# Achmea
# Tax Transparency Report
# 2021

SUSTAINABLE LIVING, TOGETHER


achmea

## INTRODUCTION

This is Achmea's 2021 Tax Transparency Report. As a financial services provider, Achmea wants to create value for its customers, employees and business and for society. Together we can tackle major social challenges in the areas of health, mobility, living and work and income with our vision "Sustainable living, together".

One element of this is to be a responsible taxpayer since paying tax is one of the pillars that supports a sustainable society. We believe that tax transparency is an important part of this. This new Tax Transparency Report is based in part on what has been presented in the annual report and we also provide greater insight and explanation.

We explain how we act as a responsible taxpayer and also the way in which we ensure that we act in accordance with the policy and how we manage our tax risks. We provide insight into our tax position and show the amount of tax we pay in each country. We are thus also putting the Global Reporting Initiative 207: Tax Disclosure into practice.

Michel Lamie
Vice-chair of the Executive Board, CFO

Erik Michielsens
Tax Director

## CONTENT

# 1. ACHMEA'S TAX POLICY

### FOR AND WITH CUSTOMERS
Achmea has been here for and with customers for two hundred and ten years. Rooted in the concept of solidarity, we believe that you achieve more together than alone.

### SOCIETY
As one of the largest financial service providers in the Netherlands, we are conscious of our role in society. Together we can tackle major social challenges in the areas of health, mobility, living and work and income.

### RESPONSIBLE TAXPAYER
Given our roots and our role in society, we are naturally motivated to be a responsible taxpayer. This means that we promptly file all our tax returns correctly and fully and pay the tax that we owe on time. If we discover that a tax return was not correct, it is rectified and we then pay the right amount of tax.

As a responsible taxpayer we obey the tax laws and regulations in every country where we operate, respecting the intent and the spirit of the rules. We take the substance of the economic and commercial reality of a transaction as the guiding principle, with profits being taxed where the profitable activity takes place. We also take account of overarching international regulations, such as OECD guidelines.

### RELATIONSHIP WITH THE TAX AUTHORITIES
We set great store by a sound and open relationship with the tax authorities. Sometimes, the law and the way it should be interpreted is not entirely clear. This can lead to negotiations with the tax authorities on the amount of tax payable. In such circumstances we present all the facts and figures to the tax authorities together with our interpretation and arguments, inviting them to put their case. In turn, we expect the tax authorities to be open and transparent in their response in a way that reflects a reasonable interpretation of the law and that respects Achmea's rights and obligations as a taxpayer.

### TAX PLANNING
The basic principle is that our profits are subject to a fair rate of tax. We do not engage in transactions whose main aim is to reduce the tax burden. For example, we do not operate in jurisdictions because they have a favourable tax regime or because they do not exchange tax information. We also shun transactions that are essentially designed to enable third parties to avoid tax. We do not offer our customers transactions designed principally for tax avoidance.

However, we try not to incur unnecessary tax expense. If tax law offers an intentional tax break we will take the opportunity to save tax. Some transactions may lead to double taxation on profits. We try to prevent tax being levied more than once.

### TYPES OF TAX
Our tax policy extends to all types of tax. The disclosures regarding our tax position in the financial statements relate to corporate income tax but there are other taxes that we have to deal with. These include payroll taxes, VAT and insurance tax. This applies not only to taxes on Achmea itself but also to taxes Achmea remits on behalf of third parties.

### TAX RISK MANAGEMENT
Our 'Tax Control Framework' (TCF) is part of the Achmea Control Framework and covers the entire package of policies, procedures, methods, controls and organisational measures concerned with Achmea's tax affairs. The purpose of the TCF is to manage tax behaviour at Achmea, monitor tax-related processes, support management in managing tax exposures and ensure that all tax returns are filed correct, and tax due is paid, in full and on time.

### TRANSPARENCY
We set great store by openness and transparency in tax matters and so we publish information on this in accordance with relevant national regulations and reporting requirements and standards including EU-IFRS, Solvency II and GRI 207.

### BROAD SUPPORT
Achmea's tax policy has been approved by the Achmea Executive Board. The policy is made known throughout the organisation so that we act accordingly.

## 2. EXECUTION OF THE TAX POLICY

### A. ASSESSMENT OF THE TAX POLICY

The tax policy is our 'moral compass on taxes'. Among other things it states what we understand as 'paying tax responsibly', when we regard tax planning as justified or not justified and how we regard the relationship with the tax authorities. The policy is made known throughout the organisation in order that we act in accordance with it.

The basic point is that we comply with tax laws and regulations and our tax policy. This is managed by Tax Affairs to ensure that we are a responsible taxpayer and comply hereto.

*Assessment framework*
Our tax policy is assessed using the following objective questions[1]:
1. Does the transaction have a genuine commercial purpose, other than achieving a current or future tax benefit?
2. Is the transaction, or a combination of transactions, not such that form is selected above content to achieve a tax benefit?
3. Can the tax position be expected to stand up to legal scrutiny with a favourable outcome on the basis of an interpretation of appropriate national and international tax laws (NB: the tax position can at least be defended)?
4. Would the planned transaction or structure be implemented irrespective of whether the relevant tax authorities know all the facts and circumstances?

