

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 in Vienna Insurance Group.

The Austrian Code of Corporate Governance was introduced in 2002 and is 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. § 243c UGB and § 267b UGB (Consolidated Corporate Governance Report) were 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.

Vienna Insurance Group Managing Board, Supervisory Board and employees consider observance of and compliance with the rules of the Austrian Code of Corporate Gov-

ernance to be highly important for the practical implementation of corporate governance. All 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 that must be observed. 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.

VIG’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) and Makedonija (North Macedonia). The corporate governance reports are included in the annual reports of these companies and can be accessed through their respective websites: www.raysigorta.com.tr (About > Investor Relations), 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.

Vienna Insurance Group’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 six members as of 31 December 2018:



Elisabeth Stadler
General Manager,
Chairwoman of the Managing Board

Year of birth: 1961

Date first appointed: 1 January 2016

End of current term of office:

30 June 2023

Elisabeth Stadler studied actuarial mathematics at the Vienna Technical University and began her 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, General Secretariat, European Affairs, Group Communication & Marketing, Group Sponsoring, Human Resources, Group Development and Strategy, Asset Management, Treasury/Capital Market, Affiliated companies department, Bancassurance

Country responsibilities: Austria, Czech Republic

Supervisory board positions or comparable positions in other Austrian and foreign companies outside the Group: 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), Kooperativa (Czech Republic), ČPP (Czech Republic), PČS² (Czech Republic), Compensa Non-Life (Poland), InterRisk (Poland).



Franz Fuchs

Year of birth: 1953

Date first appointed: 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 motor vehicle insurance

Country responsibilities: Moldova, Poland, Romania, Ukraine

Supervisory board positions or comparable positions 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), PČS² (Czech Republic), Compensa Non-Life (Poland), InterRisk (Poland).

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".

² The planned merger of PČS and Kooperativa was officially concluded at the beginning of January 2019.



Judit Havasi

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

Judit Havasi studied law and 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 starting in 2011. She has been a Member of the Vienna Insurance Group Managing Board since January 2016.

Areas of responsibility: Planning & Controlling, Legal department, Group IT, Data Management & Processes, Performance management personal, Asset Risk Management

Country responsibilities: Hungary

Supervisory board positions 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).



Liane Hirner, CFO

Year of birth: 1968
First appointed on: 1 February 2018
End of current term of office:
31 January 2023

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 Hirner was partner in the insurance area. 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. Liane Hirner was appointed to the Vienna Insurance Group Managing Board on 1 February 2018. She assumed the position of CFO on 1 July 2018.

Areas of responsibility: Finance and accounting

Country responsibilities: Germany, 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".



Peter Höfing

Year of birth: 1971

Date first appointed: 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), Group reinsurance

Country responsibilities: Albania and Kosovo, Bosnia-Herzegovina, Bulgaria, Croatia, North Macedonia, Montenegro, Serbia, Baltic states



Peter Thirring

Year of birth: 1957

Date first appointed: 1 July 2018

End of current term of office:

30 June 2023

Peter Thirring studied law at the University of Vienna. He has used his more than 30 years of insurance experience in the Generali insurance group. He was General Manager of Donau Versicherung from March 2016 to the end of June 2018. Peter Thirring was appointed to the Vienna Insurance Group Managing Board on 1 July 2018.

Areas of responsibility: Group external income reinsurance

Country responsibilities: Georgia, Liechtenstein, Slovakia, Turkey

Peter Thirring is also active in the Supervisory Boards of significant¹ Vienna Insurance Group companies: Kooperativa (Slovakia).

The Managing Board as a whole is responsible for Enterprise Risk Management, Actuarial department, Group Compliance, Internal Audit, Investor Relations.

In addition, Gábor Lehel (year of birth 1977) was appointed as a substitute member of the Managing Board for financial year 2018 and may become a full Member if a current Member of the Managing Board can no longer perform his or her duties.

Changes during and after the end of the financial year

Martin Simhandl (year of birth 1961) was a Member of the Vienna Insurance Group Managing Board in financial year 2018 from 1 January 2018 to 30 June 2018 and left the Managing Board at the end of his term of office on 30 June 2018.

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".

Gábor Lehel (year of birth 1977) and Gerhard Lahner (year of birth 1977) have been appointed as substitute Members of the Managing Board for financial year 2019 and may become full Members if a current Member of the Managing Board can no longer perform his or her duties.

