

# Corporate social responsibility

Our core business has always required being able to think in terms of and for many generations, assume responsibility and satisfy all of the future commitments we make to customers today. As a successful international insurance group, we want to actively fulfil our responsibility by helping create a future worth living. This section provides an insight into our extensive involvement in the area of corporate social responsibility (CSR).

## OVERVIEW

### THE IMPORTANCE OF INSURANCE TO SOCIETY

It is difficult to imagine a modern society without insurance. It fulfils a number of important economic functions that have become integral parts of our world. These functions include, for example, the following:

#### Asset protection:

Purchasing insurance coverage decreases the likelihood of catastrophic losses for individuals and allows existing assets to be protected using, for example, household insurance. However, insurance protection also promotes readiness to implement new innovative business ideas. A small company that wanted to introduce an innovative product to the market would probably be too scared to do so if it could not purchase product liability insurance.

#### Better handling of risks:

Insurance companies have a great deal of experience in managing risks and can reduce potential losses by, for example, technical testing, plant inspections or providing advice. Insurers also perform research into the causes of losses that can be used to reduce or even prevent future losses. Prompt provision of funds to remedy primary losses can prevent consequential losses affecting other individuals or companies.

#### Capital accumulation:

Insurance companies also play a role in capital accumulation. Funds are created to cover insurance payments, especially for life insurance. This means that insurance companies are important providers of capital to the economy and make long-term capital available for many productive uses.

#### Promotion of stakeholder-oriented management:

As a rule, insurance premiums are calculated based on risk – the higher the risk, the higher the premium. As a result,

extremely high risks are never even assumed in the first place. Insurance companies play a type of monitoring role in this case. This role is particularly relevant for environmental protection. Companies that could potentially be sued for environmental pollution generally purchase insurance coverage against claims for damages. Since the premium for assuming extremely high risks would be far too high, insurance companies in effect promote the use of preventive measures to avoid environmental pollution.

#### Relieving the state:

Purchasing insurance protection also provides a public benefit. Individuals purchase insurance products to make personal provision for their old age or cover risks in their day-to-day lives. When this is not done, and individuals suffer losses they are unable to bear themselves, then the loss generally has to be covered by the state, i.e. taxpayers.

### SUSTAINABLE SUCCESS

The Group's roots reach back to the year 1824, when the oldest of the three companies was formed in Austria that subsequently led to the current Wiener Städtische company and then to Vienna Insurance Group. In 1990, the Company was among the first Western European insurance companies to recognise and take advantage of the favourable political turning point in Eastern Europe and the growth opportunities that were offered by venturing into the market in the former Czechoslovakia. Further expansion followed – while applying good judgement and assessing the opportunities and risks – throughout the entire CEE region. The Group is now represented by around 50 insurance com-

## ORGANISATIONAL INTEGRATION OF CSR

VIG feels that CSR concerns the Group as a whole and has therefore made it a Managing Board responsibility. A CSR Officer exists at the holding company level in the General Secretariat, which is directly below the Managing Board. The CSR Officer is responsible for coordination within the Group and consults on a variety of topics with the responsible individuals in corporate headquarters and with contacts at the major Group companies outside Austria. Progress on these topics is ensured by a continuous exchange of information and by workshops in which information is shared.

panies in 25 countries. Careful, risk-conscious corporate management and the tireless commitment of our local employees are the reasons why VIG holds a leading position in many of its markets. This success story has been guided at all times by long-term thinking, responsible action and efforts to combine business and social goals, and this will continue to be the case in the future.

## STABLE OWNERSHIP

Around 30% of VIG shares are in free float and the remaining 70% are held by Wiener Städtische Versicherungsverein, the principal shareholder of Vienna Insurance Group. This principal shareholder shares VIG's business values and has an interest in the long-term, sustainable and successful performance of the Group. As a result, Vienna Insurance Group does not need to take actions aimed solely at short-term performance, but can, for example, remain in a market that is experiencing temporary difficulties but nevertheless has a great deal of long-term potential. Wiener Städtische Versicherungsverein also provides assistance to Vienna Insurance Group for cultural and social concerns in accordance with its articles of association. Great importance is placed on cross-border cultural exchanges, and on cooperations and initiatives that provide support for socially active organisations.

## SUSTAINABILITY INDICES

### **VIG was included in the FTSE4Good and VÖNIX indices in 2016:**

#### FTSE4GOOD

The FTSE4Good index was developed to highlight companies implementing far-reaching measures in the environmental, social and governance area. VIG shares were included in this global index in the middle of 2007.

#### VÖNIX

The first Austrian sustainability index, VÖNIX, comprises listed Austrian companies that are leaders in social and environmental performance. Vienna Insurance Group shares have been included in this index since the middle of 2005.



## FOCUSING ON IMPORTANT ISSUES

### IDENTIFYING MATERIAL SOCIAL AND ENVIRONMENTAL TOPICS

In order to assume responsibility, the Company must first know its stakeholders' expectations. Doing this makes it possible to consider sustainability management from a strategic viewpoint and focus on material issues.

