

Corporate governance report

Transparency and stakeholder trust are important to us. Observance of and compliance with the provisions of the Austrian Code of Corporate Governance therefore play an important role of Vienna Insurance Group.

The Austrian Code of Corporate Governance was introduced in 2002 and is amended regularly updated according to legislation and current trends. It is the standard for proper corporate governance and control in Austria. Provisions of the Code contribute to strengthening the trust in the Austrian capital market. The report that companies are required to publish on compliance with these provisions requires a high level of transparency.

Vienna Insurance Group is committed to the application of and compliance with the January 2018 version of the Austrian Code of Corporate Governance. § 267b UGB (Consolidated Corporate Governance Report) was also applied when preparing this report.

The Austrian Code of Corporate Governance is available to the public both on the VIG website at www.vig.com/ir and the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at.

Vienna Insurance Group sees corporate governance as a continuously changing process that responds to new conditions and current trends for the benefit of the Group as well as for its stakeholders. The goal of all corporate governance measures is to ensure responsible corporate management aimed at long-term growth while maintaining effective corporate control at the same time.

VIG's Managing Board, Supervisory Board and employees consider observance of and compliance with the rules of the Austrian Code of Corporate Governance to be highly important for the practical implementation of corporate governance.

Vienna Insurance Group's declaration of adherence to the Code and information on the members, procedures and remuneration of the Managing Board and Supervisory Board are clearly organised and presented below.

The rules of the Austrian Code of Corporate Governance are divided into the following three categories:

- Rules based on mandatory legal requirements ("Legal Requirement")
- 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")
- Non-compliance with rules which are merely recommendations do not need to be disclosed or explained ("Recommendation")

Vienna Insurance Group complies with all of the rules of the Austrian Code of Corporate Governance.

Vienna Insurance Group's scope of consolidation also includes capital market-oriented subsidiaries that are required by the legal systems applicable to them to prepare and publish corporate governance reports. These include: Ray Sigorta (Turkey), Bulstrad Non-Life (Bulgaria) and Makedonija (Macedonia). The corporate governance reports are included in the annual reports of these companies and can be accessed through their respective websites: www.ray-sigorta.com.tr (About > Investor Relations), www.bulstrad.bg/en/ (About Bulstrad > Financial Results), www.insumak.mk (website link: <http://insumak.mk/finansiski-izvestai.php>). Any areas of deviation - and the explanation(s) - are indicated in the corporate governance reports of these companies. Bulstrad Non-Life has not been listed on the Bulgarian Stock Exchange since 22 December 2017.

VIG's shareholder structure is available at www.vig.com/ir

MEMBERS OF THE MANAGING BOARD AND THEIR RESPONSIBILITIES

The Vienna Insurance Group Managing Board consists of the following five members as of 31 December 2017:



Elisabeth Stadler
General Manager,
Chairwoman of the Managing Board

Year of birth: 1961
First appointed on: 1 January 2016
End of current term of office:
30 June 2023

Elisabeth Stadler studied actuarial mathematics at the Vienna Technical University and built a career in the Austrian insurance industry as Board member and chairwoman. In May 2014, she was awarded the professional title of professor by Federal Minister Gabriele Heinisch-Hosek for her merits for the insurance industry. She held the position of General Manager at Donau Versicherung from September 2014 to March 2016, and has been CEO of Vienna Insurance Group since 2016.

Areas of responsibility: Management of the VIG Group, Strategic Questions, European Affairs, Group Communication & Marketing, Group Sponsoring, Human Resources, Group Development and Strategy

Country responsibilities: Austria, Czech Republic

Supervisory board positions or comparable positions held in other Austrian and foreign companies outside the Group: Österreichische Post AG (until 19 April 2018), Die Österreichische Hagelversicherung (until 7 March 2018), Institute of Science and Technology Austria, Austrian Red Cross

Elisabeth Stadler is also active in the Supervisory Boards of significant¹ Vienna Insurance Group companies: Wiener Städtische (Austria), Donau Versicherung (Austria), s Versicherung (Austria), Kooperativa (Czech Republic), ČPP (Czech Republic), PČS (Czech Republic), Compensa Non-Life (Poland), InterRisk (Poland).



Franz Fuchs
Year of birth: 1953
First appointed on: 1 October 2009
End of current term of office:
30 June 2020

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 area and pension funds before joining VIG. From 2003 until early 2014, Franz Fuchs was Chairman of the Managing Board of Compensa Non-Life and Compensa Life in Poland. He has been Chairman of the Managing Board of VIG Polska since 2003. He was first appointed to the Vienna Insurance Group Managing Board on 1 October 2009.

Areas of responsibility: Performance management personal and motor vehicle insurance, Asset-Risk Management

Country responsibilities: Baltic states, Moldova, Poland, Ukraine

Supervisory board positions or comparable positions held in other Austrian and foreign companies outside the Group: C-QUADRAT Investment AG

Franz Fuchs is also active in the Supervisory Boards of significant¹ Vienna Insurance Group companies: Kooperativa (Czech Republic), ČPP (Czech Republic), PČS (Czech Republic), Compensa Non-Life (Poland), InterRisk (Poland), Omniasig (Romania).