MEMBERS OF THE SUPERVISORY BOARD

The Supervisory Board had the following ten members as of 31 December 2018:

Günter Geyer **Chairman**

Year of birth: 1943

Date first appointed: 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 of Wiener Städtische. The Company's entry into the CEE market, with the establishment of the Kooperativa insurance companies in Bratislava and Prague and expansion into other CEE countries to become a major international insurance group, began under his leadership. Günter Geyer receives many national and international awards for his involvement in these countries. For example, he received an honorary doctorate degree from the University of Economics in Bratislava for his contribution to the development of the insurance industry in the Republic of Slovakia. Günter Geyer resigned from his position as Chairman of the Managing Board of Vienna Insurance Group on 31 May 2012. He has held the position of Chairman of the Supervisory Board of Wiener Städtische since 2009 and Chairman of the Supervisory Board of Vienna Insurance Group since 2014. He is also the Chairman of the Managing Board of Wiener Städtische Wechselseitiger Versicherungsverein, the principal shareholder of Vienna Insurance Group.

Rudolf Ertl **1st Deputy Chairman**

Year of birth: 1946

Date first appointed: 2014

End of current term of office: 2019

Rudolf Ertl is Doctor of Laws and has been with the Group since 1972. He was a Member of the Managing Board of Wiener Städtische until the end of 2008 and a Member of the Managing Board of Donau Versicherung until June 2009. He is a Member of the Managing Board of Wiener Städtische Wech-

selseitiger Versicherungsverein, the principal shareholder of VIG. The insurance expertise he has accumulated over many years, and his knowledge of the CEE region make Rudolf Ertl a major asset to the Company as 1st Deputy Chairman of the Supervisory Board.

Maria Kubitschek **2nd Deputy Chairwoman**

Year of birth: 1962

Date first appointed: 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 had been head of the Economic Division at the Vienna Chamber of Labour starting in 2001, with an interruption from 2011 until 2013 as head of the cabinet for the Austrian Federal Ministry for Transport, Innovation and Technology. She has been Deputy Director of the Vienna Federal Chamber of Labour since 2016, responsible, among other things, for coordinating the digitalisation strategy of the Federal Chamber of Labour and the digitalisation fund of the Vienna Chamber of Labour, and head of the European office in Brussels. She is also a member of the managing board of the Austrian Institute of Economic Research (WIFO).

Bernhard Backovsky

Year of birth: 1943

Date first appointed: 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. Under his leadership, the business operations of the monastery were reformed and a general renovation of the monastery was completed successfully in 2014. From 2002 until 2017, he was also Abbot General of the Austrian Congregation of the Canons Regular, and from 2010 to 2016 he was Abbot Primate of the International Confederation of the Canons Regular of St. Augustine. In addition to numerous other honours, at the end of 2010 he received the Grand Decoration of Honour in Silver for Services to the Republic of Austria for supporting the Foundation for Street Children in Romania.

Martina Dobringer

Year of birth: 1947

Date first appointed: 2011

End of current term of office: 2019

Martina Dobringer held various management positions in the Coface group starting in 1989 and brings her extensive knowledge of the international insurance industry with her. As Chairwoman of the Managing Board of Coface Central Europe Holding AG, she laid the cornerstone for Coface's successful expansion into this region. From 2001 to 2011, she was General Manager and Chairwoman of the Managing Board of Coface Austria Holding AG. In 2011, she was awarded the Grand Decoration of Honour in Silver 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

Date first appointed: 2017

End of current term of office: 2019

Gerhard Fabisch studied business administration and economics. He joined the Steiermärkische Bank und Sparkassen AG in 1985 and was made a member of the Managing Board in 2001 and Chairman of the Managing Board in 2004. Steiermärkische Bank und Sparkassen AG has a number of affiliated companies abroad, including in Croatia, Serbia and Bosnia-Herzegovina. Gerhard Fabisch is a member of the Board of Directors of ESBG (European Savings and Retail Banking Group) and WSBI (World Savings Banks Institute). He has been President of the Austrian Sparkassenverband since 2014.

Heinz Öhler

Year of birth: 1945

Date first appointed: 2002

End of current term of office: 2019

Heinz Öhler joined the Tiroler Gebietskrankenkasse in 1970, where he initially held a position as head of the Finance Department and later held an executive position until 2011. In this position he managed country-wide projects and represented regional health insurance funds in a variety of ministerial committees, among other things. In March 2007, he was awarded the Grand Decoration of Honour in Gold for Services to the Republic of Austria for his work related to Austrian social security. 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

Date first appointed: 2014

End of current term of office: 2019

After completing his legal studies at the University of Vienna, Georg Riedl has worked as an independent lawyer since 1991. His areas of expertise include company and tax law, mergers & acquisitions, as well as private foundation law and contract law, at which his activities cover national and international transactions.

