



Our approach to Outsourcing

INTRODUCTION

The Ageas¹ Outsourcing Policy aims at providing a comprehensive overview of the group minimum requirements covering the outsourcing.

The Ageas Outsourcing Policy is based on the Directive 2009/138/EC of the European Parliament and the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II). It takes also into account the EIOPA Guidelines on System of Governance (No. 14/253), as well as the European Commission Delegated Regulation (EU) 2015/35, Article 274 (10 Oct. 2014, published in the Official Journal of the European Union on 17 Jan. 2015) and the Belgian Circular 2016_31 (September 2018).

The purpose of this regulation is to ensure proper protection of the policy holders: it should be ensured that the service provided offers the same qualitative and organizational guarantees as imposed to (re)insurance entities.

SCOPE OF THE POLICY

The Outsourcing Policy applies to ageas SA/NV and its Subsidiaries, and on a best effort basis in the Affiliates.

In case of discrepancy or deviation from the principles set out in the policy, it must be notified to the Group.

OUTSOURCING STRATEGY

The entity choosing to outsource functions, activities or operational tasks remains entirely responsible for complying with all legal and regulatory obligations it is subject to.

Decisions and core management responsibility concerning strategic control, risk management or ultimate regulatory responsibility may not be outsourced.

AGEAS'S RULES TO COMPLY WITH OUTSOURCING REQUIREMENTS

DEFINITIONS

Outsourcing is defined as the situation when a (re) insurance entity calls out to a third party (service provider) for the exercise of activities or core processes of this (re)insurance entity.

The following categories can be considered to be outsourced:

- Functions
 - Administrative functions (e.g. accountancy, claim management, investment management);
 - Specialised functions (e.g. IT, functional maintenance of applications, internal audit, data management);
- Services to policyholders (e.g. call centres).
- Cloud computing (e.g. an on-demand service model for the delivery of IT services, often based on virtualisation and internet technologies).

1 "Ageas" designates the conglomerate of companies forming a group of which ageas SA/NV is the top holding. It encompasses the mother company, all its subsidiaries and affiliates. Subsidiary means an entity in which ageas SA/NV, directly or indirectly, has a majority shareholding and holds operational control, and Affiliate means any entity in which ageas SA/NV, directly or indirectly, has a minority shareholding and holds no operational control.

GOVERNANCE

The outsourcing requirements vary depending on whether the function or activity to be outsourced is critical or important.

In any case the outsourcing should not violate any law, especially data protection legislation, and the service provider will be subject to the same provisions on the safety and confidentiality of information relating to the entity or to its policyholders or beneficiaries that are applicable to the insurance or reinsurance entity.

IN-DEPTH ANALYSIS

An in-depth analysis should be carried out by the entity before taking the decision to outsource any function or activity.

The Selection of the Service Provider should be carefully and prudently performed and formalized.

SPECIFIC CONTRACT

The relationship between the entity and the service provider has to be duly documented in a specific and signed contract according to the standards described in the NBB Governance Circular Letter reflected in Ageas's outsourcing policy.

It has to include also the details on how and how often performance and results will be assessed, and define clearly the respective rights and obligations.

CRITICAL AND IMPORTANT FUNCTIONS AND ACTIVITIES

Additional requirements apply when outsourcing critical or important functions or activities. These additional requirements are of five types:

- Preliminary notification to the Supervisory Authority (if required by local regulation);
- Additional verification duties on service provider;
- Additional requirements in terms of content;
- Additional requirements relying on the entity;
- Reporting to the group responsible entity via the quarterly legal reporting.

- A function or an activity is considered as critical or important if the function or activity is an essential activity of the company to the point that the company would not be able to provide the service to the insurance policyholder without the aforesaid function.

- Key functions are in any case considered as critical or important functions or activities. Key functions must, for the purpose of this policy, be understood as Internal Audit, Compliance, Risk Management Function and Actuarial Function.

- In addition, a function or activity is also considered as critical or important if an error or failure in its performance would materially impair:
 - the reputation of the entity; or
 - the continuing ongoing compliance with the regulation; or
 - its financial performance; or
 - data protection because personal data (of the policy holders) are transferred to a third party.

When a **key function** is outsourced, the entity is expected to explicitly address the reliability and expertise requirements for the persons performing the function at the service provider in the outsourcing agreement².

For this purpose,

- a person who will hold the global responsibility of the outsourced key function (“Accountable Relay Person”) will be designated internally by the entity. This person shall possess sufficient knowledge and experience of the key function to be able to assess efficiently the performances of the service provider (i.e. Fit & Proper requirements).
- the service provider should directly report to the company management bodies such as the Board of Directors or one of its advisory committees.

OUTSOURCING – SPECIAL CASES

OUTSOURCING OUTSIDE THE EUROPEAN ECONOMIC AREA

Specific attention will be paid in case of outsourcing from a European Economic Area (EEA)³ country to a third party outside EEA which is allowed provided the (re)insurance undertaking can guarantee that audit rights at large will be preserved.

Additional attention is paid to outsourcing implying personal data transfers. Indeed, when the outsourcing involves personal data, it is forbidden to outsource it outside the EEA.

OUTSOURCING WITHIN THE GROUP

When a function, activity or operational task is outsourced intra-group, the same rules and principles apply, no matter the critical or important aspect of the outsourced function, activity or operational task.

INSURANCE INTERMEDIARIES

The activities of insurance intermediaries, such as brokers, fall within the scope of outsourcing when these persons are not employed by the company and are entitled to either underwrite contracts or manage claims in the name or on behalf of the company.

In case the activities of a specific insurance intermediary are designated as outsourcing, further examination shall take place in order to determine whether the activity is considered as critical or important.

OUTSOURCING PROCESS – ROLES AND RESPONSIBILITIES

The entity shall have a clear outsourcing process describing roles and responsibilities.

- If the planned outsourced function or activity is critical or important, then the proposal must be submitted to the Board of Directors for approval;
- Any critical or important outsourcing shall be reported to the Group (via the Group Company Secretary).

2 However it is not sufficient to rely on the contract with the service provider to ensure that requirements are met. Due diligence should supply contract requirements.

3 The European Economic Area comprises all EU countries and, in addition, the following non-EU countries: Norway, Iceland and Liechtenstein.