To ensure that VIG, with its many important social connections, did not lose itself in the broad area of social responsibility, the Group set out to involve major stakeholders in identifying the main social, environmental and economic issues for the Group. A multi-stage analysis process was initiated so that VIG's social contribution cannot only be identified, but also checked for significance with stakeholders, amended and improved.

To begin the process, a list of potentially relevant CSR topics was prepared from the following sources: statutory requirements, criteria based on international standards, analysis of internal documents, reports by international peers and requirements for sustainability ratings. This was followed by an internal workshop where the individual issues were examined for relevance to Vienna Insurance Group and assigned to separate topic areas.

# Identifying the key CSR themes

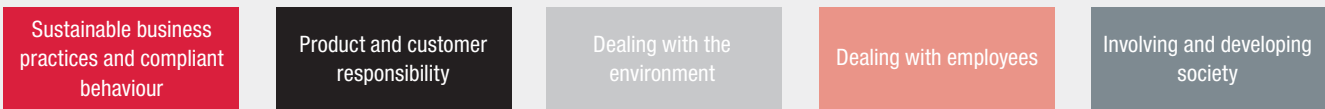
## MATERIALITY ANALYSIS PROCESS

The following sources were referred to in order to select the topics:

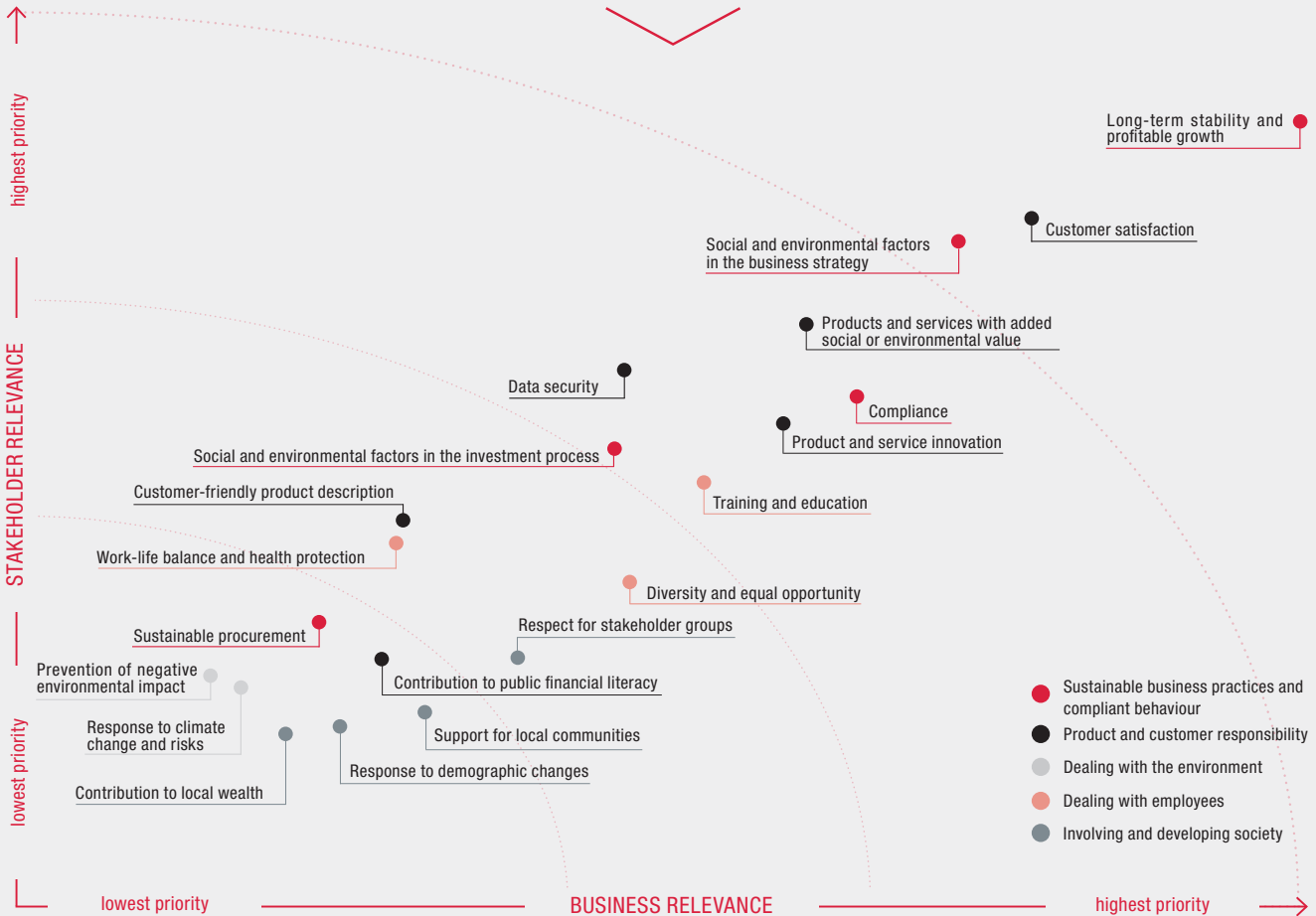
legal requirements	international standards	peer group comparisons	sustainability ratings	internal documents
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Potentially relevant CSR topics were collected, and then a list of topics was drawn up.

