

# 4. Corporate Governance Statement

The Governance Policy of Zavarovalnica Triglav is published on the Ljubljana Stock Exchange information system (SEOnet) and on Zavarovalnica Triglav's new official website at [www.triglav.eu](http://www.triglav.eu).

## 4.1 Governance Policy

The Governance Policy of Zavarovalnica Triglav, adopted by the Management Board and the Supervisory Board, is published on SEOnet, the Ljubljana Stock Exchange information system, and the new official website of Zavarovalnica Triglav at [www.triglav.eu](http://www.triglav.eu).

## 4.2 Statement of Compliance with the Corporate Governance Code

In its operations Zavarovalnica Triglav abides by the corporate Governance code (hereinafter: the Code), which was adopted on 8 December 2009 and is published in Slovene and English on the Ljubljana Stock Exchange website at [www.ljse.si](http://www.ljse.si).

The statement of compliance with the Corporate Governance Code for the period from 1 January 2010 to the day of publication, i.e. 13 April 2011, was published on SEOnet, the information system of the Ljubljana Stock Exchange, and on the official website of Zavarovalnica Triglav at [www.triglav.eu](http://www.triglav.eu).

Zavarovalnica Triglav, Ljubljana, applies the provisions of the Code. For well-grounded reasons, Zavarovalnica Triglav did not adhere to the following provisions of the Code:

- 8.1 in conjunction with 11  
The Secretary of the Supervisory Board has not been appointed. The tasks of the Secretary of the Supervisory Board are being carried out by the relevant division of the Company.

The Company also conducts business in line with the Insurance Code in full compliance with all of its provisions. The Insurance Code is available on the website of the Slovenian Insurance Association at [www.zav-zdruzenje.si](http://www.zav-zdruzenje.si).

Moreover, in a statement published on its website at [www.triglav.eu](http://www.triglav.eu), Zavarovalnica Triglav took a position on the provisions of the Corporate Governance Code for Companies with State Capital Investments and individual guidelines of the Capital Assets Management Agency of the Republic of Slovenia (all documents are available on the webpage of the Capital Assets Management Agency at [www.auknrs.si](http://www.auknrs.si)).

## 4.3 Management Bodies of Zavarovalnica Triglav

Zavarovalnica Triglav is managed and governed according to a two-tier system. The management bodies, i.e. the General Meeting of Shareholders, the Management Board and the Supervisory Board, operate in compliance with primary and secondary legislation, the Articles and Memorandum of Association of the Company and their own rules of procedure. The Articles and Memorandum of Association are published on [www.triglav.eu](http://www.triglav.eu).

### 4.3.1 General Meeting of Shareholders

Shareholders of Zavarovalnica Triglav exercise their rights in respect of matters concerning the Company through the General Meeting of Shareholders, which is convened at least once a year, by the end of August at the latest. The General Meeting of Shareholders may also be convened in other circumstances set out by law and by the Articles and Memorandum of Association, and when it is in the interest of the Company.

The competences and operation of the General Meeting of Shareholders are set out in the Companies Act and the Articles and Memorandum of Association. The Articles and Memorandum of Association do not set out any specific provisions regarding their amendments and supplements.

A share of Zavarovalnica Triglav gives each of its holders the right to one vote at the General Meeting of Shareholders, proportional dividends from the profit intended for the payment of dividends and a proportional share from the remaining bankruptcy or liquidation mass in the case of bankruptcy or liquidation. All shareholders who are entered in the share register managed by the Central Securities Clearing Corporation (KDD) no later than by the end of the fourth day before the date of the General Meeting of Shareholders have the right to attend the General Meeting and exercise their voting right if they apply to be present no later than by the end of the fourth day prior to the date of the General Meeting of Shareholders.

In line with the provisions of the Insurance Act, the acquisition of shares of Zavarovalnica Triglav by which a person indirectly or directly acquires or exceeds the qualifying holding in the Company requires the prior authorisation of the Insurance Supervision Agency. If a person who has acquired such authorisation plans a disposal of shares which would decrease their share below the limit for which the authorisation has been issued, they are required to inform the Insurance Supervision Agency thereof in advance. If individual shareholders of Zavarovalnica Triglav enter into an agreement by which they agree on a coordinated execution of management rights attached to the shares which they own, each shareholder must notify the Insurance Supervision Agency of the agreement within three working days from its conclusion and attach a copy of the agreement to the notification. If individual shareholders enter into an agreement by which they agree on a coordinated execution of management rights attaching to the shares which they own, and the total value of these shares or management rights exceeds the qualifying holding, they are required to acquire the prior authorisation of the Insurance Supervision Agency. Shareholders of shares which have been acquired or are possessed contrary to the Insurance Act have no voting rights. For details see the Insurance Act.

