Solvency and Financial Condition Report ("SFCR")

The new, harmonised EU-wide regulatory regime, known as Solvency II, came into force with effect from 1 January 2016. The regime requires new reporting and public disclosure arrangements to be put in place by insurers and some of them are required to be made public. This document is the first version of the Solvency and Financial Condition Report ("SFCR") and will be made public on the EMANI website.

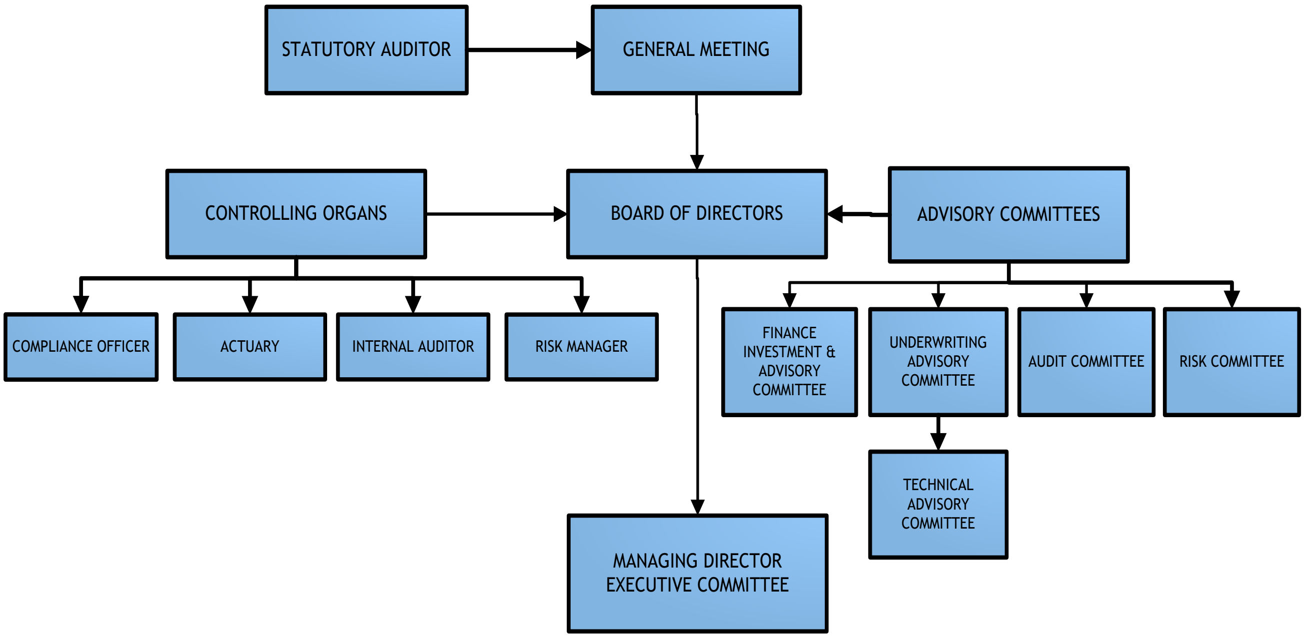
The SFCR covers the Business and Performance of EMANI, its system of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management. EMANI is required to hold sufficient assets to match its liabilities at all times while at the same time be committed to high governance standards. A primary responsibility of the Board is to ensure that eligible capital is adequate to cover the required solvency for the nature and scale of the business.

20/02/2018

Table of Contents

1. Management structure, remuneration and Membership

1.1. Management structure



a) Board of Directors (composition, duties)

The General Meeting nominates the Board of Directors for a three-year period but can dismiss them at any given time. On completion of their three years period of office, Directors shall be eligible for re-appointment.

EMANI is responsible to select and maintain competent and professional reliable persons for the functions within the Board. The (re)nomination of members of the Board of Directors is therefore subject to prior written approval by the Belgian supervisor who assesses the candidates in accordance with the principles included in the circular on Fit & Proper requirements. The Board is responsible to install an appropriate recruitment-, evaluation- and education policy and will therefore perform an assessment of the candidate on fit- and properness at the moment of selection. The NBB will receive a copy of the fit and proper assessment.

The composition of the Board will be balanced considering the respective skills, experience and background of each of the Board members. Board members undertake that they have sufficient time to exercise their duties, taking into consideration the number and importance of their other commitments.

The Board of Directors appoints among its members a Chairman and two Vice-Chairmen with the criteria that they can't be member of the Executive Committee. Their mandate stands for a period of three years but is re-eligible. The Chairman of the Board of Directors supervises the division of the powers and diligences between the Board of Directors and the Executive Committee. The NBB shall be consulted before appointing or dismissing a Board member. The Board of Directors meets as frequently as the interests of the Mutual requires but at least four times a year and whenever five or more Directors make a written request.

Directors receive no remuneration for their commitment except the Independent Directors who receive an attendance fee. Board members, travelling on EMANI business will be reimbursed for travel expenses according to the Board expense policy.

Non-Executive Directors may have other mandates in other companies. Executive Directors are only authorized to take on additional Non-Executive mandates or other Executive mandates in companies in the insurance sector.

In line with the fit and proper requirements applicable the fit and proper policy, the Board of Directors performs annually a self-assessment.

Board members

• A. Russell	Chairman
• C-D. Bölle	Vice-Chairman
• B-P. Jobse	Vice-Chairman
• P.Vandekerckhove	Executive Director & Managing Director
• M. Vercammen	Executive Director
• N. Feldman	Independent Director
• G. Gould	Independent Director
• R. Melandri	
• R. Danielsson	
• M.Blair	
• S. Döhler	

b) Executive Committee (composition, functions)

The Executive Committee is entrusted by the Board with the day-to-day management within the framework of the general policy of the Association and in accordance with the laws and regulations in force. They are responsible for the execution and management of the outcome of all Board decisions.

The Board of Directors appoints or dismisses among its Directors and after informing the NBB, the members of the Executive Committee. The Board of Directors appoints the Chairman of the Executive Committee, establishes rules for its powers in accordance with the NBB regulations and decides on the remuneration of the members of the Executive Committee.

All members of the Executive Committee are member of the Board of Directors. The aim is to ensure that the effective management takes part in the general policy and decision-making processes. The members of the Executive Committee cannot become the majority in the Board of Directors.

Special powers can be determined and granted by the Board of Directors to the members of the Executive Committee or to certain members of personnel. These powers relate to financial and administrative matters and are published in the annexes of the 'Moniteur Belge'.

