

## **A counterproposal to a draft resolution of the agenda of the 46th General Meeting of Shareholders of Zavarovalnica Triglav and the opinion of the Management Board**

On 26 April 2021, Zavarovalnica Triglav received a counterproposal by the shareholder Zavod VZMD – zavod Vseslovensko združenje malih delničarjev (Pan-Slovenian Shareholders' Association) to draft Resolution No 3.1 under Agenda Item 3 of the 46th General Meeting of Shareholders of Zavarovalnica Triglav d.d. to be held on 25 May 2021 at 9:00 in the Marble Hall (*Marmorna dvorana*) at Gospodarsko razstavišče d.o.o., Dunajska cesta 18, Ljubljana.

### **The counterproposal together with its explanation is as follows:**

“Accumulated profit as at 31 December 2020 amounted to EUR 89,624,175.26 and shall be distributed as follows:

- A part of the accumulated profit amounting to EUR 79,573,018.00 shall be distributed for dividend payments. The dividend in the amount of EUR 3.50 gross per share shall be paid to the shareholders appearing in the Share Register as at 9 June 2021. On 10 June 2021, the Company shall ensure funds for the payment of all dividends on the account of KDD – Centralno klirinška depotna družba d.d., intended to execute the corporate action of paying out dividends to the shareholders in accordance with the common European standards for corporate actions.
- The distribution of the remaining accumulated profit of EUR 10,051,157.26 shall be decided on in the coming years.”

The shareholder’s explanation: “VZMD believes that after not paying any dividends last year it is appropriate and necessary that the Company allocates the majority of accumulated profit for dividend payments to its shareholders. As the submitting shareholder, we believe that the Company is capable of paying such a dividend to its shareholders without adversely affecting or obstructing the Company's plans. According to VZMD, the higher dividend payment will strengthen the confidence of existing and potential investors in the Company's shares – both at home and abroad – and consequently have a favourable effect on higher liquidity and growth of the share price on the stock exchange. The companies on the Ljubljana Stock Exchange that did so (e.g. Petrol d.d. and Krka d.d.) achieved significant growth on the stock exchange during this time, also as a result of such decision.

The dividend amount originally proposed by the Management Board and the Supervisory Board, i.e. EUR 1.70 gross per share, cannot be described as “attractive” as the Company would like to present it. Such dividend amount is even lower than the one that the Company could propose, taking into account – otherwise very questionable – the recommendations and restrictions of the Insurance Supervision Agency. From 2015 to 2019, the Company distributed dividends in the amount of EUR 2.50 gross per share every year. If before the coronavirus crisis in 2019 Zavarovalnica Triglav distributed EUR 56.8 million of EUR 66.8 million of accumulated profit for 2018 in dividends to the shareholders, the proposal of the Management Board and the Supervisory Board this year means paying out only EUR 38.6 million of EUR 89.6 million of accumulated profit in dividends to the shareholders.

Given the fact that last year – despite good business results in 2019 – the shareholders did not receive any dividends and that in 2020 the Group managed to collect even more written premium than before the coronavirus crisis, VZMD expected that the Company would make up to its shareholders this year by drafting a proposal according to which the dividend would be double (not lower!).

In view of some recommendations, requirements and even general orders of some institutions and associations regarding the non-payment of dividends, which were given this year again, VZMD again points out that the decision on dividend distribution is in the hands of the owners. At the same time, VZMD has repeatedly called upon the institutions and associations that sent such warnings to publish any relevant

analyses and information on the basis of which they have taken such unfounded and harmful positions – according to the firm belief of VZMD and the European Federation of Investors and Financial Services Users.

In the light of the above, we have not yet received any sound analysis that would justify such decisions with extremely far-reaching consequences. On the contrary – time has shown that the Company has operated even more successful during the coronavirus crisis and that it could have easily paid dividends already last year, thus also for 2019!”

#### **The opinion of the Management Board:**

The Management Board of Zavarovalnica Triglav opposes the counterproposal. The proposal of the Management Board and the Supervisory Board is that the accumulated profit of EUR 89,624,175.26 as at 31 December 2020 be distributed in such a way that EUR 38,649,751.60 would be distributed for dividend payment (EUR 1.70 gross per share), while the distribution of its remaining part in the amount of EUR 50,974,423.66 would be decided on in the coming years.

Their proposal is based on the Company's dividend policy, which is outlined as attractive for the shareholders while being sustainable in terms of the Triglav Group's financial stability, growth and development. Both aspects were taken into consideration in a balanced manner, and due to the current situation, the precautionary aspect was additionally taken into account in the formulation of the proposal in accordance with the request of the Insurance Supervision Agency (ISA).

The Management Board and the Supervisory Board propose that 53% of consolidated net profit be allocated for the payment of dividends, thus exceeding the 50% threshold set by the dividend policy. The proposed dividend amount means a 5.2% dividend yield for Zavarovalnica Triglav's shareholders. According to current data available, the dividend yield of the ZVTG share exceeds both the average of shares of major European insurance groups (3.9%) and the average of shares of Slovenian listed companies on the Prime Market, which have published this year's data on dividend payments (4.8%). According to these data, the ZVTG share is ranked among more profitable; furthermore, according to shareholders' opinions, the Triglav Group's position, performance and outlook make ZVTG shares an appropriate long-term and stable investment.

In addition to the share's attractiveness, the Management Board and the Supervisory Board took into account the commitment to sustainability included in the Company's dividend policy while focusing on achieving the medium-term sustainable target capital adequacy of the Triglav Group. Neither this aspect nor the precautionary principle are sufficiently taken into account by the counterproposal. The Triglav Group's performance and position last year and this year have been impacted by the challenging economic environment and the situation in the financial markets, as well as the persistent high degree of uncertainty and unclear consequences of the COVID-19 pandemic on both the economy and the insurance sector. In 2020, the Group demonstrated its resilience, operated profitably and maintained capital strength, but the aforementioned conditions were reflected in lower profit compared to 2019 (10% lower profit before tax and 12% lower net profit in 2020 compared to 2019).

The ISA also draws attention to the seriousness of the impact of the situation as well as the continued uncertainty and the resulting necessary caution. Its position is that insurance companies should suspend the payment of dividends until the end of September 2021 and make no irrevocable commitments to pay dividends. The ISA allows an exception if the insurance company duly justifies that it complies with the precautionary principle regarding solvency, basic own funds, liquidity and profitability. The latter stipulates that the amount of the planned dividend paid does not exceed the average dividend paid in 2017, 2018 and 2019, which in the case of Zavarovalnica Triglav means maximum EUR 2.50 gross per share. The Management Board points out that the counterproposal is inconsistent with the restriction clearly set by the ISA in the event of an exemption from its position of non-payment of dividends. Based on the analyses conducted, the Management Board and the Supervisory Board substantiated to the ISA their proposal for

dividend payment before the September deadline and the adequacy of the proposed dividend in the amount of EUR 1.70 gross per share. Until the announcement of the convening of the General Meeting of Shareholders, the ISA did not dispute their opinion.

The Management Board is and remains committed to the Company's attractive and sustainable dividend policy, which is reflected not only in the payment of dividends, but also in maintaining the financial stability of the Triglav Group and appropriate conditions for its growth and development. Together with the Supervisory Board, it proposes that part of accumulated profit be distributed for the payment of a dividend of EUR 1.70 gross per share, while the remaining part remains undistributed. Its distribution – either for future dividend payments or for other purposes – would be decided on by the shareholders at the next General Meeting of Shareholders.