The shares of the two shareholders who in accordance with the Takeover Act own a qualifying holding in Zavarovalnica Triglav remained unchanged in 2011:

- Zavod za pokojninsko in invalidsko zavarovanje Slovenije (Institute of Pension and Invalidity Insurance of Slovenia; hereinafter ZPIZ) is the direct holder of 7,836,628 shares or 34.47% of the share capital of Zavarovalnica Triglav. On behalf of and for the account of ZPIZ, as at 31 December 2011, the shareholder's rights attached to the shares were managed by the Capital Assets Management Agency of the Republic of Slovenia (hereinafter: AUKN) in compliance with the Law on Corporate Governance of State Capital Investments (Official Gazette of the RS, No. 38/2010, 18/11 and 77/11);
- As at 31 December 2011, Slovenska odškodninska družba d.d., Ljubljana (hereinafter SOD), held 6,380,728 shares or 28.07% of the share capital of Zavarovalnica Triglav.

As at 31 December 2011, Zavarovalnica Triglav had no other shareholders whose share capital exceeded 5%, nor any issued securities that would grant their holders special control rights.

#### General Meeting of Shareholders in 2011

The 35<sup>th</sup> Annual General Meeting of Shareholders of Zavarovalnica Triglav, the only one in 2011, took place on 21 June. The total number of shares and voting rights represented was 15,569,427 or 68.48% of all shares to which voting rights are attached. No challenging actions were announced.

The General Meeting of Shareholders:

- took note of the Annual Reports of Zavarovalnica Triglav d.d. and the Triglav Group for 2010, including the opinions given by the chartered auditors, and the Annual Internal Audit Report for 2010;
- took note of the Supervisory Board's report on the examination of both Annual Reports for 2010 and its opinion on the Annual Internal Audit Report by the Internal Audit Department for 2010;
- adopted a resolution on the following distribution of the accumulated profit of EUR 268,633,571.25 as at 31 December 2010:
  - EUR 9,094,059.20 to dividend payments to the shareholders, i.e. EUR 0.40 gross per share,

The shares of the two shareholders who, in accordance with the Takeover Act, own a qualifying holding in Zavarovalnica Triglav remained unchanged in 2011.

- EUR 160,000,000.00 to other profit reserves,
- the remaining profit of EUR 99,539,512.05 to be distributed in future years;
- passed a resolution granting discharge to the Management Board and Supervisory Board for the 2010 business year;
- appointed the audit firm KPMG Slovenija, podjetje za revidiranje d.o.o. as the auditors of Zavarovalnica Triglav for 2011;
- approved the amendments to the Articles and Memorandum of Association in Article 5a, authorising the Management Board to raise the share capital by up to EUR 11,055,208.77 through the issue of new shares for cash within the first five years from the date the amended Articles and Memorandum of Association are entered in the Court Register. The issue of new shares, the amount of capital increases, the rights attached to new shares, and the conditions for issuing new shares are decided upon by the Company's Management Board with the consent of the Supervisory Board. Upon a share capital increase according to the abovementioned article, the Supervisory Board is authorised to make amendments to the Company's Articles and Memorandum of Association to bring its provisions in compliance with the changes due to the increase of share capital and the issue of new shares. Article 25, stipulating the basis for remuneration of Supervisory Board members (they are entitled to attendance fees, basic remuneration for performing their function and additional remuneration for performing special tasks as well as to the reimbursement of expenses, if so decided by the General Meeting of Shareholders, in the amount decided by the General Meeting of Shareholders), was also amended.
- was informed about the new appointments of employee representatives to the Supervisory Board: Peter Celar, Branko Gorjan and Miran Krštinc, whose term of office started on 30 May 2011;
- passed a resolution on the amount of remuneration payable to Supervisory Board members.

On 9 January 2012, two amendments to the Articles and Memorandum of Association were entered into the Court Register at the District Court in Ljubljana. The entry was based on items 5.1, 5.2 and 5.4 of resolution No. 5 of the 29<sup>th</sup> General Meeting of Shareholders of Zavarovalnica Triglav held on 27 August 2007 and resolution No. 5.2 of the 30<sup>th</sup> General Meeting of Shareholders of Zavarovalnica Triglav held on 18 April 2008 as well as on the basis of an Insurance Supervision Agency decision representing a licence for brokerage services for mutual fund investment coupons in accordance with the Investment Trusts and Management Companies Act. The amendments to the Articles and Memorandum of Association are the following:

- in Article 2 (2) the following indent is added: »— brokerage services for mutual fund investment coupons in accordance with the Investment Trusts and Management Companies Act, in the case of a bank or other financial organisation according to the legislation regulating banking and the securities market«; and
- in Article 2 (3) the following indent is added: »6.190 Other activities auxiliary to financial services other than insurance and pension funding«.

