

ZAVAROVALNICA TRIGLAV  
MIKLOŠIČEVA CESTA 19, 1000 LJUBLJANA

## **CORPORATE GOVERNMENT STATEMENT**

The Corporate Statement below is included in the audit annual report of Triglav Group and Zavarovalnica Triglav, d.d for 2016

### **1. Governance policy**

The Governance System and Policy of Zavarovalnica Triglav, adopted by the Management and Supervisory Boards, define the main guidelines for the governance of the Company, taking into account the set long-term strategic objectives and values. They are the foundation for setting up and implementing a reliable governance system, which is based on an efficient risk management system and enables the implementation of the business strategy of the Company. 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](http://www.triglav.eu).

### **2. Statement of Compliance with the Corporate Governance Code**

In its operations, Zavarovalnica Triglav abides by the Corporate Governance Code which was adopted on 8 December 2009 and is published in Slovene and English on the Ljubljana Stock Exchange website (<http://www.ljse.si>). Zavarovalnica Triglav adheres to all the provisions of the Code.

As of 1 January 2017, the Company has operated in line with the new Corporate Governance Code adopted on 27 October 2016; the Company's compliance with the new Code or any deviations therefrom will be explained in the Statement of Compliance with the Corporate Governance Code for 2017.

In its operations, the Company abides to the Insurance Code, available on the website of the Slovenian Insurance Association at <http://www.zav-zdruzenje.si>.

Moreover, Zavarovalnica Triglav has its own code, available at the Company's official web pages (<http://www.triglav.eu>). This code presents Zavarovalnica Triglav's fundamental values and principles of operation in order to achieve its business goals, strategic guidelines and competitive advantages in transparent and fair manner and in compliance with the law and ethics.

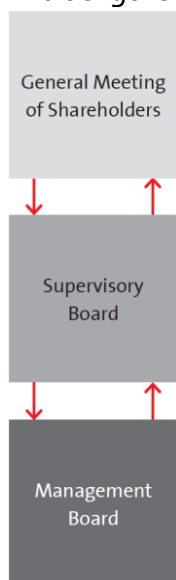
Zavarovalnica Triglav took a position on the provisions of the Corporate Governance Code for Companies with State Capital Investments and recommendations and expectations of Slovenski državni holding d.d. (all documents are available on the webpage of Slovenski državni holding d.d. <http://www.sdh.si> and on the webpage of [www.triglav.eu](http://www.triglav.eu)).

The Statement is available on SEOnet, the Ljubljana Stock Exchange information system, and on the official website of Zavarovalnica Triglav d.d. [www.triglav.eu](http://www.triglav.eu).

### 3. Management bodies of Zavarovalnica Triglav

The Company uses a two-tier management system, its management bodies are **General Meeting of Shareholders, Management Board and Supervisory Board**. The management bodies operate in compliance with the primary and secondary legislation, the Articles of Association and their own rules of procedure. The Articles of Association are available on [www.triglav.eu](http://www.triglav.eu).

#### *Two tier governance of Zavarovalnica Triglav*



#### 3.1. General Meeting of Shareholder

Shareholders of Zavarovalnica Triglav exercise their rights in respect of matters concerning the Company through the General Meeting of Shareholders, which 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 of Association, and when it 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 of Association. The Articles of Association do not set out any specific provisions regarding their amendments and supplements.

Each share of Zavarovalnica Triglav gives its holder 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 of the remaining bankruptcy or liquidation mass 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.

The rights and obligations attached to the shares, and notes on reaching a qualifying holding and the restriction on transfer of shares are described in detail in Sections 6.1 and 6.2. of the Annual Report. See the Insurance Act for further details.

In accordance with the Financial Instruments Market Act, the following three shareholders own a qualifying holding in Zavarovalnica Triglav:

- 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. Its share in 2016 remained unchanged. On behalf of and for the account of ZPIZ, the shareholder's rights attached to the shares were managed by Slovenski državni holding d.d. (hereinafter: SDH).
- SDH was the direct holder of 6,386,644 shares or 28.09% of the share capital of Zavarovalnica Triglav. Its share in 2016 remained unchanged.
- Addiko Bank, d.d., Zagreb (fiduciary account) held 1,467,458 shares or 6.45% of the share capital of Zavarovalnica Triglav, representing an increase of 31,937 shares over the 2015 year-end.

