

CORPORATE GOVERNANCE SYSTEM AND POLICY OF ZAVAROVALNICA TRIGLAV, D.D.

1. INTRODUCTION

The corporate governance system and policy (hereinafter: policy) of Zavarovalnica Triglav, d.d. (hereinafter: Zavarovalnica Triglav or the Company) set out the principal guidelines concerning the governance of the Company, taking its long-term objectives and values into consideration. The policy represents the basis for establishing and realising a sound and reliable governance system based on effective risk management.

The purpose of the policy is:

- to define the basic elements of the governance system of Zavarovalnica Triglav and the basic rules of governance for Zavarovalnica Triglav and the Triglav Group, taking account of the Group's strategy,
- to define transparent internal relations with regard to powers and responsibilities in the governance system.

The objective of the policy is to attain an effective and transparent governance system at Zavarovalnica Triglav.

2. MAIN GUIDELINES CONCERNING THE GOVERNANCE OF THE COMPANY, TAKING THE OBJECTIVES AND VALUES OF ZAVAROVALNICA TRIGLAV INTO CONSIDERATION

Zavarovalnica Triglav's corporate objectives:

Zavarovalnica Triglav's objective is to maximise the Company's value, thereby enhancing shareholder assets in the long term. This is achieved through competitive and high quality services, effective risk management, financial stability, and committed, highly professional and motivated employees.

Mission statement:

We are building a safer future.

Vision:

Our business operations are profitable and secure.

In terms of written premiums, the Triglav Group is the largest insurance company in the region of south-eastern Europe. Return on equity has been above 10% for the entire period. The combined ratio equals 95%. The profitable growth of the Triglav Group is derived from very competitive, high quality services, effective risk management, and the financial stability of the Group, which serves to maintain the A rating it was awarded from an established credit rating agency.

Members of the Group have a better reputation than their competitors and are distinguished by the comprehensive insurance-financial services they offer through modern sales channels. Our customers see our products as simple and desirable. No less than a 10% share has been achieved in all our foreign markets. In terms of written premiums, we are one of the three largest insurance companies in all key markets.

We have a well-regulated and efficient governance system and follow the principles of modern organisation in all areas of business. Our processes are lean and simple. Dedicated and highly-qualified employees serve as the basis for our sustainable development.

The values of Zavarovalnica Triglav are:

– *Professionalism*

Business objectives are pursued through state-of-the-art insurance and financial services provided by highly professional employees. We are the driving force behind the professional development of insurance and financial services in the environment.

– *Security*

Effective risk management is used to provide for the security of operations. Our high quality financial products and services strengthen the financial security of our clients.

– *Simplicity*

Everything we do should generate value (usefulness). We are able to quickly eliminate any unnecessary complexity and red tape. The products and processes are simplified without reducing the level of professionalism.

– *Social responsibility*

Our sustainable development (a balance between social influences, environmental awareness and profitability) is based on corporate social responsibility implemented in the form of economic, legal, ethical and philanthropic responsibility.

3. ZAVAROVALNICA TRIGLAV GOVERNANCE SYSTEM

Governance of Zavarovalnica Triglav:

Zavarovalnica Triglav has a two-tier governance system. It is run by the Management Board and supervised by the Supervisory Board.

Zavarovalnica Triglav's governing bodies:

The governing bodies of Zavarovalnica Triglav are the General Meeting, the Supervisory Board and Management Board.

The Zavarovalnica Triglav governance system also includes the risk management function, the compliance function, the internal audit function and the actuarial function, which are defined as key functions by the Solvency II Directive (hereinafter: key functions), and the committees appointed by the Management Board.

4. DEMARCATION OF POWERS AND RESPONSIBILITIES BETWEEN MEMBERS OF MANAGEMENT AND SUPERVISORY BODIES AND KEY FUNCTIONS AND COMMITTEES

4.1. Management Board

The Management Board has no less than three and no more than six members, of whom one is the president. The exact number of the Management Board members and their areas of responsibility are determined by the Supervisory Board in the Management Board Rules. The appointment or dismissal of all members or an individual member of the Management Board is proposed to the Supervisory Board by the president of the Management Board. The president and all members of the Management Board are employed by Zavarovalnica Triglav under full-

time permanent work contracts. Zavarovalnica Triglav has a workers' representative director, who is a member of the Management Board.

Zavarovalnica Triglav is represented in public and legal matters by its Management Board. The Management Board manages Zavarovalnica Triglav independently and at its own responsibility, and acts with the aim of maximising the Company's value, thereby enhancing the shareholders' assets in the long term, while having regard for the principle of sustainable development and the benefits for other stakeholders. The management of operations cannot be transferred from the Management Board to any other body of the Company.

The Management Board shall adopt decisions by a simple majority of votes cast. Where a vote is tied, the president holds the casting vote.

