

**SOLVENCY AND
FINANCIAL CONDITION
REPORT**

Consolidated Accounts 2021

TPIF Douro Bidco S.à r.l.

Solvency and Financial Condition Report – 2021

Group

TPIF Douro

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EXECUTIVE SUMMARY

In the scope of solvency II information requirements provided for in Articles 51 to 56 of Directive 2009/138/EC of the European Parliament and of the Council, in Article 83 of the Legal Framework for Insurance and Reinsurance Activity Access and in Articles 290 to 303 of Commission Delegated Regulation (EU) 2015/35, the TPIF Douro Group hereby presents its **Solvency and Financial Condition Report** for the year 2021.

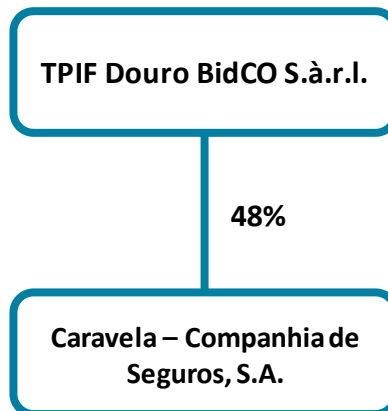
All amounts in this report are presented in euros, unless stated otherwise.

Activity and performance

The TPIF Douro Group (hereinafter referred as “Group”) consists of the following entities:

- TPIF Douro BidCO S.à.r.l.;
- Caravela – Companhia de Seguros, S.A..

The structure of the Group, which shows the percentage interest held, is the following:



The entity TPIF Douro BidCO S.à.r.l., motherhouse of the Group, is currently organized according to the laws of Luxembourg as a “Société à responsabilité limitée”. This company is part of the Private Equity Tosca Fund, a British entity that holds 48% of Caravela’s capital.

TPIF Douro BidCO S.à.r.l. is an “insurance holding company”, within the meaning of article 252 f) of the RJASR, with Caravela – Companhia de Seguros, S.A. as the «Participation», under the terms of paragraph e) of no. 1 of article 6 of the same diploma. The main activity of the entity located in Luxembourg is the

administration of participations while Caravela – Companhia de Seguros, S.A. (hereinafter called Caravela or Company) is an insurance company that carries on the non-life insurance and reinsurance activities.

Considering the structure of the TPIF Douro Group and the type of activity developed by the Group companies, this report focuses essentially on the activity carried out by its insurance subsidiary, the Caravela – Companhia de Seguros, S.A..

Caravela operates mainly on national territory, in the Non-Life line of business, with greater emphasis on the segments of Motor, Fire and Other Damage, and Workers Compensation. The Company's portfolio also covers the marketing of products in other segments, namely Health, Personal Accidents, Third Party Liability, Assistance and Marine, and Cargo.

In June 2021, Caravela started to exercise, from its headquarters in Portugal, for the first time, its activities under the freedom to provide services (FPS) in the French Republic's territory. The nature of the risks or commitments that the Company covers or undertakes under the FPS regime in the French Republic's territory are those covered by the lines of business or lines of business groups of Fire and Other Damage and Third Party Liability.

Within the scope of Workers Compensation and Personal Accidents lines of business, the Company operates, through a proportional treaty with a cession of 90%—95% until June 2020—and in partnership with a group of international reinsurers, products related to the professional practice of sports. Also, in the case of Health products, it should be noted that there is a protocol signed with Médis, which allows the marketing of products in this segment, without, however, having to undertake risks in this area as they are covered by a full reinsurance treaty.

Caravela closed the 2021 financial year with a GWP total of 116.380 thousand of euros, which accounts for an increase of 15.661 thousand euros in production, +15,5%, compared to the value calculated in 2020.

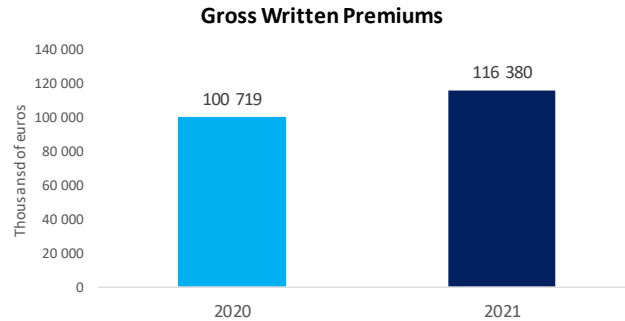


Figure 1: Evolution of Gross Written Premiums (2020-2021)

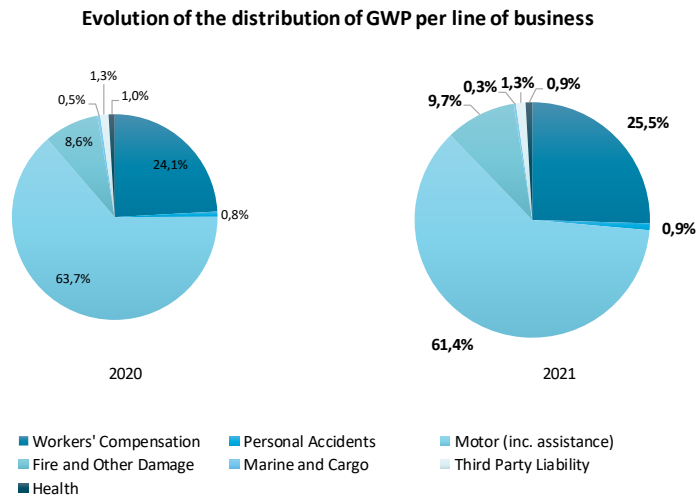


Figure 2: Evolution of the GWP distribution per line of business (2020-2021)

In 2021, claims costs amounted to 76.885 thousand euros, before the allocation of costs, accounting for an increase of +22,9% (+14.328 thousand euros) compared to the previous financial year. Net of reinsurance, the claims costs show an increase of 27,5%.

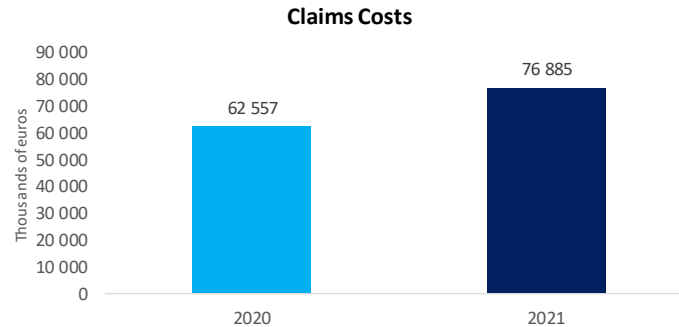


Figure 3: Evolution of Claims Cost (2020-2021)

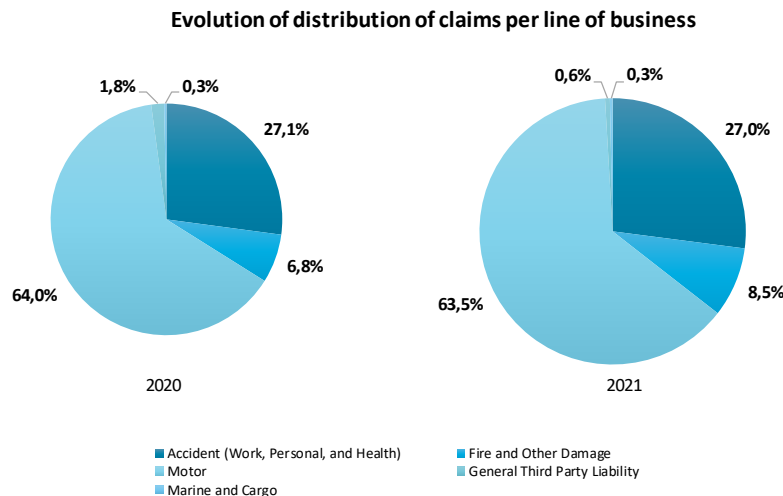


Figure 4: Evolution of the distribution of claims per line of business (2020-2021)

These values led to a general claim's ratio of 67,8%, above what was registered in 2020, which stood at 65,.2%. This ratio, net of reinsurance, stood at 68,1%.

The reinsurance programme—approved by Caravela for 2021—has undergone minor changes when compared to the previous year, in relation to the 2020's reinsurers involved in its treaties.

As to proportional treaties, including Fire and Other Damage, Marine, Cargo, and Engineering lines of business, the share withholding and the surplus limit have been maintained, except for the Fire and Multi-risk Treaty, whose surplus limit increased to 17,000 thousand euros, and the Engineering Treaty, whose surplus limit changed to 7,500 thousand euros.

With regard to the Excess of Loss treaties, which cover the Motor, Personal Accidents, Workers Compensation, and Third Party Liability lines of business, these remained unchanged—in terms of priority—with the exception of the Motor line of business, whose priority increased to 500 thousand euros. Regarding capacities, the only one that changed was the Motor Treaty—Own Damage, whose aggregate annual limit increased to 6.500 thousand euros.

The technical margin, net of reinsurance, was 32.190 thousand euros, representing an increase of 8,9% (+2.638 thousand euros) comparatively to 2020.

As for the combined ratio, there is a slight increase of 1,5 p.p., compared to 2020, with a negative contribution from the technical ratio, net of reinsurance (+3,6 p.p.) which will, however, continue to require continuous and proactive monitoring. As for the contribution of the operational ratio, this showed a decrease of 2,2 p.p..

The net result was 3,396 thousand euros, accounting for 2,9% of gross written premiums, thus continuing Caravela's positive results.

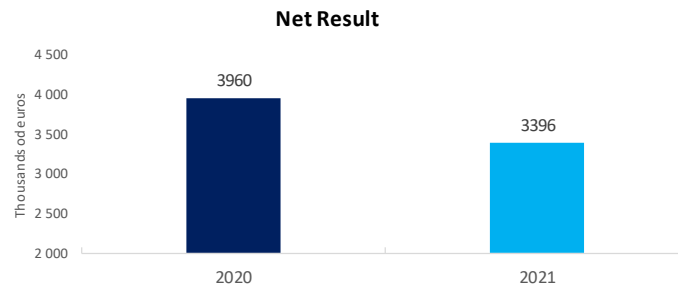


Figure 5: Evolution of the Net Result (2020-2021)

Financial investments, mainly Financial Assets, grew by 14,398 thousand euros in 2021, which translates into a 15,0% increase compared to 2020.

The management of financial assets—in partnership with OFI Asset Management—has been carried out in accordance with the investment policy of the Company, being guided, as in previous years, by caution, safety, and liquidity criteria and in compliance with the recommendations from EIOPA and the National Supervisory Authority.

As to the rate of return, the total assets portfolio registered a positive average return of 1,3%.

As of the date of this report, Caravela has no investments in securitisations.

The costs by nature to be imputed 14.396 thousand euros, representing an increase of 7,7% comparatively with 2020, due to a generalised increase in the heading 'expenses'.

The number of staff increased from 129 to 133 permanent staff members (68 men and 65 women).

Governance system

The governance model of the TPIF Douro Group is based on the Caravela model.

As of December 31, 2021, Caravela's share capital, fully subscribed and partially paid up, amounted to 44.388.315,20 euros, and is represented by 79.056.677 shares with no par value, and is distributed among various shareholders, individuals and companies.

The current Board of Directors has a 2019-2022 term and is comprised of seven managers, one being the President, a Vice-President, and five Members. There was no change in relation to the previous year.

The supervision of management acts is exercised by a Supervisory Board composed of three full members, at least one of whom must have a higher education degree appropriate to the performance of their duties, and an alternate member, with terms of office equal to those of the Board of Directors, and who may be re-elected.

As for the Statutory Auditor, Mazars & Associados – Sociedade de Revisores Oficiais de Contas, S. A., is still represented by Pedro Miguel Pires de Jesus.

Risk profile

The risk profile of the TPIF Douro Group is based on the Caravela model and is based on the sum of 100% of TPIF Douro and 48% of Caravela, percentage of shares held.

Currently, counterparty risk is the only risk present in the TPIF Douro entity.

In operational terms, Caravela has a top-down process for identifying and assessing the Company's main risks and a set of risk policies that seek to disseminate, through the Company's main processes and risks, principles, methodologies, reports, and responsibilities related to risk management.

The risk assessment is based on the standard formula used in the Solvency Capital Requirement calculation. For other risks, not included in that formula, the Company performs stress tests or reverse stress tests to quantify their impact on its capital requirements.

Caravela, in view of the risks undertaken and in order to allow an adequate protection for its policyholders, has outlined its capital target to a minimum threshold of 125% of the solvency capital requirement and the minimum acceptable capital to 110%.

The Solvency Capital Requirement (SCR) of the TPIF Douro Group, on 31.12.2021, presents the following structure:

SCR Composition

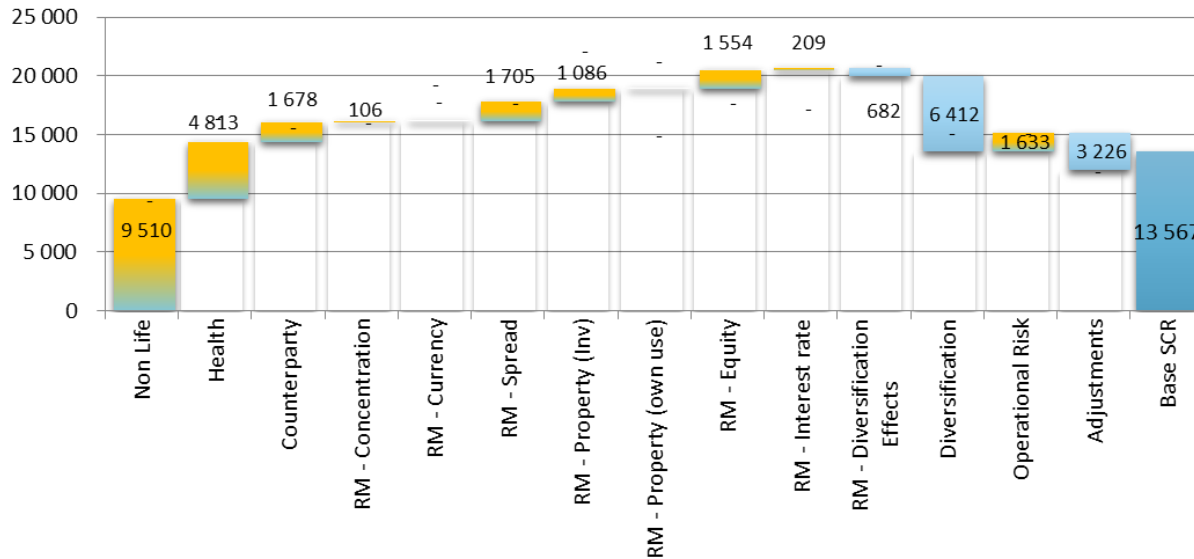


Figure 6: Composition of the SCR 2021

Assessment for solvency purposes

In this report, the TPIF Douro Group details the amounts and processes for identifying and valuing assets and liabilities from a Solvency II Balance Sheet perspective, in comparison with the IFRS (Statutory) balance sheet, presenting its variations.

Revalued assets decrease by 8.6 thousand euros while liabilities increase by 3.650 thousand euros generating a negative impact on its own funds, totalling a variation of 3.658 thousand euros in 2021.

The main adjustments to assets relate to the elimination of deferred acquisition costs, which are not recognised in solvency II, and the revaluation of intangible assets and reinsurance recoverables.

On the liabilities, the adjustment is essentially justified by the revaluation of technical reserves. The impact of these adjustments is further corrected by deferred taxes, at a rate of 21,231%, and are presented on a net basis as an increase in liabilities.

Capital management

This chapter presents the reconciliation of equity between IFRS own funds and those eligible under solvency II of the Group.

The structure, amount, and quality of its own funds are also presented.

Own funds are essentially made up of tier 1 items.

In 2020, Caravela had as ancillary own funds 8.225 thousand euros of subscribed capital which was completely paid up in December 2021.

The Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) are fully covered by unrestricted Tier 1 items, meeting the eligibility criterion, namely that the proportion of this item should be at least 50% of the SCR and 80% of the MCR.

For the calculation of the consolidated Capital Requirement, the Group applies the standard formula.

On December 31, 2021, the coverage ratio of the SCR and MCR are 216,2% and 462,1%, respectively.

In view of the use of long-term and transitional measures, namely the volatility adjustment and the deduction of technical reserves, the impacts of their use were calculated by comparing the results obtained with those that would be obtained if the measures were not applied.

Not applying the transitional measures for technical reserves and the long-term volatility adjustment measure would lead to a reduction of the solvency capital requirement by 1,5% and 0,1% respectively, totalling an impact of -1,6%. However, the solvency ratio II, without any measure, would maintain a comfortable level of 212,7%, translating into an excess of 13.495 thousand euros.

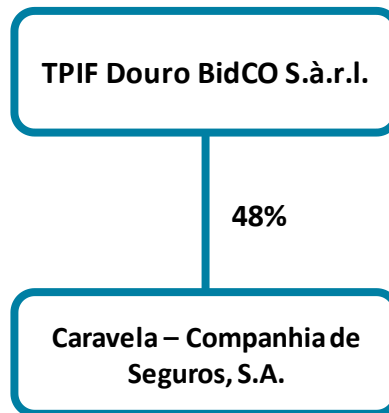
A. ACTIVITY AND PERFORMANCE

A.1. ACTIVITY

The TPIF Douro Group (hereinafter referred as “Group”) consists of the following entities:

- TPIF Douro BidCO S.à.r.l.;
- Caravela – Companhia de Seguros, S.A..

The structure of the Group, which shows the percentage interest held, is the following:



The entity TPIF Douro BidCO S.à.r.l., motherhouse of the Group, is currently organized according to the laws of Luxembourg as a “Société à responsabilité limitée”. This company is part of the Private Equity Tosca Fund, a British entity that holds 48% of Caravela’s capital.

The Group carries out Non-Life insurance and reinsurance business, under authorisation No. 6068 granted by the Insurance and Pension Funds Supervisory Authority, hereinafter referred to as ASF, and with the legal identification code (LEI): 549300UX7XGMX0SDTX54 – TPIF Douro Bidco S.à r.l..

TPIF Douro BidCO S.à.r.l. is an “insurance holding company”, within the meaning of article 252 f) of the RJASR, with Caravela – Companhia de Seguros, S.A. as the «Participation», under the terms of paragraph e) of no. 1 of article 6 of the same diploma.

The main activity of the entity located in Luxembourg is the administration of participations while Caravela – Companhia de Seguros, S.A. (hereinafter called Caravela or Company) is an insurance company that carries on the non-life insurance and reinsurance activities.

Considering the structure of the TPIF Douro Group and the type of activity developed by the Group companies, this report focuses essentially on the activity carried out by its insurance subsidiary, the Caravela – Companhia de Seguros, S.A..

The only transaction between the Company and the sole Shareholder of the Company, Tosca Coinvest SCA SICAV-RAIF (Coinvest), was the capital injection that Coinvest made into the Company, to finance the investment in Caravela - Companhia de Seguros, S.A..

There were no relevant deals with any other entities.

Caravela – Companhia de Seguros, S.A. is a public limited company registered at the Commercial Registry Office of Lisbon under the single registration and taxpayer number 503 640 549.

Headquartered in Lisbon, at Avenida Casal Ribeiro, n.º 14, since January 2015, Caravela has offices in Faro, Leiria, Lisbon, and Porto.

The Company carries out Non-Life insurance and reinsurance business, under authorisation No. 1133 granted by the Insurance and Pension Funds Supervisory Authority, hereinafter referred to as ASF, and with the legal identification code (LEI): 635400TDFKL4ZSPVXC31 – Caravela – Companhia de Seguros, S.A..

The Company was established in 1996 under the corporate name Euresap – Euresa Portugal Companhia de Seguros, S.A., which was changed in 2001 to Companhia de Seguros Sagres, S.A., and in 2010 to Macif Portugal – Companhia de Seguros, S.A. It was fully acquired by AAA, SGPS, S.A. on November 12, 2014.

On June 26, 2017, 26.600.000 shares were transferred from the Shareholder AAA, SGPS, S.A.—representing 100% of the share capital—to several Shareholders; in addition, the capital was increased by 6.000.101,96€.

During 2019, a new IPO was carried out to a new shareholder, TPIF Douro Bidco, S.à r.l., a company that is part of the Private Equity Tosca Fund, an English Entity whose conglomerate has around 4 billion assets under management and which now holds a qualified stake of 48% of Caravela’s share capital and voting rights. Following this increase, the Company’s share capital stands at a total of 44.388.315,20€.

Caravela’s Supervisor is the Insurance and Pension Funds Supervisory Authority located in Lisbon, at Avenida da República, n.º 76, with telephone number +351 21 790 31 00 and e-mail asf@asf.com.pt.

The external auditor responsible for certifying the quantitative and qualitative information within the scope of the annual solvency II report is Mazars & Associados - Sociedade de Revisores Oficiais de Contas, S.A. – Audit Firm No. 51, located at Rua Tomás da Fonseca, Centro Empresarial Torres de Lisboa, Torre G, 5.º, 1600-209 Lisbon, with telephone number +351 21 721 01 80.