Members of the Executive Committee receive no additional compensation for their engagement and are just remunerated as salaried staff.

Members of the Executive Committee

- P. Vandekerckhove (Managing Director)
- M. Vercammen (Finance Manager)

c) Advisory Committees of the Board of Directors (composition, functions)

The Board appoints and dismisses the delegated members of the specialized Board Committees in charge of advising the Board: the Finance Committee (FC), the Audit Committee (AC), the Underwriting Advisory Committee (UAC) and the Risk Committee (RC). The existence of the Committees doesn't decline the overall responsibility of the Board. Board Committees provide advice and support in their field of expertise by making recommendations towards the Board of Directors.

EMANI is not obliged to set up an Audit Committee because it only meets one of the three criteria imposed by article 52, § 1 of the Insurance Supervision Act of 13 December 2016. However, for good governance purposes EMANI has put in place an Audit Committee but the composition of the Committee on the principle of independent is not as defined as in article 48 of the Insurance Supervision Act.

The Audit Committee reports to and assists the Board in fulfilling its oversight responsibilities in the areas of corporate finance, risk management, corporate controls, financial communication and all other related areas as deemed appropriate. It is also authorized to obtain independent advice, including legal advice, if this is necessary for an inquiry into any matter under its responsibility. It is entitled to call on the resources that will be needed for this task. It is entitled to receive reports directly from the Statutory Auditor, including reports with recommendations on how to improve the Mutual's control processes.

The Finance Committee makes recommendations for approval by the Board to review strategies, plans, policies and actions related to the financing of its assets and liabilities. In particular, the Finance Committee proposes, monitors and recommends changes to/of:

- Investment policy
- Investment guidelines
- Investment manager
- Accounts, annual financial accounts

The purposes of the Underwriting Advisory Committee are to review and evaluate EMANI's policies, guidelines, performance, processes and procedures relating to the underwriting of risks undertaken by the Mutual as well as to discuss, monitor and oversee the guidelines and policies that govern the process.

The Risk Committee is comprised of the members of the Board and as secretary the risk management function. The RC is nominated for a period of 3- year in line with the term of the Board of Directors.

All Advisory Board Committees have charters that explain their purpose and their role including the responsibilities of the Committee towards the Board of Directors as advisory body.
Committee members are nominated by the Board of Directors for their experience in the specific areas of the Committee they take part in. Every Committee consists of a mix of Board members, other members and even staff to ensure execution and communication on every level of the Association. Every Committee has a personalised charter explaining its rights and duties.

Committee members are nominated by the Board of Directors to the term of the Board of Directors being 3 years. Each member of the Committee must at least participate in person or by conference call in ¾ of the meetings over the period of 3 years. Non-compliance will lead to not being eligible for the next 3 year period.

In line with the fit and proper requirements, every Committee performs annually a self-assessment.

Each of the members of Committees must sign a confidentially agreement.

Members of an Advisory Committee receive no additional compensation for their engagement.

1.2. <u>Remuneration</u>

EMANI’s overall remuneration system has been designed to deliver compensation, driven by both Mutual and individual performance, and according to its Members’ interests. The focus will be on and long-term performance and will be aligned to market levels. Our principles are inspired by the Financial Stability Board principles for sound compensation practices.

Board Members representing a Member as well as Executive Directors receive no remuneration. Only Independent Directors receive a fixed cash amount per year which is approved by the General Meeting for the current financial year. No variable nor incentive programs are included for any Board Member.

Individual board members may take on specific ad hoc tasks outside their normal duties assigned by the Board of Directors such as controller of a key functions or critical functions but shall not receive a remuneration

Members of Advisory Committees receive no additional compensation, fixed or variable, for their contribution to the Mutual. Only one exception is made for the chairman of the Underwriting Committee, who is an independent consultant. A fee of 900 euro per meeting is foreseen for this chairman.

Members of the Executive Committee receive no additional compensation, fixed or variable, for their contribution to the Mutual.

Actual expenses related to Board and Committee meetings are reimbursed.

1.3. Membership

a) Process for monitoring the changes in the Membership structure

Each of our Members is an important player on the international energy market and is therefore submitted to intensive surveillance by national and international authorities. Due to their size and (self)-control, EMANI considers its Members as being reliable and financially sound. Still a financial assessment is performed on a candidate Member on the one hand and a yearly financial review for existing Members on the other hand.

Membership is submitted to the Board of Directors and becomes effective after approval by General Meeting. New Members have to contribute to a sound and prudent management in EMANI as well as to the stability of the financial institution and its development on a going concern basis. The fee to enter as a Member is set at 10.000 €.

Every Member represents one vote in the Mutual except for the non-insured Members who have no voting rights. Because every insured Member is treated equally, there are no controlling Members. A complete list of the Members is published yearly in the Annexes of the 'Moniteur Belge' (Belgian Official Gazette) and the National Bank of Belgium (commonly abbreviated as NBB) is informed on a regular basis.

EMANI encourages its Members to participate at the Members Meetings. The General Meeting acts by simple majority of votes if quorum is reached unless for those cases stated in the Articles of Association where the approval is needed of three-quarters of the Members.

Yearly there can be two Members Meetings, one before the 30th June and another in the second half of the year. As the Annual General Meeting according to Article 10 of the Articles of Association must meet before the 30th June, the AGM and Members Meeting are organized on the same day. Minutes of the AGM are drafted and adopted during the meeting itself.

The current Members can be consulted on the website of EMANI.

2. Fit & Proper, external functions and transactions with Governing Bodies

2.1. Fit & Proper

a) Policy

Annually, EMANI updates and discloses a fit & proper policy to the NBB. Two standards of evaluation are at the center of the fit and proper policy:

1) Expertise (« fitness »):
A person is considered as being expert ("fit") for a specific function when he / she combines knowledge and experience, skills and the professional behaviour required for the function in question.

2) Professional worthiness (« properness »):
The professional worthiness concerns the honesty and the integrity of a person. A person is considered as professionally honorable (" proper ") in the absence of indicating elements the opposite and when there is either no reason for questioning reasonably the good reputation of the person involved. In other words, we can leave the principle that the person will execute in an honest, ethical and integrate way the task which is confided to him (her).

All people occupying critical functions in EMANI are aimed by this policy. By critical function we understand:

- The members of the Board;
- The members of the Executive Committee;
- Four key functions defined in the Directive Solvency II: Actuarial, Compliance, Risk Management and Internal Audit Function.
- Any other function which EMANI would estimate as critical for the smooth running of the company either internal or external.

