

## CORPORATE GOVERNANCE REPORT

**Transparency and stakeholder trust are important to us, as is observance of and compliance with the provisions of the Austrian Code of Corporate Governance.**

The Austrian Code of Corporate Governance, introduced in 2002 and updated several times since then, is the standard for good corporate governance and management control in Austria. The rules making up the Code contribute to the strengthening of trust in the Austrian capital market, and the report companies are required to publish regarding compliance with these requirements supports a high level of transparency.

The Vienna Insurance Group views corporate governance as an on-going process that changes constantly in response to new conditions and current trends and that must be continuously improved for the benefit of the Group and all of its stakeholders. The goal of all Corporate Governance measures taken is to ensure responsible corporate management oriented towards long-term growth with simultaneously effective company controls.

In this regard, the Vienna Insurance Group's new corporate structure, introduced in mid-2010, creates clear areas of responsibility and enables optimal management of activities in Central and Eastern Europe. The Vienna Insurance Group, as a listed group holding company, concentrates on international management and thereby ensures the Group's efficient and successful continued development.

As part of corporate governance in practice, the Managing Board, the Supervisory Board and the employees of the Vienna Insurance Group all regard observance of and compliance with the rules of the Austrian Code of Corporate Governance to be a matter of great importance. In what follows, the Vienna Insurance Group's declaration of adherence to the Code, discussions regarding areas of deviation, and detailed information on the composition of, procedures followed by, and the compensation of the Managing Board and Supervisory Board, are clearly presented in a structured manner.

The Vienna Insurance Group is committed to the application of and compliance with the most recent version of the

Austrian Code of Corporate Governance (January 2010). The rules are divided into the following three categories:

- Rules based on mandatory legal requirements ("Legal requirements").
- Rules based on standard international requirements. Non-compliance with these rules must be declared and explained in order to comply with the Code ("Comply or explain")
- Rules that merely possess the character of recommendations. Non-compliance with these rules need not necessarily be disclosed or explained ("Recommendation")

The Austrian Code of Corporate Governance is available to the public both on the Vienna Insurance Group website and on the website of the Austrian Working Group for Corporate Governance.

The Vienna Insurance Group complies with all of the "legal requirements" of the Austrian Corporate Governance Code as required by law. The Vienna Insurance Group deviates from three "comply or explain" rules, as explained below:

### Rule 31:

The fixed and variable performance-linked annual remunerations of each individual Management Board member are to be disclosed in the Corporate Governance Report for each financial year. This shall also apply if the remuneration is paid through a management company.

### Rule 51:

The remuneration for the financial year to supervisory board members is to be reported in the Corporate Governance Report for each individual member of the supervisory board. Generally, there are no stock option plans for members of supervisory boards. Should stock option plans be granted in exceptional cases, then these must be decided in every detail by the general meeting.

Explanation: The principles of the compensation paid to members of the Managing Board and Supervisory Board are published, as is the total compensation paid to all members of the Managing Board and the Supervisory Board. There are no stock options plans for members of the Managing Board or Supervisory Board. Detailed information on the individual amounts of compensation re-

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ceived by Managing Board and Supervisory Board members would have relatively little informational value to investors and is not published in the Corporate Governance Report in the interests of respecting the rights to privacy of members of those Boards.

The Company endeavours to keep the total operating compensation of its Managing Board members approximately at comparable net levels, even when a board member is subject in part to different taxation requirements in other countries due to additional operational functions. The result of these efforts has led the corporation to give individual members of the Managing Board lower gross compensation than other Managing Board members, such that the publication of the individual salaries does not have any real significance.

**Rule 41:**

The supervisory board shall set up a nomination committee. In cases of supervisory boards with not more than six members (including employees' representatives) this function may be exercised by all members jointly. The nomination committee submits proposals to the supervisory board for filling mandates that become free in the Management Board and deals with issues of successor planning.

Explanation: Because of its particular importance, the issue of successor planning is handled by the Supervisory Board as a whole. The Supervisory Board of the VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe for this reason has not set up a nomination committee.