¹ Vienna Insurance Group considers all companies that contribute at least 2% of written premiums and at least 2% in profit before taxes to be "significant".



Judit Havasi

Year of birth: 1975
First appointed on: 1 January 2016
End of current term of office:
30 June 2023

Judit Havasi has been working for the Group since 2000. She began her career in the internal audit department of UNION Biztosító, and became the head of this department in 2003. Before her appointment to the Managing Board of Wiener Städtische in 2009, Judit Havasi was a substitute member of the Managing Board of Wiener Städtische and a Member of the Managing Board of UNION Biztosító in Hungary. Judit Havasi was Deputy General Manager of Wiener Städtische from July 2013 until the end of 2015. She was also a substitute Member of the Vienna Insurance Group Managing Board as of 2011, and is a member of the Vienna Insurance Group Managing Board since January 2016.

Areas of responsibility: Planning & Controlling, Legal department, Group IT, Data Management & Processes

Country responsibilities: Romania, Slovakia

Supervisory board positions held or comparable positions in other Austrian and foreign companies outside the Group: Erste&Steiermärkische Bank d.d., Die Zweite Wiener Vereins-Sparcasse, "Volkstheater" Gesellschaft m.b.H., "Volkstheater" - Privatstiftung

Judit Havasi is also active in the Supervisory Boards of significant¹ Vienna Insurance Group companies: Wiener Städtische (Austria), Donau Versicherung (Austria), Kooperativa (Slovakia), Komunálna (Slovakia), Omniasig (Romania).



Peter Höfing

Year of birth: 1971
First appointed on: 1 January 2009
End of current term of office:
30 June 2023

Peter Höfing studied law at the University of Vienna and the University of Louvain-la-Neuve (Belgium). Peter Höfing has been a member of the Vienna Insurance Group Managing Board since 1 January 2009. Prior to that, he was a director of the Managing Board at Donau Versicherung, responsible for sales and marketing. He joined this company in 2003. Previously, he held positions as managing board chairman and managing board member outside the Group in Hungary, the Czech Republic and Poland.

Areas of responsibility: Corporate and large customer business, Vienna International Underwriters (VIU), Reinsurance

Country responsibilities: Albania and Kosovo, Bosnia-Herzegovina, Bulgaria, Croatia, Macedonia, Montenegro, Serbia, Hungary, Belarus

¹ Vienna Insurance Group considers all companies that contribute at least 2% of written premiums and at least 2% in profit before taxes to be "significant".



Martin Simhandl, CFO

Year of birth: 1961

First appointed on: 1 November 2004

End of current term of office:

30 June 2018

Martin Simhandl began his career with the Group in 1985 at the legal department of Wiener Städtische. In 1995, he became head of the subsidiaries department, and in 2003 he took over coordination of the Group's investment activities. In 2002 and 2003, Martin Simhandl was also a Member of the Managing Boards of InterRisk Non-life and InterRisk Life in Germany, with responsibility for the areas of property insurance, reinsurance and planning/controlling. On 1 November 2004, Martin Simhandl was appointed to the Managing Board of the Company.

Areas of responsibility: Asset Management, Affiliated companies department, Finance and accounting (until 31 January 2018), Treasury/Capital Market

Country responsibilities: Germany, Georgia, Liechtenstein, Turkey

Supervisory board positions or comparable positions held in other Austrian and foreign companies outside the Group: CESEEG Aktiengesellschaft, Erste Asset Management GmbH, Wiener Hafen Management GmbH, Wiener Börse AG, Wien 3420 Aspern Development AG

The Managing Board as a whole is responsible for Enterprise Risk Management (Solvency II), General Secretariat, Actuarial department, Group Compliance, Internal Audit, Investor Relations.

The following substitute members were also appointed to the Managing Board and may become full members when, during the term of office, a current member of the Board can no longer perform his or her duties:

Martin Diviš (year of birth: 1973, substitute member of the Managing Board until 31 December 2017)

Gábor Lehel (year of birth: 1977)

Changes during and after the end of the reporting year

Roland Gröll (year of birth: 1965) was Member of the Vienna Insurance Group Managing Board in the 2017 reporting year from 1 January 2017 until 30 June 2017. He became member of the Managing Boards of Wiener Städtische and Donau Versicherung on 1 July 2017.

Liane Hirner became a Member of the Vienna Insurance Group Managing Board on 1 February 2018 and is responsible for Finance and accounting. She succeeds Martin Simhandl, who will be leaving the Managing Board at the end of his term of office on 30 June 2018.



Liane Hirner studied business administration in Graz. Before joining Vienna Insurance Group, she worked at PwC Austria's audit department where she started in 1993, and when she left, Liane was partner of the insurance sector. In addition to her work as an auditor, Liane Hirner has also been involved in many professional associations, such as the IFRS Working Group of the Austrian Insurance Association and the Insurance Working Party of Accountancy Europe in Brussels.