Critical functions have to have the necessary professional expertise, the skills and the worthiness to be able to perform their functions. The same requirements apply to the holders of any critical outsourced function.

b) Implementation Process

"Fit and proper" implies a thorough process of evaluation which allows to obtain, by means of various relevant elements, the most complete possible image of the capacity of a person for a determined function. The evaluations concerning, on one hand, the expertise and, on the other hand, the professional worthiness of a person, are complementary.

The evaluation of capacity takes place as in principle before the entry in a function or during a change of function.

2.2. Loans, credits or guarantees and insurance contracts for Governing Bodies

There are currently no loans, credits or guarantees and insurance contracts granted to Members of the Board of Directors or Executive Committee.

3. Risk Management System, ORSA process and risk management function

3.1. Risk Management System

a) Framework for risk appetite and tolerance limits

The appetite for risk represents the underlying foundation of any effective Risk Management System. Understanding risk appetite helps Boards and managements to make better strategic and tactical decisions. It enhances understanding of Board and stakeholder expectations and enables risk-reward decision-making. It reduces the likelihood of unpleasant surprises.

The ability to take on risks is determined by more than just a capacity to absorb losses. The ability to manage risks based on skill sets and experience, systems, controls and infrastructure is also crucial. Understanding risk appetite helps in the efficient allocation of risk management resources across a risk portfolio, and may enable the pursuit of business opportunities that, without an understanding of the appetite, would otherwise be rejected.

The Risk Appetite Framework (RAF) is defined as being the overall approach, including policies, processes, controls, and systems, through which risk appetite is established, communicated, and monitored. It includes a risk appetite statement, risk limits, and an outline of the roles and responsibilities of those overseeing the implementation and monitoring of the RAF.

The RAF has been developed to articulate the level of risk that the Board is willing to accept in order to achieve the overall strategic objective.

The RAF contains the following characteristics:

- Identification of the key areas used to measure the success in achieving its overall objectives. These have been determined as free reserves, underwriting results, solvency, liquidity and reputation. These are referred to as “Dimensions” in this report;
- Quantification of the risk appetite attributed to each of the areas above, where quantifiable;
- Risk Profile (Risk Log): all of the risk faced by EMANI are identified, shortly described and categorised;
- Integration and control of the risk appetite through the Association;
- Dashboard.

We define the risk appetite as being the nature and quantity of risks that EMANI is ready to accept or to tolerate in the pursuit of its strategic objectives, taking into account the expectations of the stakeholders.

The risk tolerance defines the maximum amount of risk (bearing activities) needed to achieve all the organisational strategic objectives while simultaneously remaining compliant with the stakeholder’s expectations.

The risk target is the optimal risk level to achieve the strategic objectives with respect of the tolerance limits.

b) General risk management policy

EMANI assumes risk to generate an adequate return on capital. The success of its business model therefore depends materially on its ability to manage risk. EMANI considers the implementation of a suitable and effective Risk Management system as a strategic imperative not only to meet increasingly changing regulatory requirements but also to gain a competitive edge by improving its understanding of its own risks and overall solvency needs.

As an integral part of EMANI's business cycle, the Board shall approve the Risk Strategy and issue a Statement of Risk Appetite. "Risk" is defined as the degree of uncertainty with respect to achieving planned goals and targets and equally encompasses the probability of loss or gain. The Risk Strategy, including the Statement of Risk Appetite shall be clearly reflected in the agreed business targets, financial budgets, underwriting guidelines, and operational plans.

The Board delegates to the Executive Committee the responsibility of implementing adequate risk management processes and policies to ensure risk management is correctly embedded within all operations and in all departments. The Board and Executive Committee are assisted in this task by the Risk Manager and Risk Committee.

A Risk Management Policy documents EMANI's internal Risk Management guidelines that staff members are required to observe when exercising their day-to-day responsibilities. The purpose of the Risk Management Policy is to establish a Risk Management framework that enables EMANI to achieve an accurate and timely understanding of (1) the nature, materiality and sensitivity of the risks to which it is exposed, (2) its ability to mitigate and manage them, and (3) to deal with them should they fall outside the stated Risk Appetite and agreed risk tolerances and limits. EMANI's Board owns the Risk Management Policy. As such, the Board is responsible for the approval of any periodic changes and revisions introduced to this document.

EMANI's Risk Management Policy, its Risk Management System and ORSA are to be reviewed by the Board at least annually. The review will be based on input provided by the Risk Manager and Senior Management. More regular reviews may be undertaken when required or when there is a material change in the business or risk profile of EMANI or where a risk issue which raises doubts about the effectiveness of the Risk Management System has been identified.

3.2. ORSA process

a) ORSA policy

The ORSA process seeks to draw together considerations of risk, capital and returns within the context of the overall business strategy, both in the present and forward looking, providing a holistic view of the capital, risk and return over the forecast period.

The process is iterative, as outlined below:

The ORSA process is used to:

- Ensure there is sufficient capital available to meet the current business requirements (Solvency II compliance);
- Determine the supplementary capital required to meet the growth and diversification plans and other strategic decisions;
- Ensure that any risks that exceed the risk appetite are identified, assessed and if required the remedial action plan in place;
- Provide assurance to the Board, financial regulators and other stake holders that risk management and capital planning processes are embedded within the business.

The adjustments are the result of exchanges between management and the Board, while operational limits are developed jointly by the risk taker and risk management function.
We must therefore expand and review a large number of future scenarios (defined in terms of the most significant risks), to change the risk parameters and compare the different risk margins and the respective capital requirements and then take recapitalization measures or risk mitigation if necessary. We are then able to conclude whether the tolerance limits are exceeded and whether measures should be taken.

It is important that the ORSA process is a continuous reiterative process which is embedded within the business decision making and strategy setting process.

EMANI performs an ORSA at least annually or when the risk and solvency profile change significantly. The risk profile is continuously monitored against the risk appetite and periodically reported by Risk Manager.

b) Implementation process

The overall purpose for the ORSA assessment is to ensure that we can continuously meet our current and planned future regulatory targets and internally set capital target, in the face of planned changes to the risk profile and business plans, and expected development in the external environment.

As a management tool, it is designed to embed risk awareness within the business culture and decision making. It is an integral to the successful delivery of the overall strategic plan as it provides the management with a good understanding of the risk it is assuming and the capital required to cover those risks. It must be treated as a management process rather than a compliance exercise.

