



ZAVAROVALNICA TRIGLAV
MIKLOŠIČEVA CESTA 19, 1000 LJUBLJANA

CORPORATE GOVERNMENT STATEMENT

The Corporate Statement below is included in the audit annual report of Triglav Group and Zavarovalnica Triglav, d.d for 2015

1. Governance policy

The Governance System and Policy of Zavarovalnica Triglav, adopted by the Management and Supervisory Boards, define the main guidelines for the governance of the Company, taking into account the set long-term strategic objectives and values. They are the foundation for setting up and implementing a robust and reliable governance system, which is based on an efficient risk management system and enables the implementation of the business strategy of the Company. The document was published on SEOnet, the Ljubljana Stock Exchange information system, and on the official website of Zavarovalnica Triglav d.d. (www.triglav.eu).

2. Statement of Compliance with the Corporate Governance Code

In its operations, Zavarovalnica Triglav abides by the Corporate Governance Code, which was adopted on 8 December 2009 and is published in Slovene and English on the Ljubljana Stock Exchange website <http://www.ljse.si>. Zavarovalnica Triglav adheres to all the provisions of the Code.

The Statement of Compliance with the Corporate Governance Code for the period from 1 January 2015 to the day of publication in 2016 is available on SEOnet, the information system of the Ljubljana Stock Exchange, and on the official website of Zavarovalnica Triglav at www.triglav.eu.

In its operations and actions, the Company also observes the principles of the Insurance Code, available on the website of the Slovenian Insurance Association at <http://www.zav-zdruzenje.si>.

Moreover, Zavarovalnica Triglav has its own code, available at the Company's official website (www.triglav.eu). This code presents Zavarovalnica Triglav's fundamental values and principles of operation in order to achieve its business goals, strategic guidelines and competitive advantages in compliance with the law and ethics, while also adhering to the principles and standards of fair and transparent business practices.

Zavarovalnica Triglav took a position on the Corporate Governance Code for Companies with State Capital Investments and the Recommendations and Expectations of Slovenski državni

holding d.d. (both documents are available on the website of Slovenski državni holding d.d., <http://www.sdh.si>), which is published on the official website of Zavarovalnica Triglav (www.triglav.eu).

3. Management bodies of Zavarovalnica Triglav

The Company uses a two-tier management 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 of Association and their own rules of procedure. The Articles of Association are available at www.triglav.eu.

Two tier governance of Zavarovalnica Triglav



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 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 of Association. The Articles 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 estate 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 rights 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.

The rights and obligations attached to the shares, and notes on reaching a qualifying holding and the restriction on transfer of shares are described in detail in Sections 6.1 and 6.2. of the Annual Report. See the Insurance Act for details.

In accordance with the Financial Instruments Market Act, the following three shareholders own a qualifying holding in Zavarovalnica Triglav:

- 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. Its share in 2015 remained unchanged. On behalf of and for the account of ZPIZ, the shareholder's rights attached to the shares were managed by Slovenski državni holding d.d. (hereinafter: SDH).
- As at 31 December 2015, SDH was the direct holder of 6,386,644 shares or 28.09% of the share capital of Zavarovalnica Triglav. Its share in 2015 remained unchanged.
- Hypo Alpe-Adria Bank d.d., Zagreb (fiduciary account) held 1,435,521 shares or 6.31% of the share capital of Zavarovalnica Triglav, representing an increase of 61,863 shares over the 2014 year-end.

As at the reporting date, Zavarovalnica Triglav had no other shareholders whose holdings exceeded 5.00% of the share capital, nor any issued securities that would grant their holders special control rights.

General Meeting of Shareholders in 2015

The shareholders of Zavarovalnica Triglav had one general meeting in 2015. The 40th General Meeting of Shareholders was held on 9 June 2015. The total number of shares and voting rights represented at the General Meeting of Shareholders was 3,724,899 or 44.37% of all shares to which voting rights are attached.