The powers and duties of the Management Board accord with current legislation, the Articles of Association, the Rules of Procedure of the Supervisory Board, and the Management Board Rules, and notably include:

- managing and organising operations;
- representing the Company to third parties in public and legal matters;
- answering for operational compliance;
- adopting the development strategy and the annual business plan in conjunction with the Supervisory Board;
- adopting the normative bylaws of Zavarovalnica Triglav;
- delivering reports on the performance of Zavarovalnica Triglav and the Triglav Group to the Supervisory Board, drafting the annual report with the business report and submitting it to the Supervisory Board together with the auditor's report and a proposal for the distribution of the distributable profit;
- deciding on the macro-organisation of the Company and setting out its micro-organisation;
- convening the General Meeting; and
- implementing the decisions of the General Meeting.

4.2. Supervisory Board

The Supervisory Board of Zavarovalnica Triglav has nine members, of whom six are shareholder representatives and three are workers' representatives. The members of the Supervisory Board that are shareholder representatives are elected by the General Meeting. The members of the Supervisory Board that are workers' representatives are elected by Zavarovalnica Triglav's Works Council, which informs the General Meeting of its resolution. The Supervisory Board elects its chairman and vice-chairman from among its members. The chairman and vice-chairman of the Supervisory Board are shareholder representatives. The General Meeting may

dismiss a Supervisory Board member before the end of their term of office. In order to provide a replacement for the member of the Supervisory Board removed from office, the General Meeting elects a new member with a term of office lasting until the end of the term of office of the Supervisory Board. Members of the Supervisory Board serve a four-year term of office, and may be re-elected without limitation.

The Supervisory Board has the following powers and duties in particular:

The Supervisory Board oversees the management of the Company. In addition to the powers that it holds pursuant to the Companies Act and the Insurance Act, the Supervisory Board is responsible for approving Management Board decisions when Zavarovalnica Triglav's investment or value exceeds the limit stipulated in the Rules of Procedure of the Supervisory Board, viz. in the establishment of limited companies in Slovenia and abroad, in the acquisition and disposal of Zavarovalnica Triglav's participating interests in domestic or foreign companies, in the issue of Zavarovalnica Triglav debt securities and long-term borrowing by Zavarovalnica Triglav at foreign and domestic banks, in the acquisition and disposal of real estate by Zavarovalnica Triglav, and in investment in real estate by Zavarovalnica Triglav. The Supervisory Board is also responsible for approving the appointment and dismissal of the head of the internal audit department, and the remuneration policy relating to the latter, or remuneration if the Company has no remuneration policy.

In supervising the management of Zavarovalnica Triglav's operations, the Supervisory Board shall in particular:

- supervise the suitability of procedures and the effectiveness of the work of the audit committee;
- consider the findings of the Insurance Supervision Agency, the tax authorities and other supervisory bodies following their scrutiny of Zavarovalnica Triglav;
- examine the annual and other financial reports of the Company and issue a reasoned opinion thereon, provide an opinion on the annual internal audit report to the General Meeting and produce a written report thereon for the General Meeting;
- review the proposal for the use of distributable profit as proposed by the Management Board and produce a written report thereon for the General Meeting;
- review the Annual Report submitted by the Management Board, give an opinion on the audit report and prepare a written report thereon for the General Meeting, and shall either include possible objections or adopt the document.

Within the scope of its competences, the Supervisory Board may examine relevant decisions made by competent authorities, accounting records, securities held in custody, the petty cash book and similar documents containing information and facts regarding the operations of Zavarovalnica Triglav. The Supervisory Board shall decide by a majority of votes cast.

The Supervisory Board drafts an annual plan of its activities and defines their content. The Supervisory Board's agenda contains the proposed dates of the meetings and their provisional content, especially those for which Supervisory Board meeting dates can be planned ahead.

The Supervisory Board shall appoint and may also dismiss the members of the Management Board. It strives to preserve the continuity of the Management Board's work by the prudent and timely selection of the president and, at the proposal of the latter, the other members of the Management Board.

In taking the most important decisions, those that can significantly influence the business, financial or legal status of the Company, the Management Board and the Supervisory Board shall endeavour to reach a consensus. The president of the Management Board maintains regular contact with the chairman of the Supervisory Board, in order to consult on strategy, business operations and risk management. The president of the Management Board informs the chairman of the Supervisory Board of all events that are material to the assessment of the situation and its consequences, and to the management of the Company. The president of the Supervisory Board informs the Supervisory Board of all significant events, and convenes meetings where necessary. The Management Board maintains close cooperation with the Supervisory Board in line with the applicable legislation and best business practice for the benefit of Zavarovalnica Triglav.