## Members of the Managing Board

The Managing Board of the Vienna Insurance Group is made up of six people:



**Dr. Günter Geyer**  
**General Manager and Chairman of the Managing Board**

Year of birth: 1943

Date first appointed: 1988

End of current term of office: on the last day of the month in which the 2012 Annual General Meeting is held

**Dr. Günter Geyer** joined Wiener Städtische Versicherung in 1974 and was appointed to the Managing Board in 1988. Since 1 July 2001 he has been General Manager and Chairman of the Managing Board of the Vienna Insurance Group. In various positions in Austria and the CEE region, Dr. Geyer made a key contribution to shaping the Group's rise to the status of an internationally successful insurance group. He held, for example, the function of Chairman of the Managing Board of Union Versicherung as well as that of General Manager of Donau Versicherung. Dr. Günter Geyer was directly involved in setting up the Company's first insurers in Central and Eastern Europe.

**Areas of responsibility:** Group management, strategic planning, public relations, marketing, sponsoring, legal matters, human resources

**Country responsibilities:** Austria (including branch offices in Italy and Slovenia), Slovakia

**Positions currently held on the Supervisory Boards of other domestic and foreign corporations outside the Group:** Casinos Austria AG, Casinos Austria International Holding GmbH, Österreichische Verkehrsbüro Aktiengesellschaft, Regionalmedien Austria AG, Wien Holding GmbH



**Dr. Peter Hagen**  
**Deputy General Manager**

Year of birth: 1959

Date first appointed: 2004

End of current term of office: 30 June 2013

**Dr. Peter Hagen** has been a member of the Managing Board since 1 July 2004. Prior to that, among other responsibilities he directed the General Secretariat and the International Division as well as the Group's reinsurance. From January 1998 until December 2002 Dr. Hagen was a member of the Managing Board of the Group's Czech and Slovakian Kooperativa companies; from November 2007 until December 2009 he was Deputy General Manager and Member of the Managing Board of Kooperativa pojišťovna. Since 2008 Dr. Hagen has been General Manager of the Group's reinsurance company, VIG RE, playing a decisive role in its foundation and successful growth. As of 1 October 2009 Dr. Peter Hagen holds the title of "Deputy General Manager" of the Vienna Insurance Group.

**Areas of responsibility:** Group cost structure, Group IT/Back Office, SAP SMILE Solutions, VIG RE, internal capital model project (Project Solvency II)

**Positions currently held on the Supervisory Boards of other domestic and foreign corporations outside the Group:** voestalpine AG, CESEEG Aktiengesellschaft, Wiener Börse AG



**Dr. Martin Simhandl, CFO**

Year of birth: 1961

Date first appointed: 2004

End of current term of office:

30 June 2013

**Dr. Martin Simhandl** began his career in the group in 1985 in the legal department of Wiener Städtische Versicherung. In 1995 he became head of equity investment management, and in 2003 he took over coordination of the Group's asset management activity. On 1 November 2004 Dr. Simhandl was appointed to the Company's Managing Board.

**Areas of responsibility:** asset management, asset-risk management, equity investment management, finance and accounting

**Country responsibilities:** Germany, Liechtenstein, Turkey

**Positions currently held on the Supervisory Boards of other domestic and foreign corporations outside the Group:** Ringturmkapitalanlagen GmbH, Sparkassen Immobilien AG, Wiener Hafen Management GmbH



**Ing. Martin Diviš, MBA**

Year of birth: 1973

Date first appointed: 2009

End of current term of office:

30 June 2013

**Ing. Martin Diviš** has been a Member of the Managing Board since 13 June 2009. In 1995 he joined the Kooperativa pojišťovna, where he was responsible for Marketing Communications for the Czech insurer. In 2005 Ing. Martin Diviš was appointed to the management and a year later to the Managing Board of Kooperativa. Since May 2008 he has been the company's Chairman of the Managing Board and General Manager.

**Areas of responsibility:** performance management motor vehicle insurance

**Country responsibilities:** Czech Republic, Georgia, Ukraine

Ing. Diviš is not a member of any Supervisory Boards of other domestic and foreign corporations outside the Group.