Areas of responsibility: Finance and accounting (since 1 February 2018)

Liane Hirner

Year of birth: 1968

First appointed on: 1 February 2018

End of current term of office:

31 January 2023

Peter Thirring (year of birth: 1957) was appointed to the Vienna Insurance Group Managing Board on 1 July 2018 (his term of office ends 30 June 2023).

MEMBERS OF THE SUPERVISORY BOARD

The Supervisory Board had the following ten members as of 31 December 2017:

Günter Geyer **Chairman**

Year of birth: 1943
First appointed on: 2014
End of current term of office: 2019

Günter Geyer joined Wiener Städtische in 1974 and was appointed to the Managing Board in 1988. In 2001, he became General Manager and Chairman of the Managing Board. Working in a variety of positions in Austria and the CEE region, he played a major role in VIG's evolution into a successful international insurance group. Günter Geyer resigned from his position as Chairman of the Managing Board of VIG on 31 May 2012 and has held the position of Chairman of the Supervisory Board since 2014. He is the Chairman of the Managing Board of Wiener Städtische Wechselseitigen Versicherungsverein, the principal shareholder of VIG.

Rudolf Ertl **1st Deputy Chairman**

Year of birth: 1946
First appointed on: 2014
End of current term of office: 2019

Rudolf Ertl is Doctor of Laws and has been with the Group since 1972. Rudolf Ertl was Member of the Managing Board of Wiener Städtische until the end of 2008 and a Member of the Managing Board at Donau Versicherung until June 2009. He is a Member of the Managing Board of Wiener Städtische Wechselseitiger Versicherungsverein, the principal shareholder of Vienna Insurance Group.

Maria Kubitschek **2nd Deputy Chairwoman**

Year of birth: 1962
First appointed on: 2014
End of current term of office: 2019

After completing her studies in social sciences and economics at the University of Vienna, Maria Kubitschek began working for the Vienna Chamber of Labour in 1988. After holding a variety of management positions, she was Head of the Economic Division at the Vienna Chamber of Labour since 2001,

with a short interruption from 2011 until 2013 (management position in the cabinet of the Austrian Federal Ministry for Transport, Innovation and Technology), and has been Deputy Director of the Vienna Chamber of Labour since in 2016. She is also a Member of the Managing Board of the Austrian Institute of Economic Research (WIFO).

Bernhard Backovsky

Year of birth: 1943
First appointed on: 2002
End of current term of office: 2019

Provost Bernhard Backovsky was ordained a priest in 1967 and elected the 66th provost of the Klosterneuburg Monastery in December 1995 - a position he still holds today. From 2002 until 2017, he was also Abbot General of the Austrian Congregation of the Canons Regular of St. Augustine, and from 2010 to 2016 he was Abbot Primate of the same congregation. In addition to numerous other honours, at the end of 2010 he received the Grand Silver Medal of Honour for Services to the Republic of Austria for supporting the Foundation for Street Children in Romania. Vienna Insurance Group and the Klosterneuburg Monastery have been in a partnership for many years. The former provost of the monastery, Gaudenz Dunkler, was one of the founding fathers of "Wechselseitige k.k. priv. Brandschaden-Versicherungs-Anstalt" in 1824, which later developed into Wiener Städtische Versicherungsverein and then into Wiener Städtische and Vienna Insurance Group.

Martina Dobringer

Year of birth: 1947
First appointed on: 2011
End of current term of office: 2019

Martina Dobringer has held management positions at the Coface Group since 1989 and was General Manager and Chairwoman of the Managing Board of Coface Austria Holding AG from 2001 to 2011. In 2011, she was awarded the Grand Silver Medal of Honour for Services to the Republic of Austria, and in 2006 she became the first Austrian businesswoman to receive the highest French honour ("Chevalier dans l'ordre de la Légion").

Gerhard Fabisch

Year of birth: 1960
First appointed on: 2017
End of current term of office: 2019

Gerhard Fabisch studied business administration at the University of Graz and economics at the University of Vienna. In 1985, he joined Steiermärkische Bank und Sparkassen AG. His path took him through a wide variety of areas in the company. In 2001, he was appointed Director of the Managing Board, and in 2004 as Chairman of the Managing Board. He has also been President of the Austrian Sparkassenverband since 2014.

Heinz Öhler

Year of birth: 1945

First appointed on: 2002

End of current term of office: 2019

Heinz Öhler joined the Tiroler Gebietskrankenkasse in 1970, where he initially held a position as Manager of the Finance Department and later held an executive position until 2011. In March 2007, he was awarded the Grand Silver Medal of Honour for Services to the Republic of Austria for his work related to Austrian social security. Handball has been one of his passions since he was a child and he has held many positions in the sports world, including being appointed as a Member of the Tyrolean State Sports Council in November 2016.

Georg Riedl

Year of birth: 1959

First appointed on: 2014

End of current term of office: 2019

After completing his legal studies at the University of Vienna, Georg Riedl worked as an independent lawyer since 1991. His areas of expertise include company law, mergers and acquisitions, private foundation law and tax law.