As at the reporting date, Zavarovalnica Triglav had no other shareholders whose holdings exceeded 5.00% of the share capital, nor any issued securities that would grant their holders special control rights.

### **General Meeting of Shareholders in 2016**

The shareholders of Zavarovalnica Triglav had one general meeting in the reporting period. The 41<sup>st</sup> General Meeting of Shareholders was held on 31 May 2016. The total number of shares and voting rights represented at the General Meeting of Shareholders was 17,462,467 or 76.81% of all shares to which voting rights are attached.

- The shareholders took note of the Annual Report of the Triglav Group and Zavarovalnica Triglav for 2015, including the opinions given by the audit firms, and the Annual Internal Audit Report for 2015.
- Furthermore, they took note of the Supervisory Board's report on the verification of the Annual Report for 2015 and its opinion on the Annual Internal Audit Report by the Internal Audit Department for 2015.
- The shareholders adopted a resolution on the following distribution of the accumulated profit of EUR 65,028,271.76 as at 31 December 2015:
  - a part of accumulated profit in the amount of EUR 56,837,870.00 shall be allocated for dividend payments amounting to EUR 2.50 gross per share payable to the shareholders appearing in the Share Register two days following the date of the General Meeting of Shareholders. The dividends shall be paid from 25 to 30 days of the date this resolution is passed.
  - The distribution of the remaining accumulated profit of EUR 8,190,401.76 shall be decided in the next few years.
- The Shareholders granted a discharge for the business year 2015 to both the Management Board and the Supervisory Board of Zavarovalnica Triglav.
- Moreover, the audit firm ERNST & YOUNG Revizija, poslovno svetovanje d.o.o. was appointed as the auditors of Zavarovalnica Triglav for the 2016, 2017 and 2018 business years.

- The General Meeting of Shareholders adopted several amendments to the Articles of Association, including the authorised capital and the authorisation given to the Management Board to increase the share capital of the Company for maximum EUR 14,740,278.36 over the next five years.
- The General Meeting of Shareholders took note of the resignation letter of Matej Runjak, Member of the Supervisory Board, which was effective as of 31 May 2016, and appointed Igor Stebernak a new member of the Supervisory Board for a four-year term.
- The General Meeting of Shareholders passed a resolution on the amount of remuneration payable to Supervisory Board members.

At the General Meeting of Shareholders no action of voidness was announced.

### **3.2. Management Board**

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 Company is always jointly presented and represented by two members of the Management Board, one of whom must be its President.

Any person fulfilling the requirements stipulated by the Insurance Act, the Companies Act and the applicable documents of the Company may be appointed to the Management Board as its President or member. The professional competence and adequacy criteria, which the Management Board members and other individuals are required to meet, are clearly defined in the Policy on Professional Competence and Adequacy of Management and Supervisory Board Members of Zavarovalnica Triglav d.d. The Policy has applied from 1 January 2016, precisely defining the professional competence and adequacy assessment procedure for the Management Board members, which has to be performed before the appointment, periodically, extraordinarily or after the appointment of an individual Management Board member. The Policy also determines the professional competence and adequacy assessment criteria and procedures for the Management Board as a collective body. In assessing the competence of the Management Board as a collective body, the Supervisory Board takes into account the diversity of knowledge and competences which not only allow comprehensive functioning of the Management Board but also contribute to an appropriate variety of skills, knowledge and experience for professional management of Zavarovalnica Triglav. All members should collectively possess the relevant knowledge and experience relating to insurance and financial markets, the business strategy and business models, governance systems, financial and actuarial analyses, risk management, and the regulatory and legal environment in which Zavarovalnica Triglav operates.

In February 2016, before her appointment, the professional competence and adequacy assessment procedure was carried out for Marica Makoter, a Management Board Member and Employee Representative. It was assessed that Marica Makoter was appropriately qualified and a suitable candidate for a Management Board Member and Employee Representative. In November 2016, the periodic assessment of all the other members of the Management Board and the Management Board as a collective body was performed. It was assessed that the Management Board as a collective body was suitably qualified and appropriate.

#### **3.2.1. Composition and appointment of the Management Board**

According to the Articles of Association, the Management Board has no less than three and no more than six members, of whom one is the President. 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 Management Board is appointed by the Supervisory Board. The term of office of an individual Management Board member is up to five years, with the possibility of reappointment. In Zavarovalnica Triglav, the employee representative is a member of the Management Board.

