

3. CORPORATE GOVERNANCE STATEMENT

- The business divisions of Zavarovalnica Triglav implemented minimum standards in the subsidiaries and continue to transfer their good practices.
- The transfer of the Company's equity stakes in Group subsidiaries abroad to Triglav INT, holdinška družba, was finalised.
- Activities related to the entry of a strategic partner into Triglav INT d.d. are pursued further.

3.1 Governance policy

The Management and the Supervisory Boards passed the Governance Policy of Zavarovalnica Triglav. The document was published on SEOnet, the Ljubljana Stock Exchange information system, and on the official website of Zavarovalnica Triglav d.d. (www.triglav.eu).

3.2 Statement of compliance with the Corporate Governance Code

In its operations, Zavarovalnica Triglav abides by the corporate Governance code (hereinafter: the Code), which was adopted on 8 December 2009 and is published in Slovene and English on the Ljubljana Stock Exchange website (www.ljse.si).

The statement of compliance with the Corporate Governance Code for the period from 1 January 2011 to the date of publication, i.e. 11 April 2012, was published on SEOnet, the information system of the Ljubljana Stock Exchange, and on the official website of Zavarovalnica Triglav (www.triglav.eu).

Zavarovalnica Triglav, Ljubljana, applies the provisions of the Code. For well-grounded reasons, Zavarovalnica Triglav did not adhere to the following provisions of the Code:

- 8.1 in conjunction with 11
The Secretary of the Supervisory Board has not been appointed. The tasks of the Secretary of the Supervisory Board are being carried out by the relevant division of the Company.

The Company also conducts business in line with the Insurance Code, in full compliance with all of its provisions. The Insurance Code is available on the website of the Slovenian Insurance Association (www.zav-zdruzenje.si).

3.3 Management bodies of Zavarovalnica Triglav d.d.

Zavarovalnica Triglav is managed and governed according to a two-tier system. The management bodies, i.e. the General Meeting of Shareholders, the Management Board and the Supervisory Board, operate in compliance with primary and secondary legislation, the Articles and Memorandum of Association of the Company, and their own rules of procedure. The Articles and Memorandum of Association are available on www.triglav.eu.

3.3.1 General Meeting of Shareholders

The General Meeting of Shareholders, the body through which shareholders of Zavarovalnica Triglav exercise their rights in respect of matters concerning the company, is convened at least

once a year, by the end of August at the latest. The General Meeting of Shareholders may also be convened in other circumstances set out by law and by the Articles and Memorandum of Association, or when this is in the interest of the Company.

The competences and operation of the General Meeting of Shareholders are set out in the Companies Act and the Articles and Memorandum of Association. The Articles and Memorandum of Association do not set out any specific provisions regarding their amendments and supplements.

A share of Zavarovalnica Triglav gives each of its holders the right to one vote at the General Meeting of Shareholders, proportional dividends from the profit intended for the payment of dividends and a proportional share from the remaining bankruptcy or liquidation estate in the case of bankruptcy or liquidation. All shareholders who are entered in the share register managed by the Central Securities Clearing Corporation (KDD) no later than by the end of the fourth day before the date of the General Meeting of Shareholders have the right to attend the General Meeting and exercise their voting rights if they apply to be present no later than by the end of the fourth day prior to the date of the General Meeting of Shareholders.

In line with the provisions of the Insurance Act, the acquisition of shares of Zavarovalnica Triglav by which a person directly or indirectly acquires or exceeds the qualifying holding in the Company requires the prior authorisation of the Insurance Supervision Agency. If a person who has acquired such authorisation plans to dispose of shares, which would decrease their shareholding below the limit for which the authorisation has been issued, they are required to inform the Insurance Supervision Agency thereof in advance. If individual shareholders of Zavarovalnica Triglav enter into an agreement by which they agree to a coordinated execution of management rights attached to the shares which they own, each shareholder must notify the Insurance Supervision Agency of the agreement within three working days of its conclusion and attach a copy of the agreement to the notification. If individual shareholders enter into an agreement by which they agree on a coordinated execution of management rights attached to the shares which they own, and the total value of these shares or management rights exceeds the qualifying holding, they are required to acquire the prior authorisation of the Insurance Supervision Agency. Holders of shares that have been acquired or are possessed contrary to the Insurance Act have no voting rights. For details, see the Insurance Act.

