

# 4. Corporate Governance Statement

- Changes to the Management and the Supervisory Boards.
- The subsidiaries adopted new business strategy for the period to 2017.
- Functional areas continue to transfer good business practices and minimum standards from the controlling company to the subsidiaries.

## 4.1 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](http://www.triglav.eu)).



Governance policy

## 4.2 Statement of Compliance with the Corporate Governance Code<sup>14</sup>

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 (<http://www.ljse.si>).

The statement of compliance with the Corporate Governance Code for the period from 1 January 2013 to the day of publication, i.e. 9 April 2014, was published on SEOnet, the information system of the Ljubljana Stock Exchange, and on the official website of Zavarovalnica Triglav at [www.triglav.eu](http://www.triglav.eu).

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

- 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 carried out by the relevant department of the Company.

In addition, the Company conducts business in line with the principles of the Insurance Code, available on the website of the Slovenian Insurance Association at [www.zav-zdruzenje.si](http://www.zav-zdruzenje.si).

In 2013, the Code of Good Business Practices of Zavarovalnica Triglav was adopted, available on the official website of Zavarovalnica Triglav [www.triglav.eu](http://www.triglav.eu).

Moreover, in a statement published on its website ([www.triglav.eu](http://www.triglav.eu)), Zavarovalnica Triglav took a position on the Corporate Governance Code for Capital Assets of the Republic of Slovenia and the Recommendations of the Management Company of the Republic of Slovenia's Direct and Indirect



The Memorandum and Articles of Association



Corporate governance code



Statement of compliance with the Code



Insurance Code



Code of Good Business Practices



Code for Capital Assets

Shareholdings (all documents are available on the webpage of Slovenska odškodninska družba ([www.so-druzba.si](http://www.so-druzba.si))).

## 4.3 Management bodies of Zavarovalnica Triglav d.d.<sup>15</sup>

The management bodies operate in compliance with the primary and secondary legislation, the Memorandum and Articles of Association and their own rules of procedure. The Memorandum and Articles of Association are available at [www.triglav.eu](http://www.triglav.eu).

### 4.3.1 General Meeting of Shareholders

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 Memorandum and 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 Memorandum and Articles of Association. The Memorandum and Articles 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.

The rights and obligations attached to the shares, reaching a qualifying holding and the restriction on transfer of shares

<sup>14</sup> GRI G4-15

<sup>15</sup> GRI G4-34

that would grant their holders special control rights are described in detail in the *Section 5.2 The share of Zavarovalnica Triglav*. See the Insurance Act for details.

The shares of the two shareholders who (in accordance with the Takeover Act) own a qualifying holding in Zavarovalnica Triglav remained unchanged in 2013:

- 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. On behalf of and for the account of ZPIZ, as at 28 December 2012, the shareholder's rights attached to the shares were managed by the Capital Assets Management Agency of the Republic of Slovenia (hereinafter: AUKN) in compliance with the Law on Corporate Governance of State Capital Investments (Official Gazette of the RS, No. 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 2013, 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 2013, 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 2013

The shareholders of Zavarovalnica Triglav had two general meetings in 2013. The 37<sup>th</sup> General Meeting of Shareholders took place on 14 February 2013. The total number of shares and voting rights represented at the General Meeting of Shareholders was 11,249,924 or 49.55% of all shares to which voting rights are attached.

The General Meeting of Shareholders took note of:

- the expiration of the terms of office as at 7 April 2013 of the following Supervisory Board members – shareholder representatives: Igor Mihajlovič, Aljoša Valentinčič, Vladimir Uršič, Adolf Zupan, Gregor Kastelic and Jovan Lukovac;
- the appointment of new Supervisory Board members with four-year terms of office commencing on 8 April 2013: Aleš Živkovič, Rok Strašek, Žiga Andoljšek Jovan Lukovac, Mihael Perman, and Blaž Šlemic;
- the activities regarding the participation of Zavarovalnica Triglav in the share capital increase of Triglav INT d.d. and the entry of a strategic partner in the latter and, in particular, supervision and investment decision making in the subsidiaries of Triglav INT d.d., as well as the

current state of affairs regarding the entry of a strategic partner in the shareholder structure of Triglav INT d.d.