The appointment or recall of all members or an individual member is proposed to the Supervisory Board by the President of the Management Board. Any individual member or President of the Management Board may be dismissed by the Supervisory Board if legal grounds for their dismissal have been established.

### **3.2.2. Management Board competence to increase the share capital**

In accordance with the Company's Articles of Association, the Management Board is authorised to increase the share capital of Zavarovalnica Triglav by up to EUR 14,740,278.36 through new shares issued for cash contributions within five years as of 2 June 2016. The issue of new shares, the amount of capital increase, 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 of Association.

### **3.2.3. Presentation of the Management Board, its functioning and powers**

As at the 2016 year-end, the Management Board of the Company was composed of the following members:

#### **Andrej Slapar, President of the Management Board**

- 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, Assistant to the President of the Management Board for reinsurance and a Management Board member. On 10 November 2009, Andrej Slapar became a member of the Management Board of Zavarovalnica Triglav with a five-year term of office. He took the position of President of the Management Board for the first time on 22 May 2013 for the term of office ending on 10 November 2014, followed by another five-year term of office as the President of the Management Board, starting on 11 November 2014.
- As the President of the Management, he manages and directs the work of the Management Board and the headquarters departments (the Management Board Office, the Legal Office, the Internal Audit Department, the Corporate Communication Department, the Compliance Office) as well as the Life Insurance Development and Actuarial Department and the Non-Life Insurance Development and Actuarial Department. He is in charge of the Life Insurance Division, the Corporate Accounts Division, senior management staffing, Arbitration, Nuclear Pool GIZ and Supplemental Health Insurance functional area.

#### **Benjamin Jošar, member of the Management Board**

- Born in 1973. Master of Science in Business Administration.
- He took a position as the Authorised Officer of the Management Board in 2012 thanks to his work experience in banking and finance, which he gained in managerial and executive

positions. From 2008 to 2009, he was President of the Management Board of KD borznoposredniška družba. He was positioned first as its Executive Director and later as 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 subsidiaries. Until July 2012, he served as a substitute member on the Supervisory Board of the Bank Association of Slovenia. In November 2012, he became a member of the Management Board of Zavarovalnica Triglav.

- His five-year term of office commenced on 2 November 2012.
- He is at the helm of the Risk Management Department, the Strategic Planning and Controlling Department and the Subsidiary Management Department. He is in charge of Triglav INT d.d.

#### **Uroš Ivanc, member of the Management Board**

- Born in 1975. Master of Science in Business Administration. Chartered Financial Analyst (CFA).
- He has been employed in Zavarovalnica Triglav since 2001 as a stock market analyst. He held managerial and executive positions up to 2004, when he became Head of Corporate Finance Department. In December 2005, he was appointed Executive Director of the Finance Division. Between March and August 2008 he was also General Manager of Slovenijales d.d., and from September 2007 to December 2012 he worked as Portfolio Manager in DUPF Triglav penzija a.d., Belgrade, Serbia. Since 2005 he has served as a member on several supervisory bodies of companies within and outside the Triglav Group.
- His five-year term of office commenced on 14 July 2014.
- He is responsible for Accounting and Finance Division.

#### **Tadej Čoroli, member of the Management Board**

- Born in 1975. Bachelor of Laws.
- Tadej Čoroli was first employed in Zavarovalnica Triglav in 2001 as Insurance Law Specialist. He gained managerial experience in insurance as the Executive Director of Life Insurance Division and Executive Director of Non-Life Insurance Division. Since 2005, he participated in management and supervisory bodies in the Triglav Group subsidiaries. In addition, he was a Supervisory Body member of Skupna pokojninska družba d.d., Ljubljana. In July 2014, he was appointed a member of the Management Board of Zavarovalnica Triglav.
- His five-year term of office commenced on 29 July 2014.
- He is responsible for the Client Contact Unit, the Marketing Department, the Non-Life Insurance Division, the Non-Life Insurance Claims Division, the Non-Life Insurance Sales Division and the Non-Life Insurance Marketing and Distribution Division.