The individual topics were reviewed at a workshop with experts from VIG Holding and by the CSR contacts from Group companies to test their relevance for VIG. The topics that resulted from this were assigned to five major topic areas.



An online questionnaire was developed to involve external stakeholders, as well as employees and management. Respondents ranked the topics in the topic areas according to their importance and then ranked the topic areas themselves. The results were transferred to a MATERIALITY MATRIX.



## ONLINE SURVEY

In the middle of September 2016, an online questionnaire based on this preliminary work was sent to internal stakeholders (employees, management) and external interest groups, consisting of large clients, distribution partners, investors, analysts, political stakeholders, NGOs, various experts, the media and suppliers. The questionnaire asked respondents to rank the collected topics in the topic areas according to their importance for future sustainability reporting, and then to rank the topic areas themselves. Major topic areas included “sustainable business practices”, “product and customer responsibility”, “dealing with the environment”, “dealing with employees” and “involving and developing society”, each with between two and six sub-topics. Around 770 respondents took advantage of the opportunity to provide their opinions.

## MATERIALITY MATRIX

The results of the survey were entered into a materiality matrix (see chart on page 21). One axis (stakeholder relevance) shows employee and external stakeholder results, and the other axis (business relevance) shows management answers. The colours indicate the topic area to which each topic belongs.

The linear distribution of topics in the matrix does not have any major outliers at the upper left or lower right, indicating close agreement between the weightings and priorities of management versus employees and external stakeholders. Both groups rated long-term stability and profitable growth in the “sustainable business practices” topic area as the most important issue for corporate social responsibility. Customer satisfaction took second place, followed closely by social and environmental factors in the business strategy.

Vienna Insurance Group considers the stakeholder survey and assessment of the materiality of topics to be the first

step in the Group's future development with regard to CSR. The materiality matrix provides important guidance for future direction.

## COMPANY VALUES AND CONDUCT

### VALUES

As a large international insurance group, Vienna Insurance Group is aware of its responsibility to interest groups and stakeholders. VIG's conduct towards these groups is guided by honesty and sustainability and is based on the following values:

- Credibility & integrity
- Customer satisfaction & quality of service
- Entrepreneurship
- Appreciation & respect

### CODE OF CONDUCT

Above all, the brand Vienna Insurance Group stands for trust and security. To fulfil these demands, a standardised code of conduct, the Code of Business Ethics, was created based on VIG values. It applies to all VIG employees and governs conduct related to matters such as compliance with laws, human rights, non-discrimination, the prevention of market abuse, bribery, corruption, money-laundering and terrorist financing, data protection and the environment. In the interests of transparent corporate communication, the Code of Business Ethics is also published on the VIG website at [www.vig.com/en/corporate-responsibility](http://www.vig.com/en/corporate-responsibility).

At the top level, the Vienna Insurance Group Managing Board is responsible for application of the Code of Business Ethics. The management bears responsibility for compliance with the rules in their areas of responsibility. Employees receive training and information sessions to learn about compliance-related topics.

## COMPLIANCE ORGANISATION

The goal of the group-wide compliance management system of Vienna Insurance Group is to ensure compliance with the legal provisions applicable to VIG and the obligations that it voluntarily assumes, and to promote a culture of integrity. The Vienna Insurance Group compliance organisation has a decentralised structure. The Group Compliance Officer works in close coordination with contact persons in the compliance-relevant departments of VIG Holding and local Group company compliance officers, and coordinates communications with them. Compliance also relies on an exchange of information. For example, a Group-wide newsletter focusing on EU law is used for this purpose. An in-depth exchange of information and experience also takes place in Compliance Committee meetings, which take place in Vienna Insurance Group at both the holding company and Group level. The meetings in 2016 primarily dealt with the following topics: a number of areas in the Code of Business Ethics (in particular the prevention of corruption, market abuse, money laundering and terrorist financing, and data protection) as well as changes to EU law. Proactively providing information to employees on compliance-related issues also helps to raise awareness and create a compliance-conscious environment in the entire organisation.

## PREVENTION OF BRIBERY AND CORRUPTION

VIG has zero tolerance for fraud and corruption and explicitly rejects all forms of bribery and corruption. Offering and/or accepting bribes, and all other forms of corruption are strictly forbidden. VIG requires transparency, integrity and compliance with anti-corruption and bribery laws in all lines of business, and places great importance on legally compliant and ethically correct conduct by all Group companies and their employees.

In addition to training in VIG's values and norms, the Internal Audit department monitors compliance with these values and norms, in particular with respect to bribery and corruption, by periodically checking for suspicious conduct and events that suggest unlawful conduct.

