for the 3rd time, the trophy for **Best Civil Liability Car Insurance**. With its Civil Liability Car Insurance, Ethias offers drivers much more than just insurance, it offers a complete service to all its clients. Indeed, Ethias clients not only benefit from the best value for money, but also from many free services included in their CL car insurance. For example, in the event of an accident, they benefit from free breakdown service and 24-hour assistance, accident declaration is simple and quick and automatic premium reductions are possible. All these services, combined with a specific offer for young drivers, a Bob guarantee and the choice between 4 "Omnium Packages" without deductible increase client satisfaction, which is Ethias' number one priority.
- In addition, the BrandZ research by Kantar Millward Brown reveals that Ethias is the 4th strongest brand in Belgium, and **the leading brand in the insurance sector**.



## 2018 in key dates

### 12 February

**Opening of a Concept Office in Alleur** After several months of work, our regional office in Alleur is given a new look and reappears as a concept store that prefigures the insurance agency of the future.

### 23 February

**Communication of the 2017 results: Ethias boosts its solvency and significantly improves its operational performance.**

- Ethias confirms its excellent operational performance thanks to its unique business model in Belgium.
- It has significantly increased its Solvency II ratio.
- It has embarked on an ambitious plan for technological and organizational transformation at the client's service.

### 15 March

The Family Insurance innovates and also covers - automatically and free of charge - new soft mobility devices and electric bicycles.

In addition, the new product «Bike & More» offers a tailor-made insurance for (electric) bikes, scooters, hoverboard, etc., with 4 cover options: theft insurance - complete protection for the driver and passengers - material damage coverage - breakdown assistance in Belgium

“Bike & More” is designated by consumers as «**Product of the Year 2019**», in the category «Insurance».



### 20 March

**Zero Pesticide in our Sports Centres.**

The Association of Sports Establishments (AES asbl), Ethias and PDG (Pôle de Gestion Différentiée) join forces through a vast information campaign aimed at sports centres on the prohibition of the use of plant protection products (PPP) for the maintenance of sports grounds.

### 16 April

**Monument Re acquires**, through its Irish subsidiary Laguna Life DAC, the run-off portfolio of variable premium Life insurance policies for individuals belonging to Ethias, better known as the “**FIRST A**” portfolio.

### 25 April

**Three DECAVI trophies** for Ethias

- Best «Civil Liability Car» (3rd time)
- Best «Tenant Insurance» (3rd time)
- Best «Family Insurance» (8th time)

### 17 May

Ethias publishes its **first non-financial report** since the transposition of the Directive 2014/95/EU into Belgian law on 3 September 2017. This report describes the social and environmental situation of Ethias. It is the result of a successful collaboration throughout the entire company, represented within a Joint Ethics Committee, hence demonstrating the quality and strength of the company's social cohesion. The insurer of tomorrow will be the one that brings more added value to our society.



### 12 June

On June 12, 2018, Fitch confirmed Ethias' BBB+ rating (positive outlook). The rating was then upgraded to A- (stable outlook) in January 2019.

27 June

The Board of Directors validates the company's vision for the next 5 years.



3 August

Ethias modernises and revitalises its home insurance for owners and tenants! **Since 1 August 2018, Ethias has been the only insurer in Belgium whose existing and new clients will no longer pay a deductible as soon as a claim exceeds 258.70 euros.**

9 August

Using the **E-Healthbox**: faster, more efficient and cheaper! All parties concerned, both managers and the Administration of Medical Expertise (Medex), benefit from this innovation, which reduces the time required to process files.

27 August

After the payment of a 150 million euros dividend in May 2018, Ethias pays an interim dividend of 118 million euros to its shareholder Vitrufin.

31 August

From now on, clients with a health care insurance can register on MyEthias - Health Care via their identity card.

MyEthias - Health Care is an e-service allowing private individuals or beneficiaries of a group insurance to send and track their health care refund requests online. On Friday 31 August, Ethias took another step towards simplifying access to its e-services.



24-25 September

More and more companies are deciding to invest in a hackathon to gather new information and invent agile solutions. Ethias, as an innovative insurer, was co-organizer of the "B- Hive Hackathon" on the detection of forms of insurance fraud.

25 September

The countdown is on to the celebration of our 100th anniversary in 2019 and our entry into the select club of centennial companies in Belgium!



28 September

The transaction with Laguna Life (subsidiary of Monument Re) on the "FIRST A" portfolio in run-off is closed.

1 October

Offices will now be open on Thursdays until 7pm and the 10 Flagship Offices will be open on weekdays from 8am to 5pm and on Saturdays from 9am to 12pm. The office on the Rue des Fripiers in Brussels will close 1/2 hour earlier than the other offices and will open 10 Saturday afternoons.

4 October

Ethias and the Belgian Red Cross present Belgium's first driving simulator for emergency vehicles.

This simulator allows drivers to work on all types of environments (road, urban area, motorway, track) with different weather conditions (night, good weather, snow, fog, rain ...)

17 October

**Ethias maintains an excellent NPS (net promoter score) (52) for the year 2018.**

Since February 2014, we have been measuring on a weekly basis the satisfaction of our individual policyholders following their contact with Ethias. Whether it is the taking out of insurance, the modification of a contract or the settlement of a claim, the satisfaction of our clients is essential.

The scores of the 3 departments remain stable compared to 2017:

- The NPS of the Sales & Customer Care Retail Department records a score of 52 (vs. 52 in 2017);

- The NPS of the Policy Department records a score of 30 (vs. 32 in 2017);
- The NPS of the Claims Department records a score of 56 (vs. 57 in 2017).

#### 18 October

The City of Brussels confirms its willingness to place its trust in Ethias Pension for managing the supplementary pensions of part of its contract personnel. The arrival of this new affiliate company, as well as the exchanges currently underway with other prospects, confirm Ethias' strategy of developing a multi-employer fund.

#### 23 November

Along with 14 other companies, associations and public institutions, Ethias signs the Charter of companies committed against domestic violence. This commitment is part of its corporate social responsibility.

#### 13 December

Ethias is the only insurance company in Belgium to offer its clients the "FibriCheck" application free of charge for 7 days. FibriCheck is a medical application, approved by doctors and cardiologists, that monitors and controls cardiac arrhythmias.



#### 19 December

From 2019 to 2022, a partnership between UCL and Ethias will be set up: this will involve sponsoring a University Chair on Complementary Pensions and two doctoral students. In the current context of ageing, the sustainability of pensions is a major societal challenge for the coming decades.

# MANAGEMENT REPORT

Report of the Board of Directors of Ethias SA to the General Assembly of Ethias SA on May 22, 2019.

## 1. KEY FACTS OF 2018

### 1.1 DIVIDEND PAYMENT

At the General Assembly of Ethias SA on 16 May 2018, it was decided to distribute a dividend of 150 million euros to the parent company Vitrufin SA. This dividend was followed by the payment of an interim dividend of 118 million euros, decided at the end of the Board of Directors' meeting of 27 August 2018. These two payments enabled Vitrufin to reimburse its senior loan in January 2019.

### 1.2 FITCH RATING

On 12 June 2018, the agency Fitch confirmed Ethias' BBB+ rating by combining it with a positive outlook (previously stable outlook). This improvement was motivated by the probable reimbursement in January 2019 of the debt issued by Vitrufin as well as by the total sale of the "FIRST A" retail life insurance portfolio, which make Ethias' level of capitalisation, its profitability and its financial flexibility sustainable.

On 22 January 2019, Fitch upgraded Ethias' IFS rating from BBB+ (positive outlook) to A- (stable outlook), underlining that the reimbursement of the senior loan of 278 million euros by Vitrufin and the total sale of the remaining "FIRST A" portfolio complete an action plan that has enabled Ethias SA to reinforce its capitalisation, its financial flexibility and its asset & liability management (ALM).

### 1.3 SALE OF THE REMAINING FIRST A PORTFOLIO

The transaction with Laguna Life (a subsidiary of Monument Re) on the «FIRST A» portfolio in run-off was finalized with a price adjustment of 12 million euros in favour of Ethias.

### 1.4 MARKET CONDITIONS IN 2018

In 2018, economic news was dominated by political elements, including Donald Trump's statements on China or Iran, the uncertainty surrounding the Brexit, the Italian budget. However, it should also be stressed that the slowdown in global growth is also due to structural factors. Indeed, the most fragile emerging economies experienced major difficulties in 2018, and this risk from the emerging countries has accentuated the slowdown in China's activity, the driving force of global economy.

Moreover, even if the United States is still experiencing solid growth, the latest business and consumer survey results in 2018 are not positive and suggest a slowdown in economic activity for 2019. As expected, the Fed raised its key rates four times in 2018, reaching 2.50%. The ECB, for its part, confirmed the end of its net asset purchase programme (QE) from January 2019 onwards. It also left its interest rates unchanged over 2018.

Europe is marked by uncertainties about the outcome of the Brexit. In addition, the Italian budget saga demonstrated the growth of political risk in Europe with the rise of populist parties advocating an exit from the euro zone as a solution and/or announcing programmes that jeopardise budgetary stability.

As regards the financial markets, in this context of mixed macroeconomic figures with persistent political tensions and monetary tightening by central banks, bond yields have experienced considerable volatility. In fact, the 10-year OLO rate fell from 0.70% at the beginning of January to 1% at the end of February and then gradually declined to a low of 0.63% in July. It finally closed the year at 0.77%.

The German 10-year Bund also rebounded at the beginning of the year, offering a return at its highest at 0.77% before falling to 0.24% at the end of the year (the lowest since April 2017).

For the peripheral countries, performances were disparate. Portugal and Spain benefited from their strong economic performance and positive comments from rating agencies. As a result, their risk premiums went down in 2018.

Italy, following its political and budgetary turbulence, saw its 10-year rate rise to 3.69% (a record since March 2014). The compromise between Rome and Brussels reached in December allowed Italian

rates to ease, with the 10-year rate finally ending at 2.74% (+73 bps compared to end-2017).

On the corporate bonds markets, the 5-year iTraxx index - representing the risk premium related to the financing of businesses across all sectors - started the year at 45 bps to end at 88 bps. This widening trend continued throughout 2018, demonstrating the increase in nervousness across the market.

There was no shortage of anxiety-inducing themes for investors in 2018 (protectionism and trade war, Brexit, the Italian budget, etc.) and this is likely to continue in 2019.

Despite a rather good start to the year, 2018 ended in a sharp decline for equity markets in a complicated political context and with an economic outlook that deteriorated throughout the year. The last quarter of 2018 was particularly difficult for equities. In the United States, the S&P Index experienced an upward trend until September 2018, driven by the effects of Donald Trump's tax reform and good figures from the US economy. Then, the indicator suffered a sharp decline against the backdrop of the Sino-American trade war, the Fed's continued rate hikes and US recession expectations for 2020: The S&P finally lost -6.24% over the year 2018. European equity markets experienced the same dynamic, amplified by additional stress factors such as weak European growth, the Italian crisis and the lack of progress on Brexit. The Euro Stoxx 50 index closed the year at -14.34%. At the level of European sectors, there was a wide dispersion of performance. The worst result was in the banking sector (-33.29%) while the luxury sector had the best performance (+1.89%).

## 2. ANALYSIS OF THE RESULTS OF THE FINANCIAL YEAR

The year 2018 records an operating result of 177 million euros. After taking into account non-recurring items, the net result of the year amounts to 170 million euros. This net result is 61% higher than in 2017, which was strongly impacted by non-recurring items not repeated in 2018.

Total income amounts to 2,694 million euros, i.e. an increase by 8.5% compared to the 2017 income.

### 2.1 NON LIFE

**The result of Non Life business amounts to 145 million euros at end-2018.**

Income amounts to 1,382 million euros and grows by 4% compared to 2017. It breaks down as follows between the segments "Private Individuals" and "Public Bodies & Companies":

- Income for Private Individuals is stable compared to 2017 and amounts to 577 million euros;
- Income for Public Bodies & Companies amounts to 805 million euros and grows compared to 2017 (757 million euros) in particular through the development of brokerage.

Adverse climatic events and an increase in the claims rate have weighed on the net combined ratio, which stands at 96%.

The financial result was penalised by the decline in the stock markets, which has led to the recording of a non-recurring financial charge of 7 million euros.

### 2.2 LIFE

**The result of Life business amounts to 37 million euros at end-2018.**

Income at end-2018 is up 14% compared to 2017 and amounts to 1,312 million euros, including 55 million euros in Private Individuals and 1,257 million euros in Public Bodies & Companies.

Income in Life Individuals remains stable compared to 2017.

Life income in Public Bodies & Companies exceeds one billion euros and mainly results from the commercialization of Life Insurance products of the 1st pillar (pension insurance) and 2nd pillar (group insurance).

The non-recurring financial result amounts to 1 million euros, resulting from capital gains on asset sales, offset by exceptional impairments following the decline in equity markets.

A provision for profit-sharing of 42 million euros was allocated (versus 33 million euros in 2017), mainly on 1st-pillar ring-fenced funds.



## 2.3 NON-TECHNICAL

In 2018, the non-technical result before taxes shows a positive contribution of 6 million euros compared to -159 million euros in 2017, when exceptional items, including the cost of the sale of the remaining “FIRST A” portfolio, weighed on the result. Tax expenses of the financial year amount to 18 million euros compared to 3 million euros in 2017.

## 2.4 EVOLUTION IN EQUITY

After appropriation of the result, equity increases by 52 million euros to 1,174 million euros, compared to 1,122 million euros at end-2017, following a net profit of 170 million euros and the payment of an interim dividend of 118 million euros.

## 2.5 SOLVENCY II MARGIN LEVEL

The SII margin at end-December 2018<sup>1</sup>, based on the standard formula, amounts to 181 %.

# 3. ASSESSMENT OF INTERNAL CONTROL

The preparation of the report on the assessment of the internal control system is in conformity with the BNB circular 2015\_21 on internal control as well as with the COSO 2013 standards.

### In terms of control environment, Ethias:

- pays attention to the respect of the integrity and the ethical values it enshrines;
- Ethias aims at reaching its objectives through a clear definition of its organic structures and of the appropriate competences and responsibilities.
- shows its commitment to attract, train and hold competent co-workers in accordance with the objectives of its multi-year plan;
- reinforces for each of its employees the duty to give account of his internal control responsibilities.

### In terms of risk assessment:

- Ethias ensures a clear definition of the objectives assuring the identification and assessment of risks linked to its objectives.
- Ethias identifies the risks linked to the achievement of its objectives within the scope of its responsibilities and regularly analyses these risks in order to determine the appropriate management modalities for its risks.
- Integrates the internal and external fraud risk in the assessment of risks that can compromise the achievement of its objectives.
- identifies and regularly assesses the changes that could have a significant impact on its internal control system.

### In terms of controlling activities, Ethias:

- develops and/or reviews its controlling activities by means of guidelines which specify the objectives and procedures implementing these directives.
- selects and develops the controlling activities - including information technology general controls - that contribute to the maintenance or decrease of risks linked to the achievement of its objectives at acceptable levels.

### In terms of information and communication, Ethias:

- Ethias communicates internally the information which is required for proper functioning of the other internal control components, more specifically by obtaining relevant and qualitative information.
- communicates with third parties on the points that may affect the functioning of other components of the internal control.

### In terms of steering, Ethias:

- Ethias realises permanent and/or punctual assessments to check if the internal control components have been developed and are operable.
- communicates, in due time, an assessment of the internal control's deficiencies to the persons responsible for corrective measures, in particular to the Executive Committee and the Audit and Risk Committee.

The internal control system is constantly evolving and, in 2018, a monitoring was carried out on the actions aimed at improving governance. In addition, Ethias is continuing the implementation of an operational excellence programme and is finalizing the overhaul of all internal policy guidelines.

<sup>1</sup> Based on the quarterly QRT.



## 4. MAIN RISKS (EXPOSURE AND MANAGEMENT POLICY) AND USE OF THE FINANCIAL INSTRUMENTS

### 4.1 GOVERNANCE WITH REGARD TO RISK MANAGEMENT

A review of the structure of the risk management committees took place in early 2019, the presentation below takes into account this adaptation.

Good governance of an insurance company requires the introduction of the following functions: Internal Audit, Compliance, Risk Management and Actuarial Control. These are not only independent control functions but also governance functions. Their conclusions and advices are translated into measures to reinforce the management structure, the organisation and the internal control system. These functions are structured in such a way that they constitute three «defence lines»:

#### First defence line - Daily risk monitoring

**The first defence line is provided by operational lines and support functions (accounting, asset management, IT, human resources, etc.). It is their responsibility to identify the risks posed by each operation and to respect the procedures and limits set.**

Ethias sees to it that every employee has a suitable understanding of the risks that are likely to threaten the correct fulfilment of the activities he/she is responsible for. Hence, each employee is responsible for the identification and the assessment of the risks that are incurred on an ongoing basis.

Furthermore, a network of «risk» correspondents within the operational lines and the support functions permits to benefit from the technical skills of the experts in the field, including complaints, operational incidents and GDPR.

#### Second defence line - Risk supervision

**The second defence line includes the control functions of the risk management function, the actuarial function (actuarial control) and the compliance function, which are responsible for ensuring that the risks have been identified and managed by the 1st line, according to the rules and procedures envisaged.**

These three functions depend on the CRO, who ensures the transversal coordination of the work and the adequate exchange of relevant information.

The CRO, who is a member of the Executive Committee, has to make sure that the structure of Ethias' risk management is operational and has to improve its effectiveness and efficiency. The entities that are hierarchically answerable to the CRO assist him in his assessment of the company's risk profile, of its alignment with its strategy and risk appetite as well as in the identification of future risks.

This second defence line, which is independent of the first one, maintains a methodological framework and underlying processes that allow the control and the supervision of the implemented risk management structure. In the event of exceeding the risk profile wanted by Ethias, it can intervene at the operational level to initiate changes and to help the first defence line in resolving the problems.

Finally, to reinforce Ethias' risk governance, its Executive Committee has decided to set up committees dedicated to risk management:

- the Insurance Reinsurance Committee (IRC);
- the Assets and Liabilities Committee (ALCO).

In fact, these committees are monitoring, decision-making and reporting instruments, particularly in terms of risks. Each committee is chaired by a member of the Executive Committee. The CRO is present in each committee dedicated to risk management. It was the willingness of the Executive Committee and of the Board of Directors to create «strong committees», so as to set up an effective risk governance within the company. It is also with this aim in view that the responsibilities of each committee have been clearly established by means of internal regulations.

The IRC follows the technical risks of the existing products, analyses the mitigation actions of the technical risks, analyses the modifications to existing products or the proposals for new products and supervises the reinsurance programme.

The ALCO has the task of contributing to the protection of Ethias in its liquidity, profitability and solvency aspects, through the alignment of the company's assets and liabilities and to set the guidelines for the investment strategy as well as to monitor the investment portfolios in accordance with the risk appetite and investment philosophy approved by the Executive Committee and the Board of Directors.

### Third defence line - Independent assessment

The third defence line is provided by the Internal Audit, which assesses, among other things, compliance with procedures by the first and second lines of defence and, more generally, the effectiveness of the internal control system. To ensure its independence, this entity reports hierarchically to the CEO directly and functionally to the Audit and Risk Committee.

With regard to risk management, the Board of Directors of Ethias SA assumes ultimate responsibility for the effectiveness of the risk management system. To carry out its missions, it relies on the Audit and Risk Committee. The Audit and Risk Committee advises the Board of Directors on Risk Appetite and risk tolerance issues, analyzes risk reporting, challenges the implementation of the risk management system by the Executive Committee, and verifies its proper application.

## 4.2 RISK APPETITE

Ethias' risk appetite, adapted to Solvency II, has been approved by the Board of Directors and it is based on 4 main axes: solvency, profitability, liquidity and operational excellence. Each of these axes is then developed so as to specify the objectives and the guidelines to be put in place.

## 4.3 INSURANCE RISKS

Insurance risk management is integrated in the company's management as follows:

1. In the Public Sector, policyholders do respect the guidelines that determine the limits with regard to subscription. These limits concern both the general and specific conditions of the contracts, the price setting and the degree of risk. They also determine the level of power that is granted according to the hierarchic level and the procedures to be followed, an «acceptance bureau» deciding at the operational level in the last instance.
2. For Private Individuals, the policyholders are subject to risk acceptance procedures that follow the hierarchical lines and to certain limits that are implemented in the IT systems.
3. The actuarial department and the reinsurance department determine the company's reinsurance needs. The treaties are reviewed annually according to the company's underwriting capacities and the requests from production.
4. Tariffs are established by underwriting actuaries and are submitted to the actuarial control for an opinion. The actuarial control also formulates opinions, in an independent manner, to the executive committee, on the technical profitability of the products, on reinsurance, on the adequacy of the technical provisions, on ALM management and on profit sharing.
5. The IRC follows the technical risks of the existing products, analyses the mitigation actions of the technical risks, analyses the modifications to existing products or the proposals for new ones and supervises the reinsurance program. It reports to the Executive Committee for validation.
6. Any new product or any modification to existing products has been previously analysed by the «products and markets management» department for Private Individuals and by the departments «Life» and «Non Life» for Public Bodies & Companies. All the aspects of the product are then considered: marketing, legal, fiscal, profitability, ALM constraints, compliance, etc., in accordance with the procedure for creating a new product or modifying an existing one validated by the Executive Committee dated November 17, 2014 and December 21, 2015.

## 4.3.1 Financial risks and investment policy

### 4.3.1.1 Management of financial risks

The management of financial risks is integrated in the corporate management/business management as follows:

1. The financial managers must abide by the investment policies and the investment code and they shall ensure that their positions do not exceed the financial limits and do respect the asset allocation.
2. The department Assets Management weekly organizes tactical investment management meetings where it is decided what actions to take, on the one hand, within the context of the above-mentioned constraints and, on the other hand, according to the guidelines and decisions emanating from the ALCO.
3. The ALCO has the task of setting out the guidelines for investments and to monitor the portfolios according to the investment policy approved by the Board of Directors. It reports to the executive committee for validation.
4. The composition and values of the financial portfolios are monthly monitored through the Investment Dashboard. A quarterly report regarding financial risks provides a comprehensive view of the financial risks to which the company is exposed. It contains the risk exposure profile of the assets in portfolio and presents the results of the sensitivity analyses of the portfolios' value.

### 4.3.1.2 Investment policy

As in previous years, the majority of the investments in 2018 were made in government bonds and corporate bonds. As in 2017, low visibility on the expected evolution of interest rates led us to invest gradually throughout the year. The level of liquidity has remained stable over the year. Derivative programmes to hedge against a decline in interest rates have been adjusted in line with ALM objectives and a new hedging programme against a widening of OLO spreads has been put in place.

Real estate investments, in Belgium and in neighbouring countries, have also been continued in line with Ethias SA's intention to increase its exposure to this type of asset class through (direct and indirect) property investments.

As a responsible financial partner, Ethias SA also ensures to promote the compliance of its fundamental values through an ethical investment code. A blacklist of prohibited investments is annually updated. The last version of this investment code was approved by the Executive Committee on 04 December 2018. In its investment property, Ethias SA also prefers investments which strengthen its social role, such as investments in nursing and care homes.

## 4.3.2 ALM risks

A quarterly ALM report allows to diagnose the asset-liability management and the liquidity situation and to propose the necessary corrective measures. This report is analysed by the ALCO committee. The conclusions are presented to the Executive Committee which takes, if necessary, the corrective measures required and which determines the specific steering of certain identified risks. A summary report is transmitted to the Board of Directors.

The ALCO Committee's mission is to contribute to the protection of Ethias in its aspects relating to profitability, liquidity and Solvency II positioning. This committee is responsible for validating the strategies regarding ALM, investment, commercial development and for assuring their follow-up, for validating the strategic asset allocation (SAA), for ensuring the consistency with the Risk Appetite.

## 4.3.3 Operational risks

In order to map the operational risks, Ethias carries out different types of risk assessment, namely:

- operational risk assessment on activities;
- operational risk assessment on projects;
- operational risk assessment on new products;
- operational risk assessment on organisational changes.

Information security and business continuity are integrated into the operational risk management with a view to optimization.

The CRO has also implemented:

- a feedback process for operational incidents of any kind. This should eventually allow to identify incidents of structural origin;
- an information monitoring process allowing to follow-up the threats that the company might face;
- analysis of complaint statistics.

The Risk Management Committee monitors the operational risks (including compliance risks). It analyses and suggests guidelines for corresponding mitigation/management measures. It reports to the Executive Committee for validation.

#### **4.3.4 Reinsurance**

Reinsurance lies within the control process of the insurance risks. It also contributes to the improvement of the solvency ratio.

The main insurance risks of Ethias SA concern damage and civil liability insurances, liability of motor vehicles and catastrophe risks (natural or human) on people and/or goods.

These risks are covered by means of reinsurance treaties and facultative reinsurance contracts for the risks outside the treaties' scope. The majority of these contracts are concluded on a non-proportional basis.

The reinsurance programmes are divided into four major parts: non life insurance, liability insurance, motor vehicle insurance and personal insurance (accidents at work and death/disability insurances). Each year, they are reassessed to meet the needs of production taking into account the reinsurance market and to hedge the capacities required in the frame of Solvency II.