TIME HORIZON

The time horizon of the ORSA is fixed to 5 years, same horizon as used in the strategic business plan. The strategic business plan is the Base scenario of the forecasted P&L and Balance Sheet. For the solvency projections in ORSA use will be made of best estimates, market value balance sheet and SCR from Pillar I calculations as starting point.

SCENARIO - STRESS TESTS

The Strategic Business Plan (SBP) figures will be used for projection of the technical provisions and cash flows in and out. The calculation of the projected SCR can then be done. The final result is the "Base Case" and gives the expected capital needs/surpluses.

Besides the base scenario, we analyse also the effects of adverse developments on its solvency position. This is done with the help of scenario analysis and stress testing: we define scenario analysis as assessing the impact of a combination of factors. Stress testing is an extreme scenario that crosses the boundaries of the SCR-MCR. By applying scenarios, we want to:

- Address the main risk factors we may be exposed to;
- Address specific vulnerabilities (regional, sectorial characteristics, specific products or business, …);
- Contain a narrative scenario which includes various trigger events;

A range of scenarios are considered encompassing different events and degrees of severity:

- normal business scenarios
- more pessimistic scenarios
- stress scenarios
- reverse scenarios

Concerning stress testing, we have our own guidance:

- We regularly review the stress testing program and assesses its effectiveness;
- The stress testing program is used as a risk management tool supporting business decisions and actions;
- We perform sensitivity analysis for specific risks, if necessary;
- Reverse stress testing, of issues that threaten the viability of the company, are also analysed.

USE OF THE ORSA RESULTS

A part of the ORSA is the determination of the capital needed to manage the business. The results of ORSA are used for:

- Yearly evaluation of the risk appetite framework in relation to the capital position and the strategy;
- Start the strategic business plan with the most recent capital assessment;
- Monitoring capital position from regulatory, rating agencies and internal angle;
- The assessment of the target and realized solvency ratios;

- An analysis of the evolution of the capital position and the forecast of eventual funding requirements on the horizon period.

MANAGEMENT ACTIONS

We use also the results of the ORSA to take management actions:

- Hold the risks
- Mitigate the risks
- Transfer the risks
- Terminate the risk generating activity

FREQUENCY OF THE ORSA AND TRIGGERS

We perform an ORSA at least annually and an update when the risk and solvency profile change significantly. The risk profile is continuously monitored against the risk appetite and periodically reported.

The first step in the ORSA is to determine if the information used in the last ORSA is still up to date:

- Any material changes in the business strategy?
- Any changes in the risk appetite?
- Has the risk profile changed?
- Analyse the capital position and the quality of capital (classification in tiers);
- Analyse the appropriateness of the model (standard model) for representing the risk profile.

Examples of trigger for updating the ORSA:

- An acquisition that significantly changes risk profile
- A significant change in the financial markets that has a big impact on the value of the asset portfolio
- A significant change in regulation

The decision of performing an update of the ORSA is taken by the Executive Committee.

REPORTING

An annual ORSA Internal Report will be produced by the Risk Management Function. This report will contain at least information on:

1. Risk Profile
2. Key Observations
3. Risk Assessment
4. Regulatory Capital Requirements
5. ORSA Capital Requirements

This report will be discussed at different levels:

- First level: the report will be pre-discussed in the Audit Committee
- Second level: the resulting ORSA report will be approved by the Executive Committee
- Third level: finally, the report will be discussed and the sign off will be given by the Board of Directors.

QUALITY REVIEW

The quality review is conducted by the Internal Audit. The quality review will treat at least the following aspects:

- The ORSA policy

- The ORSA process
- The methods used
- The outcome of the ORSA and the follow-up of management actions

The following criteria will be judged to assess the quality:
- Training and experience of staff involved
- The cooperation between key functions: actuary, risk management, compliance, internal audit
- The involvement of management.

3.3. Risk Management Function

The Risk Management Function, is responsible to maintain an enterprise-wide aggregated view on EMANI's risk profile and operate its Risk Management System, monitors and reports to the Risk committee on actual risk exposures in comparison to Risk Appetite, Risk Tolerance and solvency requirements as set by the Board.

The Risk Management Function, objectively and free from the influence of other parties, is responsible for:
- implementing appropriate methodologies and procedures to assess EMANI's risks and solvency position ensuring their assessment is consistent with prevailing professional standards and regulatory requirements.
- implementing appropriate methodologies and procedures for risk assessment including Risk Policy and Risk Strategy.
- Reporting details of material risk exposures and advising the Board, Executive Committee and senior management with regard to risk management matters including the Risk Appetite, risk tolerances and risk limits.
- Monitoring risk aggregations (and diversifications) across lines of business, geographies, risk types and categories, etc.

4. Organizational structure, internal control, compliance function, integrity and IT infrastructure

4.1. internal Control System

Identification and assessment of the risks

The permanent control system has to lean on an analysis and a measure of the risks, regularly updated, by every person in charge of business units (which are risk owners).

Every stakeholder within EMANI has an internal control responsibility. The Board of Directors is responsible for promoting a high level of integrity and for establishing a culture within the Association that emphasis and demonstrates to all levels of personnel the importance of internal control. Management is responsible for the implementation of the internal control principles. It is therefore essential that everyone included all personnel, understand the importance of internal control and engage actively in the process according to their responsibilities and specific duties.

In establishing and maintaining an effective system of internal control, EMANI assess both the internal and external risks that it faces as well at the level of the Brussel's headquarter, as at the level of the branch in Switzerland. Assessment includes the identification and analysis of all significant risks that the mutual is exposed to.

For the identification and description of risks, EMANI has focused on key risks and on management related controls that mitigate those risks. EMANI's key risks definitions are based on existing information such as different control reports and regularly self-assessments. To lead to an efficient identification of those controls, interviews were conducted with every member of the Management.

EMANI additionally estimates the potential loss given default of each risk category in case the risk should occur. In order to quantify each individual risk, EMANI therefore combines two parameters which are the probability of occurrence and the (financial) loss impact. Furthermore, an evaluation is made on the effectiveness of the current controls so that the Association can target threats and plan actions were needed.

Finally, EMANI emphasises that risk awareness is a priority of every member of staff.

Policies and procedures

Policies and procedures are instruments of organization and control that contribute to the realization of the fixed objectives. They have to be in adequacy with the various identified, easily accessible risks and be the object of a communication and adequate trainings. They must be updated also regularly. The risk owners are responsible for the maintenance of processes and procedures.