**Franz Fuchs**

Year of birth: 1953  
 Date first appointed: 2009  
 End of current term of office:  
 30 June 2013

**Franz Fuchs** began his career in the insurance industry as an actuary. He held leading management positions in other international companies as a specialist in the life insurance line and pension funds before joining the Vienna Insurance Group. Since 2003, Franz Fuchs has been a Member of the Managing Board of Compensa Non-life and Compensa Life as well as a Member of the Managing Board of VIG Polska in Poland. He was first appointed to the Managing Board of the Vienna Insurance Group on 1 October 2009.

**Areas of responsibility:** performance management personal insurance  
**Country responsibilities:** Baltic States, Poland, Romania

**Positions currently held on the Supervisory Boards of other domestic and foreign corporations outside the Group:** C-QUADRAT Investment AG



**Mag. Peter Höfinger**

Year of birth: 1971  
 Date first appointed: 2009  
 End of current term of office:  
 30 June 2013

**Mag. Peter Höfinger** has been a member of the Managing Board of the Vienna Insurance Group since 1 January 2009. Prior to that, he was Director of the Managing Board at Donau Versicherung. Mag. Peter Höfinger was appointed to this position in 2003. Previously he held management positions outside of the Group, in Hungary, the Czech Republic and Poland.

**Areas of responsibility:** International corporate and key customer business, Vienna International Underwriters (VIU), reinsurance  
**Country responsibilities:** Belarus, Bulgaria, Hungary, Montenegro, Russia, Serbia

**Positions currently held on the Supervisory Boards of other domestic and foreign corporations outside the Group:** O.J.S.C. "Insurance Group MSK", Insurance Company "MSK-Life" Ltd.

The entire Managing Board is responsible for matters relating to the General Secretariat, Group Controlling, Enterprise Risk Management/Solvency II, Actuarial Services, Internal Audit and Investor Relations.

The following two deputy members were also appointed to the Managing Board, and will become members of the Managing Board in the event of a long-term inability of a member of the Managing Board to discharge his or her duties:

- Mag. Roland Gröll (year of birth: 1965)**
- Dr. Franz Kosyna (year of birth: 1954)**

## Members of the Supervisory Board

### **Präsident Gen.-Dir. Komm.-Rat Dr. Wolfgang Ruttenstorfer Chairman**

Year of birth: 1950  
Date first appointed: 29 June 2010  
End of current term of office: 2014

### **Komm.-Rat Dr. Karl Skyba Deputy Chairman**

Year of birth: 1939  
Date first appointed: 1992  
End of current term of office: 2014

### **Abbot Primate Provost Bernhard Backovsky**

Year of birth: 1943  
Date first appointed: 2002  
End of current term of office: 2014

### **Mag. Alois Hohegger**

Year of birth: 1949  
Date first appointed: 2005  
End of current term of office: 2014

### **Dipl.-Ing. Guido Klestil**

Year of birth: 1941  
Date first appointed: 1992  
End of current term of office: 2014

### **Hofrat Dkfm. Heinz Öhler**

Year of birth: 1945  
Date first appointed: 2002  
End of current term of office: 2014

### **Mag. Reinhard Ortner**

Year of birth: 1949  
Date first appointed: 2007  
End of current term of office: 2014

### **Gen.-Dir. Dr. Martin Roman**

Year of birth: 1969  
Date first appointed: 29 June 2010  
End of current term of office: 2014

### **Dr. Johann Sereinig**

Year of birth: 1952  
Date first appointed: 1992  
End of current term of office: 2014

### **Mag. Dr. Friedrich Stara**

Year of birth: 1949  
Date first appointed: 2002  
End of current term of office: 2014

## Supervisory Board independence

In accordance with Rule 53 of the Austrian Code of Corporate Governance, the Supervisory Board of the VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, has established the following criteria for independence:

- The Supervisory Board member has not been a member of the Managing Board or senior manager of the Company, or a subsidiary of the Company, in the last five years.
- The Supervisory Board member does not maintain a business relationship with the Company or a subsidiary of the Company of such significant scope for the Supervisory Board member that his or her activities on the Supervisory Board are thereby affected to the detriment of the Company. This also applies to business relationships with companies in which the Supervisory Board member has a significant economic interest. The approval of individual transactions by the Supervisory Board in accordance with § 95(5)(12) of the Austrian Stock Corporation Act or § 15(2)(l) of the articles of association does not automatically lead to a classification as non-independent. It is expressly noted that the entry into or existence of contracts of insurance with the company does not in any case adversely affect independence.
- Over the last three years, the Supervisory Board member has not been an auditor of the Company's financial statements or an interested party or employee of the auditing company doing such auditing.
- The Supervisory Board member is not a member of the Managing Board of another company that has a member of the Company's Managing Board as a member of its Supervisory Board.