## QUALITY AND RISK MANAGEMENT

### COMPREHENSIVE RISK MANAGEMENT SYSTEM

Vienna Insurance Group uses effective risk management that allows risks to be handled professionally. This is very important for the Company, because its activities as an insurance group expose VIG to a large number of risks. These include traditional underwriting risks (incl. natural disaster risks), risks due to investments and a number of other risks, such as operational risk and reputation risk. Operational risk is the risk of losses related to business operations, such as expertise concentration risk, personnel shortage risk, legal and compliance risk, IT software and security risk and process and organisational risk. Reputation risk is the risk of negative changes in the business due to damage to a company's reputation. Reputation damage can shake customer confidence and the confidence of investors and the company's own personnel. Such damage can be caused, among other things, by providing incorrect advice when selling products, poor customer service, incorrect information to investors, etc.

### Professional handling of risks due to effective risk management

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VIG uses a comprehensive risk management system to fully identify, assess, manage and monitor the risks mentioned above and many other risks to which the Company is exposed. The risk management organisation is firmly anchored in the management culture of the Company and is based on a clearly defined risk policy and extensive risk expertise. Further information on VIG risk management is provided in this report starting on page 144.

## VIG AWARDED TÜV QUALITY MANAGEMENT CERTIFICATION

VIG focuses on quality, risk minimisation and the efficiency and effectiveness of processes and workflows. This has now also been officially confirmed – the process department responsible for these matters has been awarded TÜV quality certification in accordance with EN ISO 9001:2015. Achieving this quality standard is still something quite new in the Austrian insurance industry. Certification was awarded after a nine-month startup phase.

ISO 9001 is a clearly recognised, globally established standard for top quality management. The new ISO 9001:2015 certification has been in effect since the autumn of 2015 and places greater weight on the strategic orientation of an organisation, among other things. In addition to considering process orientation, the way that risks and opportunities are handled is also part of the evaluation.



Chairwoman Ms. Stadler accepts the award  
© Sebastian Philipp

## RESPONSIBLE INVESTMENT

“Think globally – act locally” – Vienna Insurance Group also follows this guideline when making investment decisions. In the area of infrastructure investments, this means supporting local infrastructure projects that bring sustainable improvements in local living conditions. An example is its ongoing involvement in providing affordable living space in Austria. At the end of 2016, Vienna Insurance Group had around EUR 3.7 billion in investments in non-profit societies that build and renovate homes with affordable rents. This gives

a broad section of the population access to low-cost and – due to the unlimited term of most of the rental agreements – long-term housing. In addition to increasing the stability of the housing market, this also promotes social solidarity, which is an important contribution given the increase in rents, particularly in metropolitan areas. The extensive use of renovation in social housing also reduces heating energy use and therefore makes an environmental contribution. The focus on multi-story buildings also increases density, thereby reducing space use.

A central factor in Vienna Insurance Group's investment philosophy is its ongoing investment in government bonds. These investments in local government bonds form an important part of the securities investments made by VIG insurance companies in CEE region. These ongoing investments by Vienna Insurance Group provide long-term capital to help meet the funding needs of CEE countries.

A responsible investment strategy is particularly important for life insurance, given the long-term obligations that are created. Ensuring that these obligations can be fully satisfied in the future is a top priority when investments are made. The life insurance companies in the Group are required to use appropriate control measures to ensure that this is the case. Internal analyses of maturity matching are performed regularly in the Group using current market parameters (yield curve).

## CUSTOMER PROXIMITY USING A REGIONAL, DECENTRALISED STRUCTURE

What is the key difference between Vienna Insurance Group and its competitors? VIG's multi-brand strategy sets it apart. During its expansion, the Group decided to retain well-established brands that already enjoyed good customer recognition. This means that VIG operates with more than one company and/or brand in most of its markets. The individually tailored market presence of each of the companies allows them to address different target groups and design different product portfolios.

VIG's decentralised structure and rapid decision-making also set it apart. Customer needs vary widely from region to region due to differences in culture, experience and eco-

conomic conditions. Vienna Insurance Group relies on its local management and employees, as they know their customers the best, thereby ensuring the best possible products and distribution based on local circumstances. This is important because needs-based product and service design plays a key role in our ongoing efforts to reach high customer satisfaction. Adequate freedom of action also allows the managers to react quickly to market changes and promote product and service innovations. Vienna Insurance Group feels this creates true customer proximity.

A number of examples are presented below in which Vienna Insurance Group companies have developed special products and services for their customers.

### BE WHERE THE CUSTOMER IS

Insured in seconds. Since 2015, the Polish Group company Compensa has offered immediate purchase of motor policies using any form of mobile device, including its own terminals, under its Benefia brand for non-life products. Mobile terminals are located at post offices, cooperating banks, supermarkets, etc. After approval by the customer, the QR code on the vehicle registration is scanned to collect all relevant vehicle data. An offer is then immediately made with a variety of modules that can be chosen. If the customer chooses a policy, it can be purchased immediately and paid for using a credit or debit card.