Gabriele Semmelrock-Werzer

Year of birth: 1958

First appointed on: 2017

End of current term of office: 2019

After holding positions at the Austrian branches of Chase Manhattan Bank AG and Crédit Lyonnais AG, Gabriele Semmelrock-Werzer worked for Erste Group Bank AG since 1995 in Investor Relations, and later on in the areas of commercial clients, international financial institutions and the retail client business. She has been Director of the Managing Board of Kärntner Sparkasse AG since 2011.

Gertrude Tumpel-Gugerell

Year of birth: 1952

First appointed on: 2012

End of current term of office: 2019

Gertrude Tumpel-Gugerell was Vice Governor of the National Bank of Austria (OeNB) from 1998 to 2003 and Member of its Board of Directors from 1997 to 2003. During this period, she was also the Austrian Vice Governor to the International Monetary Fund and a Member of the Economic and Financial Committee - the most important economic policy advisory committee of the European Union. Gertrude Tumpel-Gugerell was responsible for the Economics and Financial Markets divisions at the National Bank of Austria. From 2003 to 2011, she was a Member of the Executive Board of the European Central Bank.

Changes during the reporting year

Reinhard Ortner deceased on 21 January 2017.

Karl Skyba resigned from his position as 1st Deputy Chairman of the Supervisory Board as of 30 April 2017. During a meeting on 6 April 2017, the Supervisory Board appointed Rudolf Ertl to take his place as 1st Deputy Chairman of the Supervisory Board as of 1 May 2017. Karl Skyba was formally discharged from the Supervisory Board by the VIG General Meeting held on 12 May 2017.

Gerhard Fabisch and Gabriele Semmelrock-Werzer were elected to join the Vienna Insurance Group Supervisory Board during the General Meeting held on 12 May 2017.

SUPERVISORY BOARD INDEPENDENCE

In accordance with Rule 53 of the Austrian Code of Corporate Governance, the Supervisory Board of Vienna Insurance Group has established the following criteria defining independence:

- The Supervisory Board Member has not been a Member of the Managing Board or a senior manager of the Company or subsidiary of the Company in the last five years.
- The Supervisory Board Member does not have a business relationship with the Company or a subsidiary of the Company that is of such significance for the Supervisory Board Member that it affects his or her activities on the Supervisory Board to the detriment of the Company. This also applies to business relationships with companies, in which the Supervisory Board Member has a considerable economic interest.

The approval of individual transactions by the Supervisory Board in accordance with § 95 (5)(12) of the Austrian Stock Corporation Act (AktG) or § 15 (2)(l) of the Articles of Association does not automatically lead to a classification of non-independence. For the purpose of clarification, it is expressly noted that purchase or existence of insurance policies with the Company has no adverse effect on independence.

- The Supervisory Board Member has not been an auditor of the Company's financial statements, or held an ownership interest in or been an employee of the auditing company executing such audits in the last three years.
- 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 on 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 individuals holding one of the positions described above.

The Supervisory Board as a whole is considered to be independent if at least 50% of the members elected by the Annual General Meeting satisfy the criteria above for the independence of a Supervisory Board Member.

Each Member of the Supervisory Board has declared whether they can be considered independent based on the criteria specified by the Supervisory Board. All Supervisory Board Members were independent on 31 December 2017 based on the criteria indicated.

No Supervisory Board Member holds more than 10% of the Company's shares.

The following Supervisory Board Members exercised supervisory mandates or comparable positions in Austrian or foreign listed companies as of 31 December 2017:

Martina Dobringer

Praktiker AG

Georg Riedl

AT&S Austria Technologie und Systemtechnik AG

Gertrude Tumpel-Gugereil

Commerzbank AG
OMV AG

PROCEDURES FOLLOWED BY THE MANAGING BOARD AND THE SUPERVISORY BOARD

Managing Board

The Managing Board manages the business of the Company under the leadership of its Chairperson and within the constraints of the law, articles of association, procedural rules of for the Managing Board those of the Supervisory Board.

The Managing Board meets when needed (generally each week or every two weeks) to discuss current business developments and makes the necessary decisions and resolutions during these meetings. The Managing Board Members continuously exchange information with each other and the heads of various departments.

Supervisory Board

The Supervisory Board performs all activities defined under the law, articles of association and the procedural rules of the Supervisory Board. In order to ensure effectiveness and efficiency of its activities and procedures, the Supervisory Board examines its procedures regularly in the form of a self-evaluation at least once a year. The Supervisory Board's evaluation of its activities in 2017 found that its organisational structure and procedures were satisfactory in terms of efficiency and in compliance with the law. It found no need for change or desire for change in the practices followed to date.

The Supervisory Board and its committees, Chairpersons and Deputy Chairpersons continuously monitor and regularly examine Company Management as well as the activities of the Managing Board in terms of managing and monitoring the Group. Detailed presentations and discussions during meetings of the Supervisory Board and its committees are used for this purpose, as are thorough and, in some cases, in-depth discussions with the members of the Managing Board who provide detailed explanations and supporting documentation relating to the management and financial position of the Company and the Group. Strategy, business development (overall and in individual regions), risk management, the internal control system, internal audit activities and reinsurance - at the VIG Holding level as well as at Group level - are also discussed during these meetings.