4.2.2. Supervisory Board committees and their roles

The Supervisory Board may appoint one or more committees that prepare draft resolutions for the Supervisory Board and ensure their implementation, and carry out other expert tasks. The committees may not decide on issues falling under the power of the Supervisory Board. The powers, responsibilities and tasks of committees are set out by law, by the Rules of Procedure of the Supervisory Board, and by Supervisory Board resolutions. In line with its given powers, a committee has the right to obtain all necessary information, and the right to obtain an expert opinion on issues that relate to its powers.

A committee comprises a chairman and at least two other members. The chairman is appointed by the Supervisory Board from among the members. Each committee member's term of office lasts until the end of the term of office of at least half of the members of the Supervisory Board who were members at the time of the establishment of the committee in question, unless otherwise decided by a Supervisory Board resolution. The term of office of a committee member whose term of office as a member of the Supervisory Board has ended ends on the same day. When appointing a member to a committee, the Supervisory Board shall

take into account a maximum of 2 (two) consecutive terms of office for a specific member of a committee, i.e. 8 (eight) years, unless otherwise decided by resolution.

The chairman of a committee reports on its work to the Supervisory Board.

Committees may pass their own rules of procedure; failing that, their work is governed *mutatis mutandis* by the provisions of the Rules of Procedure of the Supervisory Board.

The standing committees at Zavarovalnica Triglav are the audit committee, the nomination and remuneration committee and the strategy committee, while the Supervisory Board also temporarily constitutes a nominations board.

The main powers and duties of the audit committee are:

- monitoring the financial reporting process;
- monitoring the functioning of internal controls, reports and recommendations of internal auditing;
- monitoring risk management systems and the mandatory audit of the annual and consolidated financial statements;
- drawing up proposals for the Supervisory Board for the appointment of a candidate auditor for the Company's annual report;
- discussing bylaws issued by the internal audit department, its rules of operation and its annual plan;
- discussing decisions on the appointment, dismissal and remuneration of the head of the internal audit department.

The principal powers and duties of the nomination and remuneration committee comprise: drawing up proposals of criteria for membership of the Management Board, drawing up proposals for the salary, reimbursements and benefits policy for members of the Management Board, conducting a preliminary discussion of a proposal by the president of the Management Board in connection with the management of the Company pursuant to the third paragraph of Article 13 of the Articles of Association, and providing support and drafting proposals in areas concerning the Supervisory Board (e.g. conflicts of interest, the establishment and implementation of a remuneration system for members of the Supervisory Board, and assessment of the work of the Supervisory Board in accordance with the Corporate Governance Code).

The strategy committee's principal areas of operation are discussing and drafting proposals for the Supervisory Board in connection with the Triglav Group's strategy, and monitoring its implementation, and discussing and drafting proposals and opinions for the Supervisory Board in connection with the Triglav Group's strategic development and planning.

For carrying out the process of proposing candidates for shareholder representatives on the Supervisory Board, the Supervisory Board convenes a nominations board as a temporary committee. The nominations board draws up the selection criteria and conditions, unless otherwise stipulated by the Supervisory Board, and submits a proposal for the nomination of one or more candidates for shareholder representatives.

4.2.3. Supervisory Board's commitment to self-assessment

Zavaroalnica Triglav's Supervisory Board conducts assessments of its own performance and efficiency, and in the Supervisory Board report states the degree to which its self-assessment contributed to changes in its operation.

In conducting its assessment, the Supervisory Board undertakes the following activities:

- evaluating the work of the Supervisory Board and its committees in the previous year, and drawing up measures and recommendations as necessary for the requisite improvements;
- delivering an opinion on whether communication and cooperation between the Management Board and Supervisory Board has been appropriate;
- assessing the contributions of individual members, their attendance at Supervisory Board meetings, and their involvement in discussions and the decision-making process;
- verifying the existence of circumstances that may give rise to a conflict of interest or the partiality of an individual member;
- delivering an opinion on the current Supervisory Board composition based on the needs resulting from the objectives set by Zavaroalnica Triglav.

4.3. Key functions

The key functions at Zavaroalnica Triglav are organised as independent organisational units, which exercise their duties and responsibilities independently of one another and of the Company's other organisational units. They are directly answerable to the Management Board, and are organised with the aim of strengthening the structure of the three lines of defence in Zavaroalnica Triglav's corporate governance system: the risk management function, the compliance function and the actuarial function operate as the second line of defence, while the internal audit function operates as the third line of defence.

All four key functions work with one another, and regularly exchange the information needed for their operation. The duties, responsibilities, processes and reporting obligations of each key function at least are regulated in detail in bylaws.

4.3.1. Risk management function

The risk management function is responsible for developing the risk measurement methodology and risk assessment models, conducting meta-analysis of risk, issuing overall reports on risk exposure, and assessing capital adequacy according to the Solvency II standard formula and according to other capital models. Within the framework of Solvency II, the risk management function conducts its own assessment of risks and solvency, and draws up risk disclosures for publication.

