

Clean copy of the text Corporate Governance System and Policy of Zavarovalnica Triglav, d.d., adopted by the Management Board and the Supervisory Board of Zavarovalnica Triglav, at the session held on 22 December 2016, which will enter into effect on 21 December 2017:

## **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, the insurance company or the Company) sets 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 and enables the fulfilment of the corporate strategy of the Company.

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:**

We develop new ways of business operation that represent the core of our responsible long-term development and at the same time we conduct business operations in a profitable and secure way.

In the region of south-eastern Europe we are recognised as the leading supplier of innovative and comprehensive insurance-service products and asset management services. We are the largest insurance company regarding income and client satisfaction criteria. Customers see our products and services offered through various channels as simple and desirable. We actively develop new ways of business operation that follow the trends in the digitalisation field. We are well positioned in dynamic networks of business ecosystems. We effectively manage risks and ensure financial stability of the Group. The Return on Capital in 2020 exceeds 10 percent. We maintain an individual rating A attributed by an established rating agency. We have a regulated and effective group management system. Our processes are lean, simple, technologically-advanced and cost-effective. Motivated and highly-educated employees form the basis of our culture focused on openness and cooperation and our sustainable development that is responsible towards all shareholders.

**Values :**

- Security

We take care of our clients and their family members. We strengthen the financial security of our clients by high quality insurance products, services and asset management. Effective risk management is used to provide for the security of operations.

- Responsibility

We act in a responsible way and we expect all our partners to do the same. We are responsible towards people, the natural and social environment and towards the owners. We are available at the right time and in we are reliable. We act as if we were the clients.

- Professionalism  
Highly professional employees deliver state-of-the-art insurance and financial services.
- Simplicity  
We believe that simplicity is an advantage and therefore we strive to achieve it.
- Modernity  
Focus on the clients and technological development encourage us to introduce modern business approaches. We manage to cope with business challenges of the modern times by being open to internal and external ideas, by understanding differences, by cooperation and understanding of generations' needs. We develop and test innovative solutions in a responsible way. We use the same approach in accepting the failures.

### 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.

Zavarovalnica Triglav has in place a governance system which is based on a risk management system attuned to the business principles, strategic objectives and risk profile of the insurance company. To this end it has established a clear-cut organizational structure with well-defined competencies and powers, reporting lines, it has adopted an internal control system, an uninterrupted business operation system and rules on external service provision (outsourcing policy) if the insurance company outsources any key or vital operative function or activity.

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

Members of the Management Board, Supervisory Board and Key Function Holders of the insurance company must be appropriately qualified and persons with a good reputation and integrity which will be established and assessed by the insurance company based on internal documents. The decision on the Members of the Management Board and the Supervisory Board is made by observing the diversity of knowledge, skills and experience as well as diversity of sex, age and education. Key Function Holders are authorized by the Management Board with the consent of the Supervisory 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. To provide a replacement for the member of a Supervisory Board removed from office, the General Meeting elects a new member. The mandate of Supervisory Board members is 4 (four) years, and they can be elected without limitations.

Members of the Supervisory Board serve a four-year term of office, and may be re-elected without limitation. 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 also gives its consent to the appointment and dismissal of the head of the internal audit service and the remuneration policy of the head of the internal audit service, as well as on rewarding if Zavarovalnica Triglav does not have a defined 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 Internal Audit Department;
- 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 the Internal Audit Department 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 and drawing-up recommendations and proposal to ensure its integrity;
- monitoring the efficiency and performance of internal controls, the Internal Audit Department and risk management systems;

- monitoring the mandatory audit of annual and consolidated financial statements and providing reports to the Supervisory Board regarding the audit outcomes;
- being in charge of the procedure of selecting the auditor and proposing to the Supervisory Board the candidate auditor to be appointed for the Company's annual report, and taking part in drafting the contract between the auditor and the company;
- supervising that the data quality of financial information provided by the Company is sound, and assessing the structure of the annual report, and drawing-up a proposal for the Supervisory Board;
- cooperating with the Internal Audit Department, monitoring its quarterly reports, discussing internal documents and rules of operation of the Internal Audit Department as well as annual plans of the Internal Audit Department;
- discussing decisions on the appointment, dismissal and remuneration of the director 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, assessing the qualification and suitability of Management Board and Supervisory Board members according to the provisions of the Policy of Evaluating Professional Competence of Management and Supervisory Board Members 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, and unless otherwise stipulated by the Supervisory Board, makes a list of the candidates for membership in the Supervisory Board, appeals to the Appointments and Compensation Committee to prepare an assessment of the qualifications and suitability of the candidates running for membership in



the Supervisory Board, submitting to the Supervisory Board a proposal for the nomination of one or more candidates for shareholder representatives.

