

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 amended periodically to account for changes in the law and current trends. It is the standard for good corporate governance and control in Austria. The provisions of the Code contribute to the strengthening of trust in the Austrian capital market, and the report that companies are required to publish on compliance with these provisions requires a high level of transparency.

Vienna Insurance Group views corporate governance as a continuous process that changes in response to new conditions and current trends and must be continuously improved for the benefit of the Group and all its stakeholders. The goal of all Corporate Governance measures is to ensure responsible corporate management aimed at long-term growth while simultaneously maintaining effective corporate control.

The Vienna Insurance Group Managing Board, Supervisory Board and employees all 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, discussions regarding the deviation, and detailed information on the composition of, procedures followed by, and the compensation of the Managing Board and Supervisory Board are clearly organised and presented below.

Vienna Insurance Group is committed to the application of and compliance with the July 2012 version of the Austrian Code of Corporate Governance. The rules are divided into the following three categories:

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

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

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

Rule 41:

The Supervisory Board shall set up a nomination committee. In cases of Supervisory Boards with no more than six members (including employee representatives), this function may be exercised by all members jointly. The nomination committee submits proposals to the Supervisory Board for filling positions that become free in the Managing Board and deals with issues of successor planning.

Explanation: Because of its special importance, the issue of successor planning is handled by the Supervisory Board as a whole. The Vienna Insurance Group Supervisory Board has therefore not established a nomination committee.

Members of the Managing Board and areas of responsibility as of 31 December 2012

The Vienna Insurance Group Managing Board has five members:



Peter Hagen
General Manager

Year of birth: 1959
Date first appointed: 2004
End of current term of office:
30 June 2018

Peter Hagen has been a member of the Managing Board since 1 July 2004. Prior to that, he managed the General Secretariat, the international division and the Group's reinsurance unit. From January 1998 to December 2002, Mr Hagen was a member of the Managing Board of the Group's Kooperativa companies, and from November 2007 to December 2009, he was Deputy General Manager and Member of the Managing Board of Kooperativa (Czech Republic). He played a key role in the establishment of the Group reinsurance company VIG RE in 2008. Mr Hagen has been Chairman of the Managing Board and General Manager since 1 June 2012.

Areas of responsibility: Group management, strategic planning, public relations, marketing, sponsoring, legal matters, people management, performance management motor vehicle insurance, asset risk management

Country responsibilities: Austria (incl. coordination of s Versicherungsgruppe), Czech Republic, Ukraine

Positions held on the Supervisory Boards of other Austrian and foreign companies outside of the Group: voestalpine AG, CEESEG Aktiengesellschaft, Wiener Börse AG



Franz Kosyna
Deputy General Manager

Year of birth: 1954
Date first appointed: 2011
End of current term of office:
30 June 2018

Mr Kosyna has been with the Group since 1983. He was appointed to the Managing Board of Kooperativa (Slovakia) in 1999 and became Deputy General Manager of the company in 2003. Mr Kosyna became General Manager of ČPP in 2006. Following his successful international activities, Mr Kosyna held the position of Chairman of the Managing Board of Donau Versicherung from July 2009 to May 2012. Mr Kosyna was appointed Member of the Vienna Insurance Group Managing Board on 1 July 2011, and assumed the position of Deputy General Manager effective 1 June 2012.

Areas of responsibility: Group IT, international processes and methods, SAP Smile Solutions

Country responsibilities: Albania (incl. Kosovo), Bosnia-Herzegovina, Macedonia, Montenegro, Serbia



Franz Fuchs

Year of birth: 1953
Date first appointed: 2009
End of current term of office:
30 June 2018

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 life insurance and pension funds before joining Vienna Insurance Group. Since 2003, Franz Fuchs has been Chairman of the Managing Board of Compensa Non-life and Compensa Life, and Chairman of the Managing Board of VIG Polska. He was first appointed to the Vienna Insurance Group Managing Board on 1 October 2009.