### 4.3.2 Management Board

Any person fulfilling the requirements stipulated by the Insurance Act and the Companies Act can be appointed to the Management Board as its President or member. The Management Board of Zavarovalnica Triglav manages the Company independently and at its own responsibility, and presents and represents the Company without limitations. In legal transactions, the insurance company is always jointly presented and represented by two members of the Management Board, one of whom must be its President.

#### 4.3.2.1 Composition and appointment of the Management Board

According to the Articles and Memorandum of Association, the Management Board has no less than three and no more than six members, of whom one is the President. The Management Board is appointed by the Supervisory Board. The number of Management Board members, their competences, the

manner of representation and presentation and the transfer of the Management Board's authorities are determined by the Supervisory Board in the Management Board Rules. The term of office of an individual Management Board is up to five years, with the possibility of the reappointment of its members. In Zavarovalnica Triglav, the employee representative is a member of the Management Board.

The appointment or recall of all members or an individual member of the Management Board is proposed to the Supervisory Board by the President of the Management Board. The Supervisory Board may recall a member of the Management Board or its President if it establishes that they have been in serious breach of obligations set out by primary and secondary legislation and in other circumstances set out by law.

#### 4.3.2.2 Management Board authorisation to increase the share capital

In accordance with the Company's Articles and Memorandum of Association, the Management Board is authorised to increase the share capital of Zavarovalnica Triglav by up to EUR 11,055,208.77 through new shares issued for cash within five years of 28 June 2011. The issue of new shares, the amount of capital increases, the rights attached to new shares and the conditions for issuing new shares are decided upon by the Company's Management Board with the consent of the Supervisory Board. Upon a share capital increase, the Supervisory Board is authorised to make amendments to the Company's Articles and Memorandum of Association.

#### 4.3.2.3 Introducing the Management Board

In 2011, the Management Board of Zavarovalnica Triglav was made up of the following members:

##### President of the Management Board – Matjaž Rakovec

- Born 1964. Bachelor of Science in Economics.
- Having previous experience in sales and marketing, he was first employed in Zavarovalnica Triglav in 1995 as Head of Insurance Sales in the largest branch office - Ljubljana. In 1996, he became the branch office Assistant to the CEO and remained in that post until 2005. Matjaž Rakovec continued his professional career as CEO of Studio Moderna d.o.o. and advisor to the Management Board in Poslovni sistem Mercator. He became CEO of the Ljubljana branch office in 2006 and was appointed President of the Management Board of Zavarovalnica Triglav in 2009.
- Matjaž Rakovec took office on 15 October 2009.

##### Management Board Member - Andrej Slapar

- Born 1972. Bachelor of Laws.
- Andrej Slapar was first employed in Zavarovalnica Triglav in 1997 as a lawyer in the Department of International Claims and Insurance Law. From 1999 to 2009 he continued his professional career in Pozavarovalnica Triglav Re as Head of the Car, Transport, Liability and Personal Insurance Division and Assistant to the President of the Management Board for reinsurance.
- Andrej Slapar took office on 10 November 2009.

##### Management Board Member - Igor Stebernak

- Born 1968. Bachelor of Electrical Engineering, Master of Business Administration.
- Igor Stebernak was first employed in Zavarovalnica Triglav in 2004 as Head of the Strategic Planning and Controlling Department. He began working in the area of strategic planning, market analyses and operation streamlining in 1994 in the company ITEO d.o.o. Stebernak was later employed as Head of the Controlling Department and Deputy Executive Director of the Finance Department in SKB Banka d.d., a member of the Société Générale Group.
- Igor Stebernak took office on 19 November 2009.

In accordance with the Company's Articles and Memorandum of Association, the Management Board is authorised to increase the share capital of Zavarovalnica Triglav within five years of 28 June 2011.

On 21 December 2011, Marica Makoter took office as a member of the Management Board - employee representative.