Gabriele Semmelrock-Werzer

Year of birth: 1958

Date first appointed: 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 in a variety of areas starting in 1995. She headed the Group Investor Relations department from 1999 to 2010, and in addition to international communications also actively assisted the expansion of the Erste Group into the CEE region and spent time in Prague and Bucharest. Since 2011, she has been Chairwoman of the Managing Board of Kärntner Sparkasse AG, which also holds a 70% interest in Sparkasse d.d. in Slovenia.

Gertrude Tumpel-Gugerell

Year of birth: 1952

Date first appointed: 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 the Board of Directors from 1997 to 2003. Gertrude Tumpel-Gugerell also has many years of international experience, at the European level in particular. She was 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.

SUPERVISORY BOARD INDEPENDENCE

In accordance with Rule 53 of the Austrian Code of Corporate Governance, the Supervisory Board of VIG 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 2018 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 other Austrian or foreign listed companies as of 31 December 2018:

Martina Dobringer

Praktiker AG

Georg Riedl

AT&S Austria Technologie und Systemtechnik AG

Gertrude Tumpel-Gugerell

Commerzbank AG

OMV AG

PROCEDURES FOLLOWED BY THE MANAGING BOARD AND BY THE SUPERVISORY BOARD AND ITS COMMITTEES

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 the Managing Board and procedural rules 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, but at least once a year in the form of a self-evaluation. The Supervisory Board's evaluation of its activities in 2018 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 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 Supervisory Board found no grounds for objection.

The internal audit department provides quarterly reports to the Audit Committee. If necessary, the head of internal audit provides detailed explanations of individual issues and audit focal points. The head of internal audit also submits the annual audit plan to the Audit Committee for approval. The Managing Board explains the organisation and effectiveness of the internal control system, internal audit and the risk management system to the Audit Committee at least once a year, and provides the Audit Committee with a written report on this subject so that it can confirm the 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.

The Audit Committee and Supervisory Board as a whole also received the 2018 sustainability report (consolidated non-financial report) from the Managing Board, and reviewed and carefully examined it.

At least once a year, the Managing Board presents the Supervisory Board 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 professional and personal requirements 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. As a public-interest entity, Vienna Insurance Group complies with the special additional rules for external and internal rotation applicable to insurance companies and the special tendering process. 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 established five committees to increase its efficiency and to address complex matters: Committee for Urgent Matters (Working Committee), Audit Committee (Accounts Committee), Committee for Managing Board Matters (Personnel Committee), Strategy Committee and Nomination Committee.

SUPERVISORY BOARD COMMITTEES

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 to it by law and is, in particular, responsible for the duties assigned in § 92 (4a)(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 the internal audit function and risk management system;
3. Monitor the audit of the financial statements and consolidated financial statements taking into account findings and conclusions in reports published by the supervisory authority for financial statement auditors in accordance with § 4 (2)(12) of the Austrian Auditor Supervision Act (APAG);
4. 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 corporate governance report, and present a report on the audit findings to the Supervisory Board;
7. 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;

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.

Furthermore, in a meeting (another meeting, in addition to the meeting required by law), the Audit Committee (Accounts Committee) specifies how the two-way communication between the (consolidated) financial statements auditor and the Audit Committee (Accounts Committee) has to take place, while making provision for exchanges to take place between the Audit Committee (Accounts Committee) and the (consolidated) financial statements auditor without the presence of the Managing Board.

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
(PERSONNEL COMMITTEE)**

The Committee for Managing Board Matters (Personnel 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 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 project-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 (net) EUR 46,081.64 plus cash expenses and 20% VAT (of which EUR 31,470.83 plus cash expenses and 20% VAT were for VIG Holding) in the 2018 financial 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 2018 that would have required the approval of the Supervisory Board.

NUMBER OF MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES IN THE FINANCIAL YEAR 2018

One regular general meeting and four Supervisory Board meetings distributed across the financial year were held in 2018. Four meetings of the Audit Committee were also held. The financial statement and consolidated financial statement auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG), attended three Audit Committee meetings and the Supervisory Board meeting in 2018 that addressed the audit of the 2017 annual financial statements and the 2017 consolidated financial statements as well as formal approval of the 2017 annual financial statements, and also attended the Annual General Meeting. The Committee for Urgent Matters (Working Committee) was contacted once in writing in 2018. Two meetings of the Committee for Managing Board Matters (Human Resources Committee) were held in 2018. The Nomination Committee and Strategy Committee did not meet in 2018. Strategic matters were handled by the Supervisory Board as a whole.