The shares of the two shareholders who (in accordance with the Takeover Act) own a qualifying holding in Zavarovalnica Triglav remained unchanged in 2012:

- Zavod za pokojninsko in invalidsko zavarovanje Slovenije (Institute of Pension and Invalidity Insurance of Slovenia; hereinafter: ZPIZ) is the direct holder of 7,836,628 shares or 34.47% of the share capital of Zavarovalnica Triglav. In the name of and for the account of ZPIZ, the shareholder's rights attached to the shares were exercised by the Capital Assets Management Agency of the Republic of Slovenia (hereinafter: AUKN) until 28 December 2012, in compliance with the Law on Corporate Governance of State Capital Investments (Official Gazette of the RS, Nos. 38/2010, 18/11 and 77/11). As at 28 December 2012, in compliance with Article 38 (4) of the Slovenia Sovereign Holding Act (ZED, Official Gazette of the RS, No. 105/2012), the management of ZIPZ's equity holding in Zavarovalnica Triglav was transferred to Slovenski državni holding d.d. (hereinafter: SDH). With the adoption of the Slovenia Sovereign Holding Act (ZSDH) and in compliance with its Article 38 (1), the Capital Assets Management Agency of the Republic of Slovenia ceased to exist and, until the transformation of Slovenska odškodninska družba d.d., Ljubljana (hereinafter: SOD) into SDH, the assets shall be managed in the name of and for the account of the Republic of Slovenia by the Management Board of SOD;
- As at 31 December 2012, Slovenska odškodninska družba d.d., Ljubljana (hereinafter: SOD), held 6,380,728 shares or 28.07% of the share capital of Zavarovalnica Triglav.

As at 31 December 2012, Zavarovalnica Triglav had no other shareholders whose holdings exceeded 5% of the share capital, nor any issued securities that would grant their holders special control rights.

General Meeting of Shareholders in 2012

The shareholders of Zavarovalnica Triglav had one general meeting in 2012. The 36th General Meeting of Shareholders took place on 12 June 2012. The total number of shares and voting rights represented at the General Meeting of Shareholders was 18,512,143 or 81.43% of all shares to which voting rights are attached. No challenging actions were announced.

The General Meeting of Shareholders:

- took note of the Annual Reports of Zavarovalnica Triglav d.d. and the Triglav Group for 2011, including the opinions given by the chartered auditors, and the Annual Internal Audit Report for 2011;
- took note of the Supervisory Board's report on the examination of both Annual Reports for 2011 and its opinion on the Annual Internal Audit Report by the Internal Audit Department for 2011;
- adopted a resolution on the following distribution of the accumulated profit of EUR 93,322,070.68 as at 31 December 2011:
 - EUR 15,914,603.60 to dividend payments to the shareholders, i.e. EUR 0.70 gross per share,
 - the remaining profit of EUR 77,407,467.08 to be distributed in the following years;
- passed a resolution granting discharge to the Management and Supervisory Boards for the 2011 business year;
- appointed the audit firm ERNST & YOUNG Revizija, poslovno svetovanje d.o.o. as the auditors of Zavarovalnica Triglav for 2012;
- appointed Adolf Zupan as a replacement member to the Supervisory Board with the term of office starting on the date the resolution was passed and ending on 7 April 2013,
- recalled Anton Ribnikar and Uroš Slavinec as members of the Supervisory Board/shareholder representatives and appointed Jovan Lukovac and Gregor Kastelic in their stead. Their terms of office starting on the day following their election at the General Meeting of Shareholders, i.e. on 13 June 2012, and ending on 7 April 2013.

3.3.2 Management board

Any person fulfilling the requirements stipulated by the Insurance Act and the Companies Act may be appointed to the Management Board as its President or member. The Management Board of Zavarovalnica Triglav manages the company independently and at its own responsibility, and presents and represents the Company without limitations. In legal transactions, the insurance company is always jointly presented and represented by two members of the Management Board, one of whom must be its President.