Management Board Member, Employee Representative – Marica Makoter

- Born 1972. Bachelor of Laws.
- From 1996 to 2000, Makoter was employed at the Kočevje Administrative Unit. After an internship at the Higher Court of Ljubljana and upon passing the State Legal Exam, she took employment in Zavarovalnica Triglav's Novo mesto Regional Unit. Makoter was Head of the Subrogation Department in Novo mesto from 2003 to 2006, and Head of the Legal Injury Department and Deputy Head of the Claim Centre in the Novo mesto Regional Unit as of 2011.
- Marica Makoter took office on 21 December 2011.

Until 30 September 2011, i.e. until the termination date of his term of office, the function of the Management Board member-employee representative was carried out by Vladimir-Mišo Čeplak, who on handed in his letter of resignation 28 February. On 21 December 2011, Ms Marica Makoter was appointed in his stead.

Data on earnings of the Management Board Members are disclosed in *Section 8.2 of the Accounting Report*.

Membership of the Management Board Members of Zavarovalnica Triglav in the Supervisory Boards or Management Boards of other companies as at 31 January 2012:

| Name  | Membership in the Supervisory (Management) Boards of other companies  |
|---|---|
| Matjaž Rakovec<br>President of the Management Board                   | Lovčen Osiguranje a.d., Podgorica<br>Triglav Osiguranje d.d., Sarajevo<br>Pool za zavarovanje in pozavarovanje jedrskih nevarnosti GIZ<br>Krka d.d.<br>Triglav INT d.d. |
| Andrej Slapar<br>Management Board Member                              | Triglav Pojišt'ovna a.s., Brno<br>Pozavarovalnica Triglav Re d.d.<br>Triglav Osiguruvanje a.d., Skopje<br>Triglav Osiguranje d.d., Sarajevo<br>Triglav INT d.d.         |
| Igor Stebernak<br>Management Board Member                             | Triglav Osiguruvanje a.d., Skopje<br>Triglav Osiguranje a.d.o., Belgrade<br>Triglav Skladi, družba za upravljanje d.o.o.<br>Triglav INT d.d.<br>Abanka Vipra d.d.       |
| Marica Makoter<br>Management Board Member,<br>employee representative | /   |

4.3.2.4 Functioning and powers of the Management Board

As at 31 December 2011, the Management Board members were in charge of the following departments:

The **President of the Management Board Matjaž Rakovec** manages and directs the work of the Management Board and of the headquarters departments (Management Board Office, Legal Office, Internal Audit Department, Risk Management Department, and Marketing Department). Matjaž Rakovec is responsible for the following departments: Personal Insurance Sales, Personal Insurance, IT, Work Processes and Organisation, Central Back Office, Human Resources Management as well as for Development and Actuary Affairs for Life Insurance, Project Office and Bancassurance.

**Andrej Slapar, member of the Management Board**, is responsible for the Non-Life Insurance Sales, Underwriting and Non-Life Insurance Product Development, Non-Life Insurance Loss, as well as for the Development and Actuary Affairs for Non-Life Insurance, Client Relationship and the headquarters' department for the Prevention, Detection and Investigation of Fraud.

**Igor Stebernak, member of the Management Board**, is responsible for Accounting, Finance and Subsidiary Governance, Strategic Planning and Controlling at the headquarters level and the Legal Office for Subsidiaries.

**Marica Makoter, member of the Management Board, Employee Representative**, represents employees' interests, in compliance with the Worker Participation in Management Act.

### 4.3.3 Supervisory Board

The nine members of the Supervisory Board, of whom six are representatives of the shareholders and three of employees, supervise the conducting of the Company's business with full responsibility.

Shareholder representatives are elected by the General Meeting of Shareholders and employee representatives by the Works Council of Zavarovalnica Triglav. Their appointment or recall is subject to the law and the Articles and Memorandum of Association. The Chairman and Deputy Chairman of the Supervisory Board are elected from among its members representing shareholders. Members of the Supervisory Board are given a four-year mandate and can be re-elected without limitation.

The General Meeting of Shareholders may recall a Supervisory Board member before the end of their term of office. To substitute for members deprived of their office, the General Meeting of Shareholders elects a new member with a term of office lasting until the end of the term of office of the Supervisory Board.

#### 4.3.3.1 Competences of the Supervisory Board

The competences and decision-making rules of the Supervisory board, its method and organisation of work and other issues relevant for its functioning are set out by law, the Articles and Memorandum of Association of Zavarovalnica Triglav and the Rules of Procedure of the Supervisory Board. Besides the competences set out in the Companies Act and the Insurance Act, the Supervisory Board has the competence to give consent to the decisions of the Management Board where the value or an investment exceeds the amount set out in the Rules of Procedure of the Supervisory Board, i.e., in the event of:

- founding limited companies in Slovenia and abroad;
- the acquisition or sale of stakes in foreign or domestic companies;
- the issue of debt securities and long-term borrowing from domestic or foreign banks; or
- the acquisition, sale of, or investment in investment property.