- The shareholders took note of the Annual Reports of Zavarovalnica Triglav and the Triglav Group for 2014, including the opinions given by the audit firms, and the Annual Internal Audit Report for 2014.
- Furthermore, they took note of the Supervisory Board's report on the verification of both Annual Reports for 2014 and its opinion on the Annual Internal Audit Report by the Internal Audit Department for 2014.
- The shareholders adopted a resolution on the following distribution of the accumulated profit of EUR 61,687,036.62 as at 31 December 2014:
 - a part of accumulated profit in the amount of EUR 56,837,870.00 shall be allocated for dividend payments amounting to EUR 2.50 gross per share payable to the shareholders appearing in the Share Register two days following the date of the General Meeting of Shareholders. The dividends shall be paid within 30 days of the date this resolution is passed.
 - The distribution of the remaining accumulated profit of EUR 4,849,166.62 shall be decided in the next few years.
- The Shareholders granted a discharge for the business year 2014 to both the Management Board and the Supervisory Board of Zavarovalnica Triglav.
- Moreover, the audit firm ERNST & YOUNG Revizija, poslovno svetovanje d.o.o. was appointed as the auditors of Zavarovalnica Triglav for the 2015 business year.
- The General Meeting of Shareholders was informed about the new appointments of employee representatives to the Supervisory Board.

At the General Meeting of Shareholders no action of voidness was announced.

On 5 March 2013, Zavarovalnica Triglav received the Securities Market Agency Decision (ATVP), issued on 4 March 2013, in which the said Agency orders Zavarovalnica Triglav to ban, as at the day the decision takes effect, the following persons from exercising their voting rights:

- Slovenska odškodninska družba d.d., Mala ulica 5, Ljubljana (SDH – the current legal successor), for the rights attached to the shares with the ZVTG ticker symbol held by Zavarovalnica Triglav and the rights attached to the shares held by Zavod za pokojninsko in invalidsko zavarovanje, Kolodvorska 15, Ljubljana, which are exercised on behalf of and for the account of the latter by SDH;
- HIT Hoteli, igralnice, turizem d.d., Delpinova ulica 7a, Nova Gorica;
- Elektro-Slovenija d.o.o., Hajdrihova ulica 2, Ljubljana;
- D.S.U., družba za svetovanje in upravljanje d.o.o., Dunajska cesta 160, Ljubljana;
- Nova KBM d.d., Ulica Vita Kraigherja 4, Maribor;
- Telekom Slovenije d.d., Cigaletova ulica 15, Ljubljana.

On 9 February 2016, Zavarovalnica Triglav received the Securities Market Agency Decision, establishing that with the issue of the Securities Market Agency Decision of 2 December 2015 the prohibition to exercise its voting rights based on the Securities Market Agency Decision dated 4 March 2013 expired. On this basis, Zavarovalnica Triglav re-establishes the voting rights to: Zavod za pokojninsko in invalidsko zavarovanje d.d., Slovenski državni holding d.d., Telekom Slovenije d.d., Eles d.o.o., PS za avto d.o.o., Savske elektrarne Ljubljana d.o.o., Pošta Slovenije d.o.o., Elektro Celje d.d., ECE d.o.o., Elektro Ljubljana d.d., Elektro Primorska d.d. and the Republic of Slovenia.

3.2. Management Board

Any person fulfilling the requirements stipulated by the Insurance Act, the Companies Act and the applicable documents of the Company may be appointed to the Management Board as its President or member. Thus, the Policy on Professional Competence and Adequacy of Management and Supervisory Board Members of Zavarovalnica Triglav d.d., which applies from 1 January 2016, clearly defines the professional competence and adequacy criteria to be met by the members of the Management Board as individuals. Moreover, it precisely defines the professional competence and adequacy assessment for the Management Board members, which has to be performed before the appointment, periodically, extraordinarily or after the appointment of an individual Management Board member. The Policy also determines the professional competence and adequacy assessment criteria and procedures for the Management Board as a collective body.

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 Company is always jointly presented and represented by two members of the Management Board, one of whom must be its President.

3.2.1. Composition and appointment of the Management Board

According to the Articles 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 member is up to five years, with the possibility of reappointment. In Zavarovalnica Triglav, the employee representative is a member of the Management Board.

The appointment or recall of all members or an individual member 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 their obligations stipulated by primary or secondary legislation and in other circumstances set out by law.

3.2.2. Management Board competence to increase the share capital

In accordance with the Company's Articles 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 contributions within five years of 28 June 2011. The issue of new shares, the amount of capital increase, 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 of Association.