AIf these four questions cannot all be answered in the affirmative, the transaction has to be reconsidered and/or alternatives have to be examined. The above assessment framework does not mean that a transaction does not by definition fit the tax policy. Additional attention must, however, be given to its social acceptability.

In addition to the objective questions, the following subjective question must be considered:
5. Are there other reasons to assume that policymakers or relevant stakeholders would regard the tax position as unacceptable?

The answer to this subjective question can give further definition to the degree of acceptance or non-acceptance of the tax position and be included when deciding on the applicability of the tax policy to the proposed transaction.

### B. TAX RISK MANAGEMENT

#### Tax risk
Tax risk is the risk of adverse effects from not being able to comply fully with all conditions/principles in the tax policy. This effect could, for example, arise because we pay too little or too much tax, or pay late, or because penalties become payable for not meeting our obligations or meeting them late, but also because our reputation is damaged.

#### Structure of Achmea's tax department
The tax function is performed by Tax Affairs. Tax Affairs is part of Group Finance and reports to the CFO and Achmea's Executive Board. In general terms, Tax Affairs is responsible for thorough knowledge of proposed and current tax legislation and its impact on Achmea. It deploys this knowledge internally and externally (in particular with the Dutch Tax and Customs Administration) to ensure that Achmea has a sound and manageable tax position.

[1] These questions are based on the assessment framework for Tax Principles drawn up by the Dutch Association of Tax Advisers.

## 2. EXECUTION OF THE TAX POLICY

Tax Affairs' responsibility encompasses a chain-management role. This role means that Tax Affairs manages the entire tax process (the chain): recording the necessary data in the source system up to and including submission of correct and full returns on time. Tax Affairs thus has first-line responsibility for managing the Tax Control Framework ('TCF') and monitors the quality of information provided by the business segments.

The Tax Affairs department is managed by the Tax Director and is made up of teams by type of tax:

- Tax Accounting & Compliance;
- Corporate Income Tax (CIT) Advice;
- VAT & Insurance tax; and
- Payroll tax and national insurance contributions & obligatory data disclosure (to the tax authorities).

The teams and their current duties and responsibilities are outlined below.

*Tax Accounting & Compliance*
The Tax Accounting & Compliance team is responsible for the accurate presentation of tax positions and results for tax purposes in financial statements and other reporting (including Solvency II). The team also has first-line responsibility for preparing and submitting corporate income tax returns. It has a chain-management role with respect to the structure of the operational and compliance processes at the business segments that provide information.

*CIT Advice*
The CIT Advice team has a first-line corporate income tax advisory role towards the business segments. It highlights and advises at the strategic, tactical and operational level, on its own initiative and on request, on:

- optimising the tax burden within the boundaries of the tax policy;
- using tax opportunities and guarding against risks; and
- structuring processes, services and products to meet tax laws and regulations.

*VAT & Insurance tax*
This team has a first-line advisory role focusing on VAT & insurance tax. The team also has a chain-management role in the VAT and insurance tax returns process focusing on the correctness and completeness of the return.

*Payroll tax and social security contributions & obligatory data disclosure*
The Payroll tax and social security contributions & obligatory data disclosure team has a first-line advisory role towards the business segments in respect of payroll tax, social security contributions and obligatory data disclosure. The team also has a chain-management role for obligatory data disclosure processes and payroll tax and social security contribution returns, advising on the proper structure of the operational and compliance processes to meet the tax requirements.

In few specific situations, the role and responsibility of Tax Affairs departs from the above outline. These are situations involving the large cash flows that Achmea manages for third parties and the operating companies (OpCos) abroad.

*Large cash flows for third parties*
With respect to services, some business segments differentiate between small cash flows (those relating to Achmea's resources, income and expenses) and large cash flows (those relating to the resources, income and expenses of customers of those business segments). These do not affect Achmea's tax position or its resources. Achmea does, however, run a potential reputational risk with respect to these large cash flows and so the tax policy also applies to them. The business segments concerned are responsible for complying with tax laws and the tax policy. This is controlled using the TCF. Tax Affairs has responsibility for managing the set up, maintenance and control of this TCF.

## 2. EXECUTION OF THE TAX POLICY

*Foreign operating companies (OpCos)*

The policy and procedures with respect to the foreign OpCos are developed in the Group Tax Policy OpCos. Tax Affairs supervises compliance with the tax policy, supports and advises first-line management (for example, on the structure of the TCF) and coordinates and monitors whether management actually takes responsibility. Tax Affairs ensures that the Group Tax Policy OpCos is reviewed annually and is amended as necessary.

### Cooperation and reporting within the group

The following criteria are used within our tax governance:

- Tax Affairs has final responsibility for the Tax Function;
- the responsibility of the Board under the articles of association applies in full;
- various parts of the organisation are charged with implementation of operational activities (primary processes);
- process owners are also owners of residual tax risks and the associated controls within those processes;
- Tax Affairs manages the tax position from the group perspective, including identifying risks and monitoring activities;
- Tax Affairs notifies the business segments and provides binding guidance on tax policy, procedures, systems and controls;
- the Tax Director is the primary contact for tax matters, internally (Executive Board, boards, staff services/services, etc.) and externally (tax authorities, DNB, auditor, etc.).

Tax Affairs enters into Service Level Agreements with the relevant group operating companies. It also holds regular meetings (in addition to ad hoc discussions) with the financial management of those companies. The Service Level Agreements are reviewed each year with the management of the relevant operating companies.