Areas of responsibility: Performance management personal insurance, strategic initiative health insurance

Country responsibilities: Poland, Romania, Baltic States

Positions held on the Supervisory Boards of other Austrian and foreign companies outside of the Group: C-QUADRAT Investment AG



Peter Höfinger

Year of birth: 1971
Date first appointed: 2009
End of current term of office:
30 June 2018

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

Areas of responsibility: International corporate and large customer business, Vienna International Underwriters (VIU), reinsurance, strategic initiative SME business, strategic initiative private customers property

Country responsibilities: Belarus, Bulgaria, Croatia, Hungary, Slovakia



Martin Simhandl, CFO

Year of birth: 1961

Date first appointed: 2004

End of current term of office:

30 June 2018

Martin Simhandl began his career with the Group in 1985 in the legal department of Wiener Städtische. In 1995, he became head of subsidiaries department, and in 2003 he took over coordination of the Group's investment activities. In 2002 and 2003, Mr 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, Mr Simhandl was appointed to the Managing Board of the Company.

Areas of responsibility: Asset management, subsidiaries department, finance and accounting, group cost structure, internal capital model project (project Solvency II), treasury/capital market

Country responsibilities: Georgia, Germany, Liechtenstein, Turkey

Positions held on the Supervisory Boards of other Austrian and foreign corporations outside of the Group: Ringturm Kapitalanlagen GmbH, Wiener Hafen Management GmbH, Vienna 3420 Aspern Development AG

The entire Managing Board is responsible for the general secretariat, group controlling, enterprise risk management/Solvency II, actuarial department, internal audit and investor relations.

The following three deputy members were also appointed to the Managing Board, and will become members of the Managing Board if a member of the Managing Board becomes permanently incapable of performing his or her duties:

Martin Diviš (year of birth: 1973)

Roland Gröll (year of birth: 1965)

Judit Havasi (year of birth: 1975)

Members of the Supervisory Board as of 31 December 2012:**Wolfgang Ruttenstorfer****Chairman**

Year of birth: 1950

Date first appointed: 2010

End of current term of office: 2014

Karl Skyba**Deputy Chairman**

Year of birth: 1939

Date first appointed: 1992

End of current term of office: 2014

Bernhard Backovsky

Year of birth: 1943

Date first appointed: 2002

End of current term of office: 2014

Martina Dobringer

Year of birth: 1947

Date first appointed: 2011

End of current term of office: 2014

Alois Hohegger

Year of birth: 1949

Date first appointed: 2005

End of current term of office: 2014

Heinz Öhler

Year of birth: 1945

Date first appointed: 2002

End of current term of office: 2014

Reinhard Ortner

Year of birth: 1949

Date first appointed: 2007

End of current term of office: 2014

Martin Roman

Year of birth: 1969

Date first appointed: 2010

End of current term of office: 2014

Friedrich Stara

Year of birth: 1949

Date first appointed: 2002

End of current term of office: 2014

Gertrude Tumpel-Gugerell

Year of birth: 1952

Date first appointed: 4. May 2012

End of current term of office: 2014

Supervisory Board independence

In accordance with Rule 53 of the Austrian Code of Corporate Governance, the Supervisory Board of 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 significant scope 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 significant economic interest. The approval of individual transactions by the Supervisory Board in accordance with Section 95(5)(12) of the Austrian Stock Corporation Act (AktG) or Section 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 the 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 doing such auditing 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 to be considered independent if at least 50% of the members elected by the General Meeting satisfy the criteria above for independence of a Supervisory Board member.

All members of the Supervisory Board elected by the General Meeting have declared that they can be considered independent in accordance with the criteria specified by the Supervisory Board. No member of the Supervisory Board is a shareholder holding more than 10% of the shares of the Company or represents the interests of such a shareholder.