Reinsurance premium rates on the market were still generally on a downward trend given the absence of major catastrophes worldwide and the substantial capacities available.

There has been little change in reinsurance programmes between 2017 and 2018. On the whole, our reinsurance cost is stable.

## **5. INFORMATION REGARDING ENVIRONMENTAL AND STAFFING MATTERS**

The non-financial statement is set out in a separate report annexed to this report.

## **6. APPROPRIATION OF THE RESULT**

The net result of the financial year amounts to 170 million euros. After transfers and charges to the untaxed reserves, the profit for the period available for appropriation amounts to 167 million euros, which, added to the profit carried over from the previous year, leads to a profit for appropriation of 231 million euros.

The following appropriation is proposed to the general assembly:

- allocation to the statutory reserve; 8 million euros;
- remuneration of the capital (dividend): 118 million euros;
- profit to be carried forward: 105 million euros.

## **7. EVENTS OCCURRING AFTER THE FINANCIAL YEAR WAS CLOSED**

No significant events.

## 8. INFORMATION ON CIRCUMSTANCES WHICH MAY SIGNIFICANTLY IMPACT THE COMPANY'S DEVELOPMENT

### 8.1 REGULATORY DEVELOPMENTS - SOLVENCY II

On the basis of the prior consultation of the sector carried out by the European Insurance and Occupational Pensions Supervisory Authority (EIOPA), the European Commission made proposals at the end of 2018 for changes to the Delegated Regulation 2015/35, in particular as regards the methods, assumptions and parameters used in calculating the Solvency Capital Requirement (SCR) according to the «standard formula». These proposals aim at adapting the Solvency II regime to the market developments and to incorporate the practical experience gained during the first years of its application. They could come into force in 2019.

The regulatory uncertainty associated with this revision (actual nature and extent of the changes selected) could have a material impact on the Solvency II ratios of certain insurers. Ethias is hence carefully analysing this proposal of the European Commission so as to be able to assess its financial and organisational impacts.

A more far-reaching reform is expected in 2020. This should include the construction of the risk-free interest rate curve used to discount future cash flows and to assess the impacts of possible rate shocks.

### 8.2 TECHNOLOGICAL DEVELOPMENTS

Ethias is pursuing its large-scale technological transformation programme to support its ambitions and remain at the forefront of technological innovation:

#### 1. Century

Following on from the work begun in 2017, 2018 was devoted to further developments for modernising and automating the management of contracts, claims and invoicing procedures for a large part of the Non Life business by means of the “Guidewire” application.

#### 2. Digital

The “Digital” programme aims to offer Ethias’ clients innovative online services and applications, both in terms of functionality and automation. Security, which is continuously improved, is a central element of the “Digital” program.

Investments were made for the “Digital” programme in 2018 on the following pillars:

##### E-offerings

Digital technology is used to create a new offer for clients (the “Bike & More” product in 2018).

##### E-services

- Development of an invoicing flow for B2B clients.
- Ethias Connect, the extranet for business clients.
- MyEthias: The «Work Accident» module, allowing the management of claims in the specific context of a work accident, by differentiating access between private individuals and public bodies.
- MyEthias: a transversal view allowing the customer to carry out different actions on all his/her contracts.

##### **IT Security**

Continuation of an IT security plan, in particular with regard to external and internal access to customer personal data, access of clients to their dedicated space (My Ethias) and online payment of invoices.

#### 3. Customer Relationship Management

The “Customer Relationship Management” project (hereinafter «CRM») was the subject of investments in 2018, particularly in terms of extending access to Salesforce, managing waiting times in Ethias’ various offices and contact centers, adapting signage to meet the directives of the General Data Protection Regulation (GDPR) and introducing CRM tools to better meet our clients’ needs.

#### 4. Enterprise Architecture

The “Enterprise Architecture” programme (hereinafter «EA») aims to define and verify the application of architectural principles to successfully design and implement the various tools available within Ethias. The EA project was the subject of investments in 2018, notably regarding the «Workplace» strategy and the adaptations required to ensure the control of internal and external flows for the digital project.

## 9. RESEARCH & DEVELOPMENT

In terms of product and service innovation, Ethias committed itself in 2018 to the themes of “mobility” and «smart cities” by developing solutions that will respond to the changes in its clients’ behaviour and anticipate the new needs that these changes imply.

At the same time, Ethias is integrating various national and international ecosystems ensuring a constant connection with technological and behavioural developments, on the one hand, and is building its own ecosystem to support its offer of services and products, on the other hand.

We also innovated in 2018 in terms of products and services:

March 15: the family insurance innovates and covers - automatically and free of charge - new soft mobility devices and electric bicycles ...

In addition, the new product «Bike & More» offers a tailor-made insurance for (electric) bikes, scooters, hoverboard, etc., with 4 cover options: theft insurance - complete protection for the driver and passengers - material damage coverage - breakdown assistance in Belgium.

“Bike & More” is designated by consumers as «**Product of the Year 2019**», in the category «Insurance».

Ethias modernises and revitalises its home insurance for owners and tenants!

**Since 1 August 2018, Ethias has been the only insurer in Belgium whose existing and new clients will no longer pay a deductible as soon as a claim exceeds 258.70 euros.**

MyEthias - Health Care is an e-service allowing private individuals or beneficiaries of a group insurance to send and track their health care refund requests online. On Friday 31 August, Ethias took another step towards simplifying access to its e-services. From now on, clients with a health care insurance can register on MyEthias - Health Care via their identity card.

Ethias is the only insurance company in Belgium to offer its clients the “FibriCheck” application free of charge for 7 days. FibriCheck is a medical application, approved by doctors and cardiologists, that monitors and controls cardiac arrhythmias.

## 10. GOVERNANCE<sup>2</sup>

### 10.1 COMPOSITION

#### 10.1.1 The Executive Committee

Name	Function
Philippe Lallemand	Chairman - Chief Executive Officer
Benoît Verwilghen	Vice-Chairman - Vice CEO - Chief Client Officer
Brigitte Buyle	Member - Chief Digital Transformation Officer
Cécile Flandre	Member - Chief Financial Officer
Frank Jeusette	Member - Chief Risk Officer
Luc Kranzen	Member - Chief Services Officer

### 10.1.2 The Board of Directors

Name	Function
Myriam Van Varenbergh	Chair
Jacques Braggaar	Director
Marc Descheemaecker	Director
Kathleen Desmedt	Director
Philippe Donnay	(Independent) Director
Olivier Henin	Director
Ingrid Loos	(Independent) Director
Marc Meurant	Director
Philip Neyt	Director
Anne-Marie Seeuws	(Independent) Director
Karl Van Brom	Director
Bruno van Lierde	(Independent) Director
Philippe Lallemand	Director
Benoît Verwilghen	Director
Cécile Flandre	Director
Frank Jeusette	Director

### 10.1.3 The Audit and Risk Committee

Name	Function
Bruno van Lierde	Chairman
Marc Descheemaecker	Member
Philippe Donnay	Member
Ingrid Loos	Member
Marc Meurant	Member

### 10.1.4 The Appointments and Remuneration Committee

Name	Function
Myriam Van Varenbergh	Chair
Jacques Braggaar	Member
Olivier Henin	Member
Anne-Marie Seeuws	Member

### 10.1.5 The Statutory Auditor

PwC – Réviseurs d'entreprises SCRL

Woluwe Garden, Woluwedal 18 – B-1932 Sint-Stevens-Woluwe

Represented by K. Cappoen, Accredited Auditor

Ao1969 - Appointed for the financial years 2017, 2018, 2019.

## 10.2 JUSTIFICATION FOR THE INDEPENDENCE AND COMPETENCE OF THE MEMBERS OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is composed of five non-executive directors, amongst whom three independent directors.

The Audit and Risk Committee is chaired by Bruno van Lierde and is also composed of Ingrid Loos, Marc Descheemaeker, Philippe Donnay and Marc Meurant.

**M. van Lierde** is a graduate in law and economics (UC Louvain), and has completed the Stanford Executive Programme. He has extensive experience in financial services, having advised, as Senior Partner and Managing Director of the Boston Consulting Group, the general management of banks and insurance companies on strategy, mergers and acquisitions, organization, major change and performance improvement programmes. He is chairman of Buy Way, Sopartec, Tempora, Europe Hospitals and SOS Children's Villages (Belgium). He is also member of the Board of Directors of NRB and Look&Fin. He is Professor of Strategy at the Solvay Brussels School of Economics and Management. M. van Lierde meets the independence criteria defined in Article 526 ter of the Belgian Company Code.

**Ms. Loos** holds a degree in applied economics (University of Antwerp), a master in economics (KUL) and a master in change management (Sioo - University of Amsterdam). She has made a career in the financial sector by holding senior positions in credit granting, financial engineering, risk management and internal audit. She was Secretary-General of the Fortis Group. Ms. Loos is also chair of the audit committee of local authorities in the Flemish region and independent member of the audit committee of the Flemish Administration. She was a director at PwC Belgium Advisory, practising corporate governance matters. She meets the independence criteria defined in Article 526 ter of the Belgian Company Code.

**M. Descheemaeker** has a degree in applied economics and a post-graduate degree in European Economic Studies. He was managing director of the SNCB, executive vice-president of the ISS group and managing director of ISS Belgium. He is currently chairman of Brussels Airport Company and De Lijn, and director of Vitrufin, the EIB, the EIF, GIMV and the SNCB, where he is also chairman of the audit committee.

**Mr. Donnay** holds a licentiate and a master's degree in economics. After having been a macro-economist at Banque Degroof Luxembourg, Chief Economist at the FEB and Chief of Staff - General and Strategic Policy Units of the Deputy Prime Minister and Minister of Employment and Equal Opportunities and the Deputy Prime Minister and Minister for the Interior and Equal Opportunities, he is currently Planning Commissioner. He is also an independent director of Reacfin, director and chairman of the audit committee of Vitrufin, director of the National Accounts Institute, director of AWEX, member of the High Council of Employment, the High Council of Finance, the Study Committee on Ageing and chairman of the Scientific Committee "Economic Budget". He meets the independence criteria defined in Article 526 ter of the Belgian Company Code.

**Mr. Meurant** is a civil engineer in applied mathematics and has a degree in actuarial sciences. He has acquired a solid experience in the insurance world, having been a member of the executive committee and then CEO of Winterthur-Europe Assurances for Belgium and Luxembourg. He was then CEO of CPH Life where he led the implementation of the Solvency II regulation. He was also a director of BBL Life and BBL Insurance, Touring Assurances, Atelia, Verheyen, Winterhur Czech Republic and a member of the Executive Committee of Assuralia. M. Meurant is currently chairman of Amifor, Smartplan and Bessonnat, risk manager en executive director of M.M.H. as well as director of CPH Life.

## 10.3 JUSTIFICATION FOR THE COMPETENCE OF THE MEMBERS OF THE APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remuneration Committee is composed of four non-executive directors. It is chaired by Myriam Van Varenbergh, Chair of the Board of Directors, and is also composed of Anne-Marie Seeuws, Jacques Braggaar and Olivier Henin.

**Ms. Van Varenbergh** has a degree in tax law and a complementary degree in corporate law. She is a lawyer specializing in corporate law. Ms. Van Varenbergh has been a member of the board of directors of Vandebussche SA, of the Flemish Regulator for Media and of the Luca School of Arts for several years. In addition, she has been a member of the Superior Commission of Justice, the Notary Nomination Commission, the Flemish Council for Electoral Disputes, chair of the non-profit association Amazone and chair of the Council for Equal Opportunities between Men and Women. She is currently still active in several associations, in particular as treasurer of the European Women Lawyers Association. She is also chair of the board of directors of Vitrufin.



**Ms. Seeuws** has a degree in applied economics. She has acquired solid experience in the insurance world, having been a director-member of the executive committee of Baloise Insurance, a director of Euromex Insurance, a director-member and then chair of the executive committee of Nateus Life Insurance, Nateus Insurance, Audi Insurance and a director of Nateus Netherlands and Korfina Insurance. She meets the independence criteria defined in Article 526 ter of the Belgian Company Code.

**Mr. Braggaar** holds a degree in criminology. He held the position of Head of HR-Budget in various ministerial offices. He was Deputy Secretary General, member of the French-speaking and National Management Committee of UNMS, where he was in charge of human resources management of the Directorate-General, and director of several non-profit associations linked to mutual organizations. He was also a director and member of Sowaer's Nomination and Remuneration Committee. He is currently Secretary General of the Socialist Party. He is still a director of Solidararis. Mr. Braggaar has a thorough knowledge of Ethias, having been a director of Ethias Droit Commun (now EthiasCo). He is also a director-member of the executive committee of Vitrufin.

**Mr. Henin** is licensed in law and holds a DEA in economic law. He was director of cabinet in various ministries, director of the European Investment Bank, a representative of the Minister of Finance at the Council of Regency of the NBB and a government commissioner on the Board of Directors of the Deposit and Financial Instrument Protection Fund. He is currently CFO of the SNCB and Chairman of Fedimmo, Vice-Chairman of the SFPI and Director of Brussels Airport, Sabena Aerospace Engineering, Thi Factory, Eurogare and Lineas. Mr. Henin is also chairman of the board of directors of EthiasCo.

## 10.4 CONFLICTS OF INTERESTS

If a director has directly or indirectly a conflicting interest of a financial nature in a decision or transaction under the control of the board of directors, he or she must communicate it to the other directors prior to the deliberations of the board of directors. His/Her declaration and the reasons justifying the opposing interest that exists on his/her behalf must be included in the minutes of the board of directors who takes the decision.

(1) At its meeting on **January 24, 2018**, the Board of Directors **assessed the achievement of the 2017 objectives for the members of the Executive Committee.**

The members of the Executive Committee abstained from taking part in the deliberation and the vote of the Board of Directors, being found that they had, within the meaning of Article 523 of the Belgian Company Code, an opposite interest of a financial nature in the decision that the Board of Directors was likely to take, viz. the awarding of a variable remuneration based on the achievement of their 2017 objectives.

Extract from the minutes of this meeting (free translation from the French original):

"(...) The Board of Directors examines the results of the assessment of the achievement of the 2017 objectives for the members of the Executive Committee using the chart distributed at the meeting, which will remain attached to the minutes.

(...)

The Board of Directors therefore decides to follow the recommendation of the Appointments and Remuneration Committee to grant all members of the Executive Committee a variable remuneration of 6% of their gross annual remuneration.

It is specified that (1) the amount of the CFO's variable remuneration will be pro-rated with regard to her period of employment within the company in 2017, (2) the remuneration adjustment granted to Mr. Verwilghen for the performance of the function of CEO ad interim has not been included in the calculation of his variable remuneration, and (3) Mr. Lallemand's gross annual remuneration takes into account a period of 3 months as a member of the Executive Committee and 9 months as Chairman of the Executive Committee.

In order to meet the requirements of Article 523 of the Company Code, the Board of Directors notes that the decision it has taken to grant a variable remuneration as proposed to the members of the Executive Committee has a financial impact for them and for the company. It justifies this decision by the achievement of the objectives that were assigned to them for the year 2017, in a holistic approach. (...)"

(2) At its **meeting on January 24, 2018**, the Board of Directors examined for the first time the **2018 objectives for the members of the Executive Committee.**

The members of the Executive Committee abstained from taking part in the deliberation and the vote of the Board of Directors, being found they had, within the meaning of Article 523 of the Belgian Company Code, an opposing interest of financial nature in the decision that the Board of Directors was likely

to take, viz. the setting of the 2018 objectives for the members of the Executive Committee.

Extract from the minutes of this meeting (free translation from the French original):

«... The Board of Directors then examines the 2018 objectives for the members of the Executive Committee using the chart distributed at the meeting, which will remain attached to the minutes.

(...)

The Board of Directors therefore asks the management to rework the 2018 objectives on this basis in order to submit them, once again, to the Appointments and Remuneration Committee for approval, first and then to the Board of Directors. (...)"

**(3) At its meeting on February 23, 2018, the Board of Directors set the 2018 objectives for the members of the Executive Committee.**

The members of the Executive Committee abstained from taking part in the deliberation and the vote of the Board of Directors, being found they had, within the meaning of Article 523 of the Belgian Company Code, an opposing interest of financial nature in the decision that the Board of Directors was likely to take, viz. the setting of the 2018 objectives of the members of the Executive Committee, which intervene in the payment of their 2018 variable remuneration.

Extract from the minutes of this meeting (free translation from the French original):

«(...) The Board of Directors reviews the collective and individual objectives for the members of the Executive Committee using the chart that was available on SeeZam and will remain attached to the minutes.

(...)

After an in-depth discussion, the Board of Directors agrees with the proposals made, which have received a favourable opinion from the Appointments and Remuneration Committee.

In order to meet the requirements of Article 523 of the Company Code, the Board of Directors notes that the decision to set the 2018 objectives for the members of the Executive Committee, which intervene in the payment of their 2018 variable remuneration, has a financial impact for them and for the company. The Board of Directors justifies the decision taken by the interest of the company. (...)"

As for the members of the Executive Committee, they point out that no decision has been taken or any transaction decided that would fall within the scope of Article 524ter of the Belgian Company Code.

## 10.5 EXTERNAL OFFICES EXERCISED BY THE LEADERS OF ETHIAS SA<sup>1</sup>

In accordance with the CBFA circular PPB-2006-13-CPB-CPA on the exercise of external functions by the leaders of insurance companies, we publish a list with the external offices exercised by the directors and the members of the executive committee of Ethias SA in other companies than those with which Ethias SA establishes a close relationship.

Are not included in the list of external offices exercised in collective investment undertakings: asset-holding companies and so-called «management companies».

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<sup>1</sup> Situation as of 31/01/2019

## Directors of Ethias SA

Name	Company	Registered office	Field of activity	Office exercised
Braggaar Jacques	Mutualité Solidaris Mons-Wallonie picarde	rue du Fort 48 7800 Ath	Health insurance fund	Director
Descheemaecker Marc	European Investment Bank	98-100 boulevard Konrad Adenauer L-2950 Luxembourg	Investments and credits	Director
	Brussels Airport Company	boulevard Reyers 80 1030 Bruxelles	Airport management	Chairman of the Board of Directors
	De Lijn	Motstraat 20 2800 Mechelen	Public transport	Chairman of the Board of Directors
	European Investment Fund	37b avenue J.F. Kennedy L-2968 Luxembourg	Investments and credits	Director
	GIMV (Listed company)	Karel Oomsstraat 37 2018 Antwerpen	Investments	Director
	NMBS/SNCB	rue de France 56 1060 Bruxelles	Railway transport	Director
Donnay Philippe	Walloon Agency for Export and Foreign Investment (AWEX)	Place Saintelette 2 1080 Bruxelles	Development and management of economic relations	Director
	Federal Planning Bureau	avenue des Arts 47-49 1000 Bruxelles	Production of economic studies and forecasts	Planning Commissioner
	National Accounts Institute	rue du Progrès 50 1210 Bruxelles	Production of statistics, analyses and economic forecasts	Director
	Reacfin	Place de l'Université 25 1348 Louvain-la-Neuve	Actuarial, financial and risk consultancy	Independent director
Henin Olivier	Brussels Airport Company	Boulevard Reyers 80 1030 Bruxelles	Airport management	Director
	Eurogare	Place De Bronckaert 26 4000 Liège	Realisation of railway and architectural projects	Director
	Fedimmo	Chaussée de Wavre 1945 1160 Bruxelles	Property management	Chairman of the Board of Directors
	Lineas	Boulevard du roi Albert II 37 1030 Bruxelles	Rail freight management and development	Director
	Sabena Aerospace Engineering	Avenue E. Mounier 2 1200 Bruxelles	Aeronautical and space maintenance	Director
	NMBS/SNCB	rue de France 56 1060 Bruxelles	Railway transport	Chief Financial Officer
	Federal Shareholding and Investment company	Avenue Louise 54/1 1050 Bruxelles	Financial holding	Vice-Chairman of the Board of Directors
	Thi Factory	Place Marcel Broodthaers 4 1060 Bruxelles	Railway transport	Director
Loos Ingrid	Universiteit Antwerpen	Prinsstraat 13 2000 Antwerp	Education	Director
Meurant Marc	AMIFOR	Galerie du Centre 1000 Bruxelles	Insurance	Chairman of the Board of Directors
	Bessonnat	Rue Jean Piret 1B L-2350 Luxembourg	Financial holding	Chairman of the Board of Directors
	CPH Life	rue Perdue 7 7500 Tournai	Insurance	Director
	M.M.H.	Boulevard A. de Fontaine 15 6000 Charleroi	Insurance	Executive Director
	SmartPlan	rue de Linthout 120 1040 Bruxelles	Insurance intermediation and brokerage	Chairman of the Board of Directors
Neyt Philip	Curalia	rue Archimède 61 1000 Bruxelles	Insurance	Director
	Ghelamco Invest (Listed company)	Zwaanhofweg 10 8900 Ieper	Real estate investments	Director
	Leo Stevens en Cie	Schildersstraat 33 2000 Antwerpen	Investments	Director

Van Lierde Bruno	Buy Way	rue de l'Evêque 26 1000 Bruxelles	Credits	Chairman of the Board of Directors
	Look and Fin	Allée de la Recherche 12 1070 Bruxelles	Investments and credits	Director
	Sopartec	Place de l'université 1 1348 Louvain-la-Neuve	Investments	Chairman of the Board of Directors
	Cliniques de l'Europe	Avenue Defré 206 1180 Bruxelles	Hospitals	Chairman of the Board of Directors
	Tempora	Rue des Anciens Etangs 44-46 1170 Bruxelles	Design and management of exhibitions and cultural sites	Chairman of the Board of Directors
Van Varenbergh Myriam	Vandenbussche	Groendreef 21 9880 Aalter	Construction and real estate development	Director

### Effective leaders of Ethias SA

Name	Company	Registered office	Field of activity	Office exercised
Flandre Cécile	Elia Asset	Boulevard de l'Empereur 20 1000 Bruxelles	Electricity transmission	Director
	Elia System Operator (Listed company)	Boulevard de l'Empereur 20 1000 Bruxelles	Electricity transmission	Director
Lallemand Philippe	Safran Aero Boosters	route de Liers 121 4041 Herstal	Aircraft and space construction	Director
	Assuralia	Square de Meeûs 29 1000 Bruxelles	Professional Association of Insurance Companies	Director and member of the executive committee
	Socofe	Avenue Maurice Destenay, 13 4000 Liège	Financial holding	Director
Verwilghen Benoît	Fin.Co	Duboisstraat 48 2060 Antwerpen	Investments	Director
	Assuralia	Square de Meeûs 29 1000 Bruxelles	Professional Association of Insurance Companies	Director

## 11. REMUNERATION OF THE DIRECTORS

Name of the director (non-executive and executive)	Function in Ethias SA	Remuneration Ethias SA (attendance fees)	Remuneration Ethias SA (fixed compensation)	Number of meetings Ethias SA (Board - Audit & Risk Committee - Appointments & Remuneration Committee)
Myriam Van Varenbergh	Chair	18,000.00	27,500.00	24
Jacques Braggaar	Non-executive director	22,063.92	9,500.00	23
Marc Descheemaecker	Non-executive director	24,000.00	12,500.00	30
Kathleen Desmedt	Non-executive director	18,261.96	7,500.00	14
Philippe Donnay	Non-executive director	27,000.00	12,500.00	33
Olivier Henin	Non-executive director	22,676.88	9,500.00	23
Ingrid Loos	Non-executive director	24,000.00	12,500.00	28
Marc Meurant	Non-executive director	37,482.35	12,500.00	33
Philip Neyt	Non-executive director	14,000.00	7,500.00	14
Anne-Marie Seeuws	Non-executive director	23,680.65	9,500.00	24
Karl Van Borm (*)	Non-executive director	12,000.00	7,500.00	12
Bruno van Lierde	Non-executive director	27,000.00	22,500.00	33
Philippe Lallemand (**)	CEO	-	-	36
Benoît Verwilghen (**)	Vice-CEO/CCO	-	-	29
Cécile Flandre (**)	CFO	-	-	31
Frank Jeusette (**)	CRO	-	-	27

(\*) paid to the City of Antwerp

(\*\*) pursuant to article 11 of the bylaws, the directors' terms of office are exercised free of charge

Name of the director	Function	Remuneration company within the scope of consolidation NRB (***) (Attendance fees)	Remuneration company within the scope of consolidation NRB (***) (Fixed compensation)	Number of meetings NRB (Board of Directors, Appointments and Remuneration Committee, Audit Committee)
Philippe Lallemand	Chairman	4,500.00	12,500.00	11
Brigitte Buyle	Non-executive director	3,000.00	5,000.00	6

(\*\*\*) paid to Ethias SA

Name of the director	Function	Remuneration company within the scope of consolidation NRB (Attendance fees)	Remuneration company within the scope of consolidation NRB (Fixed compensation)	Number of meetings NRB (Board of Directors, Appointments and Remuneration Committee, Audit Committee)
Myriam Van Varenbergh	Non-executive director	3,000.00	3,750.00	6
Bruno van Lierde	Non-executive director	4,500.00	4,687.50	9

Name of the member of the executive committee	Function	Gross remuneration (*)	Gross variable remunerations (*)
Philippe Lallemand	CEO	423.605,95	19.373,91
Benoît Verwilghen (**)	Vice-CEO/CCO	348.590,16	19.724,23
Brigitte Buyle	CDTO	292.465,95	14.742,13
Cécile Flandre (**)	CFO	277.487,76	6.719,17
Frank Jeusette	CRO	283.605,53	14.193,71
Luc Kranzen	CSO	283.619,67	15.185,30

(\*) Does not include other benefits

(\*\*) Independent status

**12. STATUTORY AUDITOR'S REPORT ON THE ANNUAL ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF  
THE COMPANY ETHIAS SA ON THE ANNUAL ACCOUNTS FOR THE YEAR ENDED  
31 DECEMBER 2018**

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We present to you our statutory auditor's report in the context of our statutory audit of the annual accounts of Ethias SA (the "Company"). This report includes our report on the annual accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting d.d. 17 May 2017, following the proposal formulated by the board of directors and following the recommendation by the audit and risk committee and the proposal formulated by the works' council. Our mandate will expire on the date of the general meeting, which will deliberate on the annual accounts for the year ended 31 December 2019. We have performed the statutory audit of the annual accounts of Ethias SA for 11 consecutive years.