Tax matters with considerable significance (financial/reputational) are discussed with the Head of Group Finance and Achmea's CFO. The corporate income tax return is examined in detail with the CFO each year before being submitted.

Tax Affairs prepares a quarterly report, including a commentary on the group's tax position, key areas of attention and risks for tax, returns that have been prepared and submitted and the current position with respect to tax dossiers with high materiality or possible reputational impact. The report also refers to possible effects of announced and/or expected legislation/regulations and case law. Finally, Tax Affairs reports on policy, advice, management of the TCF and monitoring of controls. This report is discussed by the Executive Board (each quarter) and the Audit & Risk Committee (at least once a year).

As part of these services, Tax Affairs has the objective of raising awareness of tax throughout the group, not just at management level but at all levels within the organisation. As well as on-going assessment of the implementation of the tax policy, this may be through internal sessions during which knowledge is shared and explained and by discussing ethical dilemmas.

### Risk appetite

The risk appetite is our attitude to taking risks and an indication of our willingness to accept a high or low level of risk. The basis for this is that we act in accordance with legislation and regulations and within the tax policy. The risk appetite with respect to tax is set out in the tax risk register and is monitored and if necessary revised each year. We differentiate between gross and net risks.

Gross risks are expressed as a score based on the probability of a risk occurring multiplied by the impact on our reputation. A gross risk is a risk without the effect of control measures being taken into account; that is to say, the risk before control measures have been implemented. A net risk is a risk after the effect of control measures has been taken into account; that is to say, the risk after control measures have been implemented. These control measures are included in our TCF. Additional control measures have to be established if the net risk exceeds our risk appetite. Any identified breaches are rectified in accordance with the incident policy.

## 2. EXECUTION OF THE TAX POLICY

### Risk management

Our governance structure is based on the 'three lines of defence model'. The line organisation (the first line of defence) has primary responsibility for risk management. The first line is supported by the second line which also monitors implementation by the first line. The third line supplements this by regularly testing and reporting on the effectiveness of internal controls, governance and risk management.

The first-line role for tax risk management is performed by Tax Affairs. The first-line risk management role for payroll tax and national insurance contributions and obligatory data disclosure  is in the business segments. The internal control on the tax function is set out in the TCF, which describes the entirety of our taxation policy, procedures, methods, controls and organisational measures. The operating company has final responsibility for applying the controls in this framework. Tax Affairs is responsible for managing the TCF and monitors the quality of the information provided by the business segments. The TCF and the controls in place may indicate a shortcoming or inadequate quality. If so, Tax Affairs and the business segments concerned keep each other up to date. Tax Affairs performs the management role to resolve such findings. To this end, Tax Affairs provides binding advice on its own initiative or on request.

The basic assumption is that all tax-related matters are settled internally and all qualifications and competencies are available for this at Tax Affairs. From the risk management viewpoint, additional tax support is brought in if:

- a specific competence is not or not sufficiently available for a short period;
- a subject-specific technical review is needed with respect to external stakeholders.

The second-line function is performed by Achmea's Compliance department. The second line supports Tax Affairs in performing strategic, tactical and operational risk analyses. Risk assessments of Tax Affairs' tax processes and activities are carried out each year. Further to the assessments, key risks and key controls are established and they are tested and reported on each quarter. Test results on the checks and controls and management measures in place for ongoing tax work are monitored each quarter by Compliance and discussed with Tax Affairs. Improvements are implemented.

The third-line role is performed by Internal Audit. If the internal audit report includes points for improvement, they are followed up by Tax Affairs. Progress on these improvements is monitored and reported in quarterly reports to the Executive Board and the Audit & Risk Committee.

### Whistleblower's scheme

It is important to us that events that breach the frameworks of the tax policy within or by the organisation can be reported in a trusted environment. Consequently, our general whistleblower's regulations apply. The regulations are available on Achmea's website[2].

## C. STAKEHOLDER ENGAGEMENT

Our approach is to create sustainable value for customers, employees, business partners, shareholders and regulators. We live in a rapidly-changing environment and so the relationship with our stakeholders is also evolving continuously and we regularly offer new products and services to respond to new situations. Every change can have consequences for our and our customers' taxes and so Tax Affairs is in close contact with the business segments to ensure that our stakeholders' tax positions are monitored.

A good relationship with regulators such as the Tax and Customs Administration is essential. We are in permanent, transparent and up-to-date communication with the Tax and Customs Administration for this. Since 2020 we have been 'Top 100-ranked' in the renewed monitoring protocol  by the Tax and Customs Administration, which as part of this drew up an Individual Supervision Plan (ITP) at 30 June 2021. The ITP is a further step in Horizontal Monitoring for the top 100 for-profit businesses in the Netherlands. Key to the ITP is the information to be provided by Achmea, the monitoring work of the Tax and Customs Administration and the professional working relationship between us and the Tax and Customs Administration. Part of that working relationship is that Tax Affairs and the Tax and Customs Administration frequently discuss all types of tax. Progress and the contents of current dossiers are addressed during these discussions. There is at least one meeting per year at the highest management level.