4.3.2. Compliance function

Within the framework of the system of internal controls, in accordance with compliance policy, the compliance function monitors the compliance of the Company's operations with regulations and other commitments, and assesses compliance risk within this framework, assesses the potential impact of changes in the legal environment on the Company's operations, advises on compliance, and assesses the suitability and effectiveness of procedures and measures to bring the Company's operations into line with the changes identified in the legal environment, and briefs the Management Board and Supervisory Board on the compliance of the Company's operations with regulations and other commitments.

At the level of the Triglav Group, the compliance function draws up the minimum standards of compliance for subsidiaries, on the basis of the policy regulating the governance of the subsidiaries.

4.3.3. Internal audit function

The internal audit department conducts permanent comprehensive supervision of the Company's operations for the purpose of increasing benefits to its performance, and in so doing conducts an impartial, systematic and methodical assessment of the suitability and effectiveness of the governance of the Company, risk management and control procedures, and makes recommendations for their improvement. In addition, it provides consultancy services in agreement with the Management Board and the senior managers of business lines, works with external auditors and other supervisory authorities, monitors the implementation of the recommendations of internal and external auditors, participates in internal auditing at other companies in the Triglav Group, attends to quality and the ceaseless development of internal auditing at the Company, and transfers internal auditing know-how and best practice to other companies in the Triglav Group.

Internal auditors are impartial in their work, and avoid conflicts of interest. Accordingly, they do not undertake any developmental or operational duties that could give rise to a conflict of interest and jeopardise their impartiality, and do not take decisions on activities in areas subject to internal auditing.

4.3.4. Actuarial function

The appointed certified actuary must review and provide an opinion of whether premiums are being calculated and technical provisions are being created in accordance with regulations, and whether they are being calculated and created to ensure the sustainable fulfilment of the Company’s liabilities from insurance contracts. The actuarial function reviews the adequacy of reinsurance, and provides an opinion of the own shares accepted in the maximum coverage tables. The appointed certified actuary and other persons performing actuarial duties at the Company have access to all the Company’s information required for performing these duties.

The actuarial function actively participates in the implementation of the risk management system, particularly in the development, use and monitoring of models for calculating capital requirements and the self-assessment of risk and solvency.

4.4. Committees

The Management Board appoints committees that have a consultative role, or confers specific decision-making rights on them. The committees are an integral part of the Company’s risk management system, and may involve themselves in the risk management system, insurance products, projects, etc.

The powers and responsibilities of the committees are defined in rules of procedure, which are approved by the Management Board.

5. REPORTING

In accordance with the Insurance Act and bylaws, the key functions report to the Management Board, the Supervisory Board or the audit committee, and in individual cases to committees established by the Management Board.

The scope and method of reporting, the lines or schemes of reporting and the frequency of reporting for each key function are set out in detail the key function’s bylaws.

5.1. Management Board

The Management Board reports regularly, exhaustively and accurately to the Supervisory Board on the progress of the Company's operations, its financial standing and its solvency. The Management Board is obliged to report to the Supervisory Board at least once a quarter.

The briefing of the Supervisory Board is undertaken in writing, or orally at meetings of the Supervisory Board.

5.2. Risk management function

The risk management function reports regularly to the Management Board, the audit committee and other stakeholders. The risk management function reports on risk exposure and other significant information concerning the risk management system to the aforementioned stakeholders.

5.3. Compliance function

The compliance function reports regularly on the Company's compliance to the Management Board and the Supervisory Board, and briefs the audit committee on its annual plan of work.

The compliance report encompasses, at a minimum, a definition of risks and the key risk areas with regard to compliance at the Company, a summary of the cases of non-compliance addressed, with an emphasis on any major incidents or irregularities, and the corresponding effects and the measures taken.

When exposure to significantly increased compliance risk has been identified, the compliance function also reports accordingly to the committee responsible for monitoring risk exposure.

5.4. Internal audit function

The internal audit department reports the findings of the internal audits that it has conducted and the realisation of the annual programme of work exclusively to stakeholders at the Company; it only reports to stakeholders outside the Company when so required by law or on the basis of the Management Board's written approval or request.

It briefs the senior managers of the audited areas and the Management Board on the findings of internal audits. In addition, it:

- reports on a quarterly basis to the Management Board and the audit committee and on a half-yearly basis to the Supervisory Board on its work, the findings of internal audits that it has conducted, the implementation of the recommendations of internal and external auditors, and the assessment of the suitability and effectiveness of the functioning of the system of internal controls and risk management in the audited areas;
- reports annually to the Management Board, the audit committee and the Supervisory Board on the realisation of its annual programme of work, its conditions of operation, the major findings of internal auditors on the basis of internal audits, and the assessment of the suitability and effectiveness of the functioning of the systems of internal controls and risk management in the audited areas.

The head of the internal audit department also briefs the Management Board, the audit committee and the Supervisory Board on any other significant matters relating the Company's governance system, risk management and control procedures.