Mr Rajko Stankovič, the representative of the shareholder Association of Small Shareholders of Slovenia, announced to file an action for annulment with reference to all resolutions passed at the 37<sup>th</sup> General Meeting of Shareholders of Zavarovalnica Triglav, excluding the resolution on the appointing Mihael Perman a member of the Supervisory Board.

On 5 March 2013, Zavarovalnica Triglav was served a Securities Market Agency Decision of 4 March 2013, ordering them to prohibit, as at the day the decision becomes final, the following persons from exercising their voting rights:

- Slovenska odškodninska družba d.d., Mala ulica 5, Ljubljana, for the rights attached to the shares with the ZVTG ticker symbol held by Zavarovalnica Triglav and the rights attached to the shares, held by Zavod za pokojninsko in invalidsko zavarovanje, Kolodvorska 15, Ljubljana, which are exercised on behalf of and for the account of the latter by Slovenska odškodninska družba d.d., Mala ulica 5, Ljubljana;
- HIT Hoteli, igralnice, turizem d.d., Delpinova ulica 7a, Nova Gorica;
- Elektro-Slovenija d.o.o., Hajdrihova ulica 2, Ljubljana;
- D.S.U., družba za svetovanje in upravljanje d.o.o., Dunajska cesta 160, Ljubljana;
- Nova KBM d.d., Ulica Vita Kraigherja 4, Maribor;
- Telekom Slovenije d.d., Cigaletova ulica 15, Ljubljana;

until Slovenska odškodninska družba d.d. on its own behalf and for its own account or on behalf of and for the account of Zavod za pokojninsko in invalidsko zavarovanje; Hit d.d.; Elektro-Slovenija d.o.o.; Luka Koper d.d.; D.S.U., družba za svetovanje in upravljanje d.o.o.; NOVA KBM d.d. and Telekom Slovenije d.d., Cigaletova ulica 15, Ljubljana, jointly or severally, on behalf of and for the account of all, launch a takeover bid for the offeree company Zavarovalnica Triglav d.d., in accordance with the Takeover Act, or until the companies stated hereunder and holding voting rights in the offeree company divest the ZVTG shares so that they neither jointly nor severally no longer reach the takeover threshold.

The 38<sup>th</sup> General Meeting of Shareholders of Zavarovalnica Triglav was held on 11 June 2013. The total number of shares and voting rights represented was 4,129,549 or 50.72% of all shares to which voting rights are attached. In line with the above-mentioned Securities Market Agency Decision, the shareholders Slovenska odškodninska družba d.d., Zavod za pokojninsko in invalidsko zavarovanje, HIT Hoteli, igralnice, turizem d.d., Elektro-Slovenija d.o.o., D.S.U., družba za svetovanje in upravljanje d.o.o., Nova KBM d.d., Telekom Slovenije d.d., did not exercise their voting rights attached to Zavarovalnica Triglav shares. At the General Meeting of Shareholders no action for annulment were announced.

The General Meeting of Shareholders:

- took note of the Annual Reports of Zavarovalnica Triglav and the Triglav Group for 2012, including the opinions given by the audit firms, and the Annual Internal Audit Report for 2012;
- took note of the Supervisory Board's report on the examination of both Annual Reports for 2012 and its opinion on the Annual Internal Audit Report by the Internal Audit Department for 2012;



Shareholder rights and obligations

- adopted a resolution on the following distribution of the accumulated profit of EUR 98,205,999.33 as at 31 December 2012;
- EUR 45,470,296.00 to dividend payments to the shareholders, i.e. EUR 2.0 gross per share
- the decision on the distribution of the remaining accumulated profit of EUR 52,735,703.33 shall be made in the following years;
- passed a resolution granting discharge to the Management Board and the Supervisory Board for the 2012 business year;
- appointed the audit firm ERNST & YOUNG Revizija, poslovno svetovanje d.o.o. as the auditors of Zavarovalnica Triglav for the 2013 business year;
- As at 11 June 2013, the General Meeting of Shareholders of the Company recalled the following Supervisory Board members – shareholder representatives: Aleš Živkovič, Rok Strašek, Žiga Andoljšek, Jovan Lukovac, Mihael Perman and Blaž Šlemic, and appointed Mario Gobbo, Dubravko Štimac, Rajko Stankovič, Matej Runjak, Gregor Kastelic and Matija Blažič new Supervisory Board members with a four-year term of office. Their terms of office started on the day following their election at the General Meeting of Shareholders, i.e. on 12 June 2013.