- The Supervisory Board member is not a close family member (direct descendant, spouse, partner, parent, uncle, aunt, brother, sister, niece, nephew) of a member of the Managing Board or of persons who are in one of the positions described in the foregoing points.

The Supervisory Board as a whole is to be viewed as independent when at least 50% of the members elected by the Annual General Meeting satisfy the above-listed criteria for independence of a Supervisory Board member.

All members of the Supervisory Board elected by the General Shareholders' Meeting have declared that they are to be deemed independent in accordance with the criteria laid down by the Supervisory Board. No member of the Supervisory Board is a shareholder of the Company with an ownership interest of greater than 10% or represents the interests of such shareholder.

**The following Supervisory Board members held Supervisory Board positions or comparable positions in domestic or foreign listed companies in 2010:**

**Gen.-Dir. Komm.-Rat Dr. Wolfgang Ruttenstorfer**

CA Immobilien Anlagen AG  
OMV Petrom S.A.  
F. Hoffmann-La Roche AG  
Telekom Austria AG

**Dipl.-Ing. Guido Klestil**

austriamicrosystems AG

**Komm.-Rat Dr. Karl Skyba**

Flughafen Wien AG

**Supervisory Board Committees:**

The following qualified Supervisory Board committees were formed to increase the efficiency of the Board and to deal with complex issues:

**COMMITTEE FOR URGENT MATTERS (WORKING COMMITTEE)**

The Working Committee decides on matters that require Supervisory Board approval but cannot be deferred until the next ordinary Supervisory Board meeting because of particular urgency.

**Gen.-Dir. Komm.-Rat Dr. Wolfgang Ruttenstorfer**

1<sup>st</sup> Deputy: Dr. Johann Sereinig  
2<sup>nd</sup> Deputy: Mag. Alois Hochegger  
3<sup>rd</sup> Deputy: Mag. Reinhard Ortner

**Komm.-Rat Dr. Karl Skyba**

1<sup>st</sup> Deputy: Dipl.-Ing. Guido Klestil  
2<sup>nd</sup> Deputy: Hofrat Dkfm. Heinz Öhler  
3<sup>rd</sup> Deputy: Mag. Reinhard Ortner

**AUDIT COMMITTEE (ACCOUNTS COMMITTEE)**

The Audit Committee (Accounts Committee) is responsible for the duties assigned by § 92(4a) of the Austrian Stock Corporation Act, namely:

1. Monitoring the accounting process;
2. Monitoring the effectiveness of the company's internal control system, internal auditing system and risk management system;
3. Monitoring the company and group audits;
4. Examination and monitoring of the independence of the auditor of the financial statements (consolidated financial statements), particularly with respect to additional services provided to the audited company;
5. Auditing of the annual financial statements and preparation for their approval, examination of the proposed appropriation of profits, management report and corporate governance report, and presentation of a report on the audit findings to the Supervisory Board;
6. Auditing of the consolidated financial statements and Group management report, and presentation of a report on the audit findings to the Supervisory Board of the parent company;
7. Preparation of the Supervisory Board proposal for selecting the auditor of the financial statements (consolidated financial statements).

**Gen.-Dir. Komm.-Rat Dr. Wolfgang Ruttenstorfer**

1<sup>st</sup> Deputy: Dr. Johann Sereinig  
2<sup>nd</sup> Deputy: Mag. Alois Hochegger  
3<sup>rd</sup> Deputy: Mag. Reinhard Ortner

**Komm.-Rat Dr. Karl Skyba**

1<sup>st</sup> Deputy: Dipl.-Ing. Guido Klestil  
2<sup>nd</sup> Deputy: Hofrat Dkfm. Heinz Öhler  
3<sup>rd</sup> Deputy: Mag. Reinhard Ortner

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### **COMMITTEE FOR MANAGING BOARD MATTERS (COMPENSATION COMMITTEE)**

The Committee for Managing Board Matters deals with Managing Board personnel matters. The Committee for Managing Board Matters thus decides on the content of employment contracts with members of the Managing Board and their compensation, and examines remuneration policies at regular intervals.