The Supervisory Board and the Audit Committee also hold directly engage with the financial statements auditor and the

consolidated financial statements auditor in order to familiarise themselves with the accounting process and audit progress, and to inquire whether the audit has produced any important findings. Provision was made for exchanges between the members of the Audit Committee and the (consolidated) financial statement auditor in such meetings without the presence of the Managing Board, but no member of the Audit Committee took advantage of this opportunity during the reporting year. During the meetings about annual and consolidated financial statements, the audit reports are discussed and debated with the audit managers in detail both with the Audit Committee and with the entire Supervisory Board. The Audit Committee examined the Company's Solvency and Financial Condition Report (SFCR) and reported its findings to the Supervisory Board. The latter found no grounds for objection.

The Supervisory Board also receives quarterly reports from the internal audit department and asks the head of internal audit to provide detailed explanations of individual issues and audit focal points if necessary. The annual audit plan is submitted to the Supervisory Board. The Managing Board explains the organisation and operation of the risk management system and internal control system to the Supervisory Board at least once a year, and provides the Supervisory Board with a written report on this subject so that it can confirm efficiency of the systems. The Audit Committee also examines the report and assessment of the functioning of the risk management system prepared by the (consolidated) financial statements auditor and reports its findings to the Supervisory Board.

At least once a year, the Managing Board presents the Supervisory with the measures to be taken by the Group in order to prevent corruption, and the Supervisory Board discusses those.

When preparing nominations to the Annual General Meeting regarding the election of new Supervisory Board Members, the latter takes the prerequisites set by law and the Austrian Corporate Governance Code into account which a Supervisory Board Member must satisfy and observe.

The Audit Committee and Supervisory Board also strictly ensure that all of the requirements and conditions provided under the law and the Austrian Corporate Governance Code are fully satisfied when preparing the general meeting proposal on selection of the (consolidated) financial statements auditor. In addition, after the audit of the consolidated financial statements has been completed, the Supervisory Board is provided with a list showing the total audit expenses of all Group companies. This list provides a separate breakdown of expenses relating to the consolidated financial statements auditor, the members of the network to which the consolidated financial statements auditor pertains. The same goes for other financial statement auditors who work for the Group.

The Supervisory Board has formed five separate committees among its members: a Committee for Urgent Matters (Working Committee), an Audit Committee (Accounts Committee), a Committee for Managing Board Matters (Compensation Committee), a Strategy Committee and a Nomination Committee.

SUPERVISORY BOARD COMMITTEES

The following qualified Supervisory Board committees were established to increase its efficiency and to address complex matters:

COMMITTEE FOR URGENT MATTERS (WORKING COMMITTEE)

The Committee for Urgent Matters (Working Committee) decides on matters that require approval of the Supervisory Board, but cannot be deferred to the next ordinary Supervisory Board meeting because of particular urgency.

Günter Geyer (Chairman)

Substitute: Gertrude Tumpel-Gugerell

Rudolf Ertl

Substitute: Martina Dobringer

Georg Riedl

Substitute: Maria Kubitschek

AUDIT COMMITTEE (ACCOUNTS COMMITTEE)

The Audit Committee (Accounts Committee) is responsible for the duties assigned by § 92 (4a) no. 4 of the Austrian Stock Corporation Act (AktG), § 123 (9) of the Austrian Insurance Supervision Act (VAG) and Regulation (EU) No. 537/2014, namely:

1. To monitor the accounting process and provide recommendations or suggestions to ensure its reliability;
2. To monitor the effectiveness of the Company's internal control system and, if applicable, the internal audit function and risk management system;
3. To monitor the audit of the financial statements and the consolidated financial statements, taking into account the findings and conclusions in reports published by the Supervisory Authority for financial statement auditors in accordance with § 4 (2) no. 12 of the Austrian Auditor Supervision Act (APAG);
4. To check and monitor the independence of the financial statement auditor (consolidated financial statement auditor), in particular with respect to the additional services provided for the audited company; Art. 5 of Regulation (EU) No. 537/2014 and § 271a (6) UGB apply;
5. To report the results of the financial statement audit to the Supervisory Board and explain how the financial statement audit has contributed to the reliability of the financial reports and the role of the Audit Committee in this;
6. To audit the annual financial statements and prepare their approval, examine the proposal for appropriation of profits, the management report, the solvency and financial condition report and, if applicable, corporate governance report, and present a report on the audit findings to the Supervisory Board or to the Board of Directors;
7. If necessary, audit the consolidated financial statements and Group management report, the solvency and financial condition report at Group level and the corporate governance report at consolidated level, and report the results of the audit to the Supervisory Board or to the Board of Directors;

8. To perform the procedure to elect the financial statement auditor (consolidated financial statement auditor) taking into account the appropriateness of the fees in accordance with Art. 4 of Regulation (EU) No. 537/2014 and the rotation periods in Art. 17 of Regulation (EU) No. 537/2014, and recommend appointment of a financial statement auditor (consolidated financial statement auditor) to the Supervisory Board in accordance with Art. 16 of Regulation (EU) No. 537/2014.