Caravela operates exclusively in the Non-Life line of business, with greater emphasis on the segments of Motor, Fire and Other Damage, and Workers Compensation. The Company’s portfolio also covers the marketing of products in other segments, namely Health, Personal Accidents, Third Party Liability, Assistance and Marine, and Cargo.

In June 2021, Caravela initiated, from its headquarters in Portugal, for the first time, its activities under the freedom to provide services (FPS) in the French Republic's territory. The nature of the risks or commitments that the Company covers or undertakes under the FPS regime in the French Republic's territory are those covered by the lines of business or lines of business groups of Fire and Other Damage and Third-Party Liability.

Within the scope of Workers Compensation and Personal Accidents lines of business, the Company operates, through a proportional treaty with a cession of 90%—95% until June 2020—and in partnership with a group of international reinsurers, products related to the professional practice of sports. Also, in the case of Health products, it should be noted that there is a protocol signed with Médis, which allows the marketing of products in this segment, without, however, having to undertake risks in this area as they are covered by a co-insurance agreement covered by a full reinsurance treaty.

Until the 2018 financial year, the Company favoured risks from individuals or small companies over large risks, as well as risks that have a history of good results over risks from which it is not possible to obtain a history or whose experience proves a previous situation of poor results. With the capital reinforcement, which occurred in 2019, Caravela began a new growth cycle, with the strengthening of the retail segment and the start-up of the larger companies segment.

A.2. UNDERWRITING PERFORMANCE

A.2.1. PRODUCTION

Caravela closed the 2021 financial year with a GPW volume of 116.380 thousand euros, which represents an increase in production of 15.661 thousand euros and a growth rate of 15,5% compared to the figure established for 2020.

It is worth noting that the market quota, including the activity in Portugal and abroad, grew from 1,8% in 2020 to 2,0% in 2021.

The strong organic and consolidated growth over the last few years was sustained by the private customers and small business segments and by rigorous and careful underwriting of risks, oriented towards the profitability of all lines of business.

The good performance obtained was transversal to all business areas, except for the Marine and Cargo lines of business, where the effects provoked by the pandemic still have impact, resulting in a decrease in production of 18,1%.

Despite having a growth rate above the market value, there is, comparatively with previous years, a decrease in the growth of the Motor line of business, with +11,4% below the growth rate of Caravela. On the other hand, the very positive evolution of the Personal Accidents, Fire and Other Damage, and Workers Compensation stands out.

In 2021, the beginning of Caravela’s commercial activity abroad also contributes to the growth of the portfolio, particularly in the Fire and Other Damage line of business.

The charts below provide a very clear overview of the evolution and structure of Caravela’s portfolio.

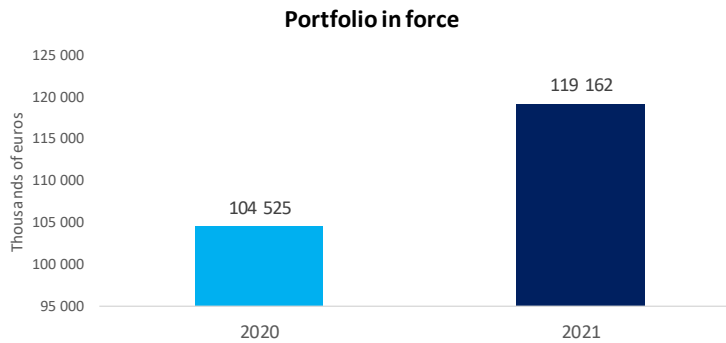


Figure 7: Evolution of the current portfolio (2020-2021)

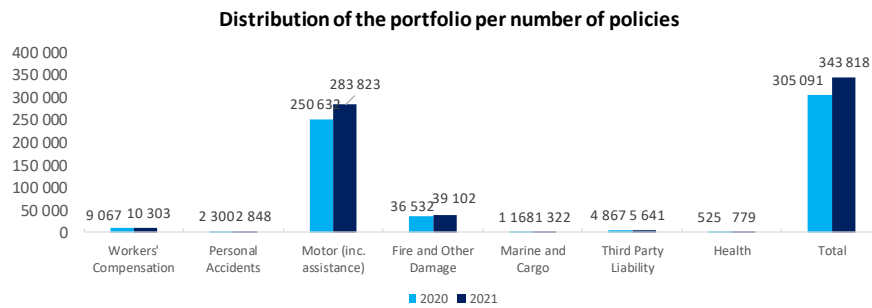


Figure 8: Evolution of the distribution of the portfolio in terms of number of policies (2020-2021)

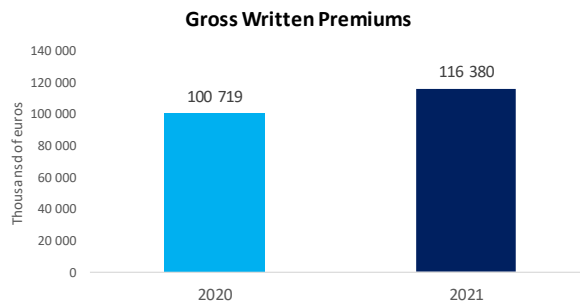


Figure 9: Evolution of gross written premiums (2020-2021)

Evolution of the distribution of GWP per line of business

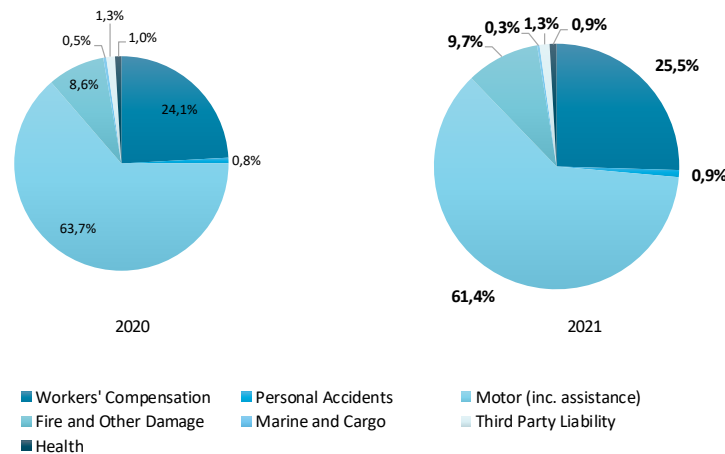


Figure 10: Evolution of the distribution of GWP per line of business (2020-2021)

A.2.2. CLAIMS

In 2021, claims costs had an increase of 22,9% (+14.327 thousand euros in absolute value) compared to the previous financial year, totalling 76.885 thousand euros, before the allocation of other expenses.

Except for the Third Party Liability, which presented a reduction in the claims ratio of 60,1% (-673 thousand euros), all the remaining business segments impacted the increase of expenses with claims.

The Motor line of business, in absolute value, presented the larger increase in expenses, which was of 8.837 thousand euros (+22,1%). However, it was in the Fire and Other Damage segment that the greatest growth in relative terms was verified, which was of 53,3% (+2.269 thousand euros).

In the Accidents and Health lines of business, the increase was set in 22,6% (+3.837 thousand euros).

In the less representative lines of business, Marine and Cargo, there was an increase of lesser extent: 28,1% (+56 thousand euros).

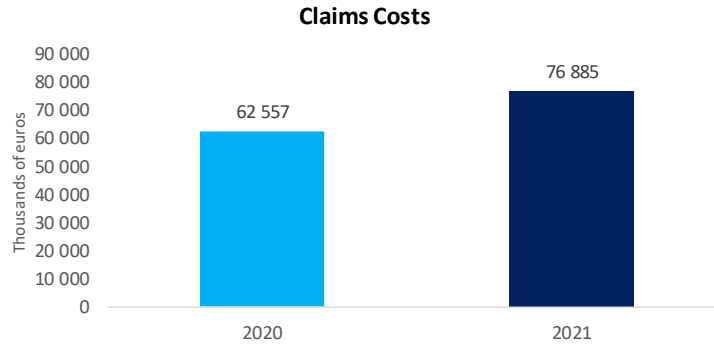


Figure 11: Evolution of claims costs (2020-2021)

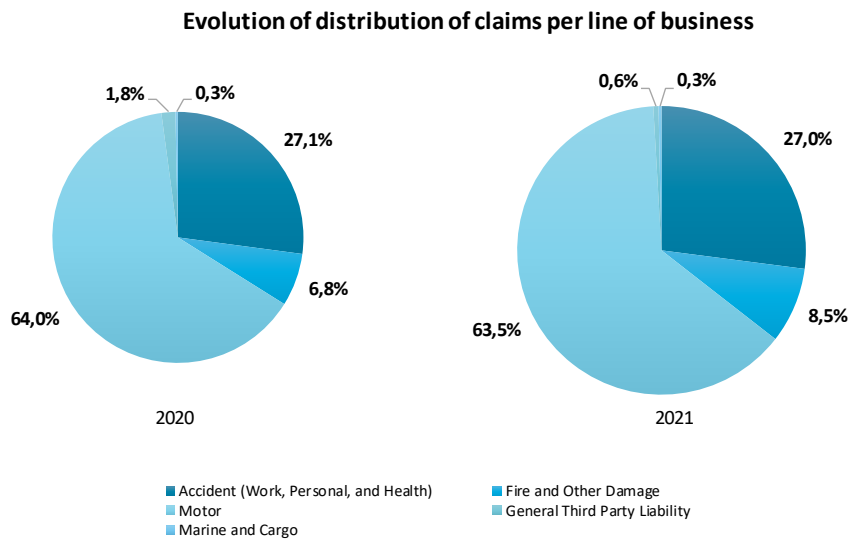


Figure 12: Evolution of the distribution of claims per line of business (2020-2021)

These figures led to an overall claims rate of 67,8%, higher than in 2020, which had stood at 65,2%. This ratio, net of reinsurance, stood at 68,1% in 2021.

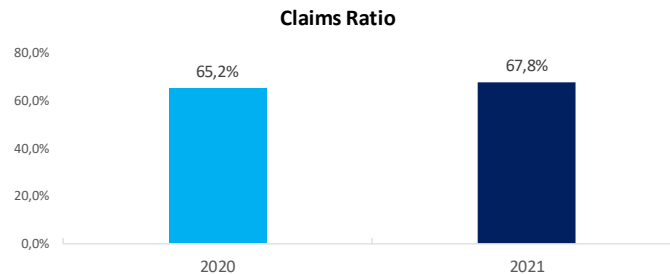


Figure 13: Evolution of the Claims Ratio (2020-2021)

In the year 2021, the total number of claims stood at 24,7%, and the Motor line of business was the one that most contributed to this fact, reaching a growth of 24,5%.

In the group of Accidents and Health lines of business, the increase was of 38,1% comparatively with the previous year. Such a significant change is directly related with the reduction in the number of claims that occurred in 2020, because of the general and prolonged co-financing verified throughout the year due to the pandemic, with compulsory teleworking for a significant part of the population.

In the Fire and Other Damage line of business, the increase of the claims number decreased, being of 6,9%, following the evolution of the number of policies in force for these products.

With a reduced impact, because they are the least representative lines of business, the number of claims in Third Party Liability increased by 55,2% in relative terms, with a total of 185 occurrences in absolute terms, while in the Marine and Cargo the number of claims was the same as the one verified in the previous year.

The policies in force increased by 12,7%, comparatively with 2020, while the number of claims increased by 24,0%. This translated in an increase of the claims frequency rate. The reduction of the frequency verified in 2020 contributed greatly for this fact due to the general confinement.

Thus, the financial year of 2021 closed with a global frequency claims rate of 13,5%, 0,4 p.p. above 2020.

However, it should be noted that in the Motor line of business, the most representative of all the lines of business, the increase of the frequency rate was only of 1,1%.

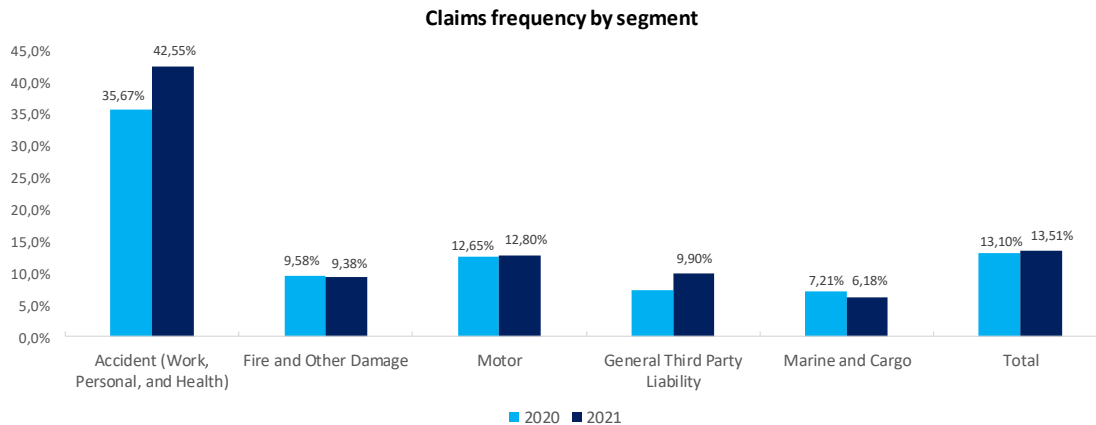


Figure 14: Evolution of claims frequency per line of business (2020-2021)

A.2.3. REINSURANCE

In Caravela's reinsurance policy there are Proportional and Non-Proportional Reinsurance Treaties, as well as Facultative Reinsurance and other modalities suitable for the protection of accepted risks.

The reinsurance programme, approved by Caravela for 2021, suffered, in relation to the 2020's reinsurers involved in its treaties, minor changes in its structure when compared to the previous year.

Regarding the Proportional treaties, which encompass the Fire and Other Damage, Marine, Cargo, and Engineering lines of business, the withholding tax and surplus was maintained, except for the Fire and Multi-Risk Treaty, whose surplus increased to 17.000 thousand euros, and in the Engineering Treaty, whose surplus changed to 7.500 thousand euros.

Regarding Excess of Loss treaties, which cover the Motor, Personal Accidents, Workers Compensation, and Third-Party Liability lines of business, these remained unchanged in terms of priority, except for the Motor Treaty – Own Damage, whose priority increased to 500 thousand euros. Regarding capacities, there were changes only in the Motor Treaty – Own Damage, where the annual aggregate limit increased to 6.500 thousand euros.

The Reinsurers involved are selected considering their reliability and financial solvency, as well as their service provision, follow-up, and availability presented. In this sense, it was decided to maintain Nacional Re as leader, in most treaties, with a 40% stake.

On treaty renewals, the minimum rating required of a Reinsurer was "A-", according to the rating agencies S&P and/or AM Best.

The table below shows the range of the main reinsurers, as well as their rating as at 31.12.2021:

REINSURANCE 2021	
Reinsurer	Rating S&P
Nacional Re	A
CCR Re	AA
Helvetia	A
Qbe	A+
Hannover Re	AA-
R+V	A+
Covea	A+
Odyssey	A-

Table 1: Main reinsurers 2021

A.2.4. TECHNICAL MARGIN

The technical margin, net of reinsurance, was 32.190 thousand euros, representing an increase of 8,9% (+2.638 thousand euros).

This increase was mainly due to the favourable evolution of the Accident (+20,5%, that is, 1.872 thousand euros) and Fire and Other Damage (19,1%, that is, 637 thousand euros) lines of business.

The evolution of the Motor line of business stands out as negative, with a decrease in the technical margin of -4,2%, -697 thousand euros.

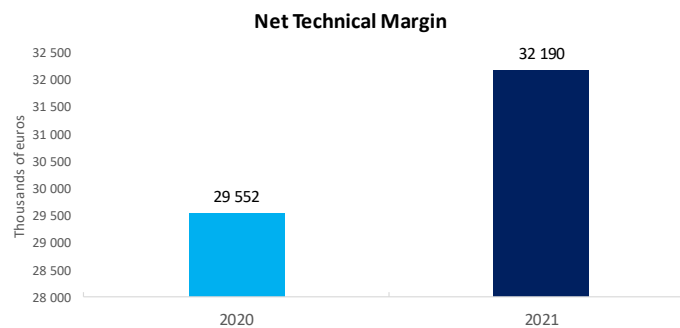


Figure 15: Net technical margin (2020-2021)

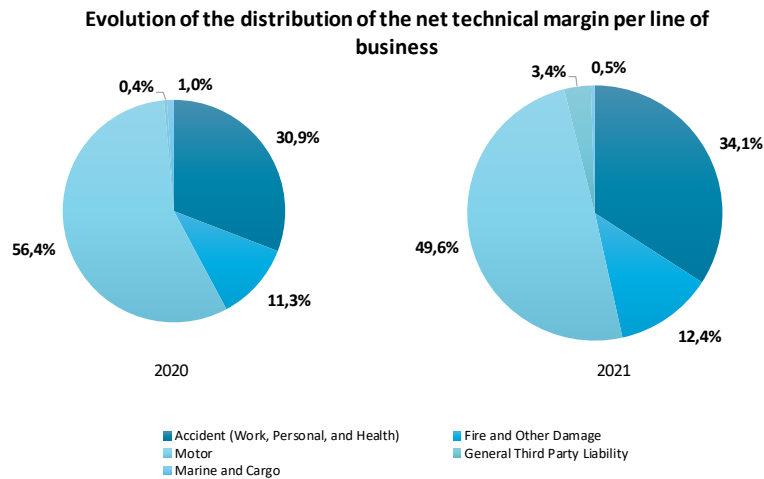


Figure 16: Evolution of the distribution of the net technical margin per line of business (2020-2021)

A.2.5. COMBINED RATIO

As for the combined ratio, there is a slight increase of 1,5 p.p., when compared with 2020, negatively contributing to the technical ratio, net of reinsurance (+3,6 p.p.), which will continue to require a continuous and proactive monitoring. As for the contribution of the operational ratio, it showed a decrease of 2,2 p.p..

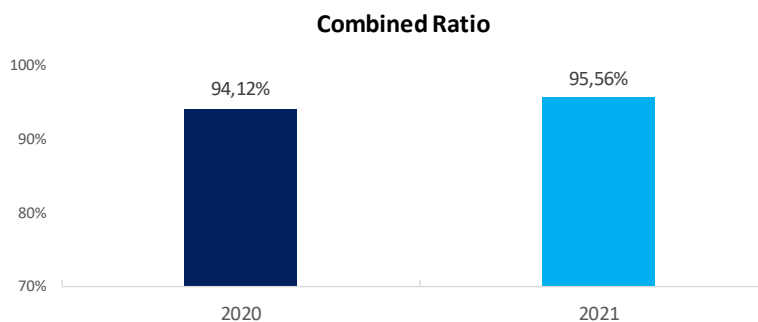


Figure 17: Combined Ratio (2020-2021)

A.3. INVESTMENT PERFORMANCE

Financial investments, mainly financial assets, grew by 14.398 thousand euros in 2021, reflecting a growth of 15,0% compared to 2020.

The management of financial assets—in partnership with OFI Asset Management—has been carried out in accordance with the investment policy of the Company, being guided, as in previous years, by caution, safety, and liquidity criteria and in compliance with the recommendations of both EIOPA and the National Supervisory Authority.

The following table summarizes the situation registered as at December 31:

ASSETS PORTFOLIO (thousands of euros)		2020			2021			VAR 21/20 %
		VALUE	%	%	VALUE	%	%	
1. REPRODUCTIVE INVESTMENT								
Financial Assets								
Government Bonds	(1)	11 967	13%	12%	11 179	10%	9%	-7%
Corporate Bonds	(1)	46 389	50%	47%	46 662	43%	39%	1%
Shares and Investment Funds		3 062	3%	3%	5 451	5%	5%	78%
Loans		252	0%	0%	50	0%	0%	-80%
Liquidity	(2)	31 660	34%	32%	44 386	41%	37%	40%
Subtotal		93 330	100%	95%	107 727	100%	90%	15%
Other Property Assets								
Real Estate		1 232		1%	9 049		8%	635%
Subtotal		1 232		1%	9 049		8%	635%
TOTAL (1)		94 561		97%	116 777		98%	23%
2. OPERATING INVESTMENT								
Equipment, Furniture, and Material		3 241		3%	2 930		2%	-10%
TOTAL (2)		3 241		3%	2 930		2%	-10%
TOTAL (1) + (2)		97 802		100%	119 706		100%	22%

Notes:

(1) Valuation with accrued interest

(2) Fixed-term and demand deposits with accrued interest and Treasury funds

Table 2: Composition of the portfolio of assets (2020-2021)

Exposure to government bonds decreased by 7,0% compared to 2020, while the exposure to shares and investment funds increased by 2.389 thousand euros. This exposure is primarily due to the compliance with the asset allocation strategy defined in the investment policy.

Liquidity between Demand Deposits, Fixed-Term Deposits, and Treasury Funds remained in line with 2020, justified by the capital increase made at the end of the year, but is in line with the risk and capital management parameters.

The financial results in 2021 increased by 858 thousand euros (+107,0%), compared to the same period, essentially due to a greater realisation of capital gains and to an increase in income generated of 135,6%.