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

#### 4.3.2.1 Composition and appointment of the Management Board

According to the Memorandum and Articles 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 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 their obligations stipulated by primary and secondary legislation and in other circumstances set out by law.

#### 4.3.2.2 Management Board competence to increase the share capital

In accordance with the Company's Memorandum and Articles 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 contributions 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 Memorandum and Articles of Association.

#### 4.3.2.3 Introducing the Management Board

As at the end of 2013, 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 member of the Management Board. Andrej Slapar took office on 10 November 2009.
- He has served as the President of the Management Board since 22 May 2013.

##### Stanislav Vrtunski, member of the Management Board

- 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 Chief Executive Officer of the French insurance company La Parisienne Assurances. In 2012, Stanislav Vrtunski became a member of the Management Board.
- His five-year term of office commenced on 23 May 2012.

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

- 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. After the transformation into KD Banka, he was positioned first as its Executive Director and later as an Executive Member of the Board of Directors. 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, Benjamin Jošar became a member of the Management Board.
- His five-year term of office commenced on 2 November 2012.

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

- 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 in the Novo Mesto Regional Unit.
- Marica Makoter took her five-year term of office on 21 December 2011.

From 15 October 2009 to 22 May 2013, **Matjaž Rakovec** held the office of the President of the Management Board. On 22 May 2013, the Supervisory Board recalled him from the office of the President of the Management Board for business and economic reasons.

Data on the earnings of the Management Board members are disclosed in *Section 8.2 of the accounting part of the Annual Report*.

### Membership of the Management Board members of Zavarovalnica Triglav in the Supervisory or Management Boards of the following companies as at 31 December 2013:

Name and surname	Membership in the Supervisory (Management) Boards of other companies
<b>Andrej Slapar</b> President of the Management Board	- Triglav INT d.d. - Pozavarovalnica Triglav Re d.d. - Triglav Osiguranje d.d., Sarajevo - Abanka Vipava d.d.
<b>Stanislav Vrtunski</b> Member of the Management Board	- Triglav Osiguranje d.d., Zagreb - AS Triglav d.o.o. - Triglav INT d.d.
<b>Benjamin Jošar</b> Member of the Management Board	- Lovćen Osiguranje a.d., Podgorica - Triglav Osiguranje d.d., Sarajevo - Triglav INT d.d. - Triglav Skladi d.o.o.
<b>Marica Makoter</b> Management Board Member, Employee Representative	- Triglav Osiguruvanje a.d., Skopje - Triglav INT d.d.

#### 4.3.2.4 Functioning and powers of the Management Board

As at 31 December 2013, the Management Board members were in charge of the following areas:

The **President of the Management Board Andrej Slapar** manages and directs the work of the Management Board and of the headquarters departments (Management Board Office, Legal Office, Internal Audit Department) the Life Insurance Development and Actuarial Department, and the Non-Life Insurance Development and the Actuarial Department. He is responsible for Life Insurance Division and Non-life Insurance Division, Non-Life Insurance Claims Division and the Corporate Account Division.

**Stanislav Vrtunski, member of the Management Board**, is responsible for the Insurance Marketing and Distribution

Division, the Triglav Network Sales Division and the Client Contact Unit. He also leads and manages the work of the Marketing Department (excluding public relations which fall under the responsibility of the President of the Management Board).

**Benjamin Jošar, member of the Management Board**, leads and manages the Risk Management Department and the Strategic Planning and Controlling Department. He is responsible for the Accounting Division, the Finance Division and the Subsidiary Management Division.

**Marica Makoter, member of the Management Board**, represents workers' interests as an employee representative in compliance with the Worker Participation in Management Act. She manages and directs the Fraud Prevention, Detection and Investigation Department, the Project Office and is responsible for the IT Division and the Back Office Division, Human Resources Management Division (excluding senior management staffing, of whom the President of the Management Board is in charge), and Organisation, Business Processes and Technologies Division.