2 https://www.achmea.nl/-/media/achmea/documenten/duurzaam/klokkenluiderregeling-achmea.pdf

Tax Affairs also maintains direct or indirect contact with other regulators, DNB and the external auditor. Tax Affairs assists other departments with information requests from DNB on Solvency II reporting. Support for the tax position in full year and interim financial statements is discussed in detail with the external auditor.

To maintain good connections with the industry, we participate in the tax committees of various umbrella organisations such as the Dutch Association of Insurers (VvV), Dufas[3], the Confederation of Netherlands Industry and Employers (VNO/NCW) and Zorgverzekeraars Nederland. Tax Affairs staff must maintain their membership of professional bodies (such as the Dutch Association of Tax Advisers and Register Belastingadviseurs). Achmea is also a member of various tax benchmarks such as those of the Dutch Association of Insurers and VBDO.[4]

Through the Dutch Association of Insurers, we also speak to ministries and the Tax and Customs Administration to determine sustainable and relevant legislation and regulations to be implemented for all parties in the future.

As one of the largest businesses in the Netherlands, we are a member of VNO-NCW, which has drawn up a Tax Governance Code for listed companies. We believe it is self-evident that Achmea also commits to that Code and supports its ambitions. Staff of Tax Affairs are also required to comply with the codes of conduct of their professional bodies.

### D. RELATIONSHIP WITH THE BUSINESS/SUSTAINABILITY

We want to contribute to a healthy, safe and future-proof society. Paying tax is an important pillar that supports a sustainable society and so it goes without saying that we meet all our tax obligations. This is the heart of our tax policy.

In other areas too, we play a role in tackling social challenges. For example, we co-founded the Werkcode *Uitgangspunten voor het realiseren van één arbeidsmarkt voor alle werkenden*, a code to create a single labour market for everyone. In our opinion, the decisions that we make on being a good employer and good commissioner of work contribute to being a responsible taxpayer not only for Achmea but also for the flexible workers and their organisations and the self-employed people we work with.

Sustainability is a major theme for us. This can be seen in part in the inclusion of a net climate budget of €2,500 available to our employees in the collective labour agreement (CAO) for 2022 and 2023. We will bear the tax consequences so that all employees can take a step towards sustainability.

### E. TAX PLANNING FOR INVESTMENTS

Achmea uses the following major criteria for tax planning:

a) Profit must be taxed at a responsible rate: this means that we do not use structures whose sole purpose is to reduce the effective tax rate. This means that if we are involved in investments in or through developing countries, those investments may not create lower tax remittances in those countries; and
b) The commercial reality of a transaction is leading: profits are taxed where the profit-generating activity occurs. Some investment transactions abroad may lead to double or multiple taxation of the same profit. In such cases, we will use tax planning to prevent these unnecessary tax charges as far as possible.

Section 2.a explains how investments are assessed against Achmea's tax policy using an established assessment framework.

3 Dutch Fund and Asset Management Association
4 Dutch Association of Investors for Sustainable Development..

## F. INNOVATION

Change and renewal are key words at Achmea. This means that we take a fresh look at everything in our processes concerned with tax.

Tax Affairs is working on extensive automation of the tax processes to avoid manual intervention as far as possible both in the management role for processes at the business segments and with respect to its own processes. The accuracy and completeness of source date are a requirement for this. The automatic processes must be defined, transparent and auditable. It is essential for paying the right amount of tax to know and understand how information and data flow through the chain and what the tax-critical elements of these are. Consequently, more and more Tax Affairs staff have specific data analytics know-how.

# 3. TAX DEVELOPMENTS IN 2021

## 3.1 DEVELOPMENTS AND AMENDED LEGISLATION

### Tax audits, agreement and risk management

- In recent years, Tax Affairs has tightened tax governance. As a final element, Internal Audit (third line) completed an assurance audit of corporate income tax, dividend withholding tax, VAT and obligatory data disclosure in 2021. Any improvements suggested by these audits are being followed up.
- In 2021, the TCF for corporate income tax and payroll tax and national insurance contributions was presented to the Tax and Customs Administration whereby it was also discussed with the second and third lines.
- The TCF for payroll tax and national insurance contributions at one operating company was presented in detail to the Tax and Customs Administration, which has reflected on it.
- We and the Tax and Customs Administration agreed on the acceptability of the tax-free fixed expense allowance for staff for the next few years. We have also made arrangements with the Tax and Customs Administration on the tax treatment of the net climate budget of €2,500 set out in Achmea's CAO.
- We asked the Tax and Customs Administration for a ruling (advance pricing agreement) on the transfer prices for internal services for the years 2018 and 2019. Since no agreement could be reached on the conditions, we withdrew the request.
- The returns for VAT, insurance tax, dividend tax and payroll tax and national insurance contributions were submitted and paid on time in 2021. The 2020 corporate income tax return of our fiscal unity was submitted on 25 October 2021. The Tax and Customs Administration has issued definitive corporate income tax assessments for the years to 2017.
- In 2021, as in 2020, we did not make use of the temporary measures (NOW), deferral of tax payments or other coronavirus fiscal support measures. As a responsible taxpayer and given our position in society, Achmea did not use these facilities even though we were entitled to.
- The Tax and Customs Administration shared the ITP with us. This sets out a number of regulatory and monitoring activities for 2021 and thereafter. The first activities were completed during 2021. Some of the executed activities also provide input for new activities which have been added to the planning for 2022 and later years. In this sense, the planning has a dynamic nature.