In accordance with the law and the provisions of its Rules of Procedure, the Supervisory Board shall have at least one meeting per quarter, or more if necessary. The Rules of Procedure of the Supervisory Board are available on the website of Zavarovalnica Triglav at [www.triglav.eu](http://www.triglav.eu).

#### 4.3.3.2 Supervisory Board in 2011

Shareholder representatives began their four-year term office on the Supervisory Board on 7 April 2009 (until 7 April 2013). Because the term of office of Mirko Miklavčič was terminated on 25 September 2009, the General Meeting of Shareholders appointed in his stead Vladimir Uršič as member of the Supervisory Board-shareholder representative on 28 June 2010.

Following his resignation as Chairman and Member of the Supervisory Board, Borut Jamnik's term of office was terminated on 19 September 2011.

To replace its members Branko Gorjan, Peter Celar and Boris Gabor, whose term of office ended on 29 May 2011, the Works Council elected Miran Krštinc and reelected Peter Celar and Branko Gorjan as the new members of the Supervisory Board-employee representatives on 8 April 2011. The four-year terms of office of the newly elected Supervisory Board members-employee representatives commenced on 30 May 2011.

At its meeting on 17 October 2011, the Supervisory Board appointed Anton Ribnikar as its President.

The Works Council of Zavarovalnica Triglav elected new Supervisory Board Members, Employee Representatives on 8 April 2011.

On 17 October 2011, Anton Ribnikar was appointed Chairman of the Supervisory Board.

### Composition of the Supervisory Board as at 31 January 2011:

| Name                                    | Education                          | Employed in   | Membership in Supervisory Boards of other companies   |
|---|------------------------------------|---|---|
| <b>Shareholder representatives</b>      |                                    |   |   |
| <b>Anton Ribnikar</b><br>Chairman       | Bachelor of Laws                   | NLB Montenegro banka a.d., Chief Executive Officer  | - SIB banka d.d., in liquidation<br>- NLB banka a.d., Belgrade, Member of the Management Board                        |
| <b>Uroš Slavinec</b><br>Deputy Chairman | Bachelor of Science in Economics   | Helios d.d., President of the Management Board  | - Gorenje d.d., Chairman of the Supervisory Board   |
| <b>Igor Mihajlović</b><br>Member        | Bachelor of Mechanical Engineering | STD d.o.o., Consultant to the CEO   | - TKK Srpenica d.d., Member of the Supervisory Board<br>- Euroinvestment d.d., Tuzla, Member of the Supervisory Board |
| <b>Aljoša Valentinčič</b><br>Member     | PhD in Business Administration     | Faculty of Economics in Ljubljana, Assistant Professor at the Academic Unit for Money and Finance | /   |
| <b>Vladimir Uršič</b><br>Member         | Bachelor of Laws                   | retired   | /   |
| <b>Employee representatives</b>         |                                    |   |   |
| <b>Branko Gorjan</b><br>Member          | Economics Technician               | Zavarovalnica Triglav d.d.  | /   |
| <b>Peter Celar</b><br>Member            | Bachelor of Science in Economics   | Zavarovalnica Triglav d.d.  | /   |
| <b>Miran Krštinc</b><br>Member          | Bachelor of Laws                   | Zavarovalnica Triglav d.d.  | /   |

By signing the Statement of Independence and Loyalty, the members of the Supervisory Board undertook to adhere to the principles of independence laid down in item C.3 of the Annex to the Corporate Governance Code. The Statement is published on [www.triglav.eu](http://www.triglav.eu).

Data on earnings of the Supervisory Board members are disclosed in *Section 8.2 of the Accounting Report*.

For details on the activities of the Supervisory Board see the Supervisory Board Report.

#### 4.3.3.3 Composition of Supervisory Board Committees and their activities in 2011

Supervisory Board committees prepare proposals for resolutions of the Supervisory Board, assure their implementation and carry out other professional tasks. In 2011, the Supervisory Board had four committees: the Audit Committee, the Appointments and Compensation Committee, the Strategy Committee and the Nominations Committee.

