

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 (ÖCGK) was introduced in 2002 and is amended periodically to account for changes in the law and current trends. It is the standard for proper corporate governance and control in Austria. Provisions of the Code contribute to 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 is committed to the application of and compliance with the January 2015 version of the Austrian Code of Corporate Governance. § 267b UGB (Consolidated Corporate Governance Report) is also applied when preparing this report.

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

Vienna Insurance Group 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, discussions regarding the areas of deviation and detailed information on the composition of, procedures followed by and the compensation of the Managing Board and Supervisory Board are clearly 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 of a purely recommending nature does not need to be disclosed or explained ("Recommendation")

VIG complies with all of the "Legal Requirements" of the Austrian Code of Corporate Governance as set forth by law. VIG 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 employees' representatives), the function may be exercised by all members jointly. The nomination committee submits proposals to the supervisory board for filling mandates that become free on the management board and deals with issues relating to successor planning.

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

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: Bulstrad Non-Life (Bulgaria), Makedonija (Macedonia) and Ray Sigorta (Turkey). The corporate governance reports are included in the annual reports of these companies and can be accessed on their websites: www.raysigorta.com.tr (About > Investor Relations), www.bulstrad.bg/en/ (About Bulstrad > Financial Results), www.insumak.mk (website link: <http://insumak.mk/sobraniena-akcioneri.php>). Any areas of deviation, and the reasons for these deviations, are indicated in the corporate governance reports for these countries.

MEMBERS OF THE MANAGING BOARD AND AREAS OF RESPONSIBILITY AS OF 1 JANUARY 2017

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



Elisabeth Stadler
General Manager

Year of birth: 1961
Date first appointed: 1 January 2016
End of current term of office:
30 June 2018

Elisabeth Stadler studied actuarial theory at the Vienna Technical University and began her career in the Austrian insurance industry as a Board member and chair. In May 2014, she was awarded the professional title of professor by Federal Minister Gabriele Heinisch-Hosek for her services in the insurance industry. She served as General Manager of Donau Versicherung from September 2014 to March 2016 and has been General Manager of VIG since 2016.

Areas of responsibility: Management of the VIG Group, strategic issues, European issues, corporate communications and marketing, sponsorship, people management, group development and strategy

Country responsibilities: Austria, Czech Republic

Positions held on the Supervisory Boards of other Austrian and foreign companies outside of the Group: Österreichische Post AG, Bank Austria Real Invest Immobilien Kapitalanlage GmbH (until 6 March 2017), Die Österreichische Hagelversicherung, Casinos Austria AG

Elisabeth Stadler also has an active role on the Supervisory Boards of material Vienna Insurance Group companies: Wiener Städtische, Donau Versicherung, s Versicherung, Kooperativa (Czech Republic), ČPP, PČS, InterRisk



Franz Fuchs

Year of birth: 1953
Date first appointed: 1 October 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 the life insurance area and pension funds before joining VIG. Franz Fuchs was Chair of the Managing Board of Compensa Non-life and Compensa Life from 2003 to the beginning of 2014. He has been Chair 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 insurance, asset risk management

Country responsibilities: Baltic states, Moldova, Poland, Ukraine

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

Franz Fuchs also has an active role on the Supervisory Boards of material Vienna Insurance Group companies: Kooperativa (Czech Republic), ČPP, PČS, InterRisk, Omniasig.



Roland Gröll

Year of birth: 1965

Date first appointed: 1 January 2016

End of current term of office:

30 June 2018

Roland Gröll studied at the Vienna University of Economics and Business and joined Wiener Städtische in 1994 in the Finance and Accounting department. He became Deputy Head of the Finance and Accounting department in 2003, and was head of this department from 2008 until the end of 2015. Roland Gröll was also a member of the Managing Board of Donau Versicherung for two years. He has been a member of the Vienna Insurance Group Managing Board since January 2016.

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

Country responsibilities: Bosnia- Herzegovina, Croatia, Macedonia, Romania

Roland Gröll also has an active role on the Supervisory Board of a material Vienna Insurance Group company: Omniasig.