#### **4.2.3. Supervisory Board's commitment to self-assessment**

Zavarovalnica 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 Zavarovalnica Triglav.

#### **4.3. Key functions**

The key functions at Zavarovalnica 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 to provide adequate internal-control mechanisms within the company. Their functioning is organised within the framework of three lines of defence in Zavarovalnica Triglav's corporate governance system: the risk management function, the compliance function and the actuarial function carry out control activities 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 supporting decision-making bodies and other functions in the effective implementation of the risk management system, supervision of the

risk management system, monitoring the general risk profile, developing risk measurement methodologies 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 or its committees on the compliance of the Company's operations with regulations and other commitments.

#### **4.3.3. Internal audit function**

The internal audit function 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, and attends to quality and the ceaseless development of internal auditing in the insurance company.

In also attends to the maintenance of an adequate level of quality of internal auditing in the Triglav Group and, if needed, carries out or participates in internal auditing at 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 key tasks of the actuarial function are coordinating and carrying out calculations of technical provisions, ensuring that adequate methods, models and assumptions are used for calculating technical provisions, evaluating the adequacy, sufficiency and quality of the data required for calculating technical provisions, examining the adequacy of the general underwriting risk policy and providing opinions on whether the insurance premiums for individual products are adequate, i.e. the premiums for individual products being sufficient to cover all liabilities arising from such insurance contracts, and conducting reinsurance adequacy examinations.

The actuarial function is actively involved in the implementation and exercising of the risk management system, especially in the development, application and monitoring of the adequacy of models designed for calculating capital requirements, and in the self-assessment of risk and solvency. The tasks of the actuarial function are carried out in accordance with applicable statutory provisions, the Actuarial Function Policy and standards in the field of actuarial science.

The main task of the Holder of the Actuarial Function is to regularly follow the execution of the Actuarial Function in the field assigned to him/her, and report his/her findings to the Supervisory Board and Management Board in line with the provisions of the internal document.

#### **4.4. Committees**

The main purpose of committees is providing support to the Management Board in monitoring, coordination and providing information about the area for which they were established. The Management Board appoints committees that have a consultative role, or confers specific decision-making rights on them. The powers, responsibilities and members of the committees are approved by the Management Board. The committees of the risk management system address individual risks at the level of the Zavarovalnica Triglav and at the level of the Triglav Group.

### **5. REPORTING**

The fundamental provisions of the reporting system in the insurance company, including the procedure for identifying the reporting obligation and persons in charge and responsible for reporting, are governed by a special rulebook.

In order to ensure all necessary information for efficient and prudent corporate governance, all corporate functions, which includes the key functions, shall report, according to the Insurance Act and internal documents, to the Management Board, Supervisory Board or the Audit Committee, and in specific 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 in 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 regularly reports to the Management Board about important findings in the field of risks, capital adequacy of the insurance company and the Triglav Group, and is in charge of the coordination of self-assessment of risk and solvency, and of the preparation of the report. The Holder of the Risk Management Function can, if necessary, report to the Management Board about other important subjects.

The Holder of the Risk Management function reports to the Supervisory Board on quarterly basis on important findings regarding the risks and capital adequacy of the insurance company and the Group in a risk report.

The risk management function actively participates and reports on important findings to the committees from the risk management system. In line with the internal acts, the risk management function is also responsible for informing the Insurance Supervision Agency on the adopted internal acts and important reports on risk management, as well as for regular reporting on capital adequacy at the level of the insurance company and the Group.

### **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 function reports the findings of the internal audits that it has conducted and the realisation of the annual work plan exclusively to stakeholders at the Company; it only reports to stakeholders outside the insurance 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 results 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 work plan, 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 to the Company's governance system, risk management and control procedures.

#### **5.5. Actuarial function**

The Holder of the Actuarial Function briefs the Management Board and Supervisory Board once a year on relevant findings relating to the reliability and adequacy of the applied methods, models and assumptions used for calculating technical provisions, and whether the created technical provisions are adequate to cover all liabilities arising from accepted insurances, the underwriting risk policy including findings regarding the amount of insurance premiums for

individual products in terms of whether the insurance premium for individual products is sufficient to cover all liabilities arising from such products, and the adequacy of re-insurance and the transfer of risk to a special purpose vehicle.

The Holder of the Actuarial Function can, if necessary, report to the Management Board about other important subjects.