Income, net of expenses (thousands of Euros)	2020	2021	VAR 21/20 %
Government bonds	63	40	-36,7%
Corporate bonds	323	318	-1,4%
Shares and investment funds	4	288	6373,4%
Deposits	2	0	-72,8%
Real Estate	76	480	529,5%
Loans granted	13	6	-52,3%
TOTAL Income	481	1 133	135,6%

Table 3: Income, net of expenses (2020-2021)

Gains, net of investments (thousands of Euros)	2020	2021	VAR 21/20 %
Government bonds	259	-2	-101,0%
Corporate bonds	5	484	10244,5%
Shares and investment funds	56	44	-21,6%
Deposits	0	0	0,0%
Real Estate	0	0	0,0%
Loans	0	0	0,0%
TOTAL Net gains	321	526	64,1%

Table 4: Gains, net of investments (2020-2021)

In 2021, potential investment gains and losses recognised directly in equity stood at 187 thousand euros.

Net gains recognised in equity (thousands of Euros)	2020	2021	VAR 21/20 %
Government bonds	362	75	-79,3%
Corporate bonds	1 300	271	-79,2%
Shares and investment funds	-23	-159	-584,7%
Deposits	0	0	0,0%
Real Estate	0	0	0,0%
Loans	0	0	0,0%
TOTAL Net gains in Equity	1 639	187	-88,6%

Table 5: Net Gains recognised in Equity (2020-2021)

Emphasis should be given to the fact that there was no impairment in financial assets during the last six years, demonstrating the large caution in choosing the applications that make up Caravela's investment portfolio.

As to the rate of return, the total assets portfolio registered a positive average remuneration of 1,3%.

As of the date of this report Caravela has no investments in securitisations.

A.4. PERFORMANCE OF OTHER ACTIVITIES

A.4.1. MANAGEMENT COSTS

The total cost allocation by nature reached 14.396 thousand euros, representing an increase of 7,7% comparatively with 2020, due to a generalised increase either in the 'acquisition expenses' or 'other expenses' headings.

Management Costs (thousands of Euros)	2020	2021	VAR 21/20 %
Personnel Expenses	6 691	6 731	0,6%
External Services and Supplies	4 173	4 915	17,8%
Taxes and Fees	971	1 059	9,1%
Amortisation for the Financial Year	1 237	1 357	9,7%
Risks and Charges Reserves	0	0	-
Interest Incurred	29	26	-11,5%
Commissions	260	308	18,3%
Total	13 362	14 396	7,7%

Table 6: Evolution of management costs

A.4.2. STAFF

The number of staff increased from 129 to 133 permanent staff members.

	2020	2021	VAR 21/20 %
<i>Permanent staff at the beginning of the period</i>	120	129	7,5%
<i>Entries</i>	12	10	-16,7%
<i>Exits</i>	3	6	100,0%
Permanent staff at the end of the period	129	133	3,1%

U: Thousands of euros

Gross premium written / no. of employees	781	875	12,0%
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Table 7: Evolution of staff

It is important to stress out the 12,0% increase in the direct insurance premiums ratio per permanent staff member, primarily due to the production growth.

Out of these 133, 68 are male and 65 are female:

Age group	Men	Women
Up to 29 years old	11	5
From 30 to 39 years old	11	15
From 40 to 49 years old	26	37
From 50 to 59 years old	15	7
Over 60 years old	5	1
Total	68	65

Table 8: Distribution of staff per age group

A.4.3. LEASES

Caravela holds operational and financial lease contracts regarding transportation equipment.

The detail as of December 31, 2021, by years of maturity of the financial and operating lease contracts, is shown in the table below:

Contractual Term	No. of vehicles	Minimum payable amount
2022	17	37 441
2023	8	52 071
2024	9	130 148
Total	34	219 660

Table 9: Operating Leases

Contractual Term	No. of vehicles	No. of Equipment	Payable Amount Interests	Payable Amount Equity
2023		1	61 633	2 701
2023	1		304	25 225
2023	1		303	25 150
2023	1		2 113	32 638
2025	1		1 530	54 910
Total	4	1	65 883	140 624

Table 10: Financial Leases

A.5. ANY ADDITIONAL INFORMATION

Not applicable.

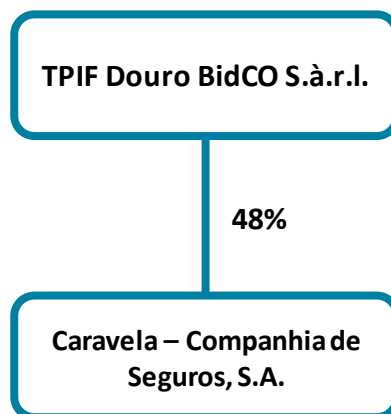
B. GOVERNANCE SYSTEM

B.1. GENERAL INFORMATION ON THE GOVERNANCE SYSTEM

B.1.1. TPIF DOURO

The purpose of the TPIF Douro BidCO S.à.r.l. is the direct or indirect acquisitions and holding of stakes/interests, in any form whatsoever, in Luxembourg and/or foreign undertakings, as well as the administration, development, management and disposal thereof.

TPIF Douro BidCO S.à.r.l. holds a 48% interest in Caravela – Companhia de Seguros S.A. and there have been no significant events which require recognition or disclosure beyond the normal course of the Company's business.



Group structure and governing bodies, including details on board members and their current positions in other group companies

The sole shareholder of TPIF Douro BidCO S.à.r. is TPIF SPV 3 LP and the only governance body of the Company is the Board Directors, consisting of two members, Taavi Davies e Benoni Dufour.

Mr. Davies and Mr. Dufour doesn't hold any position in TPIF SPV 3 LP, the sole shareholder of the Company. The Company does not hold any interest other than Caravela - Companhia De Seguros S.A. as well as TPIF SPV 3 LP doesn't hold any interest other than its interest in the Company.

B.1.2. CARAVELA

Caravela's governance system, in line with article 65 of the RJASR, has as its fundamental objectives:

- a) To permanently ensure the necessary operational bases for a sound, cautious, and transparent management of the Insurer to safeguard the interests of all its stakeholders, naturally including all its employees;

-
- b) To ensure the monitoring and maintenance of the company's internal control systems under the terms established by the ASF rules;
 - c) To ensure and promote, within the scope of its attributions, a fluid, available, and collaborative relationship with the ASF and other supervisory entities that may request information pertaining to the Insurer;
 - d) To control the monitoring of the company's risk activities regarding their operation and their reporting to the supervisory authority;
 - e) To monitor the systematic application of the determinants of the code of conduct of Caravela's employees.

B.1.2.1. GOVERNING BODIES

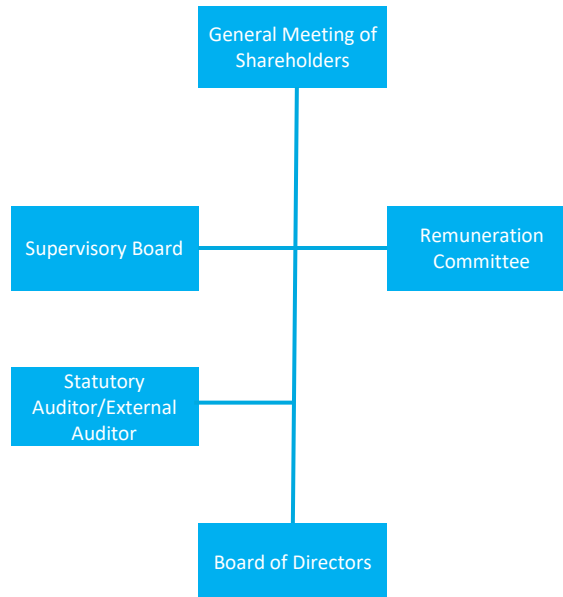
Caravela's governance follows the Latin model in accordance with article 278 of the Commercial Companies Code, and the Management and Supervision of the Company are carried out respectively by a Board of Directors and a Supervisory Board.

The supervision of the Company also includes a Statutory Auditor, who is not a member of the Supervisory Board.

Under the terms of the Company's Articles of Association, the following aspects concerning its Governance System should be highlighted:

- a) The Shareholders' General Meeting is responsible for electing the members of the Board of Directors, as well as its President and Vice-President, for four-year periods, which may be re-elected more than once;
- b) The Supervisory Board is also elected at a Shareholders' General Meeting, for four-year periods, with the possibility of re-election, in accordance with the independence rules set out in article 414 of the Commercial Companies Code regarding the qualitative composition of the Supervisory Body;
- c) The Statutory Auditor is elected by General Meeting of Shareholders, with the respective mandate having the same duration as that of the other corporate bodies and in accordance with the rules established in article 414 of the Commercial Companies Code;
- d) The Board of the General Meeting consists of a President and a Secretary, elected by the General Meeting of Shareholders for renewable periods of four years;
- e) The General Meeting of Shareholders also elects the Remuneration Committee, for four-years periods, which may be re-elected more than once.

Such organisational structure is shown in the following chart:



Under the terms of the Company’s Articles of Association, the Board of Directors is responsible for fully representing the Company and has the broadest management powers and competencies established by law and in the Articles of Association and may create, at its initiative and decision, councils of a consultative nature.

The Board of Directors deliberates on its organisation and functioning in accordance with article 407 of the Commercial Companies Code.

Based on good management practices and in compliance with the legally imposed regulations, Caravela has, within its operational structures, its own internal audit and control apparatus covering the various operational areas.

According to the Company’s Articles of Association, the day-to-day management falls on a Board of Directors composed of three to nine members elected for four-year terms, who can be re-elected.

The current Board of Directors has a 2019-2022 term and is comprised of seven managers, one being the President, another the Vice-President, and five Members.

The governing bodies, identified below, are composed of:

General Meeting	
Nuno Miguel Marques dos Santos Horta	President
Nuno Miguel Novais Grangeon Cárcomo Lobo	Secretary

Board of Directors	
Luís Filipe Sampaio Cervantes	President
David Angulo Rubio	Vice-President
António Manuel Nestor Ribeiro	Member
Fabrizio Cesario	Member
George Koulouris	Member
Gonçalo Lopes da Costa de Ramos e Costa	Member
José Paulo de Castro Trigo	Member

Supervisory Board	
Manuel Augusto Lopes de Lemos	President
Humberto Manuel Martins Carneiro	Member
José Elísio Lopes da Silva Quintas	Member
José António Truta Pinto Rabaça	Alternate Member

Statutory Auditors	
Mazars & Associados - Sociedade de Revisores Oficiais de Contas, S.A. - SROC nº 51, representada por Pedro Miguel Pires de Jesus - ROC nº 1930	Permanent
Paulo Jorge Damião Pereira - ROC nº 1219	Alternate

The Remuneration Committee is composed of three members:

Remuneration Committee	
Fabrizio Cesario	President
George Koulouris	Member
António Manuel Nestor Ribeiro	Member

The members of the Remuneration Committee are not remunerated and have no family links between them.

B.1.2.2. ORGANISATIONAL STRUCTURE

Management body

Caravela's management body is by excellence the Board of Directors, which is responsible for implementing and maintaining an appropriate and effective internal control system, defining the principles and objectives assigned to it, as well as ensuring compliance by all employees linked to the Company.

The Board of Directors is also responsible for establishing and maintaining a clear and cautious risk management system which, together with an efficient information and communication system, is the basis for the adequacy and effectiveness of Caravela's internal control system.

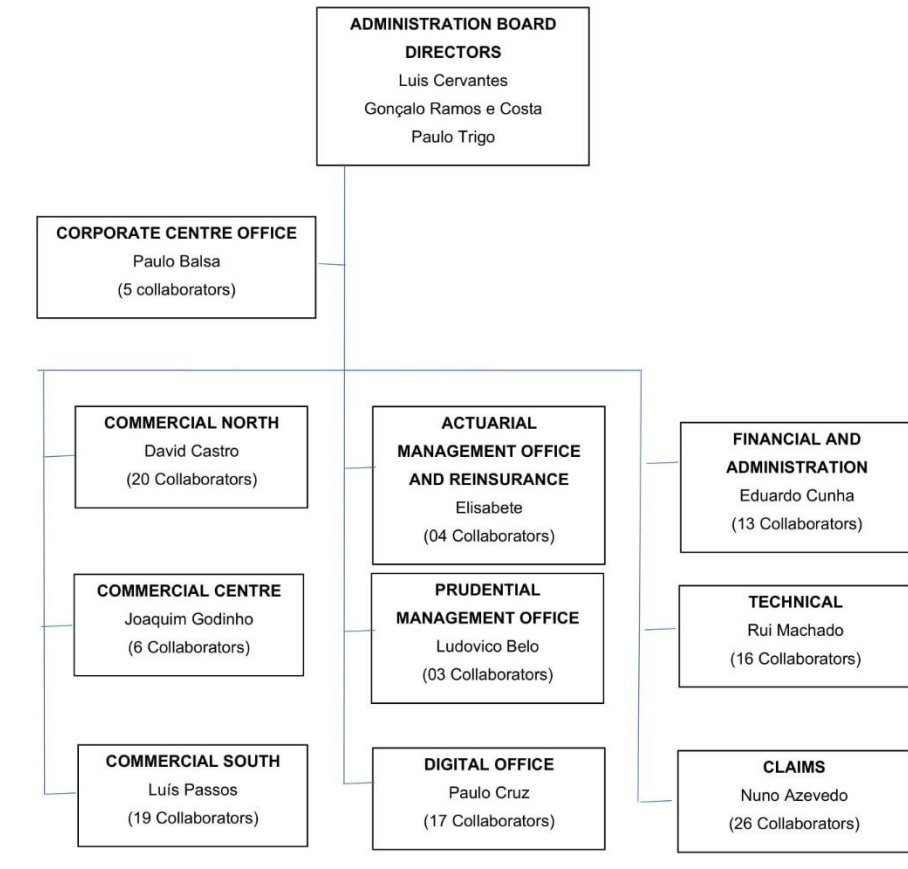
This way, the Board of Directors relies on five specialised committees responsible for assisting and advising it before decisions are taken in relevant areas which fall exclusively within the competence of the Board.

Bodies and members holding key functions

For the purposes of this governance system, the following are considered to be key-function holders in accordance with Article 5(1) of the RJASR:

- a) Members of the management body;
- b) Those responsible for the functions of Risk Management and Internal Control, Compliance, Internal Audit, and Actuarial;
- c) Other employees in key-functions who show significant influence over the management of the company.

Internal Organization

GENERAL ORGANISATIONAL CHART OF CARAVELA-COMPANHIA DE SEGUROS, S.A.Top management:

The fundamental autonomous areas of Caravela, represented in the organisation chart above, are directed by top-level managers identified therein, who report directly to the Management Body.

The above-mentioned managers include the Caravela key-function holders who also meet the Qualification and Suitability requirements demanded for the exercise of the function, namely, the suitability, experience, and professional qualifications, as set forth in article 65 of the RJASR.

São The following senior directors are ke- function holders:

- Elisabete Nora – Actuarial Function;
- Ludovico Belo – Risk Management and Compliance Function;
- Paulo Balsa – Internal Audit Function.

The operational proximity between the Board of Directors and the different levels of the organisational structure of the Company constitutes one of the added values of the day-to-day management of the Company, without prejudice to the practiced philosophy of empowerment, according to the principle of subsidiarity with room for creative affirmation of all functional levels.

During 2020, in view of the demands arising from the Company's development, the Board of Directors decided to give the Audit and Quality Department the name of Corporate Centre Office (GCC). The GCC's main target is to promote a rational and effective management of various obligations emerging from several back-office areas and is coordinated by Paulo Balsa. GCC incorporates the following areas: a) Human Resources, b) Secretariat, c) Internal Audit, and d) Complaints Management.

Specialised committees:

Complementing and standardising, through transparent and horizontal communication, the strategy defined by the Board of Directors, Caravela's organisational and functional structure also includes the five committees mentioned below:

- Executive Management Committee/Douro Project;
- Claims Committee;
- Risk Management Committee;
- Financial Committee; and
- Subscription Committee.

The Company's Board of Directors is represented on all these Committees, as well as the heads of the key-areas and functions directly related to each of these Committees, and all the operational departments are represented in the Executive Management Committee.

As previously described, these Committees constitute an essential instrument of the internal reflection process leading to the preparation of decision-making, regarding risk identification and monitoring, from a horizontal viewpoint, allowing for the appropriate capture of contributions with different perspectives, enabling decisions to be taken with consideration, incidence, and systemic effects.

In addition, for projects considered to be of a structural nature, specific working groups are formed to monitor them, in which members of the Board of Directors are present.

Control activities and segregation of functions

Notwithstanding its current dimension, Caravela already adopts the necessary measures for the identification and segregation of functions with incompatible overlapping or which require specific monitoring procedures, in order to mitigate the perverse effects of insufficient positioning and differentiated treatment.

B.1.2.3. REMUNERATION POLICY

The remuneration policy aims to systematise in a clear and objective manner the fundamental aspects associated with the fixed and variable components of the remuneration of both the members of the governing bodies and the heads of key-functions and other company functions.

The Company's remuneration policy complies with Regulatory Standard No. 5/2010-R of April 1 (Disclosure of information on the remuneration policy of insurance companies and pension fund management companies) and, of the same date, Circular No. 6/2010 (Remuneration policy of insurance or reinsurance companies and pension fund management companies).

Such remuneration policy is based on a cautious and appropriate monitoring in order to avoid any conflict of interests and is in line with the growth and profitability policy defined by the Company's shareholders.

1. Approval of the remuneration policy

The remuneration policy for Caravela's governing bodies is defined by the Remuneration Committee.

2. Disclosure

The remuneration policy is disclosed in the different areas as required by the law and rules in force.

3. Composition of the Remuneration Committee

The above-mentioned Committee is composed of 3 members elected by General Meeting:

- Fabrizio Cesario - President
- George Koulouris - Member
- António Manuel Nestor Ribeiro - Member

4. Remuneration Policy

Apart from the fixed remuneration, the members of the Board of Directors can have a variable remuneration which is granted according to the Company's net results.

5. External Consultants

In defining the remuneration policy of the members of Caravela's governing bodies, the services of External Consultants are not used.

6. Remuneration of the Statutory Auditor

The Statutory Auditor is remunerated in accordance with the conditions set out in articles 59 and 60 of D.L. no. 487/99, of November 16, as amended by D.L. no. 224/2008 of November 20. The fees are proposed by the Statutory Auditor and approved by the Board of Directors, with the Supervisory Board's opinion.

In 2021, the amounts paid including VAT were:

Fees Description	Amount
Solvency II Certification	18 450
Statutory Audit	36 900
<i>year 2020</i>	<i>36 900</i>
Total	55 350

Table 11: Statutory Auditor Remuneration

7. Composition of Caravela's Governing Bodies and respective remunerations in 2021

	Remuneration		
	Fixed	Variable	Total
Board of Directors			
Luís Filipe Sampaio Cervantes	211 576,80	0,00	211 576,80
David Angulo Rubio	50 000,00	0,00	50 000,00
Gonçalo Lopes da Costa de Ramos e Costa	198 288,55	0,00	198 288,55
José Paulo de Castro Trigo	197 390,65	0,00	197 390,65
Supervisory Board			
Manuel Augusto Lopes de Lemos	7 200,00	0,00	7 200,00
Humberto Manuel Martins Carneiro (a)	23 900,00	0,00	23 900,00
José Elísio Lopes da Silva Quintas	6 600,00	0,00	6 600,00

(a) Amount relating to the financial year and settlements of previous years' accounts

Table 12: Composition and Remuneration of the Governing Bodies

8. Employees Remuneration Policy

- a) The remuneration policy for Caravela's Employees shall be proposed by the Human Resources Department for subsequent approval by the Board of Directors and assessed by the Company's control bodies;
- b) The remuneration policy is disclosed in all its mandatory legal aspects;
- c) Apart from fixed remuneration, Caravela's employees can have a variable remuneration, based on the following assumptions:
 - i. The balance between both remunerations, in order to achieve easy and clear planning of the variable part;
 - ii. The fact that the variable remuneration stems from a system of objectives and performance specially emphasising Caravela's goals, which must be clear, precise, determinable, and achievable.

9. Other employee benefits

Apart from the above-mentioned elements, Caravela's employees receive the following benefits:

- a) Workers Compensation Insurance;
- b) Personal Accidents Insurance;
- c) Health Insurance;
- d) Life Insurance;
- e) Permanency Allowance, defined in the company's agreement subscribed and published in 2019;
- f) Support specifically defined for the current Covid-19 pandemic period.

B.1.2.4. ASSESSMENT OF THE GOVERNANCE SYSTEM SUITABILITY

Caravela, considering its current governance system, concludes that the model is suitable to the nature, size, and complexity of the activity and risks to which the Company is exposed.

Caravela continuously monitors the suitability of its governance system, making any necessary changes as and when relevant and important.

B.2. QUALIFICATION AND SUITABILITY REQUIREMENTS

The qualification and suitability requirements of the TPIF Douro Group are based on the Caravela model.

Caravela's policy for selecting and assessing the suitability of those responsible for key-functions is intended to comply with the provisions of Articles 65 to 71 of the RJASR and to ensure that the company adopts the highest standards of governance required by law.