Control processes occur throughout the entire organisation, at all levels and in all functions, since everyone in EMANI bears responsibility in internal control. Focus will be on "at the top" perspectives, but adequate controls must exist and understood in all departments and by all employees with access to control mechanisms. EMANI uses the four eyes principle to protect itself against mistakes and dishonesty in day-to-day management and outgoing payments and communication.

The Executive Committee takes all necessary internal control measures to ensure that all the divisions of the Association have job descriptions with clear responsibilities. The Executive Committee is responsible for implementing the risk management strategy and designing the structure so it is integrated into the organisational structure.

Management is charged with the maintaining of the internal control systems. Every manager establishes in his department policies and procedures in order to secure that the internal control directives are carried out and that there are sufficient tools for monitoring. Those procedures are gathered in a global Internal Procedure Manual. A manager will regularly monitor whether his procedures are working by periodic checks and balances such as testing of the system, supervision of day-to-day operations, auditor reviews, staff meetings etc. This gathering of information helps him in evaluating if procedures are sufficient and understood by all applicable personnel.

Personnel are charged with the inputting and the accuracy of the information and have to handle accordingly. An Internal Procedure Manual should sensitize staff sufficiently to perform a self-assessment and uphold the principles of good practice. Periodic controls by management ensure the efficiency that the procedures are working and important tasks are crosschecked by their manager. All staff must communicate upward problems in operations or non-compliance with the Internal Procedure Manual. For unethical or unlawful behaviour EMANI applies a “Whistle Blowers” procedure.

Control plans

By "control" EMANI understands supplying the assurance of the conformity of the operations and the processes with one or several standards or rules, as well as the good implementation of these procedures. In a more general term, it indicates any measure taken by the management, the internal or external auditors or the other parties to manage the risks and increase the probability that the purposes and the fixed objectives will be reached.

EMANI has formalized and documented the system of control on different levels. A good example is the performance of the self-assessment by the risk owner of the risk log. The risk owner identifies in a personal self-assessment the frequency with which the process is reviewed, verifies that the measurement system is adequate, if corrective actions should be taken, and looks forward to where the risk might be in the year to come.

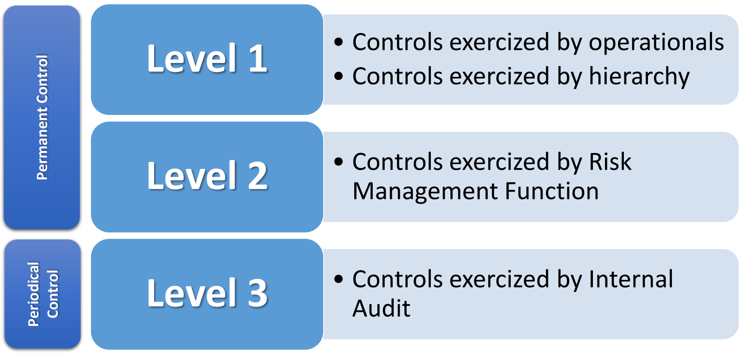
Reporting and recommendations

The reporting is the responsibility of the Risk management function.Further to a report on a situation of failure or inefficiency or an evolution of the permanent control, various participants can emit a recommendation (the Supervisor, the Statutory Auditor, the Internal Auditor) or introduce an action of correction / prevention. The impulse of actions of correction or prevention and their follow-up are the current responsibilities of the management. The level of formalization in the action plan possibly implemented and its follow-up must be proportioned at the incurred risk, at the difficulty of implementation, at the desire at the risk of the Mutual.

Piloting, action, arbitration

Every person in charge examines regularly the business unit he is responsible for in order to enhance the control system, in particular the procedures, the controls or the monitoring systems of the risks. These decisions also include the organization and the affectation of means in resources (human or computing).

The piloting by the person in charge also has to take into account the contributions of the periodic control and those of the external audit and the Supervisor, of which in particular all the recommendations and the proposals concerning the permanent control system.



4.3. Compliance Function

The Compliance function is in EMANI executed by the Compliance officer . The Compliance officer makes proposals as regards the integrity policy to be followed by the Association and submits them for approval to the Board of Directors. He acts as an adviser to the Executive Committee on the measures to be taken within the context of integrity policy and applicable law, to ensure the development of the entity’s integrity code.

The responsibility of the Compliance function is to proactively:

1. identify, assess and monitor the compliance risks faced by EMANI: in particular, the most important mission of the Compliance officer is to master the legislative and statutory environment and to watch his respect by EMANI
2. assist, support and advise management in fulfilling its compliance responsibilities
3. advise any employee with respect to their (personal) compliance obligations thereby helping EMANI to carry on business successfully and in conformity with external and internal standards.

The task of the Compliance officer is not limited to analyzing the situation, identifying a solution and giving advice to management. The Compliance officer must continue to pursue the matter until a satisfactory solution has been fully implemented. If necessary, the actions taken should include escalating the issue to a higher level.

5. Internal Audit Function

Object

The Internal Audit function constitutes a function of independent evaluation within EMANI charged to examine and to estimate the efficiency and the management of its activities. The objectives of the Internal Audit function are to assist the Management of the Association and the Board in the effective fulfillment of their responsibilities by supplying analyses, evaluations, recommendations, advices and information about the examined activities and by promoting an effective control to a reasonable cost.

The Internal Audit function is controlled by the Board and its responsibilities are defined by the Audit Committee of the Board, as being part of the control function.

Professional standards

The staff of the Internal Audit, either the internal staff, or the staff of an outside consultant, will conform to the "Code of ethics" of the Institute of the Internal Audit. The "Standards for the Professional practice of the Internal Audit" and the "Definition of the Responsibilities" will constitute the procedures of functioning of the department.

Furthermore, the Internal Audit will conform to guidelines and to procedures of EMANI as well as to the "Internal Audit charter".

The Internal Audit function is considered to be a key function and has to be fit and proper. Therefore, the Internal Audit function is independent of operational functions within EMANI and has the prerogatives and resources necessary for the proper performance of their duties. The remuneration of the Internal Audit function is set according to the objectives linked to this function, independent of the performance areas of controlled activities.

Powers

Powers are granted to the Internal Audit function to guarantee a total, free and unlimited access to files, to material properties and to staff concerned by any examined function. All the employees are asked to give assistance to the Internal Audit function in the execution of its function. The Internal Audit function will also have a free and unlimited access to the Chairman of the Board and to the Audit Committee. Documents and information given to the Internal Audit function during a periodic examination are treated in the same careful way that by the employees who are normally responsible for it.