3.2.3. Presentation of the Management Board, its functioning and powers

The composition and powers of the Management Board of Zavarovalnica as at the end of 2015 is presented below:

Andrej Slapar, President of the Management Board

- Born in 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, Assistant to the President of the Management Board for reinsurance and a Management Board member. On 10 November 2009, he became a member of the Management Board of Zavarovalnica Triglav with a five-year term of office.
- He was first appointed as President of the Management Board on 22 May 2013 and began a five-year term of office on 11 November 2014.
- As the President of the Management, he manages and directs the work of the Management Board and the headquarters departments (the Management Board Office, the Legal Office, the Internal Audit Department, the Corporate Communication Department, the Compliance Office) as well as the Life Insurance Development and Actuarial Department and the Non-Life Insurance Development and Actuarial Department. He is in charge of the Life Insurance Division, the Corporate Accounts Division, senior management staffing, Arbitration, Nuclear Pool, Commercial Association of Slovenian Insurance Companies and Supplemental Health Insurance Division.

Benjamin Jošar, member of the Management Board

- Born in 1973. Master of Science in Business Administration.
- He took a position as the Authorised Officer of the Management Board in 2012 thanks to his work experience in banking and finance, which he gained in managerial and executive positions. From 2008 to 2009, he was President of the Management Board of KD borznoposredniška družba. After the transformation into KD Banka, he was positioned first as its Executive Director and later as an Executive Member of the Board of Directors. In the period from 2008 to 2011, he participated in management and supervisory bodies in KD Group subsidiaries. Until July 2012, he served as a substitute member on the Supervisory Board of the Bank Association of Slovenia. In November 2012, he became a member of the Management Board of Zavarovalnica Triglav.
- His five-year term of office commenced on 2 November 2012.

- He is at the helm of the Risk Management Department, the Strategic Planning and Controlling Department and the Subsidiary Management Department. He is in charge of Triglav INT d.d.

Uroš Ivanc, member of the Management Board

- Born in 1975. Master of Science in Business Administration. Chartered Financial Analyst (CFA).
- He has been employed in Zavarovalnica Triglav since 2001 as a stock market analyst. He held managerial and executive positions up to 2004, when he became Head of Corporate Finance Department. In December 2005, he was appointed Executive Director of the Finance Division. Between March and August 2008 he was also General Manager of Slovenijales d.d., and from September 2007 to December 2012 he worked as Portfolio Manager in DUPF Triglav penzija a.d., Belgrade, Serbia. Since 2005 he has served as a member on several supervisory bodies of companies within and outside the Triglav Group.
- His five-year term of office commenced on 14 July 2014.
- He is in charge of the Real Property Management Department, the Accounting Division and the Finance Division.

Tadej Čoroli, member of the Management Board

- Born in 1975. Bachelor of Laws.
- Tadej Čoroli was first employed in Zavarovalnica Triglav in 2001 as Insurance Law Specialist. He gained managerial experience in insurance as the Executive Director of Life Insurance Division and Executive Director of Non-Life Insurance Division. Since 2005, he participated in management and supervisory bodies in the Triglav Group subsidiaries. In addition, he was a Supervisory Body member of Skupna pokojninska družba d.d., Ljubljana. In July 2014, he was appointed a member of the Management Board of Zavarovalnica Triglav.
- His five-year term of office commenced on 29 July 2014.
- He is responsible for the Client Contact Unit, the Marketing Department, the Non-Life Insurance Division, the Non-Life Insurance Claims Division, the Non-Life Insurance Sales Division and the Non-Life Insurance Marketing and Distribution Division.

Marica Makoter, member of the Management Board and employee representative

- Born in 1972. Bachelor of Laws.
- From 1996 to 2000, Makoter was employed at the Kočevje Administrative Unit. After an internship with the Ljubljana Higher Court and after passing the State Legal Exam, she took employment with Zavarovalnica Triglav in the Novo Mesto Regional Unit in 2001. She was Head of the Subrogation Department in Novo Mesto from 2003 to 2006, and until 2011 Head of the Legal Claims Department and Deputy Head of the Regional Claim Centre in the Novo Mesto Regional Unit.
- Marica Makoter took her five-year term of office on 21 December 2011.
- As an employee representative, she represents workers' interests in compliance with the Worker Participation in Management Act. She is in charge of the Organisation Development and Business Process Management Department, the Fraud Prevention, Detection and Investigation Department and the Change and Project Portfolio Management Department. Moreover, she is responsible for the IT Division, the Back Office Division and the Human Resource Management Division, excluding senior management staffing.