In addition, the Audit Committee (Accounts Committee) will determine in a further meeting (another meeting, in addition to the meeting required by law) how communication between the (consolidated) financial statements auditor and the Audit Committee will take place, leaving the option open for the Audit Committee (Accounts Committee) and the (consolidated) financial statements auditor to meet without an Managing Board Member being present.

All members of the Audit Committee are experienced financial experts with knowledge and practical experience in finance, accounting and reporting that satisfy the requirements of the Company.

Gertrude Tumpel-Gugerell (Chairwoman)

1st substitute: Gabriele Semmelrock-Werzer

2nd substitute: Heinz Öhler

Georg Riedl (Deputy Chairman)

1st substitute: Gabriele Semmelrock-Werzer

2nd substitute: Heinz Öhler

Martina Dobringer

Substitute: Heinz Öhler

Rudolf Ertl

1st substitute: Gabriele Semmelrock-Werzer

2nd substitute: Heinz Öhler

Günter Geyer

1st substitute: Gabriele Semmelrock-Werzer

2nd substitute: Heinz Öhler

Maria Kubitschek

Substitute: Heinz Öhler

COMMITTEE FOR MANAGING BOARD MATTERS (COMPENSATION COMMITTEE)

The Committee for Managing Board Matters (Compensation Committee) deals with personnel matters of the Managing Board. The Committee for Managing Board Matters therefore decides on employment contract terms with members of the Managing Board and their compensation and examines remuneration policies at regular intervals.

Günter Geyer (Chairman)

Rudolf Ertl

Georg Riedl

STRATEGY COMMITTEE

The Strategy Committee cooperates with the Managing Board and, when appropriate, with experts that it consults in order to prepare fundamental decisions that will subsequently be decided upon by the entire Supervisory Board.

Günter Geyer (Chairman)

Substitute: Gertrude Tumpel-Gugerell

Rudolf Ertl

Substitute: Martina Dobringer

Georg Riedl

Substitute: Gabriele Semmelrock-Werzer

NOMINATION COMMITTEE

The Supervisory Board adopted a resolution to establish a Nomination Committee during its meeting on 30 May 2017. The Nomination Committee submits proposals to the Supervisory Board to fill positions that become available on the Managing Board and handles issues regarding successor planning.

Günter Geyer

Rudolf Ertl

Georg Riedl

Martina Dobringer

In 2014, the Supervisory Board gave its consent to VIG Holding and other companies of the Group that allowed them to use the legal services of Georg Riedl, Supervisory Board Member, and engage him or his law firm to act as a representative and provide advisory services on a pro-

ject-related basis under normal market terms. Georg Riedl is a lawyer who has performed consultancy services for the Group, for which he received fees totalling (nett) EUR 117,610.82 plus cash expenses and 20% VAT (of which EUR 73,174.99 plus cash expenses and 20% VAT were for VIG Holding) in the 2017 reporting year. Supervisory Board Members Gerhard Fabisch and Gabriele Semmelrock-Werzer are members of the managing boards of companies with which distribution agreements were concluded under normal market and industry terms and conditions. The Company did not enter into any other agreements with Supervisory Board Members in 2017 that would have required the approval of the Supervisory Board.

NUMBER OF MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES IN THE 2017 REPORTING YEAR

One Annual General Meeting and seven Supervisory Board meetings distributed over the reporting year were held in 2017. Five meetings of the Audit Committee were also held. The financial statement and consolidated financial statement auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG), attended four Audit Committee meetings and the Supervisory Board meetings in 2017 that also addressed auditing of the 2016 annual financial statements and the 2016 consolidated financial statements and formal approval of the 2016 annual financial statements, and also attended the Annual General Meeting. The Committee for Urgent Matters held two meetings in 2017. The Committee for Managing Board Matters held four meetings and the Nomination Committee held two. The Strategy Committee held one meeting in 2017; strategic matters were also handled by the entire Supervisory Board.

No member of the Supervisory Board attended less than half of the Supervisory Board meetings.

MANAGING BOARD AND SUPERVISORY BOARD COMPENSATION

The Company compensation guidelines are based on the provisions of Solvency II and have been in effect since 1 January 2016, with minor amendments in 2017. The guidelines include standards intended to prevent the compensation rules from resulting in incentives to assume ex-

cessive risk and avoid conflicts of interest to the extent possible. The Company guidelines include further provisions for key positions – in particular variable compensation for these positions – that are generally aimed at promoting sustainability and careful dealing with risks. The Company guidelines apply to both insurance and reinsurance companies within the Group and therefore apply to all significant subsidiaries included in the consolidation scope.