Judit Havasi

Year of birth: 1975

Date first appointed: 1 January 2016

End of current term of office:

30 June 2018

Judit Havasi has worked for the Group since 2000. She began as an internal audit employee in UNION Biztosító and became the head of this company 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 to 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: Solvency II, planning and controlling, law

Country responsibilities: Slovakia

Positions held on the Supervisory Boards of other Austrian and foreign companies outside of the Group: Erste&Steiermärkische Bank d.d., Die Zweite Wiener Vereins-Sparcasse

Judit Havasi also has an active role on the Supervisory Boards of material Vienna Insurance Group companies: Wiener Städtische, Donau Versicherung, Kooperativa (Slovakia).



Peter Höfing

Year of birth: 1971

Date first appointed: 1 January 2009

End of current term of office:

30 June 2018

Peter Höfing has been a member of the Vienna Insurance Group Managing Board since 1 January 2009. Prior to that, he was director of the Managing Board of Donau Versicherung. He joined this company 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, group development and strategy

Country responsibilities: Albania (incl. Kosovo), Bulgaria, Montenegro, Serbia, Hungary, Belarus



Martin Simhandl, CFO

Year of birth: 1961

Date first appointed: 1 November 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 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, subsidiaries department, finance and accounting, treasury/capital markets

Country responsibilities: Germany, Georgia, Liechtenstein, Turkey

Positions held on the Supervisory Boards of other Austrian and foreign companies outside of the Group: CEESEG Aktiengesellschaft, Erste Asset Management, Wiener Hafen Management GmbH, Wiener Börse AG

The Managing Board as a whole is responsible for enterprise risk management (Solvency II), general secretariat, the actuarial department, Group compliance, internal audit and investor relations.

The following two substitute 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)

Gábor Lehel (year of birth: 1977)

* VIG considers all companies that contribute at least 2% of written premiums and at least 2% of profit before taxes to be "material".

MEMBERS OF THE SUPERVISORY BOARD AS OF 31 DECEMBER 2016

Günter Geyer

Chair

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 Chair of the Managing Board. Working in a variety of positions in Austria and the CEE region, he played a major role in VIG's development into a successful international insurance group. Günther Geyer resigned from his position as Chair of the Managing Board of Vienna Insurance Group effective 31 May 2012 and has held the position of Chair of the Supervisory Board since 2014. He is Chair of the Managing Board of Wiener Städtische Wechselseitiger Versicherungsverein, the principal shareholder of Vienna Insurance Group.

Karl Skyba

1st Deputy Chair (until 30 April 2017)

Year of birth: 1939

Date first appointed: 1992

End of current term of office: 2019

Karl Skyba began working with the City of Vienna after graduating from high school in 1957, and his career path took him through a wide variety of positions in the local administration of the City of Vienna. After completing part-time law studies, he held the position of General Manager of the Vienna public utilities from 1991 to the end of 2002.

Maria Kubitschek

2nd Deputy Chair

(since 6 September 2016)

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 was the Head of the Economic Division of the Vienna Chamber of Labour starting in 2001, with a short interruption from 2011-2013 (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

Date first appointed: 2002

End of current term of office: 2019

Bernhard Backovsky was ordained as a priest in 1967 and chosen as the 66th provost of Klosterneuburg Monastery in December 1995, a position that he still holds today. He has also been Abbott President of the Canons Regular of the Lateran Congregation of Austria since 18 October 2002 and was Abbott Primate of the Confederation of the Canons Regular of St. Augustine from 19 October 2010 to 16 October 2016. In addition to numerous other honours, at the end of 2010 he received the Grand Decoration of Honour in Silver for Services Rendered to the Republic of Austria for supporting the Foundation for Street Children in Romania. VIG has been a partner of Klosterneuburg Monastery 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 subsequently developed into Wiener Städtische Versicherungsverein and then into Wiener Städtische and VIG.

Martina Dobringer

Year of birth: 1947

Date first appointed: 2011

End of current term of office: 2019

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

Rudolf Ertl

Year of birth: 1946
Date first appointed: 2014
End of current term of office: 2019

Rudolf Ertl has a Doctor of Laws degree 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 Member of the Managing Board of 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.

Heinz Öhler

Year of birth: 1945
Date first appointed: 2002
End of current term of office: 2019

Heinz Öhler joined the Tyrolean Regional Health Insurance Fund in 1990, where he initially acted as Manager of the Finance Department and later held an executive position until 2011. 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.

