



Zavarovalnica Triglav, d.d.
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triglav

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Subject: Additional explanations to the proposed resolution under Item 4 of the Agenda for the convened 41st General Meeting of Shareholders of Zavarovalnica Triglav, d.d. Appointment of the auditor for the 2016, 2017 and 2018 financial years

Pursuant to Article 305 of the Companies Act, the shareholder Slovenski državni holding, d.d. (the Slovenian Sovereign Holding) addressed Zavarovalnica Triglav, d.d. with a request for additional explanations regarding Item 4 of the Agenda of the convened 41st General Meeting of Shareholders of Zavarovalnica Triglav, d.d. Appointment of the auditor for the 2016, 2017 and 2018 financial years. Pursuant to the principle of equal treatment of all shareholders and uniform and simultaneous provision of information to all shareholders, Zavarovalnica Triglav, d.d. hereby provides additional explanation to the proposed resolution under Item 4 of the Agenda of the 41st General Meeting of Shareholders of Zavarovalnica Triglav, d.d.:

In accordance with the amended fourth paragraph of Article 258 of ZZavar-1, the Insurance Company shall appoint an auditing company for a period of no less than three and no more than ten financial years for the auditing of its annual reports. Pursuant to the provisions of ZGD-1, the Audit Committee of the Supervisory Board implemented the selection procedure for the auditing company for the 2016, 2017 and 2018 financial years and proposed Ernst & Young d.o.o., Dunajska cesta 111, 1000 Ljubljana (hereinafter also E&Y) as auditors to the Supervisory Board. The Supervisory Board confirmed the proposal of the Audit Committee and proposed to the General Meeting to appoint Ernst & Young d.o.o., Dunajska cesta 111, 1000 Ljubljana (hereinafter also E&Y) as auditors for the 2016, 2017 and 2018 financial years.

The Audit Committee implemented the selection procedure for auditors by issuing an invitation to submit binding bids for the implementation of auditing services for a period of three financial years in the 2016-2018 period (with possibility of prolongation under at least equal conditions for further three financial years) for Zavarovalnica Triglav, d.d. and its subsidiaries. Three providers submitted their bids on time. The Audit Committee reviewed the bids at its sessions and invited all three providers to improve their bids, with which the latter complied. The Audit Committee further invited all providers for a direct presentation of their bids and for direct negotiations. At the presentation of the bids, Audit Committee members were able to ask

questions and the providers were able to provide explanations to their bids. Based on the aforesaid and the adopted standards and criteria for assessment of bids, the Audit Committee carefully considered all circumstances and facts and adopted the decision to propose E&Y as auditors of Zavarovalnica Triglav, d.d. for the 2016, 2017 and 2018 financial years. The Supervisory Board discussed the Audit Committee's proposal at its session and the proposal was confirmed.

The proposed resolution under Item 4 of the Agenda refers to the appointment of the auditor of financial statements for Zavarovalnica Triglav, d.d. and the Group and not for its subsidiaries, as the shareholders of Zavarovalnica Triglav, d.d. do not decide on this matter. Regardless of the stated, the invitation to submit bids for the implementation of auditing services for a period of three financial years in the 2016-2018 period (with possibility of prolongation under at least equal conditions for further three financial years) was implemented for Zavarovalnica Triglav, d.d. and all its subsidiaries for reasons of economy and expedience and in accordance with industry standards (International Standard on Auditing 600).

All providers had equal opportunity in the procedure to submit their bid pursuant to the subject of services defined in the invitation. During the procedure, all providers were able to ask questions regarding the subject of the tender. None of the providers expressed doubt as to the subject of the tender not being defined with sufficient clarity or detail.

The condition for submitting their bids was for the provider to meet all legal conditions for auditors pursuant to the provisions of the Auditing Act and the provisions of Regulation (EU) No. 537/2014 of the European Parliament and of the Council on specific requirements regarding statutory audit of public-interest entities (Official Journal of the European Union L 158/77), which shall enter into force on 17 June 2016. The Audit Committee also paid special attention to the existence of eventual conflict of interest or doubts as to the auditor's independence. In the tender, the providers also had to submit their signed statements and prove that there is no conflict of interest or a relationship of dependency between the provider, other providers-auditors and subcontractors and companies in the Triglav Group, which the Audit Committee had also verified. In accordance with the provisions of the Act and the Regulation, the independence of the selected provider was also verified by the Compliance Office of Zavarovalnica Triglav, d.d.. The chosen provider E&Y, which has already audited financial statements of Zavarovalnica Triglav, d.d. and the Triglav Group in the 2012 to 2015 period pursuant to the resolution by the General Meeting, also verified the correctness of calculation in individual items of the financial statements of Zavarovalnica Triglav, d.d. in 2015 in compliance with Solvency II (hereinafter SII) requirements, which was also the subject of the new auditor tender. However, the implementation of this service does not threaten the auditor's independence and we believe that this does not represent an eventual conflict of interests, as this is a service that is expected and required from an auditor. The aforementioned also did not

represent an advantage in the tender, as the tender related to future auditing services and all providers were in an equal position. During the tender, none of the providers expressed any doubt as to the scope of services.

During the tender procedure, all providers had to state that the total offered price for all services for Zavarovalnica Triglav, d.d. and the total offered price for all services for the Triglav Group and the estimated costs are fixed and that under no circumstances shall the total cost for the Triglav Group exceed the offered prices and cost estimates in the bid. Even though, to a minor extent, the auditing services in the part relating to the requirements of the regulatory body pursuant to SII requirements have not been defined in detail (so far, we only have a draft resolution of the Insurance Supervision Agency), all three providers stated that the final extent is sufficiently known and that they can guarantee that for the offered price the service will be implemented in a high quality and on time. In light of the aforementioned and in consideration that all three providers are among the four leading global auditing networks with appropriate experience and references for the required services, we believe that there is no doubt as to the providers implementing the required services in a quality manner and in accordance with the submitted bids and the requirements of the Insurance Supervision Agency. We estimate that the possibility of realisation of potential danger for the company to again have to order auditing services for reasons attributable to the Insurance Supervision Agency is negligibly small and we thus do not anticipate any additional costs.

Since different legal regimes apply in individual subsidiaries of the Triglav Group with regard to mandatory rotations of auditors, this fact was considered in the tender with the providers having to submit their bids in consideration of these circumstances. The selected provider E&Y guarantees, within the offered price, to correspondingly consider the mandatory rotation. Furthermore, the extent of assets and liabilities in the consolidated financial statements, which a different auditor and not the proposed auditor should audit in the next three years due to the mandatory rotation in line with the local legislation, is negligibly small and this does not endanger the quality and effectiveness of the audit. Such cooperation of auditors within the framework of consolidation is standard practice.

Finally, the selected provider E&Y was also the most cost effective of all providers, even though price was not the most important criterion in the selection. In consideration of the aforementioned, we believe that they are the best choice for the Triglav Group.

After the auditor is appointed at the General Meeting of Shareholders of Zavarovalnica Triglav, d.d., General Meetings of other companies of the Triglav Group will follow to choose the auditor of an individual subsidiary.

Supervisory Board of Zavarovalnica Triglav, d.d.