#### **Marica Makoter, member of the Management Board and employee representative**

- Born in 1972. Bachelor of Laws.
- From 1996 to 2000, 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. She was Head of the Subrogation Department in Novo Mesto from 2003 to 2006, and until 2011 Head of the Legal Claims Department and Deputy Head of the Regional Claim Centre in the Novo Mesto Regional Unit.
- She took office on 21 December 2011, the new five-year term of office started on 22 December 2016.

- As an employee representative, she represents workers' interests in compliance with the Worker Participation in Management Act. She is in charge of the Organisation Development and Business Process Management Department, the Fraud Prevention, Detection and Investigation Department and the Change and Project Portfolio Management Department. Moreover, she is responsible for the IT Division, the Back Office Division and the Human Resource Management Division, excluding senior management staffing.

**Data on the earnings of the Management Board members** are disclosed in Section 5.5 of the accounting part of the Annual Report. The basis for the remuneration of the Management Board is the Remuneration Policy of Zavarovalnica Triglav d.d., which is based on the Solvency II Directive 209/138/EC, as amended by Directive 212/23/EU, and Commission Delegated Regulation (EU) 2015/35 supplementing Directive 138/EC.

The Policy is designed to ensure the maintenance of adequate capital strength of the Company, to encourage reliable and effective risk management, not to promote the assumption of risks exceeding the allowed risk limits of the Company, and to enable the acquisition and retention of competent, responsible and committed employees with suitable professional competences. The Policy serves as a foundation for implementing a robust and reliable governance system and provides integrity and transparency of operations.

Membership of the Management Board members of Zavarovalnica Triglav in the Supervisory Boards or Management Boards of other companies as at 31 December 2016:

Name and surname	Membership in the Supervisory (Management) Boards of the companies
<b>Andrej Slapar</b> President of the Management Board	<ul style="list-style-type: none"> <li>Pozavarovalnica Triglav Re d.d.</li> <li>Krka d.d.</li> </ul>
<b>Benjamin Jošar</b> Member of the Management Board	<ul style="list-style-type: none"> <li>Triglav INT d.d.</li> <li>Triglav Skladi d.o.o.</li> </ul>
<b>Uroš Ivanc</b> Member of the Management Board	<ul style="list-style-type: none"> <li>NLB d.d.</li> <li>Adriatic Fund B.V., in liquidation</li> <li>Triglav INT d.d.</li> </ul>
<b>Tadej Čoroli</b> Member of the Management Board	<ul style="list-style-type: none"> <li>Triglav, Zdravstvena zavarovalnica d.d.</li> <li>Triglav INT d.d.</li> <li>Skupna pokojninska družba d.d.</li> </ul>
<b>Marica Makoter</b> Member of the Management Board, Employee Representative	<ul style="list-style-type: none"> <li>Triglav INT d.d.</li> </ul>

### 3.3. Supervisory Board

The Supervisory Board is composed of six representatives of the shareholders and three representatives of employees, The Supervisory Board as a supervisory body supervises the Company's business conduct with full responsibility.

The former are elected by the General Meeting of Shareholders and the latter by the Works Council. The Chairman and Vice Chairman of the Supervisory Board are elected from among its members representing shareholders. Their appointment and recall are made in accordance with the law and the applicable documents of the Company. Members of the Supervisory Board are given a four-year mandate and may be re-elected without limitation. The professional competence and adequacy criteria as set out in the Policy on Professional Competence and Adequacy of Management and Supervisory Board Members of Zavarovalnica Triglav d.d. also applies to both the Supervisory Board as a collective body and to Supervisory Board members as individuals. Professional competence and adequacy are assessed before the appointment, periodically, extraordinarily or after the appointment of an individual Supervisory Board

member. In assessing the competence of the Supervisory Board as a collective body, the Supervisory Board takes into account diversity in such a manner that all members must collectively possess the relevant knowledge and experience relating to insurance and financial markets, the business strategy and business models, governance systems, financial and actuarial analyses, risk management, and the regulatory and legal environment in which Zavarovalnica Triglav operates.

In April 2016, before his appointment, the professional competence and adequacy assessment procedure was carried out for Igor Stebernak as a candidate for a member of the Supervisory Board and shareholder representative. In addition, the assessment procedure of the Supervisory Board as a collective body was performed, taking into account the previously mentioned candidate. It was assessed that Igor Stebernak was appropriately qualified and a suitable candidate for a member of the Supervisory Board; moreover, the Supervisory Board as a collective body, taking into account the previously mentioned candidate, was assessed to be suitably qualified and appropriate. In November 2016, the periodic assessment of other members of the Supervisory Board and the Supervisory Board as a collective body was performed, which was assessed to be suitably qualified and appropriate.

