

Supervisory Board report

The Supervisory Board repeatedly and regularly took the opportunity, as a whole, through its committees as well as through its Chairperson and Deputy Chairperson, to comprehensively monitor Company management as well as the activities of the Management Board and its committees for the purpose of Group monitoring. This purpose was served by detailed presentations and discussions during meetings of the Supervisory Board and its as well as by detailed discussions on individual topics with Management Board Members who provided comprehensive explanations and evidence relating to management, the financial position of the Company and that of the Group. Among other things, strategy, business development (overall and in individual regions), risk management, the internal control system, internal audit activities and reinsurance, both at VIG Holding and Group level and other important topics for the Company and the Group were discussed at these meetings.



In accordance with the Solvency II requirements, starting in 2016 non-financial aspects must be part of the performance expectations for variable remuneration of Managing Board Members. VIG is committed to social responsibility and the importance of having employees drive forward performance, innovation and expertise. Goal fulfilment for Managing Board Members also depended on both financial and non-financial criteria in the 2017 reporting year.

The Supervisory Board has formed five committees from its members. Information on the responsibilities and composition of these committees is available on the Company's website and in the 2017 consolidated corporate governance report.

One Annual General Meeting and seven Supervisory Board meetings distributed over the reporting year were held in 2017. Five meetings of the Audit Committee were also held. The financial statement and consolidated financial statement auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft company number FN 269873y (KPMG), attended four Audit Committee meetings and the Supervisory Board meeting in 2017 that also addressed the audit of the 2016 annual financial statements and the 2016 consolidated financial statements as well as the formal approval of the 2016 annual financial statements, and also attended the Annual General Meeting. The financial statement auditor and console-

dated financial statement auditor also informed the Audit Committee about the planning and procedure used to audit the financial statements and consolidated financial statements. The Committee for Urgent Matters held two meetings in 2017. The Committee for Managing Board Matters held four meetings and the Nomination Committee held two meetings in 2017. The Strategy Committee also held a meeting in the 2017 reporting year. The Supervisory Board also dealt with strategic matters.

The 2017 consolidated corporate governance report presents detailed information on the principles underlying the remuneration system, and we refer to this information in the 2017 consolidated corporate governance report.

In the reporting year 2017, there were no agenda items discussed during Supervisory Board meetings without the participation of Managing Board Members.

No member of the Supervisory Board attended less 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 its organisational structure and procedures were satisfactory in terms of efficiency and in compliance with the law. It found no need for change or desire for change in the practices followed to date.

Acting upon the proposal and motion of the Supervisory Board, the General Meeting selected KPMG (FN 269873y) on 13 May 2016 to be the financial statements auditor and consolidated financial statements auditor for the 2017 reporting year, and KPMG consequently performed these duties in the 2017 reporting year. KPMG and WOLF THEISS Rechtsanwälte GmbH & Co KG (rules 77–83) were also engaged for the voluntary external evaluation of the 2017 consolidated corporate governance report. The evaluations all came to the conclusion that VIG has complied with all the requirements of the Code.

The Supervisory Board Audit Committee mainly dealt with the following topics in 2017: During one meeting of the Audit Committee, the members of the committee consulted with the (consolidated) financial statements auditor on specification of two-way communications.

By inspecting relevant documents, meeting with the Managing Board and discussions with the (consolidated) financial state-

ments auditor, the 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 the 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 with the auditor's independent status. The Audit Committee also dealt with permitted non-audit services.

The Audit Committee also reviewed the effectiveness of the internal control system, the internal auditing system and the risk management system by obtaining 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 the Supervisory Board and discussed with the head of the internal audit department and the Group internal audit department. The Supervisory Board found no reasons for objection.

The Audit Committee examined the Company's Solvency and Financial Condition Report (SFCR) and reported its findings to the Supervisory Board. The Supervisory Board found no grounds for objection.

The Audit Committee carried out a selection procedure for the financial statement auditor for the 2018 reporting year and presented two proposals to select the (consolidated) financial statement auditor for the 2018 reporting year to the Supervisory Board. The Supervisory Board proposed to the General Meeting that KPMG be selected as the financial statement and consolidated financial statement auditor for 2018. The General Meeting selected KPMG as auditor of the financial statements and consolidated financial statements for 2018. Together with its offer, KPMG sent a list of the audit and advisory services

that it, as a financial statement auditor, and its network provided for Vienna Insurance Group, and confirmed that it was licensed to audit. Based on the documents provided, 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 also verified that KPMG was included in a statutory quality assurance system and was registered in the register maintained by the supervisory authority for financial statement auditors.

The Audit Committee also received the 2017 annual financial statements, management report, 2017 consolidated corporate governance report and 2017 sustainability report (consolidated non-financial 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 2017 consolidated financial statements and Group management report. In addition, the auditor's reports prepared by (consolidated) financial statements auditor KPMG for the 2017 annual financial statements and management report and the 2017 consolidated financial statements and Group management report were reviewed by the Audit Committee and debated and discussed with KPMG. 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 Supervisory Board found no reasons for objection.

The (consolidated) financial statement auditor also provided the Audit Committee with an additional report in accordance with Art. 11 AP-VO (EU Audit Regulation) that includes the financial statement audit as well as the consolidated financial statement audit. This report also explains the specific requirements for auditing the financial statements of companies that are of public interest, as well as the results of the financial statement audit and presents and explains the effects that the non-audit services they and their network provided have on the audited financial statements (consolidated financial statements).

The audit results and all resolutions adopted by the Audit Committee were reported to the Supervisory Board in its next meet-

ing, along with an explanation of how the financial statement audit had contributed to the reliability of the financial reporting and what role the Audit Committee had played. The 2017 annual financial statements together with the management report and 2017 consolidated corporate governance report, the 2017 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 Supervisory Board. The appropriation of profits proposal was checked, in particular, to ensure that it was reasonable when capital requirements were taken into account.

The Supervisory Board also received the 2017 sustainability report (consolidated non-financial report) from the Managing Board, and reviewed and carefully examined it. As a result of this discussion and examination, it found that the 2017 sustainability report (consolidated non-financial report) had been prepared properly and was appropriate.

In addition, the auditor's reports prepared by (consolidated) financial statements auditor KPMG for the 2017 annual financial statements and management report and the 2017 consolidated financial statements and Group management report were reviewed by the Supervisory Board and debated and discussed with KPMG. KPMG's audit of the 2017 annual financial statements and management report and the 2017 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 2017, and of the results of operations of the Company for the 2017 reporting year 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 2017, and of the results of operations and cash flows of the Group for the 2017 reporting year 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. KPMG also determined in accordance with § 269 (3) UGB and § 273 UGB that the 2017 sustainability report (consolidated non-financial report) and 2017 consolidated corporate governance report had been prepared.

The final results of the review by the Supervisory Board did not provide any basis for reservation either. The Supervisory Board stated that it had nothing to add to the auditor's reports for the financial statements and consolidated financial statements.

After thorough examination, the Supervisory Board therefore adopted a unanimous resolution to approve the 2017 annual financial statements prepared by the Managing Board, not to raise any objections to the management report, the 2017 consolidated financial statements and Group management report, the 2017 consolidated corporate governance report and the 2017 sustainability report (consolidated non-financial report) and to agree with the Managing Board proposal for appropriation of profits.

The 2017 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.

Vienna, April 2018

The Supervisory Board:



Günter Geyer (Chairman)