Independence

No element within EMANI can influence the activities of Internal Audit, included the business within the framework of the audit, the procedures, the frequency, the timing or the contents of the reporting to guarantee an independent attitude and free objective reports.

The Internal Auditor will not assume either operational responsibilities or powers in connection with the activities which they examine. Besides, they are not authorised to develop or to promote systems or procedures, to prepare files or to make a commitment in any activity normally subject to an audit.

EMANI enables the person responsible for the Internal Audit to exercise his function in an objective and independent manner and this at every level of the Mutual. Periodical monitoring by the management is implemented in order to verify if the internal audit and internal control is still functioning correctly.

Audit field

The scope of work of the Internal Auditor is to determine whether EMANI's network of risk management, internal control and governance processes, as designed and represented by management, is adequate and sufficient. The responsibilities of the Internal Auditor are further explained in the Internal Audit Charter.

Audit planning

The Internal Auditor starts at the end of year -1 by informing the Audit Committee of the issues and objectives he will focus on for the coming year.

Internal audits take place at the various divisions of the Mutual at regular times but at least twice a year.

Reporting

The audits are executed by an external person who will write down his observations in a report for the Audit Committee. This report, if necessary with comments from the Audit Committee, is finally presented to the Board. Yearly the Executive Committee reports to the Board on Internal Audit. The report is also disclosed to the Supervisor.

6. Actuarial function

In accordance with Article 48 (2) of the Solvency II Framework Directive, the actuarial function is carried out by a person who has knowledge of actuarial and financial mathematics, commensurate with the nature, scale and complexity of the risks inherent in the business and who is able to demonstrate their relevant experience with applicable professional and other standards.

The actuarial function is a key function and must be fit and proper. Therefore, the actuarial function is independent of operational functions within EMANI and has the prerogatives and resources necessary for the proper performance of their duties. The remuneration of the actuarial function is set according to the objectives linked to this function, independent of the performance areas of controlled activities.

According to article 48 of the Directive Solvency 2, the actuarial function has the following responsibilities:

Coordination of the technical provisions calculation

Control of the methodologies and hypotheses used for the calculation of the Best Estimates

The actuarial function must reveal any incoherence compared with the requirements defined to articles 76 - 85 of the Solvency 2 directive for the calculation of the technical reserves and proposes, if necessary, corrections.

Control and explanation of the evolution of the Best Estimates

According to the article 48 of the Solvency 2 directive, the actuarial function has to explain, between two calculation dates, any importing effects on the technical amount of reserves due to the change of data, methodologies or hypotheses, if these technical reserves are already calculated on basis of the Solvency 2 directive.

Control the data quality

The l actuarial function estimates the coherence of the internal and external data used in the calculation of the technical reserves compared with the quality standards of the data defined in the Solvency 2 directive. If necessary, the actuarial function should supply recommendations as for the internal procedures to improve the quality of the data to guarantee that the Mutual is capable of meeting the requirement of the Directive.

Advice on the underwriting and reinsurance policies

The actuarial function has to express her opinion on the Underwriting policy and on the Reinsurance policy of the Mutual.

When it expresses an opinion on these policies, it should consider the links between these and the technical reserves Actuarial report

The actuarial function shall analyse the SII calculations, express an opinion and make recommendations to the Board of Directors and Executive Committee. These recommendations will be expressed in a final actuarial report to the attention of the Board of Directors and Executive Committee.

Particular responsibilities

The Management shall guarantee the compliance of the outsourcing contract for the actuarial function with the outsourcing policy document.

The actuarial function shall contribute to a fluent relationship with Statutory Auditor, and Supervisor.

7. Outsourcing

a) Policy

EMANI updates and discloses yearly an outsourcing policy to the NBB. The respect for this policy is compulsory every time a subcontracted activity can have a significant influence on the functioning of EMANI. The activity, the service or the process are assessed by:

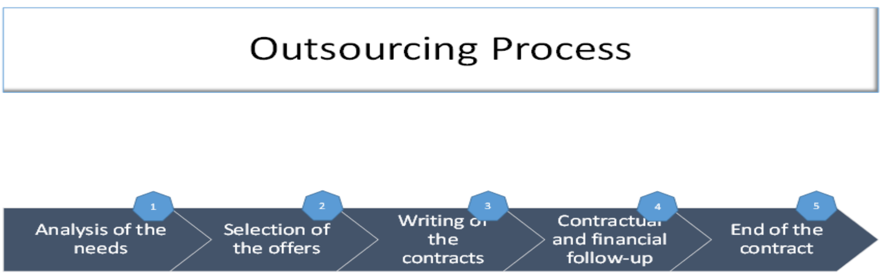
- Strategic impact: The concerned activity is inherent to the status of EMANI;
- Significant impact on the control of the risks: the realisation of the tasks linked to the concerned activity implies significant risks and/or affects directly the control of the risks;
- Significant impact on the budget or the financial results: the realisation of the tasks linked to the concerned activity represents a significant cost and/or products a significant financial result.

b) Staffing of supervision

The subcontracting reduces in no way the responsibility of the Executive Committee and the Board of EMANI whether regarding the Members, Supervisory Authorities or other shareholders EMANI has to keep ultimate responsibility of its activity.

For any subcontracted essential activity, the Executive Committee of EMANI will appoint in house a person in charge of the subcontracted function to whom it will delegate the correct application of the present policy. This person will be in charge in particular of defining the contents of the subcontracting, the necessary internal resources, the interfaces between the parties, the controlling of the subcontracting, the establishment of the assessment of the subcontracted function (economic profits vs risks) and the reporting to the Executive Committee.

The subcontracted organization of the outsourced function will have to allow a permanent control of the provider. The subcontracted organization will have in particular the obligation to raise any operational incident having an impact on the subcontracted activities, as well as in emergency situation. The process of subcontracting is resumed in the plan below. Each of the stages of the process is explained in the outsourcing policy.



8. Status of the Solvency and Financial Condition Report

For practical reasons, the SFCR is written in a masculine version where we often use words as he or his. In EMANI, where we believe in equal rights, it is not more than normal that those words can be used if appropriate in their feminine form.

A Mutual is always in change. To avoid continuous and minor adaptations to the SFCR, the Executive Committee yearly evaluates and updates the document where necessary. A minimal improved version is too insignificant to be presented to the Board of Directors. However, major modifications that have a structural impact on the organization should be approved by the Board of Directors. Their consent will be expressed by the signature of the Managing Director.