This policy is formulated in a specific document that is an integral part of Caravela's governance system in force and has the following structure:

1. Scope;
2. Risk Management Committee (CGR);
3. Policy for selecting and appointing members of the management and supervisory bodies;
4. Policy on selection and suitability of other members holding key-functions;
5. Assessment of fitness and suitability;
6. Ongoing training plan for the members of the management and supervisory body and other members holding key-functions;
7. Specific prevention of conflicts of interest;

8. Accumulation of positions;
9. Diversity policy;
10. Review of the selection and evaluation policy;
11. Attachments.

The selection and suitability of the members of the management and supervisory body shall describe, with reference to collective abilities, the technical competence, availability, and diversity of the management and supervisory body and, with reference to individual abilities, the suitability, experience and professional qualifications, independence, and availability.

In the selection and suitability of members holding key-positions, the Board of Directors proactively develops the best efforts to identify possible candidates, as well as to prepare the respective succession process in a timely manner, being assisted in this process by the CGR, which will identify the people who, in its opinion, have the most suitable profile for the position.

In the evaluation and selection of candidates for key-positions, it is verified that they meet the requirements of suitability, professional qualifications, independence, and availability set out in Caravela's 'remuneration' policy, formulated in a specific document.

In addition to the requirements referred to in the previous number, it is particularly valued in the evaluation process: 1) the candidate's demonstration of high ethical principles, moral values, and behaviour compatible with the standards required to Insurance Companies (namely diligence, neutrality, loyalty, discretion, and conscientious respect for the interests entrusted to them), 2) their sensitivity to risk, as well as 3) their ability to make considered and constructive critical judgements and not influenced by third parties in relation to the situations in question.

The Company provides, on a continuous training basis, reasonable and necessary resources and time to ensure the acquisition, maintenance, and deepening of the knowledge and skills required for the proper performance of the functions attributed to the management and supervisory body and to the holders of key-positions.

The members of the management and supervisory bodies, as well as those in key-positions, shall avoid any situation liable to give rise to a conflict of interest. To this end, a conflict of interest exists whenever private or personal interests may influence, or appear to influence, the impartial and objective performance of the functions attributed. Private or personal interest means any potential advantage for oneself, one's family and relatives, or one's circle of friends and acquaintances.

B.3. RISK MANAGEMENT SYSTEM

The TPIF Douro Group's risk management system is based on the Caravela model.

The risk management system, at the operational level, is centralised in the Prudential Management Office, hereinafter called Prudential Management, an independent body from the operational departments that integrate the business areas, consistently incorporating the concepts of systemic risk in the strategy and decisions of the company with effects on its results.

Prudential Management is defined as an autonomous structure whose value judgements are based on best management practices, ensuring, with an independent status, but in compliance with the guidelines of the management body, strict compliance with the rules established by the supervisory body in matters of risk management and implementation of the methodologies necessary for the judicious identification, measurement, and mitigation of systemic or individually relevant risks, namely through:

- a) Formalisation of the risk management operational model, ensuring its compliance with the regulatory requirements in the context of the RJASR;
- b) Up-to-date maintenance of the conceptual models for management by risk class, ensuring the compliance of protective strategic guidelines approved by the Board of Directors;
- c) Creation of risk control and mitigation programmes, guaranteeing that the materialisation of such cannot jeopardise the Company's financial stability and solvency;
- d) Drawing up contingency plans for potential adverse scenarios so as to prevent relevant losses that jeopardise the Company's solidity;
- e) Monitoring any needs to reinforce material solvency means and any unfavourable deviations in Caravela's risk profile, considering the levels and requirements defined under the RJASR;
- f) Definition of the tolerance levels to be respected for each risk, with periodic review of such levels;
- g) Creating and monitoring automatic alert indicators to enable the timely detection of any adverse risk deviations;
- h) Development of methodologies and policies that ensure risk management and internal control, in accordance with the model in force, with a view to adapting them to the level of exposure and organisational structure that Caravela adopts at any given time;
- i) Standardisation of procedures applicable to the entire Caravela structure, through the various committees created, liaising with the statutory auditor and external auditor on the certification of the internal control system;
- j) Training of the risk managers appointed in the respective operational areas;
- k) Support in the identification, management, and control of new risks arising from the different activities of the company;
- l) Periodic updating of the documentation on the internal control processes;

-
- m) Study and implementation of measures that enable the safety of human and material capital that make up the Company's operational structure;
 - n) Supporting the development of continuous training and awareness programmes for employees, in accordance with their functions, concerning operational risks and best practices for their mitigation;
 - o) Definition of procedures and information necessary for Caravela to be prepared to respond to external sectorial or extra-sectorial—national or international—risk events;
 - p) Supporting the Board of Directors and the different directorates in the preparation of documents aimed at formalising the main risk management and internal control strategies and processes.

B.3.1. PROSPECTIVE RISK SELF-ASSESSMENT

The ORSA¹ (Prospective Risk Self-Assessment) Policy has as its main objectives:

- i. To define the broad principles to be adopted in the prospective risk self-assessment exercise;
- ii. To define an ORSA process that allows for the development and adoption of an adequate methodology;
- iii. To define the structure of the ORSA report for internal use and for submission to the regulator;
- iv. To establish the governance and reporting mechanisms associated with the ORSA exercise and policy.

To carry out the prospective risk and capital self-assessment, Caravela has defined an ORSA process, consisting of four distinct phases, which establishes the order in which the various activities should be carried out, ensuring that all the analyses required for the process are prepared and carried out.

¹ ORSA – Own Risk and Solvency Assessment

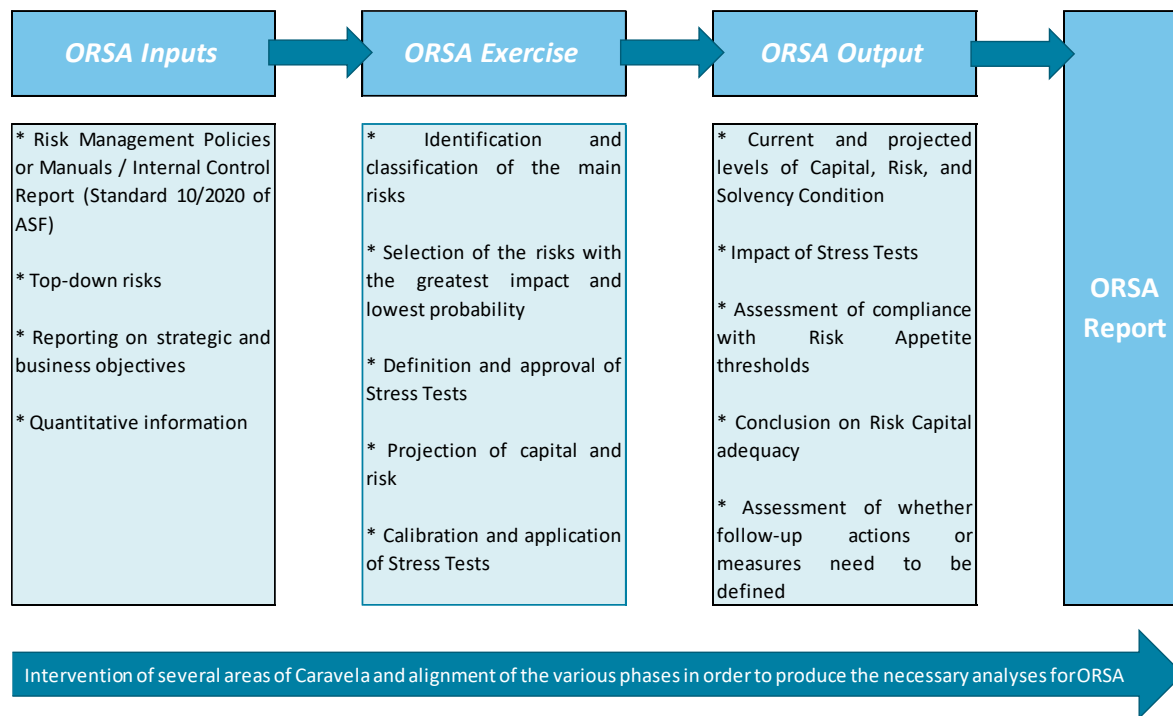


Figure 18: Stages of the ORSA Process

The ORSA report is submitted to the Supervisor at least annually, and within two weeks of the completion of the ORSA process with the approval of the Board. The report shall be composed of the processes, analysis, and outcomes of the ORSA Process according to the following reporting flow:

- i. Preparation of the Report by the Prudential Management Office, together with other Directorates whenever necessary;
- ii. Preparation of the Management Declaration;
- iii. Validation from the Risk Management Committee;
- iv. Board approval;
- v. Submission to the Supervisor and making available to internal and relevant Stakeholders.

In addition, the Board shall decide, in accordance with the parameters set out in the policy, on the need to conduct a Non-Regular ORSA. If this is done, and although it is a shorter exercise, it should also follow the defined reporting flow.

In the ORSA governance chapter, which looks at the functions associated with the ORSA process and report, we highlight the elements of Caravela responsible for the different stages.

1. Board of Directors

The Board has as its main responsibilities the approval of the ORSA Process and Report, and the submission of the latter to the Supervisor and internal Stakeholders. However, it is also responsible for:

- i. Approving the assumptions, inputs, and methodologies used for the multi-year projection of risks and capital under the ORSA;
- ii. Approving the Stress Tests or sensitivity analyses performed;
- iii. Analysing and validating the results of the projection of risks and capital and the application of Stress Tests or sensitivity analyses;
- iv. Approving recovery and follow-up measures and actions, if proposed;
- v. Ensuring linkage between ORSA results and the annual strategy and budget setting process;
- vi. Deciding on the need for a Non-Regular ORSA;
- vii. Approving the ORSA Process and ORSA Report;

2. Risk Management Committee

The main responsibility of this Committee is the validation of the ORSA Process and Report. It is also responsible for:

- i. Approving the assumptions, inputs, and methodologies used for the multi-year projection of risks and capital under the ORSA;
- ii. Validating Stress Tests or sensitivity analyses to be applied;
- iii. Analysing and validating the results of the projection of risks and capital and the application of Stress Tests or sensitivity analyses;
- iv. Analysing and validating the proposed recovery and follow-up measures and actions;
- v. Promoting alignment between ORSA outcomes, risk appetite and strategy and budget setting process;
- vi. Giving its opinion on the need for a Non-Regular ORSA;
- vii. Approving the ORSA Process and ORSA Report;

3. Prudential Management Office

The Prudential Management Office concentrates the operational responsibilities related to the ORSA Process as well as the preparation of the ORSA Report. In addition, it accumulates the following responsibilities:

- i. To propose the assumptions and methodologies to be used in the multi-year projection of risk and capital and collect the different inputs;
- ii. To propose the various Stress Tests or sensitivity analyses to be applied;
- iii. To carry out ORSA calculations and analyse and prepare the results for discussion and validation;
- iv. To propose follow-up and recovery actions and measures, when appropriate and necessary;
- v. To analyse the triggers defined and proposing the implementation of a Non-Regular ORSA;

vi. To develop the ORSA report.

4. Outras Unidades Orgânicas

Whenever necessary, other Caravela Organic Units may be called to intervene in the ORSA Process. The main responsibilities are for collecting and preparing inputs, as well as providing them at the level of:

- i. Information on the business and strategy;
- ii. Identification and evaluation of the main risks to which Caravela is exposed;
- iii. Multi-year budget, accounting information or investment details.

They should also prepare and make available any additional information that may be considered necessary.

B.4. INTERNAL CONTROL SYSTEM

The TPIF Douro Group's internal control system is based on the Caravela model.

Caravela's internal control system is part of the Prudential Management of the Company, constituting an autonomous and dedicated structure, whose mission is to create procedures that ensure the reliability of the relevant information and the appropriate prevention and monitoring of risks, in addition to verifying compliance with the defined operational procedures.

In designing the internal control system, principles were adopted that are based on the following basic assumptions:

- a) The control culture promoted internally by the organisation is a determining factor in the awareness and conduct of its employees;
- b) All employees are responsible for the internal control;
- c) Internal control is a dynamic process that should be integrated into the business processes and respective support;
- d) The definition of policies and procedures contributes to ensure the achievement of objectives, reducing operational risks and waste of resources;
- e) The internal control system must be supported by a permanent monitoring process.

Caravela's internal control policy has as its mission:

- a) To create a formal environment of permanent surveillance of the existing internal controls in all physical locations where Caravela services exist;
- b) To convey to employees a culture that makes them aware of the need for effective and efficient internal control mechanisms;

-
- c) To provide the management and supervisory bodies with assurance of the integrity of internal controls.

Internal control is part of the corporate risk management and is a permanent process developed to ensure, without problematic deviations, that the company's objectives are achieved, along the following axes:

- a) Estratégico: referem-se às orientações de nível mais elevado, fixados pelo órgão de Administração alinhadas com a missão da Caravela;
- b) Operational: efficient use of the available resources;
- c) Communicational: concerns ensuring the reliability, clarity, and trustworthiness of management reports and financial reports;
- d) Conformity: compliance with the laws and regulations in force.

Regarding the control and supervision culture, Caravela takes into consideration the following methodology:

The Board of Directors approves and periodically reviews the main business strategies and policies of the Company, based on the perception of the risks to be addressed; establishes the degree of acceptable risk exposure and ensures that the senior managers take the necessary measures to identify, measure, and control these risks, constantly assessing the integrity of the existing controls;

Regarding risk identification and assessment:

Caravela follows a policy of cautious management for framing the various risks defined in legislation, which is subject to specific reports and periodic reviews.

Compliance unit

The autonomous compliance unit is part of the Prudential Management Office and is responsible for:

- a) Automating and keeping up to date the list of legal and regulatory obligations of each Directorate, as well as the guidelines related to Caravela's code of conduct;
- b) Monitoring compliance with the internal rules and processes in place;
- c) Assessing the risk of compliance regarding the use of the personal databases held by Caravela, proposing the measures and actions it deems appropriate with a view to the judicious use of those elements;

-
- d) Participating in projects involving the implementation of legal procedures or requirements, as well as those relating to the definition of governance principles, applicable to the activity carried out by the company;

Promoting the necessary controls to prevent money laundering and the financing of terrorism.

B.5. INTERNAL AUDIT FUNCTION

The internal audit function of the TPIF Douro Group is based on the Caravela model.

The Internal Audit Department functionally reports to the Board of Directors and its mission is to evaluate the results, effectiveness, and suitability of the risk management, internal control, and governance processes inherent to the company's activity, so that the interests of shareholders, policyholders, insured parties, beneficiaries, employees, and other entities directly interested in the good performance and solvency of the Company are not jeopardised.

It is also responsible for providing quality services in the various areas of its intervention, according to criteria of productivity, promptness, and efficiency, in accordance with the strategies, guidelines, and policies issued by the Board of Directors.

According to the RJASR the internal audit directorate is a body independent from the operational functions that should mainly focus on specific insurance, credit, market, liquidity, operational, reputational, and strategic risks.

Within the scope of its specific attributions, it is responsible in particular for:

- a) Analysing the operational and business processes, assessing their compliance with the applicable internal and external regulatory texts;
- b) Collaborating with all Caravela's bodies to support the correct observance of the policies defined above;
- c) Ensuring and promoting, within the scope of its duties, frank and fluid relations with supervisory bodies, as well as to respond to relevant requests from other public and private institutions;
- d) Participating in the definition, disclosure, and practice of normative texts, with a view to preventing incidents that may interrupt the normal continuity of the Company's operations;

Autonomy:

- a) The Internal Audit Department is granted autonomy and freedom to access documentary records, physical facilities, and contact with Caravela's employees relevant to the performance of its functions;

-
- b) The employees of the Internal Audit Department respect the impact and ownership of the information they receive and do not disclose it without due authorization, except in cases of legal or professional obligation;
 - c) All the employees of the Internal Audit Department shall meet the fit & proper standards required for the exercise of their functions.

Independence:

All internal auditing activities must remain free from interference from any element of the organisation, so that the independence and impartiality essential to the drawing of conclusions may be maintained.

Field of Action:

The Internal Audit Department's field of action covers the analysis and evaluation of the overall efficiency of governance, the individual or aggregate results of risk management, the internal control system, and the quality of performance of the execution of functional responsibilities assigned individually in pursuit of the established objectives and targets.

B.6. ACTUARIAL FUNCTION

The TPIF Douro Group's actuarial function is based on the Caravela model.

Actuarial management is responsible for the actuarial function and has as its core objectives:

- a) To prepare technical and actuarial studies and analyses for the various business areas of the company, previously approved by the Board of Directors;
- b) To study and implement new techniques and methodologies for the development of studies in its area of action;
- c) To strive for consistency and reliability of the information collected for the preparation of the studies and analyses entrusted to it;
- d) To ensure, at regular intervals, correct evaluation of the technical reserves, informing the Board of Directors of their suitability and sufficiency, foreseeing possible deviations and proposing measures to correct any dysfunctions upstream of the results observed, particularly with regard to subscription and/or reinsurance agreements;
- e) To collaborate with the different areas involved in the preparation of timely responses to requests for information required by external entities;

-
- f) To collaborate in the preparation and supply of statistics and maps for the ASF and the Portuguese Insurers' Association (APS), involving the technical skills of the actuarial;
 - g) To develop tariffs for new products, whenever requested to do so, using sensitivity analyses;
 - h) Within the scope of the RJASR, develop techniques that make it possible, among other things, to determine the best estimate and risk margin in the value of technical reserves, calculate future cash flows, economic capital, test Stress Test scenarios, and assess the impact of reinsurance;
 - i) To ensure the preparation of studies and technical and actuarial analyses requested by the heads of technical areas and by the Board of Directors;
 - j) To ensure the sufficiency, quality, and reliability of the data used in the calculation of technical reserves.

B.7. SUBCONTRACTING

The TPIF Douro Group subcontracting policy is based on the Caravela model.

The policy of subcontracting operational functions or activities considered relevant to Caravela, aims to provide the company with the best services and resources, necessary for the pursuit of the company's objectives, and whose providers meet the same requirements demanded of key-function holders, under the terms of the RJASR.

This policy is formulated in a specific document that is part of Caravela's governance system.

The subcontracting of operational functions or activities to individual or collective entities shall be mandatorily supported by a written service provision contract under the legal provisions in force.

In the process of subcontracting functions or activities inherent to the company itself, Caravela takes responsibility for complying with the obligations arising from the RJASR.

Whenever there is the intention to outsource fundamental or important functions or activities, as well as any subsequent significant events that affect these functions or activities, Caravela will inform the ASF in advance, under the terms of paragraph 3 of article 78 of RJASR.

The procedures for selecting subcontracted entities—individual or collective—are the responsibility of the duly authorised top management, which may be assisted by areas that identify with it.

The entities to be subcontracted must meet the suitability requirements considered necessary for the performance of these functions or activities, especially regarding suitability, professional qualification, independence, availability, and capacity for good professional performance, with a view to the desired result.

Caravela's management body is always responsible for the final decision on subcontracting.

B.8. ANY ADDITIONAL INFORMATION

B.8.1. CODE OF CONDUCT

Caravela has created its own Code of Conduct, disclosed on the company's website, which sets out the guidelines on individual behaviour and ethical principles in the professional field, which is part of the Caravela's Governance System.

B.8.2. STATUTORY AUDITOR

Under the terms of the law and the company's articles of association, the supervision of Caravela's business, records, and results will also be exercised by a statutory auditor or firm of statutory auditors who is not a member of the Supervisory Board; this person is elected at the General Meeting and can be re-elected, in compliance with the rules established in the Commercial Companies Code.

The Statutory Auditor annually certifies the information to be provided and the elements of the report on the solvency and financial condition of the company and is obliged to immediately communicate to the ASF any fact or decision, which may constitute a violation of legal standards, affect the continuity of the business, or lead to non-compliance with the solvency capital requirements.

B.8.3. RESPONSIBLE ACTUARY

Under the terms of the regulations in force, it is the responsibility of the responsible actuary to certify the quantitative information that entities must report to the ASF for supervisory purposes, with regard to the adequacy to the applicable legal, regulatory, and technical reserves of the calculation of technical provisions, under Solvency II, the amounts recoverable from reinsurance contracts and entities with the specific purpose of securitisation of insurance risks and the components of the Solvency Capital Requirement related to these items.

Due to incompatibility of the Actuarial and Responsible Actuary functions, Caravela opted to outsource the latter, being guaranteed by an actuary duly certified for the purpose by ASF.

B.8.4. REVISION OF THE GOVERNANCE SYSTEM

Under the terms and scope of Article 41 of the Solvency II Directive, the governance system will be reviewed within the scope of the risk management functions, after being discussed and assessed by the risk management committee, on a three-yearly basis and submitted in a specific report to the management body with the recommendations deemed necessary and appropriate for its improvement.

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Prepared by:

Prudential Management Office

After receiving the report on the governance system, the Board of Directors shall approve the recommendations presented or present grounds for its refusal, identifying alternative solutions, should weaknesses or outdatedness have been detected in some of the concepts that are a part thereof, in relation to the applicable regulations.