Data on the earnings of the Management Board members are disclosed in Section 5.5 of the accounting part of the Annual Report. The basis for the remuneration of the Management Board is the Remuneration Policy of Zavarovalnica Triglav d.d., which is based on the Solvency II Directive 2009/138/EC, as amended by Directive 2012/23/EU, and Commission Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC. It is designed so as to ensure the maintenance of appropriate capital strength of the Company, to encourage reliable and effective risk management, not to promote the assumption of risks exceeding the allowed risk limits of the Company and to provide for the acquisition and retention of competent, responsible and committed employees with appropriate professional competences. The Policy serves as a foundation for implementing a robust and reliable governance system and provides integrity and transparency of operations.

Membership of the Management Board members of Zavarovalnica Triglav in the Supervisory Boards or Management Boards of other companies as at 31 December 2015:

Name and surname	Membership in the supervisory (Management) Boards of other companies
Andrej Slapar President of the Management Board	<ul style="list-style-type: none"> ▪ Pozavarovalnica Triglav Re d.d. ▪ Abanka Vipa d.d. ▪ Krka d.d.
Benjamin Jošar Member of the Management Board	<ul style="list-style-type: none"> ▪ Triglav INT d.d. ▪ Triglav Skladi d.o.o.
Uroš Ivanc Member of the Management Board	<ul style="list-style-type: none"> ▪ NLB d.d. ▪ Adriatic Fund B.V., in liquidation ▪ Triglav INT d.d.
Tadej Čoroli Member of the Management Board	<ul style="list-style-type: none"> ▪ Triglav, Zdravstvena zavarovalnica d.d. ▪ Triglav INT d.d. ▪ Skupna pokojninska družba d.d.
Marica Makoter Member of the Management Board, Employee Representative	<ul style="list-style-type: none"> ▪ Triglav INT d.d.

3.3. Supervisory Board

The Supervisory Board as a supervisory body supervises the Company's business conduct with full responsibility. It is composed of six representatives of the shareholders and three representatives of employees,

The former are elected by the General Meeting of Shareholders and the latter by the Works Council. Their appointment and recall are made in accordance with the law and the applicable documents of the Company. The Chairman and Vice 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 may be re-elected without limitation. The professional competence and adequacy criteria as set out in the Policy on Professional Competence and Adequacy of Management and Supervisory Board Members of Zavarovalnica Triglav d.d. also applies to both the Supervisory Board as a collective body and to Supervisory Board members as individuals. Professional competence and adequacy are assessed before the appointment, periodically, extraordinarily or after the appointment of an individual Supervisory Board member.

The General Meeting of Shareholders may recall a Supervisory Board member before the end of their term of office. To substitute for the member 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.

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 of Association of Zavarovalnica Triglav and the Rules of Procedure of the Supervisory Board (available at www.triglav.eu). Besides the competences specified 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 Zavarovalnica Triglav's 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 of Zavarovalnica Triglav.

In accordance with the law and the provisions of its Rules of Procedure, the Supervisory Board holds at least one session per quarter, or more if necessary.

3.3.2. Supervisory Board in 2015

On 12 June 2013, the new members of the Supervisory Board/employee representatives started their four-year term of office. On 30 May 2015, the four-year term of office of Branko Gorjan, Peter Celar and Miran Krštinc as members of the Supervisory Board/employee representatives ended, and as of 31 May 2015 Boštjan Molan, Peter Celar and Ivan Sotošek started serving their four-year term of office as the new members of the Supervisory Board/employee representatives.

At its session on 1 July 2013, the Supervisory Body appointed Matej Runjak its Chairman and Gregor Kastelic as its Vice Chairman.