3.3.2.1 Composition and appointment of the Management Board

According to the Articles and Memorandum of Association, the Management Board has no less than three and no more than six members, of whom one is the President. The Management Board is appointed by the Supervisory Board. The number of Management Board members, their competences, the manner of representation and presentation and the transfer of the Management Board's authorities are determined by the Supervisory Board in the Management Board Rules. The term of office of an individual Management Board is up to five years, with the possibility of reappointing its members. In Zavarovalnica Triglav, the employee representative is a member of the Management Board.

The appointment or recall 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 Supervisory Board may recall a member of the Management Board or its President if it establishes that they have been in serious breach of obligations set out by primary and secondary legislation, and in other circumstances set out by law.

3.3.2.2 Management Board authorisation to increase the share capital

In accordance with the Company's Articles and Memorandum of Association, the Management Board is authorised to increase the share capital of Zavarovalnica Triglav by up to EUR 11,055,208.77 through new shares issued for cash within five years of 28 June 2011. The issue of new shares, the amount of capital increases, the rights attached to new shares and the conditions for issuing new shares are decided upon by the Company's Management Board with the consent of the Supervisory Board. Upon a share capital increase, the Supervisory Board is authorised to make amendments to the Company's Articles and Memorandum of Association.

3.3.2.3 Introducing the Management Board

In 2012, the Management Board of Zavarovalnica Triglav was composed of the following members:

President of the Management Board – Matjaž Rakovec

- Born in 1964. Bachelor of Science in Economics.
- Having previous experience in sales and marketing, he was first employed in Zavarovalnica Triglav in 1995 as Head of Insurance Sales in the largest regional unit, in Ljubljana. In 1996, he became the Assistant to the Director of Ljubljana Regional Unit and remained at that post until 2005. Matjaž Rakovec continued his professional career as Director of Studio Moderna d.o.o., and advisor to the Management Board in Poslovni sistem Mercator. He became Director of the Ljubljana Regional Unit in 2006 and was appointed President of the Management Board of Zavarovalnica Triglav in 2009.
- Matjaž Rakovec took office on 15 October 2009.

Management Board Member – Andrej Slapar

- Born in 1972. Bachelor of Laws.
- Andrej Slapar was first employed in Zavarovalnica Triglav in 1997 as a lawyer in the Department of International Claims and Insurance Law. From 1999 to 2009, he continued his professional career in Pozavarovalnica Triglav Re as Head of the Car, Transport, Liability and Personal Insurance Division and Assistant to the President of the Management Board for reinsurance.
- Andrej Slapar took office on 10 November 2009.

Management Board Member – Stanislav Vrtunski

- Born in 1972. Master of Business Administration.
- Stanislav Vrtunski joined Zavarovalnica Triglav in 2010 as the Executive Head of Non-Life Insurance Claims Division. He had an extensive background as a manager in the international insurance industry. Between 2004 and 2010, before returning to Slovenia, he held the position of the Chief Executive Officer of the French insurance company La Parisienne Assurances. In 2012, Stanislav Vrtunski became a member of the Management Board of Zavarovalnica Triglav.
- Stanislav Vrtunski took office on 23 May 2012.

Member of the Management Board – Benjamin Jošar

- Born in 1973. Master of Business Administration.
- He took a position as the Authorised Officer of the Management Board in 2012 with work experience in banking and finance obtained in decision-making and managerial positions. From 2008 to 2009, he was the President of the Management Board of KD borznoposredniška družba and the Executive Director and later an Executive Member of the Board of Directors of KD Banka. In the period from 2008 to 2011, he participated in management and supervisory bodies in KD Group. Until July 2012, he served a substitute member on the Supervisory Board of the Bank Association of Slovenia. In November 2012, Benjamin Jošar became a member of the Management Board of Zavarovalnica Triglav.
- Benjamin Jošar took office on 2 November 2012.

Management Board member, employee representative – Marica Makoter

- Born in 1972. Bachelor of Laws.
- From 1996 to 2000, Marica Makoter was employed at the Kočevje Administrative Unit. After an internship with the Ljubljana Higher Court and after passing the State Legal Exam, she took employment with Zavarovalnica Triglav in the Novo mesto Regional Unit in 2001. Ms Makoter was Head of the Subrogation Department in Novo mesto from 2003 to 2006, and until 2011 the Head of the Legal Claims Department and Deputy Head of the Regional Claim Centre.
- Marica Makoter took office on 21 December 2011.