This is just one example of how Benefia is successfully realising its vision to always be where the customer is. It developed its first online insurance system ("CSOU") in 2000, which was followed five years later by the Benefia24 online portal. The company sold its first policy via a smartphone in 2015. And the company is still working to ensure it is one step ahead for its customers in the future.

### IMMEDIATE BENEFITS WHEN CANCER IS DIAGNOSED

One in four Austrians will be confronted with a diagnosis of cancer during their lifetimes. In addition to great emotional impact, this also frequently leads to additional expenses, e.g. for household help, childcare, special methods for improving tolerance to chemotherapy and radiotherapy, etc. The new cancer policy available from the Austrian Group company Donau Versicherung since January 2016

offers immediate benefits when malignant cancer is diagnosed.

The insured can also obtain a second medical opinion from internationally renowned experts, which can improve treatment outcomes. Donau Versicherung is the first company in Austria to work as a partner with MediGuide, a US company that has operated worldwide for 16 years and established itself as a leading provider of medical second opinions. Customers can easily obtain a professional second opinion from leading international doctors that can then be discussed with the treating doctor.

### FULLY PERSONALISED LIFE INSURANCE

Simple, easy to understand and with many options – these few words sum up the new "NA PŘÁNÍ" life insurance policy offered by the Czech Group company Kooperativa. Customers can decide whether their priority is financial investment or coverage for biometric risks, such as nursing care or occupational disability. The product particularly provides coverage for many support measures in the case of severe accidents leading to serious permanent disability, such as physiotherapy costs, medical aids, vehicle modifications, nursing care, etc. One special feature of this product is the option to choose your own name for the product, which is then used when communicating with the customer.

### LISTEN, DISCUSS AND PROVIDE SOLUTIONS

How can insurance support local economic development? The Romanian Group company Omnisig is discussing this issue in the series of conferences that it jointly organises with the most reputed financial daily newspaper Ziarul Financiar. Corporate customers, brokers, government officials and other partners have been invited to these conferences since 2015 held in many regions of Romania. They come both as guests and as speakers. Omnisig wants to increase public knowledge about insurance and underline its importance for sustainable economic development. At the same time, it wants to show that Omnisig's range of also customised insurance solutions for its customers can contribute to local economic progress. The company plans to continue these events in 2017 and hold a conference in the Romanian capital of Bucharest to summarise the knowledge gained from these discussions.



Omiasig CEO Mihai Tecau speaks at a conference  
© Omiasig

## CHANGES IN SLOVAKIAN TOWNS AND CITIES

The Slovakian Group company Komunálna has been a long-time insurance partner for the country's municipalities. The company currently offers a special product for the association of cities and municipalities of Slovakia ("ZMOS"). The product is a policy for revitalising projects in towns and cities that receive EU subsidies and improving the infrastructure and therefore the quality of life of the people living there. Streets, pavement, water supply systems, waste disposal sites, parks, etc. are being revitalised for up-to-date modern use. The mayors concerned highly value the contribution that Komunálna is making with its tailor-made insurance product.

## A SPECIAL INSURANCE PACKAGE FOR A SECOND CHANCE

A bank that tries to lose customers instead of gaining them – is there such a thing? Yes, for 10 years the Zweite Sparkasse and its seven branches throughout Austria have been providing accounts and extensive financial advice to people in financial difficulty, with the goal of quickly making them customers of a regular bank once again. The bank is managed by around 400 volunteer employees and was founded by Erste Group in 2006 using funds from the non-profit ERSTE foundation. Around 14,000 people have been served since then.

Wiener Städtische has been a cooperation partner of Zweite Sparkasse almost from the beginning. At the initia-

tive of Wiener Städtische Versicherungsverein, the Austrian Group company Wiener Städtische offers an insurance package to customers of the bank that is tailored to their needs. Basic insurance coverage is offered, providing free legal advice once every quarter, together with free accident insurance. Household insurance may also be purchased for a monthly premium of only EUR 3.

## RESPONSIBILITY TO EMPLOYEES

The success of an insurance company depends critically on its employees, their qualifications, dedication and expertise and the strength of their commitment to customer service. Vienna Insurance Group therefore positions itself as an employer of choice in a challenging international environment in order to search for and hire employees who can help promote its corporate culture and strategy with conviction. In addition to international career opportunities, mobility programmes, training and advanced training, the human resources area offers a large number of other initiatives, some of which are presented below.

## EXPECTATIONS OF EMPLOYEES MADE TRANSPARENT – VIG EMPLOYEE COMPETENCE MODEL

In human resources terminology, competences are behaviours that enable an individual to optimally fill a position. VIG's Group-wide competence model provides clear descriptions of the behaviours expected of employees that contribute to the success of the Company.