The following members of the Supervisory Board held supervisory board positions or comparable positions in Austrian or foreign listed companies as of 31 December 2012:

Wolfgang Ruttenstorfer

CA Immobilien Anlagen AG
Flughafen Wien AG
NIS a.d. Naftna industrija Srbije, Novi Sad
RHI AG
Telekom Austria AG

Martina Dobringer

Praktiker AG

Martin Roman

CEZ a.s.

Gertrude Tumpel-Gugerell

Commerzbank AG

Supervisory Board Committees

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

COMMITTEE FOR URGENT MATTERS (WORKING COMMITTEE)

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

Wolfgang Ruttenstorfer

1. Deputy: Gertrude Tumpel-Gugerell
2. Deputy: Alois Hochegger
3. Deputy: Reinhard Ortner

Karl Skyba

1. Deputy: Friedrich Stara
2. Deputy: Heinz Öhler
3. Deputy: Reinhard Ortner

AUDIT COMMITTEE (ACCOUNTS COMMITTEE)

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

1. Monitoring the accounting process;
2. Monitoring the effectiveness of the Company's internal control system, internal auditing system and risk management system;
3. Monitoring audits of the financial statements and consolidated financial statements;

4. Examination and monitoring of the independence of the financial statements auditor (consolidated financial statements auditor), in particular with respect to additional services provided for the audited company;

5. Auditing of the annual financial statements and preparations for their approval, examination of the proposal for appropriation of profits, management report and corporate governance report, and presentation of a report on the audit findings to the Supervisory Board;

6. Auditing of the consolidated financial statements and Group management report, and presentation of a report on the audit findings to the Supervisory Board of the parent company;

7. Preparation of the Supervisory Board proposal for choosing the financial statements auditor (consolidated financial statements auditor).

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 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.

Wolfgang Ruttenstorfer

1. Deputy: Gertrude Tumpel-Gugerell
2. Deputy: Alois Hochegger
3. Deputy: Reinhard Ortner

Karl Skyba

1. Deputy: Friedrich Stara
2. Deputy: Heinz Öhler
3. Deputy: Reinhard Ortner

COMMITTEE FOR MANAGING BOARD MATTERS (COMPENSATION COMMITTEE)

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

Wolfgang Ruttenstorfer
Karl Skyba

STRATEGY COMMITTEE

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

Wolfgang Ruttenstorfer

1. Deputy: Gertrude Tumpel-Gugerell
2. Deputy: Alois Hochegger
3. Deputy: Reinhard Ortner

Karl Skyba

1. Deputy: Friedrich Stara
2. Deputy: Heinz Öhler
3. Deputy: Reinhard Ortner

The Company did not enter into any agreements with members of the Supervisory Board in 2012 that would have required Supervisory Board approval.

Procedures followed by the Managing Board and Supervisory Board

Managing Board

The Managing Board usually meets once a week to discuss current business developments, and makes necessary decisions and resolutions during the course of those meetings. The members of the Managing Board continuously exchange information with each other and the heads of the various departments.

Supervisory Board

The Supervisory Committee performs all activities defined under the law, articles of association and rules of procedure of the Supervisory Committee. In order to ensure the 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 per year. To date, the results of the self-evaluation have always been that the practices used meet the requirements of the Austrian Stock Corporation Act and the Austrian Code of Corporate Governance and that the organisation and procedures of the Supervisory Board are appropriate and satisfactorily efficient for the business activities and business volume of the Company and Group as a whole. Requests and comments made by members of the Supervisory Board during this self-evaluation are taken into account.

The Supervisory Board and its committees, Chairman and Deputy Chairman continuously monitor and periodically examine the management of the Company. Detailed presentations and discussions during Supervisory Board and Supervisory Board Committee meetings serve this purpose, as do recurring discussions between, in particular, the executive committee of the Supervisory Board and the members of the Managing Board, who provide comprehensive explanations and supporting documentation relating to the management and financial position of the Company and the Group. The strategy, business development, risk management, internal control system and activities of the internal audit department of the Company are also discussed at Supervisory Board meetings and in meetings with the Managing Board. The Supervisory Board holds closed Supervisory Board meetings with the Managing Board to discuss policy issues and set long-term growth strategy.

