Zavarovalnica Triglav, d.d.,
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Internal Audit Department

Annual Report of the Internal Audit Department of Triglav Insurance Company, Ltd on internal auditing for 2024

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Recipients:	**Management Board** **Audit Committee** **Supervisory Board** **General Meeting of Stakeholders** **Financial statements Auditor**

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Content

1 PURPOSE OF THE REPORT

In accordance with Article 281a of the Companies Act, Article 165 of the Insurance Act and Articles 39 and 41 of the Internal Audit Policy of Triglav Insurance Company, Ltd (hereinafter referred to as the Company), the Internal Audit Department (hereinafter referred to as Department or IAD) must prepare an annual report on internal auditing and submit it to the Management Board, the Audit Committee, the Supervisory Board and the Auditor of the Financial Statements. The Management Board must inform the General Meeting of Shareholders about this report and the opinion of the Supervisory Board on it.

The Department also prepares more detailed reports on individual internal audits for the Management Board and the management of the audited areas, i.e. for persons responsible for action, as well as periodic reports for the Management Board, the Audit Committee and the Supervisory Board.

The purpose of preparing the Annual report on internal auditing for 2024 is to inform the Management Board, the Audit Committee, the Supervisory Board, the General Meeting of Shareholders and the auditor of the financial statements about:

- the work of the Department and the implementation of planned internal audit activities during the reporting period;
- a summary of the internal auditors' significant findings based on the internal audits carried out during the period considered;
- the assessment of the adequacy and effectiveness of risk management and the functioning of the internal control system in the company during the period considered in audited areas;
- assessing the adequacy of the resources for the work of the Department during the period under consideration;
- the content and results of the program for ensuring and improving the quality of the Department's operations;
- a declaration on the independence and objectivity of the Department work and its internal auditors.

The report contains all the information stipulated in Article 2 of Article 165 of the Insurance Act and Article 41 of the Internal Audit Policy of the Company.

2 OVERVIEW OF THE INTERNAL AUDIT DEPARTMENT WORK AND THE IMPLEMENTATION OF IT'S PLANNED ACTIVITIES

In 2024, the IAD carried out activities based on *the Plan of the Internal Audit Department of Triglav Insurance Company, Ltd for 2024*, which was adopted by the Management Board (14th of November 2023) with the consent of the Supervisory Board (29th of November 2023). In accordance with the Hierarchy of Internal Auditing rules and the guidelines of good practice, the IAD carried out internal audits in the Company and in other subsidiaries of the Triglav Group (hereinafter referred to as the Group), as well as other activities.

In 2024, the Department carried out 41 regular audits, namely:

- **10 audits** from the Plan of **2023,** of which 9 were completed;
- **23 audits in the Company,** of which 14 were completed;
- **8 audits on Group level or in the subsidiaries,** of which 5 were completed.

Three audits were carried out in the form of continuous auditing, where audit activities were carried out throughout the year. Four audits were carried out in the assistance of external experts.

IAD therefore completed 28 audits in 2024, and audit activities for the remaining 13 reviews were mostly carried out by the end of the year, while reporting was completed by mid-February 2025.

One irregular internal audit was also carried out during the period considered.

Table 1: Review of the audits carried out in 2024

Audit project reference and title	
Audits from the 2023 plan	
RR23-04	Review of the introduction of the AdInsure 3.0 IS in Triglav Insurance Company and Triglav Group
RR23-07	Review of the implementation of international insurance
RR23-12	Review of the underwriting commission procedures
RR23-13	Review of the claims management process
RR23-14	Review of the implementation of cybersecurity recommendations
RR23-20	Review of the implementation of the Adacta business partner services
RR23-23	Review of complaints handling procedures
RR23-25	Review of the implementation of sponsorships and donations
RR23-27	Review of key controls in the process of selling non-life insurance in subsidiaries
Group-level audits for 2024	
RR23-28b	Review of key controls in the underwriting of non-life reinsurance processes in subsidiaries
RR24-01	Review of the functioning of the actuarial function for non-life insurance in Triglav Insurance Company
RR24-02	Review of the introduction of IFRS 17 in Triglav Insurance Company and Triglav Group *(continuous auditing)*
Audits in the Company for 2024	
RR23-10	Review of the implementation of non-life insurance controls
RR23-24	Review of the payrolls and other remuneration processes
RR24-04	Review of the implementation of the function for the proper implementation of policies and procedures for insurance distribution
RR24-07	Review of the implementation of machinery breakdown insurance
RR24-08	Review of the i.triglav web application *(continuous auditing)*