### 4.3.3 Supervisory Board

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


The shareholder representatives are elected by the General Meeting of Shareholders and the employee representatives by the Works Council of Zavarovalnica Triglav. Their appointment or recall is subject to the law and the Memorandum and Articles 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.

#### 4.3.3.1 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 Memorandum and Articles of Association of Zavarovalnica Triglav and the Rules of Procedure of the Supervisory Board. 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 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.

  
Remuneration of the Management Board members



Rules of Procedure of the Supervisory Board

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 ([www.triglav.eu](http://www.triglav.eu)).

#### 4.3.3.2 Supervisory Board in 2013

The four-year term of office of shareholder representatives lasted from 7 April 2009 to 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; and
- Jovan Lukovac and Gregor Kastelic on 13 June 2012, because Anton Ribnikar and Uroš Slavinec were recalled on 12 June 2012.

From 1 January to 7 April 2013, Igor Mihajlovič, Gregor Kastelic, Aljoša Valentinčič, Vladimir Uršič, Jovan Lukovac and Adolf Zupan served as Supervisory Board members – shareholder representatives, as already presented in *Section 4.3.1 General Meeting of Shareholders in 2013*.



Shareholder representatives in the Supervisory Board

At the 37<sup>th</sup> General Meeting of Shareholders held on 14 February 2013, the shareholders of Zavarovalnica Triglav appointed new members of the Supervisory Board representing shareholders for a four-year term of office beginning as of 8 April 2013: Aleš Živkovič, Rok Strašek, Žiga Andoljšek, Jovan Lukovac, Mihael Perman and Blaž Šlemic. At the 38<sup>th</sup> General Meeting of Shareholders of Zavarovalnica Triglav held on 11 June 2013, the shareholders adopted a resolution recalling the above-mentioned members of the Supervisory Board representing shareholders and appointed new members in their stead: Mario Gobbo, Dubravko Štimac, Rajko Stankovič, Matej Runjak, Gregor Kastelic and Matija Blažič. The four-year term of office of the newly elected Supervisory Board members commenced on 12 June 2013.

The Works Council of Zavarovalnica Triglav elected Miran Krštinc, Peter Celar and Branko Gorjan as new members of the Supervisory Board's employee representatives for a four-year term of office between 30 May 2011 and 30 May 2015.

At its session on 1 July 2013, the Supervisory Body appointed Matej Runjak its Chairman and Gregor Kastelic as its Vice-Chairman. From 21 June 2012 to 7 April 2013, Igor Mihajlovič was Chairman of the Supervisory Board and Gregor Kastelic its Vice-Chairman. Mihael Perman acted as Supervisory Board Chairman and Jovan Lukovac as its Vice-Chairman in the period from 16 April 2013 to 11 June 2013.

#### Composition of the Supervisory Board as at 31 December 2013

Name and surname	Education	Employed in	Membership in Supervisory Boards of other companies
<b>SHAREHOLDER REPRESENTATIVES</b>			
<b>Matej Runjak</b> Chairman	Bachelor of Science in Economics, MBA	Slovenska odškodninska družba d.d., Member of the Management Board	/
<b>Gregor Kastelic</b> Vice-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	Bachelor of Science in Economics, Master of Science in Organisation and Management, PhD in Economics	PBZ Croatia Osiguranje d.d., President of the Management Board	Podravka d.d. Dalekovod d.d. Zagrebska borza d.d.
<b>Rajko Stankovič</b> Member	Senior administrative worker	Društvo Mali delničarji Slovenije, Chairman	/
<b>Matija Blažič</b> Member	Bachelor of Science in Administrative Organisation	retired	Petrol, d.d.
<b>EMPLOYEE REPRESENTATIVES</b>			
<b>Branko Gorjan</b> Member	Economics Technician	Zavarovalnica Triglav d.d.	/
<b>Peter Celar</b> Member	Bachelor of Science in Economics	Zavarovalnica Triglav d.d.	/
<b>Miran Krštinc</b> Member	LL.B.	Zavarovalnica Triglav d.d.	/



Statement of Independence and Loyalty

By signing the Statement of Independence and Loyalty published at [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.