The Supervisory Board and Audit Committee also hold direct discussions with the financial statements auditor and the consolidated financial statements auditor in order to inform themselves regarding the accounting process and the progress of the audit and to inquire whether the audit has produced any material findings. Provision was made for exchanges between the members of the Audit Committee and the (consolidated) financial statements auditor in such meetings without the presence of the

Managing Board. The audit reports are discussed and debated in detail with the audit managers during Audit Committee and Supervisory Board meetings regarding the annual financial statements and consolidated financial statements.

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 per year, and provides the Supervisory Board 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.

At least once per year, the Managing Board presents to the Supervisory Board the precautions taken in the Group to prevent corruption and the Supervisory Board discusses these measures.

When preparing General Meeting proposals concerning the election of new Supervisory Board members, the Supervisory Board takes into account the requirements of the

law and the Austrian Code of Corporate Governance that members of the Supervisory Board must satisfy and observe. Particular attention is paid to ensuring appropriate diversity in the sex, age and international distribution of the members.

The Audit Committee and Supervisory Board also strictly ensure that all of the requirements and conditions provided for under the law and Austrian Code of Corporate Governance 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 for all Group companies. This list provides a separate breakdown according to expenses for the consolidated financial statements auditor, the members of the network to which the consolidated financial statements auditor belongs, and other financial statement auditors working for the Group.

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

Number of meetings of the Supervisory Board and its committees

One ordinary General Meeting and four Supervisory Board meetings were held in 2012. Three meetings of the Audit Committee were also held. The financial statement and consolidated financial statements auditor, PwC Wirtschaftsprüfung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (PwC), attended all three Audit Committee meetings and the Supervisory Board meeting dealing with the auditing of the annual financial statements and consolidated financial statements and formal approval of the annual financial statements, as well as the General Meeting. During a meeting of the Audit Committee, the members of the committee consulted with the (consolidated) financial statements auditor concerning specification of two-way communications without the presence of the Managing Board. The Committee for Urgent Matters held no meetings in 2012 and was not contacted in writing with regard to any matters. The Strategy Committee also did not hold any meetings in 2012.

Two meetings of the Committee for Managing Board Matters were held in 2012. No member of the Supervisory Board attended fewer than half of the Supervisory Board meetings.

Disclosure of information on Managing Board and Supervisory Board compensation

Compensation plan for members of the Managing Board

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 market environment.

The variable portion of the compensation emphasises the need for sustainability in a number of ways. Achieving sustainability depends to a large extent on satisfying performance criteria that extend beyond a single financial year.

The performance-related portion of the remuneration that can be earned has an upper limit and accounts for approximately 50% of the possible total annual income. The awarding of such compensation presupposes that consideration has been given to the sustainable development of the Company and the Group. The Managing Board is not

entitled to the performance-related component of compensation if performance fails to meet certain thresholds.

In 2012, the key performance criteria for variable compensation are the combined ratio, premium growth and the profit before taxes for the years 2012 and 2013. Even if the performance target is met in a financial year, because of the focus on sustainability, the full variable compensation is only awarded if satisfactory performance is also reported in the following year.

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

When setting the gross compensation of the Managing Board members, a certain amount of attention was also paid to equalising net effects, so that if compensation was paid for positions in affiliated companies outside of Austria, where the tax regime was more favourable than that in Austria, a lower gross compensation was set to take account of this fact. This and the different responsibilities of the members of the Managing Board explain the differences in their gross compensation.

In detail, the active members of the Managing Board in 2012 received the following for their service during the reporting period: Peter Hagen EUR 1,189,000 (including EUR 529,000 variable), Martin Simhandl EUR 884,000 (including EUR 408,000 variable), Peter Höfinger EUR 884,000 (including EUR 408,000 variable), Franz Fuchs EUR 378,000 (including EUR 169,000 variable), Günter Geyer, who ceased to be a member of the Managing Board on 31 May 2012, received EUR 877,000 (including EUR 590,000 variable). The members of the Managing Board received the following compensation from affiliated companies for their services to the Company, or as a manager or employee of an affiliated company: Franz Kosyna EUR 867,000 (including EUR 309,000 variable), Franz Fuchs EUR 360,000 (including EUR 169,000 variable).