**Report on the annual accounts**

***Unqualified opinion***

We have performed the statutory audit of the annual accounts of the Company, which comprise the balance sheet as at 31 December 2018, and the profit and loss account for the year then ended, and the notes to the annual accounts, characterised by a balance sheet total of EUR 16.929.953.245 and a profit and loss account showing a profit for the year of EUR 167.399.253.

In our opinion, the annual accounts give a true and fair view of the Company's net equity and financial position as at 31 December 2018, and of its results for the year then ended, in accordance with the financial-reporting framework applicable to insurance companies in Belgium.

***Basis for unqualified opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing (ISAs) as approved by the IAASB for the years ending as from 31 December 2018, which are not yet approved at the national level. Our responsibilities under those standards are further described in the "*Statutory auditor's responsibilities for the audit of the annual accounts*" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the annual accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Valuation and adequacy of the technical provisions for life insurance and claims to be paid

##### *Description of the key audit matter*

As at 31 December 2018, the technical provisions for life insurance and claims to be paid amount to EUR 9.363 million and to EUR 3.369 million respectively, and represent 75% of the total balance sheet.

The valuation of these provisions is a relatively complex process requiring a significant level of judgement. The assumptions used in determining the value of these technical provisions can be affected by the economic conditions, future management actions as well as the legislations and regulations applicable to the Company. Given the materiality of these technical provisions in the financial statements as well as the level of uncertainty and the risk of inadequacy of the technical provisions, we consider the valuation and the adequacy of the technical provision for life insurance claims to be paid as a key audit matter.

##### *How our audit addressed the key audit matter*

Assisted by our internal actuarial experts, we reviewed the design and tested the operational effectiveness of the key controls put in place by the Company to guarantee the accuracy of the valuation of these provisions and their adequacy. We have focused our audit efforts especially on the controls implemented by the Company to ensure the quality of the data used in calculating the technical provisions.

We also assessed the relevance of the actuarial techniques applied and of the assumptions used in performing the calculation and the adequacy test of the technical provisions, considering the current market conditions, as well as their adequacy in respect of the observed technical results in the period under review.

We assessed the movement analysis of the technical provisions for life insurance as prepared by the management ("Fouret" analysis).

Our review of a sample of claim files allowed us to assess that the provision for claims to be paid were estimated in accordance with the valuation rules as determined by the Company.

Finally, we performed an independent test on the adequacy of the technical provisions, of which the outcome was compared with the amounts as determined by the Company.

We also shared and corroborated our conclusions with the actuaries and the actuarial function of the Company.

*Result of our procedures*

Based on our audit, it is our view that the assumptions used to determine the technical provisions for life insurance and claims to be paid are reasonable.

Valuation of investments for which no quoted price in an active market is available

*Description of the key audit matter*

The Company holds investments for which no quoted price in active markets is available. Indeed, the fair value of a certain number of investments is determined using valuation methods based on observable market data or on unobservable market data.

As at 31 December 2018, the Company holds assets valued by a non-independent counterparty (mainly bonds and other fixed income securities) for an amount of EUR 547.4 million. In addition, the Company holds internally valued assets (mainly corporate bonds) for an amount of EUR 163.9 million.

The valuation of these investments is a key audit matter due to the significance of the estimates made and the impact that the valuation can have on note 3 of the annual accounts and the determination of impairments to be accounted for.

*How our audit addressed the key audit matter*

We reviewed the design and tested the operational effectiveness of the key controls put in place by the Company to guarantee the accuracy of the valuation of these investments.

For a sample of investments, we also reviewed the estimates made and the key assumptions applied to determine the fair value. We also tested the standing data used to determine the fair value.

Finally, we relied on valuation experts in financial instruments who independently recalculated the fair value of a sample of investments.

*Result of our procedures*

It is our view that the key assumptions applied in determining the fair value of these investments are reasonable.

In the course of our independent testing, we did not find any exceptions in respect of the determination of the fair value of the investments for which no quoted price in an active market is available.

Valuation of the intangible assets (excluding goodwill)

*Description of the key audit matter*

The past few years, the Company has made significant investments to improve and modernise its IT tools. The ongoing technological transformation programme covers, among other things, the modernisation of the IT architecture supporting the non-life business.

As at 31 December 2018, the amount of intangible assets (excluding goodwill) related to the other intangible assets and advance payments amounts to EUR 79.4 million. It is mainly related to software, as well as advance payments on IT development costs.

In accordance with the valuation rules of the Company, the intangible assets are recognised as assets based on the historical cost, net of depreciation and impairments. Considering the nature of these intangible assets and their materiality, it is our view that their valuation is a key audit matter.

*How our audit addressed the key audit matter*

We ascertained that the investments in intangible assets met the capitalisation criteria as set down in the accounting law and the Company's internal rules.

We also reconciled the capitalised expenses to the related invoices and verified that the capitalisation criteria were met.

We also assessed the impairment test prepared by the management and the impairment charge accounted for in 2018.

Finally, we checked that the depreciation period of the other intangible assets was reasonable in light of their estimated useful lives and that the depreciation amounts had been recognised in accordance with the valuation rules of the Company.

*Result of our procedures*

Our procedures did not reveal any exceptions.

### ***Responsibilities of the board of directors for the preparation of the annual accounts***

The board of directors is responsible for the preparation of annual accounts that give a true and fair view in accordance with the financial-reporting framework applicable to insurance companies in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### ***Statutory auditor's responsibilities for the audit of the annual accounts***

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the annual accounts of insurance companies in Belgium.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit and risk committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and risk committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit and risk committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## **Other legal and regulatory requirements**

### ***Responsibilities of the board of directors***

The board of directors is responsible for the preparation and the content of the directors' report, the separate report on non-financial information and the other information included in the annual report, of the documents required to be deposited by virtue of the legal and regulatory requirements as well as for the compliance with the legal and regulatory requirements regarding bookkeeping, with the Companies' Code and with the Company's articles of association.

### ***Statutory auditor's responsibilities***

In the context of our mandate and in accordance with the Belgian standard (revised in 2018) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report, the separate report on non-financial information and the other information included in the annual report, certain documents required to be deposited by virtue of legal and regulatory requirements, as well as compliance with the articles of association and certain requirements of the Companies' Code and to report on these matters.

***Aspects related to the directors' report and to the other information included in the annual report***

In our opinion, after having performed specific procedures in relation to the directors' report, this report is consistent with the annual accounts for the year under audit, and it is prepared in accordance with the articles 95 and 96 of the Companies' Code.

In the context of our audit of the annual accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report and the other information included in the annual report, is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

The non-financial information required by virtue of article 96, §4 of the Companies' Code is included in a separate report. This report of non-financial information contains the information required by virtue of article 96, §4 of the Companies' Code, and agrees with the annual accounts for the same year. The Company has prepared the non-financial information, based on "UN Global Compact" internationally recognized reference framework. However, in accordance with article 144, §1, 6° of the Companies' Code, we do not express an opinion as to whether the non-financial information has been prepared in accordance with the said "UN Global Compact" internationally recognized reference framework.

***Statement related to the social balance sheet***

The social balance sheet, to be deposited in accordance with article 100, § 1, 6°/2 of the Companies' Code, includes, both in terms of form and content, the information required by virtue of the Companies' Code and does not present any material inconsistencies with the information we have at our disposition in our engagement.

***Statement related to independence***

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the annual accounts and our registered audit firm remained independent of the Company in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the annual accounts referred to in article 134 of the Companies' Code are correctly disclosed and itemized in the notes to the annual accounts.

### **Other statements**

- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting complies with the legal provisions and the provisions of the articles of association.
- There are no transactions undertaken or decisions taken in breach of the Company's articles of association or the Companies' Code that we have to report to you.
- This report is consistent with the additional report to the audit and risk committee referred to in article 79 of the Law of 13 March 2016 related to the status and the control of the insurance companies or reinsurance companies, which refers to the article 11 of the Regulation (EU) N° 537/2014.
- An interim dividend has been distributed during the year in relation to which we have issued the attached report in accordance with legal requirements.
- In accordance with article 523 of the Companies' Code, we are required to report on the following transactions that took place during the year ended 31 December 2018:
  - At its meeting on 24 January 2018, the board of directors assessed the achievement of the 2017 objectives for the members of the executive committee. The members of the executive committee abstained from taking part in the deliberation and the vote of the board of directors, being found that they had, within the meaning of article 523 of the Belgian Companies' Code, an opposite interest of a financial nature in the decision that the board of directors was likely to take, viz. the awarding of a variable remuneration based on the achievement of their 2017 objectives.
  - At its meeting on 24 January 2018, the board of directors examined for the first time the 2018 objectives for the members of the executive committee. The members of the executive committee abstained from taking part in the deliberation and the vote of the board of directors, being found they had, within the meaning of article 523 of the Belgian Companies' Code, an opposing interest of financial nature in the decision that the board of directors was likely to take, viz. the setting of the 2018 objectives for the members of the executive committee.
  - At its meeting on 23 February 2018, the board of directors set the 2018 objectives for the members of the executive committee. The members of the executive committee abstained from taking part in the deliberation and the vote of the board of directors, being found they had, within the meaning of article 523 of the Belgian Companies' Code, an opposing interest of financial nature in the decision that the board of directors was likely to take, viz. the setting of the 2018 objectives of the members of the executive committee, which intervene in the payment of their 2018 variable remuneration.

Liège, 27 March 2019

The statutory auditor  
PwC Réviseurs d'Entreprise scrl / PwC Bedrijfsrevisoren cvba  
represented by



Kurt Cappoen  
Réviseur d'Entreprises / Bedrijfsrevisor



## 13. DETAILS OF BALANCE SHEET AND INCOME STATEMENT ITEMS

### 13.1 BALANCE SHEET

#### 13.1.1 Assets

##### HEADING B. INTANGIBLE ASSETS

- I. Formation expenses: relating to the issue expenses of subordinated bonds.
- II. Intangible assets: These are mainly goodwill related to the acquisition of portfolio and participating interest as well as the amounts invested as «rights» in the «tax shelter» and software and IT developments.

##### HEADING C. INVESTMENTS

- I. Land and buildings.
  - » 1. Real estate for corporate purposes: company buildings
  - » 2. Other: includes buildings intended for rental as well as advance payments on business properties under construction.

##### HEADING E. RECEIVABLES

- I. Receivables arising from direct insurance operations
  - » 1. Policyholders: essentially relating to the amounts due from our policyholders.
  - » 3. Other: includes amounts due from various insurance companies and projected recoveries.
- II. Receivables arising from reinsurance operations: regroup receivables due from reinsurers.
- III. Other receivables: includes guarantees paid, revenues to be recovered from ring-fenced funds, prepaid expenses, various contributions and taxes to be recovered and various debtors.

##### HEADING F. OTHER ASSET ITEMS

- I. Tangible assets: include facilities, machinery, electronic equipment, tools, furniture, rolling stock, fitting-out of buildings and stock.
- II. Cash at bank and in hand: cash in hand and assets in different banks with a term of less than one month.

##### HEADING G. ACCRUALS

- I. Interest and rent received but not yet due: income from portfolio securities and bank deposits received in the financial year 2018 but will be collected in 2019.

#### 13.1.2 Liabilities

##### HEADING E. PROVISIONS FOR OTHER RISKS AND EXPENSES

- III. Other provisions: these are mainly provisions for disputes and for the end-of-career plan.

##### HEADING G. DEBTS

- I. Debt arising from direct insurance operations: includes premiums paid prior to maturity, amounts due to various applicants and benefits to be paid.
- IV. Debts toward credit institutions: mainly includes repo and collateral.
- V. Other debts
  - » 2. Other: essentially includes the suppliers, invoices to be received, unallocated payments and costs on ring-fenced funds.

##### HEADING H. ACCRUALS.

Mainly includes interests not yet due on bond loans.



## 13.2 INCOME STATEMENTS

### 13.2.1 Technical account

#### HEADING 2: INVESTMENT REVENUES - LIFE TECHNICAL ACCOUNT.

#### HEADING 2BIS: INVESTMENT REVENUES – NON LIFE TECHNICAL ACCOUNT.

- » b) income from other investments
- » bb) income from other investments: investment revenues that are assets covering technical provisions and technical debts are recognised under these items.

#### HEADING 3: OTHER TECHNICAL INCOME, NET OF REINSURANCE – NON LIFE TECHNICAL ACCOUNT.

This is income related to RDR management (Direct Settlement Compensation).

#### HEADING 5: CHANGE IN OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE – NON LIFE TECHNICAL ACCOUNT.

This is the change in the indexation provision in Law 1971 and the change in the indexation fund in Law 1967.

#### HEADING 6: CHANGE IN OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE - LIFE TECHNICAL ACCOUNT.

This includes the change in the provision for Life insurance.

#### HEADING 8: OTHER TECHNICAL EXPENSES, NET OF REINSURANCE – NON LIFE TECHNICAL ACCOUNT.

Mainly includes the amount of the capital transferred to the Accidents at Work Fund (FAT) in Law 1971.

#### HEADING 11: OTHER TECHNICAL EXPENSES, NET OF REINSURANCE - LIFE TECHNICAL ACCOUNT.

These are mainly the tax on profit sharing and the tax on certain mathematical provisions Life and the contribution to the Deposit Protection Fund.

### 13.2.2 Non-technical account

#### HEADING 7: OTHER INCOME.

This item mainly includes reversals of impairment and brokerage revenues.

#### HEADING 8: OTHER EXPENSES.

These are losses on the realisation of receivables, impairments on receivables, the change in the provision for the end-of-career plan and the adjustment to the sale price of the “FIRST A” portfolio.



## **14. BALANCE, INCOME STATEMENT AND NOTES**

Figures (in euro units) established on 31 December 2018 by the Board of Directors of 27 March 2019 and checked by the Statutory Auditor on 27 March 2019.

## 14.1 BALANCE SHEET

Assets	2018	2017
<b>B. INTANGIBLE ASSETS</b>	<b>131.957.894</b>	<b>128.958.877</b>
<b>I. Formation expenses</b>	<b>1.276.250</b>	<b>2.033.732</b>
<b>II. Intangible assets</b>	<b>130.681.644</b>	<b>126.925.145</b>
1. Goodwill	51.288.549	57.278.282
2. Other intangible assets	19.378.344	17.454.984
3. Advance payments	60.014.751	52.191.879
<b>C. INVESTMENTS</b>	<b>14.224.981.329</b>	<b>14.904.239.973</b>
<b>I. Land and properties</b>	<b>245.615.059</b>	<b>268.940.988</b>
1. Real estate for corporate purposes	70.029.681	73.725.345
2. Others	175.585.378	195.215.643
<b>II. Investments in associates and share interests</b>	<b>420.185.565</b>	<b>416.317.426</b>
Associates	352.617.381	341.497.326
1. Participating interests	318.725.283	305.500.326
2. Certificates, bonds and receivables	33.892.098	35.997.000
Other companies linked by a participating interest	67.568.184	74.820.100
3. Participating interests	38.999.125	42.508.691
4. Certificates, bonds and receivables	28.569.059	32.311.409
<b>III. Other financial investments</b>	<b>13.552.995.790</b>	<b>14.212.851.751</b>
1. Shares, share interests and other variable income securities	444.422.957	448.834.627
2. Bonds and other fixed-income securities	12.469.364.675	13.004.608.487
4. Mortgage loans and mortgage credits	352.660.177	402.325.211
5. Other loans	285.403.419	351.775.865
6. Deposits with credit institutions	1.144.535	5.138.276
7. Others	27	169.285
<b>IV. Deposits with ceding companies</b>	<b>6.184.915</b>	<b>6.129.808</b>
<b>D. INVESTMENTS RELATED TO OPERATIONS LINKED TO A «LIFE» BUSINESS INVESTMENT FUND WHOSE INVESTMENT RISK IS NOT BORNE BY THE COMPANY</b>	<b>1.173.221.869</b>	<b>810.549.540</b>
<b>Dbis. REINSURERS' SHARE OF TECHNICAL PROVISIONS</b>	<b>142.604.465</b>	<b>131.970.962</b>
<b>I. Provision for unearned premiums and outstanding risks</b>	<b>596.425</b>	<b>682.217</b>
<b>II. Provision for Life insurance</b>	<b>2.067.066</b>	<b>783.510</b>
<b>III. Provision for claims to be paid</b>	<b>139.940.974</b>	<b>130.505.235</b>
<b>E. RECEIVABLES</b>	<b>430.870.765</b>	<b>386.668.878</b>
<b>I. Receivables arising from direct insurance operations</b>	<b>216.676.798</b>	<b>205.414.576</b>
1. Policyholders	98.808.349	90.342.124
2. Insurance intermediaries	28.798.821	30.807.407
3. Others	89.069.628	84.265.045
<b>II. Receivables arising from reinsurance operations</b>	<b>104.473.616</b>	<b>91.152.649</b>
<b>III. Other receivables</b>	<b>109.720.351</b>	<b>90.101.653</b>
<b>F. OTHER ASSET ITEMS</b>	<b>627.420.821</b>	<b>564.730.873</b>
<b>I. Tangible assets</b>	<b>24.492.726</b>	<b>23.286.940</b>
<b>II. Available values</b>	<b>602.928.095</b>	<b>541.443.933</b>
<b>G. ACCRUALS</b>	<b>198.896.102</b>	<b>223.319.581</b>
<b>I. Interest and rent earned but not yet due</b>	<b>198.896.102</b>	<b>223.319.581</b>
<b>Total assets</b>	<b>16.929.953.245</b>	<b>17.150.438.684</b>

Liabilities	2018	2017
<b>A. EQUITY</b>	<b>1.174.155.540</b>	<b>1.122.296.393</b>
<b>I. Subscribed capital or equivalent funds, net of uncalled capital</b>	<b>1.000.000.000</b>	<b>1.000.000.000</b>
1. Issued capital	1.000.000.000	1.000.000.000
<b>III. Revaluation surpluses</b>	<b>25.552.859</b>	<b>26.248.883</b>
<b>IV. Reserves</b>	<b>43.909.307</b>	<b>31.953.389</b>
1. Statutory reserve	34.750.000	26.350.000
3. Untaxed reserves	8.526.005	5.603.389
4. Available reserves	633.302	0
<b>V. Result carried forward</b>	<b>104.693.374</b>	<b>64.094.121</b>
1. Profit carried forward	104.693.374	64.094.121
<b>B. SUBORDINATED DEBTS</b>	<b>465.416.976</b>	<b>462.472.403</b>
<b>Bbis FUNDS FOR FUTURE APPROPRIATIONS</b>	<b>6.378.650</b>	<b>7.728.650</b>
<b>C. TECHNICAL PROVISIONS</b>	<b>13.296.721.350</b>	<b>13.629.267.279</b>
<b>I. Provisions for unearned premiums and outstanding risks</b>	<b>291.365.781</b>	<b>293.272.275</b>
<b>II. Provision for Life insurance</b>	<b>9.362.519.858</b>	<b>9.765.963.190</b>
<b>III. Provision for claims to be paid</b>	<b>3.369.176.378</b>	<b>3.292.464.549</b>
<b>IV. Provision for profit sharing and refunds</b>	<b>44.018.915</b>	<b>34.534.465</b>
<b>V. Equalization and catastrophe provision</b>	<b>23.502.697</b>	<b>31.440.312</b>
<b>VI. Other technical provisions</b>	<b>206.137.721</b>	<b>211.592.488</b>
<b>D. TECHNICAL PROVISIONS RELATED TO OPERATIONS LINKED TO A LIFE BUSINESS INVESTMENT FUND WHOSE INVESTMENT RISK IS NOT BORNE BY THE COMPANY</b>	<b>1.173.221.869</b>	<b>810.549.539</b>
<b>E. PROVISIONS FOR OTHER RISKS AND COSTS</b>	<b>106.493.926</b>	<b>213.706.645</b>
<b>I. Provisions for pensions and similar liabilities</b>	<b>1.517.155</b>	<b>3.476.887</b>
<b>II. Provisions for taxes</b>	<b>3.664.612</b>	<b>2.880.925</b>
<b>III. Other provisions</b>	<b>101.312.159</b>	<b>207.348.833</b>
<b>F. DEPOSITS RECEIVED FROM REINSURERS</b>	<b>114.403.323</b>	<b>103.001.026</b>
<b>G. DEBTS</b>	<b>572.624.296</b>	<b>778.842.824</b>
<b>I. Liabilities arising from direct insurance operations</b>	<b>122.645.597</b>	<b>124.422.760</b>
<b>II. Reinsurance payables</b>	<b>6.275.940</b>	<b>4.428.313</b>
<b>IV. Debts owed to credit institutions</b>	<b>257.944.487</b>	<b>342.931.554</b>
<b>V. Other debts</b>	<b>185.758.272</b>	<b>307.060.197</b>
1. Amounts payable for taxes, remuneration and social security	57.581.707	63.425.840
a) taxes	20.806.481	24.419.433
b) remunerations and social security costs	36.775.226	39.006.407
2. Others	128.176.565	243.634.357
<b>H. ACCRUALS</b>	<b>20.537.315</b>	<b>22.573.925</b>
<b>Total liabilities</b>	<b>16.929.953.245</b>	<b>17.150.438.684</b>

## 14.2 INCOME STATEMENT

I. Technical account Non Life	2018	2017
<b>1. EARNED PREMIUMS, NET OF REINSURANCE</b>	<b>1.346.221.498</b>	<b>1.303.140.620</b>
a) Gross premiums	1.381.838.962	1.333.968.213
b) Outgoing reinsurance premiums (-)	-37.438.165	-28.814.349
c) Change in provision for unearned premiums and outstanding risks, gross of reinsurance (increase -, decrease +)	1.906.494	-2.028.993
d) Change in the provision for unearned premiums and outstanding risks, reinsurers' share (increase +, decrease -)	-85.792	15.749
<b>2BIS. INVESTMENT INCOME</b>	<b>123.776.715</b>	<b>139.217.265</b>
a) Income of investments in associates or companies linked by a participating interest	<b>7.935.688</b>	<b>7.263.811</b>
aa) associates	<b>5.832.060</b>	<b>5.832.060</b>
1° share interests	5.832.060	5.832.060
bb) other companies linked by a participating interest	<b>2.103.628</b>	<b>1.431.751</b>
1° share interests	878.752	842.197
2° certificates, bonds and receivables	1.224.876	589.554
b) Income from other investments	<b>94.595.894</b>	<b>110.332.753</b>
aa) income from land and properties	88.546	47.320
bb) income from other investments	94.507.348	110.285.433
c) Write-back of value adjustments on investments	<b>10.201.755</b>	<b>13.443.431</b>
d) Gains on disposal	<b>11.043.378</b>	<b>8.177.270</b>
<b>3. OTHER TECHNICAL INCOME, NET OF REINSURANCE</b>	<b>1.799.489</b>	<b>1.155.386</b>
<b>4. CLAIMS COSTS, NET OF REINSURANCE (-)</b>	<b>-1.039.666.144</b>	<b>-918.669.720</b>
a) Net amounts paid	<b>974.042.874</b>	<b>875.333.946</b>
aa) gross amounts	987.301.896	883.268.116
bb) reinsurers' share (-)	-13.259.022	-7.934.170
b) Change in provision for claims to be paid, net of reinsurance (increase +, decrease -)	<b>65.623.270</b>	<b>43.335.774</b>
aa) change in provision for claims to be paid, gross of reinsurance (increase +, decrease -)	75.059.009	38.582.587
bb) change in provision for claims to be paid, reinsurers' share (increase -, decrease +)	-9.435.739	4.753.187
<b>5. CHANGE IN THE OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE (INCREASE -, DECREASE +)</b>	<b>5.454.768</b>	<b>11.894.513</b>
<b>6. PROFIT SHARING AND REFUNDS, NET OF REINSURANCE (-)</b>	<b>-3.022.714</b>	<b>-9.417.682</b>
<b>7. NET OPERATING COSTS (-)</b>	<b>-235.188.223</b>	<b>-243.668.692</b>
a) Acquisition costs	113.627.655	139.975.698
c) Administrative costs	123.560.892	104.415.635
d) Commissions received from the reinsurers and share interests (-)	-2.000.323	-722.641
<b>7BIS. INVESTMENT-RELATED COSTS (-)</b>	<b>-33.453.896</b>	<b>-14.106.012</b>
a) Investment management costs	3.379.579	4.498.437
b) Value adjustments on investments	22.391.833	4.745.176
c) Losses on disposal	7.682.484	4.862.399
<b>8. OTHER TECHNICAL COSTS, NET OF REINSURANCE (-)</b>	<b>-28.653.568</b>	<b>-26.153.246</b>
<b>9. CHANGE IN PROVISION FOR EQUALIZATION AND CATASTROPHE, NET OF REINSURANCE (INCREASE -, DECREASE +)</b>	<b>7.937.615</b>	<b>1.083.824</b>
<b>10. RESULT OF THE NON LIFE TECHNICAL ACCOUNT</b>		
Profit (+)	145.205.539	244.476.256