Audit project reference and title	
RR24-09	Review of sustainable business in product development
RR24-12	Review of the implementation of accident insurance
RR24-14	Cost accounting review
RR24-17	Cloud Service Management Review
RR24-18	Review of AI governance
RR24-19	Review of the information systems strategy of life and non-life insurance
RR24-21	A review of key application testing process supporting non-life and life insurance
RR24-22	Review of the monitoring of the implementation of the Minimum Standards of IT in Subsidiaries
RR24-23	Review of the Data Warehouse Platform (Microsoft Synapse)
Audits in subsidiaries for 2024	
RR24-26	Review of compliance with the guidelines of the Supervisory Agency (HANFA) in Triglav Osiguranje Zagreb *(continuous auditing)*
RR24-27	Review of Triglav Avtoservis
Extraordinary audits	
IR24-01	Review of the functioning of the measures implemented to address the deficiencies of the FURS Decision

As of 1st of January 2024 there were 46 recommendations open. As part of the audits conducted IAD issued **139 recommendations** in 2024, of which:

- **3 recommendations** were assessed as **"very important";**
- **94 recommendations** were assessed as **"medium important";**
- **42 recommendations** were assessed as **"less important".**

In accordance with good practice IAD also issued **24 advisory recommendations**, which the responsible persons themselves assess whether they will implement.

In 2024 there were 98 recommendations implemented. As of 1st of January 2025 87 recommendations were open out of which:

- **1 recommendation** was assessed as **"very important";**
- **68 recommendations** were assessed as **"medium important";**
- **18 recommendations** were assessed as **"less important".**

The IAD also carried out a number of other internal audit activities during the reporting period:

- in accordance with the Agreement on the Key Internal Audit Function execution, concluded between the Company and subsidiary Triglav, Zdravstvena zavarovalnica, d.d. (TZZ), from 1st of January 2024 till 30th of September 2024, the Department performed the internal audit function in the subsidiary TZZ, which merged with the Company on 30th of September 2024;
- **formal advisory activities,** which included assistance to the Corporate and Legal Affairs Division in the regular annual review of the compliance *of the Management System and Policy of the Company* with the strategy, other policies and internal acts in the Management System of the Company and with laws and regulations;
- **informal advisory activities**, which mainly included consultations/advices in the preparation or updating of the Company's internal acts and the improvement of internal controls in the implementation of business processes, and provided assistance in the revision of the Outsourcing Policy and in the preparation of the Rules on Outsourcing Management;
- **monitoring the recommendations implementation** of internal and external auditors;
- **periodic reporting** to the Management Board, the Audit Committee and the Supervisory Board on the work of the Department, the audit results and the recommendations implementation of internal and external auditors;
- **monitoring the other departments functioning** within the Company, including cooperation with other key and control functions;