Until 30 June 2012, i.e. until the expiry of his term of office, the office of the Management Board member was held by Igor Stebernak.

Data on the earnings of the Management Board members are disclosed in *Chapter 8.2 of the Financial Statements*.

Membership of the Management Board members of Zavarovalnica Triglav in the Supervisory Boards or Management Boards of other companies as at 31 December 2012:

Name	Membership in the Supervisory (Management) Boards of other companies
Matjaž Rakovec President of the Management Board	<ul style="list-style-type: none">• Lovćen Osiguranje a.d., Podgorica• Triglav Osiguranje d.d., Sarajevo• Pool za zavarovanje in pozavarovanje jedrskih nevarnosti GIZ• Krka d.d.• Triglav INT d.d.
Andrej Slapar Management Board Member	<ul style="list-style-type: none">• Triglav Pojišt'ovna a.s., Brno• Pozavarovalnica Triglav Re d.d.• Triglav Osiguranje d.d., Sarajevo• Triglav INT d.d.• Abanka Vipa d.d.
Stanislav Vrtunski Management Board Member	<ul style="list-style-type: none">• Triglav Osiguranje d.d., Zagreb• AS Triglav d.o.o.• Triglav INT d.d.
Benjamin Jošar Management Board Member	<ul style="list-style-type: none">• Triglav Skladi d.o.o.• Triglav INT d.d.
Marica Makoter Management Board Member, Employee Representative	<ul style="list-style-type: none">• Triglav Osiguruvanje a.d., Skopje

3.3.2.4 Functioning and powers of the Management Board

As at 31 December 2012, the Management Board members were in charge of the following areas:

President of the Management Board, Matjaž Rakovec, managed and directed the work of the Management Board and of the headquarters departments (Management Board Office, Legal Office, Internal Audit Department, Risk Management Department, Marketing Department and Fraud Prevention, Detection and Investigation). He was responsible for the IT Division and the Back Office Division, for the quality management system within the Business Processes and Organisation Division, for senior management staffing and the Project Office.

Andrej Slapar, member of the Management Board, was in charge of the Life Insurance Division, the Non-Life Underwriting and Product Development Division, the Non-Life Insurance Claims Division, the Corporate Key Account Management Division, the Life Insurance Development and Actuarial Department, and the Non-Life Insurance Development and the Actuarial Department.

Stanislav Vrtunski, member of the Management Board, was responsible for the Non-Life Insurance Marketing Division, the Life Insurance Marketing Division, the Bancassurance and the Client Contact Unit.

Benjamin Jošar, member of the Management Board, was responsible for the Accounting Division, the Finance Division, the Subsidiary Management Division, the Strategic Planning and Controlling Department, and the Subsidiary Legal Office.

Marica Makoter, member of the Management Board, represented workers' interests as an employee representative in the Management Board, in compliance with the Worker Participation in Management Act. She was responsible for the Human Resource Management Division (excluding senior management staffing) and the Business Processes and Organisation Division (excluding quality management system).

3.3.3 Supervisory board

The nine members of the Supervisory Board supervise with full responsibility the conducting of the Company's business. Six of them are representatives of the shareholders and three are representatives of employees.

Shareholder representatives are elected by the General Meeting of Shareholders and employee representatives by the Works Council of Zavarovalnica Triglav. Their appointment or recall is subject to the relevant legislation, and the Articles and Memorandum of Association. The Chairman and Vice Chairman of the Supervisory Board are elected from among its members representing shareholders. Members of the Supervisory Board are given a four-year mandate and may be re-elected without limitation.

The General Meeting of Shareholders may recall a Supervisory Board member before the end of their term of office. To substitute for the member deprived of their office, the General Meeting of Shareholders elects a new member with a term of office lasting until the end of the term of office of the Supervisory Board.

3.3.3.1 Competences of the Supervisory Board

The competences and decision-making rules of the Supervisory Board, its method and organisation of work and other issues relevant for its functioning are set out by law, the Articles and Memorandum of Association of Zavarovalnica Triglav, and the Rules of Procedure of the Supervisory Board. Besides the competences set out in the Companies Act and the Insurance Act, the Supervisory Board has the competence to approve the decisions of the Management Board when the value and/or an investment exceeds the amount set out in the Rules of Procedure of the Supervisory Board, i.e. in the event of:

- founding limited companies in Slovenia and abroad;
- the acquisition or sale of stakes in foreign or domestic companies;
- the issue of debt securities and long-term borrowing from domestic or foreign banks; or
- the acquisition, sale of or investment in real property.