II. Life technical account	2018	2017
<b>1. PREMIUMS, NET OF REINSURANCE</b>	<b>1.309.593.381</b>	<b>1.148.352.137</b>
a) Gross premiums	1.312.410.806	1.150.458.727
b) Outgoing reinsurance premiums (-)	-2.817.425	-2.106.590
<b>2. INVESTMENT INCOME</b>	<b>425.755.672</b>	<b>480.161.611</b>
a) Income of investments in associates or companies linked by a participating interest	14.407.367	8.643.101
aa) associates	10.810.001	7.390.803
1° share interests	10.810.001	7.390.803
bb) other companies linked by a participating interest	3.597.366	1.252.298
1° share interests	3.024.600	827.429
2° certificates, bonds and receivables	572.766	424.869
b) Income from other investments	296.865.218	345.244.645
aa) income from land and properties	15.469.899	14.834.078
bb) income from other investments	281.395.319	330.410.567
c) Write-back of value adjustments on investments	32.209.685	30.230.947
d) Gains on disposal	82.273.402	96.042.918
<b>3. VALUE ADJUSTMENTS ON INVESTMENTS OF THE ASSETS SIDE D. (INCOME)</b>	<b>74.893.362</b>	<b>108.837.385</b>
<b>4. OTHER TECHNICAL INCOME, NET OF REINSURANCE</b>	<b>3.468.748</b>	<b>4.146.539</b>
<b>5. CLAIMS COSTS, NET OF REINSURANCE (-)</b>	<b>-1.360.748.736</b>	<b>-1.916.878.611</b>
a) Net amounts paid	1.361.082.213	1.918.633.865
aa) gross amounts	1.362.798.297	1.922.020.073
bb) reinsurers' share (-)	-1.716.084	-3.386.208
b) Change in provision for claims to be paid, net of reinsurance ((increase +, decrease -)	-333.477	-1.755.254
aa) change in provision for claims to be paid, gross of reinsurance (increase +, decrease -)	-333.477	-1.755.254
bb) change in provision for claims to be paid, reinsurers' share (increase -, decrease +)	-	-
<b>6. CHANGE IN THE OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE (INCREASE -, DECREASE +)</b>	<b>-137.321.299</b>	<b>411.275.502</b>
a) Change in provision for Life insurance, net of reinsurance (increase -, decrease +)	-193.248.446	463.303.383
aa) change in provision for Life insurance, gross of reinsurance (increase -, decrease +)	-194.532.002	463.994.055
bb) change in provision for Life insurance, reinsurers' share (increase +, decrease -)	1.283.556	-690.672
b) Change in the other technical provisions, net of reinsurance (increase -, decrease +)	55.927.147	-52.027.881
<b>7. PROFIT SHARING AND REFUNDS, NET OF REINSURANCE (-)</b>	<b>-9.484.450</b>	<b>-10.464.850</b>
<b>8. NET OPERATING COSTS (-)</b>	<b>-27.340.206</b>	<b>-37.913.361</b>
a) Acquisition costs	8.001.403	9.330.652
c) Administrative costs	20.074.619	29.042.834
d) Commissions received from the reinsurers and share interests (-)	-735.816	-460.125
<b>9. INVESTMENT-RELATED COSTS (-)</b>	<b>-95.637.422</b>	<b>-72.006.830</b>
a) Investment management costs	16.099.838	-11.947.573
b) Value adjustments on investments	40.502.895	54.150.922
c) Losses on disposal	39.034.689	29.803.481
<b>10. VALUE ADJUSTMENTS ON INVESTMENTS OF THE ASSETS SIDE D. (COSTS) (-)</b>	<b>-122.663.419</b>	<b>-82.591.392</b>
<b>11. OTHER TECHNICAL COSTS, NET OF REINSURANCE (-)</b>	<b>-24.403.824</b>	<b>-9.223.755</b>
<b>12BIS.CHANGE IN FUND FOR FUTURE APPROPRIATIONS (INCREASE -, REDUCTION +)</b>	<b>1.350.000</b>	<b>25.036</b>
<b>13. RESULT OF THE LIFE TECHNICAL ACCOUNT</b>		
Profit (+)	37.461.807	23.719.411

III. Non-technical account	2018	2017
<b>1. RESULT OF THE NON LIFE TECHNICAL ACCOUNT</b>		
Profit (+)	145.205.539	244.476.256
<b>2. RESULT OF THE LIFE TECHNICAL ACCOUNT</b>		
Profit (+)	37.461.807	23.719.411
<b>3. INVESTMENT INCOME</b>	<b>13.996.610</b>	<b>17.005.463</b>
b) Income from other investments	12.669.034	15.284.463
bb) income from other investments	12.669.034	15.284.463
c) Write-back of value adjustments on investments	1.296.000	1.721.000
d) Gains on disposal	31.576	0
<b>5. INVESTMENT-RELATED COSTS (-)</b>	<b>-29.207.567</b>	<b>-28.541.100</b>
a) Investment management costs	27.549.498	28.404.100
b) Value adjustments on investments	545.000	137.000
c) Losses on disposal	1.113.069	0
<b>7. OTHER INCOME</b>	<b>15.015.303</b>	<b>9.825.142</b>
<b>8. OTHER COSTS (-)</b>	<b>6.038.928</b>	<b>-156.573.474</b>
<b>8BIS. CURRENT RESULT BEFORE TAXES</b>		
Profit (+)	188.510.620	109.911.698
<b>15. INCOME TAXE (-/+)</b>	<b>-17.405.066</b>	<b>-3.336.119</b>
<b>15BIS. DEFERRED TAXES (-/+)</b>	<b>-783.686</b>	<b>119.275</b>
<b>16. RESULT OF THE FINANCIAL YEAR</b>		
Profit (+)	170.321.868	106.694.854
<b>17. A) WITHDRAWAL FROM THE UNTAXED RESERVES</b>	<b>1.404.293</b>	<b>223.124</b>
<b>B) TRANSFER TO THE UNTAXED RESERVES (-)</b>	<b>-4.326.908</b>	<b>-1.138.565</b>
<b>18. RESULT FOR THE PERIOD TO BE APPROPRIATED</b>		
Profit (+)	167.399.253	105.779.413

Appropriation and withdrawal	2018	2017
<b>A. PROFIT TO BE APPROPRIATED</b>	<b>231.493.374</b>	<b>215.590.826</b>
1. Profit for the period available for appropriation	167.399.253	105.779.413
2. Profit carried forward from the previous period	64.094.121	109.811.413
<b>B. CHARGE TO SHAREHOLDERS' EQUITY</b>	<b>0</b>	<b>3.803.295</b>
2. to reserves	0	3.803.295
<b>C. TRANSFERS TO EQUITY (-)</b>	<b>-8.400.000</b>	<b>-5.300.000</b>
2. to the statutory reserve	8.400.000	5.300.000
<b>D. RESULT TO BE CARRIED FORWARD</b>		
1. Profit to be carried forward (-)	-104.693.374	-64.094.121
<b>F. PROFIT TO BE DISTRIBUTED (-)</b>	<b>-118.400.000</b>	<b>-150.000.000</b>
1. Remuneration of capital	118.400.000	150.000.000





## N°1. STATEMENT OF INTANGIBLE ASSETS, INVESTMENT PROPERTY AND INVESTMENT SECURITIES

Name	Asset items concerned			
	B. Intangible assets	C.I. Land and properties	C.II.1. Investment in associates	C.II.2. Certificates, bonds and receivables in associated companies
<b>a) ACQUISITION VALUE</b>				
Previous year end	206.659.926	331.833.883	248.377.201	35.997.000
Changes during the year:				
• Acquisitions	24.957.032	0	30.096.756	
• Disposals and withdrawals	-	-18.086.698	-17.257.387	-
• Reclassified between headings	-	-	-	-
• Other changes	-	-	-6.385.659	-
Year end	231.616.958	313.747.185	254.830.911	35.997.000
<b>b) INCREASE IN VALUE</b>				
Previous year end		31.058.927	72.345.152	
Changes during the year:				
• Decided		-	-	
• Cancelled		-	-	
Year end		31.058.927	72.345.152	
<b>c) REDUCTIONS IN VALUE</b>				
Previous year end	77.701.049	93.951.822	15.222.027	-
Changes during the year:				
• Decided	21.958.015	12.301.422	2.920.988	2.104.902
• Written back as excessive	-	-	-	-
• Cancelled	-	-7.062.191	-9.692.235	-
Year end	99.659.064	99.191.053	8.450.780	2.104.902
<b>d) AMOUNTS NOT CALLED UP</b>				
Previous year end			-	
Changes during the year			-	
Year end			-	
<b>NET BOOK VALUE, YEAR END</b>	<b>131.957.894</b>	<b>245.615.059</b>	<b>318.725.283</b>	<b>33.892.098</b>

Name	Asset items concerned			
	C.II.3. Share interests in companies linked by a participating interest	C.II.4. Certificates, bonds and receivables in companies linked by a participating interest	C.III.1. Shares, share interests and other variable income securities	C.III.2. Bonds and other fixed-income securities
<b>a) ACQUISITION VALUE</b>				
Previous year end	57.704.751	32.311.409	457.444.619	13.036.042.720
Changes during the year:				
• Acquisitions	25.232		233.684.401	2.722.877.171
• Disposals and withdrawals	-6.543.881	-3.742.350	-220.900.358	-2.955.667.618
• Reclassified between headings		-	-	-
• Other changes	-25.000	-	-500.016	-285.276.601
Year end	51.161.102	28.569.059	469.728.646	12.517.975.672
<b>b) INCREASE IN VALUE</b>				
Previous year end				
Changes during the year:				
• Decided				
• Cancelled				
Year end				
<b>c) REDUCTIONS IN VALUE</b>				
Previous year end	13.218.970	-	4.990.742	31.434.232
Changes during the year:				
• Decided	450.393	-	36.493.743	38.738.423
• Written back as excessive	-69.370	-	-5.292.653	-7.491.951
• Cancelled		-	-13.638.394	-14.069.707
• Transfers from one heading to another	-2.600.106			
Year end	10.999.887	-	22.553.438	48.610.997
<b>d) AMOUNTS NOT CALLED UP</b>				
Previous year end	1.977.090		3.619.250	
Changes during the year	-815.000		-867.000	
Year end	1.162.090		2.752.250	
<b>NET BOOK VALUE, YEAR END</b>	<b>38.999.125</b>	<b>28.569.059</b>	<b>444.422.958</b>	<b>12.469.364.675</b>

## N°2. STATEMENT OF SHARE INTERESTS AND SOCIAL RIGHTS HELD IN OTHER COMPANIES

NAME, full address of the REGISTERED OFFICE and if it concerns a company under Belgian law, the VAT or NATIONAL NUMBER	Social rights held by			Data extracted from the last available annual report			
	directly		by the subsidiaries	Financial statements as of	Currency	Equity (+ or -) (in thousands of currency units)	Net profit or loss
	Number	%	%				
<b>Air Properties s.a.</b> Rue Léon Laval 12 L-3372 Leudelange B179.427	110.925	51	0	30-09-18	EUR	6.489	1.057
<b>Ankaret Invest s.a.</b> Rue des Croisiers, 24 B-4000 Liège BE 0438.840.866	2.368.879	100	0	31-12-17	EUR	17.561	116
<b>Archeion s.a.</b> Rue des Croisiers, 24 B-4000 Liège BE 0832.269.896	28.410	100	0	31-12-17	EUR	2.181	96
<b>Ariane Building s.a.</b> Place Saint-Jacques, 11/104 B-4000 Liège BE 0862.467.382	8.050	25	0	31-12-17	EUR	2.685	8.329
<b>Ariane Real Estate s.a.</b> Rue des Croisiers, 24 B-4000 Liège BE 0898.866.435	200	100	0	31-12-17	EUR	8.975	-123
<b>Assurcard nv</b> Fonteinstraat, 1A/301 B-3000 Leuven NN 475.433.127	900	20	0	31-12-17	EUR	2.964	86
<b>Bedrijvencentrum Meetjesland-Kerkstraat</b> 108 B- 9050 Gentbrugge BE 0452.586.063	32	27,59	0	31-12-17	EUR	291	-48
<b>Bedrijvencentrum Regio Geraardsbergen</b> Herenveld, 2 B-9500 Geraardsbergen BE 0456.832.584	32	27,12	0	31-12-17	EUR	831	46
<b>Bora s.a.</b> Rue des Croisiers, 24 B-4000 Liège BE 0444.533.281	484	100	0	31-12-17	EUR	6.686	-87
<b>Brussels I3 Funds nv</b> Witte Patersstraat, 4 B-1040 Etterbeek BE 0477.925.433	1.090	18,17	0	31-12-17	EUR	12.459	7.213
<b>Centrexperts NV</b> Leuvensesteenweg,510/30 B-1930 Zaventem BE 0463.891.315	80	10	0	31-12-17	EUR	62	-13
<b>Crédit populaire</b> Place Communale Hôtel de Ville, 1 B-4100 Seraing BE 0403.943.335	400	10	0	31-12-17	EUR	236	-1
<b>De Oostendse Haard VZW</b> Nieuwpoortsesteenweg, 205 B-8400 Oostende BE 0405.277.282	1.400	16,16	0	31-12-17	EUR	18.655	-20
<b>E.D.A. s.a.</b> Avenue de la Cokerie, 9 B-4030 Grivegnée BE 0823.162.982	10	10	0	31-12-17	EUR	215	-5
<b>Epimède</b> Rue Lambert Lombard, 3 B-4000 Liège BE 0634.750.380	2.080	20	0	30-06-18	EUR	393	-2.977

NAME, full address of the REGISTERED OFFICE and if it concerns a company under Belgian law, the VAT or NATIONAL NUMBER	Social rights held by			Data extracted from the last available annual report			
	directly		by the subsidiaries	Financial statements as of	Currency	Equity	Net profit or loss
	Number	%	%				
<b>Ethias Patrimoine s.a.</b> Rue des Croisiers, 24 B-4000 Liège NN 894.377.612	40	100	0	31-12-17	EUR	21.600	272
<b>Ethias Services s.a.</b> Rue des Croisiers, 24 B-4000 Liège NN 825.876.113	999	99,9	0	31-12-17	EUR	307	89
<b>Ethias Sustainable Investment Fund s.a. (European Equities High Yield)</b> Rue des Croisiers, 24 B-4000 Liège NN 865.127.063	223.060	86,6	8,93	31-12-17	EUR	107.042	16.784
<b>Ethias Sustainable Investment Fund s.a. (Global Equities)</b> Rue des Croisiers, 24 B-4000 Liège NN 865.127.063	22.427	100	0	31-12-17	EUR	22.595	2.768
<b>Expertisebureau Bellefroid nv</b> Kiewitstraat, 175,B-3500 Hasselt BE 0429.884.105	13	10,4	0	31-12-17	EUR	703	10
<b>Foncière du Berlaymont SPRL</b> Rue des Croisiers, 24 B-4000 Liège BE 0833.012.640	1.000	100	0	31-12-17	EUR	228	-160
<b>Fonds d'économie solidaire du bassin industriel de Charleroi</b> Bd Pierre Mayence,1 B-6000 Charleroi BE 0464.424.815	5.000	13,19	0	31-12-17	EUR	793	-10
<b>Het Gehucht nv</b> Rue des Croisiers, 24 B-4000 Liège BE 0808.840.636	500	100	0	31-12-17	EUR	1.479	-87
<b>Immo Hofveld s.a.</b> Rue des Croisiers, 24 B-4000 Liège NN 889.535.233	1.000	100	0	31-12-17	EUR	-793	-718
<b>Immovivegnis s.a.</b> Rue des Croisiers, 24 B-4000 Liège BE 0463.660.394	10.500	100	0	31-12-17	EUR	74	36
<b>Impulse Microfinance Investment Fund</b> Sneeuwbeslaan, 20/2 B-2610 Antwerpen NN 870.792.160	1.200	10,54	0	31-12-17	EUR	3.104	-596
<b>Jan Dockx s.a.</b> Rue des Croisiers, 24 B-4000 Liège BE 0458.920.757	2.500	100	0	31-12-17	EUR	2.316	-144
<b>Koala s.a.</b> Rue des Croisiers, 24 B-4000 Liège BE 0873.412.150	400	100	0	31-12-17	EUR	4.487	-116
<b>Les Hauts Prés s.a.</b> Rue des Croisiers, 24 B-4000 Liège BE 0812.149.029	1.000	100	0	31-12-17	EUR	6.392	-1
<b>Lothian Developments IV</b> Rue des Croisiers, 24 B-4000 Liège BE 0463.648.518	1.012.873	100	0	31-12-17	EUR	2.931	-152

NAME, full address of the REGISTERED OFFICE and if it concerns a company under Belgian law, the VAT or NATIONAL NUMBER	Social rights held by			Data extracted from the last available annual report			
	directly		by the subsidiaries	Financial statements as of	Currency	Equity (+ or -) (in thousands of currency units)	Net profit or loss
	Number	%	%				
<b>L'Ouvrier chez lui s.a.</b> Rue d'Amérique, 26/1 B-4500 Huy NN 401.465.578	9.000	51,16	0	31-12-17	EUR	2.649	24
<b>Maison de l'Assurance</b> Square de Meeus, 29 B-1000 Bruxelles BE 0403.306.501	2.776	10,66	0	31-12-17	EUR	2.800	44
<b>NEB Foncière s.a.</b> Rue Louvrex, 95 B-4000 Liège BE 0480.029.838	145	29,41	0	31-12-17	EUR	210	60
<b>NEB Participations s.a.</b> Rue Louvrex, 95 B-4000 Liège BE 0480.029.739	60.503	29,43	0	31-12-17	EUR	64.472	4.640
<b>Network Research Belgium s.a.</b> Parc Industriel des Hauts-Sarts 2e avenue, 65 B-4040 Herstal BE 0430.502.430	42.530	68,39	0	31-12-17	EUR	95.256	6.742
<b>Palais des Expositions de Charleroi S.C.</b> Avenue de l'Europe, 21 B-6000 Charleroi NN 401.553.571	9.856	23,02	0	31-12-17	EUR	325	185
<b>Real Goed Invest</b> Rue des Croisiers, 24 B-4000 Liège BE 0872.354.157	1.046	100	0	31-12-17	EUR	2.439	-39
<b>Sagitta s.a.</b> Rue des Croisiers, 24 B-4000 Liège BE 0812.356.489	240	100	0	31-12-17	EUR	3.376	8
<b>Theodorus II s.a.</b> Avenue Joseph Wybran, 40 B-1070 Bruxelles NN 879.436.147	600	11,11	0	31-12-17	EUR	660	1.528
<b>Vecquim s.a.</b> Rue des Croisiers, 24 B-4000 Liège NN 459.183.449	600	100	0	31-12-17	EUR	1.846	60
<b>Veran Real Estate s.a.</b> Rue des Croisiers, 24 B-4000 Liège BE 0894.106.012	100	100	0	31-12-17	EUR	5.436	-20
<b>Vital Building SA</b> Place Saint-Jacques, 11/105 B-4000 Liège NN 875.171.810	5.000	50	0	31-12-17	EUR	4.443	12

### N°3. ACTUAL VALUE OF INVESTMENTS

Asset items	Amounts
<b>C. Investments</b>	<b>15.446.793.723</b>
I. Land and properties	288.185.972
II. Investments in associates and share interests	643.618.919
– Associates	508.305.981
1. Participating interests	474.391.635
2. Certificates, bonds and receivables	33.914.345
– Other companies linked by a participating interest	135.312.938
3. Participating interests	107.930.362
4. Certificates, bonds and receivables	27.382.57
III. Other financial investments	14.508.803.917
1. Shares, share interests and other variable income securities	520.634.204
2. Bonds and other fixed-income securities	13.333.385.373
4. Mortgage loans and mortgage credits	363.844.901
5. Other loans	289.794.877
6. Deposits with credit institutions	1.144.535
7. Others	27
IV. Deposits with ceding companies	6.184.915

### N° 3BIS. DERIVATIVE FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

Estimate of the fair value of each class of derivative financial instruments not measured at fair value in the accounts, with indications on the nature and the volume of the instruments	Net book value	Fair value
Swap futures contracts, volume: 628,000,000 euros, rate risk	0	22.672.878
Bond futures contracts, volume: 1,400,000,000 euros, credit risk	0	20.288.964

### INVESTMENT POLICY

As in previous years, the majority of the investments in 2018 were made in government bonds and corporate bonds. As in 2017, low visibility on the expected evolution of interest rates led us to invest gradually throughout the year. The level of liquidity has remained stable over the year. Derivative programmes to hedge against a decline in interest rates have been adjusted in line with ALM objectives and a new hedging programme against a widening of OLO spreads has been put in place.

Real estate investments, in Belgium and in neighbouring countries, have also been continued in line with Ethias SA's intention to increase its exposure to this type of asset class through (direct and indirect) property investments.

As a responsible financial partner, Ethias SA also ensures to promote the compliance of its fundamental values through an ethical investment code. A blacklist of prohibited investments is annually updated. The last version of this investment code was approved by the Executive Committee on 04 December 2018. In its investment property, Ethias SA also prefers investments which strengthen its social role, such as investments in nursing and care homes.

## N°5. STATEMENT OF CAPITAL

	Amounts	Number of shares
<b>A. Share capital</b>		
1. Subscribed capital (item A.I.1. of the liabilities)		
- Previous year end:	1.000.000.000	xxxxxxxxxxxxxxx
- Changes during the year:		
- Year end	1.000.000.000	xxxxxxxxxxxxxxx
2. Structure of the capital		
2.1. Shares, share interests and other variable income securities		
Shares without indication of the nominal value	1.000.000.000	20.000.000
2.2. Registered shares of bearer shares		
Registered	xxxxxxxxxxxxxxx	20.000.000
<b>G. Ownership structure of the company at the closing date of the accounts</b>		
Vitrufin SA	xxxxxxxxxxxxxxx	20.000.000

## N°6. STATEMENT OF PROVISIONS FOR OTHER RISKS AND CHARGES - OTHER PROVISIONS

Breakdown of the liability item E.III	Amounts
Provision retirement plan	56.192.526
Provision for disputes	33.253.190
Other provisions for risks and charges	11.866.444

## N°7. STATEMENT OF TECHNICAL PROVISIONS AND DEBTS

Liability items concerned	Amounts
<b>a) Breakdown of the debts (or a part of the debts) with a residual maturity of more than 5 years.</b>	
B. Subordinated debts	465.416.976
II. Non-convertible loans	465.416.976
<b>Total</b>	465.416.976
<b>b) Debts (or part of the debts) and technical provisions (or part of the technical provisions) guaranteed by collaterals or irrevocably promised on the assets of the company.</b>	
D. Technical provisions related to operations linked to a Life business investment fund whose investment risk is not borne by the company	1.173.221.869
G. Debts	216.259.300
IV. Debts toward credit institutions	216.259.300
<b>Total</b>	1.389.481.169
<b>c) Debts with regard to taxes, remunerations and social security costs.</b>	
1. Taxes (item G.V.1.a) of the liabilities	
b) Non due tax debts	20.806.481
2. Remunerations and social security costs (item G.V.1.b) of the liabilities	
b) Other debts with regard to remunerations and social security costs	36.775.226



## N°8. STATEMENT OF ACCRUALS FOR LIABILITIES

Breakdown of the liability item H	Amounts
Financial income to be carried forward	733.955
Financial charges to be allocated (Bond Issue and REPO)	19.803.360

## N°10. INFORMATION ON TECHNICAL ACCOUNTS

### I. Non life insurance

Content	Direct business				
	Total	Total	Accidents and disease	Automobile Civil Liability	Automobile Other branches
			(branches 1 and 2)	(branch 10)	(branches 3 and 7)
1) Gross premiums	1.381.838.962	1.380.707.624	498.991.472	265.122.229	190.085.516
2) Earned gross premiums	1.383.745.455	1.382.532.808	498.670.582	267.166.822	191.304.339
3) Gross damages	1.062.360.905	1.066.136.980	426.093.137	243.394.526	104.924.629
4) Gross operating costs	237.188.546	237.030.304	57.802.986	55.127.054	37.922.758
5) Reinsurance balance	-12.846.015	-12.823.539	-11.832.041	9.591.678	-1.204.109
6) Commissions (art. 37)		32.966.056			

Content	Direct business				
	Marine Aviation Transport	Fire and other damages to properties	General Civil Liability	Credit and Bonding	Miscellaneous financial losses
	(branches 4, 5, 6, 7, 11 and 12)	(branches 8 and 9)	(branch 13)	(branches 14 and 15)	(branch 16)
1) Gross premiums	349.165	211.146.828	118.043.352	174.780	17.469.194
2) Earned gross premiums	353.002	209.148.033	118.412.102	161.957	18.312.939
3) Gross damages	-229.471	148.327.685	82.737.124	4.532	10.205.141
4) Gross operating costs	119.476	42.163.681	18.050.907	47.172	4.257.606
5) Reinsurance balance	0	-13.105.247	3.752.462	0	0
6) Commissions (art. 37)					

Content	Direct business		
	Legal protection	Assistance	Accepted cases
	(branch 17)	(branch 18)	
1) Gross premiums	40.199.427	39.125.661	1.131.338
2) Earned gross premiums	40.205.033	38.797.999	1.212.647
3) Gross damages	25.703.901	24.975.776	-3.776.075
4) Gross operating costs	8.766.212	12.772.452	158.242
5) Reinsurance balance	0	-26.282	-22.476
6) Commissions (art. 37)			

## II. Life insurance

Content	Amounts
<b>A. Direct business</b>	
1) Gross premiums:	1.312.410.806
a) 1. Individual premiums	56.679.851
2. Premiums under group insurance contracts	1.255.730.955
b) 1. Periodic premiums	1.137.274.122
2. Single premiums	175.136.684
c) 1. Premiums for non-bonus contracts	22.175.146
2. Premiums for bonus contracts	1.289.807.924
3. Premiums from contracts where the investment risk is not borne by the com	427.736
2) Reinsurance balance	918.031
3) Commissions (art. 37)	2.917.857
<b>B. Accepted cases</b>	
Gross premiums:	0

## III. Non life insurance and life insurance, direct business

Content	Amounts
<b>Gross premiums</b>	
- in Belgium	2.628.153.795
- in the other states of the EEC	64.964.635

## N°11. STATEMENT ON PERSONNEL EMPLOYED

Categories	2018		
	Total number at closing date	Total average number of persons employed (*)	Number of hours worked
Personnel under employment or internship contract (**)	1.829	1.668,7	2.416.767
Temporary staff and persons made available to the company	0	7,2	12.567
<b>TOTAL</b>	<b>1.829</b>	<b>1.694</b>	<b>2.429.334</b>

Categories	2017		
	Total number at closing date	Total average number of persons employed (*)	Number of hours worked
Personnel under employment or internship contract (**)	1.799	1.671,6	2.096.249
Temporary staff and persons made available to the company	0	0,4	757
<b>TOTAL</b>	<b>1.799</b>	<b>1.672</b>	<b>2.097.006</b>

(\*) The average number of employees is calculated in full time equivalents in accordance with Article 12, § 1 of the Royal Decree of 12 September 1983 implementing the law of 17 July 1975 on the accounting and the annual accounts of companies.