5.5. Actuarial function

The appointed certified actuary briefs the Management Board once a year on the suitability of the planned reinsurance programme, and provides an opinion of the adequacy of the own shares accepted by the Company in the maximum coverage tables.

Together with the opinion of the annual report, the appointed certified actuary must submit a report to the Management Board and the Supervisory Board on the actuary's findings in connection with the supervision conducted in the previous financial year.

Should the certified actuary find when performing the duties specified in the first paragraph of this article that premiums are not being calculated or insurance technical provisions are not being created in accordance with regulations, or that they have been calculated or created in a manner that jeopardises the sustainable fulfilment of all the Company's liabilities from insurance contracts, he/she must inform the Management Board without delay. Should the Management Board fail to take appropriate account of the appointed actuary's report, he/she shall inform the Insurance Supervision Agency without delay.

6. REFERENCE CORPORATE GOVERNANCE CODE

The reference governance code for Zavarovalnica Triglav is the Corporate Governance Code, which was adopted on 8 December 2009 by the Ljubljana Stock Exchange, the Slovenian Directors' Association and the Managers' Association of Slovenia.

In addition to the Corporate Governance Code, the Company also conducts business in line with the Insurance Code and fully complies with all its provisions.

Zavarovalnica Triglav also has its own code of ethics, which sets out the fundamental values and principles of business for the purpose of attaining commercial objectives, strategic guidelines and competitive advantages in a lawful and ethical manner, upholding the principles and standards of fair and transparent business.

7. COLLABORATION AND COMMUNICATION WITH STAKEHOLDERS

Comprehensive and active communication with stakeholder groups with a connection to Zavarovalnica Triglav is a key principle at the Company. We endeavour to achieve fair and balanced two-way communication, thereby entering a responsible dialogue with the environment in which we conduct business.

7.1. Communication strategy

Zavarovalnica Triglav actively pursues a communication strategy to provide timely and accurate information and to strengthen dialogue with the general public, business partners and staff, in accordance with applicable legislation, the recommendations of the Ljubljana Stock Exchange, the Corporate Governance Code, the Rules on financial instruments and the Communication Code of the Triglav Group. The latter established unified standards of corporate communication activities aimed at strengthening the visibility, integrity and reputation of Zavarovalnica Triglav and the Triglav Group in a transparent and integrated manner.

Internal communications

Being aware that success is the joint result of all employees, Zavarovalnica Triglav pays special attention to communication with its employees. Internal communication guidelines are based

on the establishment of business ethics that supports the understanding and development of the business environment.

External communications

External communications are a process for strengthening the reputation and the target corporate image of Zavarovalnica Triglav and its business development strategy, and for informing the public of the Company's position and performance and its attainment of strategic objectives. There is a comprehensive brand management system in place at Zavarovalnica Triglav, which provides for a standardised regional approach and the strengthening of the profile in all the markets where the Company has a presence. Product communications focus on supporting sales of all classes of insurance and on informing clients of the product range, while corporate communications and advertising focus primarily on building the reputation and strengthen the Triglav brand.

Persons responsible for communication

The Management Board and the chairman of the Supervisory Board regularly communicate with the public. The Supervisory Board issues press releases after meetings at which inside information has been discussed. In accordance with the financial calendar and, when possible, immediately after the appearance of inside information, the Management Board informs the public of controlled information and inside information via the SEOnet system and other tools.

The Management Board is responsible for communicating information about the Company's performance, strategy and plans, while individual areas are the responsibility of persons authorised by the Management Board.

Responsibilities for communications are set out in the Communication Code of the Triglav Group.

Protection of trade secrets and procedures in connection with the handling of inside information

Zavarovalnica Triglav comprehensively regulates the protection of trade secrets in a special rulebook that defines trade secrets, the designation of trade secrets, the classification level, the handling and protection of trade secrets, and the responsibilities of persons obliged to protect trade secrets.

The flow and control of access to inside information, its designation, its proper handling, its publication and the prevention of trading in Zavarovalnica Triglav financial instruments on the basis of inside information are prescribed in detail, in accordance with the Corporate Governance Code.

Zavarovalnica Triglav has a list of persons who have been granted access to inside information. Persons on the list are informed that they have been listed, and are required to sign a statement confirming that they have been briefed on the rules for handling inside information, the restrictions on trading the Company's financial instruments, and the trading windows and measures in the event of a breach of obligations in connection with inside information.

Publication of performance data and other significant information

As a company on the Ljubljana Stock Exchange's prime market, Zavarovalnica Triglav adheres to the highest standards of information provision laid down in the Financial Instruments Market Act and in the recommendations of the Ljubljana Stock Exchange. Zavarovalnica Triglav regularly publishes up-to-date inside information, controlled information and other significant information that could affect the business decisions of investors or interested parties. It publishes a financial calendar each year on the SEOnet system and on the website, with a timetable for the publication of important controlled information, most notably periodic performance reports and the General Meeting.