In accordance with the law and the provisions of its Rules of Procedure, the Supervisory Board holds at least one session per quarter, or more if necessary. The Rules of Procedure of the Supervisory Board are available on the website of Zavarovalnica Triglav at www.triglav.eu.

3.3.3.2 Supervisory Board in 2012

Shareholder representatives began their term of office on 7 April 2009 for a period of four years, until 7 April 2013. The General Meeting of Shareholders appointed the following new supervisory Board members – shareholder representatives:

- Vladimir Uršič on 28 June 2010, because the term of office of Mirko Miklavčič ended on 25 September 2009;
- Adolf Zupan on 12 June 2012, as the term of office of Borut Jamnik ended on 19 September 2011;
- Jovan Lukovac and Gregor Kastelic on 13 June 2012, because Anton Ribnikar and Uroš Slavinec ended their term of office on 12 June 2012.

On 8 April 2011, the Works Council of Zavarovalnica Triglav elected Miran Krštinc, Peter Celar and Branko Gorjan as the new members of the Supervisory Board/employee representatives for four-year terms of office starting on 30 May 2011 until 30 May 2015.

At its meeting on 21 June 2012, the Supervisory Body appointed Igor Mihajlovič as its Chairman and Gregor Kastelic as its Vice-Chairman. Until 12 June 2012 a Chairman of the Supervisory Board was Anton Ribnikar and Uroš Slavinec its Deputy Chairman.

Composition of the Supervisory Board as at 31 December 2012

NAME	EDUCATION	EMPLOYED IN	MEMBERSHIP IN SUPERVISORY BOARDS OF OTHER COMPANIES
SHAREHOLDER REPRESENTATIVES			
Igor Mihajlovič Chairman	Bachelor of Mechanical Engineering	STD d.o.o., Consultant to the CEO	/
Gregor Kastelic Deputy Chairman	Bachelor of Science in Economics, MBA	ING Bank N.V., London Branch, Investment Banking Director	/
Vladimir Uršič Member	Bachelor of Laws	retired	/
Aljoša Valentinčič Member	PhD in Business Administration	Faculty of Economics in Ljubljana, Associate Professor for Money and Finance, Vice-Dean	/

NAME	EDUCATION	EMPLOYED IN	MEMBERSHIP IN SUPERVISORY BOARDS OF OTHER COMPANIES
Adolf Zupan Member	Master of Laws	AZ, zavarovalno posredniška družba d.o.o., director	/
Jovan Lukovac Member	Master of Science in Economics	Bartimaeus, finančno poslovanje d.o.o., Director	Numerica Partnerji, družba za upravljanje d.o.o., Ljubljana, member
EMPLOYEE REPRESENTATIVES			
Branko Gorjan Member	Economics Technician	Zavarovalnica Triglav d.d.	/
Peter Celar Member	Bachelor of Science in Economics	Zavarovalnica Triglav d.d.	/
Miran Krštinc Member	Bachelor of Laws	Zavarovalnica Triglav d.d.	/

The members of the Supervisory Board signed the Statement of Independence and Loyalty, thereby undertaking to adhere to the principles of independence stated in point C3 of the Annex to the Corporate Governance Code. The Statement is available on www.triglav.eu.

Data on earnings of the Supervisory Board members are disclosed *in Section 8.2 of the Financial Statements*.

3.3.3.3 Composition of Supervisory Board Committees and their activities in 2012

Supervisory Board committees prepare draft resolutions for the Supervisory Board, assure their implementation and carry out other professional tasks. In 2012, the Supervisory Board had four committees: the Audit Committee, the Appointments and Compensation Committee, the Strategy Committee and the Nominations Committee.