##### Audit Committee

The duties and competences of the Audit Committee are set out in the Companies Act, the Rules of Procedure of the Supervisory Board and the Supervisory Board resolutions. They include:

- monitoring the financial reporting process;
- monitoring internal control systems, reports and recommendations of the Internal Audit Department;
- monitoring risk management systems and the mandatory audit of annual and consolidated accounting statements;
- proposing to the Supervisory Board the candidate for the auditor of the annual report of the Company;
- evaluation of the drawing up of the annual report, including drafting the proposal for the Supervisory Board;
- help in identifying the most important audit areas.

In 2011, the Audit Committee was made up of the following members: Uroš Slavinec as Chairman and Aljoša Valentinčič, Branko Gorjan, Anton Ribnikar (until 17 October 2011), Vladimir Uršič (as of 17 October 2011) and Barbara Nose (outsourced independent expert) as members.

##### Appointments and Compensation Committee

The duties and competences of the Appointments and Compensation Committee, set out in the Rules of Procedure of the Supervisory Board and the Supervisory Board resolutions, include:



- drawing up proposals for the Supervisory Board regarding the criteria for membership in the Management Board;
- drawing up proposals regarding the policy for remuneration, compensation and other benefits of the Management Board members.

In 2011, the Compensation and Appointments Committee had the following composition: Borut Jamnik as Chairman (until 19 September 2011), Anton Ribnikar as Chairman (as of 17 October 2011), Igor Mihajlović, Boris Gabor (until 29 May 2011) and Miran Krštinc (as of 20 June 2011) as members, and Srečo Jadek as an outsourced independent expert.

#### Strategy Committee

At its meeting on 10 February 2011, the Supervisory Board established a Strategy Committee, composed of Borut Jamnik as Chairman and Igor Mihajlović and Peter Celar as members. Following Borut Jamnik's resignation statement of 19 September 2011, the Supervisory Board appointed Anton Ribnikar as member and Chairman of the Strategy Committee on 17 October 2011. The duties and competences of the Strategy Committee are set out in the Rules of Procedure of the Supervisory Board and Supervisory Board resolutions. Its tasks include the monitoring of the Triglav Group Strategy implementation and any related opinions, drafting resolutions for the Supervisory Board and ensuring their realisation.

At its meeting on 10 February 2011, the Supervisory Board established a Strategy Committee.

#### Nominations Committee

At its session on 17 October 2011, the Supervisory Board established a Supervisory Board Nominations Committee for a definitive period of time ending with the appointment of a new Supervisory Board member. The Nominations Committee has the following composition: Uroš Slavinec, Chairman, Miran Krštinc, employee representative, Tomaž Kuntarič and Vanessa Grmek, shareholder representatives and Eva Boštjančič, representative of the Accreditation Committee at the Capital Assets Management Agency. The Nominations Committee will carry out the procedure for appointing a new member to the Supervisory Board and propose a candidate to the Supervisory Board.

At its session on 17 October 2011, the Supervisory Board established a Nominations Committee.

## 4.4 Governance and management of subsidiaries

The fundamental principles and management regulation of Zavarovalnica Triglav's subsidiaries are set out in the Subsidiary Governance Policy, Rules of the Subsidiary Governance Committee and Rules for Employees Working Abroad. The governance and supervision of subsidiaries is actively run by all business divisions of the parent company, which act as the pillars of standardisation and harmonisation of the operations in subsidiaries with the standards of Zavarovalnica Triglav. The goal is the unification of minimum standards throughout the Triglav Group.

In accordance with the Triglav Group Strategy 2011 and upon given approval, ownership shares in Triglav Group subsidiaries based outside of Slovenia were transferred to the subsidiary Triglav INT d.d. The implementation of the Strategy in 2011 in terms of the Triglav Group governance was successful on all levels. The introduction of unified IT support in subsidiaries has surpassed expectations. Moreover, the Group centralised the long-term investment management of subsidiaries and launched new unified IT support for consolidation purposes. In the process of rebranding, subsidiary names were unified, which will enhance the brand visibility of the Triglav Group and reinforce its joint presence in the region. In 2011, the first generation of the Triglav International Business Academy concluded their professional training.

In 2011, cooperation with a potential strategic partner, the International Finance Corporation, a member of the World Bank Group (hereinafter: IFC), was negotiated. On 3 June 2011, Zavarovalnica Triglav and IFC signed an Equity Appraisal Letter and a Confidentiality Agreement. On that basis, IFC carried out a due diligence of operations in the Triglav Group insurance companies based outside of Slovenia as a precondition for its participation in the equity of Triglav INT. In this way, the Group plans to raise fresh capital for further growth as well as exploit synergies between the Triglav Group and IFC.