**Gen.-Dir. Komm.-Rat Dr. Wolfgang Ruttenstorfer**  
**Komm.-Rat Dr. Karl Skyba**

### **STRATEGY COMMITTEE**

The Strategy Committee works together with the Managing Board and, as appropriate, with experts that it consults, to prepare fundamental decisions that must then be decided on by the Supervisory Board as a whole.

**Gen.-Dir. Komm.-Rat Dr. Wolfgang Ruttenstorfer**

1<sup>st</sup> Deputy: Dr. Johann Sereinig  
2<sup>nd</sup> Deputy: Mag. Alois Hohegger  
3<sup>rd</sup> Deputy: Mag. Reinhard Ortner

**Komm.-Rat Dr. Karl Skyba**

1<sup>st</sup> Deputy: Dipl.-Ing. Guido Klestil  
2<sup>nd</sup> Deputy: Hofrat Dkfm. Heinz Öhler  
3<sup>rd</sup> Deputy: Mag. Reinhard Ortner

The company concluded no agreements with members of the Supervisory Board in 2010 that would have required approval from the Supervisory Board.

### **Procedures followed by the Managing Board and Supervisory Board**

#### **Managing Board**

The Managing Board usually meets once a week to discuss the current course of business, and over the course of those meetings it makes the necessary decisions and adopts the required resolutions. The members of the Managing Board continuously exchange information with each other and the respective heads of the various departments. In managing the company, the Managing Board is supported by the Extended Executive Board and the Senior Advisory Board. These boards consist of managers that have international and specialist experience on the executive board level.

#### **Supervisory Board**

The management of the Company is periodically monitored by the Supervisory Board as a whole, as well as by its committees, its Chairman and Deputy Chairman. Detailed presentations and discussions during Supervisory Board and Supervisory Board Committee meetings are used for this purpose, as are recurring meetings between, in particular, the executive committee of the Supervisory Board and the members of the Managing Board, who provide comprehensive explanations and supporting documentation relating to the management and financial position of the Company and the Group. The strategy, business development, risk management, internal control system and activities of the internal audit department of the Company are also discussed at Supervisory Board meetings and in meetings with the Managing Board.

The Supervisory Board and Audit Committee also conduct direct discussions with the auditor of the financial statements and consolidated financial statements in order to inform themselves regarding the accounting process and the progress of the audit and to inquire whether the audit has produced any material findings. The audit reports are discussed and deliberated over in detail with the audit managers during the meetings dealing with the annual and Group financial statements. The Supervisory Board also obtains a quarterly report from the internal audit department, and has the Managing Board explain to it the organisation and functioning of the risk management and internal control systems.

The Supervisory Board has formed four committees from among its members, a Committee for Urgent Matters (Working Committee), Audit Committee (Accounts Committee), Committee for Managing Board Matters (Compensation Committee) and a Strategy Committee. Detailed information on these committees is provided in the "Supervisory Board committees" section.

#### **Number of meetings of the Supervisory Board and its committees**

One ordinary General Shareholders' Meeting and five Supervisory Board meetings were held in 2010. Three meetings of the Audit Committee were also held. The Committee for Urgent Matters held one meeting and was also contacted in writing with regard to six matters. The Super-

visory Board was informed of any resolutions passed by the committees at its next following Supervisory Board meeting. In addition, two meetings of the Committee for Managing Board matters were also held in 2010. No member of the Supervisory Board attended fewer than half of the Supervisory Board meetings.

### Disclosure of information on Managing Board and Supervisory Board compensation

#### Compensation plan for members of the Managing Board:

Compensation of the Managing Board takes account of the significance of the Group and the responsibility that goes with it, the economic situation of the company, and the market environment.