Compensation plan for Managing Board Members of the Company

Managing Board compensation takes into account the importance of the Group and the responsibility that goes with it, the economic situation of the Company, and the appropriateness of the remuneration in the market environment.

The variable portion of the compensation emphasises the need for sustainability and achieving it fully depends critically on an analysis of the sustainable performance of the Company that extends beyond a single reporting year.

The performance-related compensation is limited. The maximum performance-related compensation that the Managing Board Member can receive by overachieving the traditional targets in the 2017 reporting year is around 60% of their fixed salary. Bonus compensation can also be earned for appropriate target achievement. In total, the Managing Board Members can earn variable compensation equal to a maximum of around 80% to around 112% of their fixed compensation in this way.

Large parts of performance-related compensation is only paid after a delay. The delay for the 2017 reporting year extends to 2021. The deferred portions are awarded based on the sustainable performance of the Group. The evaluation of target achievement also includes non-financial factors – in 2017, this was the promotion of corporate governance aspects that express social responsibility in practice, in particular the “Social Active Day”.

The Managing Board is not entitled to performance-related compensation if performance fails to meet certain thresholds. Even if the targets are fully met in a given reporting year, because of the focus on sustainability, the full variable compensation is only awarded if the Group also achieves sustainable performance in the three following years.

The main performance criteria for variable compensation in 2017 were the combined ratio, premium growth, result before taxes and the promotion of social responsibility in practice, and for bonus compensation those were country-specific targets and requirements related to cooperations.

Managing Board compensation does not include stock options or similar instruments.

In 2017, active Managing Board Members received the following for their services to the Company and as managers of affiliated companies during the reporting period:

	2017						Total
	Stadler	Fuchs	Gröll*	Havasi	Höfner	Simhandl	
in EUR '000							
VIG Holding remuneration	999	768	475	734	768	768	4,511
Fixed	714	517	258	517	517	517	3,040
Variable remuneration for 2016	285	217	217	217	217	217	1,371
Variable remuneration for previous years	0	33	0	0	33	33	100
Variable remuneration from affiliated companies for previous operating activities	64	0	0	52	0	0	115
Total	1,063	768	475	786	768	768	4,627

*Mr Gröll left the Managing Board on 30 June 2017.

	2016						
	Stadler	Fuchs	Gröll*	Havasi	Höfinger	Simhandl	Total
in EUR '000							
VIG Holding remuneration	706	738	511	511	738	738	3,942
Fixed	706	511	511	511	511	511	3,262
Variable remuneration for 2016	0	0	0	0	0	0	0
Variable remuneration for previous years	0	226	0	0	226	226	679
Variable remuneration from affiliated companies for previous operating activities	94	0	0	173	0	0	267
Total	800	738	511	684	738	738	4,209

A standard employment contract for a Managing Board Member of the Company includes a pension equal to a maximum of 40% of the measurement base if the member remains on the Managing Board until the age of 65 (the measurement base is equal to the standard fixed salary). This pension amount can be increased in individual cases if work continues past the maximum pension age, since a pension is not drawn during this period.

A pension is normally received only if a Managing Board Member's position is not extended and the member is not at fault for the lack of extension, or the Managing Board Member retires due to illness or age.

The contracts for Managing Board members who have been active in the Group for a long time are entitled to a severance payment structured in accordance with the provisions of the Austrian Employee Act (Angestelltengesetz), as amended in 2003, in combination with applicable industry-specific provisions. This allows Managing Board Members to receive a severance payment equal to two to twelve months' compensation, depending on the period of service, with a supplement of 50% if the member retires or leaves after a long-term illness.

A Managing Board Member who leaves by their own choice before retirement is possible, or leaves due to their own fault, is not entitled to severance payment. The provisions of the Austrian Employee and Employment Provisions Act apply to the remaining Managing Board Member's contracts.

Managing Board Members are provided with a company car for both business and personal use.

Compensation plan for the Supervisory Board Members

In accordance with the resolutions adopted by the 21st ordinary General Meeting on 4 May 2012, the Supervisory Board Members elected by the General Meeting are entitled to receive compensation in the form of a payment remitted monthly in advance. Supervisory Board Members who withdraw from their positions before the end of a month still 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 participating in the meeting). The total compensation paid to Supervisory Board Members in 2017 was EUR 494,000.

Supervisory Board Members received the following amounts:

	2017
in EUR '000	
Günter Geyer	88
Rudolf Ertl	64
Maria Kubitschek	53
Provost Bernhard Backovsky	36
Martina Dobringer	46
Gerhard Fabisch ¹	22
Hofrat Dkfm. Heinz Öhler	36
Reinhard Ortner ²	2
Georg Riedl	55
Gabriele Semmelrock-Werzer ¹	25
Karl Skyba ³	24
Gertrude Tumpel-Gugerell	42
Total	494

¹ Elected to the Supervisory Board in the General Meeting of 12 May 2017

² Reinhard Ortner deceased on 21 January 2017.

³ Karl Skyba left the Supervisory Board on the effective date through formal discharge by the General Meeting on 12 May 2017.