- **monitoring of internal audit departments in subsidiaries, which included in particular:**
  - monitoring the functioning of internal audit departments;
  - assisting and advising departments in subsidiaries in carrying out audits and other activities;
  - giving work directions;
  - updating the work methodology (assisting in the implementation of the new Global Internal Audit Standards, the Internal Audit Policy and the Strategy for each subsidiary);
  - activities related to the renew of the Group's Minimum Standards (presentation to subsidiaries, providing explanations and activities related to implementing them in business practice);
  - organization and conduct of periodic meetings with internal audit function holders;
  - participating in the preparation of the annual work plans for 2025;
  - monitoring of line reports;
- **tasks of ensuring and improving the quality of the Department's work:**
  - constant supervision of the work of internal auditors by the Director of the Department;
  - monitoring indicators of the effectiveness and efficiency of the Department's operations, inter alia based on an assessment of the work of internal auditors and the Department as a whole by internal audit participants (members of the Management Board, the Audit Committee and the Supervisory Board, as well as heads of organizational units);
  - participation in internal and external training;
  - onboarding and mentoring newly hired internal auditors;
  - updating the work methodology mostly because of the implementation of the new Global Standards for Internal Audit (a gap analysis was conducted, closer and regular cooperation between internal auditors in the insurance industry was established, as well as monitoring the implementation of the Global Internal Auditing Standards in subsidiaries and ensuring a uniform approach to implementation);
  - renew of the Internal Audit Policy;
  - preparation of the Internal Audit Department Strategy for the period 2025-2030;
  - renew of the methodology for audit risk assessment;
  - upgrading audit procedures;
  - upgrading the methodology for monitoring other assurance providers;
  - updating the criteria for assessing the internal control system;
  - the beginning of the introduction of the use of artificial intelligence tools;
  - upgrading the software support for internal auditing;
  - conducting consultations with the internal auditors of the Group;
  - establishing the cooperation of internal auditors at the Slovenian Insurance Association, initially through the Committee for Key Functions, and preparing a proposal for the establishment of a separate committee in 2025;
- **planning the work of the** Department for 2025 based on an audit risk assessment in operations of the Company and the Group;
- **other activities** that included administrative activities and management of the Department, cooperation with the external auditor, etc.

The performance of internal audits and other activities in 2024 was affected by a lower number of available working days, mainly due to unplanned longer sick leaves and other absences and the departure of two auditors. New hires were realized somewhat later due to the lack of adequate personnel on the market and represented additional burdens on existing internal auditors. For these reasons, and the significantly increased time spent on conducting the 2023 audits, four inspections were carried out with the help of external contractors or experts.

Despite the reduced available time and personnel changes in 2024, the Department improved the efficiency of the implementation of internal audit activities through better organization and development of the work methodology, thus successfully implementing the Work Plan for 2024, as well as successfully carrying out the remaining audits from 2023.

3 SUMMARY OF THE MAIN FINDINGS BASED ON THE INTERNAL AUDITS CARRIED OUT

When conducting internal audits, the IAD focuses primarily on verifying the adequacy and efficiency of the management of the Company, risk management and the functioning of the internal control system, which must ensure that:

- risks are adequately identified and managed;
- the accounting information and the information for decision-making and operational purposes is correct, reliable and timely;
- employees act in accordance with legal and other regulations, standards and guidelines of good practice and in accordance with internal acts governing the operations of the Company;
- the assets are used economically, efficiently and are adequately protected;
- programs, plans and objectives are achieved;
- the Company is constantly improving the quality of its operations;

whereby the Department also pays attention to the role of the Company as the parent company in the Group and to the areas and risks that are important at the Group level[1]. To this end, it cooperates with the internal audit departments of subsidiaries, monitors their work, provides assistance to them and, if necessary, carries out audits in subsidiaries itself.

The Department informs the responsibles of the audited areas on the results of the audits carried out and also informs the Management Board on the final reports. The responsibles of the audited areas are obliged to carry out appropriate activities to eliminate violations, irregularities and deficiencies within the agreed deadlines and to report to the Department. Based on this the Department regularly monitors the recommendations implementation made and reports thereon to the Management Board, the Audit Committee and the Supervisory Board. The Department also monitors and reports on the implementation of external auditor's recommendations.