The variable portion of the compensation emphasises the need for sustainability in several ways; it depends largely on achieving long-term criteria that go beyond a single year.

The amount of the performance-related portion of the remuneration has an upper limit and accounts for approximately 40% of the possible total income. The prerequisite for being awarded this compensation is taking into consideration the sustainable development of the Company and the Group. The Managing Board is not entitled to the performance-related component of compensation if results fall below certain thresholds.

Even when the target is fully met for one financial year, because of the focus on sustainability, the full variable compensation is only awarded when an adequate result is achieved in the following year as well.

In this regard, the performance criteria of the variable compensation for 2010 is the profit before taxes of the years 2010 and 2011.

Stock options or similar instruments are not a part of the compensation of the Managing Board.

In consideration of the difficult situation of individual companies and their customers, the Managing Board, despite the positive results of 2009 and after having foregone variable compensation for 2008, waived its claim to bonus

payments for 2009 as well. This meant that no bonuses were paid to the Managing Board in the year 2010.

The standard employment agreement of a member of the Managing Board of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe includes a pension entitlement equal to at most 40% of the determination base if the member remains on the Managing Board until the age of 65 (the determination base is equal to the standard fixed salary). The rules for Managing Board members with many years of prior service differ in that the percentage of the determination base is higher for historical reasons (up to 55%) with supplements awarded for remaining on the Managing Board at the Supervisory Board's request after the age limit has been reached.

A pension is normally received only if a Managing Board member's position is not extended not through any fault of his or her own or the Managing Board member retires due to illness or age.

To the extent that the law does not require application of the provisions of the Austrian Employee and Self-Employment Provisions Act, the Managing Board agreements of the VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe provide for a severance payment structured in accordance with the provisions of the Austrian Employee Act, as amended in 2003, in combination with applicable sector-specific provisions. Under these provisions, depending on the period of service, Managing Board members can receive two to twelve months' remuneration as a severance payment, with an increase of 50% if the member retires or withdraws after a long-term illness. A member who withdraws from the Managing Board of his or her own volition before being able to retire, or who withdraws due to a fault of his or her own, is not entitled to a severance payment.

#### Compensation plan for members of the Supervisory Board

In accordance with resolutions adopted by the 16<sup>th</sup> ordinary General Shareholders' Meeting on 25 May 2007, the members of the Supervisory Board elected by the General Shareholders' Meeting are entitled to receive compensation in the form of a payment remitted monthly in advance. Members of the Supervisory Board who withdraw during the course of a month receive full compensation for the

month in question. In addition to this compensation, Supervisory Board members are entitled to receive an attendance allowance for participating in Supervisory Board meetings and Supervisory Board committee meetings (remitted after participation in the meeting). The total compensation paid to members of the Supervisory Board in 2010 was EUR 351,000 (2009: EUR 366,000).

### **Measures put in place to promote women to the Managing Board, Supervisory Board and management positions**

In the Vienna Insurance Group, experience has shown that consistently promoting the development of women starting from the “rank and file”, including promotion of a balance between career and family, results in women moving successively upward through all levels of management. As a result of this process, the proportion of women in management positions directly reporting to the Managing Board of the Company (now known as VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe), including substitute members, has increased over about the last 20 years from 10% in 1992 to 50% as of 31 December 2010.

This includes the General Secretary for top management of the Group, Mag. (FH) Sabine Stiller and, for example, the women heading the legal and equity investment management areas.

Women now make up approximately 20% of the top executive boards (managing boards) of the European group companies of the Vienna Insurance Group. The proportion of women in the managing boards of some companies is significantly higher, as it is, for example, in the largest single company in the Group, Wiener Städtische Austria (40%).

In the major European companies of the Vienna Insurance Group, women hold approximately 40% of the management positions directly below the managing board.

Promotion of a balance between career and family has allowed more than a few top-ranking managers to celebrate the birth of a new child, including an active male member and an active female member of the managing boards of Austrian VIG companies.

The Managing Board:



**Dr. Günter Geyer**



**Dr. Peter Hagen**



**Dr. Martin Simhandl**



**Ing. Martin Diviš, MBA**



**Franz Fuchs**



**Mag. Peter Höfinger**

Vienna, March 2011