Remuneration of the Supervisory Board members

Data on earnings of the Supervisory Board members are disclosed in *Section 8.2 of the accounting part of the Annual Report*.

#### 4.3.3.3 Composition of Supervisory Board committees and their activities in 2013

Supervisory Board committees prepare draft resolutions for the Supervisory Board, assure their implementation and carry out other professional tasks. In 2013, the Supervisory Board committees were the same as in the previous year: 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 procedure;
- 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, including a draft proposal for the Supervisory Board;
- helping to identify the most important audit areas.

In 2013, the Audit Committee was composed of the following members:

- in the period from 1 January 2013 to 7 April 2013: Jovan Lukovac as Chairman of the Supervisory Board and Aljoša Valentinčič, Branko Gorjan, Vladimir Uršič and Barbara Nose (outsourced independent expert) as its members;
- in the period from 16 April 2013 to 11 June 2013: Jovan Lukovac as Chairman of the Supervisory Board and Aleš Živkovič, Žiga Andoljšek, Branko Gorjan and Barbara Nose (outsourced independent expert; member in the period from 16 April 2013 to 11 June 2013) as its members;
- from 1 July 2013: Mario Gobbo as Chairman of the Supervisory Board and Rajko Stanković, Branko Gorjan as its members; and Barbara Nose outsourced independent expert acting as a member from 22 August 2013.

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

In 2013, the Appointments and Compensation Committee had the following composition:

- in the period from 1 January 2013 to 7 April 2013: Igor Mihajlovič as Chairman of the Supervisory Board and Miran Krštinc and Adolf Zupan as its members with Srečo Jadek as outsourced independent expert;
- in the period from 16 April 2013 to 11 June 2013: Blaž Šlemic as Chairman of the Supervisory Board and Mihael Perman and Miran Krštinc as its members, with Anton Marolt as outsourced independent expert acting from 21 May 2013 to 11 June 2013;
- from 1 July 2013: Matej Runjak as Chairman of the Supervisory Board and Miran Krštinc and Dubravko Štimac as 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. Its tasks include the monitoring of the Triglav Group Strategy implementation and any related opinions, drafting resolutions for the Supervisory Board and ensuring their implementation.

In 2013, the Strategy Committee was composed of the following members:

- in the period from 1 January 2013 to 7 April 2013: Gregor Kastelic as its Chairman and Igor Mihajlovič and Peter Celar as its members;
- in the period from 16 April 2013 to 11 June 2013: Rok Strašek as its Chairman and Jovan Lukovac and Peter Celar as its members;
- from 1 July 2013: Gregor Kastelic as its Chairman and Mario Gobbo and Peter Celar as its members.

### Nominations Committee

As the term of office of Supervisory Board members was to expire on 7 April 2013, at its session on 12 December 2012 the Supervisory Board established a Supervisory Board Nomination Committee so as to appoint new Supervisory Board members – shareholder representatives and to submit a proposal for the appointment of candidates to the Supervisory Board. The Nominations Committee was composed of Igor Mihajlovič as its Chairman, Branko Gorjan as its member, and Matjaž Jauk and Peter Ješovnik as its external members. Due to a request to convene a General Meeting of Shareholders pursuant to Article 295 of the Companies Act and the appointment of new Supervisory Board members – shareholder representatives on 14 February 2013, the Nomination Committee did not carry out the nomination procedure entirely. The Nomination Committee ceased to exist as at the day of the appointment of new Supervisory Board members – shareholder representatives.

## 4.4 Governance and management of subsidiaries<sup>16</sup>

The fundamental principles and management regulation of the Triglav Group subsidiaries are set out in the Zavarovalnica Triglav's Subsidiary Governance Policy and other internal documents. The management system of the Triglav Group is based on the standardisation and unification of rules and procedures in individual divisions of the subsidiaries. The purpose of the system is to set up uniform minimum standards of the insurance business, reporting and monitoring of operations of the entire Group.