7.2. Definition of and cooperation with stakeholder groups

Shareholders

Zavarovalnica Triglav maintains a corporate governance system that respects the principles of the equal treatment of shareholders and supports the responsible exercise of shareholders' rights. The strategic objective of governance is to maximise the Company's value, thereby enhancing shareholders' assets in the long term. For communicating its strategy, plans and other significant and relevant information to existing and potential shareholders, Zavarovalnica Triglav primarily uses the following channels: the General Meeting, the SEOnet system, investment conferences in Slovenia and abroad, presentations in financial centres around the world, individual meetings with investors, its website, press conferences during significant corporate actions, and email bulletins of inside information and controlled information.

Policyholders and insured persons

Based on partnership relations, Zavarovalnica Triglav realises and fulfils all obligations agreed and arising from concluded insurance contracts. Partnerships with policyholders are at the heart of the insurance business, and are fundamental to the mutual trust between shareholders, the senior management and business partners (policyholders and other insured persons) of Zavarovalnica Triglav.

The Company's highly qualified professionals maintain personal contacts with policyholders, both in underwriting and in claim settlement. The first point of contact with policyholders is always our experts and sales staff in the field and in offices where information is provided on the offer, insurance contract conclusion and the filing of claims.

At Zavarovalnica Triglav, we prepare materials providing information on recent developments in the insurance sector and topical professional guidelines. We provide professional publications offering policyholders all the insurance information required. By so doing we strive to gain the trust of policyholders in the quality of our services. The entire communications package is used to inform customers of the current range of products and services, the latest news and changes.

Government bodies

Zavarovalnica Triglav ensures that all phases of the business process comply with the regulations, recommendations, best practice and requirements of the competent bodies. Experts from Zavarovalnica Triglav participate in the drafting of proposed changes in the insurance sector within the framework of the relevant working groups.

Supervisory authorities

Zavarovalnica Triglav's operations are overseen by the Insurance Supervision Agency, the Securities Market Agency and the Ljubljana Stock Exchange. Zavarovalnica Triglav strives for good, wide-ranging cooperation with the aforementioned institutions and other supervisory authorities, and endeavours to uphold rulings issued by supervisory authorities.

Suppliers and creditors

Zavarovalnica Triglav is diligent in exercising and meeting its agreed liabilities, on a partnership basis. Consistent observance of obligations reinforces Zavarovalnica Triglav's good reputation.

Staff

Zavarovalnica Triglav's competitive advantage lies in working with its staff and encouraging them to work together, and in developing their expertise and potential. By fostering development and incentivising motivation on the part of its staff, the Company aims to strengthen and enhance its competitive advantage. In so doing it relies on open, wide-ranging communication with and between staff members, thereby building the flow of information and strengthening the positive climate at the Company. It primarily communicates with staff via applications on the internal information system, the intranet, house journals, staff events, meetings with the Works Council and trade unions, the system of annual and quarterly interviews with staff, the system of collegiate meetings at various levels, brands, projects, etc.

Analysts

Analysts represent one of the key groups in the professional financial public. Their financial analyses, forecasts and recommendations may serve as leverage to strengthen the attractiveness of the shares of Zavarovalnica Triglav since they facilitate the shareholders' decisions on the purchase or sale of shares. Communication with analysts is the responsibility of the Management Board or a person authorised by the Management Board, and proceeds primarily via participation in investment conferences in Slovenia and abroad, individual meetings with analysts, the Company's website, the SEOnet system and email.

Media

Zavarovalnica Triglav cultivates active relations with the media and their representatives. We are aware of the media's important role in presenting Zavarovalnica Triglav's image to the public in all segments of its operations and activity. The Company conducts its communication with the media proactively, responsibly and in line with the Communication Code of the Triglav Group. In so doing we aspire to use the widest range of approaches and tools, such as meetings with media representatives, press conferences and other events for members of the media, press releases, public statements, answers to questions, and the Company's website.

Local and broader communities

We are aware of our responsibility to the environment in which we operate, and actively invest in its development. To promote our brand and its profile in the social environment, we form partnerships at the local and national levels. We also offer sponsorships and donations in the areas of culture, sport, education, sustainable development and humanitarian activities. We support the social environment at the local, national and international levels. Local support is

usually provided through regional offices, while more-demanding and broader projects are supported centrally.

8. DETERMINATION OF CONFLICTS OF INTEREST AND INDEPENDENCE OF THE MEMBERS OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD OF ZAVAROVALNICA TRIGLAV

Supervisory Board

Once a year, during replacements and in the event of any change, the members of the Supervisory Board sign and submit to the Supervisory Board a statement of independence and loyalty, thereby taking a position with respect to individual conflicts of interest in accordance with the criteria set out in the Corporate Governance Code, the Rules of Procedure of the Supervisory Board, and the Rules on the management of conflicts of interest.