These include:

- Collaboration and networking
- Openness to change solutions focus
- Service quality and customer retention
- Personal responsibility and contribution to the success of the business

Employees and management in all Group companies are evaluated in terms of the strength of their core competences and continuously developed. The competence model promotes local entrepreneurship based on the principles of cooperation and the Vienna Insurance Group philosophy. These expected behaviours are used to translate and communicate the Company's strategy, success factors and values. The competence model helps managers fulfil



their key responsibility for employee development, makes development paths visible and makes it easier to identify development needs within Vienna Insurance Group. Identifying development options creates employee motivation, commitment and loyalty. The competence model is customised for Vienna Insurance Group and provides adequate flexibility for local circumstances.

### EXPERT CAREER PROFILE: EXPERTS ASKED TO ENTER THE LIMELIGHT

Experts were identified as a strategic target group while the above-mentioned Vienna Insurance Group competence model was being developed, due to their particular importance to Vienna Insurance Group for implementing strategy and achieving success. To give this target group greater visibility and appreciation, and create clear development prospects, an expert career profile was developed with the following expert competences:

- A holistic approach
- Analysing tasks & finding innovative solutions
- Planning and completing tasks
- Effective communication
- Experts as role models
- Managing projects, processes and people

An important objective of this model is to formulate a shared understanding and clear expectations for the conduct and responsibilities of this career profile. Special local and Group-wide initiatives are also offered for experts, such as events for promoting information exchange and networking, and advanced training programs for learning practical approaches to problem solving, effective communication, systematic project management and similar measures.

### LEARNING FROM OUR ERRORS – HR MANAGER CONFERENCE FOCUSES ON ERROR MANAGEMENT

The annual Human Resources Management Conference is a key element in the Group strategy for the Group-wide exchange of best practices in the HR area. 41 participants from 29 Vienna Insurance Group companies in 17 countries met once again in autumn 2016 to share their experiences. The event offered two days of workshops and presentations and

left a great deal of time for networking and discussion. It has now become a tradition for the meeting to select a new focal point each year. After Generation Y in 2015, the focus in 2016 was on dealing with errors in organisations. The conference included a presentation by a renowned outside speaker, Jan Hagan, from the ESMT Business School in Berlin with the title “Confronting and managing mistakes”. He presented a clear treatment of the topic using examples from the field of aviation.

### A VERY SPECIAL SUMMER FOR THE CHILDREN OF VIG EMPLOYEES

Once a year, Vienna Insurance Group’s principal shareholder, Wiener Städtische Versicherungsverein, invites the children of Vienna Insurance Group employees to VIG Kids Camp. Around 500 children from 23 countries once again spent two weeks at one of four holiday camps during the summer of 2016. In order to attend, participants are asked to show creativity. The motto for the drawing contest in 2016 was “Take a trip to another city – where would you like to travel the most?” Interested children of employees between 9 and 13 years of age could participate. The most imaginative submissions were rewarded with an invitation to VIG Kids Camp 2016.



VIG Kids Camp  
© Robert Newald

## EXTREMELY FAMILY-FRIENDLY

Many people – and many companies – feel that achieving the proper work-life balance is one of the biggest challenges in life. Achieving this balance is easier if it is actively promoted by the company. VIG has a long tradition of assisting in this area and all three Austrian insurance companies – Wiener Städtische, Donau Versicherung and s Versicherung – have received the government's "berufundfamilie" (Career and Family) seal of approval. During the audit process for the seal of approval, companies develop family-friendly measures specifically tailored to the circumstances and employees in their business. After the measures have been successfully implemented and approved by an external certification body, the company receives the government seal of approval from the Austrian Federal Ministry of Family and Youth.

During the audit, the three VIG companies worked together with employees from a wide variety of areas to supplement the measures that already existed with many new measures aimed at improving the ability to balance career and family in the future. A few examples are: creating an information platform for parents and care-giving relatives, modernising the periodic employee reviews, expanding the existing childcare programme and creating awareness of active fathers, e.g. in the form of a "Papa Week" for young fathers.

## SOCIAL RESPONSIBILITY

Active social involvement has a long tradition in the Group. For this reason, support is given to social programs and projects dedicated to the socially less fortunate. The VIG principal shareholder developed some of its own initiatives in previous years to promote the social involvement of employees and Group companies and bring the volunteers into the limelight. In addition, the "Carer with a Heart" initiative organised by Wiener Städtische Versicherungsverein and Wiener Städtische created awareness of the topic of nursing care and the future challenges it brings.

## SOCIAL ACTIVE DAY – MOTIVATION FOR A GOOD CAUSE

Thousands of VIG employees send a powerful message for more solidarity on Social Active Day. Under this initiative, employees who want to become involved with a good cause or social organisation are generally allowed to spend

one working day of their time on such activities. This initiative was brought to life in 2011 by VIG's principal shareholder, Wiener Städtische Versicherungsverein, and quickly became a success. Around 4,400 employees from Group companies in 20 countries participated in 2016. The Group supported a wide range of projects and social organisations that also differed greatly across regions. Homeless shelters and initiatives, nursing homes, children's aid programmes, environmental protection programmes, refugee facilities and many more received active support. The associations and projects are happy to be given a helping hand, and employees gain new experiences while doing good.