The business segments divided to the business and management parts are responsible for the management of 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 2013, the business divisions of Zavarovalnica Triglav continued to transfer minimum standards and their good practices in the insurance subsidiaries of the Group. The goal is to improve the operations of individual business functions,

<sup>16</sup> GRI G4-13, G4-34

especially core functions, in the entire insurance 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.

The Subsidiary Management Division was reorganised so as to establish a more efficient and transparent supervision and management of the work and operations of subsidiaries. Individual documents defining corporate governance were revised and additional regulations adopted.

Zavarovalnica Triglav and its insurance subsidiaries drafted business strategies for the period until 2017, which were adopted by supervisory bodies of individual subsidiaries prior to the approval of the Supervisory Board.

From the establishment of the holding company Triglav INT d.d. at the 2010 year-end to the beginning of February

2012, Zavarovalnica Triglav transferred its ownership shares in Triglav Group insurance subsidiaries outside Slovenia to Triglav INT. The Triglav INT holding company is a 100%-owned subsidiary of Zavarovalnica Triglav, which was established 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. In accordance with this strategic orientation, agreements were signed in 2012 and at the beginning of 2013 with the International Finance Corporation, a member of the World Bank Group (hereinafter: IFC). Cooperation as initially specified ended towards the end of 2013 by common agreement. Regardless of terminating the agreement with IFC, the developed concept of operations of Triglav INT provides one of the suitable possibilities of forming a strategic partnership. In this respect, the Triglav Group will continue to follow its strategy, which emphasizes its development as the insurance hub of South-East Europe.

### The composition of governance and management bodies as at 31 December 2013

Subsidiary	Management	Supervisory function
<b>Slovenia</b>		
Pozavarovalnica Triglav Re d.d., Ljubljana	Gregor Stražar – President, Tomaž Rotar	<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, Primož Plantarič, Tomaž Krevatin
Triglav Skladi, družba za upravljanje d.o.o., Ljubljana	Igor Kušar – President, Samo Javornik	<b>Supervisory Board:</b> Benjamin Jošar – Chairman, Simona Kozjek, Meta Berk Skok
Triglav Naložbe, finančna družba d.d., Ljubljana	Stojan Nikolič, Kristina Rovšek	<b>Supervisory Board:</b> Rok Pivk – Chairman, Aleš Vahčič, Polona Petrle
Triglav Svetovanje, zavarovalno zastopanje d.o.o., Domžale	Edvard Kranjčič – Director, Tadej Čoroli – Authorised Officer	
Triglav INT, holdinška družba d.d., Ljubljana	Tedo Djekanović – CEO	<b>Board of Directors:</b> Andrej Slapar – Chairman, Stanislav Vrtunski, Benjamin Jošar, Marica Makoter
AS Triglav-servis in trgovina d.o.o., Ljubljana	Edvard Zabukovnik – Director, Boris Kuhelj – Director	<b>Supervisory Board:</b> Stanislav Vrtunski – Chairman, Blaž Jakič, Iztok Šekoranja
Triglav nepremičnine, upravljanje, svetovanje in trgovanje z lastnimi nepremičninami d.o.o., Ljubljana	Mitja Selan – President of the Management Board	<b>Supervisory Board:</b> Blaž Jakič – Chairman, Miha Grilec, Rok Pivk
Sloveniales d.d., Ljubljana	Blaž Jakič – General Manager	<b>Supervisory Board:</b> Aleksandra Vukovič Kačar – Chairman, Mitja Kepec, Janka Planinc
Gradis IPGI d.d., Ljubljana	Aleš Vahčič – Director, Robert Špehar – Authorised Officer, Mitja Selan – Authorised Officer	<b>Supervisory Board:</b> Rok Pivk – Chairman, Ksenja Zajc, Krešo Šavrič
Hotel Grad Podvin d.d., Radovljica	Jaka Binter – Director, Aleš Vahčič – Authorised Officer	<b>Supervisory Board:</b> Mitja Kepec – Chairman, Ana Stradar Iglič, Mateja Živec
<b>Croatia</b>		
Triglav Osiguranje d.d., Zagreb	Marin Matijaca – President, Josip Kereta, Bernhard Melischnig, Jože Obersnel – Authorised Officer	<b>Supervisory Board:</b> Stanislav Vrtunski – Chairman, Tomaž Žust, Gorazd Jenko, Dragomir Ljubojevič, Željko Duralija
<b>Czech Republic</b>		
Triglav Pojišť'ovna a.s., Brno	Petr Bany – General Manager, Petr Mikulenska, Miha Vittori	<b>Board of Directors:</b> Tedo Djekanović – Chairman, Blaž Jakič, Šarka Vodičkova
<b>Montenegro</b>		
Lovćen Osiguranje a.d., Podgorica	Radenko Purić – CEO	<b>Supervisory Board:</b> Benjamin Jošar – Chairman, Tadej Čoroli, Uroš Ivanc
<b>Bosnia and Herzegovina</b>		
Triglav Osiguranje d.d., Sarajevo	Edib Galijatović – President of the Management Board, Edin Muftić	<b>Supervisory Board:</b> Andrej Slapar – Chairman, Benjamin Jošar, Bakir Pilav
Triglav Osiguranje a.d., Banja Luka	Matej Žlajpah – Director	<b>Supervisory Board:</b> Andrej Knap – Chairman, Blaž Jakič, Dejan Jasnić
<b>Serbia</b>		
Triglav Osiguranje a.d.o., Belgrade	Dragan Marković – CEO, Vladimir Mišo Čeplak – Authorised Officer, Matjaž Božič – Authorised Officer	<b>Supervisory Board:</b> Tedo Djekanović – Chairman, Tadej Čoroli, Radenko Purić
<b>The Former Yugoslav Republic of Macedonia</b>		
Triglav Osiguruvanje a.d., Skopje	Gjorgje Vojnović – General Manager and Executive Member of the Board of Directors	<b>Board of Directors:</b> Uroš Ivanc – Chairman, Maja Gazvoda, Blaž Kmetec, Andrej Knap, Marica Makoter