Supervisory Board members inform the Supervisory Board of any conflict of interest in connection with their membership of the Supervisory Board.

In the event of a suspected conflict of interest or breach of the non-compete clause, the relevant member of the Supervisory Board or the Management Board shall immediately inform the Supervisory Board. If the Supervisory Board determines the case at hand to be a breach of the non-compete clause, the relevant member of the Management Board or the Supervisory Board is obliged to immediately discontinue the breach and transfer the gains from the business in question to the Company, as well as compensate the Company for any damages.

If the Supervisory Board deems the matter to be a material conflict of interest, the member in question immediately terminates the controversial relationship; otherwise the Supervisory Board assesses the need for the person's office as a member of the Management Board or Supervisory Board to be terminated and takes action accordingly.

In the event of a potential conflict of interest, the individual member of the Supervisory Board offers an explanation of the conflict of interest and abstains from voting on issues related thereto.

A potential conflict of interest should be taken into account by the Supervisory Board in the selection of candidates for members: candidates with existing conflicts of interest that could significantly affect their decision-making will not be deemed suitable to be appointed members of the Supervisory Board.

Furthermore, in their work, individual members of the Supervisory Board are not bound by the opinions or directions of those who elected, proposed or appointed them, taking full personal responsibility for the execution of their duties.

Management Board

In the event of a suspected conflict of interest or breach of the non-compete clause, the relevant member of the Management Board immediately informs the Supervisory Board. If the Supervisory Board determines the case at hand to be a breach of the non-compete clause, the relevant member of the Management Board immediately discontinues the breach and transfer the gains from the business in question to the Company, and compensates the Company for any damages.

The members of the Management Board must be constantly alert to the existence of circumstances resulting in an actual or potential conflict of interest related to the performance of their work or function and must act in accordance with the internal rules on the disclosure and prevention of conflicts of interest. They may not use the information acquired in relation to performing this function to promote the interests of themselves or somebody else.

In the event of a potential conflict of interest, the relevant member of the Management Board offers an explanation of the conflict of interest and abstains from voting on the issues related to the conflict of interest.

The procedure for the elimination or disclosure of a conflict of interest and for the exclusion of the member of the Management Board from the decision-making process because of the actual or potential conflict of interest must be documented in writing and explained.

The Rules of Zavarovalnica Triglav d.d. on the prevention of conflicts of interest stipulate and define:

- the circumstances and the forms of conflicts of interest of the Company's employees;
- the duty to disclose any actual or potential conflict of interest;
- the duty to disclose any personal or economic relationships with third parties;
- rules, procedures and measures for the detection and prevention of conflicts of interest when the employees act on behalf of the Company.

9. PROTECTION OF THE INTERESTS OF EMPLOYEES AT ZAVAROVALNICA TRIGLAV

Zavarovalnica Triglav is convinced that competent, satisfied and motivated employees are crucial in order to achieve the business objectives of the Company. All HR management activities are therefore focused on achieving these goals. Zavarovalnica Triglav is further aware that its business goals, as well as the economic conditions, are subject to constant change. It therefore regularly redefines and re-evaluates the priorities in HR management.

Zavarovalnica Triglav grants all employees equal rights irrespective of their nationality, race or ethnic origin, national or social origin, gender, skin colour, health status, disability, religion or other beliefs, age, sexual orientation, trade union membership or material standing, taking into account the real differences in the positions of individual employee groups.

Zavarovalnica Triglav protects the dignity and privacy of employees, taking appropriate measures to protect workers against mobbing and other repeated or systematic reprehensible or obviously negative and insulting behaviour or conduct directed against employees in the work place or in connection to their work.

Aware of the fact that continuous and targeted professional training is crucial for developing and maintaining competences, we offers our employees the possibility of systemic specialised and general education and training. In this framework, employees have an opportunity to participate in various forms of training, including both in-house training courses and external formal forms of education. The purpose of the educational and training activities is to foster progress and the exchange of key knowledge crucial for the employees' expertise in individual business lines. Within the financing of educational and training activities, Zavarovalnica Triglav offers scholarships to attract potential young employees in areas of professional interest for the Company.

Long-term staff motivation is also fostered by target-oriented management, which the parent company supports with a system of quarterly interviews with employees. During these interviews, employees and their superiors together set each employee's professional and development targets, which enable them to work towards their goals and give the Company an opportunity to objectively evaluate the individual employee's performance and contribution to the development goals of the entire Group.

The management of key and promising employees who hold or will hold jobs crucial for the business operations of the Company is also of utmost importance. Zavarovalnica Triglav

develops specialised forms of training and adequate systems to support the careers of these employee groups.