The General Meeting of Shareholders may dismiss the members of the Supervisory Board before the expiry of their term of office, while each member of the Supervisory Board may resign from the position under the conditions and in the manner laid down by the Articles of Association.

### **3.3.1. Competences of the Supervisory Board**

The competences and decision-making rules of the Supervisory board are set out by law, the Articles of Association of Zavarovalnica Triglav and the Rules of Procedure of the Supervisory Board (available at [www.triglav.eu](http://www.triglav.eu)). Besides the competences specified in the Companies Act and the Insurance Act, the Supervisory Board has the competence to give consent to the decisions of the Management Board where the value 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 Zavarovalnica Triglav's 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 investment property of Zavarovalnica Triglav.

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.

### **3.3.2. Supervisory Board in 2016**

On 12 June 2013, the new members of the Supervisory Board-employee representatives started their four-year term of office, while that of Igor Stebernak started on 2 June 2016. On 31 May 2016, the four-year term of office of Matej Runjak, Member and Chairman of the Supervisory Board and shareholder representative ended following his submission of the resignation letter, and as of 31 May 2015 Boštjan Molan, Peter Celar and Ivan Sotošek started serving their four-year term of office as the new members of the Supervisory Board/employee representatives.

At its session on 1 July 2013, the Supervisory Body appointed Matej Runjak its Chairman and Gregor Kastelic as its Vice-Chairman. The Supervisory Board appointed Igor Stebernak a new Chairman of the Supervisory Board at its session on 18 August 2016 due to the expiry of the term of office of Matej Runjak on 31 May 2016.



### Composition of the Supervisory Board as at 31 December 2016

Shareholder representatives	Education	Employed in	Membership in Supervisory Boards of other companies
<b>Shareholder representatives</b>			
<b>Igor Stebernak</b> Chairman	Bachelor of Mechanical Engineering, MBA	Petrol d.d., Member of the Management Board	/
<b>Gregor Kastelic</b> Deputy Chairman	Bachelor of Science in Economics, MBA	ING Bank N.V., London Branch, Investment Banking Director	/
<b>Mario Gobbo</b> Member	PhD in Economics	Independent advisor	/
<b>Dubravko Štimac</b> Member	PhD in Economics	PBZ Croatia Osiguranje, d.d., President of the Management Board	Podravka d.d. Zagrebška borza d.d
<b>Rajko Stanković</b> Member	Senior administrative worker	Društvo Mali delničarji Slovenije, Chairman	Žito d.d.
<b>Matija Blažič</b> Member	Bachelor of Science in Administrative Organisation	Retired	Petrol d.d.
<b>Employee representatives</b>			
<b>Boštjan Molan</b> Member	Bachelor of Science in Economics	Zavarovalnica Triglav d.d.	/
<b>Peter Celar</b> Member	Bachelor of Science in Economics	Zavarovalnica Triglav d.d.	/
<b>Ivan Sotošek</b> Member	Bachelor of Science in Administrative Sciences	Zavarovalnica Triglav d.d.	/

By signing the Statement of Independence and Loyalty ([www.triglav.eu](http://www.triglav.eu)), the members of the Supervisory Board undertook to adhere to the principles of independence laid down in item C3 of the Annex to the Corporate Governance Code.

Data on earnings of the Supervisory Board members are disclosed in Section 5.5 of the accounting part of the Annual Report. Remuneration of the Supervisory Board members was in line with the resolution passed by the 35<sup>th</sup> General Meeting of Shareholders held on 21 June 2011, and from 31 May 2016 it is in line with the resolution passed by 41<sup>st</sup> General Meeting of Shareholders.

#### 3.3.3. Composition of Supervisory Board committees and their activities in 2016

Supervisory Board committees prepare draft resolutions for the Supervisory Board, assure their implementation and carry out other professional tasks.

In 2016, the Supervisory Board committees were the following: the Audit Committee, the Appointments and Compensation Committee, the Strategy Committee and the Nominations Committee as an ad-hoc committee.