In accordance with the Triglav Group Strategy and upon given approval, in 2011 Zavarovalnica Triglav's ownership shares in subsidiaries based outside of Slovenia were transferred to the subsidiary Triglav INT d.d.



### The composition of management and governance bodies as at 31 December 2011

| Subsidiary  | Management   | Supervisory function   |
|---|--|--|
| <b>Slovenia</b>   |  |  |
| Pozavarovalnica Triglav Re d.d., Ljubljana                      | Gojko Kavčič - President, Gregor Stražar, Tomaž Rotar  | <b>Supervisory Board:</b><br>Andrej Slapar - Chairman, Aleksandra Vukovič Kačar, Nadja Pivk                            |
| Triglav, Zdravstvena zavarovalnica d.d., Koper                  | Meta Berk Skok - President, Simon Vidmar   | <b>Supervisory Board:</b><br>Boštjan Vovk - Chairman, Tadej Čoroli, Tomaž Krevatin                                     |
| Triglav Skladi, družba za upravljanje d.o.o., Ljubljana         | Igor Kušar - President, Samo Javornik, Miloš Čas   | <b>Supervisory Board:</b><br>Igor Stebernak - Chairman, Uroš Ivanc, Boštjan Vovk                                       |
| Triglav Naložbe, finančna družba d.d., Ljubljana                | Stojan Nikolič - President, Kristina Rovšek  | <b>Supervisory Board:</b><br>Aleksandra Vukovič Kačar - Chairwoman, Simona Kozjek, Tomaž Žust                          |
| TRI - PRO d.o.o., Domžale                                       | Edvard Kranjčič - Director, Tadej Čoroli - Authorised Officer  |  |
| Triglav INT, holdinška družba d.d., Ljubljana                   | Tina Cvar - Executive Director<br><b>Management Board:</b><br>Matjaž Rakovec - President, Igor Stebernak, Andrej Slapar, Boštjan Vovk                      |  |
| AS Triglav-servis in trgovina d.o.o., Ljubljana                 | Edvard Zabukovnik - Director, Boris Kuhelj - Director  | <b>Supervisory Board:</b><br>Stanislav Vrtunski - Chairman, Blaž Jakič, Iztok Šekoranja                                |
| Triglav nepremičnine, upravljanje in svetovanje d.d., Ljubljana | Rok Pivk - President of the Management Board, Ana Stradar Iglič  | <b>Supervisory Board:</b><br>Dejan Jasnič - Chairman, Mirjana Koporčič Veljič  |
| Slovenijales d.d., Ljubljana                                    | Blaž Jakič - General Manager   | <b>Supervisory Board:</b><br>Uroš Ivanc - Chairman, Aleksandra Vukovič Kačar, Janka Planinc, Dušan Mežnar, Marko Pahor |
| Gradis IPGI d.d., Ljubljana                                     | Aleš Vahčič - Director, Robert Špehar - Authorised Officer   | <b>Supervisory Board:</b><br>Miha Grilec - Chairman, Rok Pivk, Kristina Rovšek   |
| Hotel Grad Podvin d.d., Radovljica                              | Jaka Binter - Director   | <b>Supervisory Board:</b><br>Mateja Živec - Chairwoman, Ana Stradar Iglič  |
| <b>Croatia</b>  |  |  |
| Triglav Osiguranje d.d., Zagreb                                 | Marin Matijaca - President, Vanja Nadali, Igor Bratina   | <b>Supervisory Board:</b><br>Boštjan Vovk - Chairman, Jože Obersnel, Tomaž Žust, Stanislav Vrtunski, Željko Duralija   |
| <b>Czech Republic</b>   |  |  |
| Triglav Pojišť'ovna a.s., Brno                                  | Petr Bany - General Manager , Petr Mikulenska  | <b>Supervisory Board:</b><br>Andrej Slapar - Chairman, Jože Obersnel, Šarka Vodičková                                  |
| <b>Montenegro</b>   |  |  |
| Lovćen Osiguranje a.d., Podgorica                               | Radenko Purić - CEO  | <b>Board of Directors:</b><br>Matjaž Rakovec - Chairman, Boštjan Vovk, Uroš Ivanc                                      |
| <b>Bosnia and Herzegovina</b>                                   |  |  |
| Triglav Osiguranje d.d., Sarajevo                               | Edib Galijatović - President of the Management Board , Edin Muftić   | <b>Supervisory Board:</b><br>Matjaž Rakovec - Chairman, Andrej Slapar, Bakir Pilav                                     |
| Triglav Osiguranje a.d., Banja Luka                             | Matej Žlajpah - Director   | <b>Management Board:</b><br>Andrej Knap - President, Jože Obersnel, Zoran Nikolić                                      |
| <b>Serbia</b>   |  |  |
| Triglav Osiguranje a.d.o., Belgrade                             | Predrag Bobera - General Manager, Ian Harrocks - Authorised Officer<br><b>Management Board:</b><br>Igor Stebernak - President, Boštjan Vovk, Jože Obersnel | <b>Supervisory Board:</b><br>Uroš Ivanc - Chairman , Rudi Lipovec, Drago Ljubojević                                    |
| Triglav, penzijski fondovi a.d., Belgrade                       | dr. Vojko Saksida - Director   | <b>Management Board:</b><br>Miroslav Matijašević - President, Predrag Bobera, Miloš Čas                                |
| <b>FYR Macedonia</b>  |  |  |
| Triglav Osiguruvanje a.d., Skopje                               | Trajče Latinovski - General Manager and executive member of the Board of Directors   | <b>Board of Directors:</b><br>Igor Stebernak - Chairman, Aleksandra Vukovič Kačar, Andrej Slapar, Uroš Ivanc           |