Employees are systematically included in the decision-making process through direct and indirect participation. Direct participation is implemented through functions where employees are involved in the regulation of the conditions, organisation, dynamics and intensity of their work, as well as through different collective forms of employee participation in decision making (department and section meetings, divisional colleges, etc.) Indirect participation is implemented through elected workers' representatives in the Works Council in regional units and at the headquarters, and through the Works Council as the central body of employee participation. Another form of indirect participation is conducted through representation in the Supervisory Board where workers' representatives participate in the decision-making process on issues concerning their interests.

In the process of collective bargaining, the employees participate in a tripartite negotiating system between the Management Board and its support departments, the trade unions and the Works Council in order to regulate salaries and other working conditions.

10. POLICY OF RELATED PARTY TRANSACTIONS

Zavarovalnica Triglav carries out all transactions with related parties under market conditions. As the controlling entity of the Triglav Group, Zavarovalnica Triglav functions according to the principle of enhancing the performance of all subsidiaries and the entire Group.

The activities in connection with related parties encompass governance, strategic development, and operations.

Governance activities are related to the management and supervision of related parties. Zavarovalnica Triglav's governance activities are not charged to related parties, provided that they are undertaken exclusively in the interest of Zavarovalnica Triglav.

Strategic development activities are those relating to overall development, the implementation of new products, IT solutions and other development activities. Operations refer to the implementation of administrative, financial and other services. The provision of the aforementioned services is charged to related parties according to the method of internally and externally comparable free prices or the cost allocation method.

11. GOVERNANCE OF TRIGLAV GROUP SUBSIDIARIES

The subsidiaries governance policy is the basic internal document establishing the governance system for the subsidiaries of the Triglav Group. It establishes a system of governance by standardising and unifying rules and procedures of the various business lines in the Triglav Group subsidiaries, and is aimed at establishing uniform minimum standards in the core business, reporting and control at the level of the Triglav Group as a whole.

The Rules on the management and supervision of Triglav Group subsidiaries stipulate that the Subsidiary Governance Division at Zavarovalnica Triglav is responsible for the corporate governance and supervision of the subsidiaries.

The holding company Triglav INT, d.d. is also part of the Triglav Group. Zavarovalnica Triglav as the controlling company transferred its participating interests in insurance subsidiaries outside Slovenia to Triglav INT, d.d. The minimum standards and the best practice are being transferred to the insurance subsidiaries within the framework of Triglav INT, d.d. The objective of this transfer is to improve the operation of individual business functions, particularly fundamental insurance functions in the Triglav Group, to exploit the synergies and the know-how of the parent company, and to improve the effectiveness of the approach on local markets.

The Subsidiary Governance Division is responsible for the comprehensive supervision of the governance of Triglav Group subsidiaries, and supervision of the implementation of their planned activities, and aims to increase the benefits and improve the functioning of the subsidiaries.

The Rules on the management and supervision of Triglav Group subsidiaries govern the organisation and management of the area, the governance and supervision of the subsidiaries, and the expansion of the Triglav Group.

Subsidiaries in the Triglav Group operate as independent legal entities, in accordance with applicable legislation, resolutions passed by the governing bodies of the subsidiaries, agreements on commercial cooperation and other rulebooks and instructions applied across the Triglav Group.

The corporate governance of Zavarovalnica Triglav's subsidiaries is exercised via:

a) the active exercise of the governance rights that Zavarovalnica Triglav as the controlling company holds in accordance with legislation applying to each subsidiary, having regard for the internal rules;

b) mechanisms that ensure effective business supervision and cooperation in all business lines, the harmonisation of business standards and the exchange of information between Triglav Group subsidiaries:

- in areas of business and professional coordination in the Triglav Group;
- by means of strategic conferences where current performance and the strategic guidelines for the future performance of insurance subsidiaries in the Triglav Group are discussed; and
- through various training courses, the purpose of which is to standardise business processes, and to transfer know-how, corporate culture and best practice.

12. REVIEW OF POLICY IMPLEMENTATION AND COMPLIANCE

In conjunction with the internal audit department, each year the legal department reviews the compliance of this policy with the strategy and other policies in Zavarovalnica Triglav's governance system, and with other bylaws, legislation and other regulations.

13. FINAL PROVISIONS

The Corporate Governance Policy of Zavarovalnica Triglav was adopted on 30 March 2010 by the Management Board and the Supervisory Board of Zavarovalnica Triglav, and includes the amendments adopted by the Management Board and the Supervisory Board on 29 March 2011, 15 March 2012, 7 April 2014 and 3 March 2015.

The amendments to the Corporate Governance Policy of Zavarovalnica Triglav enter into force on the day of their adoption by the Management Board and the Supervisory Board. Shareholders and interested parties are informed of their adoption and content through a public announcement in the SEOnet system and a simultaneous announcement on the website of Zavarovalnica Triglav.

The document is published on the website in Slovene and English.

Ljubljana, 3 March 2015

Management Board and Supervisory Board of
Zavarovalnica Triglav, d.d.