Reinhard Ortner †

Year of birth: 1949
Date first appointed: 2007

Reinhard Ortner died unexpectedly at the age of 68 on 21 January 2017. He had been a Member of the Supervisory Board since 2007 (Wiener Städtische and then Vienna Insurance Group). Reinhard Ortner worked in a variety of management positions in Erste Group during the entire 45 years of his professional career. He was highly appreciated for his humanity and consistently fair treatment of business partners and colleagues. We remember him with great respect and admiration.

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 specialisation include company law, mergers and acquisitions, private foundation law and tax law.

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 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 portfolios 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 VIIG has established the following criteria for 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 § 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

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 executing 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 have declared whether they can be considered independent based on the criteria specified by the Supervisory Board. The following members are independent in terms of the points mentioned above: Karl Skyba, Bernhard Backovsky, Martina Dobringer, Maria Kubitschek, Heinz Öhler, Reinhard Ortner †, Georg Riedl, Gertrude Tumpel-Gugerell.

No member of the Supervisory Board is a shareholder with more than 10% of the shares of the Company.

The following members of the Supervisory Board held Supervisory Board positions or comparable positions in Austrian or foreign listed companies as of 31 December 2016:

Martina Dobringer

Praktiker AG

Georg Riedl

AT&S Austria Technologie und Systemtechnik AG
Bwin.Party Digital Entertainment Plc (until 31 January 2016)

Gertrude Tumpel-Gugerell

Commerzbank AG
OMV AG

SUPERVISORY BOARD COMMITTEES

The following qualified Supervisory Board committees were established to increase the efficiency of the Supervisory Board and address complex issues:

COMMITTEE FOR URGENT MATTERS (WORKING COMMITTEE)

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

Günter Geyer (Chair)

1st substitute: Gertrude Tumpel-Gugerell

2nd substitute: Reinhard Ortner †

Karl Skyba (Deputy Chair)

1st substitute: Georg Riedl

2nd substitute: Reinhard Ortner †

Rudolf Ertl

1st substitute: Martina Dobringer

2nd substitute: Reinhard Ortner †

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) and § 123(9) of the Austrian Insurance Supervision Act (VAG), namely:

1. Monitoring the accounting process and providing recommendations or suggestions for ensuring its reliability;
2. Monitoring the effectiveness of the Company's internal control system and, if applicable, the internal audit function and risk management system;
3. Monitoring 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) no. 12 of the Austrian Auditor Supervision Act (APAG);

4. Checking and monitoring 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. Reporting the results of the financial statement audit to the Supervisory Board and explaining how the financial statement audit has contributed to the reliability of the financial reports and the role of the Audit Committee in this;

6. Auditing the annual financial statements and performing preparations for their approval, examining the proposal for appropriation of profits, the management report, solvency and financial position report and, if applicable, corporate governance report, and presenting a report on the audit findings to the Supervisory Board or Board of Directors;

7. If necessary, auditing the consolidated financial statements and Group management report, the solvency and financial position report at the Group level and the corporate governance report at the consolidated level, and reporting the results of the audit to the Supervisory Board or Board of Directors;

8. Performing the procedure for selecting the financial statement auditor (consolidated financial statement auditor), taking into account the appropriateness of the fees, and recommending the 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 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 of the 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 (Chair)

1st substitute: Karl Skyba
2nd substitute: Heinz Öhler

Georg Riedl (Deputy Chair)

1st substitute: Karl Skyba
2nd substitute: Heinz Öhler

Reinhard Ortner †

1st substitute: Maria Kubitschek
2nd substitute: Heinz Öhler

Günter Geyer

1st substitute: Maria Kubitschek
2nd substitute: Heinz Öhler

Rudolf Ertl

1st substitute: Karl Skyba
2nd substitute: Heinz Öhler

Martina Dobringer

1st substitute: Maria Kubitschek
2nd 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 terms of employment contracts with members of the Managing Board and their compensation and examines remuneration policies at regular intervals.

Günter Geyer (Chair)

Karl Skyba (Deputy Chair)

Substitute member: Rudolf Ertl

STRATEGY COMMITTEE

The Strategy Committee cooperates 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.