Audit Committee

The duties and competences of the Audit Committee are set out in the Companies Act, the Rules of Procedure of the Supervisory Board and the Supervisory Board resolutions. They include:

- monitoring the financial reporting process; and
- monitoring internal control systems, reports and recommendations of the Internal Audit Department;
- monitoring risk management systems and the mandatory audit of annual and consolidated accounting statements;
- proposing to the Supervisory Board the candidate for the auditor of the annual report of the Company;
- evaluating the drafting of the annual report, which includes a draft proposal for the Supervisory Board;
- helping to identify the most important audit areas.

In 2012, the Audit Committee was composed of the following members: Uroš Slavinec as Chairman (until 12 June 2012), Jovan Lukovac as Chairman (as at 21 June 2012), Aljoša Valentinčič, Branko Gorjan, Vladimir Uršič as members and Barbara Nose (outsourced independent expert).

Appointments and Compensation Committee

The duties and competences of the Appointments and Compensation Committee, set out in the Rules of Procedure of the Supervisory Board and the Supervisory Board resolutions, include:

- drafting proposals for the Supervisory Board regarding the criteria for membership in the Management Board;
- drafting proposals regarding the policy of remuneration, compensation and other benefits for the Management Board members.

In 2012, the Compensation and Appointments Committee had the following composition: Anton Ribnikar as Chairman (until 12 June 2012), Igor Mihajlović as Chairman (as at 21 June 2012, previously a member of the committee), Miran Krštinc, Adolf Zupan (as at 21 June 2011) as members, and Srečo Jadek as an outsourced independent expert.

Strategy Committee

In 2012, the Strategy Committee had the following composition: Anton Ribnikar as Chairman (until 12 June 2012), Gregor Kastelic as Chairman (as at 21 June 2012), and Igor Mihajlović and Peter Celar as members. The duties and competences of the Strategy Committee are set out in the Rules of Procedure of the Supervisory Board and Supervisory Board's resolutions. Its tasks include the monitoring of the Triglav Group Strategy implementation and any related opinions, drafting resolutions for the Supervisory Board and ensuring their realisation.

Nominations Committee

At its session on 17 October 2011, the Supervisory Board established a Supervisory Board Nominations Committee for a period of time ending with the appointment of a new Supervisory Board member, i.e. until 12 June 2012. The Nominations Committee had the following composition: Uroš Slavinec as Chairman, Miran Krštinc as employee representative, Tomaž Kuntarič and Vanessa Grmek as shareholder representatives, and Eva Boštjančič as representative of the Accreditation Committee of the Capital Assets Management Agency. The Nominations Committee carried out the procedure for appointing a replacement member to the Supervisory Board and submitted to the Supervisory Board a relevant proposal.

At its session on 12 December 2012, the Supervisory Board established a Supervisory Board Nominations Committee for a period of time ending with the appointment of new Supervisory Board members - representatives of the shareholders, with a term of office ending on 7 April 2013. The Nominations Committee has the following composition: Igor Mihajlović, Chairman, Branko Gorjan as employee representative, and Matjaž Jauk and Peter Ješovnik as outsourced members. The Nominations Committee was set up in order to carry out the nomination procedure for appointing members – shareholders representatives – to the Supervisory board and submit to the latter proposals for the appointment.

3.4 Governance and management of subsidiaries

The fundamental principles and governance system of Zavarovalnica Triglav's subsidiaries are set out in the Subsidiary Governance Policy and Rules for Employees Working Abroad. The subsidiaries are managed through two types of key divisions: core business functions (insurance specific) and supporting business functions, existing practically in all subsidiaries. The parent company manages the insurance part of the Group through all of its business segments, and the non-insurance part through its support segments and functions.

In 2012, the business divisions of Zavarovalnica Triglav implemented minimum standards in the Group's subsidiaries and continued the transfer of good practices. The goal is to improve the operations of individual business functions, especially core functions, in the entire Group, in order to exploit the synergies and know-how of the parent company and to make the presence of the Triglav Group in all local markets more efficient.