The standard employment contract for a member of the Vienna Insurance Group Managing Board includes a pension equal to a maximum of 40% of the measurement basis if the member remains on the Managing Board until the age of 65 (the measurement basis is equal to the standard fixed salary).

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.

In cases where the provisions of the Austrian Employee and Self-Employment Provisions Act (*Mitarbeiter- und Selbstständigen-Vorsorgegesetz*) are not applicable by law, the Vienna Insurance Group Managing Board contracts provide for a severance payment entitlement structured in accordance with the provisions of the Austrian Employee Act (*Angestelltengesetz*), as amended in 2003, in combination with applicable sector-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 of his or her own volition before retirement is possible, or leaves due to a fault of his or her own, is not entitled to a severance payment.

Compensation plan for the members of the Supervisory Board

In accordance with resolutions adopted by the 21st ordinary General Meeting on 4 May 2012, the members of the Supervisory Board elected by the General Meeting are entitled to receive compensation in the form of a payment remitted monthly in advance. Members of the Supervisory Board 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 participation in the meeting). The total compensation paid to members of the Supervisory Board in 2012 was EUR 374,000 (2011: EUR 365,000). In detail, the members of the Supervisory Board received the following: Mr Wolfgang Rutenstorfer EUR 65,000, Mr Karl Skyba EUR 46,000, Mr Bernhard Backovsky EUR 29,000, Ms Martina Dobringer EUR 32,000, Mr Alois Hochegger EUR 35,000, Mr Heinz Öhler EUR 33,000, Mr Reinhard Ortner EUR 36,000, Mr Martin Roman EUR 25,000,

Mr Johann Sereinig (until 4 May 2012) EUR 13,000, Mr Friedrich Stara EUR 36,000, Ms Gertrude Tumpel-Gugerell (starting 4 May 2012) EUR 24,000.

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

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

Female Supervisory Board members

Women hold approximately 9% of the positions in Vienna Insurance Group supervisory boards across Europe, and approximately 15% in the Austrian insurance companies. Gertrude Tumpel-Gugerell was newly elected to the Vienna Insurance Group Supervisory Board (holding company) in 2012.

Female Managing Board members

Women hold approximately 20% of the positions on the managing boards of Vienna Insurance Group insurance companies. This means that the average percentage of women holding top management positions at Vienna Insurance Group is significantly higher than in comparable companies, such as the 61 largest German insurance companies, where an average of 6% of the managing board positions are held by women.

In addition, one third of the executives newly appointed to VIG insurance company managing boards in 2012, or newly appointed to the position of chairman or deputy chairman of a managing board, were women. This appointment policy is not based on an internal quota for women, but is instead the result of selecting applicants strictly on the basis of qualifications. As a result, it can be assumed that the percentage of women in top positions at VIG will continue to increase over the medium term.

Women in management positions

Including distribution, women hold approximately 40% of the management positions at the level directly below the managing board in VIG insurance companies across Europe (not including distribution: 45%).

One of the stated goals of Vienna Insurance Group's personnel strategy is to identify and remove barriers to women's careers. A number of different approaches are used to achieve this goal. For example, a key project in the

international 2012/2013 Leadership Development Programme in Bled is dedicated to the identification of such barriers.

Vienna, March 2013

The Managing Board:



Peter Hagen
General Manager,
Chairman of the Managing Board



Franz Kosyna
Deputy General Manager,
Member of the Managing Board



Franz Fuchs
Member of the Managing Board



Peter Höfinger
Member of the Managing Board



Martin Simhandl
CFO, Member of the Managing Board