Günter Geyer (Chair)

1st substitute: Gertrude Tumpel-Gugerell

2nd substitute: Reinhard Ortner †

Karl Skyba (Deputy Chair)

1st substitute: Georg Riedl

2nd substitute: Reinhard Ortner †

Rudolf Ertl

1st substitute: Martina Dobringer

2nd substitute: Reinhard Ortner †

In 2014, the Supervisory Board gave its consent to VIG Holding and other companies in the VIG Group that allowed them to use legal services of Georg Riedl, Member of the Supervisory Board, and engage him or his law firm to act as a representative and provide advisory services on a project-related basis on normal market terms. Georg Riedl provided no advisory services in financial year 2016. The Company did not enter into any other contracts with members of the Supervisory Board in 2016 that would have required an approval of the Supervisory Board.

PROCEDURES FOLLOWED BY THE MANAGING BOARD AND SUPERVISORY BOARD

Managing Board

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

The Managing Board meets when needed (generally each week or every two weeks) to discuss current business developments and makes necessary decisions and resolutions during the course of these meetings. The members of the Managing Board 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 rules of procedure 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 results of the 2016 self-evaluation once again demonstrate that the practices used to 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, Chair and Deputy Chair continuously monitor and periodically examine management activities of the Company. Detailed presentations and discussions during Supervisory Board and Supervisory Board Committee meetings serve this purpose, as do thorough and, in some cases, in-depth discussions between the executive committee of the Supervisory Board and members of the Managing Board, who provide comprehensive explanations and evidence based on supporting documentation relating to the management and financial position of the Company and the Group. Strategy and other topics related to implementation of new legal requirements, business development (overall and in individual regions), risk management, the internal control system, internal audit activities and the IT strategy of the Company were also discussed in the Supervisory Board meetings and discussions with the Managing Board. The Supervisory Board holds closed Supervisory Board meetings with the Managing Board to discuss policy issues and determine the long-term growth strategy.

Supervisory Board and Audit Committee also hold direct discussions 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 financial year. Audit reports are discussed and debated in detail with audit managers during Audit

Committee and Supervisory Board meetings regarding the annual financial statements and consolidated financial statements. The Audit Committee examined the Company's solvency and financial position report and reported its findings to the entire Supervisory Board. The Supervisory Board 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 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 statement 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 statement 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 its members, a Committee for Urgent Matters (Working Committee), an Audit Committee (Accounts Committee), a Committee for Managing Board Matters (Compensation Committee) and a Strategy Committee. Detailed information on these is provided in the "Supervisory Board Committees" section.

NUMBER OF MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES IN FINANCIAL YEAR 2016

One ordinary general meeting and five Supervisory Board meetings distributed across the financial year were held in 2016. 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 meeting in 2016 that dealt with the auditing of the 2015 annual financial statements and 2015 consolidated financial statements and formal approval of the 2015 annual financial statements, and also attended the Annual General Meeting. The Committee for Urgent Matters was contacted in writing on two occasions. Two meetings of the Committee for Managing Board Matters were held in 2016. The Strategy Committee did not hold any meetings in 2016; strategic matters were handled by the Supervisory Board as a whole.

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

The Company compensation guidelines are based on the provisions of Solvency II and entered into effect on 1 January 2016. The guidelines include standards that are generally intended to prevent the compensation rules from creating incentives to assume excessive risk and to avoid conflicts of interest as far as possible. The Company guidelines include further provisions for key positions – in particular the variable compensation for these positions –

that are generally aimed at promoting sustainability and careful handling of risks. The Company guidelines apply to insurance companies and reinsurance companies in the Group and therefore apply to all material subsidiaries included in the scope of consolidation.

Compensation plan for Members of the Managing Board 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 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 financial 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 2016 is between 60% and 65% of fixed compensation.

Large parts of the performance-related compensation are only paid after a delay. The delay for financial year 2016 extends to 2020. The deferred portions are awarded based on the sustainable performance of the Group, and non-financial factors are included in the evaluation of target achievement. For example, the performance-related compensation for 2016 is awarded based on promotion of those aspects of corporate governance that lead to the expression of social responsibility in practice.

Bonus compensation can also be earned for appropriate target achievement. In total, the members of the Managing Board can earn variable compensation equal to a maximum of between 81% and 93% of their fixed compensation in this way. The Managing Board is not entitled to the performance-related component of compensation if performance fails to meet certain thresholds.

Even if the targets are fully met in a financial year, because of the focus on sustainability, the full variable compensation is only awarded if the Company also achieves positive performance in the three following years.

