

Supervisory Board report

The Supervisory Board reports that it has taken the opportunity to monitor the management activities of the Company comprehensively, 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 thorough and, in some cases, in-depth discussions 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 strategy, 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 at 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. VIG is committed to social responsibility and the importance of having employees drive forward performance, innovation and expertise, and in 2016 it included 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 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 focused on the auditing of the annual financial statements of 2015 and consolidated financial statements of 2015, and formal approval of the annual financial statements of 2015, and also attended the 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 agenda items were discussed in Supervisory Board meetings in 2016 without the participation of members of the Managing Board.

No member of the Supervisory Board attended fewer than half of the Supervisory Board meetings. In order to ensure the 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 one of the meetings 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 (FN 269873y) on 29 May 2015 to be the financial statements auditor and consolidated financial statements auditor for financial year 2016, and KPMG consequently performed these duties in financial year 2016. 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 the appropriateness of the fee and the additional services provided to the Company, was satisfied of the auditor's independence status. The Austrian Auditors Supervisory Authority has not published any reports to date in accordance with § 4 (2) (12) APAG (Austrian Auditor Supervision Act). The Audit Committee also considered permitted non-audit services and approved them in

accordance with Art. 5(4) AP-VO (EU Audit Regulation) after the detailed discussion and examination of potential threats to the independence of the (Group) financial statement auditor.

The Audit Committee also reviewed the 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 for financial year 2017, 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. The Audit Committee also considered the appropriateness of the fee of the financial statements and consolidated financial statements auditor. 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, which subsequently proposed to the General Meeting that KPMG (FN269873y) be selected as auditor of the financial statements and consolidated financial statements for 2017. The general meeting selected KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (FN269873y) as auditor of the financial statements and consolidated financial statements for 2017.

In addition, the Supervisory Board Audit Committee received the 2016 annual financial statements, management report and corporate governance report from the Managing Board, and reviewed and carefully examined them. The Managing Board's proposal for appropriation of profits was also debated and discussed with respect to capital adequacy and its effects on the solvency and financial position of the Company during the course of this examination. The Supervisory Board Audit Committee also carefully examined the 2016 consolidated financial statements and Group management report, as well as the solvency and financial position report. As a result of this examination and discussion, a unanimous resolution was adopted to recommend to the Supervisory Board that they be accepted without qualification. The committee chairman informed the Supervisory Board of the discussion and the resolutions adopted by the committee. The 2016 annual financial statements together with the management report and corporate governance report, the 2016 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. When making the decision on appropriation of profits, particular attention was paid to whether it could be justified with respect to coverage of capital requirements.

In addition, the auditor's reports prepared by the (consolidated) financial statement auditor KPMG for the 2016 annual financial statements and management report and the 2016 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 2016 annual financial statements and management report and the 2016 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 2016, and of the results of operations of the Company for financial year 2016 in accordance with Austrian generally accepted accounting principles. The management report is consistent with the annual financial statements. The disclosures pursuant to § 243a UGB (Austrian Commercial Code) 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 2016, and of the results of operations and cash flows of the Group for financial year 2016 in accordance with IFRS and § 138 VAG (Austrian Insurance Supervision Act) in combination with § 245a 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 2016 annual financial statements have therefore been approved in accordance with § 96(4) AktG (Austrian Stock Corporation Act).

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.

Karl Skyba has resigned from his position as 1st Deputy Chairman of the Supervisory Board effective the end of April. In a meeting of 6 April 2017, the Supervisory Board appointed Rudolf Ertl to take his place as 1st Deputy Chairman of the Supervisory Board. On behalf of the Supervisory Board, I would like to thank Karl Skyba for his many years of good service working in close collaboration with his colleagues in the Executive Committee.

Vienna, April 2017

The Supervisory Board:



Günter Geyer (Chairman)