Winner Non-Life and Life employees renovated the outdoor facilities of an SOS Children's Village in Macedonia on their Social Active Day  
© Winner

## AWARD IN RECOGNITION OF COMMITMENT TO VOLUNTARY ACTIVITIES – THE UNSUNG HEROES OF THE GROUP

Since 2013, the principal shareholder of Vienna Insurance Group has awarded an award in recognition of commitment to voluntary activities to honour Group employees who volunteer their free time to help others in a special way. Nominations for this award are made by fellow employees, and a jury selects the winners from the many nominations submitted. The jury chose ten impressive individuals from Austria and the CEE region in 2016. Wiener Städtische Versicherungsverein invited these unsung heroes of the Group to a ceremony in the Vienna headquar-

ters, the Ringturm building, to honour them for their outstanding service. The winners also enjoyed a pre-Christmas weekend in Vienna with a busy programme of cultural events.

### GÜNTER GEYER AWARD FOR SOCIAL CONSCIENCE – ACTS OF SPECIAL COMPASSION

Since 2012, Vienna Insurance Group's principal shareholder has honoured VIG companies that show exceptional social involvement with an award named after its General Manager. This annual award – which is awarded in Gold, Silver and Bronze – is both a way to thank the companies and motivate them to continue. The prize money of in total EUR 100,000 is earmarked for use by Group companies in further social projects.

Kooperativa in the Czech Republic received first place in the Günter Geyer Award for Social Conscience in 2016. In 2013, the company created its own foundation to handle all CSR activities and was able to implement a broad range of projects addressing important social issues with a high level of employee participation. Bulstrad Life was awarded second place. Its social activities focus on disadvantaged children, such as children from Roma families and children with mental and physical disabilities. With support from the "For Our Children Foundation", the company helps mothers with newborn babies so that they do not have to give up their children for financial reasons. The third place winner, the Macedonian company Makeodnija Osiguruvanje, also demonstrated extensive social involvement. By, for example, redesigning a central playground in Skopje with customers, it showed that help can be provided even without financial support.

### CARER WITH A HEART – CREATING AWARENESS OF NURSING CARE

From Lake Neusiedl to Lake Constance – the search for the best carers in the country took place for the fifth time in 2016. This initiative honours individuals who are active in the area of nursing care on a voluntary or professional basis. The decision was made at the beginning of November, when a jury of experts selected two winners in each Austrian state from the thousands of submissions. The winners received EUR 3,000 in prize money donated by Wiener

Städtische Versicherungsverein and the Austrian Economic Chambers.

The initiative was initiated in 2012, and the Austrian Federal Ministry of Science, Research and Economy, Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection, Erste Bank and the Sparkasse banks have been partners from the start. "Carer with a Heart" (website: [pflegerin-mit-herz.at](http://pflegerin-mit-herz.at)) has also received support from the Austrian Economic Chambers and Austrian Chamber of Labour since 2014. The goal of the initiative has remained the same during the five years since its formation, namely to create awareness of issues in the area of nursing care and give thanks to the many family members and professionals providing nursing care.



„Carer with a Heart“ campaign 2016 with Kira Grünberg  
© Wildruf

### ENVIRONMENTAL RESPONSIBILITY

Conservation of resources and the environment and creating awareness with respect to natural disasters are highly important to Vienna Insurance Group. This is shown by a variety of examples from the Group companies.

## A “REWARD” FOR E-MOBILITY

The electric car trend is gaining speed. More than 5,000 electric vehicles were registered in Austria in 2015, and experts predict that the number of electric cars could increase to 175,000 by 2020. Group company Wiener Städtische supported this trend towards environmentally-friendly vehicles with a special “e-mobility bonus” in 2016. Customers purchasing motor insurance (third party liability and own damage) for an electric vehicle during a specified time period received a one-time credit of EUR 500 toward their premiums. Purchases of insurance coverage for e-bikes were also rewarded last year. Each customer purchasing full own damage coverage for an e-bike, including e-bike third party liability, received a premium of EUR 50. Wiener Städtische also continues to offer its preferential rates for electric vehicles.

## BE AN “ECOIST”

The number of cars in Georgia has risen considerably in the last few years. Far more than half of them are more than 15 years old, leading to a massive deterioration in air quality. The Georgian Group company GPIH has addressed this problem and began a campaign in 2015 under the slogan “Be an ecoist, not an egoist”. The company used original, effective media methods, such as calling in the “air police”, to make people aware of the problem. A separate website ([www.ecoist.ge](http://www.ecoist.ge)) with useful information on environmental pollution and driving safety was set up at the same time.

In order to promote environmentally friendly vehicles and help solve the problem, GPIH offered large discounts on its motor insurance for vehicles with low levels of harmful emissions and low engine power. The campaign was supported by two national NGOs and attracted a great deal of attention in Georgia. The ecoist website recorded more than 65,000 hits. The initiative was continued in 2016. This time, the company offered to plant trees to offset the CO<sub>2</sub> emissions of customers who purchased policies. The Georgian resort town of Borjomi is now 2,000 trees richer. GPIH also wanted to increase public awareness of clean air with this campaign.