Drawing- up date	19-02-2018
Latest Assessment	22-02-2018
Latest Approval by Board	15-03-2018

Approved by,

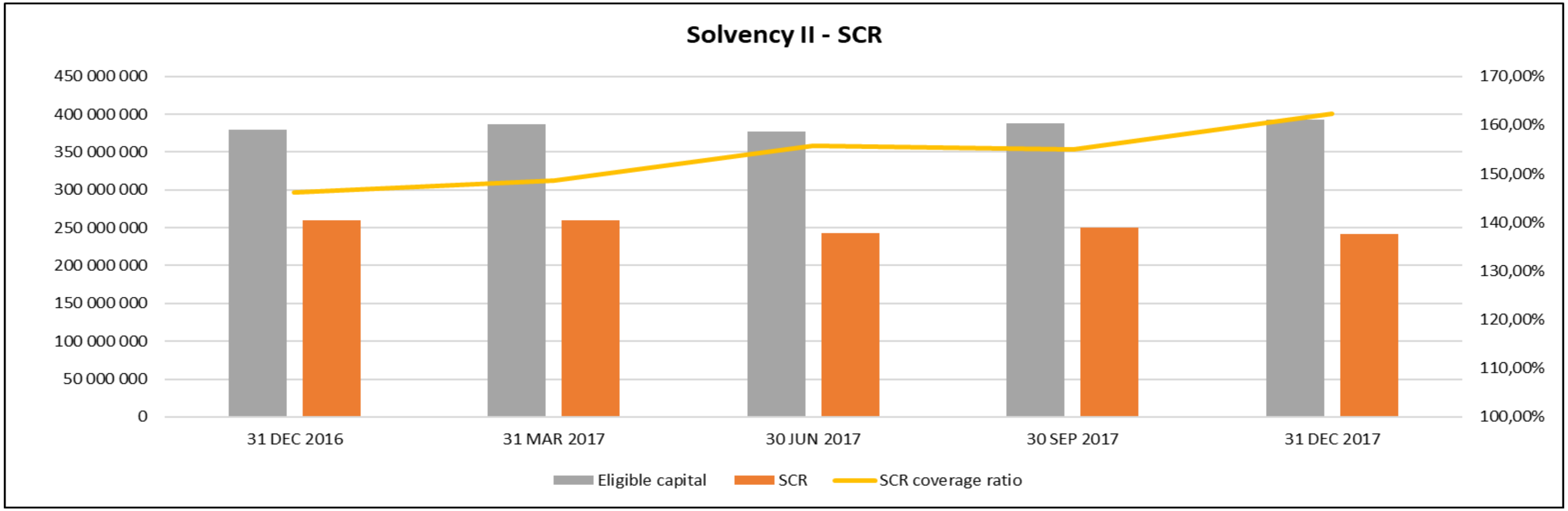
M. Vercammen
Finance Manager

P. Vandekerckhove
Managing Director

Annex

Annex 1: SCR evolution

	31 DEC 2016	31 MAR 2017	Change to 31 DEC 2016	30 JUN 2017	Change to 31 MAR 2017	30 SEP 2017	Change to 30 JUN 2017	31 DEC 2017	Change to 30 SEP 2017
SCR	259 370 363	260 200 273	+0%	242 415 049	-7%	250 256 238	+3%	241 981 218	-3%
Eligible capital	379 013 922	386 412 419	+2%	377 631 191	-2%	388 087 432	+3%	392 896 858	+1%
surplus	119 643 558	126 212 146	+5%	135 216 142	+7%	137 831 194	+2%	150 915 641	+9%
SCR coverage ratio	**146,13%**	**148,51%**	+2%	**155,78%**	+7%	**155,08%**	-1%	**162,37%**	+7%



Annex 2: Valuation BEGAAP- SII

ASSETS	BE Gaap	Solvency II	Difference	
C. Investments				
III. Other financial investments				
1. Parts in investment funds	220 629 572,52	242 053 872,14	+ 21 424 299,62	
2. Bonds and other fixed interests	0,00	0,00	+ 0,00	
6. Term deposits with financial institutions	25 900 643,55	25 906 170,84	+ 5 527,29	
	246 530 216,07	**267 960 042,99**	**+ 21 429 826,92**	*(1)*
D. bis Part of reinsurers in the technical reserves				
I. Reserve for non-earned premiums and current risks	3 098 503,00	0,00	- 3 098 503,00	
III. Reserve for claims receivable	12 263 119,01	0,00	- 12 263 119,01	
	15 361 622,01	**0,00**	**- 15 361 622,01**	*(2)*
Reinsurance recoverables (Solvency II regime)				
Premium provisions - Total recoverable from reinsurance	0,00	3 086 418,69	+ 3 086 418,69	
Claims provisions - Total recoverable from reinsurance	0,00	11 447 027,15	+ 11 447 027,15	
	0,00	**14 533 445,84**	**+ 14 533 445,84**	*(2)*
E. Receivables				
I. Receivables resulting from direct insurance	1 684 761,66	1 684 761,66	+ 0,00	
1. Insurers	*1 684 374,33*	*1 684 374,33*	*+ 0,00*	
2. Intermediaries of insurers	*387,33*	*387,33*	*+ 0,00*	
II. Receivables resulting from reinsurance	7 643 101,99	7 643 101,99	+ 0,00	
III. Other receivables	72 126,08	72 126,08	+ 0,00	
IV. Subscribed capital, not paid				
	9 399 989,73	**9 399 989,73**	**+ 0,00**	*(3)*
F. Other assets				
I. Tangible assets	510 449,08	510 449,08	+ 0,00	
II. Liquidity	39 372 727,42	39 402 166,21	+ 29 438,79	
	39 883 176,50	**39 912 615,29**	**+ 29 438,79**	*(4)*
G. Transitory accounts				
I. Interests and rent	335 326,03	300 359,94	- 34 966,09	
	335 326,03	**300 359,94**	**- 34 966,09**	*(5)*
TOTAL ASSETS	***311 510 330,34***	***332 106 453,78***	***+ 20 596 123,44***	

(1) Whereas investments are reported at their book value under Belgian GAAP,
the Solvency II regime takes into account multiple factors :
- the initial value of the investments is the market value at the reference date (= date of the balance sheet)
- possible shocks on the assets related to interest rate risk, equity risk, property risk, spread risk, currency risk and concentration risk
- accrued interest

(2) Provisions for reinsurance under the Solvency II regime are discounted to their net present value (NPV) at reference date and reported as "Reinsurance recoverables"

(3) No adjustments under Solvency II

(4) Tangible assets (excl. real estate) are valued at their book value both under Belgian GAAP as Solvency II.
Under Solvency II, the liquidities are valued at their nominal value including the accrued interests.