(\*\*) The staff under employment or internship contract is made up of workers entered in the staff register and linked to the company by an employment contract or an internship contract within the meaning of Royal Decree N° 230 of 21 December 19.

### As for the personnel:

A. The following information relating to the financial year and to the previous financial year, concerning employees entered in the personnel register and connected to the enterprise by an employment contract or by a first employment agreement	2018	2017
a) Their total number at the financial year's closing date	1.829	1.799
b) The average number of personnel employed by the company during the previous financial year, calculated in full-time equivalents in accordance with Article 15, §4 of the Belgian Company Code, and broken down according to the following categories:		
- management staff	1.687	1.672
- clerical staff	29	26
- other staff	1.658	1.646
c) The number of hours worked	2.416.767	2.096.249

A. The following information relating to the financial year and the previous financial year, concerning temporary staff and persons made available to the company	2018	2017
a) Their total number at the financial year's closing date	-	-
b) Average number of full-time equivalents calculated in a similar way to employees registered in the personnel register	7,2	0,43
c) The number of hours worked	12.567	757

## N°12. STATEMENT ON ALL ADMINISTRATIVE AND MANAGEMENT COSTS, BROKEN DOWN BY TYPE

Name	Amounts
<b>I. Employee benefit expenses</b>	<b>181.052.641</b>
1. a) Remunerations	106.370.377
b) Pensions	-
c) Other direct social benefits	42.862.616
2. Employers' social security contributions	33.620.116
3. Employers' allowances and premiums for extra-legal insurances	129.111
4. Other employee benefit expenses	30.153
5. Provisions for pensions, remuneration and social security costs	-1.959.732
a) Appropriations (+)	-
b) Expenditures and reversals (-)	-1.959.732
<b>II. Services and other goods</b>	<b>161.264.184</b>
<b>III. Depreciation and write-down on intangible and tangible assets other than investments</b>	<b>25.090.040</b>
<b>IV. Provisions for other risks and expenses</b>	<b>-3.970.000</b>
1. Allocation (+)	2.480.000
2. Expenditures and reversals (-)	-6.450.000
<b>V. Other current expenditure</b>	<b>10.391.466</b>
1. Fiscal operating costs	1.270.584
a) Property tax	1.269.938
b) Others	646
2. Contributions to public bodies	6.103.275
4. Others	3.017.607
<b>VI. Administrative costs recovered and other current income (-)</b>	<b>3.988.086</b>
1. Recovered administrative costs	3.988.086
b) Others	3.988.086
<b>Total</b>	<b>369.840.245</b>

## N°13. OTHER INCOME, OTHER COSTS

Name	Amounts
<b>A. Breakdown of the other income (item 7 of the non-technical account)</b>	
Reversals of write-downs on litigations	10.966.029
Capital gains realised on assets other than investments	22.633
Received commissions	831.126
Others	3.195.515
<b>B. Breakdown of the other costs (item 8 of the non-technical account)</b>	
Amortizations	757.481
Impairments on receivables	12.422.463
Capital losses realised on assets	2.817.964
Provisions for risks and charges	-117.010.095
Divestiture of the FIRST A portfolio	94.170.889
Equity-related charges	487.231
Other	315.139

## N°15. INCOME TAXES

Name	Amounts
<b>A. Breakdown of item 15 a) 'Taxes':</b>	<b>17.977.904</b>
1. Income taxes for the financial year:	17.755.000
a) Refundable advance payments and prepayments	15.525.962
d) Estimated tax supplements (included in heading G.V.1a) of liabilities)	2.229.038
2. Income taxes on previous periods:	222.904
a) Additional income taxes due or paid:	222.904
<b>B. Main sources of differences between the profit before tax, as stated in the accounts, and the estimated taxable profit</b>	
- Changes in reserves, provisions and taxable impairments (excluding shares):	10.400.000
- Income exempt and non-allowable losses on shares:	-11.600.000
- Disallowed expenses (excluding shares):	7.400.000
- Miscellaneous deductions (previous losses, notional interest, income from innovation ...)	-132.200.000
<b>D. Sources of deferred tax assets:</b>	
1. Deferred tax assets:	1.396.400.000
Accumulated tax losses deductible from future taxable profits	0
Accumulated tax losses and definitively taxed income ("RDT") (carry-forward)	299.900.000
Taxed technical provisions	1.045.500.000
Taxed impairments and financial provisions	51.000.000
2. Future tax liabilities:	12.200.000
Surplus value (spread taxation)	12.200.000

## N°16. OTHER TAXES AND CHARGES BORNE BY THIRD PARTIES

	2018	2017
<b>A. Charges:</b>		
1. Charges on insurance contracts borne by third parties	252.960.005	239.521.271
2. Other charges borne by the company	1.296.303	1.772.200
<b>B. Amounts retained on behalf of third parties in respect of:</b>		
1. Withholding tax on earned income	293.890.916	265.894.536
2. Withholding tax (on dividends)	5.436.507	3.860.676

## N°17. OFF-BALANCE SHEET RIGHTS AND COMMITMENTS

	Amounts
<b>B. Personal guarantees given or irrevocably promised on behalf of third parties:</b>	-
<b>C. Real guarantees given or irrevocably promised by the company on its own assets as security for debts and commitments</b>	
a) of the company:	230.846.549
<b>D. Collateral received (others than in cash):</b>	
a) securities and values of reinsurers	97.758.582
b) others:	753.679.995
<b>H. Others:</b>	2.554.131.652
Commitments to acquire real estate	2.023.791
Caps/floor	60.000.000
Infrastructure lending commitments	7.529.305
Participating interest commitments	196.354.593
Bond fund commitments	9.629.956
Equity fund commitments	24.684.641
Infrastructure fund commitments	2.791.996
Commitments to acquire other securities	1.328.000.000
Commitments to dispose of other securities	904.575.824
IT projects commitments	18.541.546

## N°18. RELATIONSHIPS WITH ASSOCIATES AND COMPANIES LINKED BY A PARTICIPATING INTEREST

Relevant items of the balance sheet	Associates		Companies linked by a participating interest	
	2018	2017	2018	2017
<b>C. II. Investments in associates and share interests</b>	<b>352.617.381</b>	<b>341.497.326</b>	<b>67.568.184</b>	<b>74.820.100</b>
1 + 3 Share interests	318.725.283	305.500.326	38.999.125	42.508.691
2 + 4 Certificates, bonds and receivables	33.892.098	35.997.000	28.569.059	32.311.409
- others	33.892.098	35.997.000	28.569.059	32.311.409
<b>D. II. Investments in associates and share interests</b>	<b>2.137.046</b>	<b>152.289</b>	<b>0</b>	<b>547</b>
1 + 3 Share interests	2.137.046	152.289	0	547
<b>E. Receivables</b>	<b>310.918</b>	<b>7.836</b>	<b>0</b>	<b>0</b>
I. Receivables arising from direct insurance operations	310.918	7.761	0	0
III. Other receivables	0	75	0	0
<b>B. Subordinated debts</b>	<b>3.500.000</b>	<b>3.500.000</b>	<b>0</b>	<b>0</b>
<b>G. Debts</b>	<b>21.250.889</b>	<b>9.446.114</b>	<b>0</b>	<b>0</b>
I. Receivables arising from direct insurance operations	560.888	0	0	0
V. Other debts	20.690.001	9.446.114	0	0

## N°18BIS. RELATIONS WITH ASSOCIATES

Relations with the associates (*)	2018	2017
<b>1. Amount of the financial fixed assets</b>	<b>20.793.452</b>	<b>24.127.203</b>
- Share interests	20.793.452	24.127.203

## N°19. FINANCIAL RELATIONS WITH:

	Amounts
<b>A. directors and managers:</b>	
1. Outstanding receivables on these persons	<b>656.571</b>
4. Direct and indirect remunerations and allocated pensions charged to the income statement	
- to directors and managers*	421.166

\* For non-executive directors and without remunerations and other benefits of the executive committee (Pursuant to article 11 of the bylaws, the directors' terms of office are exercised free of charge)

## N°19BIS. FINANCIAL RELATIONS WITH:

The statutory auditor and the persons with whom he is linked	Amounts
<b>1. Remuneration of the statutory auditor:</b>	<b>637.500</b>
<b>2. Fees for exceptional services or special missions accomplished within the company by the statutory auditor:</b>	<b>156.925</b>
- Other control missions	79.300
- Other missions outside the audit missions	77.625
<b>3. Fees for exceptional services or special missions accomplished within the company by the persons with whom the statutory auditor is linked:</b>	<b>87.291</b>
- Tax advice missions	74.791
- Other missions outside the audit missions	12.500

## N°20. VALUATION RULES:

The valuation rules applicable on the income statement are mentioned below.

### ASSET SIDE OF THE BALANCE SHEET

#### INTANGIBLE ASSETS (HEADING B)

Intangible assets are capitalized at their purchase or cost price, including incidental expenses.

Software and development costs are capitalized if they relate to investment projects, i.e. large-scale projects that introduce or replace an important business objective or model.

Computer software and licences that have been purchased or internally created for own use are stated at historical cost, less depreciation and any impairment of assets. Internally created software and licenses are only recognised as intangible assets when the following conditions are met: identification criteria for the asset, control of resources, probability of future economic profits and the ability to measure cost reliably.

Software developed by third parties, as well as internal and external development costs for investment projects, are amortized on a straight-line basis over 5 years from the time the software or developments are ready for use, while for “core” systems with a longer useful life, the term is 10 years.

Internal and external research costs related to these projects, as well as all costs related to ICT projects other than investment projects, are directly included in the income statement. “

Intangible assets other than IT investment projects are amortized on a straight-line basis at a rate of 20%, except for amortization of development costs and goodwill when the useful life cannot be reliably estimated, which is spread over a maximum period of ten years. The amortization period of goodwill is justified in the note to the financial statements.

#### INVESTMENTS (HEADING C)

##### Land and properties (sub-heading C.I.)

They are capitalized at their purchase or cost price, including incidental expenses.

Land is not depreciated.

Immovable properties acquired before 1 January 2011 are depreciated using the linear method at the following rates:

- Immovable properties: 2 %
- Alterations: 10 %

Immovable properties acquired after 1 January 2011 are divided in the following categories:

- Structural work
- Roof
- External woodwork
- Special techniques
- Finishing

These immovable properties are depreciated on a straight-line basis over the expected useful life of each component, after deduction of their residual value, provided that they can be determined reliably.

##### Investments in associates and share interests (sub-heading C.II)

These investments are subjected to depreciation in case of durable impairments. Additional or exceptional impairments can be recognised on a proposal from the Executive Committee.

##### Other financial investments (sub-heading C.III.)

Shares, share interests and other variable income securities (C.III.1)

These investments are subjected to impairments in case of durable capital loss. The existence of a significant unrealised loss with regard to the purchase price, determined on the basis of the weighted average price over a period of 12 consecutive months preceding the closing, is a criterion of durable impairment. The capital loss is qualified as important when it exceeds the purchase price by 20 % in a normal market context. This criterion can be submitted to the Executive Committee for consideration when the markets are more volatile.

Additional or exceptional impairments can be recognised on a proposal from the Executive Committee. The impact of these impairments are included in the notes accompanying

the income statement provided that they represent an important amount.

In case of disposal of securities, the book value, used to calculate the realised gains and losses, is determined on the basis of the weighted average price.

Bonds and other fixed-income securities (C.III.2)

These investments are recognised in the balance sheet at their purchase price.

However, when their actuarial yield, calculated at the time of the purchase (taking into account their redemption amount at maturity) differs from their nominal yield, the difference between the purchase and the redemption amount is recognised through profit or loss, pro rata temporis for the remaining duration of the securities, as elements of the interest yields on these securities and is recorded as increase or reduction of their purchase price. Taking into account the actuarial yield at the time of the purchase, this difference is recognised through profit or loss on a discounted basis.

In accordance with the principles of Article 19 paragraph 1, impairments are systematically applied to the bonds, mentioned in the item C.III.2. of assets, in order to reflect the risk that the counterparties of such securities and receivables do not fully or partially honour their commitments relating thereto, including, but not limited to, the probability that the reimbursement of these securities and receivables is in whole or partly uncertain or compromised. When the market value of these securities and receivables is permanently lower than their net book value, this circumstance is, unless proved otherwise, presumed to be an other-than-temporary impairment which is to be considered for the application of this provision.

The application of the above rules and the decision to recognise an impairment or not is subject to an analysis at each balance sheet closing date. In that analysis, we take into account the following criteria to identify durable losses in value, on the one hand, and to assess whether the recognition of an impairment is required:

Criteria for determining durable losses in value

- The insurance portfolio / the relevant separate management;
- The ability of the company to hold these securities to maturity;
- The duration of the unrealised loss observed.

Criteria taken into account to determine whether an impairment should be recognised

- A significant increase in credit spreads for listed issuers;
- A significant deterioration in credit rating;
- A voluntary or imposed restructuring of the debt;
- The occurrence of a credit event under ISDA rules;
- Significant financial difficulties;
- A failure to pay interests or principal;
- The disappearance of an active market for that financial asset because of financial difficulties;
- A significant decrease in the value of collateral or underlying assets.

With regard to the perpetual loans, the difference between their purchase price and their lower market value is to be considered as a permanent impairment so that these securities are valued at the lowest value between their book value and their market value.

In case of disposal of securities, the book value, used to calculate the realised gains and losses, is determined on the basis of the weighted average price.

Within the framework of an arbitrage operation, the realised gains and losses on the balance sheet are maintained and recognised through profit or loss over the term of the re-investment.

Mortgage loans and mortgage credits - Other loans (C.III.4 & C.III.5)

Impairments are applied to this loans according to the same rule as the one applied to item C.III.2 above.

**Investments related to operations linked to a Life business investment fund whose investment risk is not borne by the company (heading D - branch 23)**

These investments are recognised in the balance sheet at their actual value (market value).

**Deposits with credit institutions (sub-heading C.III.6)**  
**Receivables (heading E)**



### **Available values (sub-heading F.II)**

These items are recognised at their nominal of purchase price.

Impairments are registered to take into account the uncertainties of their recovery.

### **Reinsurers' share of technical provisions (heading D. bis)**

This item shows the reinsurers' commitment. The amounts recorded are obtained in accordance with the various applicable reinsurance treaties.

### **Other asset elements (heading F)**

#### **Tangible assets (sub-heading F.I)**

The tangible assets are capitalized at their purchase or cost price, including incidental expenses.

The depreciations are carried out using the linear method at the following rates:

- plant, machinery, electronic equipment: 33 1/3 %
- rolling stock: 25 %
- office furniture and equipment: 10 %

The office furniture and equipment of which the purchase price is lower than 250 euros are depreciated within the first year.

- medical devices: 20 %

### **Liability side of the balance sheet**

#### **Technical provisions (heading C)**

These provisions are calculated with prudence, taking into account the statutory and regulatory dispositions established by different control organizations.

The provision for equalization and catastrophe is valued using the actuarial method.

#### **Technical provisions related to operations linked to a Life business investment fund whose investment risk is not borne by the company (heading D - branch 23)**

These provisions are estimated based on the actual value of the assets under heading D.

#### **Provisions for other risks and expenses (heading E)**

The provisions for foreseeable risks and expenses are determined with prudence, sincerity and good faith.

The provisions with regard to the previous financial years are regularly reviewed and recognised through profit or loss if they serve no longer any purpose.

#### **Deposits received from reinsurers (heading F) and debts (heading G)**

These items are recognised at their nominal value.

## Other particular rules

### Accounts denominated in currencies

The monetary items are valorised in euro at the spot price at the closing date of the financial year.

The non-monetary items are maintained in euro at their purchase price.

The balance of the negative differences resulting from the conversion of monetary items, other than the technical provisions, is recognised through profit or loss. The balance of the positive differences is recognised in the accruals as deferrable proceed.

### Derivatives

The derivative financial instruments, used on a speculative basis, follow the prudence principle. This means that the unrealised losses are subjected to impairments or are used to constitute provisions for financial risks. However, the unrealised gains are not recognised through profit or loss.

The forward transaction in micro hedging or concluded within the framework of the ALM management are symmetrically valued with the allocation of costs and income of the hedged items for the residual lifetime of these items. Forward transactions for hedging purposes are forward transactions having the purpose of the effect to compensate or to reduce the risk on an asset, a liability, a right, an obligation, an off-balance sheet commitment or a set of items that are homogeneous in nature with regard to their sensitivity to interest rate variations.

Finally, the hedging transactions or the transactions concluded within the framework of the ALM management must be recognised as such and this, from the conclusion of the transaction.

### N°21. CHANGES TO THE VALUATION RULES (ARTS. 16 AND 17):

A. Statement of changes and their justification:

The amortization period for major IT projects relating to the core business has been extended from 5 to 10 years in order to take into account their longer useful life.

B. Estimation difference resulting from the changes (to be indicated for the first time for the financial year in which these changes were made):

Items and sub-items concerned (*)	Amounts
B.II.2. Other intangible assets	1.572.813

### N°22. DECLARATION REGARDING THE CONSOLIDATED INCOME STATEMENT:

A. Information to be completed by all companies:

- The company prepares and publishes a consolidated income statement and a consolidated annual report in accordance with the Royal Decree on the consolidated income statement of insurance and reinsurance companies:

yes / no (\*): Yes

### N°23. ADDITIONAL INFORMATION TO BE PROVIDED BY THE COMPANY ON THE BASIS OF THE DECREE OF 17/11/1994:

The company mentions the additional information required, if applicable:

Art. 27 bis § 3, last paragraph	Amounts
2. Bonds and other fixed-income securities	30.756.829

## Derivative financial instruments used

Swaptions	13 maturity transactions
Forward buy bonds	2 financial year transactions
Forward sell bonds	19 acquisition transactions
Forward buy swaps	17 acquisition transactions and 3 financial year transactions
Call	1 acquisition transactions and 1 financial year transaction
Cap/floor	No acquisition transactions and no disposal transactions

Profit and loss accounts	Result	Reversal of impairment losses	Provision for impairment losses
Swaptions	-14.420	167.885	-153.465
Forward sell bonds	0	0	-2.070.509
Forward buy swaps	-1.377.415	0	0
Call	153.181	0	-51.961
Cap/floor	0	0	-1.373

### Additional impairment on shares

In line with the valuation rules, additional impairments for an amount of 19 million euros were recorded following the deterioration in equity markets at end-2018.

### Other intangible assets

A review of the activation of IT programmes led to the recognition of an additional amortization of 9 million euros.

### Flashing-light provision

On 12 December 2018, the National Bank confirmed, pursuant to Article 34quinquies, § 4 of the Royal Decree of 1 June 2016 amending the Royal Decree of 17 November 1994 on the annual accounts of insurance and reinsurance companies, that it granted to Ethias SA the exemption from the obligation to provide additional provisions for the 2018 financial year, as the solvency requirements were met.

### Goodwill amortization period

The amount of 51 million euros shown on the assets side of the balance sheet under the heading «II.1 Intangible assets - Goodwill» includes:

- Goodwill resulting from the merger with Whestia in 2017, for a net amount of 21 million euros (gross value of 26 million euros), amortized over the duration of the commitments, viz. 10 years.
- Goodwill resulting from the acquisition of the “Work Accidents Law 1967” portfolio as at 31 December 2017, for an amount of 30 million euros (gross value of 34 million euros), amortized over 10 years, based on the duration of the commitments.

## 14.4 SOCIAL BALANCE SHEET

Number of the joint committee competent for the company: 306

### Situation of the persons employed

Employees for whom the company has introduced a Dimona declaration or who are recorded in the general staff register.

2018 (during the financial year)	Total	Men	Women
<b>Average amount of employees</b>			
Full-time	1.442,90	823,3	619,6
Part-time	370,9	101,3	269,6
Total in full-time equivalents (FTE)	1.686,70	882,9	803,8
<b>Number of hours actually worked</b>			
Full-time	2.076.126,00	1.204.652,90	871.473,10
Part-time	340.640,80	86.614,90	254.025,90
Total	2.416.766,80	1.291.267,80	1.125.499,00
<b>Employee benefit expenses</b>			
Full-time	154.179.109,25	87.972.597,30	66.206.511,94
Part-time	26.873.531,25	6.569.575,32	20.303.955,93
Total	181.052.640,50	94.542.172,63	86.510.467,87
<b>Amount of benefits granted in addition to wages</b>	266.145,12	138.975,81	127.169,31

2017 (during the financial year)	Total	Men	Women
<b>Average amount of employees</b>	1.671,50	870,60	800,90
<b>Number of hours actually worked</b>	2.096.248,51	1.097.689,52	998.558,99
<b>Employee benefit expenses</b>	187.970.930,27	106.716.868,41	81.254.061,86
<b>Amount of benefits granted in addition to wages</b>	282.913,92	160.618,92	122.295,00

2018 (at the balance sheet date)	Full-time	Part-time	Total (FTE)
<b>Number of employees</b>	1.514	315	1.728,50
<b>By type of employment contract</b>			
Permanent contract	1.448	315	1.662,50
Fixed-term contract	65		65
Replacement contract	1		1
<b>By sex and educational level</b>			
<b>Men</b>	865	71	908,9
secondary education	149	32	167,7
higher non-university education	437	27	454,1
university education	279	12	287,1
<b>Women</b>	649	244	819,6
secondary education	100	63	140,8
higher non-university education	311	136	410,8
university education	238	45	268
<b>By professional category</b>			
Management staff	29	-	29
Clerical staff	1.485	315	1.699,50

## Temporary staff and persons made available to the company

2018 (during the financial year)	Temporary staff
Average number of persons employed	7,18
Number of hours actually worked	12.566,54
Costs for the company	443.967,57

## Table of the staff turnover during the financial year

Entries	Full-time	Part-time	Total (FTE)
<b>Number of employees for whom the company has introduced a Dimona declaration or who are recorded in the general staff register</b>	96	1	96,5
By type of employment contract			
Permanent contract	63	0	63
Fixed-term contract	33	0,5	33,5

Exits	Full-time	Part-time	Total (FTE)
<b>Number of employees for whom the company has introduced a Dimona declaration or who are recorded in the general staff register</b>	62	5	63,8
By type of employment contract			
Permanent contract	45	4	46,3
Fixed-term contract	17	1	17,5
By reason of termination of the contract			
Retirement	3	0	3
Unemployment with company allowance	6	1	6,8
Dismissal	5	0	5
Other reason	48	1,8	49

## Information about training for employees during the financial year

2018	Men	Women
<b>Formal initiatives of continuing vocational training paid by the employer</b>		
Number of employees involved	778	848
Number of hours of training	9 430	10.467
Net costs for the company	1.231.879	1.354.398
of which gross costs directly linked to trainings	1.140.887	1.255.219
of which contributions and deposits paid to collective funds	90.992	99.179
<b>Less formal or informal initiatives of continuing vocational training paid by the employer</b>		
Number of employees involved	936	893
Number of hours of training	8.896	7.839
Net costs for the company	550.218	484.811

**15. NOTE: DECLARATION ON NON-FINANCIAL INFORMATION**



# NON FINANCIAL REPORT

2018



ethias



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# INTRODUCTION

1919 – 2019: a century at the service of our customers! Ethias is turning 100 years old. Ethias is the insurance leader of public bodies with over 1 200 000 private clients in Belgium. As n°1 insurer in direct distribution, Ethias has always opted for a relationship based on proximity, trust and innovation with its customers. Customer satisfaction has always been a part of our values and of the daily work of our 1.800 employees.