### Regulations and case law

- The EU directive on 'mandatory disclosure' ('DAC 6') requires intermediaries (tax advisers, lawyers, etc.) to report potentially aggressive cross-border tax-planning arrangements to the tax authorities. The Dutch legislation implementing this directive came into force on 1 January 2021. An intermediary who advised on a possible restructuring of large cash flows at one business segment made a report during the first quarter of 2021. Tax Affairs has examined Achmea's existing cross-border structures and has concluded that there are no transactions that need to be reported. A key control for further ongoing monitoring has been set up within the existing TCF and Tax Affairs has organised awareness sessions.
- Recent developments in case law mean that services to pension funds may be exempt from VAT. This may lead to a lower pro rata refund for Achmea (with retroactive effect). This point of law has recently been laid before the European Court of Justice and it will be some time before there is clarity.
- In connection with a possible conflict with EU law, from 1 January 2022 the recovery of dividend withholding tax is being limited to the corporate income tax due in a year. This is particularly important in loss situations. The unrecovered advance tax will be carried over to a later year. Each year, we have €20 million to €25 million of Dutch dividend withholding tax that can be offset against corporate income tax. In years when there is a taxable loss, the advance tax will be reserved rather than offset immediately.
- In December, the OECD published the rules for a worldwide minimum tax rate of 15% for multinationals. The EU will adopt these rules, but with the significant addition that they must also be applied at the national level. It is expected that applying a new system in addition to the existing corporate income tax will lead to an increase in the administrative burden. It is not certain whether healthcare insurers will be excluded under the OECD proposal and the EU directive[5] such that healthcare insurers exempt from corporate income tax may face taxation on profits.
- Loss relief rules have been amended with effect from 1 January 2022. These include both a relaxation and a restriction compared with the old system. The time limit for carrying losses forward lapses and so tax losses can be carried forward indefinitely against future taxable profits (relaxation). In contrast, only part (€1 million plus 50% of the taxable profit in excess of €1 million) rather than all of the

5 In the most recent draft directive (April 2022), the EU has included an exemption for tax-exempt healthcare insurers. This directive has not yet been finally adopted..

future taxable annual profit can be utilised (restriction).

- From 2022 the corporate income tax rate has been increased from 25% to 25.8%. This will give us a non-recurring benefit in 2021 in view of the net deferred tax asset (see 3.2).
- The State Secretary agreed in a policy paper to parliament with the application of the reduced unemployment insurance contribution to temporary extensions of contracts of employment. For Achmea, this was a significant decision by the State Secretary as a result of Achmea's collective labour agreements on altering contract hours and the ability for temporary extension of contracts of employment.

### 3.2 2021 IN FIGURES

The following section comments on the tax that we pay to the tax authorities. The amounts in the tables are in millions of euros.

#### Corporate income tax

Corporate income tax is a tax payable by Achmea.

Our financial statements provide extensive disclosures on the tax position of the entire group.[6] Some of the information in the financial statements is set out below.

*Effective tax rate in 2021*

The effective tax rate is the tax disclosed in the income statement expressed as a percentage of the commercial profit before tax. This percentage usually differs from the nominal rate (25% in the Netherlands). A significant reason for the difference is that the commercial profit is calculated using different rules from the taxable profit in the corporate income tax return. Consequently, it may be that the commercial profit contains elements that are exempt under the Corporate Income Tax Act, or that elements are not recognised for commercial purposes through the income statement but through equity while they are included in the taxable result (permanent differences). Other reasons why there may be a difference include prior-year adjustments or changes to the measurement of the deferred tax position as a result of changes in tax rates.

6 Notes 15 and 25 to the 2021 consolidated financial statements.

RECONCILIATION OF EFFECTIVE TAX AMOUNT — € MILLION

| | 2021 | 2020 |
|---|---|---|
| Result before tax | 585 | 630 |
| | | |
| Dutch corporate tax rate | 25.0% | 25.0% |
| Income tax using the Dutch corporate tax rate | 146 | 158 |
| Effect of tax rates in foreign jurisdictions | -3 | -1 |
| | | |
| Tax effect on: | | |
| Non-deductible expenses | 3 | -1 |
| Tax exempt revenues | -4 | -62 |
| Participation exemption | -1 | -6 |
| Non-deductible losses | 9 | 11 |
| Perpetuals[1] | -14 | -19 |
| **Regular (temporary) differences** | **-7** | **-77** |
| | | |
| **Change in tax rate** | **-19** | **-92** |
| | | |
| **Effective tax amount** | **117** | **-12** |

## 3. TAX DEVELOPMENTS IN 2021

The effective tax rate for 2021 was 19.9% (2020: -1.8%). The principal differences between corporate income tax at the rate in the Netherlands (€146 million) and the effective tax amount (€117 million) were:

- A large part of Achmea's operations are insuring healthcare expenses. The profits on these operations are exempt from corporate income tax provided they are only used to the benefit of healthcare institutions. This exemption applies to Achmea and led to a reduction in the corporate income tax charge of €4 million in 2021;
- Tax losses were incurred on operations abroad that were not recognised. This led to unrelieved tax losses and a higher corporate income tax charge of €9 million;
- Changes in the corporate income tax rates in 2021 meant a change to the valuation of deferred tax. Part of that change was recognised through the result and led to a reduction in the corporate income tax charge of €19 million. Much of this effect was caused by the change in the tax rate in the Netherlands;
- Achmea issued perpetual bonds in 2015 and 2019. The interest paid on these loans is charged directly to equity but is deductible for tax purposes. This led to a reduction in the corporate income tax charge of €14 million (part of the Other item).