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 include standards intended to prevent the compensation rules from creating incentives to assume excessive risk and to 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 significantly on 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 can receive by overachieving the traditional targets in financial year 2018 is around 60% of fixed salary. Special bonus compensation can also be earned for appropriate special target achievement. In total, the Members of the Managing Board can earn variable compensation equal to a maximum of around 80% to around 105% of their fixed compensation in this way.

Large parts of performance-related compensation are only paid after a delay. The delay for the 2018 reporting year extends to 2022. The deferred portions are awarded based on the sustainable performance of the Group.

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 2018 were the combined ratio, premium growth, result before taxes and – as a non-financial objective – the promotion of social responsibility in practice, and for special bonus compensation those were country-specific targets and requirements related to cooperations.

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

In 2018, active Managing Board Members received the following for their services to the Company and as managers of affiliated companies during the reporting period:

	2018							Total
	Stadler	Fuchs	Havasi	Hirner ¹	Höfing ²	Simhandl ²	Thirring ³	
in EUR '000								
VIG Holding remuneration	1,274	818	818	485	818	553	265	5,031
Fixed	765	528	528	485	528	263	265	3,362
Variable remuneration for 2017	446	242	242	0	242	242	0	1,412
Variable remuneration for previous years	63	48	48	0	48	48	0	256
Remuneration from affiliated companies for (previous) operating activities	0	0	0	0	0	0	278 ⁴	278
Total	1,274	818	818	485	818	553	544	5,309

¹ Liane Hirner has been a Member of the Managing Board since 1 February 2018.

² Martin Simhandl left the Managing Board on 30 June 2018.

³ Peter Thirring has been a Member of the VIG Managing Board since 1 July 2018.

⁴ For his services as Chairman of the Managing Board of Donau Versicherung until 30 June 2018.

	2017						
	Stadler	Fuchs	Gröll*	Havasi	Höffinger	Simhandl	Total
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
	1,063	768	475	786	768	768	4,627

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

The standard employment contract for a Member of the Managing Board of the Company includes – depending, among other things, on the length of time with the Group – 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 compensation). 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 individual 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 these 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, without agreement with the Company, 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 27th ordinary General Meeting on 25 May 2018, 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 2018 was EUR 461,000.

Supervisory Board Members received the following amounts:

	2018	2017
in EUR '000		
Günter Geyer	76	88
Rudolf Ertl	54	64
Maria Kubitschek	51	53
Bernhard Backovsky	37	36
Martina Dobringer	43	46
Gerhard Fabisch ¹	34	22
Heinz Öhler	39	36
Reinhard Ortner ²	0	2
Georg Riedl	46	55
Gabriele Semmelrock-Werzer ¹	36	25
Karl Skyba ³	0	24
Gertrude Tumpel-Gugerell	43	42
Total	461	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 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 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

The Vienna Insurance Group diversity concept focuses on the criteria of gender, generations and internationality at the 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), collaborative 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 32.

Diversity Officer

As Diversity Officer, Angela Fleischlig-Tangl 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 17.9% of the positions in VIG Supervisory Boards (consolidated insurance companies) across Europe (as at 31 December 2018) and 40.0% of the positions in VIG Holding.

Female Managing Board Members

Women hold around 24.1% of the positions on the Managing Boards of VIG insurance companies and around 17.9% of the Managing Board chairs are women. In VIG Holding, 50.0% of the Managing Board Members were women as of 31 December 2018. Elisabeth Stadler is the head of the Group.

Females in management positions

Including distribution, women hold around 47.6% of the management positions at the level directly below the Managing Board of consolidated VIG insurance companies across Europe (not including distribution: 52.2%).

GENERATIONS AND INTERNATIONALITY

The average age of all Managing Board Members of the consolidated insurance companies is around 48 years (as of 31

December 2018), and the average age of Supervisory Board Members is around 56 years. 22 different nationalities (based on citizenship) are represented in the Managing Boards of the consolidated VIG insurance companies, and 20 different nationalities in the Supervisory Boards. Further information is provided in the sustainability report on page 33.

EXTERNAL EVALUATION REPORT

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 last had this evaluation performed in 2018 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 Vienna Insurance Group website.

Vienna, 20 March 2019

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



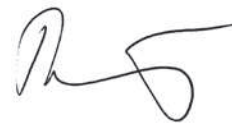
Liane Hirner

CFO, Member of the Managing Board



Peter Höfing

Member of the Managing Board



Peter Thirring

Member of the Managing Board