Zavarovalnica Triglav's equity stakes in the Triglav Group's subsidiaries registered outside Slovenia were transferred to the subsidiary Triglav INT d.d., holdinška družba, a 100%-owned subsidiary of Zavarovalnica Triglav, since its foundation at the end of 2010 until early February 2012. The purpose of the establishment and transfer of these stakes to Triglav INT d.d. was to attract a strategic partner that will enable the Triglav Group to consolidate its presence in existing and new markets by providing new capital for further growth. Following this strategic orientation, an agreement was signed at the end of March 2012 with the International Finance Corporation, a member of the World Bank Group (hereinafter: IFC). In accordance with the said agreement and upon meeting the conditions, IFC plans to invest EUR 25 million and thus take over 16.68% of Triglav INT d.d. The entry of the strategic partner into Triglav INT d.d. was planned to take place by the end of 2012. In 2013, the activities regarding the entry of a strategic partner will be further pursued.

The composition of governance and management bodies in the subsidiaries as at 31 December 2012

SUBSIDIARY	MANAGEMENT	SUPERVISORY FUNCTION
SLOVENIA		
Pozavarovalnica Triglav Re d.d., Ljubljana	Gregor Stražar – President Tomaž Rotar	Supervisory Board: Andrej Slapar – President Aleksandra Vukovič Kačar Nadja Pivk
Triglav, Zdravstvena zavarovalnica d.d., Koper	Meta Berk Skok – President Simon Vidmar	Supervisory Board: Tadej Čoroli – President Primož Plantarič Tomaž Krevatin
Triglav Skladi, družba za upravljanje d.o.o., Ljubljana	Igor Kušar – President Samo Javornik	Supervisory Board: Benjamin Jošar – President Uroš Ivanc Meta Berk Skok
Triglav Naložbe, finančna družba d.d., Ljubljana	Stojan Nikolič Kristina Rovšek	Supervisory Board: Aleksandra Vukovič Kačar – President Simona Kozjek Tomaž Žust
TRI - PRO d.o.o., Domžale	Edvard Kranjčič – Director Tadej Čoroli – Authorised Officer	
Triglav INT, holdinška družba d.d., Ljubljana	Tedo Djekanovič – Executive Director Board of Directors: Matjaž Rakovec – President Stanislav Vrtunski Andrej Slapar Benjamin Jošar Urša Manček	
AS Triglav-servis in trgovina d.o.o., Ljubljana	Edvard Zabukovnik – Director Boris Kuhelj – Director	Supervisory Board: Stanislav Vrtunski – President Blaž Jakič Iztok Šekoranja
Triglav nepremičnine, upravljanje, svetovanje in trgovanje z lastnimi	Mitja Selan – President of the	Supervisory Board: Blaž Jakič – President

SUBSIDIARY	MANAGEMENT	SUPERVISORY FUNCTION
nepremičninami d.o.o., Ljubljana	Management Board Gorazd Rous	Miha Grilec Rok Pivk
Slovenijales d.d., Ljubljana	Blaž Jakič – General Manager	Supervisory Board: Aleksandra Vukovič Kačar – President Miha Novak Janka Planinc
Gradis IPGI d.d., Ljubljana	Aleš Vahčič – Director Robert Špehar – Authorised Officer	Supervisory Board: Rok Pivk – President Ksenja Zajc Kristina Rovšek
Hotel Grad Podvin d.d., Radovljica	Jaka Binter – Director Aleš Vahčič - Authorised Officer	Supervisory Board: Mitja Kepec – President Ana Stradar Iglič Mateja Živec
CROATIA		
Triglav Osiguranje d.d., Zagreb	Marin Matijaca – President Jože Obersnel – Deputy Management Board Member	Supervisory Board: Stanislav Vrtunski – President Tomaž Žust Tedo Djekanović Željko Duralija
CZECH REPUBLIK		
Triglav Pojišt'ovna a.s., Brno	Petr Bany – General Manager Petr Mikulenska Miha Vittori	Supervisory Board: Andrej Slapar – President Jože Obersnel Šarka Vodičkova
MONTENEGRO		
Lovćen Osiguranje a.d., Podgorica	Radenko Purić – CEO	Board of Directors: Matjaž Rakovec – President Boštjan Vovk Uroš Ivanc
BOSNIA IN HERZEGOVINA		
Triglav Osiguranje d.d., Sarajevo	Edib Galijatović – President of the Management Board Edin Muftić	Supervisory Board: Matjaž Rakovec – President Andrej Slapar Bakir Pilav
Triglav Osiguranje a.d., Banja Luka	Matej Žlajpah – Director	Board of Directors: Andrej Knap – President Blaž Jakič Dejan Jasnić
SERBIA		
Triglav Osiguranje a.d.o., Belgrade	Dragan Marković – CEO Branko Flisar – Authorised Officer Matjaž Božič – Authorised Officer	Supervisory Board: Tedo Djekanović – President Tadej Čoroli Zoran Milošević
Triglav Penzijski fondovi a.d., Belgrade	Dragomir Ljubojević – Liquidator	Board of Directors: Miroslav Matijašević – President Branko Flisar Predrag Bobera
MACEDONIA		
Triglav Osiguruvanje a.d., Skopje	Gjorgije Vojnović – General Manager and Executive Member of the Board of Director	Board of Directors: Uroš Ivanc – President Meta Berk Skok Andrej Knap Marica Makoter