Composition of the Supervisory Board as at 31 December 2015

Name and surname	Education	Employed in	Membership in Supervisory Boards of other companies
Shareholder representatives			
Matej Runjak Chairman	Bachelor of Science in Administrative Organisation MBA	Slovenski državni holding d.d. Head of the Finance and Portfolio Investment Department	Cinkarna Celje d.d.
Gregor Kastelic Deputy Chairman	Bachelor of Science in Administrative Organisation MBA	ING Bank N.V., London Branch, Investment Banking Director	/
Mario Gobbo Member	PhD in Economics	Independent advisor	/
Dubravko Štimac Member	PhD in Economics	PBZ Croatia Osiguranje d.d., President of the Management Board	Podravka d.d. Zagrebska borza d.d.
Rajko Stanković Member	Senior administrative worker	Društvo Mali delničarji Slovenije, predsednik	Žito d.d.
Matija Blažič Member	Bachelor of Science in Administrative Organisation	Retired	Petrol d.d.
Employee representatives			
Boštjan Molan Member	Bachelor of Science in Economics	Zavarovalnica Triglav d.d.	/
Peter Celar Member	Bachelor of Science in Economics	Zavarovalnica Triglav d.d.	/
Ivan Sotošek Member	Bachelor of Science in Administrative Sciences	Zavarovalnica Triglav d.d.	/

By signing the Statement of Independence and Loyalty (www.triglav.eu), the members of the Supervisory Board undertook to adhere to the principles of independence laid down in item C3 of the Annex to the Corporate Governance Code.

Data on earnings of the Supervisory Board members are disclosed in Section 5.5 of the accounting part of the Annual Report. Remuneration of the Supervisory Board members is in line with the resolution passed by the 35th General Meeting of Shareholders held on 21 June 2011.

3.3.3. Composition of Supervisory Board committees and their activities in 2015

Supervisory Board committees prepare draft resolutions for the Supervisory Board, assure their implementation and carry out other professional tasks.

In 2015, the Supervisory Board committees were the following: the Audit Committee, the Appointments and Compensation Committee and the Strategy Committee, whilst the Nominations Committee as an ad-hoc committee was not established.

Supervisory Board committees



Audit Committee

The most important 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 and include:

- monitoring the accounting reporting process, creating reports and drafting proposals for ensuring its comprehensiveness;
- monitoring the efficiency and effectiveness of internal controls, internal audit and risk management systems;
- monitoring the mandatory audit of annual and consolidated accounting statements and reporting on the audit findings to the Supervisory Board;
- being in charge of the auditor selection procedure and proposing a candidate to the Supervisory Board to audit the Company's annual report and participating in the drafting of an agreement between the auditor and the Company;
- supervising the integrity of financial information provided by the Company; evaluating the drafting of the annual report, including a draft proposal for the Supervisory Board;
- cooperation with the Internal Audit Department, monitoring their interim reports, examination of the internal documents of the Internal Audit Department, the Rules of Operation of the Internal Audit Department and the annual plan of the Internal Audit Department;
- examination of decisions on the appointment, dismissal and remuneration of the Head of the Internal Audit Department.

The Audit Committee was composed of: Mario Gobbo as its Chairman, Rajko Stanković, Branko Gorjan (until 30 May 2015), Ivan Sotošek (since 20 August 2015) as its members and Barbara Nose as the outsourced independent expert.

Appointments and Compensation Committee

The main 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:

- drafting proposals regarding the criteria for membership in the Management Board;
- drafting proposals regarding the policy of remuneration, compensation and other benefits for the Management Board members;
- preliminary consideration of proposals made by the President of the Management Board related to the management of the Company, pursuant to the third paragraph of Article 13 of the Articles of Association;
- performance of the professional competence and adequacy assessment for the Management and Supervisory Board members in line with the Policy on Professional Competence and Adequacy of Management and Supervisory Board Members of Zavarovalnica Triglav d.d.;
- support and making proposals on matters that concern the Supervisory Board (e.g. conflicts of interest, design and implementation of a remuneration system for Supervisory Board members, assessment of the Supervisory Board's work against the Code of Corporate Governance).

The Appointments and Compensation Committee had the following composition: Matej Runjak as Chairman, Dubravko Štimac, Miran Krštinc (until 30 May 2015) and Boštjan Molan (since 20 August 2015) as members.

Strategy Committee

The duties and competences of the Strategy Committee are set out in the Rules of Procedure of the Supervisory Board and the Supervisory Board's resolutions. The main areas of its operation include discussing and preparing proposals for the Supervisory Board related to strategic development and planning of the Triglav Group and the realisation of its strategic plans.

The Strategy Committee was composed of Gregor Kastelic as its Chairman and Mario Gobbo and Peter Celar as its members.