C. RISK PROFILE

The risk profile of the TPIF Douro Group is based on the Caravela model and is the sum of 100% of TPIF Douro and 48% of Caravela, percentage of the interest held.

Currently, counterparty risk is the only risk present in the TPIF Douro entity.

Taking risks is intrinsic to the activity of any insurer. Therefore, Caravela's Risk assessment assumes that it is aware of the characteristics of its risk profile, namely at the level of its material risks and the amount of risk it is willing to accept in order to achieve its strategic and business objectives. To this end, and in order to ensure a consistent approach to identifying, assessing, and monitoring risks, Caravela presents its risk appetite objectives and thresholds, as well as the main risks to which it is exposed arising from the 2021 financial year.

Caravela understands the concept of Risk Appetite as being the level of unexpected losses that it is willing to accept in order to achieve its strategic objectives. As part of its Risk Appetite Methodology, and as referred to above, the Company has defined Risk Appetite objectives and thresholds that must be met in both base case and Stress Test scenarios.

Based on the defined risk strategy and objectives, Caravela has established two quantitative risk appetite metrics involving the Company's capital and profitability dimensions.

Capital Metrics (Solvency)

The Solvency metric aims to ensure that the Company has an adequate level of capital to meet current and emerging risks, thus allowing adequate protection for its policyholders. For this metric, made tangible through the Solvency Margin, Caravela has defined the following thresholds:

	Risk Appetite Dimension	Threshold	Threshold Type
Solvency	Capital target	125%	Rigid
	Minimum Acceptable Capital	110%	Rigid

Table 13: Risk Appetite Threshold – Solvency Metric

Profit and Loss Metric (ROE)

The Profit & Loss metric aims to ensure that Caravela does not take risks that may significantly jeopardise the profitability of the business. For this metric, made tangible through Return on Equity² (ROE), Caravela has defined the following thresholds:

	Risk Appetite Dimension	Minimum Threshold	Threshold Type
Results	Current Profitability Target	10%	Flexible
	Minimum acceptable return	0%	Flexible

Table 14: Risk Appetite Thresholds – Results Metric

C.1. SPECIFIC INSURANCE RISK

Bearing in mind the structure of the TPIF Douro Group, Caravela is the only entity that contributes to the Group's specific insurance risk.

The specific insurance risk corresponds to the risk inherent in the trading of insurance contracts, associated to product design and their pricing, to the underwriting process, liabilities provisioning, and claims and reinsurance management.

In Non-Life insurance, the specific risk of insurance includes, among others, premiums, reserves, and catastrophic risks.

The underwriting, provisioning, and reinsurance processes are duly documented with respect to the main activities, risks, and controls.

In summary, the most important control mechanisms are:

- Delegation of Competencies formally defined for different processes;
- Segregation of functions between the areas that carry out risk analysis, calculate tariffs, issue technical opinions, and issue policies;
- Limited access to different applications according to their user profile;

² Return on net equity

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- Documentation scanning in issuing processes and claims management;
- Procedures of case-by-case cross-checks.

Underwriting risk is monitored, within the scope of the risk management committee, through the evaluation of reports and technical studies prepared by the Actuarial Management Office and, complementarily, through the analysis of the KRI³ disclosed by the Prudential Management Office. The technical studies focus on the Company's main products, namely motor, workers compensation, and multi-risks.

The level of claims reserve is monitored monthly, with quarterly reviews to all claims processes, being implemented stochastic assessment models to fill insufficient reserves.

The development of the direct insurance claims reserve, gross reinsurance, and net reimbursements, excluding mathematical reserves of the Workers Compensation line of business and claims reserve management costs, can be analysed as follows through the triangles of Caravela at 100% of claims costs and payments of the last 10 years:

(thousands of euros)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Initial estimate of claims cost, gross of reinsurance and net of reimbursements (*)	26 307	14 091	13 569	14 759	16 900	18 275	24 388	27 887	35 428	44 266	55 902
Accumulated Payments											
One year later	20 896	10 497	10 240	10 593	14 741	16 958	25 599	30 270	39 115	44 699	
Two years later	21 713	11 218	11 227	11 592	15 990	18 106	27 015	31 875	40 921		
Three years later	22 469	11 691	11 769	11 889	17 089	18 830	27 490	32 690			
Four years later	23 043	11 759	12 074	12 043	17 319	19 773	28 558				
Five years later	23 287	12 158	12 155	12 338	17 889	19 859					
Six years later	23 501	12 178	12 175	12 384	18 084						
Seven years later	23 547	12 224	12 451	12 474							
Eight years later	23 555	12 256	12 876								
Nine years later	23 562	12 676									
Ten years later	23 525										
Final Estimate of Claims Costs											
One year later	24 227	13 179	13 815	14 167	17 801	19 816	27 908	32 369	41 440	48 644	
Two years later	24 027	13 457	13 397	13 391	18 034	19 923	28 522	33 359	42 850		
Three years later	23 789	13 375	13 430	13 166	17 877	20 440	28 740	34 233			
Four years later	23 918	13 019	13 291	13 173	18 048	20 509	29 084				
Five years later	23 907	12 730	13 244	12 811	18 238	20 541					
Six years later	23 749	12 827	13 261	12 791	18 286						
Seven years later	23 607	12 729	13 238	12 908							
Eight years later	23 592	12 982	13 303								
Nine years later	23 587	12 986									
Ten years later	23 548										
	2 759	1 105	265	1 851	-1 385	-2 266	-4 696	-6 346	-7 422	-4 377	

(*) excluding mathematical provisions, management costs provision, IBNR and IBNER

³ Key Risk Indicator

Table 15: Evolution of claims costs

Caravela practices a ceded reinsurance policy based on proportional and non-proportional treaties. In 2021, the reinsurance structure consists of proportional treaties (Share and Surplus) and non-proportional treaties (Excess of Loss and Catastrophic Coverage), as according to the following table:

Line of business	Reinsurance Type
Worker's Compensation	Excess of loss (XL) and Proportional
Personal Accidents	Excess of loss (XL) and Proportional
Health	Fronting
Property	Quota-share
Property (Natural Catastrophes)	Excess of loss (XL)
Engineering	Quota-share
Motor	Excess of loss (XL) and Proportional
Marine and Transports	Quota-share
Cargo	Quota-share
Third Party Liability	Excess of loss (XL)

Table 16: Reinsurance structure

C.1.1. Underwriting Risk (Non-Life)

The exposure to Non-Life Underwriting Risk, compared to the previous year's reporting, shows an increase of 24,2%, reaching a value of 9.510 thousand euros in 2021.

In a more detailed analysis, it is possible to conclude that the sub-risk that contributes most to its increase is the Premium and Reserve risk, as this has a weight of approximately 99%. The increase in this risk accompanies the increase in the premiums volume measure (+14,2%), as well as the increase in the reserves volume measure (+82,9%).

The Lapse risk, although growing by 19,2%, is immaterial, corresponding to about 1%, and the Capital Requirement of the Catastrophic risk increased by 7,1%, although materially irrelevant, as there were small changes in the existing reinsurance treaty.

The results obtained for each sub-risk that makes up the Underwriting Risk (Non-Life) can be seen in the following table:

SCR (thousands of Euros)	2020	2021
Non-life Underwriting Risk	7 659	9 510
Premium and Reserve Risk	7 556	9 401
Lapse Risk	77	92
Catastrophic Risk	375	402

Table 17: Non-Life Underwriting Risk SCR

C.1.2. Underwriting Risk (Health)

The exposure to Health Underwriting Risk shows growth compared to 2020, reaching around 4.813 thousand euros in 2021.

Looking in more detail at the Health SCR, it can be concluded that the Health Non-Similar to Life Techniques (NSLT) component, consisting of Premium and Reserve risk, has the highest weight and the largest increase. This increase is justified by both the growth in production of the Worker's Compensation line of business and the growth in the provisioning verified in 2021.

The Health Similar to Life Techniques (SLT) risk is made up of the Longevity, Expense, and Revision risks. All these risks are calculated by applying a shock to the Best Estimate of Health Similar to Life Techniques subject to each of the risks.

The results obtained by the Company for each sub-risk that makes up the Health Underwriting Risk can be seen in the following table:

SCR (thousands of Euros)	2020	2021
Health Underwriting Risk	4 391	4 813
NSLT Health Risk	4 148	4 559
Premium and Reserve Risk	4 148	4 559
SLT Health Risk	450	473
Longevity risk	202	177
Expense Risk	214	280
Revision Risk	188	168

Table 18: Non-Life Underwriting Risk SCR

C.2. MARKET RISK

Market risk consists of risk of loss or adverse movements in the value of assets related to changes in the market prices of financial instruments.

This risk includes exchange rate, stock, real estate, interest, spread, and concentration risks.

The Investment policy defines the guiding principles for prudent investment management as well as monitoring and reporting activities.

In order to assure a prudent and adequate risk management, portfolio exposure limits were set out based on 6 specific criteria:

- Asset class;
- Type of issuer (legal form);
- Rating level;
- Activity sector;
- Geographical area;
- Concentration per issuer.

The allocation of assets is characterised as conservative with the exposure to rate risk, namely debt securities, being around 79% and to stock risk 13%, before the diversification effect. The debt securities must have a high credit quality, greater than BBB, at the date of acquisition. Rating downgrades are assessed on a case-by-case basis in a specific meeting, deciding whether to maintain or sell the asset.

Although not included in the investment policy, it should be noted that the majority of Caravela's investment portfolio is invested in Socially Responsible Investments – SRI⁴, with a score of 3,13/5 as at December 31, 2021 (3,13/5 as at December 31, 2020).

Market risk is monitored monthly, within the scope of the Financial Committee, by assessing the KRI developed for this purpose, which are the responsibility of the Prudential Management Office, and quarterly by assessing the reports prepared by the management entity.

The reports incorporate analyses of the asset structure—allocation strategy by asset type, issuer credit risk, diversification by issuer, geographic area, and activity sector and are complemented by verifying the thresholds stipulated in the investment policy, by a sensitivity analysis of the bond and share portfolio.

⁴ Socially responsible investments (SRI), also referred to as ethical investments, differ from others as they include environmental, social, and corporate governance variables in their investment options.

Investment in derivatives and similar products, repo and securities lending transactions are only permitted with the express authorisation of the Board of Directors, and at the present time there is no investment in these products.

Market risk is assessed in Solvency II environment, in the quarterly calculation of the regulatory capital requirement.

Interest rate risk arises from changes in the temporal structure or the instability of interest rates. Assets (bonds and fixed-term deposits) and liability (technical reserves, especially the mathematical reserve of Workers Compensation) are exposed to interest rate risk. Exposure to interest rate risk is measured as the difference between assets and liabilities for each time period. In 2021, the interest rate risk derives from a falling rate scenario, as it proves to be the most damaging, contrary to the homologous period.

Equity risk results from the instability of stock market prices, with equity securities being exposed to such risk, particularly investments funds totally or partially composed of said titles. Stock risk increased in view of the market risk diversification strategy adopted in 2021.

Property risk results from the instability of real estate price market. In 2021, this risk remained unchanged in relation to the capital requirement since the assets in exposure did not change.

Spread risk consists of unexpected losses caused by the depreciation of credit quality or default of a business partner, reflecting the instability of credit spreads along the risk-free of interest rates curve. The securities exposed to this risk are mainly corporate bonds and fixed-term deposits. Spread risk, on debt issuers and the banking entities where fixed-term deposits are placed, shows an increase of 9,6%, justified by the increase in the assets in exposure (+9,8%), despite the decrease in their weighted average duration (4,5 years in 2021 against 4,3 in 2020). The average rating of the asset's portfolio suffered a slight upgrade (A) compared to the previous year (A-).

Currency rate risk is caused by the instability of exchange rates against the Euro. Exposure to such risk is residual due to the non-authorisation of investment in foreign currency established in the investment policy. Indirectly, through the transparency of investment funds held, there is reduced exposure to foreign currency in a given financial year. In view of the reduced exposure, the exchange rate risk also presents a residual capital requirement.

Concentration risk refers to additional instability in a very concentrated portfolio. Exposure to concentration risk, measured according to the concentration in the portfolio of issuer groups, shows an increase of 2,7%, with a requirement of 106 thousand euros.

The increase in exposure to Market Risk of 70,1%, is justified by the increase in the investment portfolio (+11,4%).

The results obtained by the Group for the sub risks Market Risk can be seen in the following table:

SCR (thousands of Euros)	2020	2021
Market Risk	2 338	3 978
Interest Rate Risk	302	209
<i>Upward shock</i>	302	117
<i>Downward shock</i>	123	209
Equity Risk	801	1 554
Property Risk	148	1086
Spread Risk	1 556	1 705
Currency Risk	2	0
Concentration Risk	103	106

Table 19: Market Risk SCR

C.3. CREDIT RISK⁵

Credit risk consists of the risk of loss due to default or deterioration of counterparty credit levels which is mitigating existing risk, such as reinsurance contracts, receivable amounts by intermediaries, as well as other credit exposures that have not been considered in the spread risk.

The Group, through Caravela, has control procedures to mitigate such risk regarding clients and agents, particularly the systematic monitoring of the amounts and seniority of receivable receipts. This procedure is guaranteed by the Financial and Administrative Management and assessed by the Risk Management Committee.

As far as reinsurers are concerned, they are carefully selected not only due to their economic and financial strength, but also to their technical capacity. An analysis is performed periodically to the development of the reinsurer's ratings.

Exposure to Counterparty Default Risk increased by 17,5% in 2021, due to the increase in counterparty default risk of both type I and type II.

The TPIF Douro BidCO S.à.r.l. entity contributes with a capital requirement of 8.774 euros to this risk, exclusively due to a demand deposit it holds with the Royal Bank of Scotland. It should be noted that this entity is only exposed to Counterparty Default Risk, type I, and has no other type of capital requirement.

⁵ Type I - reinsurance and coinsurance contracts and demand deposits

Type II - amounts receivable from agents, policyholders, and third parties

The results obtained by the Group for the sub-risks of Counterparty Default Risk can be seen in the following table:

SCR (thousands of Euros)	2020	2021
Counterparty Default Risk	1 427	1 678
Counterparty Default Risk Type I	791	877
Counterparty Default Risk Type II	734	917

Table 20: Counterparty Default Risk SCR

C.4. LIQUIDITY RISK

Liquidity risk arises from the possibility of the Group not holding assets with enough liquidity to meet the obligations to policyholders and other creditors as they mature.

For risk mitigation purposes, it should be noted that the Company has a monthly liquidity plan which is reviewed weekly and analysed daily.

The liquidity plan also aims at the financial investment of surplus capital, particularly in short and medium-term deposits to the safeguard of advanced mobilisation.

Whenever there are strong outflows, the Financial and Administrative Management together with Investment Management, foresees liquidity needs.

The investment portfolio held as at December 31, 2021, when analysed in terms of its liquidity, shows 100% convertibility within a period of 2 to 7 days.

C.5. OPERATIONAL RISK

Operational risk is the risk of significant losses resulting from inadequacy or failures in processes, people, or systems, or external events.

The following point, which refers to the internal control system, includes the operational risks with highest granularity.

The operational risk management aims to identify and know the risks that the Company face and to monitor them in accordance with the tolerances set.

The methodological approach used follows three stages:

1) Identification and classification of risks

The identification of the risks is carried out through interviews with the managers in charge for the Company's main areas.

In these interviews the main top-down risks of the area will be identified and categorised according to ASF guidelines.

In addition to the risk category and subcategory, the Company defines the risk to which it is exposed, as well as the causes and consequences.

2) Control's assessment and its effectiveness

This assessment is very important for the correct identification of inherent and residual risks of each risk, being crucial to identify mitigation actions/additional controls to be carried out.

In order to calculate the impact and probability (inherent and residual), it is necessary to resort to a set of methods such as: data on internal losses; data on external losses; experience and intuition of risk owners.

3) KRI identification and action plans

KRI is related to a specific risk and is used as an alert for a possible change in probability and impact of a risk occurring.

After identifying and classifying the main top-down risks of the Company, the risks that will be subject to Stress Tests in the scope of the prospective self-assessment process are identified.

Such risks should reflect high impact and medium/low probability risks to ensure the use of budget variables to test their impact.

The quantification of the operational risk is obtained through two components, earned premiums and technical reserves, and may not exceed 30% of the Basic Solvency Capital Requirement.

Operational risk is obtained, as in the previous year, from the perspective of premiums, as can be seen in the following table:

SCR (thousands of Euros)	2020	2021
Operational Risk	1 516	1 633
Basic capital requirement	1 516	1 633
Based on earned premiums	1 516	1 633
Based on technical reserves	742	1 012

Table 21: Operational Risk SCR

C.6. OTHER MATERIAL RISKS

As already mentioned, and within the scope of the Group's risk management, Caravela has a top-down process for identifying and assessing the main risks to which it is exposed. From among these risks, identified by the different areas of the Company, those of low probability and high impact are selected, that is, risks that may jeopardise the achievement of its main objectives.

The risks selected and presented below represent the extreme but plausible risks that are not covered by Solvency II Pillar I risks, or that, despite being covered in this pillar, have an impact beyond that represented by the standard formula.

Risk	Description
Market Risk / Specific Insurance Risk	Increase in interest rates by 100 b.p.
Strategic Risk / Specific Insurance Risk	Degradation of the Technical Portfolio
Specific Insurance Risk	Increase of the claim's ratio, in Motor and Workers Compensation line of business, to the level of minimum capital required

Table 22: Caravela's main risks

To test the impact of these events the following Stress Tests and Reverse Stress Tests were carried out:

Stress Tests

- **Increase of interest rates**

The purpose of this Stress Test is to quantify the impact of an interest rate increase of 100 b.p. during 2021, remaining at that level for the rest of the study period. The results obtained show a decrease both in Own

Funds and in the solvency capital requirements between 2022 and 2025. After the Stress Test it is possible to verify that the increase of interest rates currently represents a favourable scenario for the three years of the ORSA financial year of 2021, being unfavourable in the last two years. However, the threshold set for the Capital Target will not be breached in the period under review.

- **Degradation of the technical portfolio**

This Stress scenario aims to evaluate the impact arising from the degradation of the technical portfolio, caused by a subscription of new production during 2021, on average 10% below the tariff currently in force in the Company for the various products. The results obtained lead to a decrease in the Solvency Ratio in all years of the Multi-Year Budget period to values between 195% and 218%, with the greatest impact in 2021. Even with this impact, the Solvency Ratio remains above the Capital Target.

Reverse Stress Tests

Reverse Stress Tests are particularly useful in assessing the level of resilience of the Company's balance sheet and solvency position. The evolution of the claims rate of the two main operating lines of business was identified as the main strategic risks, having simulated an evolution of this risk until it reaches the point of non-compliance with the minimum capital requirement (100%).

- **On Motor and Workers Compensation lines of business claims**

The results of this Stress scenario indicate that, in 2021, to each additional percentage point in the claims ratio corresponds a decrease in the Solvency Ratio of 5,2 p.p.. The recovery of this impact on the Solvency Ratio is relevant, being 40,5 p.p. after one year and 49,8 p.p. after two years, reaching a recovery of 94,0 p.p. in 2025. The economic recovery is sufficient to meet the Minimum Acceptable Capital established in the risk appetite policy, in the very first year after the shock.

C.7. ANY ADDITIONAL INFORMATION

Not applicable.

D. ASSESSMENT FOR SOLVENCY PURPOSES

The determination of available capital is fundamental for the determination of the Solvency ratio. When comparing the different Solvency regimes, an increase in the capital requirement may not necessarily be negative if there is a greater or equal increase in the capital available (e. g. through the discounting of technical reserves).

The available capital is determined based on the economic balance sheet, i. e. a balance sheet with assets and liabilities at fair value.

The Solvency II Directive (2009/138/EC of the European Parliament and Council) established principles complemented by level 2 (Delegated Acts and Technical Specifications) and level 3 (Guidelines) measures.

Article 75 of the Solvency II Directive on Valuation of assets and liabilities states that:

1. *Unless otherwise stated, Member States shall ensure that the valuation of assets and liabilities by insurance and reinsurance undertakings is carried out as follows:*
 - a) *Assets are valued at the amount for which they can be traded between informed parties acting freely in an arm's length transaction;*
 - b) *Liabilities are valued at the amount for which they can be traded between informed parties acting freely in an arm's length transaction;*

For the purpose of valuation of liabilities under point (b), no adjustments for the purpose of taking into account the credit standing of the insurance or reinsurance undertaking may be made.

2. *The Commission shall adopt implementing measures specifying the methods and assumptions to be used in the valuation of assets and liabilities as laid down in paragraph 1.*

Those measures, designed to amend non-essential elements of this Directive by supplementing it, shall be adopted in accordance with the regulatory procedure with scrutiny referred to in Article 301(3).

When determining consolidated data, the Group uses method 1, the equity method, provide for in the EIOPA technical guidelines and referred to in article 335(1)(a) and (d) of Commission Delegated Regulation (EU) 2015/35.

