

# 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 committees 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 2018 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 2018 consolidated corporate governance report.

One Annual General Meeting and four Supervisory Board meetings distributed over the financial year were held in 2018. Four meetings of the Audit Committee (Accounts Committee) were also held. The financial statement and consolidated financial statement auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, company number FN 269873y (KPMG), attended three Audit Committee meetings and the Supervisory Board meeting in 2018 that addressed the audit of the 2017 annual financial statements and the 2017 consolidated financial statements as well as formal approval of the 2017 annual financial statements, and also attended the Annual General Meeting. The financial statement auditor and

consolidated 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 (Working Committee) was contacted once in writing in 2018. Two meetings of the Committee for Managing Board Matters (Human Resources Committee) were held in 2018. The Nomination Committee and Strategy Committee did not meet in 2018. Strategic matters were handled by the Supervisory Board as a whole.

The 2018 consolidated corporate governance report presents detailed information on the principles underlying the remuneration system, and we refer to this information in the 2018 consolidated corporate governance report.

In financial year 2018, no agenda items were 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 on 12 May 2017 to be the financial statements auditor and consolidated financial statements auditor for financial year 2018, and KPMG consequently performed these duties in financial year 2018.

The Supervisory Board Audit Committee mainly dealt with the following topics in 2018: 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 statements auditor, the Audit Committee was able to monitor the accounting process and the procedure used for auditing the financial statements and consolidated financial statements, and found no reasons for objection or any need

to make recommendations to ensure reliability of the accounting process. The Supervisory Board Audit Committee also reviewed and 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 monitored the effectiveness of the internal control system, internal audit 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 grounds 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 also dealt with the selection of the financial statement and consolidated financial statement auditor for financial year 2019. It was determined that there were no grounds for exclusion of KPMG or circumstances that would give rise to concerns about impartiality, and that sufficient protective measures had been taken to ensure an independent and impartial audit. The Audit Committee reported to the Supervisory Board on the insights of these evaluations 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. The General Meeting selected KPMG as auditor of the financial statements and consolidated financial statements for 2019. The Audit Committee also received the 2018 annual financial statements, management report,

2018 consolidated corporate governance report and 2018 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 reviewed 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 2018 consolidated financial statements and Group management report. In addition, the auditor's reports prepared by (consolidated) financial statements auditor KPMG for the 2018 annual financial statements and management report and the 2018 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 grounds for objection.

The (consolidated) financial statements auditor provided the Audit Committee with an additional report in accordance with Art. 11 AP-VO (EU Audit Regulation) on specific requirements regarding statutory audit of public-interest entities that explained the results of the financial statements audit and consolidated financial statements audit. This report prepared by the financial statement auditor was provided to the Supervisory Board.

The audit results and all resolutions adopted by the Audit Committee were reported to the Supervisory Board in its next meeting, 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 2018 annual financial statements together with the management report and 2018 consolidated corporate governance report, the 2018 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 2018 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 2018 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 2018 annual financial statements and management report and the 2018 consolidated financial statements and Group management report were reviewed by the Supervisory Board and discussed with KPMG. KPMG's audit of the 2018 annual financial statements and management report and the 2018 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 2018, and of the results of operations of the Company for financial year 2018 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 2018, and of the results of operations and cash flows of the Group for financial year 2018 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 state-

ments. KPMG also reviewed the 2018 sustainability report (consolidated non-financial report) and determined in accordance with § 269 (3) UGB and § 273 UGB that the 2018 sustainability report (consolidated non-financial report) and 2018 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 2018 annual financial statements prepared by the Managing Board, not to raise any objections to the management report, the 2018 consolidated financial statements and Group management report, the 2018 consolidated corporate governance report and the 2018 sustainability report (consolidated non-financial report) and to agree with the Managing Board proposal for appropriation of profits.

The 2018 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 2019

The Supervisory Board:



Günter Geyer (Chairman)