The corporate income tax in the income statement is made up of current and deferred taxes. Corporate income tax is recognised in the income statement unless it relates to items included in total equity. In that case, those items are recognised net (after tax) in total equity.

The table below breaks down the corporate income tax in the income statement into current and deferred tax.

SPECIFICATION OF THE CURRENT AND THE DEFERRED INCOME TAX — € MILLION

| | 2021 | 2020 |
|---|---|---|
| **Current income tax** | | |
| Current year | 103 | 221 |
| Under provided in prior years | 2 | |
| | **105** | **221** |
| **Deferred income tax** | | |
| Origination and reversal of timing differences | 12 | -233 |
| | 12 | **-233** |
| | | |
| **Total income tax expense in Income Statement** | **117** | **-12** |

*Deferred tax*

Achmea's financial statements include a deferred tax item. This concerns tax assets and liabilities that do not yet exist but which it is highly probable will arise in due course.

Deferred taxes occur because of differences between accounting policies for commercial and tax purposes. As a result of these different accounting policies, there are income and expenses that are recognised commercially in the result in years before or after the year in which they are included in the tax return. In addition unrelieved tax losses are recognised as a deferred tax asset.

At Achmea, deferred taxes relate largely to differences in the valuation of investments and insurance liabilities. On balance, the difference between valuation for commercial and tax purposes leads to a deferred tax liability and the difference between valuation of the insurance liabilities to a deferred tax asset.

## 3. TAX DEVELOPMENTS IN 2021

The movements in deferred tax assets and liabilities during 2021 can be specified as follows:

UITSPLITSING ACUTE EN LATENTE VENNOOTSCHAPSBELASTING € MILLION

| | BALANCE AT 1 JANUARI 2021 | RECOGNISED IN INCOME | RECOGNISED IN EQUITY | BALANCE AT 31 DECEMBER 2021 |
|---|---|---|---|---|
| Intangible assets | -8 | 2 | | -6 |
| Property for own use and equipment | -25 | 10 | 5 | -10 |
| Investments | -2,366 | 496 | -9 | -1,879 |
| Liabilities related to insurance contracts | 2,972 | -501 | -2 | 2,469 |
| Other provisions | -17 | -8 | 8 | **-17** |
| Amortisation | **2** | **-1** | | **1** |
| Financial liabilities | 27 | -64 | | **-37** |
| Loss carry-forwards | 10 | -3 | | 7 |
| | **595** | **-69** | **2** | **528** |
| **Comprising:** | | | | |
| Deferred tax assets | | | | 560 |
| Deferred tax liabilities | | | | 32 |

In the 2022 Tax Plan of the Netherlands, the decision has been made to increase the corporate tax rate from 25% to 25.8% as of 1 January 2022. Achmea made an estimate of the effect of this tax rate change on the deferred tax positions and has attributed expected future realisations to specific financial years. In 2021, the tax rate change in the Netherlands led to a gain in the 2021 result of €25 million and a reduction of equity of €8 million.

The tax rates used in calculating deferred tax assets and liabilities differ per jurisdiction, and in both 2021 and 2020 these tax rates ranged from 10% to 36%. The tax jurisdiction with the largest part of the result and tax share concerns the Netherlands.

An amount of €509 million (2020: €626 million) of the Deferred tax assets and liabilities is expected to be recovered more than twelve months after reporting date. Deferred tax assets amounting to €59 million (2020: €60 million), have not been recognised in respect of taxable losses of previous years. For these losses it is not probable that future taxable profits will be available, against which the temporary difference can be utilised. The recognised deferred tax assets relating to offsettable losses from previous years are valued based on the current tax laws.

Results within the Dutch Health Insurance business are reported as non-taxable results, based on the current tax laws. The tax exemption is applicable as far as these results are not distributed. When results are partly or fully distributed, the annual results of the Dutch Health Insurance business will no longer be exempted from corporation tax. The annual results will then be taxable against the then current corporate tax rate.

*Tax provisions*

It may not be certain how a specific provision of tax law applies to a given transaction or situation. Such uncertainties are taken into account when computing the current corporate income tax position. The tax provision for the Dutch operating companies mainly addresses possible foreign withholding taxes that cannot be offset and, to some extent, non-deductible liquidation losses. A provision is formed for withholding taxes for the foreign operating companies. The actual current corporate income tax may, therefore, lead to different cash flows under the tax position.

# 3. TAX DEVELOPMENTS IN 2021

## Income tax by country

The table below shows information on income taxes by country. We report this information with the Dutch Tax and Customs Administration. The table shows that we paid €59 million of income taxes to the tax authorities in 2021.