The reconciliation between the IFRS balance sheet and the Solvency II balance sheet in the Group is detailed as follows:

	IFRS balance sheet	Adjustments	Solvency II Balance Sheet
Assets			
Goodwill	0	0	
Deferred acquisition costs	2 167 479	-2 167 479	
Intangible assets	1 650 485	-1 650 485	0
Deferred tax assets	20 158	986 079	1 006 237
Tangible fixed assets for own use	808 544	0	808 544
Investments (other than assets held under index-linked and unit-linked contracts)	55 954 286	0	55 954 286
Real Estate (other than for own use)	4 343 752	0	4 343 752
Interests in related companies, including participations	0	0	0
Shares and other equity securities	239 456	0	239 456
Bonds	27 763 636	0	27 763 636
Collective Investment Schemes	22 239 986	0	22 239 986
Derivatives	0	0	0
Deposits other than cash equivalents	1 367 455	0	1 367 455
Loans and mortgages	23 856	0	23 856
Amounts recoverable from reinsurance contracts	16 327 915	2 865 138	19 193 053
Deposits in ceding companies		0	
Receivables	7 181 495	0	7 181 495
Cash and cash equivalents	4 021 948	0	4 021 948
Any other assets, not included elsewhere	525 813	-42 010	483 803
Total assets	88 681 980	-8 757	88 673 223
Liabilities			
Technical reserves – non-life	33 542 401	-771 927	32 770 474
Technical reserves – life (excluding index-linked and unit-linked contracts)	17 301 333	4 567 154	21 868 487
Other technical provisions	145 496	-145 496	
Pension benefit liabilities	83 712	0	83 712
Reinsurer's deposits	254 375	0	254 375
Deferred tax liabilities	20 174	0	20 174

<i>Continuation</i>			
Financial liabilities other than debts owed to credit institutions	661 528	0	661 528
Amounts payable	6 361 147	0	6 361 147
Subordinated liabilities	0	0	0
Any other liabilities, not included elsewhere	766 472	0	766 472
Total liabilities	59 136 637	3 649 731	62 786 368
Assets surplus over liabilities	29 545 343	-3 658 488	25 886 855

Table 23: Balance sheet adjustments

D.1. ASSETS

The Group uses the IFRS accepted by the European Commission (EC), which is generally considered to be a good approximation of the fair value concept. However, as the IFRS have different valuation methods, there are certain standards that do not reflect fair value, for which it will be necessary to make changes.

The Chart of Accounts for Insurance Companies has adopted the IFRS accepted by the EC, except for IFRS 4, of which it only considered the component of the classification of contracts. In this sense, the adjustments to be made tend to be aligned with the requirements established by the technical specifications.

D.1.1. Hierarchy of Evaluation Principles

The Group uses the following hierarchy in asset valuation principles:

- i. Market prices, quoted in active markets for the same or similar assets;
- ii. Where this is not possible, market prices of similar assets with adjustment to reflect the differences;
- iii. When there are no active market values, mark-to-model techniques are used;
- iv. As an alternative to the previous three principles, the Group considers as much observable market information as possible and reduces as much as possible the Company-specific inputs to perform the valuation.

D.1.2. Valuation and adjustments by asset category

The valuation of the main balance sheet, IFRS and Solvency II headings, and their adjustments on conversion, are presented in the following points.

Deferred acquisition costs

The value of deferred acquisition costs allows the acquisition costs of an insurance contract to be linearised over its term.

For solvency purposes, the value of deferred acquisition costs is not considered as an asset and is therefore written off from the balance sheet, generating an impact of -2.167 thousand euros.

Deferred tax reserve

Deferred tax reserve (IDA) corresponds to the tax amounts recoverable in future periods relating to temporary differences at the balance sheet date and are valued, under IFRS, in accordance with IAS 12.

In Solvency II the same principle is used, the difference being justified by the deferred tax on the adjustments made when converting the IFRS balance sheet to the Solvency II balance sheet.

Goodwill and intangible assets

Under IFRS, Goodwill is valued in accordance with IFRS 3 and intangible assets in accordance with IAS 38.

In solvency II, Goodwill is not valued and intangible assets, provided that it is not demonstrated that they can be sold separately, and it is not demonstrated that there is a value for the same or a similar asset that was derived from market prices verified in an active market, as was the case in Caravela, are set at zero value, this adjustment being -1.650 thousand euros.

Tangible fixed assets for own use

Under IFRS, property and equipment are valued in accordance with IAS 16.

In solvency II, the tangible fixed assets recognised in the balance sheet are valued at the historic acquisition cost less the implicit wear and tear, but we consider, given the immateriality of the amount in question, that it is not justifiable to apply the revaluation model (Net value, of amortisations and liabilities, as at 31.12.2021 of 147 thousand euros).

Leases

The Group classifies lease agreements as finance leases or operating leases according to the underlying asset and the right of control over that asset.

Operations are classified as finance leases when the risks and rewards incidental to ownership of an asset have been transferred to the lessee, the financial charges being recognised in the income statement in the period to which they relate, and the amount of depreciation deducted from liabilities, all other lease transactions being considered as operating leases.

Payments made under these leasing contracts are recorded by the Company in third party accounts, the amounts relating to the reimbursement of capital, and in costs the interest for the period to which they relate.

The aforementioned assets shall be subject to depreciation and the depreciation policy used is consistent with other depreciable assets held by the Company. The recognised depreciation is calculated in accordance with IAS 16.

With the entry into force of IFRS 16-Leases on January 1, 2019, the Company has the right to use an underlying asset against a liability for future payments associated with the use of that asset.

In solvency II, the fair value model is considered adequate and so no adjustment is made to this asset.

[Investments – Real Estate \(other than for own use\)](#)

Under IFRS, investment property is valued in accordance with IAS 40.

In solvency II, the fair value model is considered adequate and so no adjustment is made to this asset.

[Investments – Bonds](#)

The bonds in the portfolio are valued in accordance with IAS 39 and classified as Financial assets available for sale.

In solvency II, these assets are valued following criterion i. of the previous point, consistent with the IFRS rule, so no adjustment is recorded.

[Investments – Collective investment undertakings](#)

Investment funds held are valued in accordance with IAS 39 and classified as Financial assets available for sale.

In solvency II, these assets are valued following criterion iii. of the previous point, consistent with the IFRS rule, so no adjustment is recorded.

[Investments – Deposits other than cash equivalents](#)

Fixed-term deposits held are valued in accordance with IAS 39 and classified under Loans and receivables.

In solvency II, these assets are valued following criterion ii. of the previous point, based on the discounted cash flow method, consistent with the IFRS rule, so no adjustment is recorded.

[Reinsurance recoverables](#)

The valuation and adjustments of these assets are detailed in section D.2.5 of this report, under Technical Reserves.

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Receivables

Receivables are valued following criterion ii. of the previous point, based on the discounted cash flow method, consistent with the IFRS rule, so no adjustment is recorded.

Cash and cash equivalents

The valuation of this asset is based on the level i. method of the previous point, consistent with the IFRS rule, so no adjustment is recorded.

Any other assets, not included elsewhere

In this class of assets, we highlight the inventories which, under IFRS, are recorded at acquisition cost, being subsequently, when used, totally written off against costs, while under Solvency II they are not valued, justifying the impact of -42 thousand euros.

D.2. TECHNICAL RESERVES

D.2.1. Principles and assumptions

The statutory provisions, shown in this chapter, refer to Caravela’s statutory provisions where the Group’s responsibility is proportional to the capital held (48%).

The assumptions and methodologies for the calculation of economic-based technical reserves follow the stipulations of the Commission Delegated Regulation (EU) 2015/35 of October 10, 2014, corresponding to the sum between the best estimate and the risk margin.

Technical Reserves are determined separately, within the following trenched scopes:

- Claims Reserve;
- Premiums Reserve, assuming as future premiums:
 - Non-acquired premiums (PNA);
 - Premiums due but not yet processed, type I and II;
 - Future contract premiums that follow the rules established by the so-called contract boundary, which, in the particular case of Caravela, relate to multi-year contracts with public entities.
- Mathematical Reserves for Workers Compensation (AT) and Lifetime Assistance (AV).

The best estimate of the Claims and Premiums Reserve was calculated using the interest rate curve, provided by EIOPA, with Volatility Adjustment.

The values included in this valuation are gross of reinsurance, unless otherwise stated.

D.2.2. Procedures

D.2.2.1. Calculation of the best estimate for the claims reserve

It is understood that the best estimate of the claims provisions corresponds to the mathematical expectation of expected claims over time as well as claims management, administrative, and investment costs.

Calculation algorithms

To determine indemnity cash flows, other than Workers Compensation pensions and Lifetime Assistance indemnities, it was assumed that the best estimate corresponds to the discounted values of the amounts estimated through the stochastic Thomas-Mack, Merz & Wüthrich, and Bootstrap models, basing on the Chain Ladder method, using the VaR methodology to 75%, where the amounts that result from the model with the lowest standard deviation are considered as future cash-flows, and the management expenses with claims by the Chain Ladder model, with average link ratios, on indemnities paid at current costs.

To ascertain the cash flows of expenses, indicated in Article 31 of the Commission Delegated Regulation (EU) 2015/35 of October 10, 2014, other than claims management expenses, the history of the no. of outstanding claims per claim year was constructed and the no. of future outstanding claims was estimated. Assuming as valid the average cost of these expenses, per claim under management for the last two years, this value was applied to the estimated number of pending claims, thus obtaining future cash flows.

To define the cash flow values inherent to Workers Compensation pensions and costs with Lifetime Assistance, the TV 88/90 mortality table was used.

D.2.2.2. Calculation of the best estimate for the premium reserve

In the valuation of the provision for premiums, the premiums regarding Non-Acquired Premiums (PNA), premiums due but not yet processed—types I and II—, assuming the latter, net of annulment rates of Caravela, where the medium annulment rate relative to the last 3 years, per line of business, was considered. Besides, future premiums that comply with the rules established in the contract boundary were considered (currently without premiums to be considered).

The estimated claims costs result from the application of the medium combined ratio of the past 2 years to future premiums, including investment costs. The way they are distributed, by year of payment, results from the application of the model used in the compensation projection.

In the particular case of AT, it is worth noting the difficulty in evaluating the cash flows, due to the impossibility of separating the premiums of pension coverage and AV of other expenses.

This way, it was impossible to obtain a combined ratio only for pensions and AV and another for the remaining indemnities, reason why the expected amounts for payment were obtained based on the combined aggregate ratio. Its projection was according to the percentages obtained from the considered model, based on AT indemnities different from Pensions and AV.

D.2.2.3. Risk Margin

The risk margin is determined by applying the Cost of Capital method, with a rate of 6%. The simplification indicated in Article 58(a) of the Commission Delegated Regulation (EU) 2015/35 of October 10, 2014 has been used, which corresponds to approximating the SCR(t) for each future year using the proportionality principle, not applying the volatility adjustment nor the transitional measures on technical reserves.

D.2.3. Comparison between IFRS technical reserves versus Solvency II

The following table provides a reconciliation between technical reserves calculated based on IFRS and Solvency II:

	IFRS	Adjustment	SII
Technical Reserves — Non-life	101 711 981	13 144 213	114 856 194
Technical Reserves - Non-Life (excluding Accidents and Medical Expenses)	56 605 980	1 014 040	57 620 020
Motor Civil Liability	31 832 307	1 950 669	33 782 976
<i>Best Estimate</i>			31 521 228
<i>Risk Margin</i>			2 261 747
Other insurances from Motor line of business	11 824 502	-1 538 133	10 286 369
<i>Best Estimate</i>			9 597 703
<i>Risk Margin</i>			688 665
Marine and Transports	328 307	56 919	385 225
<i>Best Estimate</i>			359 435
<i>Risk Margin</i>			25 791
Fire and Other Damage	7 791 954	194 048	7 986 002
<i>Best Estimate</i>			7 451 345
<i>Risk Margin</i>			534 657
Third Party Liability	1 685 766	125 007	1 810 773
<i>Best Estimate</i>			1 689 543
<i>Risk Margin</i>			121 230
(Continuation)			
Legal Protection	86 545	6 210	92 755
<i>Best Estimate</i>			86 545

<i>Risk Margin</i>			6 210
Assistance	3 056 600	219 321	3 275 921
<i>Best Estimate</i>			3 056 600
<i>Risk Margin</i>			219 321
Technical Reserves - Accidents and Medical Expenses (on similar technical basis of non-life line of business)	8 758 440	2 001 209	10 759 649
Medical expenses	66 300	4 757	71 057
<i>Best Estimate</i>			66 300
<i>Risk Margin</i>			4 757
Income Protection	468 073	-153 233	314 840
<i>Best Estimate</i>			293 762
<i>Risk Margin</i>			21 078
Workers Compensation	8 224 067	2 149 685	10 373 752
<i>Best Estimate</i>			9 679 237
<i>Risk Margin</i>			694 516
Technical Reserves - Accidents and Medical Expenses (on similar technical basis of life line of business)	36 044 444	10 432 080	46 476 524
<i>Best Estimate</i>			43 364 952
<i>Risk Margin</i>			3 111 572
Other Technical Reserves	303 116	-303 116	0

Table 24: IFRS Balance Sheet Reserves vs Solvency II Reserves

The adjustments result from the fact that Solvency II technical reserves are calculated using different methodologies when compared to IFRS. The differences are justified as follows:

- Use of a risk-free interest rate curve, with volatility adjustment, to discount the future cash flows;
- Application of future inflation rate;
- Acquisition, administrative, and investment costs considered under Solvency II in accordance with Article 31 of the Commission Delegated Regulation (EU) 2015/35 of October 10, 2014;
- Different methods for determining the best estimate for the claims reserve;
- Different methods for determining the best estimate for the premium reserve;
- Different methods for risk margin;
- IFRS provisions are deduced of deferred acquisition costs of 4.516 thousand euros.

The reserve for claims deviations, included in the heading 'Other Technical Reserves', is not considered a technical reserve under Solvency II, and is therefore fully cancelled in the amount of 303 thousand euros.

D.2.4. Uncertainty level

Technical reserves are calculated according to various deterministic and stochastic methodologies, allowing in the estimation process used to quantify the degree of uncertainty or variability of the estimates obtained, as well as to establish and quantify the level of prudence that one wishes to reflect in the reserving process.

The technical reserves are calculated using specific software, applying various stochastic actuarial models. In the calculations as of 31.12.2021 the following stochastic methods were applied: Thomas Mack, Bootstrap, and Merz & Wüthrich models, based on the method that presented the slightest standard deviation, assuming as cash flows the amounts resulting from VaR to 75%, which was considered adequate to the type of risk, to calculate the cash flows for the calculation of the best estimate of the claims reserve.

The goodness of the statistical models used can be confirmed by comparing, by line of business, the evolution of the best estimate of the existing claims reserve in 2020 versus 2021.

Line of business	Best Estimate – Claims Reserve 2020	Cash Flows 2021	Best Estimate – Claims Reserve 2021	Change in Best Estimate – Claims Reserve
Workers Compensation	41 920 186	7 794 231	43 564 740	9 438 785
Pensions	35 272 966	2 780 491	40 416 240	7 923 765
Other Expenses	6 647 220	5 013 740	3 148 500	1 515 020
Income Protection	346 427	224 965	117 279	-4 183
Motor Civil Liability	13 222 904	11 954 653	9 876 134	8 607 883
Motor – Other Coverages	3 872 922	4 764 297	550 558	1 441 933
Fire and Other Damage	1 518 370	2 117 915	225 213	824 758
Third Party Liability	1 316 470	327 129	881 226	-108 115
Marine and Transports	59 935	78 585	159 840	178 490
Medical Expenses	0,00	4 809	0	4 809
Assistance + Legal Protection	761 669	1 093 459	0	331 790
	63 018 883	28 360 044	55 374 990	20 716 151

Table 25: Change in Best Estimate

D.2.5. Recoverable Amounts from Reinsurance Agreements

In the valuation of the financial statements, for proportional reinsurance, claims reserves are estimated as a percentage of direct insurance reserves depending on the share, while in non-proportional reinsurance

the claims reserves are estimated on a case-by-case basis and correspond to the amount over the capital surplus.

In both cases the IBNR is calculated according to the average percentage of direct insurance IBNR in recent years.

Reinsurance recoverables have been calculated considering the interest rate term structure, provided by EIOPA, with Volatility Adjustment, and are calculated separately between premium reserves and claims reserves.

The best estimate of receivables, both claims and premiums, has been adjusted taking into consideration the expected value of losses due to counterparty default. This counterparty default adjustment was determined using the calculation simplification indicated in Article 61 of Commission Delegated Regulation (EU) 2015/35 of October 10, 2014:

- It assesses counterparty risk based on a deterministic mean value of cash flows rather than a pure cash flow analysis;
- It allows counterparties to be grouped by rating type, and assesses group risk as opposed to individual assessment;
- Using a deterministic probability of default applied to the entire exposure as opposed to a rate that varies over time;
- It is based on a single, static estimate of the recovery rate in the event of default as opposed to a random change.

D.2.5.1. Claims reserve of reinsurance recoverables

Cash flows relating to claims reserves include payments for compensation in respect of claims considered in Caravela's gross claims reserves.

The best estimate corresponds to the discounted values of the amounts estimated by the stochastic model, in the calculation of the best estimate of the gross reinsurance reserve, thus presenting the same time structure between claims payments and recoverables:

Line of Business	Balance Sheet Reserve	Best Estimate – Claims Reserve
Workers Compensation	23 665 139	27 680 441
Pensions	21 114 173	25 074 817
Other Expenses	2 550 967	2 605 624
Income Protection	82 211	83 717
Motor Civil Liability	2 397 776	2 456 251
Motor – Other Coverages	1 173 181	1 185 868
Fire and Other Damage	3 570 292	3 606 315
Third Party Liability	256 882	263 565
Marine and Transports	167 631	169 186
Medical Expenses	0	0
Assistance + Legal Protection	0	0
	31 313 113	35 445 343

Table 26: Best Estimate vs IFRS Balance Sheet Reserves

D.2.5.2. Premium reserve of reinsurance recoverables

Cash flows relating to premium reserves include all payments included in the determination of the gross reinsurance premium reserve.

For the calculation of future reinsurance premiums ceded, the ratio of reinsurance premiums ceded over premiums earned from direct insurance was determined, per line of business, according to the Company's history, and this ratio was applied to the future premiums used in the best estimate of the gross reinsurance premiums reserve.

Likewise, to obtain the costs of claims from reinsurance ceded, the ratio of costs of claims from reinsurance ceded over costs of claims from direct insurance was calculated, per line of business, in accordance with the Company's history, and this ratio was applied to the costs of claims used in the best estimate of the provision for gross reinsurance premiums.

After obtaining the future premiums as well as the ceded reinsurance claims costs, the calculation of the premium reserve follows the same philosophy as the calculation of this gross reinsurance reserve.

The balance sheet reserve corresponds to the unearned premium reserve (PPNA) ceded, booked as at 31.12.2021 and the best estimate shows the following distribution per line of business:

Line of Business	Balance Sheet Reserve	Best Estimate – Premium Reserve
Workers Compensation	10 838	672 897
Income Protection	8 834	11 747
Motor Civil Liability	5 441	376 699
Motor – Other Coverages	10 493	642 864
Fire and Other Damage	2 556 667	2 513 243
Third Party Liability	0	179 232
Marine and Transports	43 985	78 657
Medical Expenses	64 194	64 847
Assistance + Legal Protection	49	0
	2 700 501	4 540 185

Table 27: Best Estimate vs IFRS Balance Sheet Reserves

D.2.6. Impact of excluding volatility adjustment and transitional measure on technical reserves

Caravela uses the volatility adjustment measure and the technical reserves transition measure, approved by the ASF on September 1, 2016. The following table illustrates the impact on technical reserves of not applying these measures:

	Amount with Long-Term Guarantees and Transitional Measures	Impact of Long-Term Guarantees (LTG) and transitional measures				
		No transitional measures on technical reserves	Impact of transitional measures on technical reserves	No volatility adjustment and no other transitional measures	Impact of setting volatility adjustment to zero	Impact of all LTG and transitional measures
Technical Reserves	113 831 167	114 856 194	1 025 026	115 038 410	182 216	1 207 243

Table 28: Impact of the different adjustments to technical reserves

Caravela does not use the transitional measure at the interest rate level or the long-term measure of the matching adjustment.

D.3. OTHER LIABILITIES

The valuation of the Group's liabilities other than technical, accounting and Solvency II reserves, and their translation adjustments are detailed below by category.

Pension benefit liabilities

Defined Benefit Pension Plan

Plan associated with the funding quota of responsibilities falling within the scope of the 2008 Collective Labour Contract, which is independent from the public Social Security system, covering employees from labour unions admitted in the activity until June 22, 1995 and that have not joined other proposed solutions.

Pensions to be granted are determined in accordance with the provisions of the 2008 Collective Labour Contract, wherefore this benefit is granted to employees who retire within the insurance activity.

This plan now only covers one participant in old age retirement, with the remaining three active employees who were part of this plan having been transferred to the Defined Benefit Pension Plan.

With the transition of the active population of this Defined Benefit Plan to the Defined Contribution Plan, the Company's liabilities associated with this plan were extinguished.

Defined Contribution Pension Plan

Plan associated with the funding quota of the Individual Retirement Plan (PIR) beginning on January 1, 2012.