#### *Supervisory Board committees*



### **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. The most important tasks include:

- monitoring the accounting reporting process, creating reports and drafting proposals for ensuring its comprehensiveness;
- monitoring the efficiency and effectiveness of internal controls, internal audit and risk management systems;
- monitoring the mandatory audit of annual and consolidated accounting statements and reporting on the audit findings to the Supervisory Board;
- being in charge of the auditor selection procedure and proposing a candidate to the Supervisory Board to audit the Company's annual report and participating in the drafting of an agreement between the auditor and the Company;
- supervising the integrity of financial information provided by the Company; evaluating the drafting of the annual report, including a draft proposal for the Supervisory Board;
- cooperation with the Internal Audit Department, monitoring their interim reports, examination of the internal documents of the Internal Audit Department, the Rules of Operation of the Internal Audit Department and the annual plan of the Internal Audit Department;
- examination of decisions on the appointment, dismissal and remuneration of the Head of the Internal Audit Department.

The Audit Committee was composed of: dr. Mario Gobbo as Chairman, Rajko Stanković and Ivan Sotošek as members; and Barbara Nose as outsourced independent expert.

### **Appointments and Compensation Committee**

The main 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 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;
- preliminary consideration of proposals made by the President of the Management Board related to the management of the Company, pursuant to the third paragraph of Article 13 of the Articles of Association;

- performance of the professional competence and adequacy assessment for the Management and Supervisory Board members in line with the Policy on Professional Competence and Adequacy of Management and Supervisory Board Members of Zavarovalnica Triglav d.d.;
- support and making proposals on matters that concern the Supervisory Board (e.g. conflicts of interest, design and implementation of a remuneration system for Supervisory Board members, assessment of the Supervisory Board's work against the Code of Corporate Governance).

The Appointments and Compensation Committee had the following composition: Matej Runjak, Chairman (until 31 May 2016) and/or Igor Stebernak, Chairman (since 18 August 2016); and Dubravko Štimac and Boštjan Molan its members.

### **Strategy Committee**

The duties and competences of the Strategy Committee are set out in the Rules of Procedure of the Supervisory Board and the Supervisory Board's resolutions. The main areas of its operation include discussing and preparing proposals related to strategic development and planning of the Triglav Group and the realisation of its strategic plans.

The Strategy Committee was composed of Gregor Kastelic as its Chairman and Mario Gobbo and Peter Celar its members.

### **Nominations Committee**

The Nominations Committee is an ad-hoc committee of the Supervisory Board, established to carry out a nomination procedure for members of the Supervisory Board – shareholder representatives. The Committee sets the selection criteria unless the Supervisory Board decides otherwise. It makes a list of the candidates for Supervisory Board members and asks the Appointments and Compensation Committee to draw up an assessment of their professional competence and adequacy. The Nominations Committee then submits to the Supervisory Board a nomination proposal for one or several candidates for members of the Supervisory Board, shareholder representatives, including a draft assessment of candidates for Supervisory Board members, shareholder representatives.

Due to the resignation of Matej Runjak, a Member and Chairman of the Supervisory Board, on 10 March 2016 the Supervisory Board established the Nominations Committee to carry out the nomination procedure for a Supervisory Board member – shareholder representative. The Committee operated until 31 May 2016 in the following composition: Gregor Kastelic as its Chairman and Matej Runjak, Peter Celar and Mitja Svoljšak its external members.

The Nominations Committee was established by the Supervisory Board also on 18 November 2016, as the four-year term of office of five Supervisory Board members – shareholder representatives will expire on 12 June 2017. The Nominations Committee was established for the period until their appointment but not later than 12 June 2017 in the following composition: Igor Stebernak as its Chairman, Gregor Kastelic and Peter Celar as its members, and Mitja Svoljšak and Milena Pervanje as its external members.

## **4. Governance and management of subsidiaries**

The completion of the corporate governance system within the Triglav Group will be of key importance in 2016 for the governance and management of the Group's subsidiaries.

The Subsidiary Management Department of Zavarovalnica Triglav continued with the corporate governance and supervision of subsidiaries in Slovenia. Apart from that, the activities of the Subsidiary Management Department focused on standardising and harmonising the operations of subsidiaries as well as on implementing the common business practice rules.