**It is no coincidence that Ethias received an award as the most “customer friendly” insurance company and the strongest brand on the Belgian insurance market in 2018!**

This non-financial report is a new opportunity to demonstrate Ethias’ accomplishments in 2018 and its commitment since 2003, together with the social partners, in the field of Corporate Social Responsibility (CSR).

For Ethias, CSR is much more than a popular concept or a mere communication tool. Above all, it is a management tool that enables the company not only to position its activities in line with its values, its mission statement and its vision but also to evaluate – within the framework of an ongoing dialogue with all its stakeholders – the progress made in the social, societal and environmental fields.

To this end, the Ethics Committee was founded in 2003 in order to bring together as much representatives of the Management as of the employees. This Ethics Committee aims at developing, monitoring and evaluating CSR-related approaches, initiatives and projects for all of our business. The non-financial report is fully in line with this approach. It is the result of the collaboration of the members within the Ethias Ethics Committee, and more broadly of all its employees, but also the fruit of good relations with the various stakeholders.

In the interest of a better, fairer, more ecological and more inclusive world, the

report presents the results of Ethias as a

- Trustworthy insurer
- Sustainable company
- Responsible investor

The insurer of tomorrow will have to bring more added value to society. It has a duty to get involved in social, ethical and environmental causes.

Ethias’ mission statement is simple: “Making insurance easier so as to bring you security, peace of mind and freedom of initiative, with innovative services and products. As partner of your daily life, we put our expertise and our energy at your service.”

We wish you a pleasant reading and remain at your disposal.



**Philippe LALLEMAND**

Chairman of the Executive Committee  
Chief Executive Officer



**Myriam VAN VARENBERGH**

Chairman of the Board of Directors



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# 1. GENERAL FRAMEWORK

## 1.1 KEY TRENDS

The insurance sector is facing numerous challenges brought by evolving consumption patterns and habits, the regulatory and demographic frameworks as well as new technologies.

**A few challenges for the insurance sector:**

### Changing the client's consumption habits

- New risks
- New distribution models
- Shared economy
- Client experience
- Search for the shortest and simplest possible relationship
- ...

### Technological and digital evolution

- Internet of Things (IoT)
- Big Data
- Social networks
- Digitalization
- Robotization
- Artificial Intelligence
- ...

### Regulatory context

- Solvency II
- General Data Protection Regulation (GDPR)
- Insurance Distribution Directive (IDD)
- IFRS<sub>17</sub> Accounting Standards
- Markets in Financial Instruments Directive (MiFID)
- ...

### Macroeconomic and demographic environment

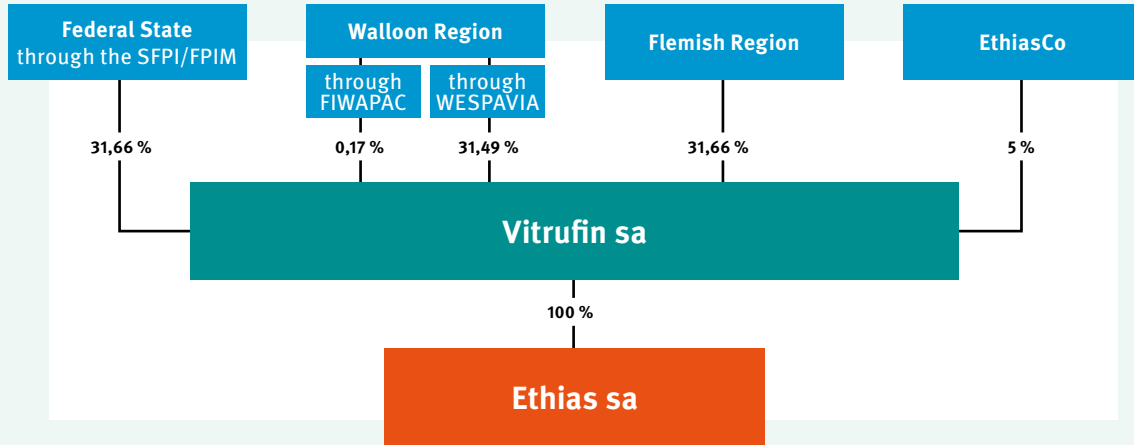
- Population ageing
- Low rate environment
- ...



In this context, Ethias' unique business model revolving around proximity (n°1 Direct insurer and partner of public bodies) and innovation enables us to better meet the customers' expectations, whether these are private individuals or public bodies.

## 1.2 THE ETHIAS MODEL

Ethias is a Belgian insurance company, founded in 1919 by public authorities.



Ethias is the 3rd largest insurer for Non-Life activities in Belgium, with a market share of 11%. For Life activities, Ethias has a market share of 7.6% while being the first insurer for 1st pillar activities (pension insurance).

Ethias is a **multi-branch Life and Non-Life insurer**, for **public, non-profit and corporate clients** as well as for **private individuals**.

### Ethias is the first insurer of the public sector and its agents

Ethias' insured parties include the **Federal State, Regions and Communities, local public authorities** (provinces, cities and municipalities, public social welfare centres...), **public companies** as well as thousands of **intercommunity and semi-public bodies, schools, hospitals, public interest organizations, miscellaneous associations...**

Over 1 200 000 people put their trust in Ethias every day.

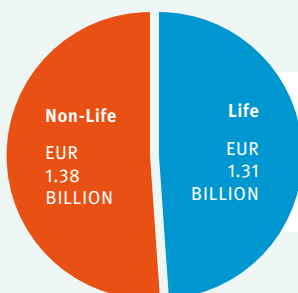
### Ethias is the only major direct insurer in Belgium

#### Distribution channels:

- A network of **39 regional offices** throughout Belgium
- **2 Customer Centres**
- **www.ethias.be** and its **applications**
- A **team of inspectors, technical sales representatives and prevention specialists** for public authorities
- A **network of brokers** for corporate clients



Ethias is the only insurer selling 10 full online products, from offer to payment.



#### INCOME

Ethias' income as of 31 December 2018 amounts to **EUR 2.69 billion**



## 1.3 THE STRATEGIC FOUNDATIONS OF ETHIAS

2018 was a pivotal year for Ethias!

Ethias started a huge transformation and modernisation program back in 2017 in order to strengthen our governance and to launch Ethias 2.0, a new customer-oriented organisation model.

In 2018, the Executive Committee developed a program updating the company's strategic foundations, according to a structured, methodical and internal approach.

The Board of Directors approved this program, which was then distilled into initiatives at team level.

This strategic program aims at reinforcing Ethias' position as insurer n°1 in Direct, n°1 in Digital and leader in public bodies.



The **Executive Committee** is now composed of 4 men and 2 women.

### Philippe Lallemand

Chairman of the Executive Committee  
Chief Executive Officer

### Benoît Verwilghen

Vice-Chairman of the Executive Committee - Chief Client Officer

### Brigitte Buyle

Chief Digital Transformation Officer

### Cécile Flandre

Chief Financial Officer

### Frank Jeusette

Chief Risk Officer

### Luc Kranzen

Chief Services Officer

### Board of Directors:

#### Myriam Van Varenbergh

Chairwoman

#### Jacques Braggaar

Director

#### Marc Descheemaecker

Director

#### Kathleen Desmedt

Director

#### Philippe Donnay

Director (independent)

#### Olivier Henin

Director

#### Ingrid Loos

Director (independent)

#### Marc Meurant

Director

#### Philip Neyt

Director

#### Anne-Marie Seeuws

Director (independent)

#### Karl Van Borm

Director

#### Bruno van Lierde

Director (independent)

#### Philippe Lallemand

Director

#### Benoît Verwilghen

Director

#### Cécile Flandre

Director

#### Frank Jeusette

Director

The gender parity is balanced.

Since 2017, women make up for a third of the Executive Committee and Board of Directors (BoD). For the first, a woman is at the head of the BoD.



## #ProudOfOurValues

**Values** are at the foundation of a company's identity, culture and personality. They guide all employees in their daily work, regardless of their activity.

Together with our employees, we defined our values as:

### #Human

Humanity is at the heart of all our relationships which we treat with respect and empathy.

We are a true partner for each of our interlocutors. For us, proximity and solidarity are no empty words.

### #ClientSatisfaction

This is the driving force of our activities and of all our actions. Driven by our mutualist origins, we emphasize on client contact possibilities and on top-notch service quality. Our accessibility, our efficiency, our flexibility speak for themselves and clearly contribute to the satisfaction of our clients.

### #Commitment

For 100 years, we have been daily committed to our clients, to our colleagues and to society. We are reliable, trustworthy and purposeful. This commitment also relates to ethics, which remains at the root of all our actions, and to our social responsibility.

### #Enthusiasm

Because whatever happens, a heart beats within Ethias. Every day, we show energy, vitality, optimism and dynamism. This enthusiasm leads us to be creative and to undertake innovative projects.

Throughout 2018, we have applied our values inside and outside of the company by displaying a charter of good conduct in our offices in order to inspire every employee and through daily communications on the corporate intranet, video clips, website, non-financial report, conferences, etc.





## MISSION STATEMENT

The **mission** statement is the company's raison d'être.

It illustrates what the company does, what it offers and how it positions itself.

### Our mission statement:

Our mission statement: making insurance easier so as to bring you security, peace of mind and freedom of initiative, with innovative services and products. As partner of your daily life, we put our expertise and our energy at your service.”

Just like our values, our ambassadors – our employees, advisers, inspectors or preventors – applied the mission in the field.



## VISION

The company's **vision** was approved in 2018. It revolves around our ambition to strengthen Ethias as insurer n°1 in Direct, n°1 in Digital and as the leading insurer of public bodies.

This vision is about enhancing the customer experience through our large product range, our Omnichannel model, constant innovation of our processes and services and the empowerment program that will turn our employees into our main ambassadors.

This vision is mainly based on:

- Mobility
- Health
- Population ageing

It aims at creating and capturing value for our clients, our staff and our shareholders.



## STRATEGIC PLAN

Based on our values, on our mission statement and in order to sustain our vision over a 5-year timespan, teams drew up a strategic plan which was approved by the Board of Directors.

**This strategic plan aims at fulfilling our vision and reinforcing Ethias' position as the n°1 company in Direct, n°1 in Digital and leader in public bodies.**

It revolves around distribution, our products, the service provided to the clients and the quality of our solutions including several initiatives for each component.



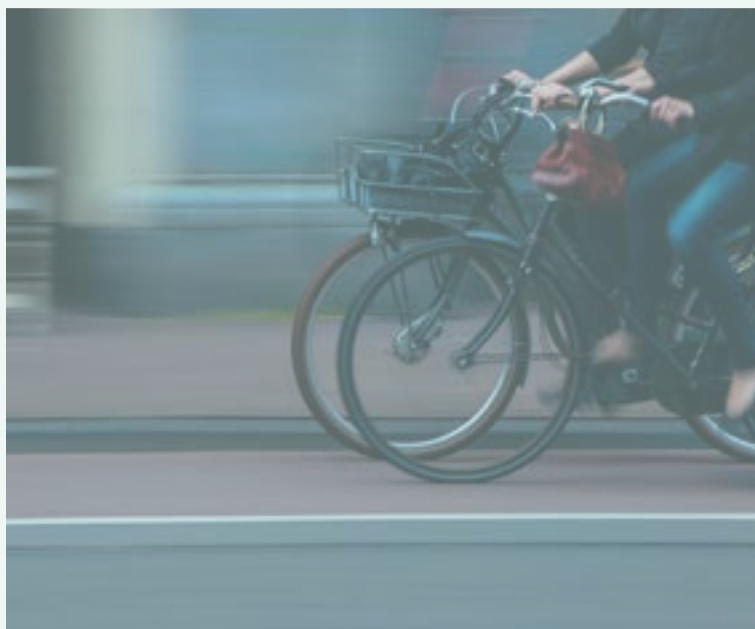
To support its growth and to strengthen its direct insurer's model, Ethias has embarked on an ambitious plan for **technological transformation**. This includes the acquisition of new IT tools to meet the future needs of our customers and to improve overall performance. These tools mainly support the launch of the Omnichannel strategy (e-commerce, social media, etc.). This program also includes the modernization of the IT architecture supporting the Non-Life business through the Guidewire application.



To prepare for the integration and use of Guidewire within Ethias, an implementation program called «Century» has started in December 2015. The aim of Century is to do everything in our power to make Guidewire operational in 2019. The program also focuses on accompanying measures and training needed to facilitate this transformation. The target is to carry on with the operational roll-out while focusing on the car insurance policies and launching production in the course of 2019.

In addition to this transformation program, Ethias is perfectly aware of the important influence of social media on the digital strategy and therefore commits to substantially growing its online presence.

Also, our products are still to be purchased online (only Belgian insurer with 10 insurance products that can be fully underwritten online, from offer to payment) and we keep on investing in our network of offices in order to build the concept of contemporary office (Concept Store 3.0).



## 1.4 RISKS AND OPPORTUNITIES

Just like any other commercial or industrial company, Ethias is subject to risks related to the execution of its activity.

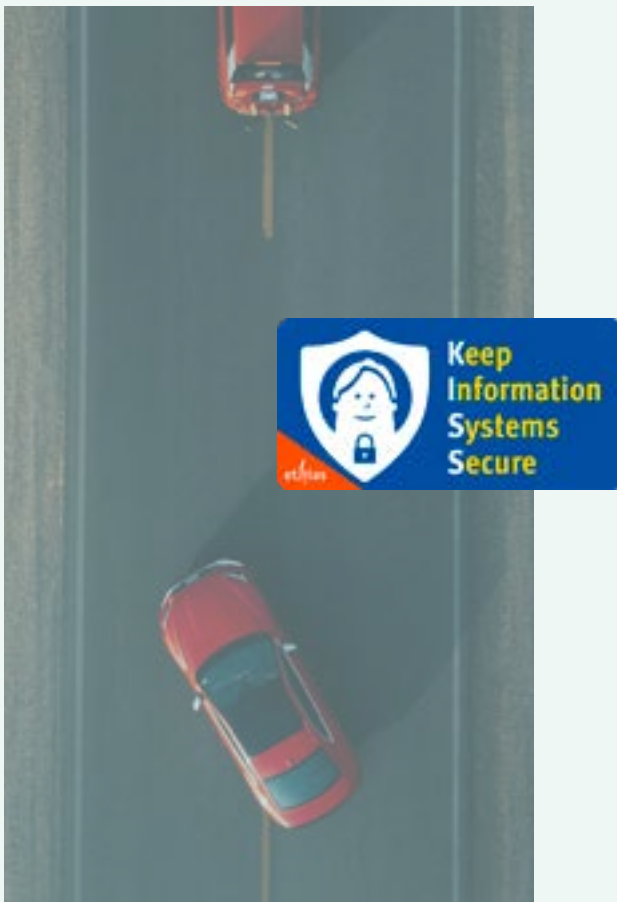
In order to prevent these risks, Ethias drew up several policies defining the:

- established governance to optimise risk management;
- roles and missions of the stakeholders (Board of Directors, Audit and Risk Committee, Executive Committee, Chief Risk Officer, Risk Management, monitoring functions...);
- risk tolerance to these risks in particular.

Therefore, Ethias also complies with the following policies:

- General risk policy
- Investment risk management policy
- Operational risk management policy
- General security policy
- Business continuity policy

In the course of 2018, Ethias implemented several actions to protect itself from specific non-financial risks.



### Risk of loss or alteration of personal data

Due to the coming into effect of the General Data Protection Regulation (GDPR), Ethias launched a large-scale action plan in order to fully comply with the new standards.

Within this framework, Ethias achieved the following actions:

- Strengthening governance with regard to personal data
- Creating a data processing record such as required by the regulation
- Designating a Data Protection Officer
- Strengthening and formalising the duties of subcontractors and partners
- Generalising the Privacy by design approach in all IT or OpEx-related projects followed by impact assessments for the processing of the most sensitive data
- Enhancing the security of data storage sites
- Improving the collaboration with IT subsidiaries in order to define shared best practices
- Improving the procedure for reporting Privacy incidents
- Defining notification and communication procedures in the event of data breach

Ethias also focused on training and raise the staff's awareness about GDPR's principles. In 2018, all employees earned a bonus for successfully completing a test measuring their knowledge and assimilation of all "privacy" and "security" concepts. Success rate was over 90%!

In 2019, Ethias will have the opportunity to provide its customers (private, bodies or corporate) with innovative solutions ensuring a highly secured data exchanges through the various IT channels at their disposal.

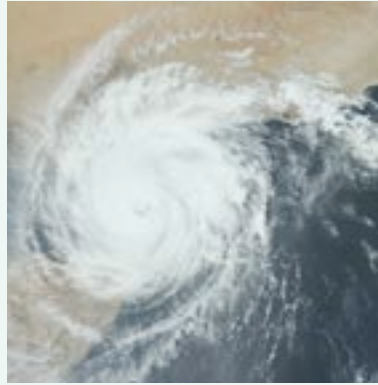


## Cyber Risk

Keen to position itself as a leading player in the Digital sector, Ethias has obviously taken into account the risks associated with ever-growing cybercrime.

In order to protect itself from such a risk, Ethias has taken out a specific insurance contract with a foreign insurer covering its potential liability in this respect and providing the financial resources in order to absorb any potential damage as quickly as possible.

Ethias also wanted to offer a similar guarantee to its policyholders and developed Ethias Cyber Protection insurance for Public bodies. This insurance provides not only for guarantees in terms of liability and restoration of systems but also for prevention and monitoring services.



## Environmental risks

Ethias is attentive to climate issues (global warming, pollution...) that are likely to affect either the profitability of its products or the very continuity of its activities.

As part of its ORSA process (Own Risk and Self-Assessment), Ethias evaluates the potential impacts of a natural disaster each year. Stress tests that are carried out are meant to challenge the company's reinsurance policy. In addition, its Ethical Investment Code excludes investments in environmentally harmful industrial activities. As part of the development of its continuity plan, Ethias regularly conducts business continuity tests to determine its resilience capacity to risks of a catastrophic nature. In the same vein, black-out tests are carried out periodically in order to test our resilience based on our energy self-sufficiency.



## Reputational risk

In order to protect itself from reputation risk, Ethias takes various measures to preserve the integrity of its image.

Therefore, the Ethical Investment Code excludes the acquisition of shares in presumably dubious activities.

Several internal departments have established operating charters (Privacy, Risk Management, Actuarial Control, Compliance, etc.) in order to raise the staff's awareness of the ethical behaviour that should be adopted in the performance of their activities.

Ethias regularly conducts opinion surveys to gather the opinion of its policyholders on the quality of its services. The results of these surveys carried out by independent research firms regularly demonstrate the quality of the Ethias brand name.



## 1.5 METHODOLOGY

This non-financial report is a true opportunity for Ethias

This is not only a matter of continuity, since Ethias has been drawing a corporate social responsibility report since 2007, but mostly an opportunity to take stock of the insurer's approach as a precursor in corporate social responsibility. This second edition of the non-financial report goes way beyond the legal obligation.

Hence, this report is an opportunity to identify any shortcomings and to update the CSR strategy, defining the objectives that Ethias wishes to achieve in 2019 as well as the measurement elements (KPI). This report is intended to be a unifying document, since it reflects the collaboration between the different entities to achieve a common objective: to be and remain a socially responsible insurer.

At end-2018, the various entities (Sales & Customer, HR, Finance, Risk, Facilities, Vendor Management, IT, etc.) were invited to workshops dedicated to describing the aspects of their business and responsibilities related to CSR.

At each workshop, a framework of topics to be addressed was presented and discussed with representatives of the participating entities. The points to be updated and developed have been identified for integration into a multi-year action plan.

Following these workshops, **the three roles of Ethias in society were structured as follows:**

- Ethias as a trustworthy insurer
- Ethias as a sustainable company
- Ethias as a responsible investor

Based on this process, the report was produced under the aegis of the Ethics Committee, which was set up within Ethias in 2003. A special feature of the Ethics Committee is that it is a joint body composed of as many representatives of the employer as of the employees. Its mission is to deploy CSR within the company and to ensure compliance with the rules of social ethics.

To produce this report, Ethias has based itself on **the 10 principles of the United Nations Global Compact**. Each of Ethias' actions is guided by an overall strategy based on this responsibility and the resulting commitments. Ethias is a participant of the United Nations Global Compact, a keystone of our CSR policy.

**A summary of Ethias' actions responding to these 10 principles can be found at the end of the document.**



## 2. ETHIAS AS A TRUSTWORTHY INSURER

### Ethias, close to its clients

Ethias' strength is to be found in its proximity to its B2C and B2B clients.

This proximity revolves around 3 fundamental characters for a unique client experience: Simple – Efficient – Human.

This experience is brought by the power of Omnichannel. Policyholders can choose how they want to be taken care of through:

- 1 network of 39 offices (37 from March 2019 onwards) all over Belgium
- 2 Customers Centers
- 2 Call Centers for claims
- 68 sales representatives working for Public bodies, the private sector and partner brokers
- 1 website
- 1 mobile app for claims reporting.



Ethias is connecting the digital and physical worlds to bring the best solution to its customers: the **Phygital** world.



## 2.1 SUSTAINABLE INSURANCE PRODUCTS

### › TRANSPORT, HEALTH CARE AND POPULATION AGEING

Ethias' CSR approach is only to influence the behaviour of the company, its stakeholders and its employees, but also to promote responsible behaviour in a sustainable way.

Ethias is willing to join the energy transition and reward sustainable behaviours with eco-friendly certified products, services and price offers.

- **“Under 10 000 km” insurance:** low-mileage drivers whose bonus-malus level is between 0 and 2 benefit from an advantageous rate for their car insurance (15% off the civil liability premium and 10% off the omnium).
- **Special price for clean vehicles:** owners of an electric or hybrid car with CO<sub>2</sub>-emissions remaining under 100 grams can also benefit from a discount (hybrid car: 20% off the civil liability premium and omnium – electric car: 30% off the civil liability premium and omnium).
- **Reward for responsible driving:** commercials discounts and benefits for drivers who have not had an accident at fault for several years.
- **Ethias Young Drivers:** finding the right car insurance policy can be tricky for young drivers. Ethias wants to support them and make them responsible with the Ethias Young Drivers Bonus product. Young drivers' bonus-malus decreases 2 times faster during the first two years if there are no claims.
- **Sustainable transport cover for free with the family insurance:** the number of sustainable transportation vehicles has increased significantly in recent years. To help our insurers and use these new transportation vehicles, Ethias decided in March 2018 to cover free of charge all transportation devices (including electric wheelchairs) below 45km/h and that does not require plate registration through the family insurance and legal assistance.
- **Bike & More:** in April 2018, Ethias launched its new product and services “Ethias Bike & More” dedicated to sustainable transportation devices which are increasing investments for household budgets. From now on, all sorts of covers can be purchased on demand for regular and electric bikes, hover boards, unicycles or scooters just like for cars : material damages (total or partial), body injuries insurance for drivers and passengers (for bicycles with child seats, for example), breakdown assistance in Belgium.
- **6-Wheel insurance:** this insurance is a perfect response to developments in the car market and the growing trend to combine the use of different motor vehicles for travel in order to avoid traffic jams. With this preferential offer, Ethias brings a new solution to multimodal transport in favour of car- or motorbike-owners within a household.
- **Fire insurance without deductible:** in August 2018, Ethias abolished the deductible applicable to fire insurance contracts. Most consumers think that paying a deductible is unfair because they pay premiums in the first place so that they don't have to put money up in the event of a claim. Just like for our car and assistance insurance, Ethias abolished the deductible to guarantee the policyholder absolute peace of mind even when confronted with an unpleasant life event as an owner or tenant. At the same time, Ethias improved the general conditions of its brand insurance contract.
- **Health care insurance:** as a socially responsible actor, Ethias has a duty to position itself when it comes to health and population ageing. Therefore, Ethias will sell in the beginning of 2019 the first package of Health care products that combines innovative covers and services to meet the highest needs of our customers and help them through difficult times.



SANS FRANCHISE



## 2.2 PARTNERSHIPS



Ethias has been partnering with Blue-bike for 3 years now. These are rental bicycles available at SNCB/NMBS train stations. Ethias provides an insurance for the bikes and the Assistance coverage to people who borrow them. This partnership was renewed in 2018. Discussions are ongoing to improve this partnership and bring new integrated mobility solutions to the client (ecosystem).