Supervisory Board compensation does not include stock options or similar instruments.

DIVERSITY CONCEPT

With around 50 companies and more than 25,000 employees in Austria and Central and Eastern Europe, Vienna Insurance Group combines many countries, languages and cultural backgrounds. Diversity is a key strategic priority in its human resources strategy.

Vienna Insurance Group follows a bottom-up approach with respect to diversity management for the Company's boards. By applying diversity management to all personnel, the Group expects to generate the corresponding diversity in the candidate pool for internal successor planning in the long term.

For Vienna Insurance Group, diversity reflects both the similarities and the differences it encounters in the Group, its markets and its partners as well as customers. Diversity management is based on genuine appreciation and open acceptance of diversity, and makes conscious use of this diversity. The Group includes this understanding of diversity in the VIG Code of Business Ethics: *"We tolerate no discrimination. We are committed to equal opportunity in the hiring and promotion of employees, regardless of their beliefs, religion, gender, worldview, ethnic background, nationality, sexual orientation, age, skin colour, disability or marital status."*

Group and VIG Holding level

Vienna Insurance Group developed a new diversity concept in 2017 based on this understanding that focuses on the criteria of gender, generations and internationality at Group level, and refined and developed measures for the following criteria:

- **Gender:** Ensure equal treatment for women and men in all areas (career and development options, benefits and income, etc.)
- **Generations:** Use mixed-age teams and take the various phases of life to develop full potential into account. Generation-appropriate offers and support in the various phases of life, learn from one another, healthy work, fair recruitment

- **Internationality:** Group-wide exchange of know-how (local expertise), learning, use of VIG's internal job market and ensuring an appropriate mix of people from different countries within VIG Holding

The criteria of gender, generations and internationality are also taken into account when new Supervisory Board Members are proposed for election at General Meetings.

Vienna Insurance Group has relied on the concept of local entrepreneurship for decades, thereby also promoting a very internationally diverse "community" of Group Managing Board Members and CEOs.

The topic of diversity is a key element in Group-wide management development training programmes, in terms of content as well as the participants and lecturers.

Group company level

Based on the principle of local entrepreneurship, the VIG insurance companies choose their own priorities against the background of priorities set for diversity at VIG Holding and at Group level. The Group sustainability report presents examples of successful implementation of the diversity concepts at Group company level on page 31.

The diversity concept at Group level was presented to the managing board chair members of the subsidiaries during a meeting in November 2017. The diversity concept was also a central topic at the Group conference for human resources managers in October 2017.

Diversity Officer

The VIG Managing Board appointed Angela Fleischlig-Tangl as Diversity Officer as of May 2017. In this newly created position, she advises both VIG Holding and local VIG companies on matters related to diversity management.

MEASURES TO PROMOTE WOMEN IN MANAGING BOARD, SUPERVISORY BOARD AND MANAGEMENT POSITIONS IN THE GROUP

Appreciation of diversity and, therefore, removing barriers in women's careers is one of the key elements of the human resource strategy at VIG.

Gender is one of the three priorities of the diversity concept at both Group and VIG Holding level.

Nomination procedures for Group-wide training programmes for management, high potentials and experts are also required to include an equal number of women as far as possible, with the local human resources department bearing ultimate responsibility.

Female supervisory board members

Women hold around 18.0% of the positions at Vienna Insurance Group supervisory boards across Europe (as at 31 December 2017) and 40.0% of the positions in VIG Holding.

Female managing board members

Women hold around 22.9% of the positions on the Managing Boards of VIG insurance companies and around 11.6% of the Managing Board chairs are women. In VIG Holding, 40.0% of the Managing Board Members were female as of 31 December 2017 (since 1 February 2018: 50.0%). Elisabeth Stadler has been the head of the Group since 2016.

Females in management positions

Including distribution, women hold around 42.5% of the management positions at the level directly below the man-

aging board of VIG insurance companies across Europe (not including distribution: around 47.3%).

GENERATIONS AND INTERNATIONALITY

The average age of all managing board members is around 48 years (as of 31 December 2017), and the average age of supervisory board members is around 55 years. 22 different nationalities (based on citizenship) are represented in the managing boards of VIG insurance companies, and 21 different nationalities in the supervisory boards. Further information is provided in the sustainability report on page 31.

EXTERNAL EVALUATION

C-Rule 62 of the Austrian Code of Corporate Governance provides voluntary external evaluation of compliance with the C-Rules of the Code at least every three years. Vienna Insurance Group had this evaluation performed for the 2017 Corporate Governance Report. All evaluations came to the conclusion that Vienna Insurance Group has complied with all the requirements of the Code. The summarised information of these evaluations is available on the VIG website.

Vienna, 19 March 2018

The Managing Board:



Elisabeth Stadler
General Manager,

Chairwoman of the Managing Board



Franz Fuchs

Member of the Managing Board



Judit Havasi

Member of the Managing Board



Liane Hirner

Member of the Managing Board



Peter Höfinger

Member of the Managing Board



Martin Simhandl

CFO, Member of the Managing Board