## 4.5 Internal and external audit

On 21 June 2011, the General Meeting of Shareholders of Zavarovalnica Triglav appointed the audit firm KPMG Slovenija, podjetje za revidiranje d.o.o. as the auditors of Zavarovalnica Triglav for 2011.

The report on the work of the Internal Audit Department is included in the *section on Risk management*.

## 4.6 Main characteristics of the internal control and Risk Management system

The obligation of insurance companies to establish and maintain an internal control and risk management system is regulated by the provisions of the Companies Act and by the special provisions of the Insurance Act. Moreover, Zavarovalnica Triglav always operates in compliance with the relevant secondary legislation issued by the Insurance Supervision Agency. Other insurance companies, subsidiaries of the Triglav Group in Slovenia and abroad, also guarantee an adequate quality level of the internal control and risk management system, in compliance with the legal provisions and legislation of individual countries.

Internal controls have been set up in all processes, organisational units and organisational levels of Zavarovalnica Triglav. They include:

- a clear organisational structure with a precisely defined and transparent system of authorities and competences;
- efficient procedures for the identification, evaluation, management and monitoring of risks the Company is or may be exposed to in the course of its operation;
- an adequate internal control system which includes appropriate administrative and accounting procedures (reporting, working procedures, risk exposure limits and physical controls).

Zavarovalnica Triglav ensures the compliance of its operations with strategic objectives by maintaining and upgrading a reliable risk management system, proper accounting activities and internal and external financial-accounting reporting. Efficiency checks on the internal control system are performed by a special Internal Audit Department, established in compliance with legislation. Its main tasks include submitting upgrade proposals and reporting regularly to the Management Board, the Audit Committee and the Supervisory Board. For more details see the section on risk management.

## 4.7 Notes on the takeover legislation

Provisions of the Takeover Act (Official Gazette of the RS No. 79/06, No. 1/08 and No. 68/08, ZPre-1) laying down the takeover procedures are also applicable to Zavarovalnica Triglav.

The share capital structure of Zavarovalnica Triglav, the rights and obligations attached to the shares, the restriction on transfer of shares and the absence of shares that would grant their holders special control rights are described in detail in *the section on Share Capital and Shareholders of Zavarovalnica Triglav*. For information on owners of qualified holdings according to the Takeover Act see Section 4.3.1. *General Meeting of Shareholders*.

### 4.7.1 Disclosure of possible agreements or authorisations regarding shares or voting rights

Zavarovalnica Triglav is not aware of any agreements among shareholders which could cause a restriction on the transfer of shares or voting rights.

The Management Board of Zavarovalnica Triglav is not authorised to buy its own shares. The Management Board's authorisation to increase the share capital is described under 4.3.2.2. The issue of new shares, the amount of capital increases, the rights attached to new shares and the conditions for issuing new shares are decided upon by the Company's Management Board with the consent of the Supervisory Board.

Zavarovalnica Triglav has no employee share scheme.

The Company is not aware of any agreements which would become effective, change or expire on the basis of a changed control of the Company as a consequence of an offer as defined by the law regulating takeovers.

Zavarovalnica Triglav has not entered into any agreements with members of its management or supervisory bodies or employees that would provide for remuneration if an offer (as defined by the law regulating takeovers) caused them to resign, be dismissed without justified grounds, or caused their employment to be terminated.