The financing vehicle of this Plan is "Zurich Life Open Pension Plan for Companies" of Zurich Vida, S.A. (Fund No. 287), which covers all the Company's employees in a homogeneous manner.

The contributions to this plan are the percentages given in Annex V of the Company Agreement, applied based on the annual base salary of the employee, and the contribution in the year 2021 was 36.593 euros.

Permanency Allowance

According to clause 42 of ACT 2016, published in the Bulletin of Work and Employment no. 4, of January 29, whenever the employee completes one or more multiples of five years of service in the Company, is entitled to receive a single premium corresponding to 50% of his monthly salary, in monetary expression, or in kind (granting of days of leave with pay).

Reinsurers deposits

The valuation of these liabilities follows the hierarchy described in section D.1.1 and is subject to the same valuation as the asset's category cash and cash equivalents.

Deferred tax liabilities

Deferred tax liabilities (IDP) correspond to the tax amounts recoverable in future periods relating to temporary differences at the balance sheet date and are valued, under IFRS, in accordance with IAS 12.

As in IDA, In Solvency II the same principle is used, the difference being justified by the deferred tax on the adjustments made when converting the IFRS balance sheet to the Solvency II balance sheet.

Thus, the position of IDA/IDP in the Solvency II balance sheet is adjusted mainly by:

- IDA – write-off of deferred acquisition costs and intangible assets, corrected for a higher revaluation of reinsurance recoverables;
- IDP – lower revaluation of technical reserves.

According to the delegated regulation the position of deferred tax assets and liabilities should be presented on a net basis in the balance sheet. In this case, both the asset readjustments (211 thousand euros) and the liability readjustments (774 thousand euros) result in IDA, totalling 986 thousand euros.

Payable amounts

The valuation of these liabilities follows the hierarchy described in section D.1.1 and is subject to the same valuation as the asset's category receivable amounts.

The remaining liabilities headings are valued using similar principles and there are no adjustments between the statutory financial position and the Solvency II balance sheet.

Any other liabilities, not included elsewhere

These liabilities are made up of accrued expenses and are valued according to the hierarchy described in paragraph D.1.1.

D.4. ALTERNATIVE METHODS OF VALUATION

The Group doesn't apply alternative methods of evaluation.

Regarding the relationship between the consolidation process and the methodology for calculating the capital requirement, the correspondence defined in articles 335 and 336 of the Commission delegated Regulation 2015/35 was adopted.

D.5. ANY ADDITIONAL INFORMATION

Not applicable.

E. CAPITAL MANAGEMENT

E.1. OWN FUNDS

The Group follows the policy defined by Caravela.

In accordance with Solvency II regulatory requirements, Own Funds are classified into different levels taking into account principles such as Permanent Availability and Subordination and are subject to eligibility conditions.

Reconciliation between IFRS own funds and those eligible under Solvency II is presented in the following table:

Own Funds	IFRS Balance Sheet	Adjustments Gross of taxes	Adjustments Net of taxes	Solvency II Balance Sheet
Ordinary share capital	31 871 789	0	0	31 871 789
Share premium account related to ordinary share capital	0	0	0	0
Equity	0	0	0	0
Other equity instruments	0	0	0	0
Reserves	-2 326 446	0	0	-2 326 446
Other reconciliation reserve elements	0	-4 644 567	-3 658 488	-3 658 488
Asset adjustments	0	-994 836	-783 624	-783 624
Liability adjustments	0	3 649 731	2 874 864	2 874 864
Total basic own funds after deductions	29 545 343	-4 644 567	-3 658 488	25 886 855

Table 29: Reconciliation of own funds

The analysis carried out on the Group's own funds provides the following breakdown by Capital levels:

Capital Available (thousands of Euros)	2020	2021
Own Funds	22 907	25 887
Level 1 unrestricted	22 907	24 901
Level 1 restricted	0	0
Level 2	0	0
Level 3	0	986

Table 30: Composition of available capital

Grupo's Own Funds are essentially made up of Level 1 items, these being represented in full by unrestricted items and consisting of 31.871 thousand euros of Share Capital and -6.971 thousand euros of reconciliation reserve.

The essential elements of the reconciliation reserve follow the following structure:

Reconciliation Reserve (thousands of Euros)	2020	2021
Surplus of assets over liabilities	23 352	25 887
Own shares (directly and indirectly held)	0	0
Foreseeable dividends, distributions, and charges	0	0
Other basic own funds items	23 970	32 858
Adjustments for own funds items with restrictions in respect of matching adjustment portfolios and ring-fenced funds	0	0
Reconciliation Reserve	-618	-6 971

Table 31: Reconciliation reserve

In 2020, the Group had as Complementary Own Funds 8.225 thousand euros of subscribed capital which was fully paid up by December 2021.

The Capital eligible to cover the Solvency Capital Requirement and the Minimum Capital Requirement is summarised in the following table:

Eligible Capital (Thousands of Euros)	2020	2021
Of solvency	27 737	25 887
Minimum	22 907	24 901

Table 32: Eligible capital

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1. CAPITAL REQUIREMENTS

The Group's Solvency Capital Requirement and Minimum Capital requirement are the following:

Solvency Capital (Thousands of Euros)	2020	2021
Solvency Capital Ratio	287,1%	216,2%
Own Funds	27 737	25 887
Solvency Capital Requirement	9 661	11 975
Adjustment	-2 591	-3 226
Operational Risk	1 516	1 633
Basic Solvency Capital Requirement	10 736	13 567
Diversification effect	-5 079	-6 412
Sum of risk components	15 815	19 980
Market risk	2 338	3 978
Counterparty risk	1 427	1 678
Health risk	4 391	4 813
Non-Life risk	7 659	9 510

Table 33: Solvency capital

Minimum Capital (Thousands of Euros)	2020	2021
Minimum Capital Ratio	526,9%	462,1%
Own Funds	22 907	24 901
Minimum Capital Requirement	4 348	5 389

Table 34: Minimum Capital

To obtain the capital requirement, we inform you that the Group does not use simplified calculations or use Group-specific parameters, applying the standard formula both for obtaining the Solvency Capital Requirement and the Minimum Capital Requirement.

The prospective assessment of risk and capital is one of the main components of the ORSA, allowing conclusions to be drawn about the future solvency of the Company in relation to the strategy defined and reflected in the multi-annual budget. For the Group, it is the main element of capital management, as it allows testing, over a 5-year period, through stress tests and sensitivity analyses, the resilience of the Group to adverse scenarios.

E.2.2. ADJUSTMENTS

The TPIF Group's adjustments correspond to 48% of the adjustments made by Caravela.

With the primary objective of identifying the variation caused in the headings ‘Deferred tax assets and liabilities’, the Company carried out an analysis of the impact of a possible loss corresponding to the Basic Solvency Capital Requirement plus the capital requirement for operational risk, allocating the instantaneous loss to its origins and constructing the economic balance sheet after shock, as provided for in guideline 7 of document EIOPA-BoS-14/177 on the loss-absorbing capacity of technical reserves and deferred taxes.

E.2.3. IMPACT OF TRANSITIONAL AND LONG-TERM MEASURES

The TPIF Group, through Caravela, uses the volatility adjustment measure and the technical reserves transition measure, approved by the ASF on September 1, 2016. The following table illustrates the financial impact of not applying these measures:

	Amount with Long-Term Guarantees and transitional measures	Impact of Long-Term Guarantees (LTG) and transitional measures				
		No transitional measures on technical reserves	Impact of transitional measures on technical reserves	No volatility adjustment and no other transitional measures	Impact of setting volatility adjustment to zero	Impact of LTG and transitional measures
Basic Own Funds	25 886 855	25 499 300	-387 554	25 470 080	-29 220	-416 775
Own funds eligible to meet the Solvency Capital Requirement	25 886 855	25 499 300	-387 554	25 470 080	-29 220	-416 775
Solvency Capital Requirement	11 974 745	11 975 056	311	11 974 747	-309	2
Own funds eligible to meet the Minimum Capital Requirement	24 900 792	24 408 779	-492 013	24 371 683	-37 096	-529 109
Minimum Capital Requirement	5 388 635	5 388 775	140	5 388 636	-139	1

Table 1: Financial impact of the different adjustments

Not applying the transitional measure on technical reserves and the long-term measure on volatility adjustment would lead to a reduction of the Solvency Capital Requirement by 1.5% and 0.1% respectively, totalling an impact of -1.6%. However, the solvency ratio II, without any measure, would maintain a comfortable level of 212,7%, translating into an excess of 13.495 thousand euros.

E.3. USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE FOR THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

The Group does not use the duration-based equity risk sub-module for the calculation of the Solvency Capital Requirement.

E.4. DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

The Group uses the standard formula because it considers that it gives a consistent interpretation and sufficient transparency of the level of risk to which it is subject.

E.5. NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

As at December 31, 2021 the Group maintains an adequate coverage of the solvency capital requirements and for this reason it is not necessary to consider the adoption of any type of corrective measures for this purpose.

In the coming years, the dividend distribution policy may be adjusted, if necessary, by the objective of maintaining the Solvency II ratio above the 125% threshold defined in the Risk Appetite Policy.

E.6. ANY ADDITIONAL INFORMATION

There is no other additional information of relevance.

Lisbon, on May 18, 2022

Prudential Management

Executive Members of the
Board of Directors

Ludovico Belo

Taavi Davies

Benoni Dufour

ATTACHMENTS

1. QUANTITATIVE TEMPLATES

EIOPA QRT: 02.01

		Solvency II value	Statutory accounts value
		C0010	C0020
Assets			
Goodwill	R0010		0,00
Deferred acquisition costs	R0020		2 167 478,61
Intangible assets	R0030	0,00	1 650 485,32
Deferred tax assets	R0040	1 006 237,10	20 157,98
Pension benefit surplus	R0050	0,00	0,00
Property, plant & equipment held for own use	R0060	808 544,20	808 544,20
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	55 954 286,38	55 954 286,38
<i>Property (other than for own use)</i>	R0080	4 343 752,40	4 343 752,40
<i>Holdings in related undertakings, including participations</i>	R0090	0,00	0,00
Equities	R0100	239 456,16	239 456,16
Equities - listed	R0110	0,00	0,00
Equities - unlisted	R0120	239 456,16	239 456,16
Bonds	R0130	27 763 636,35	27 763 636,35
Government Bonds	R0140	6 661 180,06	6 661 180,06
Corporate Bonds	R0150	21 102 456,29	21 102 456,29
Structured notes	R0160	0,00	0,00
Collateralised securities	R0170	0,00	0,00
<i>Collective Investments Undertakings</i>	R0180	22 239 986,38	22 239 986,38
<i>Derivatives</i>	R0190	0,00	0,00
<i>Deposits other than cash equivalents</i>	R0200	1 367 455,09	1 367 455,09
<i>Other investments</i>	R0210	0,00	0,00
Assets held for index-linked and unit-linked contracts	R0220	0,00	0,00
Loans and mortgages	R0230	23 856,00	23 856,00
<i>Loans on policies</i>	R0240	0,00	0,00
<i>Loans and mortgages to individuals</i>	R0250	0,00	0,00
<i>Other loans and mortgages</i>	R0260	23 856,00	23 856,00
Reinsurance recoverables from:	R0270	19 193 053,43	16 327 915,41
<i>Non-life and health similar to non-life</i>	R0280	7 157 141,22	4 968 648,56
Non-life excluding health	R0290	5 506 502,13	4 888 931,81
Health similar to non-life	R0300	1 650 639,09	79 716,75
<i>Life and health similar to life, excluding health and index-linked and unit-linked</i>	R0310	12 035 912,21	11 359 266,85
Health similar to life	R0320	12 035 912,21	11 359 266,85
Life excluding health and index-linked and unit-linked	R0330	0,00	0,00
<i>Life index-linked and unit-linked</i>	R0340	0,00	0,00
Deposits to cedants	R0350	0,00	0,00
Insurance and intermediaries receivables	R0360	6 049 036,81	6 049 036,81
Reinsurance receivables	R0370	496 041,38	496 041,38
Receivables (trade, not insurance)	R0380	636 416,88	636 416,88
Own shares (held directly)	R0390	0,00	0,00
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0,00	0,00
Cash and cash equivalents	R0410	4 021 948,01	4 021 948,01
Any other assets, not elsewhere shown	R0420	483 802,54	525 812,75
Total assets	R0500	88 673 222,74	88 681 979,73

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Liabilities			
Technical provisions - non-life	R0510	32 770 473,64	33 542 400,56
<i>Technical provisions - non-life (excluding health)</i>	R0520	27 642 746,14	29 167 314,40
Technical provisions calculated as a whole	R0530	0,00	
Best Estimate	R0540	25 791 087,80	
Risk margin	R0550	1 851 658,35	
<i>Technical provisions - health (similar to non-life)</i>	R0560	5 127 727,49	4 375 086,16
Technical provisions calculated as a whole	R0570	0,00	
Best Estimate	R0580	4 781 958,88	
Risk margin	R0590	345 768,61	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	21 868 486,62	17 301 332,95
<i>Technical provisions - health (similar to life)</i>	R0610	21 868 486,62	17 301 332,95
Technical provisions calculated as a whole	R0620	0,00	
Best Estimate	R0630	20 374 932,08	
Risk margin	R0640	1 493 554,54	
<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	R0650	0,00	0,00
Technical provisions calculated as a whole	R0660	0,00	
Best Estimate	R0670	0,00	
Risk margin	R0680	0,00	
Technical provisions - index-linked and unit-linked	R0690	0,00	0,00
<i>Technical provisions calculated as a whole</i>	R0700	0,00	
<i>Best Estimate</i>	R0710	0,00	
<i>Risk margin</i>	R0720	0,00	
Other technical provisions	R0730		0,00
Contingent liabilities	R0740	0,00	0,00
Provisions other than technical provisions	R0750	0,00	145 495,83
Pension benefit obligations	R0760	83 712,22	83 712,22
Deposits from reinsurers	R0770	254 374,59	254 374,59
Deferred tax liabilities	R0780	20 174,22	20 174,22
Derivatives	R0790	0,00	0,00
Debts owed to credit institutions	R0800	0,00	0,00
Financial liabilities other than debts owed to credit institutions	R0810	661 527,95	661 527,95
Insurance & intermediaries payables	R0820	2 789 196,10	2 789 196,10
Reinsurance payables	R0830	1 903 986,97	1 903 986,97
Payables (trade, not insurance)	R0840	1 667 963,60	1 667 963,60
Subordinated liabilities	R0850	0,00	0,00
<i>Subordinated liabilities not in Basic Own Funds</i>	R0860	0,00	0,00
<i>Subordinated liabilities in Basic Own Funds</i>	R0870	0,00	0,00
Any other liabilities, not elsewhere shown	R0880	766 472,15	766 472,15
Total liabilities	R0900	62 786 368,06	59 136 637,14
Excess of assets over liabilities	R1000	25 886 854,68	29 545 342,59

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EIOPA QRT: S.23.01

S.23.01.04.01

Own funds

	Total C0010	Tier 1 - unrestricted C0020	Tier 1 - restricted C0030	Tier 2 C0040	Tier 3 C0050
Basic own funds before deduction for participations in other financial sector					
Ordinary share capital (gross of own shares) R0010	31 871 789,00	31 871 789,00		0,00	
Non-available called but not paid in ordinary share capital at group level R0020	0,00	0,00		0,00	
Share premium account related to ordinary share capital R0030	0,00	0,00		0,00	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings R0040	0,00	0,00		0,00	
Subordinated mutual member accounts R0050	0,00		0,00	0,00	0,00
Non-available subordinated mutual member accounts at group level R0060	0,00		0,00	0,00	0,00
Surplus funds R0070	0,00	0,00			
Non-available surplus funds at group level R0080	0,00				
Preference shares R0090	0,00		0,00	0,00	0,00
Non-available preference shares at group level R0100	0,00		0,00	0,00	0,00
Share premium account related to preference shares R0110	0,00		0,00	0,00	0,00
Non-available share premium account related to preference shares at group level R0120	0,00		0,00	0,00	0,00
Reconciliation reserve R0130	-6 970 997,21	-6 970 997,21			
Subordinated liabilities R0140	0,00		0,00	0,00	0,00
Non-available subordinated liabilities at group level R0150	0,00		0,00	0,00	0,00
An amount equal to the value of net deferred tax assets R0160	986 062,89				986 062,89
The amount equal to the value of net deferred tax assets not available at the group level R0170	0,00				0,00
Other items approved by supervisory authority as basic own funds not specified above R0180	0,00	0,00	0,00	0,00	0,00
Non available own funds related to other own funds items approved by supervisory authority R0190	0,00	0,00	0,00	0,00	0,00
Minority interests (if not reported as part of a specific own fund item) R0200	0,00	0,00	0,00	0,00	0,00
Non-available minority interests at group level R0210	0,00	0,00	0,00	0,00	0,00
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					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds R0220	0,00				
Deductions					
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities R0230	0,00	0,00	0,00	0,00	0,00
whereof deducted according to art 228 of the Directive 2009/138/EC R0240	0,00	0,00	0,00	0,00	
Deductions for participations where there is non-availability of information (Article 229) R0250	0,00	0,00	0,00	0,00	0,00
Deduction for participations included by using D&A when a combination of methods is used R0260	0,00	0,00	0,00	0,00	0,00
Total of non-available own fund items R0270	0,00	0,00	0,00	0,00	0,00
Total deductions R0280	0,00	0,00	0,00	0,00	0,00
Total basic own funds after deductions R0290	25 886 854,68	24 900 791,79	0,00	0,00	986 062,89
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand R0300	0,00			0,00	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand R0310	0,00			0,00	
Unpaid and uncalled preference shares callable on demand R0320	0,00			0,00	0,00
A legally binding commitment to subscribe and pay for subordinated liabilities on demand R0330	0,00			0,00	0,00
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC R0340	0,00			0,00	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC R0350	0,00			0,00	0,00
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC R0360	0,00			0,00	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC R0370	0,00			0,00	0,00
Non available ancillary own funds at group level R0380	0,00			0,00	0,00
Other ancillary own funds R0390	0,00			0,00	0,00
Total ancillary own funds R0400	0,00			0,00	0,00
Own funds of other financial sectors					
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies - total R0410	0,00	0,00	0,00	0,00	
Institutions for occupational retirement provision R0420	0,00	0,00	0,00	0,00	0,00
Non regulated entities carrying out financial activities R0430	0,00	0,00	0,00	0,00	
Total own funds of other financial sectors R0440	0,00	0,00	0,00	0,00	0,00
Own funds when using the D&A, exclusively or in combination of method 1					
Own funds aggregated when using the D&A and combination of method R0450	0,00	0,00	0,00	0,00	0,00
Own funds aggregated when using the D&A and combination of method net of IGT R0460	0,00	0,00	0,00	0,00	0,00
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A) R0520	25 886 854,68	24 900 791,79	0,00	0,00	986 062,89
Total available own funds to meet the minimum consolidated group SCR R0530	24 900 791,79	24 900 791,79	0,00	0,00	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A) R0560	25 886 854,68	24 900 791,79	0,00	0,00	986 062,89
Total eligible own funds to meet the minimum consolidated group SCR R0570	24 900 791,79	24 900 791,79	0,00	0,00	
Consolidated Group SCR R0590	11 974 744,98				
Minimum consolidated Group SCR R0610	5 388 635,24				
Ratio of Eligible own funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A) R0630	216,18%				
Ratio of Eligible own funds to Minimum Consolidated Group SCR R0650	462,10%				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A) R0660	25 886 854,68	24 900 791,79	0,00	0,00	986 062,89
SCR for entities included with D&A method R0670	0,00				
Group SCR R0680	11 974 744,98				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A R0690	216,18%				

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S.23.01.04.02

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	25 886 854,68
Own shares (held directly and indirectly)	R0710	0,00
Foreseeable dividends, distributions and charges	R0720	0,00
Other basic own fund items	R0730	32 857 851,89
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0,00
Other non available own funds	R0750	0,00
Reconciliation reserve	R0760	-6 970 997,21
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	0,00
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	0,00
Total Expected profits included in future premiums (EPIFP)	R0790	0,00

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EIOPA QRT: S.25.01

S.25.01.04(A,G)

Solvency Capital Requirement - for groups on Standard Formula

S.25.01.04.01

Basic Solvency Capital Requirement

Article 112	Z0011	No
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		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	C0040	C0050
Market risk	R0010	3 978 212,86	3 978 212,86	0,00
Counterparty default risk	R0020	1 678 130,93	1 678 130,93	0,00
Life underwriting risk	R0030	0,00	0,00	0,00
Health underwriting risk	R0040	4 813 245,90	4 813 245,90	0,00
Non-life underwriting risk	R0050	9 509 941,92	9 509 941,92	0,00
Diversification	R0060	-6 412 125,28	-6 412 125,28	
Intangible asset risk	R0070	0,00	0,00	
Basic Solvency Capital Requirement	R0100	13 567 406,33	13 567 406,33	

S.25.01.04.02

Calculation of Solvency Capital Requirement

Article 112	Z0012	No
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		Value
		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	0,00
Operational risk	R0130	1 633 410,12
Loss-absorbing capacity of technical provisions	R0140	0,00
Loss-absorbing capacity of deferred taxes	R0150	-3 226 071,46
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0,00
Solvency Capital Requirement excluding capital add-on	R0200	11 974 744,98
Capital add-ons already set	R0210	0,00
Solvency capital requirement for undertakings under consolidated method	R0220	11 974 744,98
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0,00
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0,00
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0,00
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0,00
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0,00
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	No adjustment
Net future discretionary benefits	R0460	0,00
Minimum consolidated group solvency capital requirement	R0470	5 388 635,24
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	0,00
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	0,00
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520	0,00
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non-regulated entities carrying out financial activities	R0530	0,00
Capital requirement for non-controlled participation requirements	R0540	0,00
Capital requirement for residual undertakings	R0550	0,00
Overall SCR		
SCR for undertakings included via D and A	R0560	0,00
Solvency capital requirement	R0570	11 974 744,98

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EIOPA QRT: S.32.01

1

S.32.01.04(A,G)

Undertakings in the scope of the group

S.32.01.04.01

Undertakings in the scope of the group

Identification code and type of code of the undertaking	Country	Legal Name of the undertaking	Type of undertaking	Legal form
C0020	C0010	C0040	C0050	C0060
LEI/635400TDFKL4ZSPVXC31	PORTUGAL	Caravela - Companhia de Seguros, S. A.	Non-Life undertakings	sociedade anónima
LEI/549300UX7XGMX0SDTX54	LUXEMBOURG	TPIF Douro Bidco S.à r.l.	Insurance holding company as defined in Art. 212§ [f] of Directive 2009/138/EC	Société à responsabilité limitée

2

Category (mutual/non mutual)	Supervisory Authority	Ranking criteria (in the group currency)							
		Total Balance Sheet (for (re)insurance undertakings)	Total Balance Sheet (for other regulated undertakings)	Total Balance Sheet (non-regulated undertakings)	Written premiums net of reinsurance ceded under IFRS or local GAAP for (re)insurance undertakings	Turn over defined as the gross revenue under IFRS or local GAAP for other types of undertakings or insurance holding companies	Underwriting performance	Investment performance	Total performance
C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160
Non-mutual	Autoridade de Supervisão de Seguros e Fundos de Pensões	181 699 943,20	0,00	0,00	87 945 607,57	0,00	116 380 234,00	1 601 649,00	3 395 708,00
Non-mutual	Autoridade de Supervisão de Seguros e Fundos de Pensões	0,00	31 457 268,00	0,00	0,00	0,00	0,00	0,00	-222 654,00

3

Accounting standard	Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0170	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
IFRS	48,00%	48,00%	48,00%		Dominant	48,00%	Included into scope of group supervision		Method 1: Adjusted equity method
IFRS							Included into scope of group supervision		

Solvency and Financial Condition Report 2021

CERTIFICATION OF THE
INDEPENDENT ACTUARY



ACTUARIADO

Relatório de Certificação Atuarial

Declaração de Substituição

TPIF DOURO BIDCO, S.A.