Nominations Committee

The Nominations Committee is an ad-hoc committee of the Supervisory Board, established to carry out a nomination procedure for members of the Supervisory Board – shareholder representatives. The Committee sets the selection criteria unless the Supervisory Board decides otherwise. It also makes a list of the candidates for Supervisory Board members and asks the Appointments and Compensation Committee to draw up an assessment of their professional competence and adequacy. The Nominations Committee then submits to the Supervisory Board a nomination proposal for one or several candidates for members of the Supervisory Board, shareholder representatives, including a draft assessment of candidates for Supervisory Board members, shareholder representatives.

4. Governance and management of subsidiaries

In 2015, following the reorganisation at the end of 2014, the Subsidiary Management Department took over the corporate governance and supervision of subsidiaries in Slovenia, while the insurance holding Triglav INT d.d., (hereinafter: TINT) assumed the governance and supervision of insurance subsidiaries abroad. Before that Zavarovalnica Triglav transferred the equity stakes in insurance subsidiaries outside Slovenia to the TINT insurance holding.

In the first half of the reporting year, the Management Board of Zavarovalnica Triglav adopted the Governance Policy of Zavarovalnica Triglav's Subsidiaries, which sets out the fundamental strategy-based principles of their governance.

In addition to coordination and supervision of Slovene subsidiaries, the activities of the Subsidiary Management Department focus on standardising and harmonising the operations of subsidiaries as well as on implementing the common business practice rules. TINT is managed in accordance with the Governance Policy of Zavarovalnica Triglav's Subsidiaries, while its subsidiaries are managed in line with the Governance Policy of Triglav INT's Subsidiaries.

In 2015, TINT took over the entire corporate governance and supervision of insurance subsidiaries abroad. The new governance method was based on the fact that other markets of the Triglav Group significantly differ from the Slovene market. Based on a new business model, new employees were recruited in TINT and the subsidiary governance structure was improved.

The key goals of TINT and the new business model for the governance of insurance subsidiaries abroad are primarily:

- more efficient management of insurance subsidiaries so as to improve their business results;
- a clearer governance structure and centralised management, strategic and business planning;
- a faster and more efficient flow of information and decision-making;
- more efficient operational risk management and introduction of new business processes;
- optional specialisation of functions as an added value, tailored to the specificities of markets, and improved access to these functions centralised in one organisational unit;
- more effective identification of staff potential in insurance subsidiaries and improved job rotation among insurance subsidiaries.

The completion of the corporate governance system within the Triglav Group will be of key importance in 2016 for the governance and management of the Group's subsidiaries. The Subsidiary Management Department, in coordination with TINT, is in charge of the transfer of good practices from the parent company to subsidiaries. Moreover, the role of TINT regional managers was enhanced, as they are responsible for every subsidiary and provide for direct connection between a subsidiary, its supervisory bodies and TINT.

The composition of governance and management bodies as at 31 December 2015

Subsidiary	Management	Supervisory function
Slovenia		
Pozavarovalnica Triglav Re d.d., Ljubljana	Gregor Stražar, President Tomaž Rotar Stanislav Vrtunski	Supervisory Board: Andrej Slapar, Chairman Tomaž Žust, Sebastjan Debevc
Triglav, Zdravstvena zavarovalnica d.d., Koper		
	Meta Berk Skok, President Simon Vidmar	Supervisory Board: Tadej Čoroli, Chairman Blaž Jakič, Tomaž Krevatin