By establishing a modern and effective corporate governance system, Triglav INT d.d. (hereinafter: TINT) fully manages and supervises the operation of insurance subsidiaries outside of Slovenia. TINT not only improved the management and supervision of foreign subsidiaries but also further strengthened business management and the use of synergies. Moreover, the role of TINT regional managers was enhanced, as they are responsible for every subsidiary and provide for direct connection between a subsidiary, its supervisory bodies and TINT.

TINT is managed in accordance with the Governance Policy of Zavarovalnica Triglav's Subsidiaries, laying down the fundamental principles, while its subsidiaries are managed in line with the Governance Policy of Triglav INT's Subsidiaries.

In the following years, the focus will mainly be on upgrading the IT systems and their management, which will be the basis for strengthening business management (the development of new products, sales, underwriting, claims). At the same time, it is important to continuously invest in human resources.

The key goals of TINT and the new business model for the governance of insurance subsidiaries abroad are primarily:

- further development of business management of the TINT Group subsidiaries;
- a clearer governance structure and centralised management, strategic and business planning;
- a faster and more efficient flow of information and decision-making;
- more efficient operational risk management and introduction of new business processes;
- optional specialisation of functions as an added value, tailored to the specificities of markets, and improved access to these functions centralised in one organisational unit;
- more effective identification of staff potential in insurance subsidiaries and improved job rotation among insurance subsidiaries;
- monitoring of opportunities and realisation of potential acquisitions in the region;
- centralisation of joint functions, primarily in IT;
- completion of activities related to minority shareholders;
- expanding the health, pension and life insurance product range on the existing markets.

#### *The composition of governance and management bodies as at 31 December 2016*

Subsidiary	Management	Supervisory function
<b>Slovenia</b>		
Pozavarovalnica Triglav Re d.d., Ljubljana	Gregor Stražar – President, Tomaž Rotar, Stanislav Vrtunski	<b>Supervisory Board:</b> Andrej Slapar – Chairman, Tomaž Žust, Sebastjan Debevc
Triglav, Zdravstvena zavarovalnica d.d., Koper	Meta Berk Skok – President, Simon Vidmar	<b>Supervisory Board:</b> Tadej Čoroli – Chairman, Blaž Jakič, Tomaž Krevatin
Skupna pokojninska družba d.d., Ljubljana	Aljoša Uršič – President, Peter Krassnig	<b>Supervisory Board:</b> Tadej Čoroli – Chairman, Miha Grilec, Aleš Vahčič, Primož Plantarič, Jaka Kirn, Miran Kalčič, Lotti Natalija Zupančič, Vesna Vodopivec, Branko Miklavčič,

Subsidiary	Management	Supervisory function
		Rok Pivk, Aleš Aberšek
Triglav Skladi, družba za upravljanje d.o.o., Ljubljana	Igor Kušar – President, Andrej Petek	<b>Supervisory Board:</b> Benjamin Jošar – Chairman, Simona Kozjek, Meta Berk Skok
Triglav Svetovanje, zavarovalno zastopanje d.o.o., Domžale	Edvard Kranjčič – Director, Tedo Djekanović – Authorised Officer	<b>Supervisory Board:</b> Primož Plantarič – Chairman, Matjaž Novak, Lidija Breznik
Triglav INT, holdinška družba d.d., Ljubljana	David Benedek – Executive Director, Tedo Djekanović – Executive Director	<b>Board of Directors:</b> Benjamin Jošar – Chairman, Marica Makoter, Uroš Ivanc, Tadej Čoroli, David Benedek, Tedo Djekanović
Triglav Avtoservis d.o.o., Ljubljana	Edvard Zabukovnik – Director, Boris Kuhelj – Director	<b>Supervisory Board:</b> Matej Ferlan – Chairman, Nataša Novak Priveršek, Aleš Klement
Triglav, Upravljanje nepremičnin d.d., Ljubljana	Mitja Selan – President, Aleš Vahčič	<b>Supervisory Board:</b> Rok Pivk – Chairman, Ksenja Zajc, Polona Peterle, Nataša Novak Priveršek
<b>Croatia</b>		
Triglav Osiguranje d.d., Zagreb	Marin Matijaca – President, Bernhard Melischnig, Denis Burmaz, Mišo Čeplak – Authorised Officer	<b>Supervisory Board:</b> David Benedek – Chairman, Tomaž Žust, Gorazd Jenko, Darko Popovski, Željko Duralija
<b>Montenegro</b>		
Lovćen Osiguranje a.d., Podgorica	Matjaž Božič – Executive Director	<b>Board of Directors:</b> David Benedek – Chairman, Tomaž Žust, Darko Popovski
<b>Bosnia and Herzegovina</b>		
Triglav Osiguranje d.d., Sarajevo	Edib Galijatović – President, Edin Muftić	<b>Supervisory Board:</b> Tedo Djekanović – Chairman, Gorazd Jenko, Bakir Pilav
Triglav Osiguranje a.d., Banja Luka	Matej Žlajpah – Director	<b>Board of Directors:</b> David Benedek – Chairman, Blaž Jakič, Iztok Šekoranja, Draško Milinović
<b>Serbia</b>		
Triglav Osiguranje a.d.o., Belgrade	Dragan Marković – General Manager, Blaž Jakič – Member of the Board of Directors	<b>Supervisory Board:</b> Tedo Djekanović – Chairman, Radenko Purić, Blaž Kmetec, Vuk Šušić
<b>Macedonia</b>		
Triglav Osiguranje a.d., Skopje	Gjorge Vojnović – Chief Executive Officer, Sanja Tančevska – Executive Director	<b>Board of Directors:</b> Tedo Djekanović – Chairman, Darko Popovski, Matej Ferlan, Blaž Kmetec, Maja Gazvoda