In 2016, the key performance criteria for variable compensation are the combined ratio, premium growth and the result before taxes. The key performance criteria for bonus compensation are country-specific targets.

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

In 2016, the active members of the Managing Board received the following from the Company for their services during the reporting period:

- Elisabeth Stadler EUR 706,000, including EUR 0 variable,
- Franz Fuchs EUR 738,000 (EUR 737,000), including EUR 226,000 (EUR 231,000) variable,
- Roland Gröll EUR 511,000, including EUR 0 variable,
- Judit Havasi EUR 511,000, including EUR 0 variable,
- Peter Höfingler EUR 738,000 (EUR 790,000), including EUR 226,000 (EUR 284,000) variable,
- Martin Simhandl EUR 738,000 (EUR 790,000), including EUR 226,000 (EUR 284,000) variable.

The members of the Managing Board received the following compensation from affiliated companies for their services provided to the Company, or as a legal representative or an employee of an affiliated company:

- Elisabeth Stadler EUR 94,000, including EUR 94,000 variable,
- Judit Havasi EUR 173,000, including EUR 173,000 variable.

The standard employment contract for a member of the Managing Board 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 compensation).

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 Company's 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 between two and 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, or leaves due to a fault of his or her own, is not entitled to a severance payment.

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

Compensation plan for the members of the Supervisory Board

In accordance with the 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 2016 amounted to EUR 428,920.

The members of the Supervisory Board received the following amounts:

Günter Geyer EUR 73,000
 Karl Skyba EUR 44,000
 Maria Kubitschek EUR 38,000
 Bernhard Backovsky EUR 33,000
 Martina Dobringer EUR 39,000
 Rudolf Ertl EUR 43,000
 Heinz Öhler EUR 34,000
 Reinhard Ortner † EUR 43,000
 Georg Riedl EUR 37,000
 Gertrude Tumpel-Gugerell EUR 43,000.

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

MEASURES HAVE BEEN PUT IN PLACE TO PROMOTE WOMEN TO THE MANAGING BOARD, SUPERVISORY BOARD AND MANAGEMENT POSITIONS IN THE GROUP

Women Supervisory Board members

Women hold around 18% of the positions on Vienna Insurance Group supervisory boards across Europe (as at 31 December 2016) and 33% of the positions in VIG Holding.

Women Managing Board members

Women hold around 23% of the positions on the managing boards of Vienna Insurance Group companies, around 13% of the managing board chairs are women, and 33% in VIG Holding. Since 1 January 2016, Elisabeth Stadler has been the first woman managing board chair of an ATX company in Austria.

For comparison, women held 9.8% of the managing board positions in the 59 largest German insurance companies in 2016, and 1.7% of the managing board chair positions in these companies.

Women in management positions

Including distribution, women hold around 42% of the management positions at the level directly below the managing board in VIG insurance companies across Europe (not including distribution: around 47%).

Appreciation of diversity and, therefore, removing barriers to women's careers is one of the key elements of the personnel strategy at Vienna Insurance Group. In addition to implementing this principle to, for example, the management development process, efforts are being made to give visibility to ambitious women at all levels, for example, by assigning more women to attend external conferences, platforms, etc. as representatives of the Company.

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

In the year 2016, managing board performance-related compensation in the individual Group companies was made dependent on diversity and, therefore, gender criteria.

Vienna Insurance Group is specifically involved in events such as the “Business Riot” – the Festival for Women, Work & Entrepreneurship, in particular making contributions on the subject of “actively structuring women’s careers”.

External evaluation

C-Rule 62 of the Austrian Code of Corporate Governance provides for voluntary external evaluation of compliance with the C-Rules of the Code at least every three years.

VIG had this evaluation performed in 2016 for the 2015 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 on these evaluations is available on the website of Vienna Insurance Group. Another external evaluation for financial year 2017 is scheduled for the spring of 2018. The results of this evaluation will also be made available on the website.

Vienna, 22 March 2017

The Managing Board:



Elisabeth Stadler
General Manager,
Chairwoman of the Managing Board



Franz Fuchs
Member of the Managing Board



Roland Gröll
Member of the Managing Board



Judit Havasi
Member of the Managing Board



Peter Höfinger
Member of the Managing Board



Martin Simhandl
CFO, Member of the Managing Board