3.5 Internal and external audit

On 12 June 2012, the General Meeting of Shareholders of Zavarovalnica Triglav appointed the audit firm ERNST & YOUNG Revizija, poslovno svetovanje d.o.o. as the auditors for 2012.

The report on the work of the Internal Audit Department is included in Section 10. *Risk management*.

3.6 Main characteristics of the internal control and risk management system¹

The Triglav Group has an efficiently designed integrated system for risk management and internal control. It exceeds the basic legal requirements concerning the implementation and maintenance of a suitable risk management and internal control systems for insurance companies set out in the Companies Act, the Insurance Act, as well as the secondary legislation enacted by the Insurance Supervision Agency. The subsidiaries of the Group in Slovenia and abroad also guarantee a quality of the internal control and risk management system which is above the legally required level of individual countries.

In addition to insurance risks, the risk management and internal control system effectively also manages other risks, such as financial, operational and strategic risks. The hierarchical structure and participation of all subsidiaries and all employees together with the strong corporate culture, emphasising the importance of risk management at all levels and in all basic business processes, provide for the efficacy of the system.

Internal controls have been set up in all processes, organisational units and organisational levels of the Triglav Group. They include:

- a clear organisational structure with a precisely defined and transparent system of authorities and competences;
- efficient procedures for the identification, evaluation, management and monitoring of risks the Company is or may be exposed to in the course of its operation;
- an adequate internal control system that includes appropriate administrative and accounting procedures (reporting, working procedures, risk exposure limits and physical controls).

The Triglav Group ensures the compliance of its operations with strategic objectives by maintaining and upgrading a reliable risk management system, proper accounting activities, and internal and external financial-accounting reporting. In compliance with the relevant legislation, the Group maintains a separate Internal Audit Department, which runs efficiency checks on the internal control system, offers upgrade proposals, and reports regularly to the Management Board, Audit Committee and Supervisory Board (for more details see Section 10. *Risk Management*).

3.7 Notes on the takeover legislation

Provisions of the Takeover Act (Official Gazette of the RS Nos. 79/06, 1/08, 68/08, 10/12 and 38/12 ZPre-1) defining the takeover procedures are also applicable to Zavarovalnica Triglav.

The share capital structure of Zavarovalnica Triglav, the rights and obligations attached to the shares, the restriction on transfer of shares and the absence of shares that would grant their

¹ GRI 3.1, FS 9 indicator

holders special control rights are described in detail in the section on share capital and shareholders of Zavarovalnica Triglav.

3.7.1 Disclosure of possible agreements or authorisations regarding shares or voting rights

Zavarovalnica Triglav is not aware of any shareholder agreements that could cause a restriction on the transfer of shares or voting rights.

The Management Board of Zavarovalnica Triglav is not authorised to buy its own shares. The Management Board's authorisation to increase the share capital is described in *Section 3.3.2.2*. The issue of new shares, the amount of capital increases, the rights attached to new shares, and the conditions for issuing new shares are decided upon by the Company's Management Board with the consent of the Supervisory Board.

Zavarovalnica Triglav has no employee share scheme.

The Company is not aware of any agreements that would become effective, change or expire on the basis of a changed control of the Company as a consequence of an offer as defined by the law regulating takeovers.

Zavarovalnica Triglav has not entered into any agreements with members of its management or supervisory bodies or employees that would provide for remuneration if an offer (as defined by the law regulating takeovers) caused them to resign, be dismissed without justified grounds, or caused their employment to be terminated.