

Supervisory Board report

The Supervisory Board reports that it has taken the opportunity to comprehensively monitor the management activities of the Company, both acting as a whole and periodically by means of its committees, Chairman and Deputy Chairman. Detailed presentations and discussions during meetings of the Supervisory Board and its committees were used for this purpose, as were recurring meetings with the members of the Managing Board, who provided detailed explanations and supporting documentation relating to the management and financial position of the Company and the Group. The Company's strategy, business development, risk management, internal control system, activities of the internal audit department, the IT strategy of the Company, Managing Board issues, and preparations for Solvency II were also discussed in these meetings.



In accordance with the Solvency II rules, from 2016, non-financial aspects will be part of the performance expectations for variable remuneration of members of the Managing Board. Vienna Insurance Group is committed to social responsibility and importance of having employees drive forward performance, innovation and expertise, and in 2015, it began including non-financial criteria, as well as financial criteria, in the evaluation of the fulfilment of goals for Managing Board members.

The Supervisory Board has formed four committees from its members. Information on the responsibilities and composition of these committees is available on the Company's website and in the corporate governance report.

One regular general meeting and four Supervisory Board meetings distributed across the financial year were held in 2015. 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 all Audit Committee meetings and the Supervisory Board meeting in 2015, including the meeting that focused on the auditing of the annual financial statements of 2014 and consolidated financial statements of 2014 and formal approval of the annual financial statements of 2014, and also attended the

general meeting. The Committee for Urgent Matters was contacted in writing on two occasions. Six meetings of the Committee for Managing Board Matters were held in 2015. The Strategy Committee did not hold any meetings in 2015; strategic matters were handled by the entire Supervisory Board.

All members of the Supervisory Board were present at all Supervisor Board meetings. In order to ensure effectiveness and efficiency of its activities and procedures, the Supervisory Board performed a self-evaluation of its procedures. The Supervisory Board's evaluation of its activities found that the practices followed satisfied the requirements of the Austrian Stock Corporation Act and the Code of Corporate Governance, and that its organisational structure and procedures were satisfactory in terms of efficiency. During the meeting of the Audit Committee, the members of the committee consulted with the (consolidated) financial statements auditor concerning the specification of two-way communications.

Acting upon the proposal and motion of the Supervisory Board, the general meeting selected KPMG to be the financial statements auditor and consolidated financial statements auditor for financial year 2015, and KPMG consequently performed these duties in financial year 2015. KPMG was also commissioned to perform the voluntary external evaluation of the corporate governance report of 2015. The rules 77-83 were examined by Wolf Theiss Rechtsanwälte GmbH & Co KG. The evaluations all came to the conclusion that VIG has complied with all the requirements of the Code.

By inspecting relevant documents, meeting with the Managing Board and holding discussions with the (consolidated) financial statements auditor, the Supervisory Board Audit Committee was able to form a satisfactory view of the accounting process and the procedure used for auditing the financial statements and consolidated financial statements, and found no reasons for objection. The Supervisory Board Audit Committee also monitored independence of the auditor of the financial statements and consolidated financial statements, and after reviewing suitable documents and supporting records submitted to the Committee, particularly with respect to additional services provided to the Company and the Group, was satisfied of the auditor's independence status.

The Audit Committee also reviewed effectiveness of the internal control system, the internal auditing system and the risk management system by obtaining verbal and written descriptions of the processes and organisation of these systems from the Managing Board, the (consolidated) financial statements auditor and the individuals directly responsible for these areas. The Audit Committee reported on these monitoring activities to the Supervisory Board and stated that no deficiencies had been identified. The Supervisory Board was also given the opportunity during Supervisory Board meetings to verify the functional adequacy of the existing control and auditing systems. In addition, the audit plan and the quarterly reports prepared by the internal audit department were debated by the Audit Committee and Supervisory Board and discussed with the head of the internal audit department and the Group audit department. The Supervisory Board found no reasons for objection.

In order to prepare the Supervisory Board proposal for selection of the financial statements and consolidated financial statements auditor, the Audit Committee obtained a list from KPMG of the fees received by the Company broken down by service category, and documents concerning its licence to audit a stock corporation. It was determined that there were no grounds for exclusion or circumstances that could give rise to concerns about impartiality, and that sufficient protective measures had been taken to ensure an independent and impartial audit. It was also ensured that KPMG was included in a statutory quality assurance system. The Audit Committee reported to the Supervisory Board on the findings of these investigations and proposed to the Supervisory Board and subsequently to the general meeting that KPMG be selected as auditor of the financial statements and consolidated financial statements.

In addition, the Supervisory Board Audit Committee received the 2015 annual financial statements, management report and corporate governance report from the Managing Board, and reviewed and carefully examined them. The Supervisory Board Audit Committee also carefully examined the 2015 consolidated financial statements and Group management report, as well as the solvability and financial position report. The Managing Board's proposal for appropriation of profits was also debated and discussed during the course of this examination. As a result of this examination and discussion, a unanimous resolu-

tion was adopted to recommend to the Supervisory Board that they be accepted without qualification.

The committee chairperson informed the Supervisory Board of the resolutions adopted by the committee. The 2015 annual financial statements together with the management report and corporate governance report, the 2015 consolidated financial statements together with the Group management report, and the Managing Board's proposal for appropriation of profits were subsequently taken up, thoroughly discussed, and examined by the entire Supervisory Board.

In addition, the auditor's reports prepared by the (consolidated) financial statements auditor KPMG for the 2015 annual financial statements and management report and the 2015 consolidated financial statements and Group management report were reviewed by the Audit Committee and by the entire Supervisory Board, and debated and discussed with KPMG. KPMG's audit of the 2015 annual financial statements and management report and the 2015 consolidated financial statements and Group management report did not lead to any reservations. KPMG determined that the annual financial statements comply with statutory requirements and give a true and fair view of the net assets and financial position of the Company as of 31 December 2015, and of the results of operations of the Company for financial year 2015 in accordance with Austrian generally accepted accounting principles. The management report is consistent with the annual financial statements. The disclosures pursuant to § 243a UGB are appropriate. KPMG further determined that the consolidated financial statements also comply with statutory requirements and give a true and fair view of the net assets and financial position of the Group as of 31 December 2015, and of the results of operations and cash flows of the Group for financial year 2015 in accordance with the IFRSs as adopted by the EU and the provisions applying to the 2015 financial year of § 80b of the Austrian Insurance Supervision Act (VAG) in combination with § 245a of the Austrian Commercial Code (UGB). The Group management report is consistent with the consolidated financial statements.

The final results of the review by the Audit Committee and the Supervisory Board also provided no basis for reservations. The Supervisory Board stated that it had nothing to add to the auditor's reports for the financial statements and consolidated financial statements.

After a thorough examination, the Supervisory Board therefore adopted a unanimous resolution to approve the annual financial statements prepared by the Managing Board, to raise no objections to the management report, consolidated financial statements and Group management report, and to declare its agreement with the Managing Board proposal for appropriation of profits.

The 2015 annual financial statements have therefore been approved in accordance with § 96(4) of the Austrian Stock Corporation Act (AktG).

The Supervisory Board proposes to the general meeting that it approves the Managing Board's proposal for appropriation of profits and formally approves the actions of the Managing Board and Supervisory Board.

Vienna, April 2016

The Supervisory Board:

A handwritten signature in black ink, appearing to read 'G. Geyer', is centered below the text 'The Supervisory Board:'.

Günter Geyer (Chairman)