Ethias has entered into a partnership with Traxio-Vélo for the marketing of Bike & More in Traxio member stores.



Through our Whestia label (Outstanding balance), Ethias works with the FLW (Walloon Housing Fund) and with agents selling social loans in Wallonia.

Through various partnerships with the public sector, Ethias provided customized products for civil servants.



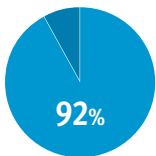
## 2.3 CLIENTS

Ethias has identified three major trends in new customer needs<sup>1</sup> :

- **Customization:** customers are looking for customizable contracts that fit their specific needs. A customized offer provides an optimal price-quality ratio.
- **Trust:** customers want their insurer to get to know them better, so that they can build a trust relationship.
- **Digital :** customers want their insurer to provide them with efficient digital tools. A digital service offers more simplicity, more efficiency, but also more transparency.

Ethias meets these needs with a **Customer Satisfaction** approach by constantly improving its products, services, digital tools and by getting closer to the customers.

In view of the results, this approach seems adequate.



Studies conducted in 2018 show an **overall satisfaction rate of 92 %<sup>2</sup>**



After contacting Ethias, **2 out of 3 clients would recommend Ethias to their family and friends.**



**8 out of 10 customers would choose Ethias again for their insurance.**

<sup>1</sup> **Source:** study “Consumer Needs” by external partner, October 2018.

<sup>2</sup> These indicators come from the NPS (Net Promoter Score) project, a tool set up in 2014 to measure the satisfaction and recommendation rate of private individuals (customers & prospects) who have had contact with Ethias. 2018 sample: 19.613 customers.



## PRÉVENTION

To achieve this objective and beyond compensation, Ethias undertakes multiple actions in prevention:

- **Advice**
- **Tools**
- **Applications**
- **Trainings**
- **Preventive mental support**
- **Professional reintegration**

Ethias also provides **personalized support through prevention experts** in various fields:

- protection of individuals  
(accidents at work, well-being at work, school accidents...)
- protection of goods and services  
(car, theft, fire, floods...)
- protection of information  
(cyber-risks)



### Some prevention services

**IRM Prévention:** free service for local administrations for sending text message alerts on the main risks of bad weather: wind, rain, snowfall/ice and storms. Prevention tips and tricks for optimal protection.



**Ethias Prevention Reporter:** app providing digital assistance to improve prevention reporting (geolocation, risk/claim classification, voice recorder/recognition system, photo and video recording, etc.). The Ethias Prevention Reporter underwent a new facelift in 2017 to provide rapid on-site prevention reporting.



**Fleet Reporting:** analytical tool for claims related to a car fleet. This tool helps raising awareness among fleet managers and beneficiaries of a vehicle and implementing an appropriate prevention policy.



On our website for Insured bodies = online publications Insurance Product Information Document , a news blog (prevention, retirement, finances...) awareness-raising video clips and testimonies from clients helps building a relationship with them while remaining attentive to their needs.

- 5 tips for more exercise at work
- Road risk prevention
- Preventing traffic accidents near schools
- Household help safety
- ATEX, risk assessment to prevent explosions
- 10 tips to prevent battery fires
- What costs can be cut by investing in prevention?

# BLOG

A blog is dedicated to prevention on the Ethias website:

[www.ethias.be/blog-fr](http://www.ethias.be/blog-fr)





## DIGITAL

For 20 years, Ethias has been strengthening its leading position in digital technology through e-commerce & services that are constantly evolving and fully integrated into its direct distribution model.

**This is the fastest way from consumer's needs to the immediate answer of the expert online.**

It is no coincidence that Ethias is the first Belgian direct insurer to offer no less than **10 insurance products that can be fully subscribed online, including payment.**

- Ethias Assistance Family
- Ethias Assistance Car & Family
- Ethias Assurance Home
- Ethias Assurance Tenant
- Ethias Starter Pack (Home + Family)
- Ethias Civil Liability Family
- Ethias Annual Travel Cancellation
- Ethias Temporary Travel Cancellation
- Ethias Insurance All Risk Luggage
- Ethias Insurance Digital Omnium

1996  
First static web page

1997  
Birth of the extranet

2000  
Online offers and contract requests

2002  
MyEthias

2005  
Car claim declaration

2007  
Fire claim declaration

2008  
Matthias, virtual assistant

2010  
My Ethias website, customization

2012  
New version of MyEthias

2013  
App 24/7

2015  
New website with online signature and payment

2016  
Prise de rendez-vous en ligne

2017  
My Ethias Health Care, AssurKiné and AssurPharma

2018  
Client Space and E-billing

**New features and services are introduced each year to make the life of the customer easier. A few recent examples:**



Ethias launched **myethias Health Care** in 2017, a free and secure online service that allows clients' employees and their family members to manage their health care records.



**AssurPharma** : a partnership between insurers and pharmacists to make life easier for users. The transmission of pharmaceutical costs is carried out electronically for both health care and work accident files.



**AssurKINE** : launched in 2017, it is a third-party payment system for physiotherapy care within the frame of an accident at work.



**Ethias Pension Corner** is an online platform specialised in pension-related information.

Since 2018, customers can choose their billing preferences: **online billing, direct debits, Zoomit...**

The **brand new customer area** also allows them to request duplicates of their contracts, invoices or their green card.



The offer procedure for a car policy is **more efficient and easier**: customers know directly how much their insurance is going to cost.



From 2019, **car policies can be directly purchased online.**

From your customer space, you are now able to **update your personal data, visualize all your contracts, deal with your work accident case or contact your claim manager.**

In 2019, **Mathias** will be there to help users on their **smartphone** (Mobile First).



**On the B2B side, Ethias Connect** provides an even more secure access to the management of collective contracts: the invoicing app allows you to consult and manage invoices and will soon be upgraded with new features.

**Ethias places the customer experience at the heart of its concerns and digital is an opportunity to constantly improve and expand our range of products and services while remaining in line with the expectations and needs of our customers (Simple - Efficient - Human).**

## 2.4 RISK MANAGEMENT

For private individuals, non-financial risks are checked by employees when underwriting a policy, on the basis of a synopsis available on the intranet.

The refusal to underwrite a car policy insurance may be due, for example, to an excessive claims experience, a vehicle too powerful for a young driver, a litigation...

For the public and corporate sector, there is an underwriting guide in each branch.

Various controls (Underwriting Files Reviews) are carried out periodically, after the underwriting process.

Risks related to corruption and human rights are not taken into consideration.



## 2.5 COMPLAINT MANAGEMENT

Ethias complies with the Assuralia Code of Conduct for complaint management.

Any interested party – a candidate policyholder, a policyholder, an insured, a beneficiary or an injured third party – may address his dissatisfaction concerning an insurance contract or service.

Complaints may be lodged:

- Via the online form
- By email
- By post

**A Complaint Correspondent will review the file objectively** and send it to the complainant within 20 working days of receiving the complaint. If this deadline can't be met, the complainant will receive a detailed letter.

### PLAINTES INTRODUITES

The amount of complaints sent to our **internal complaint service** remains relatively stable. Comparing to 2016, we notice a decrease over 4 %.



1 512 plaintes ont été introduites en 2018, pour 1 348 en 2017 et 1 574 en 2016

An annual report on complaint management is produced each year

When we analyse the complaints sent to the independent non-profit association of the **Insurance Ombudsman**, we notice that only 5.7% of the complaints concern Ethias, whereas our market share is above 9%.



# 3. ETHIAS AS A SUSTAINABLE COMPANY

## 3.1 SOCIAL COHESION

Ethias considers the social cohesion and well-being of its employees as an absolute priority, in direct connection with its values and as an extension of its CSR commitments.

1 829

AT DECEMBER 31, 2018,  
THE COMPANY HAD  
1 829 EMPLOYEES  
(893 women / 936 men)

A respectful, collaborative and responsible social dialogue has always been part of Ethias' corporate culture. This social cohesion has allowed the company to go through a century of existence. The quality of its social dialogue has become one of the assets for the company's stability, growth and future.

Like all insurance companies, Ethias faces many challenges resulting from global changes. The company's objectives are therefore adapted to the changing situation and to the needs of our society and those of the labour market.



## 3.2 ETHIAS 2.0 / 2.1

In September 2017, the Human Resources Department (HRD) supported the Executive Committee in the construction, communication and operationalization of the new Ethias 2.0 structure. Then, in the summer of 2018, in a spirit of continuous improvement, the HRD assisted the Executive Committee in evaluating this new organization and the managers appointed to support our transformation. In September 2018, we closed the financial year with the implementation of the new 2.1 structure.

In order to support the new strategy aimed at making Ethias more dynamic, more agile and even more responsive to its clients, major transformations were initiated in 2017 within the Human Resources Department. They have been implemented since 2018. These transformations aim at shaping an inspiring and exciting environment for every employee. Our company regularly anticipates changes and is particularly flexible. We are already planning to transform this structure in 2019.

### Overview of the main transformations:

- **Reward:** new compensation policy that is simpler, fairer and more unifying, aiming at paying every employee according to the market reference remuneration and valuing the individual and collective performance of each employee.
- **Performance Review:** new simplified evaluation process for more dynamism, objectivity and speed.
- **Flex@Ethias:** the cafeteria plan allows the employees to customize their salary packaging according to their own needs. This packaging includes CSR-related items: donation to charity (11.11.11), purchase of a company bike, medical check-up.
- Since the implementation of our new compensation policy, each employee is entitled to variable compensation, in the form of a collective and individual bonus.
- The **Homeworking project** aims at the 4 following targets:
  - » **Overheads reduction**  
Space optimization.
  - » **Attractiveness.**  
In the midst of the current war of talents, many companies have allowed home-working in order to appeal to Millennials. Nowadays, more and more people are allowed to work from home.
  - » **Reduction of carbon footprint.**  
This approach is part of a broader transportation plan (less time spent in the car).
  - » **Business Continuity Management.**  
Home-working makes the emergency launch of the Business Continuity Plan easier.
- **Talent Management policy** had also been implemented in 2017 and formalised in 2018. Investments in training have been intensified: a specific change support programme was set up in 2017 without losing sight of technical training. Indeed, in response to market developments, it is important to maintain a very high level of technical (insurance), commercial and management expertise, while being attractive to young talents who respond to new insurance professions.



### Talent Management Policy

Talent Management policy had also been implemented in 2017 and formalised in 2018.

711

711 EMPLOYEES RECEIVED TRAINING  
(not only in operational excellence),  
for a total of 19 896,62 hours.

Investments in training have been intensified: **a specific change support programme was set up** in 2017 without losing sight of technical training. Indeed, in response to market developments, it is important to maintain a very high level of technical (insurance), commercial and management expertise, while being attractive to young talents who respond to new insurance professions.



## Bootcamps

In 2019, we will organize 4 boot camps with teams working together on the following topics: transport, health, customer satisfaction and time-to-market.

Simultaneously, HR is working on 6 management skills:

- Inspiring Leadership
- Compelling Communication
- Enabling Change
- Intellectual Agility
- Adaptability
- Business Minded

467

**467 INTERNAL JOB CHANGES**  
(including the reorganisation of Ethias 2.0) have been implemented thanks to the talent management policy in order to better meet the needs of Ethias and its clients.

## Digital Learning

Our employees and managers have high expectations when it comes to training. This is all the more true as our businesses evolve considerably, as new technologies impact on our businesses and as internal mobility is constantly developing. In order to optimize the offer and access to training, a new platform is coming in 2019. It provides better information regarding the training offer, simplify day-to-day management and make our colleagues more responsible for their employability. Finally, it will strengthen our training offer for new employees as for older ones. For these reasons, we will launch and promote the Ethias OnLine Academy.

## Ethias Young Talent

Besides, HR launched the “Ethias Young Talent” program to meet current and future challenges.

HR launched project built in different phases to promote the job of manager among our young people, to identify and select young talents, to ensure their development and, subsequently, to activate these skills.

Selected talents will take part in a coaching program called “leadership 2.1”. Besides preparing the next generation of managers (developing the skills of our young talents and giving them visibility) this approach also has many advantages:

- Stronger skills and sense of belonging of employees (career perspective)
- Cultural evolution to encourage emulation
- Creation of a transversal community
- Gathering resources to create useful initiatives for the company and our customers, in line with our strategy



## Onboarding process

Studies show that a successful welcome has an extremely positive impact on the quality of the relationship between the employee and the company. Our priority is to make the onboarding process more professional. In 2019, we will launch a procedure and an app for new recruits. This will enable us to provide qualitative information to the selected candidates, to ensure that optimal working conditions are in place from day one and to regularly measure the quality of the integration of new employees.



### 3.3 DIVERSITY

In 2006, Ethias adopted an internal diversity charter.  
In 2007, this approach earned the company a Diversity label.

This Charter bans all forms of direct or indirect discrimination and favours a proactive mindset (recruitment, career management, fair reflection of the diversity of Belgian society among employees, enriching the social dialogue in the company by promoting the expression of the various actors on the topic of discrimination in a climate of confidence, tolerance and openness). Diversity covers several aspects: man/woman, abled/disabled, ethnic and cultural diversity...

The diversity charter remains relevant and is published on the company's intranet.



#### Diversity has translated into many concrete actions:

- **Intergenerational dynamics:** solidarity between generations (portraits of employees aged 50 and over that were published on the intranet, a «45 Plus Day»)
- **Onboarding and supporting new recruits** in order to pass on the corporate culture and promote integration

#### Diversity covers many aspects:

- man/woman
- abled/disabled
- ethnic and cultural diversity
- ...



In 2017, as part of the continuation and strengthening of Ethias' CSR policy, the Executive Committee gave the green light to relaunch new projects promoting diversity in 2018:

- **Care4 Vitality** (support for people at the end of their careers): these workshops help our older employees (enrolled in the End-of-career plan or non-active and all other staff members older than 58) to plan their departure through an End-of-career plan or (early) retirement. A survey was sent to the target group to know more about their expectations and interests. Based on this bottom-up survey, the social cell and the CSR team designed four half-day workshops. Based on this bottom-up survey, the social cell and the CSR team designed four half-day workshops to support as best as possible the participants to become "inactive". In 2018, 15 people took part in these workshops (7 in Liège and 8 in Hasselt). They were given a detailed textbook that they are free to read at any time.
- **Organisation of working time** and **end of career**
- In 2015, **Flexitime** (flexible working hours) was applied more broadly, for a better work-life balance. Flexitime also impacted transport: depending on the requirements of the services, some employees can avoid rush hour while remaining available for our customers.
- **Duo for a job:** this mentoring project creates an exchange across generations and cultures to help young people to get a job while highlighting the value of older employees. In Belgium, the activity rate between 55 and 64 is among the lowest in Europe (48.8%). Duo for a job allows older people to share their experience, to be a part of a professional network and a community that shares the same values for society. The cross-cultural and intergenerational dimension of mentoring is one of its strengths.
- **Be Face:** network of companies pooling their resources to promote the social and professional integration of vulnerable groups through training and sponsorship. This non-profit is mostly working in Brussels but is coming to Liège this year, in collaboration with welfare centres and the city of Liège.

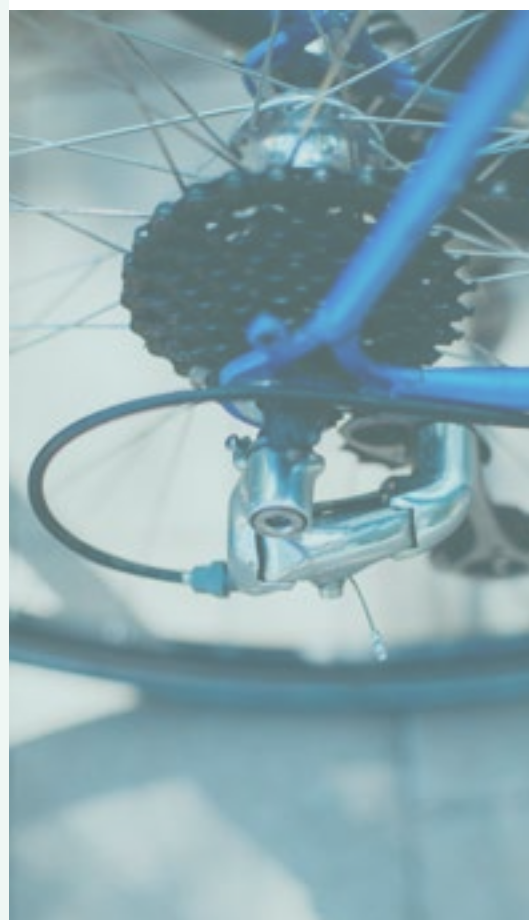
## 3.4 CHANGE MANAGEMENT

- Passwerk:** Passwerk is a unique concept, a unique company with unique people. Passwerk combines its business with a social dimension and offers this as an added value to its customers. Passwerk is on the “convergence market”. The Passwerk organisation adapts to the profile of its employees and not the other way round. The employees, the results and the development of its employees are at the heart of Passwerk. Passwerk employs the qualities of people with autism spectrum profile (ASP), with normal ability, in software testing activities. Through the professional management, by means of job coaching, the restrictions of employees with ASP are overcome.
- Internships are provided to bachelor and master students. Ethias works with several schools to provide internships for students attending schools from the Flemish special education network (Buso) and from vocational schools for students with special needs.
- YouthStart** is a non-profit aiming at boosting the self-confidence of young people looking for opportunities and at helping them making their dreams come true. Youthstart encourages young people by helping them setting up their own business plan. Every participant has to present their own plan on certification day. Training sessions are given by outstanding trainers in an unconventional way. They come from the corporate world and want to share their passion and experience. The involvement of employees contributes to the professional integration of young people. Result? Over 80 % of our former students are going back to school or to work after their training. Some even start their own business! In 2018, Ethias entered into a three-year partnership with YouthStart to financially support their activities.
- Mentor2Work** is a job project from the Forum des minorités. Finding a job can be tricky for immigrants. Despite their qualification and relevant experience, they encounter many difficulties in their job search. The diversity of society must be reflected in the workplace. The Forum des minorités wants to increase the chances of job-seekers with an immigration background. They connect job seekers with mentors to strengthen them in their job search. In 2018, Ethias asked its employees to become involved as mentors. Three people have made this commitment. These colleagues participated in admission interviews and mandatory training in 2018. When the Forum des minorités finds the right match, the persons involved will be informed.

**Our activity:** Accompany the changes resulting from «business» projects (with emphasis on strategic projects) at the human level in order to maximize the chances of success of the project by ensuring that the employees involved understand why these changes are taking place, that they have the necessary tools and training to apply them, while anchoring them in the organization.



For this purpose, we use a change methodology to give structure to these changes and integrate them into the project management.



### 3.5 OPERATIONAL EXCELLENCE FOR EVERYONE

L'approche est centrée sur le service au client.

This customer-oriented approach focuses on the following items:

- **Performance management:** the quality of services is constantly monitored and improved.
- **Process improvement,** to increase efficiency, to standardize activities, to increase client satisfaction.
- **Organizing the skills** of managers and employees to be effective and to take on current and future responsibilities.
- **Stimulating the mindset,** so that all teams work together to satisfy policyholders.



To ensure maximum consistency in this approach, standard tools have been implemented in the various entities, adapted to the needs of each team: dashboard/capacity management, whiteboard, platform for exchanging best practices, cascading meetings...

The process will continue in 2019, with the objective of extending operational excellence throughout the company.

#### Achievements in 2017-2018

Since April 2017, we have worked on 5 waves in the Support departments in order to redistribute 10% of the workforce in the Business and one wave in the Business in order to boost the existing ExOp practices.

By the end of 2018, we covered about 25% of the organization. We went through 16 teams and supported 430 employees in these new ways of working.

##### 2017-2018 Support

- ✓ Digital Information Management
- ✓ Administration
- ✓ Communication
- ✓ Taskforce Staff Canteen
- ✓ Risk Management
- ✓ Finance
- ✓ Actuarial Control
- ✓ IT
- ✓ Vendor Management
- ✓ Facilities
- ✓ HR
- ✓ Accounting
- ✓ Strategic Planning & Controlling

#### Reboost Business

Since September 2018, we are reboosting the business.

### 3.6. RE-ENCHANTMENT PROCESS



In 2017, a re-enchantment process was initiated within the company to promote well-being and a sense of belonging to the company. In 2018, there were various actions taking place such as Casual Fridays (more casual dress code on Fridays throughout the summer, breakfast at the company restaurant, etc.), team-building activities, bike-to-work days.

In June, the Staff Day (called "Ethias Get2gether") was an opportunity to share, within a convivial atmosphere, the corporate vision of a renewed and forward-looking team spirit.



### 3.7 PREVENTION OF PSYCHOSOCIAL RISKS

In 2017, managers received a burnout prevention training. At Ethias, there is an ongoing analysis of psychosocial risks.

A formal and informal procedure, called “win-win-win”, for the reintegration of people with long-term illness has been launched, with the support of staff representatives’ organisations.

Taux d’absentéisme	2017	2018
Short-term absenteeism rate for sick days	2,59 %	2,36 %
Long-term absenteeism rate < 1 year	1,77 %	1,63 %
Long-term absenteeism rate > 1 year	1,73 %	1,30 %



#### SOCIAL CELL

**The Social Cell has existed since 1997.** There is one at the head office in Liège and one at the office for Flanders in Hasselt. Its main missions are: listening to staff members with personal issues, ensuring a follow-up, accompanying people suffering from long-term illnesses (visits and contacts) and facilitating their reintegration when they get back to work, organizing blood drives, etc.

76

76 PEOPLE WERE TAKEN CARE OF  
(24 in Hasselt, 52 in Liège and 118 interviews in total)

#### PERSONS OF CONFIDENCE

A person of confidence is competent to manage all psychosocial risks related to work. Their broad mission is to help employees with all issues related to **violence at work, moral or sexual harassment, stress, burn-out, conflicts...** A team of 5 people (Liège and Hasselt) is at the disposal of all employees.

80

80 PEOPLE HAD AN APPOINTMENT WITH OUR PERSON OF CONFIDENCE  
(35 in Hasselt and 45 in Liège)

#### FIRST AIDERS

Over forty first aiders trained by SPMT-Arista are spread throughout our offices and a dozen in Hasselt. They provide first aid in case of illness, injury, etc. Each year, they follow a refresher training in first aid.

81

IN 2018, 81 PEOPLE WERE TAKEN CARE OF BY THE FIRST AID TEAM  
18 in Hasselt and 63 in Liège

During the summer of 2018, articles on first aid were published on the company’s intranet (stroke detection, burns, wounds, poisoning, etc.).

264

264 PEOPLE WERE VACCINATED  
(free of charge) against influenza  
(137 in Hasselt and 127 in Liège)

343

343 BLOOD DONORS

2 additional AEDs (automated external defibrillators) were placed in the Ethias buildings in 2017.



## FibriCheck

FibriCheck is a medically certified screening and monitoring application on prescription for the detection of irregular heart rhythms, including atrial fibrillation. User-friendly: it only requires you to place your finger on the camera of your smartphone to measure your cardiac rhythm. All the information is automatically shared with a medical professional in order to get a faster diagnosis, resulting in an adequate treatment plan.

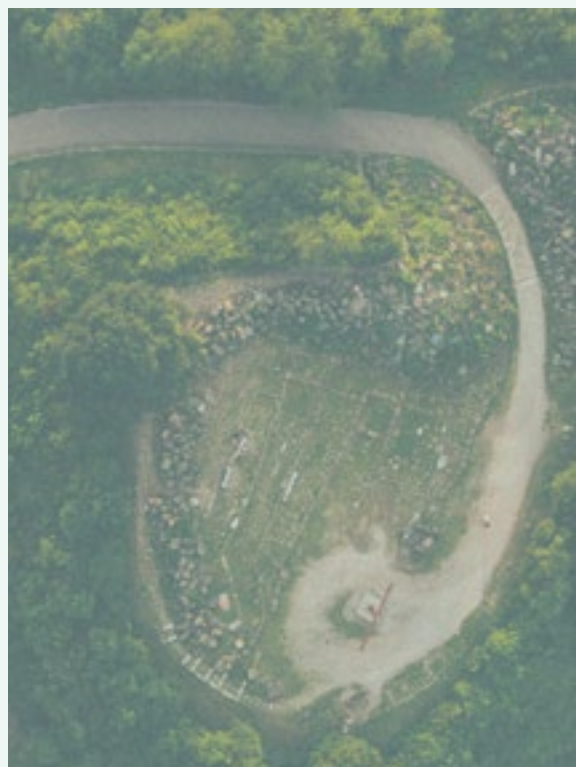
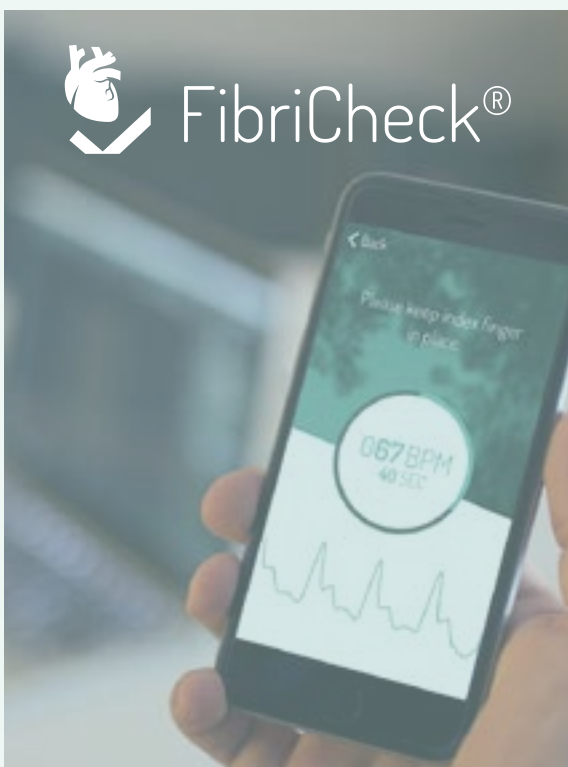
We are therefore proud to be the first Belgian insurance company to be part of a campaign with a partner that has placed Belgium on the map of the medical world!