€ MILLION

| Country | Principal activities | income from unrelated parties | income from related parties | Total | Profit (loss) before income tax | Corporate income tax paid (cash basis) | Corporate income tax for 2021 recognised in the financial statements | Paid-up capital | Employees, based on a 34-hour working week | Tangible assets other than cash and cash equivalents | Effective tax rate |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Netherlands | Health; Non-life; Pension and life | 18,753.1 | 13.4 | 18,766.5 | 537.5 | 49.6 | 104.0 | 11,357.0 | 11,895 | 422.1 | 18.5% |
| Greece | Non-life; Pension and life | 361.7 | 5.3 | 367.0 | 45.0 | 9.6 | 7.0 | 109.0 | 1,284 | 31.9 | 27.7% |
| Turkey | Non-life | 235.5 | 0.0 | 235.5 | 13.0 | 3.9 | 2.0 | 5.5 | 814 | 9.1 | 25.6% |
| Slovakia | Non-life | 608.0 | 1.0 | 609.0 | 27.0 | -4.1 | 4.0 | 43.6 | 703 | 10.6 | 13.4% |
| Australia | Non-life | 43.9 | 0.0 | 43.9 | -17.0 | 0.0 | 0.0 | 124.1 | 104 | 0.6 | |
| Other* | | 4.1 | 0.0 | 4.1 | -21.0 | 0.0 | 0.0 | 0.0 | 24 | 0.0 | |
| **Total** | | **20,006.3** | **19.7** | **20,026.0** | **584.5** | **59.0** | **117.0** | **11,639.2** | **14,824** | **474.3** | **19.9%** |

## VAT

VAT is a tax that we charge to customers for services and/or products supplied. It is an indirect tax and we ensure that the VAT paid by the customer is remitted to the tax authorities. The VAT on purchases may as a general rule be deducted from the VAT to be remitted. This system means that tax is only paid on the added value.

VAT legislation provides for different VAT rates and an exemption. The exemption applies to a significant proportion of our services and products and means that we do not charge VAT to customers and cannot deduct VAT on purchases. In this case, the VAT payable on purchases is part of our operating expenses.

When purchases are used for activities both subject to and exempt from VAT ('general expenses'), we deduct the VAT on purchases in accordance with the proportion of taxable and exempt revenue. This is called the pro rata approach.

The table below shows how much VAT we have charged our customers in total (VAT remitted) and how much VAT on general expenses we cannot deduct. The total VAT burden consists of the VAT remitted and non-deductible VAT on general expenses.

€ MILLION

| **Country** | **VAT remitted** | **Non-deductible VAT on general expenses** | **Total VAT burden** |
|---|---|---|---|
| Netherlands | 40.1 | 87.3 | 127.4 |
| Greece | 1.8 | 11.4 | 13.2 |
| Turkey | n/a | 1.5 | 1.5 |
| Slovakia | n/a | 2.8 | 2.8 |
| Australia | 4.4 | n/a | 4.4 |
| Other | 0 | 0 | 0 |
| **Total** | **46.3** | **103** | **149.3** |

## 3. TAX DEVELOPMENTS IN 2021

### Insurance tax

Insurance tax is a tax levied on insurance products that we charge to our customers directly or through an insurance agent. Healthcare and life insurance are exempt from insurance tax.

The table below shows how much insurance tax we paid to the tax authorities in 2021.

€ MILLION

| Country | Insurance tax remitted |
|---|---|
| Netherlands | 571.5 |
| Greece | 49.9 |
| Turkey | 9.2 |
| Slovakia | 2.5 |
| Australia | 5.5 |
| Other | 0 |
| **Total** | **638.6** |

### Payroll tax and social security contributions

In the Netherlands, we withhold payroll tax, social security contributions and Health Insurance Act contributions from our employees' salaries and from various payments. The payments from which we collect payroll tax in the Netherlands are pension payments, bank and other annuities and income insurance payments. Employee insurance premiums, employers' Health Insurance Act contributions and pseudo final tax levies are also collected. These amounts are declared in the payroll tax and social security contributions return and remitted to the Dutch Tax and Customs Administration. The employee insurance contributions and employers' Health Insurance Act contributions form part of our operating expenses.

In other countries, we deduct and remit payroll tax and/or social security contributions in accordance with local regulations.

The table below shows the remittances by country.

€ MILLION

| Country | Remitted by the employer | Remitted by the insurer or bank | Total |
|---|---|---|---|
| Netherlands | 388.5 | 412.2 | 800.7 |
| Greece | 15.7 | n/a | 15.7 |
| Turkey | 7.1 | 0.3 | 7.4 |
| Slovakia | 9.9 | 0 | 9.9 |
| Australia | 3.3 | n/a | 3.3 |
| Other | 0 | 0 | 0 |
| **Total** | **424.5** | **412.5** | **837** |

## 3. TAX DEVELOPMENTS IN 2021

### Achmea's total tax contribution

The table below shows Achmea's total tax contribution in 2021. This amount includes both taxes:

- incurred and recognised as part of our operating expenses (€260 million), and
- those deducted and remitted on behalf of third parties.

€ MILLION

| Country | Total tax remittances |
|---|---:|
| Netherlands | 1,549 |
| Greece | 88 |
| Turkey | 22 |
| Slovakia | 11 |
| Australia | 13 |
| Other | 0 |
| **Total** | **1,684** |

## 4. OBJECTIVES AFTER 2021

This report is putting our ambition to communicate transparently on tax matters into practice. Our ambition is to expand this report in future years.