In doing so, the Department identified in particular the following opportunities for further improvement of the operation of the mentioned system:

- **related to AdInsure information system implementation:** to ensure a transparent way of monitoring the implementation of decisions in accordance with the Rules of Procedure of the Committees;
- **related to insurance commissioning**: continue to optimize the fee calculation process and establish additional controls and controls to ensure the accuracy of the data;
- **related to Business Requirements Management:** formalize the approval of new or substantially modified software by the Council of Architects and Security Experts and Information Security Management;
- **related to providing services of the business partner Adacta:** to strengthen internal controls regarding the fulfilment of regulatory requirements related to suppliers and to properly regulate the custody of contracts;
- **related to complaint handling**: to supplement or optimize the application for complaints by installing additional controls;
- **related to sponsorships and donations**: prepare an analysis of the situation and the necessary measures to better manage planned and realized costs;
- **related to cybersecurity:** establish a practice of monitoring actions and recommendations;

[1] Internal audits at the Group level are intended to review the risk management system in a specific business area from the point of view of the Company and the Group as a whole (so-called system audits). As a rule, these inspections are carried out in the Company, which is in charge of the risk management system as the parent company, and, if necessary, in the subsidiaries.

- **related to payroll and remuneration:** strengthen controls to monitor pending travel orders;
- **related to operation of the i.triglav web application**: to further improve the application for a more user-friendly experience;
- **related to international insurance policy:** implement measures to improve the management of the provision of international insurance;
- **related to cloud service management**: to supplement internal acts and optimize work processes;
- **related to non-life insurance information systems strategy:** to develop an implementation plan for the implementation of the IT strategy, to establish appropriate monitoring and to supplement the methodology of strategic risk management;
- **related to non-life insurance control:** to improve the procedures for resolving and monitoring complaints;
- **related to mechanical insurances:** to strictly comply with the insurance bases and rules in the settlement of claims;
- **related to sustainable business in product development**: to improve the management of sustainable risks in the development of insurance products;
- **related to accident insurances**: to complete the upgrade of claims settlement procedures;
- **related to cost accounting**: analyze and supplement the content concept of controlling and software support;
- **related to AI governance**: to develop strategies and rules for the use of AI;
- **related to testing of key applications supporting non-life and life insurance processes**: to supplement internal acts with more detailed content on testing procedures;
- **related to monitoring the implementation of minimum standards of informatics in subsidiaries**: to include identified missing content sets;
- **related to data warehouse platform:** perform optimizations for monitoring, planning and controlling activities related to DWH.

The Management Board and the heads of business areas are aware of the possible impact of the identified irregularities and deficiencies on the achievement of the objectives of the Company and the Group, and adopt measures and carry out activities to eliminate them. **Most of the recommendations were implemented within the agreed deadlines**. The number of overdue partially realized recommendations remains at approximately the same level and mainly relate to the elimination of deficiencies or the improvement of the functionality of the software support. The reasons for the partial realization are mainly in the workload of staff on the technology and IT side, whereby the Department estimates that the exposure to risks arising from this title remains at an acceptable level.

The following are also summarized opportunities for improving risk management and the functioning of internal control systems in subsidiaries, which the Department has identified based on internal audits carried out in these companies[2].

These opportunities relate to the individual subsidiaries in which the checks have been carried out:

- **in the area of key controls in reinsurance processes for non-life insurances:** modernise internal acts and optimise working procedures;

[2] The internal audit function is established in all insurance and other financial subsidiaries. A function in an individual company is performed by an organisational unit within the company or by a person employed in the company or outside it (external provider of internal audit services), which is functionally and organisationally separate from other parts of the company and is simply called the internal audit department. The internal audit departments of subsidiaries carry out their tasks in accordance with legal regulations and professional and ethical rules of internal auditing applicable to an individual company, as well as taking into account the minimum standards and detailed methodological guidelines for the operation of the internal audit function within the Group, which the Internal Audit Department of the Company has developed taking into account the International Standards of Professional Conduct in Internal Auditing, ethical rules and good practice in internal auditing.

- **in the area of key controls in the process of selling non-life insurance:** updating internal acts and optimising work procedures;
- **in a smaller subsidiary**: strengthen information security and debt management and improve working conditions.

The responsible persons of the subsidiaries were informed of the findings, and the recommendations implementation to improve risk management and the functioning of internal controls in these companies is closely monitored by the internal audit departments of these companies. **Most of the recommendations were implemented within the agreed deadlines.**

4 ASSESSMENT OF THE ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT AND THE INTERNAL CONTROL SYSTEM FUNCTIONING

The assessment of the adequacy and effectiveness of risk management and the functioning of the internal control system in 2024 **is based on:**
- the results of internal audits carried out in the reporting period in the Company and the Group;
- monitoring the recommendations implementation of internal and external auditors in the Company and the Group;
- other relevant information.