FibriCheck's preventive framework is perfectly in line with Ethias' corporate vision.

This application was made available for free for our customers and employees for 7 days, so that they can measure their cardiac rhythm anywhere and at any time. A total of 1.890 people used FibriCheck. With those actions, we show our customers and employees that Ethias intends to be one of the major players in the field of prevention.

## Impulse

In order to prevent burn-out, a pilot project has been launched in Hasselt in collaboration with the Impulse music school. A total of 21 employees participated. Many people may have already taken music lessons when they were younger or dreamed of playing music. Unfortunately, this is often not compatible with busy work schedules, family, children's activities... With Impulse, Ethias wanted to solve this problem with a positive employer-employee relationship. Thanks to music, employees have the opportunity to clear their heads during their lunch break and forget all their worries. Ethias provides a nice and cozy space and Wi-Fi. Impulse hires teachers and brings the instruments. They don't follow the classical way of renowned music schools: each employee receives an individual program of lessons based on their own abilities and interests.



### 3.8 EMPLOYEE ASSOCIATION

The Employee association was founded in 1959 and has 6.630 members (active colleagues and retired staff, their partner and children). People are more efficient when they feel good at work, that's why the Employee association works hard to maintain and improve the friendly relationships between colleagues. To do so, the association organizes each year many cultural and sports events.

#### 2018 overview

- 947 colleagues are active members of our sports teams.
- Each year, 400 kids take part with their parents in the 2 Saint Nicholas celebration days in Liege and Hasselt.
- 255 went to Pairi Daiza.
- 152 took part in the Peket Express game.
- 130 took part in the annual "Rallye Fun".
- 142 went to the Christmas Afterwork (Liège).
- 177 kids took part in special events (Kids@Work – Easter egg hunt).

In Liege as in Hasselt, our friendly committee is always there for our colleagues.





## 3.9 INTEGRITY

Our company's business is founded on strong values which guide our work, organization and pol.

Integrity lies at the heart of these values and must lead all of our actions and decisions.

This is how we build the trust of our stakeholders and protect our credibility and reputation, which are key factors for our success.

### INTEGRITY

The integrity policy includes the internal and external rules of conduct that apply to the company's employees and provides a reference framework to guide each of their actions, inspire their choices and bring the company's values to life on a daily basis.

It was entirely revised in 2018 and approved by the Board of Directors on January 24 2019. Awareness around this policy will be raised throughout 2019.

### UNITED NATIONS GLOBAL COMPACT

Since 2006, Ethias is a member to the United Nations Global Compact and renewed its membership in 2018. The Global Compact remains fully integrated into the company's strategy.

This pact defines a global framework in terms of ethics, respect for human rights, respect for labour law and environmental policy (see the table at the end of the document).

On a daily basis, Ethias translates this global framework into concrete actions, while involving all its stakeholders and promoting these values.

**Human rights:** promotion and respect of the protection of human rights, in Ethias' fields of co.

#### Labour rights

The following four principles relating to labour law are concretely applied in

- the Social Ethics Code;
- the Ethical Investment Code;
- contracts between Ethias and its suppliers.





## SOCIAL-ETHICAL CODE

This code recalls the company's values and commitments, including the basic principles of the International Labour Organisation (ILO), and provides for the establishment of the Ethics Committee. It reaffirms its commitment, in the field of labour relations, to the founding values of the social economy, which seeks to reconcile profitable economic activity with a people-centred social policy, to which primacy is given.

**There is a procedure for reporting non-compliance with the Social-Ethical Code.**

### Core values of the company included in the Social-Ethical Code:

- Respect for the dignity of individuals and their private lives
- Freedom of association and the right to collective bargaining
- Prohibition of discrimination in employment relations on the grounds of sex, race, nationality, beliefs (religious, philosophical or political) or social origin, individual physical characteristics or state of health
- Equal treatment and equal opportunities
- Professional training and development of employee qualifications
- Encouraging an internal communication policy
- Prohibition of psychological harassment, sexual harassment and all forms of violence
- Compliance with laws and regulations, individual and collective labour agreements
- Compliance with company procedures and guidelines
- Preserving excellent safety, hygiene and well-being at work

### Charter on Ethias' commitment to the social economy

Built on values of solidarity and social progress, Ethias intends to fully assume its social, societal and environmental responsibility.

#### This charter includes considerations such as:

- Respect for freedom of association and recognition of the right to collective bargaining
- Elimination of all forms of forced or compulsory labour
- Abolition of child labour
- Elimination of discrimination in respect of employment and occupation
- Fight against corruption
- Action against corruption in all its forms, including extortion and bribery

## CODE OF CONDUCT FOR THE FINANCIAL DEPARTMENT

This code of conduct defines a set of professional and ethical rules and specific procedures allowing to ensure that the staff members of the company's Finance Department carry out their mission in compliance with the values of Ethias.

## ETHICS COMMITTEE

Established in 2003, as part of the Social-Ethical Code, its objective is to ensure the implementation of ethical and corporate social responsibility (CSR) tools, to monitor and evaluate them and to make any necessary corrections.

Together with Compliance, it is the guarantor of professional codes of ethics, which regulate insider trading and corporate gifts in particular.

The Ethics Committee is the interlocutor of the representatives of the company's stakeholders for all requests, proposals and complaints relating to its field of competence. It is composed equally of 25 members, employee and employer representatives.

## 3.10 PROTECTION OF THE ENVIRONMENT

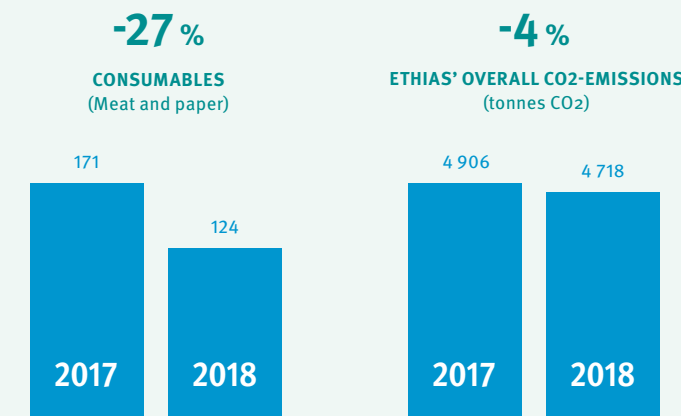
### ENVIRONMENTAL GOVERNANCE

Even if the service activities of Ethias do not in themselves seem polluting, the company and its employees still represent an «environmental impact» through their travel, energy consumption, waste and CO<sub>2</sub> emissions, or even water and paper consumption.

Ethias has taken the lead by deciding to quantify the ecological impact in order to better reduce this impact through numerous actions on the ground.

### REDUCTION OF CO<sub>2</sub> EMISSIONS

When measuring its carbon footprint by CO<sub>2</sub>Logic (every two years), Ethias was able to demonstrate the following:



In detail, the actions undertaken in 2012-2013 continue in 2018:

- Conclusion of electricity supply contracts favouring the «green label with guarantee of origin». This guarantees the supply of energy produced by hydroelectric power, wind, cogeneration or solar means (energy 2030).
- In partnership with the company CO<sub>2</sub>Logic, we measure the carbon footprint resulting in proposals for actions to reduce our footprint. From 2018 onwards, the carbon footprint will be measured each year (previously every two years).
- Partnership with bpost for the CO<sub>2</sub> compensation of postal mailings;
- Modernization of production equipment and management of heating/air conditioning.
- Implementation of corrective and innovative measures in order to reduce our emissions (installation of energy metering modules, presence detectors).

Since 2009, Ethias has implemented a resolute policy in the following 4 areas:

- Reduction of CO<sub>2</sub> emissions
- Waste reduction
- Responsible suppliers
- Mobility

Ethias worked on the following issues:

### WASTE MANAGEMENT

- Management of waste, packaging and used consumables. In 2018, we launched a pilot project for the collection of hand paper towels. This test turned out to be a success and we should be able to get rid of one of our waste dumpster. Green paper is sent to the production factory SCA in Holland where it is reused to produce recycled toilet paper (we have come full circle).
- Order of “Cradle to Cradle” certified chairs - 90% recycled - QUALITY OFFICE Certification
- Quantifying the reduction in consumption (energy, water, paper, waste): 15.8 tons of paper and cardboard were recycled in collaboration with the non-profit organization Terre.

### Ethical, sustainable and local choices

- Management of suppliers in accordance with ethical standards and with sustainability and proximity criteria
- Donation of 80 desks to charities
- Giroflex (office chairs) certified ISO 9001 and ISO14001
- Order of furniture with Certificates, ISORecyclage of electrical and electronic materials via Sofie scr1-fs
- New range of CO<sub>2</sub>-neutral ink pads
- Implementation of a «slow food» policy in staff restaurants: 131.109 meals were served in 2018
- Local suppliers adhering to the Ethias food charter and sustainable labels / sustainable agriculture / organic farming. Our company restaurants favour local, seasonal products from a sustainable and environmentally friendly cultivation. It aims at «zero waste» by implementing a system that allows the employee to order their lunch the day before.

## RESPONSIBLE SUPPLIERS

Since 2017, Ethias set up a Vendor Management Department in charge of purchasing material goods and services, in order to obtain the best guarantees under the best conditions.

Ethias ensures that the general terms of all purchase orders include an article according to which suppliers commit themselves (as well as their potential subcontractors and manufacturers) to respect the basic principles of the International Labour Organization (ILO) such as:

- prohibition of child labour;
- respect of freedom of association;
- elimination of all forms of forced labour, prohibition of discrimination in employment and occupation.

The company also makes its subcontractors aware of this problem.

Since 2014, Ethias has continued in this direction by integrating variants of «eco sustainable» labelled products and techniques into its works tenders. This reflection should allow to offer a genuine «responsible» alternative. This was implemented in 2018 for all Ethias suppliers.



## Strategic choice of renovation

- Ethias' consultations in terms of equipment and infrastructure naturally take into account environmental criteria when selecting its suppliers and partners (choice of recyclable material, low energy consumption, ecological and biodegradable products).
- Implementation of the «sustainable commercial agency» concept: the Concept Store targets a company that is close to its clients (proximity). Materials used for furniture and construction/renovation are either recycled or recyclable. A framework contract was signed with an architectural design business to develop this environmental spirit.

A new Concept Store opened in 2018 and an office was renovated. Opening of 4 new Concept planned for 2019.



## Purchases

- Definition of selection criteria for suppliers (proximity, sustainability criteria, ethical standards, ILO, etc.)
- Ethias' purchasing policy in terms of equipment and infrastructure naturally take into account environmental criteria when selecting its suppliers and partners (choice of recyclable material, low energy consumption, ecological and biodegradable products).
- Introduction of «sustainable, societal and proximity» criteria in the selection of goods and suppliers.
- Purchases through suppliers from fair trade, organic production and local sectors to supply the company restaurants.
- Nutrition and health: Ethias is one of the few companies offering fair trade meals in its restaurant every day. This policy has earned Ethias a «Fairtrade@Work Award» from Max Havelaar. Alongside this company restaurant, Ethias promotes healthy, organic, sustainable and fair food to its employees.
- Buy-Aid Coffee Week: Ethias participates in this annual operation. In 2012, it joined UNICEF in supporting children in developing countries. This action is carried out every year.
- Once a year, Ethias orders to Nekto, Oxygen+ or Buy-Aid in order to support these organizations. Associations promoting adapted work for people with a mild mental, motor or sensory disability or organisations such as Unicef or Child Focus.

## MOBILITY

CO<sub>2</sub> emissions linked to commuter traffic have a particularly significant environmental impact:

Ethias has developed a mobility plan that focuses on several axes.

A working group composed of representatives of various departments and staff representatives has been continuing the work since 2013.

### Ethias, pioneer in soft mobility

- The use of public transport and carpooling have thus been the subject of an internal awareness policy. Ethias applies the «third-party payment» (a complimentary subscription to public transport for employees).
- Ethias, in partnership with the Walloon Region, has also supported and participated in “Tous vélos actifs”, an initiative promoting cycling as a commuting alternative. End 2018, Ethias has been awarded for 3 consecutive years the 5 stars label “Tous Vélos actifs” as well as the “integrated cycling policy” badge. Over 6-year period, the number of daily cyclists at Ethias has increased fivefold (11.6 % of the staff in 2018).
- Ethias has also supported alternative mobility programs set by public authorities, such as the «Covoit-stop» initiative.
- Since 2014, Ethias provides its employees for their personal trips (during lunch time, after work) with a fleet of 10 business bikes (including one electric bike). Part of this fleet was renewed in 2017.
- Since 2013, around 20 employees have benefited from an electric bicycle for their commute to work (pilot project subsidized at 50% by the Walloon Region).
- A free electric charging station for bicycles is installed in its car parking.
- Since 2015, Ethias organizes The Bicycle Spring and offers bike commuters free maintenance/overhaul of their bikes: an important preventive measure for an insurance company.
- In early summer, a Bike to Work day was organised by the Employee association and the restaurant. On that day, over 50 employees had a picnic in the Parc de la Boverie.
- In 2018, Ethias was invited to present its strategy for promoting soft mobility at various occasions, in particular to the Association of Mutual Insurers and Insurance Cooperatives in Europe (AMICE) the Walloon Mobility Managers Network.
- Since 2008, the company applies an environmental measure to its company vehicles: a carbon emission limit rate has been set for each category of company cars. The control of carbon emissions is a priority action plan for Ethias.
- Since 2015, from spring to autumn, Ethias has been installing a «Green Mile Counter» on its intranet: cyclists and pedestrians are invited to enter their carbon neutral mileage. In 2018, 84 076 kilometres were covered, which symbolically represent 17 tons of CO<sub>2</sub> being saved.

A carpooling project is coming in 2019: the carpooling policy will be more flexible so that more employees can give it a try and enjoy the tax benefit. The Taxistop – Common has been selected.

Ethias' mobility policy is not settled in a general mobility plan. Nevertheless, a section of the company' intranet is dedicated to mobility and is regularly updated. All actions in favour of soft mobility are highlighted on the company's intranet and on its internal television circuit.

## GREEN MOVEMENT

In 2016, a group of Ethias employees created the «Green Movement».

### Its ambitions:

- To be a focal point for measures and ideas, a reference point for environmental initiatives and above all an engine for changing the habits and behaviours of every Ethias employee.
- To provide tools, tips and tricks as well as local information so as to become or continue to be «environmentally responsible» on a professional and/or private basis, today and for future generations.

### In 2018, the Green Movement has among others

- Published, twice a month, environmental tips and advice on the company's intranet (promotion of Repairs Cafés, selective collections, the relay point at Ethias of “La Coopérative Ardente” (small local producers), promotion of the Fairtrade Challenge, etc.).
- Organized the collection of empty batteries for recycling.



### 3.11 SPONSORING

Ethias has a long-standing sponsoring policy. **Its main goal is to translate the company's values into actions.**

Ethias is an active sponsor in 4 main areas

- **Sport:** via sports federations or umbrella sports organisations;
- **Culture:** mainly music and also a number of important cultural players;
- **Projects with a human dimension:** citizenship education, sustainable projects and organisations;
- **Prevention:** road safety, prevention in the sporting community, etc



Ethias sponsors via financial contributions or via advertising support (through its own communication channels). **It attaches much importance to its involvement in each project as a sponsor.**

Ethias bans any sponsoring activities that could link its name to:

- doping
- corruption
- violence
- racism
- incitement to hatred
- addiction
- Discrimination based on race, sex, age, sexual orientation or belief (homophobia, antisemitism, islamophobia...)

Any organisation violating morality or public order is also banned.

Its sporting, cultural and civic partners share its values: human, commitment, client satisfaction and enthusiasm.

**For example, Ethias supports:**



- **Article 27:** a non-profit organisation that facilitates access to culture for people in difficult social or economic situations.



- **Mnema (la cité Miroir):** an education centre for tolerance and citizenship.



- Preventive actions by the Vlaamse Stichting Verkeerskunde, the Red-Cross of Belgium and its emergency vehicle driving simulator, Fédémot, Apper, the AWSR.



- **Sports federations:** more than twenty federations such as tennis, volleyball, handball, judo... as well as institutional umbrella organisations (Sport Vlaanderen, Adeps, ISB, AES and AISF).



- **Culture:** Walloon Heritage Days, Brussels Summer festival, Ghent Jazz Festival, major philharmonic orchestras (Belgian National Orchestra, Royal Philharmonic Orchestra of Liège, Antwerp Symphony Orchestra).



- **Education for responsible citizenship and promotion of democracy** (Creccide).





# 4. ETHIAS AS A RESPONSIBLE INVESTOR

Within the frame of its financial investments, Ethias believes it has a duty to act in the long-term interests of its policyholders.

This long-term vision is crucial in the management of statutory and supplementary pensions in particular. All investments (except investments in external funds not managed by Ethias) are governed by the ethical investment code.

Ethias' responsible investment policy is based on **two pillars**:

- excluding investments in companies and countries (for government bonds) **on the basis of social, environmental and governance criteria**;
- investment with **environmental, social and societal impact**.



## 4.1 ETHICAL INVESTMENT CODE

This code has existed since 2005 and is reviewed annually since 2012 with the help of an external partner. It includes a list of prohibited investments which has been validated by the Ethical Investment Committee and by the Executive Committee of Ethias. It is an asset towards policyholders and applies to all of Ethias' direct investments. The methodology and scope of the code are continually evolving to keep pace with societal trends.

Since 2017, Ethias has excluded from its investments thermal coal, which is the fossil energy that contributes most to global warming.

The ethical investment code blacklists of two kinds of investments: shares and corporate bonds and government bonds.

- **Blacklisted companies**: companies that are not aligned with the ten principles of the UN Global Compact that relate to human rights, labour law, the environment and the fight against corruption or that are involved in controversial weaponry or in thermal coal.
- **Blacklisted countries**: two concepts are used for government bonds.
  - » Countries with **beneficial taxation** as referred to in the 1992 Income Tax Code.
  - » Countries with the lowest **environmental, social and governance ratings** as defined by the non-financial rating agency Vigeo Eiris (viz. the least compliant with international human rights, labour rights and environmental protection standards).

## 4.2 RESPONSIBLE INVESTMENTS

### INVESTMENT WITH ENVIRONMENTAL, SOCIAL AND SOCIETAL IMPACT

Ethias claims its place inside the social economy and provides reception structures, social economy funds (Netwerk Rentevrij, Carolidaire), scientific research funds, etc.

Ethias holds financial participations in the following fields: social loan companies, housing companies, microfinance institutions (Incofin, Impulse Microfinance), active support to associations and alternative finance institutions.

Ethias has also established privileged relations with companies in that particular sector.

Here is a non-exhaustive list of financial products and financial holdings in which Ethias is a stakeholder:

#### Through the Global 21 Ethical Fund

The **Ethias Global 21 Ethical Fund** is intended for the management of pension and group insurance reserves. It is certified “**Ethibel Excellence**”. This fund has two solidarity mechanisms, for the benefit of the **Réseau Financité** and **Fairfin**. Depending on the client’s choice, Ethias pays one of these partners 0.05% of the average capital invested in the fund at year-end. Affiliates who so wish may also retrocede all or part of their yield to the association of their choice.

#### Through financial participations

- **Impulse Microfinance Investment Fund**, Belgium’s leading private equity fund specialising in microfinance
- **Triodos**: Ethias holds Triodos share certificates to support the mission of this ethical and sustainable bank
- **Epimède**: fund investing in the private, unlisted capital of technological SMEs with growth potential. The main sectors are biosciences (biology, biotechnology, and medical technology), engineering sciences (new information and communication technologies, clean technologies) and business services.

#### Through investments with added value for society

- **Hospitals and nursing homes**: Ethias supports a very large number of institutions, such as psychiatric and recovery & care centres for the elderly, research centres, etc
- **Scientific research** (university funds, spin-offs)
- **Gimv Health & Care Fund** : Ethias is a strategic partner of the Gimv Health & Care Fund. This fund focuses on companies active in health & care services and MedTech sectors (medical technology) and invests in innovative healthcare concepts within these sectors. In this way, the fund is collaborating to address a number of challenges that our society faces: an ageing population, increasing chronic diseases, rising health care costs and increasing demands for quality information from patients.





## Environmental investments

As responsible investor, our duty is to play a part in the energy transition into a low-carbon economy.

### Green bonds and infrastructure funds

Green bonds are issued by a company or public entity (international agency, State, local organisations...) to finance projects, assets or activities with an environmental benefit. As of 31 December 2018, Ethias had an outstanding amount of 110 million worth of green bonds.

Ethias also holds shares of infrastructure funds investing in renewables (wind, solar, biomass), public transport, energy efficiency...

## Passive and sustainable real estate

- **SWECO** (Malines): investment in a 100 % passive office building. Sweco's new head office is at the forefront of sustainable and ecological renovations in Belgium. This former building of the RTT (former Belgian State Telephone Company) from the 1950s is a pioneer in sustainable renovation technologies.
- **State Archives** (Namur & Ghent): Ethias owns the buildings of the State Archives in Namur and Ghent. Built for the "Régie des Bâtiments" (Belgian Building Authority), these two new complexes meet the highest environmental quality standards. The Namur building has received a Valideo certificate.
- **BDO's** new headquarters (Luxembourg): Ethias invested in an office building in Luxembourg which received the «Interim Certificate - Design Stage BREEAM» in 2015. It was decided to extend the certification mission to obtain the BREEAM «Post Construction» certificate in 2016. The final certificate of the building was received with the mention «very good» (Renovation).



# 5. CONCLUSIONS

## 5.1 SCOPE OF THE REPORT

This report describes Ethias' social, societal and environmental situation in 2018, as required by Directive 2014/95/EU, and complements the annual report.

In several areas, the collection of information enabled to identify areas for improvement which were integrated into the company's corporate social responsibility strategy as objectives for 2018 which will be further developed in 2019.

## 5.2 PRINCIPLES OF THE REPORT

The information presented in this report has been provided and approved by the main managers of the areas covered.

It has objectively described Ethias' activities and commitments for many years, especially since 2017, when the non-financial report became a legal requirement.



## 5.3 MEMBERSHIP

In 2018, Ethias renewed its membership to the United Nations Global Compact (became a member in 2006). The Global Compact remains fully integrated into the company's strategy.

10 UN PRINCIPLES	ETHIAS' ANSWERS
Companies are encouraged to promote and respect the protection of international human rights law	<ul style="list-style-type: none"> <li>• Joint Ethics Committee</li> <li>• Integrity policy (new policy in 2019)</li> <li>• Social-Ethical Code</li> <li>• Ethical Investment Code</li> </ul>
To ensure that they are not complicit in human rights violations.	<ul style="list-style-type: none"> <li>• Signing of an ILO convention by all suppliers</li> <li>• Ethical Investment Code (new 2018 version)</li> </ul>
Companies should respect freedom of association and recognize the right to collective bargaining	<ul style="list-style-type: none"> <li>• Social governance</li> </ul>
Elimination of all forms of forced or compulsory labour	<ul style="list-style-type: none"> <li>• Signing of an ILO convention by all suppliers</li> </ul>
To contribute to the effective abolition of child labour	<ul style="list-style-type: none"> <li>• Signing of an ILO convention by all suppliers</li> </ul>
To contribute to the elimination of all discrimination in employment and occupation	<ul style="list-style-type: none"> <li>• Diversity Charter</li> <li>• Talent Management Policy</li> </ul>
Companies are invited to apply this approach to environmental problems	<ul style="list-style-type: none"> <li>• Environmental Governance</li> <li>• Ethical Investment Code (new 2018 version)</li> </ul>
To take initiatives to promote greater environmental responsibility	<ul style="list-style-type: none"> <li>• ISAE 3000 Financial Management</li> <li>• CO2 balance (yearly since 2018)</li> <li>• Mobility</li> </ul>
To promote the development and diffusion of environmentally friendly technologies	<ul style="list-style-type: none"> <li>• Responsible suppliers</li> <li>• Strategic choice of renovation</li> </ul>
Companies are encouraged to take action against corruption in all its forms, including extortion and bribery	<ul style="list-style-type: none"> <li>• Integrity policy (new policy in 2019)</li> <li>• Ethical Investment Code (new 2018 version)</li> </ul>







## NON-FINANCIAL REPORT

In the interest of a better, fairer, more ecological and more inclusive world, the report presents the results of Ethias as

- Trustworthy insurer
- Sustainable company
- Responsible investor.



[www.ethias.be](http://www.ethias.be)



ethias

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