We see the following significant objectives in the area of tax for the years after 2021:

- Tax governance must be maintained and tightened further. The TCF will be rolled out further at the organisation and explained to the Dutch Tax and Customs Administration. An important point is that we show that the entirety of tax controls are effective and are evolving;
- In 2020, we started the 1Finance programme. Its aim is that Achmea will be a fully data-driven insurer by 2025. As part of this programme, the key existing tax processes will be automated further and new processes (resulting from new legislation) will be integrated. Another part of this programme is the development of employees' data/data tooling skills, including at Tax Affairs.
- The OECD Pillar 2 directive will come into force in 2023. This proposal introduces a worldwide minimum tax on profits with an effective tax rate of 15%. The 15% will be established using valuation policies derived from IFRS. In addition, from 1 January 2023, Achmea, as an insurer, will have to base its IFRS reporting on IFRS 9 and 17, which prescribe new rules for the valuation of insurance contracts and financial instruments. These changes in the IFRS reporting may impact the valuation of the deferred tax assets and liabilities. An internal report will be issued on both the current and new IFRS policies in 2022. Along with the new Pillar 2 measurement rules, this is a challenging changing environment for tax reporting.

## 5. ANNEXE GRI INDEX

| INDEX | | FR: TAX REPORT |
|---|---|---|
| **Indicator** | **Description of indicator** | **Reference** |
| **207-1 Approach to tax** | | |
| 207-1 a | A description of the approach to tax, including | FR: para 1 Achmea's tax policy |
| 207-1 a i | Publicly available tax strategy | FR: para 1 Achmea's tax policy |
| 207-1 a ii | Approvement and review of tax strategy | FR: para 1 Achmea's tax policy/para 2 Implementation of the tax policy |
| 207-1 a iii | The approach to reglatory compliance | FR: para 1 Achmea's tax policy/para 2 Implementation of the tax policy |
| 207-1 a iv | Relation with company's business and sustainable development strategies | FR: para 1 Achmea's tax policy |
| **207-2 Tax Governance, control and risk management** | | |
| 2017-2 a | Description of the tax governance and control framework including: | |
| 2017-2 a i | Internal governance of compliance with the tax strategy | FR: para 2 b. Tax risk management |
| 2017-2 a ii | Embedding of approach to tax within the organisation | FR: para 2 b. Tax risk management |
| 2017-2 a iii | Description of tax risk policy | FR: para 2 b. Tax risk management |
| 2017-2 a iv | Evaluation of compliance with the tax governance and control framework | FR: para 2 b. Tax risk management |
| 2017-2 b | Whistleblower policy | FR: para 2 b. Tax risk management |
| 2017-2 c | A description and reference to the assurance process for disclosures on tax | Annual report 2021, supplement A (GRI 102-56) |
| **207-3 Stakeholder engagement and management of concerns related to tax** | | |
| 207-3 a | A description of the tax governance and control framework, including: | |
| 207-3 i | The approach to engagement with tax authorities | FR: par 2 c. Stakeholder engagement |
| 207-3 ii | The approach to public policy advocacy on tax | FR: par 2 c. Stakeholder engagement |
| 207-3 iii | The processes for collecting and considering the views and concerns of (external) stakeholders | FR: par 2 c. Stakeholder engagement |
| **207-4 Country by Country reporting** | | |
| 207-4 a | All tax juridictions where the entities included in organisation's audited consolidated financial statements are resident for tax purposes | FR: para 3.2 2021 in figures |
| 207-4 b | For each tax jurisdiction reported in disclosure 207-4-a: | |
| 207-4 b i | Names of the resident entities | Financial statements Consolidated, note 13 and Company, note 32 |
| 207-4 b ii | Primary activities of the organisation | FR: para 3.2 2021 in figures |
| 207-4 b iii | Number of employees and the basis of calculation of this number | FR: para 3.2 2021 in figures |
| 207-4 b iv | Revenues from third-party sales | FR: para 3.2 2021 in figures |
| 207-4 b v | Revenues from intra-group transactions with other tax juridictions | Not specified |
| 207-4 b vi | Profit/loss before tax | FR: para 3.2 2021 in figures |
| 207-4 b vii | Tangible assets other than cash and cash equivalents | FR: para 3.2 2021 in figures |
| 207-4 b viii | Coporate income tax paid on a cash basis | FR: para 3.2 2021 in figures |
| 207-4 b ix | Cortorate income tax accrued on a profit/loss | FR: para 3.2 2021 in figures |
| 207-4 b x | Explanation of the difference between the nominal rate and the effective tax rate | FR: para 3.2 2021 in figures |
| 207-4 c | The time period covered by the information reported in Disclosure 207-4 | FR: para 3.2 2021 in figures |
| **207-4 Reporting recommendation** | | |
| 2.3.1 | Total employee remuneration | Not specified |
| 2.3.2 | Taxes withheld and paid on behalf of employees | FR: para 3.2 2021 in figures |
| 2.3.3 | Taxes collected from customers on behalf of a tax authority | FR: para 3.2 2021 in figures |
| 2.3.4 | Industry-related and other taxes or payments to governments | Not applicable |
| 2.3.5 | Significant uncertain tax positions | FR: para 2 b. Tax risk management |
| 2.3.6 | Balance of intra-company debt held by entities in the tax jurisdiction and the basis of calculation of the interest rate paid on the debt | Not specified |