## 5. Internal and external audit

On 31 May 2016, the General Meeting of Shareholders of Zavarovalnica Triglav appointed the audit firm ERNST & YOUNG Revizija, poslovno svetovanje d.o.o. as the auditors for 2016, 2017 and 2018 business years.

The report on the work of the Internal Audit Department is included in Section 2.1 of the Annual Report - Risk Management.

## **6. Internal controls and risk management in relation to accounting reporting**

The Triglav Group has an efficiently designed and integrated internal control and risk management system, which is promptly adapted to the development of the Group, organisational changes and best practices. The system exceeds the basic statutory requirements for insurance companies set out in the Companies Act and the Insurance Act, as well as special implementing regulations of the Insurance Supervision Agency on the establishment and maintenance of a suitable internal control and risk management system.

The internal control system was set up in all organisational levels, units and processes of the Triglav Group and includes:

- a clear organisational structure with a precisely defined and transparent system of authorities and competences;
- efficient procedures for an ongoing control, error prevention, and identification, evaluation, management and monitoring of risks the insurance undertakings are or may be exposed to in the course of their operations;
- an adequate internal control system that includes appropriate administrative and accounting procedures (reporting, working procedures, risk exposure limits and physical controls);
- compliance with legislation and regulatory requirements.

The Internal Audit Department is an independent organisational unit, set up in compliance with the law regularly runs efficiency checks of the internal control and risk management system and offers upgrade proposals as well as reports to the Management Board, the Audit Committee and the Supervisory Board.

The characteristics and operation of the risk management system are discussed in detail in first part of the Annual Report - Risk Management Section.

In relation to accounting reporting, internal controls are guidelines and procedures established by Zavarovalnica Triglav as the parent company of the Group and implemented at all levels in order to manage the risks related to accounting reporting. The purpose of internal control is to ensure reliability of accounting reporting and compliance with the applicable laws and other external and internal regulations.

The accounting control system is based on the principles of truthfulness and appropriate sharing of responsibilities, checking the performance of transactions, keeping of up-to-date records, compliance of books of account with the actual situation, separation of the records from the performance of transactions, professionalism of accountants and their independence. Accounting controls are closely linked to IT controls, which, inter alia, restrict and control access to the data and applications and ensure completeness and accuracy of data capturing and processing.

## **7. Notes on the takeover legislation**

The Takeover Act (hereinafter: ZPre-1) applies 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

holders special control rights are described in detail in Section 6. of the Annual Report - Share capital and shareholders of Zavarovalnica Triglav.

#### **8. 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 by the general Meeting of Shareholders to buy its own shares. The Management Board's competence to increase the share capital is described under Section 5.3.2.1. of the Annual Report. The issue of new shares, the amount of capital increase, 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 Takeover Act (ZPre-1).

Zavarovalnica Triglav has not entered into any agreements with members of its management or supervisory bodies or employees that would provide for remuneration if a takeover bid in line with the Takeover Act caused them to resign, be dismissed without justified grounds, or caused their employment to be terminated.