Subsidiary	Management	Supervisory function
Skupna pokojninska družba d.d., Ljubljana	Aljoša Uršič, President Peter Krassnig	Supervisory Board: Tadej Čoroli, Chairman Miha Grilec, Aleš Vahčič, Primož Plantarič, Jaka Kirn, Miran Kalčič, Vesna Lednik, Lotti Natalija Zupančič, Vesna Vodopivec, Branko Miklavčič, Nataša Novak Priveršek – resigned
Triglav Skladi, družba za upravljanje d.o.o., Ljubljana	Igor Kušar, President Andrej Petek	Supervisory Board: Benjamin Jošar, Chairman Simona Kozjek, Meta Berk Skok
Triglav Svetovanje, zavarovalno zastopanje d.o.o., Domžale	Edvard Kranjčič, Director Tedo Djekanović, Authorised Officer	
Triglav INT, holdinška družba d.d., Ljubljana	David Benedek, CEO Tedo Djekanović, CEO	Board of Directors: Benjamin Jošar, Chairman Marica Makoter, Uroš Ivanc, Tadej Čoroli, David Benedek, Tedo Djekanović
Triglav Avtoservis d.o.o., Ljubljana	Edvard Zabukovnik, Director Boris Kuhelj, Director	Supervisory Board: Matej Ferlan, Chairman Nataša Novak Priveršek, Aleš Klement
Triglav, Upravljanje nepremičnin d.d., Ljubljana	Krešo Šavrič, Director Aleš Vahčič, Authorised Officer Mitja Selan, Authorised Officer	Supervisory Board: Rok Pivk, Chairman Ksenja Zajc, Ana Stradar Igljič
Croatia		
Triglav Osiguranje d.d., Zagreb	Marin Matijaca, President Bernhard Melischnig Mišo Čeplak, Authorised Officer	Supervisory Board: David Benedek, Chairman Tomaž Žust, Gorazd Jenko, Darko Popovski, Željko Duralija
Montenegro		
Lovćen Osiguranje a.d., Podgorica	Radenko Purić, CEO	Board of Directors: David Benedek, Chairman Tomaž Žust, Darko Popovski
Bosnia and Herzegovina		
Triglav Osiguranje d.d., Sarajevo	Edib Galijatović, President Edin Muftić	Supervisory Board: Tedo Djekanović, Chairman Gorazd Jenko, Bakir Pilav
Triglav Osiguranje a.d., Banja Luka	Matej Žlajpah, Director	Board of Directors: David Benedek, Chairman Blaž Jakič, Iztok Šekoranja, Draško Milinović
Serbia		
Triglav Osiguranje a.d.o., Belgrade	Dragan Marković, General Manager Bojan Mijailović, Member of the Board of Directors Matjaž Božič, Member of the Board of Directors	Supervisory Board: Tedo Djekanović, Chairman Blaž Jakič, Radenko Purić
Macedonia		
Triglav Osiguruvanje a.d., Skopje	Gjorge Vojnović, Chief Executive Officer Sanja Tančevska – Executive Director	Board of Directors: Tedo Djekanović, Chairman Blaž Kmetec, Igor Žibrik, Darko Popovski, Maja Gazvoda, Matej Ferlan

5. Internal and external audit

On 9 June 2015, the General Meeting of Shareholders of Zavarovalnica Triglav appointed the audit firm ERNST & YOUNG Revizija, poslovno svetovanje d.o.o. as the auditors for 2015.

The report on the work of the Internal Audit Department is included in Section 2.1 of the Annual Report - Risk Management.

6. Main characteristics of the internal control and risk management system

The Triglav Group has an efficiently designed and integrated internal control and risk management system, which is promptly adapted to the development of the Group and organisational changes. The system exceeds the basic statutory requirements for insurance companies set out in the Companies Act and the Insurance Act, as well as special implementing regulations of the Insurance Supervision Agency on the establishment and maintenance of a suitable internal control and risk management system.

The internal control and risk management system was upgraded and adapted to the **Solvency II** quality, quantity and reporting requirements. The internal control system was set up in all organisational levels, units and processes of the Triglav Group and includes:

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

The Internal Audit Department is an independent organisational unit, set up in compliance with the law regularly runs efficiency checks of the internal control and risk management system and offers upgrade proposals as well as reports to the Management Board, the Audit Committee and the Supervisory Board. The characteristics and operation of the risk management system is discussed in detail in Section 1 of the Annual Report - Risk Management.

7. Notes on the takeover legislation

The provisions of the Takeover Act also apply 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 Section 6. of the Annual Report - The share and shareholders of Zavarovalnica Triglav.

8. Disclosure of possible agreements or authorisations regarding shares or voting rights

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

The Management Board of Zavarovalnica Triglav is not authorised by the general Meeting of Shareholders to buy its own shares. The Management Board's competence to increase the share capital is described under *Section 5.3.2.1*. The issue of new shares, the amount of capital increase, 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 that would become effective, change or expire on the basis of a changed control of the Company as a consequence of a takeover bid as defined by the Takeover Act.

Zavarovalnica Triglav has not entered into any agreements with members of its management or supervisory bodies or employees that would provide for remuneration if a takeover bid in line with the Takeover Act caused them to resign, be dismissed without justified grounds, or caused their employment to be terminated.