The Holder of the Actuarial Function shall compile a written report outlining the findings for the previous business year based on the balance as at the last day of the previous business year.

Should the Holder of the Actuarial Function establish in the course of his task performance that the insurance premiums for individual insurances and other available resources fail to cover all obligations arising from insurance contracts or that the insurance company fails to create technical provisions in accordance with the regulations, he/she must inform the Management Board without delay.

## **6. REFERENCE CORPORATE GOVERNANCE CODE**

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

In addition to the Corporate Governance Code, the Zavarovalnica Triglav also conducts business in line with the Insurance Code.

Zavarovalnica Triglav also has its own Triglav Group Code 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. The Company endeavours to achieve fair

and balanced two-way communication, thereby entering a responsible dialogue with the environment in which it conducts business.

### **7.1. Communication strategy**

The insurance company actively pursues a communication strategy to provide timely and accurate information and to strengthen dialogue with the general public, shareholders, employees, media, local communities and business partners, in accordance with applicable legislation, the recommendations of the Ljubljana Stock Exchange, the Corporate Governance Code, the rules on public disclosure and the rules on financial instruments of the company and the Communication Code of the Triglav Group. The latter defines 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, the insurance company pays special attention to communication with its employees. Internal communication guidelines are based on the establishment of business ethics that supports the understanding and enables development based on the company's strategic targets.

#### **External communications**

External communications are a process for strengthening the reputation, appearance and the corporate image of the insurance company and its business development strategy, and for informing the public of the Company's position and performance and its achievement of strategic objectives. There is a comprehensive brand management system in place at the Triglav Group, which provides for a standardised regional approach and the strengthening of the profile in all the markets marked by its presence. On the one hand, the communication network focuses on supporting sales of all classes of insurance and on informing clients of the product range, and on the other hand on supporting adequate management of different risks and prevention, building a reputation and strengthening the Triglav brand.

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

The protection of trade secrets in the Company is comprehensively regulated 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 valid regulations.

The list of persons who have been granted access to inside information is kept by a person responsible for this area in the insurance company. 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, other Slovenian and European legislation acts, and in the the recommendations of the Ljubljana Stock Exchange. It regularly publishes up-to-date inside information, controlled information and other significant information that could affect the 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 dividend and General Meeting information.

## **7.2. Definition of and cooperation with stakeholder groups**

### **Shareholders**

The strategic governance objective of Zavarovalnica Triglav is maximizing the value of the Company, thereby enhancing shareholders' assets in the long term. The insurance company upholds a governance system which respects the principle of equal treatment of shareholders and gives rise to responsible enforcement of shareholders' rights. 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**

Taking into account the relevant partnership relations, the insurance company realises and fulfils all of its obligations agreed and arising from concluded insurance contracts. Partnerships with policyholders are at the heart of the insurance business.

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 the company's experts in the field and in offices where information is provided on the offer, insurance contract conclusion and the filing of claims.

The insurance company prepares different materials providing information on recent developments in the insurance sector and topical professional guidelines. It provides various publications offering policyholders all the insurance information required. By so doing it strives to gain the trust of policyholders in the quality of the services on offer. The entire communications package is used to inform customers of the current range of products and services, the latest news and changes.

## **Government bodies**

The insurance company ensures that all phases of the business process comply with the regulations, recommendations, best practice and requirements of the competent bodies. Its in-house experts participate in the drafting of proposed changes in the insurance sector within the framework of the relevant working groups.

## **Supervisory authorities**

The Company strives for good and comprehensive collaboration with the Insurance Supervision Agency, the Securities Market Agency and the Ljubljana Stock Exchange and with 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 gives rise to sound and stable business partnerships and reinforces the image of the Triglav Group.

## **Staff**

The Company'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 insurance 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 facilitating the flow of information and strengthening the positive climate at the Company. It primarily communicates with staff primarily through a system of colleges at different levels, internal information system applications, the intranet, house journals, meetings with the Works Council and trade unions, staff events, the system of annual and quarterly interviews with staff, 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 important leverage to strengthen the attractiveness of the shares of Zavarovalnica Triglav, facilitating 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**

The insurance company cultivates active relations with the media and their representatives. It is aware of the media's important role in presenting the Company's image and transferring information to the public on 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 it aspires 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**

The insurance company is aware of its responsibility to the environment in which it operates, and actively invests in its development. It promotes its brand and its profile in the social environment by forming partnerships at the local and national levels. It also offers sponsorships and donations in the areas of culture, sport, education, sustainable development and

humanitarian activities. The social environment is supported 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**

The members of the Supervisory Board perform all precautionary measures in order to avoid conflict of interest which might affect their judgment. 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.