The Department considers that the above bases are adequate and sufficient to provide an assessment, stressing in particular that **a given assessment constitutes a reasonable (and not absolute) assurance**.

Based on the above grounds, **the Department assesses that risk management and the operation of the internal control system in audited areas in the Company and the Group in 2024 was overall appropriate and is continuously improving. The Company has in place an appropriate management system** that is proportionate to the nature and scope of its operations and the complexity of the risks involved in its operations**, regularly monitors the risk profile and actively upgrades individual areas of the risk management system and the internal control system**, especially where it detects increased risks or increased exposures, and **as a parent company in the Group, monitors risk management and the functioning of internal control systems in the subsidiaries and assists them in improving these systems.**

Nevertheless, there are opportunities to improve the maturity of these systems, which have been highlighted and recommended by the Department and/or other assurance providers. In this context, the Company should pay special attention to continuous improvement:
- of aspects of information and cybersecurity;
- of certain segments of business processes in foreign markets;
- of internal rules and processes in management and operations.

5 RESOURCES ADEQUACY ASSESSMENT OF INTERNAL AUDIT DEPARTMENT WORK

As of 31st of December, 2024, there were 13 auditors employed in the IAD. Out of all employees, 8 individuals hold at least one professional title, awarded upon competition of education in auditing or related areas by the Slovene Institute of Auditors (SIA) or comparable institutions abroad (e.g. Certified Internal Auditor (SIA), Auditor (SIA), CIA, CISA, CRISC, CRMA, CCEP-I)[3]. Internal auditors are highly experienced, possessing many years or at least several years of work experience related to internal auditing or comparable areas, and demonstrate the necessary competencies and skills to perform their duties.

The number and qualifications of the employees in the Department ensure an adequate scope of internal auditing and the fulfilment of planned audits and other activities, assuming that the Department does not face unplanned extended sick leaves or other extraordinary absences.

In cases where the employees of the Department lack specific knowledge or skills required to carry out internal audits and/or other internal audit activities, the Management Board enables the Department to obtain assistance from appropriately qualified experts inside or outside the Company.

Additionally, employees of the Department are provided with an adequate amount of professional education and training. In 2024, employees attended formal training both internally and externally of the Company.

The Management Board ensures adequate conditions and amount of resources for the functioning of the Department. The conditions that enable the independent and objective functioning of the Department and the internal auditors are detailed in Chapter 7.

[3] CIA–Certified Internal Auditor; CISA–Certified Information Systems Auditor; CRMA–Certification in Risk Management Assurance; CRIS–Certified in Risk and Information Systems Control; CCEP-I–Certified Compliance & Ethics Professional – International

6 PROGRAM AND RESULTS OF QUALITY ASSURANCE AND IMPROVEMENT OF INTERNAL AUDIT DEPARTMENT FUNCTIONING

The IAD maintains, develops and implements a quality assurance and improvement program for its functioning, with the aim of:
- ensuring compliance with the professional and ethical rules of internal auditing (especially with the applicable international auditing standards[4]);
- continuously improving the effectiveness and efficiency of its operations, as well as the operations of internal audit departments in subsidiaries.

The quality assurance and improvement program of the Department includes the following activities:
- internal quality assessment, including:
  - continuous oversight over the work of internal auditors by the Director of the Department;
  - mid-year and annual evaluation of the work of internal auditors and of the Department as a whole;
  - annual monitoring of performance and efficiency indicators of the Department;
  - periodic self-assessment of the Department's operations, with a comprehensive self-assessment carried out at least once between two external audits;
  - regular monitoring of the functioning of internal audit departments in subsidiaries;
- external quality assessments carried out at least once every five years by a qualified independent expert;
- activities to address the deficiencies identified during assessments and other quality improvement activities.