(5) Under the Solvency II regime, the amounts of accrued interests on assets are included in the value of the assets themselves.

LIABILITIES	BE Gaap	Solvency II	Difference	
A. Equity				
I. Subscribed capital or equivalent fund, net of uncalled capital				
1. Guarantee fund securities	84 552 433,09	84 552 433,09	+ 0,00	
V. Retained earnings	-89 460,50	-89 460,50	+ 0,00	
Reconsiliation reserve (Solvency II regime)				
Asset adjustments (1) + (2) + (3) + (4) + (5)	0,00	20 596 123,44	+ 20 596 123,44	
Liabilities adjustments (8) + (9) + (10)	0,00	213 808 155,68	+ 213 808 155,68	
Technical provisions adjustment (7)	0,00	-46 961 002,27	- 46 961 002,27	
	84 462 972,59	**271 906 249,44**	**+ 187 443 276,85**	*(6)*
Technical provisions - non life (Solvency II regime)				
Best Estimate		32 689 384,53		
Best Estimate Premium provisions		*10 519 800,11*		
Best Estimate Claimls provisions		*22 169 584,41*		
Risk Margin		14 271 617,74		
		46 961 002,27	**+ 46 961 002,27**	*(7)*
C. Technical reserves				
I. Reserve for unearned premiums and for unexpired risks	10 536 591,32	0,00	- 10 536 591,32	
III. Reserve for claims payable	22 860 939,86	0,00	- 22 860 939,86	
V. Reserve for egalisation and catastrophies	180 410 624,50	0,00	- 180 410 624,50	
	213 808 155,68	**0,00**	**- 213 808 155,68**	*(8)*
G. Payables				
I. Payables resulting from direct insurance business	11 616 795,45	11 616 795,45	+ 0,00	
II. Payables resulting from reinsurance business	36 227,71	36 227,71	+ 0,00	
V. Other payables	447 051,71	447 051,71	+ 0,00	
1. Fiscal and social payables	296 665,35	296 665,35	+ 0,00	
a) Taxes	*0,00*	*0,00*	*+ 0,00*	
b) Social Payables	*296 665,35*	*296 665,35*	*+ 0,00*	
2. Other	150 386,36	150 386,36	+ 0,00	
	12 100 074,87	**12 100 074,87**	**+ 0,00**	*(9)*
H. Transitory accounts	1 139 127,20	1 139 127,20	+ 0,00	
	1 139 127,20	**1 139 127,20**	**+ 0,00**	*(10)*
TOTAL LIABILITIES	***311 510 330,34***	***332 106 453,78***	***+ 20 596 123,44***	

(6) Under Solvency II, the own funds are calculated as the excess of assets over other liabilities.
and composed out of the capital and the reconsilation reserve
Non-eligible capital is cleared from the balance sheet (not mentioned as capital nor as reconsiliation reserve)
The reconsiliation reserve consists of the asset adjustments, liability adjustments and technical provision adjustments

(7) The technical provision is calculated as the sum of the Best Estimate (= discounted Premium and Claim reserves)
and the Risk Margin (= additional capital buffer to be calculated using a cost of capital of 6% p.a. and discounted at the risk-free rate.)

(8) Solvency II does not recognize technical reserves. These reserves are transfered to
- technical provisions (subject to calculation of shocks and to a discount factor)
- own funds (subject to calculation of shocks and to a discount factor)

(9) There is no distinction between the origin of the payables under Solvency II.

(10) Transitory accounts are valued at their nominal value under Solvency II

MCR & SCR RATIO - 31 December 2017				
Total Basic own funds			**271 906 249,44**	*(11)*
- Own funds Tier I		*271 906 249,44*		*(11a)*
- Own funds Tier II		*0,00*		*(11b)*
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds				*(11c)*
			0,00	
Deductions for participations in financial and credit institutions			**0,00**	
Ancillary own funds			**0,00**	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	180 454 966,00			
Eligible ancillary own funds			**120 990 608,78**	*(12)*
Total eligible own funds to meet the SCR (11a) + (11b) + (12)			**392 896 858,22**	*(13)*
Total eligible own funds to meet the MCR (11a) + (11b) with (11b) ≤ 20% of (16)			**271 906 249,44**	*(14)*
Solvency Capital Requirement (SCR)			**241 981 217,56**	*(15)*
Minimum Capital Requirement (MCR)			**60 495 304,39**	*(16)*
Linear MCR	3 476 567,35			
MCR floor = 25% of (15)	60 495 304,39			
Absolute floor (if both Linear MCR and MCR floor below)	2 500 000,00			
SCR ratio (13)/(15)			**1,62**	*(17)*
MCR ratio (14)/(16)			**4,49**	*(18)*

(11) See Solvency II balance sheet.
(11c) Uncalled capital or called capital that is not payable within 3 months are considered as non-eligible own funds
(12) Supplementary members calls can be taken into account as ancillary own funds.
The amount of ancillary own funds is however limited to 50% of the SCR amount. = max 50% of (15)
and subject to approval by the regulator
(13) Total eligible own funds is the sum total basic own funds and the eligible ancillary own funds
(13) Total eligible own funds to meet the SCR is the sum total basic own funds and the eligible ancillary own funds
(14) To determine the eligible own funds to meet the MCR, only the Basic own funds are taken into account = (11).
However the Tier II capital taken into account is limited to 20% of the MCR. (Eligible Tier II capital = max 20% of (16)
(15) See seperate calculation sheet for the composition of the SCR
The SCR is the sum of market risks, counterparty risk and catastrophe risk, after a correlation factor is applied.
(16) The linear MCR is calculated according to the Solvency II guidelines (standard formula non-life business).
The MCR is equal to the linear MCR, however a minimum of 25% of the SCR is applied
(17) The SCR ratio is calculated as the total eligible own funds to meet the SCR (13) devided by the SCR (15)
(18) The MCR ratio is calculated as the total eligible own funds to meet the MCR (14) devided by the MCR (16)

Annex 3: list of critical functions that are outsourced

outsourced function	full or partial outsourcing	internal person in charge
Actuary	full	Executive Committee
Actuarial Function	full	Board of Directors
Internal Audit	full	Executive Committee
IT	partial	IT Manager
Swiss Branch	partial	Executive Committee

Annex 4: list of loans/credits to Board members and EC (governing bodies)

Not applicable: no loans/credits to Board Members or Executive Members are allocated