The members of the Supervisory Board shall inform the Supervisory Board about any (actual or potential) conflict of interest in relation to performing the function of a member of the Supervisory Board.

In the event of a suspected conflict of interest or breach of the non-competition clause, the members of the Supervisory Board or Management Board shall immediately inform the Supervisory Board. If the Supervisory Board determines the case at hand to be a breach of the non-competition 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 relevant conflict of interest, the member in question must immediately adopt adequate measures to discontinue the risks in question , whereas if the relevant conflict of interest is only transitional and cannot be eliminated, the Supervisory Board shall assess the need for the termination of the function of the member of the Management Board or Supervisory Board, and take 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 participating and taking decisions 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. Therefore, the candidate must disclose the information about membership in other management or supervision bodies in the selection process, as well an assessment of a potential conflict of interest.

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 circumstances related to the conflict of interest to the Management Board and the Supervisory Board.

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 on the management of conflicts of interest stipulate and define:

- the term "conflicts of interest of the Company's employees";
- the duty to disclose regularly and periodically any actual or potential conflict of interest;

- the duty to disclose any personal or other relationships with third parties;
- the rules, procedures and measures for the detection and management of conflicts of interest.

## **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, the insurance company offers its 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 and with student scholarships and different types of collaboration with faculties, Zavarovalnica Triglav attracts potential young employees in areas of professional interest for the Company.

To ensure long-term motivation of its employees, the insurance company has set up a bonus system (remuneration policy) which is designed to retain adequately professionally qualified, competent, responsible and dedicated employees, whilst discouraging risk acceptance which would extend beyond the allowed risk of the insurance company, thereby maintaining adequate capital soundness of the insurance company. A vital part of the bonus system is the target-oriented management system which the 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. Target-oriented management is used to guide the employees and develop their potential, but also to motivate them through their participation in the process of building the objectives of the organization and to motivate them by creating a nurturing work environment.

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 encouraged by the insurance company 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, the cost plus method or the cost allocation method.

## **11. GOVERNANCE OF ZAVAROVALNICA TRIGLAV SUBSIDIARIES**

The subsidiaries governance policy in place in Zavarovalnica Triglav lays down the basics in terms of governance and control of its subsidiaries.

The policy is defined so that it establishes a system of governance of subsidiaries through the operations of general meetings, supervision bodies, and governance of individual subsidiaries, and promotes standardising and unifying key rules and procedures in the various business lines, including in key functions of risk management, compliance, internal audit and actuarial science in subsidiaries, with the goal of establishing uniform minimum standards for efficient governance, reporting and control at the level of the Triglav Group as a whole.

The Subsidiary Governance Division is responsible for the implementation of corporate governance and supervision of the subsidiaries in Zavarovalnica Triglav.

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 abroad 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 subsidiaries of Triglav INT, d.d., 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 subsidiaries, for identifying synergies between Zavarovalnica Triglav and its subsidiaries, and the supervision of the implementation of their planned activities.

Subsidiaries of Zavarovalnica Triglav operate as independent legal entities, in accordance with applicable legislation, resolutions passed by the general meetings and management and supervision bodies of the subsidiaries, agreements on commercial cooperation (if applicable) and other rulebooks and instructions implemented by individual subsidiaries.

The corporate governance of Zavarovalnica Triglav subsidiaries is exercised via 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.

Corporate governance of the subsidiaries of Zavarovalnica Triglav is carried out with mechanisms that ensure monitoring and effective supervision and cooperation in all business lines, the harmonisation of business standards and the exchange of information between the subsidiaries:

- by means of convening strategic conferences where current performance and the strategic guidelines for the future performance of 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.

The scope and manner of reports to be submitted to the Subsidiary Governance Division, and the reporting intervals pertaining to reports discussing the governance and business operations of subsidiaries are stipulated in other internal documents of the insurance company.

The Subsidiary Governance Division shall carry out regular controls of the business operations of subsidiaries and control the subsidiaries via:

- monthly follow-ups regarding vital business indicators;
- quarterly reports in relation to the business operations of subsidiaries;
- other information about the business operations of subsidiaries.

## **12. REVIEW OF POLICY IMPLEMENTATION AND COMPLIANCE**

In conjunction with the Internal Audit Department, each year the Legal Department carries out an assessment of this system and policy, and reviews the compliance 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, 3 March 2015, 17 December 2015, 22 December 2016 and 21 December 2017.

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 in its English version.

Ljubljana, 21 December 2017

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