The last external quality assessment of the Department's operations was carried out at the end of 2021. It was carried out by KPMG, poslovno svetovanje, d.o.o., which concluded that the Department operates in accordance with the internal auditing rules defined by the applicable legal regulations, standards and codes. Additional, KPMG provided several recommendations for further development and implementation of best practices, which the Department has appropriately incorporated in the internal auditing process.

In 2024 internal auditing was carried out **in accordance with professional principles and standards of internal auditing, the code of professional ethics for internal auditors, Internal Audit Policy of Zavarovalnica Triglav, d.d., the Insurance Act and other applicable legal regulations, and meets the expectations of internal audit stakeholders** (Management Board, Audit Committee and Supervisory Board, as well as heads of organizational units in the Company). However, there are opportunities for improvement and further development, which the Department will consider in planning and implementation of its future activities.

[4] In 2024, the International Standards for the Professional Practice of Internal Auditing were in force, and as of 9th of January 2025, the new Global Internal Audit Standards are in force.

7 STATEMENT OF INDEPENDENCE AND OBJECTIVITY OF INTERNAL AUDIT DEPARTMENT AND INTERNAL AUDITORS

The Management Board ensures appropriate working conditions for the IAD, specifically:

- in terms of organizational and functional independence;
- in terms of the extent of the resources for the functioning of the Department;
- in terms of access to information, resources and personnel within the Company (including members of the Management Board, the Audit Committee and the Supervisory Board);

which enables the employees of the Department to independently and objectively carry out internal audit activities.

The Department is organized as an independent organizational unit within the Company, which is directly subordinate to the Management Board and organizationally and functionally separated from other parts of the Company. It is independent in determining the areas, objectives and scope of internal auditing, performing its work and reporting on internal auditing, Employees of the Department do not perform any development and operational assignments that could create a conflict of interest and weaken their objectivity, nor do they make decisions on activities in the areas subject to internal auditing.

The Department determines the areas, objectives and scope of internal auditing based on the risk assessment of the Company's operations and risks important at the Group level. For its work the Department is directly accountable to the Management Board and the Supervisory Board. For this purpose, the Director of Department directly reports (written and verbal communication) on the functioning of the Department, the results of the internal audits carried out, the recommendations implementation and the assessment of the adequacy and effectiveness of risk management and the functioning of the internal control system in the audited areas to:

- the Management Board, which maintains independence from other business areas or functions in the Company;
- the Audit Committee and the Supervisory Board, thus maintaining independence from the Management Board.

The duties of the Director of the Department and other internal auditors regarding ensuring independence and objectivity, avoiding conflicts of interest and reporting any circumstances that could weaken the independence and objectivity of the Department or internal auditors are defined in *the Internal Audit Policy of Zavarovalnica Triglav d.d.*[5]

[5] The Director of the Department is obliged, together with the Management Board, to inform the Audit Committee and the Supervisory Board of any restriction of:

- the areas, objectives and scope of internal auditing;
- access to records, assets and persons in the Company that internal auditors need for their effective and efficient work;
- resources to implement risk-based internal auditing.

Internal auditors are obliged to inform the Director of the Department of the occurrence of any circumstances that could lead to a conflict of interest and thus weaken their impartiality, who in turn inform the Management Board, the Audit Committee and the Supervisory Board of the occurrence of any circumstances that could lead to a conflict of interest and thus weaken their impartiality.
Circumstances giving rise to a conflict of interest include, in particular:

- carrying out any development and operational tasks, deciding on activities and/or directing the activities of employees in the audited areas, in particular in the two years preceding the implementation of audit tasks in these areas;

In 2024, the Department operated independently, and there were no circumstances in the functioning of internal auditors that would weaken their objectivity. The statement of objectivity is based on the assurances from all internal auditors.

- family ties with employees in the audited areas and employees in important or sensitive positions in the Company in general;
- any pecuniary gain related to the operation of the audited areas and the Company in general;
- awards, gifts and other benefits offered or received from employees of the Company or persons outside it, which are believed to be offered or given with the intention of weakening the impartiality of the Director of the Department and/or internal auditors.