31/12/2021

maio, 2022

Declaração de Substituição

Esta declaração foi efetuada de modo a dar cumprimento à secção II do anexo II da Norma Regulamentar n.º 2/2017- R, de 24 de março, com data de referência a 31 de dezembro de 2021 e no que diz respeito à declaração de substituição sobre a certificação atuarial de Grupo.

As provisões técnicas, os montantes recuperáveis e os riscos específicos de consolidação resultam da proporção das componentes individuais da Seguradora Caravela, Companhia de Seguros, S.A.

Deste modo, no âmbito da certificação do Grupo, não foram executados quaisquer procedimentos por se verificarem os requisitos previstos para a sua não aplicabilidade, mantendo-se as mesmas conclusões expressas no relatório de certificação atuarial individual.

Lisboa, 17 de maio de 2022



Pedro Manuel Faria Benites
Atuário Responsável do Ramo Não Vida



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CERTIFICATION OF THE
STATUTORY AUDITOR

Relatório do revisor oficial de contas sobre o relatório anual sobre a solvência e a situação financeira nos termos da alínea a) do n.º 1 do artigo 3.º da norma regulamentar n.º 2/2017-R, de 24 de março, da Autoridade de Supervisão de Seguros e Fundos de Pensões

Ao

Conselho de Administração da
TPIF Douro BIDCO, S.à r.l.

Introdução

Nos termos da alínea a) do n.º 1 do artigo 3º da Norma Regulamentar nº 2/2017-R, de 24 de Março (“Norma Regulamentar”), da Autoridade de Supervisão de Seguros e Fundos de Pensões (“ASF”), analisámos o Relatório Anual sobre a Solvência e a Situação Financeira (“Relatório”), previsto na alínea a) do artigo 26º da Norma Regulamentar nº 8/2016-R, de 16 de agosto (república pela Norma Regulamentar nº 10/2020-R, de 3 de novembro), incluindo a informação quantitativa a divulgar em conjunto com esse Relatório (“Informação quantitativa”), conforme estabelecida nos artigos 4º e 5º do Regulamento de Execução (UE) nº 2015/2452, da Comissão, de 2 de dezembro de 2015 da TPIF Douro BIDCO, S.à r.l. (“Grupo”), com referência a 31 de dezembro de 2021.

O nosso relatório compreende o relato das seguintes matérias:

- (a) Relato sobre os ajustamentos entre a demonstração da posição financeira estatutária e a constante do balanço para efeitos de solvência e sobre a classificação, disponibilidade e elegibilidade dos fundos próprios e sobre o cálculo do requisito de capital de solvência e do requisito de capital mínimo;
 - (b) Relato sobre a implementação e efetiva aplicação do sistema de governação; e
 - (c) Relato sobre a restante informação divulgada no Relatório sobre a solvência e a situação financeira e na Informação quantitativa conjuntamente divulgada.
- a. Relato sobre os ajustamentos entre a demonstração da posição financeira estatutária e a constante do balanço para efeitos de solvência e sobre a classificação, disponibilidade e elegibilidade dos fundos próprios e sobre o cálculo do requisito de capital de solvência e do requisito de capital mínimo**

Responsabilidades do órgão de gestão

É da responsabilidade do Conselho de Administração do Grupo o cálculo dos ajustamentos entre a respetiva demonstração da posição financeira estatutária e a constante do balanço para efeitos de solvência e a classificação e avaliação da disponibilidade e elegibilidade dos fundos próprios e o cálculo do requisito de capital de solvência e do requisito de capital mínimo submetido à ASF, em conformidade com o Regulamento Delegado (EU) nº 2015/35, da Comissão, de 10 de outubro de



2014, que completa a Diretiva nº 2009/138/CE, do Parlamento Europeu e do Conselho, de 25 de novembro de 2009, relativa ao acesso à atividade de seguros e resseguros e ao seu exercício (“Regulamento”).

Responsabilidades do revisor oficial de contas

A nossa responsabilidade, conforme definido na alínea a) do nº 1 do artigo 4º da Norma Regulamentar, consiste em expressar, com base no trabalho efetuado, uma conclusão com garantia razoável de fiabilidade, sobre se os ajustamentos entre a demonstração da posição financeira estatutária e a constante do balanço para efeitos de solvência, a classificação, disponibilidade e elegibilidade dos fundos próprios e o cálculo do requisito de capital de solvência e do requisito de capital mínimo, estão isentos de distorções materiais, são completos e fiáveis e, em todos os aspetos materialmente relevantes, são apresentados de acordo com os requisitos legais e regulamentares aplicáveis.

De acordo com o nº 2 do artigo 3º da Norma Regulamentar, não é da nossa responsabilidade a verificação da adequação às disposições legais, regulamentares e técnicas aplicáveis do cálculo (i) dos elementos incluídos no âmbito da certificação pelo atuário responsável do Grupo, definido no artigo 7.º da mesma Norma Regulamentar, e (ii) dos elementos do requisito do capital de solvência calculados com base no modelo interno, total, aprovado, incluídos no âmbito da certificação pelo atuário responsável, nos termos do artigo 10º da mesma Norma Regulamentar.

Âmbito do trabalho

O nosso trabalho foi efetuado de acordo com a Norma Internacional de Trabalhos de Garantia de Fiabilidade (ISAE) 3000 (Revista) "Trabalhos de Garantia de Fiabilidade que Não Sejam Auditorias ou Revisões de Informação Financeira Histórica", e outras orientações técnicas e normas éticas aplicáveis da Ordem dos Revisores Oficiais de Contas (“OROC”) e consistiu na obtenção de prova suficiente e apropriada que permita, com segurança razoável, concluir que os ajustamentos entre a demonstração da posição financeira estatutária e a constante do balanço para efeitos de solvência, que a classificação, disponibilidade e elegibilidade dos fundos próprios e que o cálculo do requisito de capital de solvência e do requisito de capital mínimo, estão isentos de distorções materiais, são completos e fiáveis e, em todos os aspetos materialmente relevantes, são apresentados de acordo com os requisitos legais e regulamentares aplicáveis.

O trabalho realizado incluiu, entre outros procedimentos, os seguintes:

- i. a reconciliação da informação base utilizada para o cálculo dos ajustamentos com os sistemas de informação do Grupo e a respetiva demonstração da posição financeira estatutária em 31 de dezembro de 2021 objeto de revisão legal de contas, e sobre a qual foi emitida Certificação Legal das Contas sem reservas, datada de 19 de maio de 2022;
- ii. a revisão de acontecimentos subsequentes ocorridos entre a data da Certificação Legal das Contas e a data deste relatório;
- iii. o entendimento dos critérios adotados;
- iv. o recálculo dos ajustamentos efetuados pelo Grupo, exceto os referidos no parágrafo seguinte que estão excluídos do âmbito desta certificação;
- v. a reconciliação da informação base utilizada para os cálculos dos requisitos de capital de solvência e de capital mínimo em 31 de dezembro de 2021, com o balanço para efeitos de

solvência, os registos contabilísticos e demais informação mantida nos sistemas do Grupo com referência à mesma data;

- vi. a revisão em base de amostragem, da correta classificação e caracterização dos ativos de acordo com os requisitos do Regulamento;
- vii. a revisão dos cálculos dos requisitos de capital de solvência e de capital mínimo em 31 de dezembro de 2021, efetuados pelo Grupo; e
- viii. a leitura da documentação preparada pelo Grupo para dar cumprimento aos requisitos do Regulamento.

O trabalho realizado não compreendeu a certificação (i) dos ajustamentos efetuados a nível das provisões técnicas e dos montantes recuperáveis de contratos de resseguro, nem a verificação do cálculo dos requisitos de capital que, conforme definido no artigo 7º da Norma Regulamentar, são incluídos no âmbito de certificação do atuário responsável do Grupo; e; (ii) dos elementos do requisito do capital de solvência, calculados com base no modelo interno, total, aprovado incluídos no âmbito da certificação pelo atuário responsável, nos termos do artigo 10º da mesma Norma Regulamentar.

Relativamente aos ajustamentos efetuados ao nível de impostos diferidos decorrentes dos ajustamentos acima referidos, o trabalho realizado apenas compreendeu a verificação do impacto em impostos diferidos, tomando por base os referidos ajustamentos efetuados pelo Grupo.

A seleção dos procedimentos efetuados depende do nosso julgamento profissional, incluindo os procedimentos relativos à avaliação do risco de distorção material na informação objeto de análise, resultantes de fraude ou erro. Ao efetuar essas avaliações de risco consideramos o controlo interno relevante para a preparação e apresentação da referida informação, a fim de planear e executar os procedimentos apropriados nas circunstâncias.

Aplicamos a Norma Internacional de Controlo de Qualidade 1 (ISQC 1) e, assim, mantemos um sistema de controlo de qualidade abrangente que inclui políticas e procedimentos documentados sobre o cumprimento de requisitos éticos, normas profissionais e requisitos legais e regulamentares aplicáveis.

Entendemos que a prova obtida é suficiente e apropriada para proporcionar uma base aceitável para a expressão da nossa conclusão.

Conclusão

Com base nos procedimentos realizados e incluídos na secção precedente “Âmbito do trabalho”, que foram planeados e executados com o objetivo de obter um grau de segurança razoável, concluímos que os ajustamentos entre a demonstração da posição financeira estatutária e a constante do balanço para efeitos de solvência, que a classificação, disponibilidade e elegibilidade dos fundos próprios e que o cálculo do requisito de capital de solvência e do requisito de capital mínimo, à data a que se refere o relatório sobre a solvência e a situação financeira (31 de dezembro de 2021), estão isentos de distorções materiais, são completos e fiáveis e, em todos os aspetos materialmente relevantes, são apresentados de acordo com os requisitos legais e regulamentares aplicáveis.

b. Relato sobre a implementação e efetiva aplicação do sistema de governação

Responsabilidades do órgão de gestão

É da responsabilidade do Conselho de Administração do Grupo:

- A preparação do Relatório sobre a Solvência e a Situação Financeira e da informação a prestar à ASF para efeitos de supervisão, nos termos exigidos pela Norma Regulamentar nº 8/2016-R, de 16 de agosto, da ASF (republicada na Norma Regulamentar nº 10/2020-R, de 3 de novembro); e
- A definição, aprovação, revisão periódica e documentação das principais políticas, estratégias e processos que definem e regulamentam o modo como o Grupo é dirigido, administrado e controlado, incluindo os sistemas de gestão de riscos e de controlo interno ("Sistema de governação), as quais devem ser descritas no capítulo B do Relatório, tendo em conta o previsto no artigo 294º do Regulamento Delegado (UE) nº 2015/35 da Comissão, de 10 de outubro de 2014 (Regulamento).

Responsabilidade do revisor oficial de contas

A nossa responsabilidade, conforme definido na alínea b) do nº 1 do artigo 4º da Norma Regulamentar, consiste em expressar, com base no trabalho efetuado, uma conclusão com garantia limitada de fiabilidade sobre a implementação e efetiva aplicação do sistema de governação.

Âmbito do trabalho

O nosso trabalho foi efetuado de acordo com a Norma Internacional de Trabalhos de Garantia de Fiabilidade (ISAE) 3000 (Revista) "Trabalhos de Garantia de Fiabilidade que Não Sejam Auditorias ou Revisões de Informação Financeira Histórica", e outras orientações técnicas e normas éticas aplicáveis da OROC e consistiu da obtenção de prova suficiente e apropriada que permita concluir, com segurança moderada, sobre se o conteúdo do capítulo "Sistema de governação" do relatório sobre a solvência e a situação financeira, reflete, em todos os aspetos materialmente relevantes, a descrição da implementação e efetiva aplicação do Sistema de governação do Grupo em 31 de dezembro de 2021.

O trabalho realizado incluiu, entre outros procedimentos, os seguintes:

- i. a apreciação da informação contida no Relatório sobre o Sistema de governação do Grupo quanto, aos seguintes principais aspetos: informações gerais; requisitos de qualificação e de idoneidade; sistema de gestão de riscos com inclusão da auto-avaliação do risco e da solvência; sistema de controlo interno; função de auditoria interna; função atuarial; subcontratação e eventuais informações adicionais;
- ii. a leitura e apreciação da documentação que sustenta as principais políticas, estratégias e processos descritos no Relatório, que regulamentam o modo como o Grupo é dirigido, administrada e controlada e obtenção de prova corroborativa sobre a sua implementação;
- iii. a discussão das conclusões com os responsáveis do Grupo.

A seleção dos procedimentos efetuados depende do nosso julgamento profissional, incluindo os procedimentos relativos à avaliação do risco de distorção material na informação objeto de análise, resultantes de fraude ou erro. Ao efetuar essas avaliações de risco consideramos o controlo interno

relevante para a preparação e apresentação da referida informação, a fim de planejar e executar os procedimentos apropriados nas circunstâncias.

Aplicamos a Norma Internacional de Controlo de Qualidade 1 (ISQC 1) e, assim, mantemos um sistema de controlo de qualidade abrangente que inclui políticas e procedimentos documentados sobre o cumprimento de requisitos éticos, normas profissionais e requisitos legais e regulamentares aplicáveis.

Entendemos que a prova obtida é suficiente e apropriada para proporcionar uma base aceitável para a expressão da nossa conclusão.

Conclusão

Com base nos procedimentos realizados e descritos na secção precedente “Âmbito do trabalho”, que foram planeados e executados com o objetivo de obter um grau de segurança moderada, nada chegou ao nosso conhecimento que nos leve a concluir que, à data a que se refere o relatório sobre a solvência e a situação financeira (31 de dezembro de 2021), o conteúdo do capítulo “Sistema de governação”, não reflete, em todos os aspetos materiais, a descrição da implementação e efetiva aplicação do Sistema de governação do Grupo.

c. Relato sobre a restante informação divulgada no relatório sobre a solvência e a situação financeira e a informação quantitativa conjuntamente divulgada

Responsabilidades do órgão de gestão

É da responsabilidade do Conselho de Administração do Grupo a preparação do Relatório sobre a Solvência e a Situação financeira e da informação a prestar à ASF para efeitos de supervisão, nos termos exigidos pela Norma Regulamentar nº 8/2016-R, de 16 de agosto, da ASF (republicada na Norma Regulamentar nº 10/2020-R, de 3 de novembro), incluindo a informação quantitativa a divulgar em conjunto com esse Relatório, conforme estabelecida nos artigos 4º e 5º do Regulamento de Execução (UE) nº 2015/2452, da Comissão, de 2 de dezembro de 2015.

Responsabilidade do revisor oficial de contas

A nossa responsabilidade, conforme definido na alínea c) do nº 1 do artigo 4º da Norma Regulamentar, consiste em expressar, com base no trabalho efetuado, uma conclusão com garantia limitada de fiabilidade sobre se a restante informação divulgada no Relatório e na Informação Quantitativa conjuntamente divulgada, é concordante com a informação que foi objeto do nosso trabalho e com o conhecimento que obtivemos durante a realização do mesmo.

Âmbito do trabalho

O nosso trabalho foi efetuado de acordo com a Norma Internacional de Trabalhos de Garantia de Fiabilidade (ISAE) 3000 (Revista) "Trabalhos de Garantia de Fiabilidade que Não Sejam Auditorias ou Revisões de Informação Financeira Histórica", e outras orientações técnicas e normas éticas aplicáveis da OROC e consistiu da obtenção de prova suficiente e apropriada que permita concluir, com segurança moderada, sobre se a restante informação divulgada no relatório sobre a solvência e a situação financeira é concordante com a informação objeto do trabalho do revisor oficial de contas e com o conhecimento obtido durante o processo de certificação.

O trabalho realizado incluiu, entre outros procedimentos, a leitura integral do referido relatório e a avaliação da concordância conforme acima referida.

A seleção dos procedimentos efetuados depende do nosso julgamento profissional, incluindo os procedimentos relativos à avaliação do risco de distorção material na informação objeto de análise, resultantes de fraude ou erro. Ao efetuar essas avaliações de risco consideramos o controlo interno relevante para a preparação e apresentação da referida informação, a fim de planear e executar os procedimentos apropriados nas circunstâncias.

Aplicamos a Norma Internacional de Controlo de Qualidade 1 (ISQC 1) e, assim, mantemos um sistema de controlo de qualidade abrangente que inclui políticas e procedimentos documentados sobre o cumprimento de requisitos éticos, normas profissionais e requisitos legais e regulamentares aplicáveis.

Entendemos que a prova obtida é suficiente e apropriada para proporcionar uma base aceitável para a expressão da nossa conclusão.

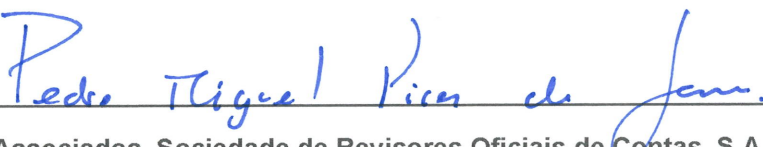
Conclusão

Com base nos procedimentos realizados e descritos na secção precedente “Âmbito do trabalho” que foram planeados e executados com o objetivo de obter um grau de segurança moderada, nada chegou ao nosso conhecimento que nos leve a concluir que, à data a que se refere o relatório sobre a solvência e a situação financeira (31 de dezembro de 2021), a informação divulgada no relatório sobre a solvência e a situação financeira não é concordante com a informação que foi objeto do nosso trabalho e com o conhecimento que obtivemos durante a realização do mesmo.

d. Outras matérias

Tendo em conta a normal dinâmica de qualquer sistema de controlo interno, as conclusões apresentadas relativamente ao sistema de governação do Grupo não deverão ser utilizadas para efetuar qualquer projeção para períodos futuros, na medida em que poderão existir alterações nos processos e controlos analisados e no seu grau de eficácia. Por outro lado, dadas as limitações inerentes ao sistema de controlo interno, irregularidades, fraudes ou erros podem ocorrer sem que sejam detetados.

Lisboa, 20 de maio de 2022



Mazars & Associados, Sociedade de Revisores Oficiais de Contas, S.A.

Representada por Pedro Miguel Pires de Jesus (Revisor Oficial de Contas nº 1930 e registado na CMVM com nº 20190019)