## 4.5 External and internal audit

On 11 June 2013, the General Meeting of Shareholders of Zavarovalnica Triglav appointed the audit firm ERNST & YOUNG Revizija, poslovno svetovanje d.o.o. as the auditors for 2013.

The report on the work of the Internal Audit Department is included in *Section 11. Risk Management*.



## 4.6 Main characteristics of the internal control and risk management system<sup>17</sup>

The Triglav Group has an efficiently designed and integrated internal control and risk management system. It is promptly adapted to the development of the Group and organisational changes. The last upgrade of the internal control system took place in the last quarter of 2013.

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. It is also adapted to the upcoming Solvency II requirements. The remaining subsidiaries of the Group in Slovenia and abroad also exceed the statutory and prescribed level of the internal control and risk management system in individual countries.

The internal control and risk management system uses the four-eyes principle. In addition to insurance risks, the internal control manages other risk types, such as financial, operational and strategic risks. The hierarchical structure and participation of all subsidiaries of the Group and all employees, together with a 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 were set up in all organisational levels, units and processes of the Triglav Group and include:

- a clear organisational structure with a precisely defined and transparent system of authorities and competences;
- efficient procedures for an on-going control, error prevention, and 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).

Compliance of the Company's operations with its strategic objectives is promptly verified and ensured through many control tools and mechanisms. The reliability of management and the efficiency and effectiveness of the integrated risk management system are being maintained, developed and supervised. Key indicators of risks, limits and competences are promptly checked at all organisational levels, which is monitored by internal and external planning/analytical financial/accounting reporting.

In compliance with the legislation, an independent Internal Audit Department regularly runs efficiency checks on the internal control and risk management system, offers upgrade proposals and reports to the Management Board, the Audit Committee and the Supervisory Board (for more details see *Section 11. Risk management*).

## 4.7 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 holders special control rights are described in detail in *Section 5. Share capital and shareholders of Zavarovalnica Triglav*.

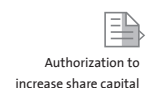
Modernisation of the internal control system



## 4.8 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 to buy its own shares. The Management Board's competence to increase the share capital is described under *section 4.3.2.2*. 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.



Management's Board authorization to increase share capital

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.