## KEEPING RISK ON THE RADAR

As shown by the changes in previous years, a general increase is taking place in the intensity and frequency of natural disasters. The economic damage is considerable, and the loss amounts are rising at a faster than average rate due to increased population density and higher asset values. Storms, hail and flooding generate losses in the millions practically every year.

Good quality public weather and climate information plays an important role in prevention. Group company Wiener Städtische therefore presented its Risk Radar in 2016. The interactive map at [risikoradar.at](http://risikoradar.at) allows users to perform an independent analysis of their personal risk for the first time in Austria. Risks due to storm, hail, flooding and lightning are available so far for users to select. Because the long-term trend is important, two time periods (ten years and five years) are specified. The risks can be analysed separately or in combination to produce a detailed risk analysis. Wiener Städtische is helping to increase public awareness of risk in this way.

## CENTRAL AND EFFICIENT – THE NEW STATE HEAD OFFICES IN UPPER AND LOWER AUSTRIA

Conserving resources is not only important for customer products and services, but is also taken into account in the Company’s own business activities. An example of this is the use of energy efficiency as an important criteria for new construction and the renovation of office buildings, such as the new state head offices for Wiener Städtische and Donau Versicherung in Upper and Lower Austria and s Versicherung in Upper Austria.

A central location was chosen at Dr. Karl Renner Promenade 14/Schulring 23 for the new state head office that opened in St. Pölten in 2013. This of course says nothing about the energy efficiency of the building, but is important in terms of the route travelled by the around 180 employees, customers, partners, etc. In addition to the choice of location, the building also satisfies state-of-the-art energy

standards. Referred to as a “green building”, it incorporates low-energy design, a photovoltaic system and geothermal cooling of the IT and building services rooms.

The fully renovated and redesigned state head office in Upper Austria also wins points for its central location in the heart of Linz and outstanding infrastructure in the area. To optimise energy efficiency in the state head office, which was opened in 2016, a new façade with additional thermal insulation and high-efficiency thermal windows was added and cooling ceilings were installed in the offices.

## RECYCLING ON WHEELS

The Romanian Group company Omniasig takes part in an innovative environmental initiative that also has a social aspect. “Recicleta” is a social project that was started in 2009 by Viitor Plus, a Romanian association for sustainable development. It offers a “clean” pickup service for recyclable waste (mainly paper, but also including PET bottles and aluminium) in Romania’s capital city for companies with small and medium amounts of waste. This is noteworthy, because recycling is otherwise only economical for large quantities of waste in Bucharest. “Recicleta” employs people who are having difficulty entering the labour market.

Cargo bicycles are used to pick up waste paper at regular intervals from companies in Bucharest – including the offices of Omniasig since 2014 – and take it to a large collection point. In its first six years, “Recicleta” has transported around 290 tonnes of waste that was subsequently recycled. This is a major success, particularly given the country’s extremely low recycling rate. Omniasig collected around two tonnes of waste paper and cardboard for recycling in 2016. The company plans to expand its recycling to include PET bottles, aluminium cans and old batteries in the future.



Collecting waste paper by cargo bicycle  
© Omniasig

# Corporate governance report

Transparency and stakeholder trust are important to us. Observance of and compliance with the provisions of the Austrian Code of Corporate Governance therefore play an important role in Vienna Insurance Group.

The Austrian Code of Corporate Governance (ÖCGK) was introduced in 2002 and is amended periodically to account for changes in the law and current trends. It is the standard for proper corporate governance and control in Austria. Provisions of the Code contribute to strengthening of trust in the Austrian capital market, and the report that companies are required to publish on compliance with these provisions requires a high level of transparency.

Vienna Insurance Group is committed to the application of and compliance with the January 2015 version of the Austrian Code of Corporate Governance. § 267b UGB (Consolidated Corporate Governance Report) is also applied when preparing this report.

The Austrian Code of Corporate Governance is available to the public both on the Vienna Insurance Group website at [www.vig.com/ir](http://www.vig.com/ir) and the website of the Austrian Working Group for Corporate Governance at [www.corporate-governance.at](http://www.corporate-governance.at).

Vienna Insurance Group views corporate governance as a continuous process that changes in response to new conditions and current trends and must be continuously improved for the benefit of the Group and all its stakeholders. The goal of all corporate governance measures is to ensure responsible corporate management aimed at long-term growth while simultaneously maintaining effective corporate control.

Vienna Insurance Group Managing Board, Supervisory Board and employees consider observance of and compliance with the rules of the Austrian Code of Corporate Governance to be highly important for the practical implementation of corporate governance. Vienna Insurance Group's declaration of adherence to the Code, discussions regarding the areas of deviation and detailed information on the composition of, procedures followed by and the compensation of the Managing Board and Supervisory Board are clearly organised and presented below.

The rules of the Austrian Code of Corporate Governance are divided into the following three categories:

- Rules based on mandatory legal requirements ("Legal Requirement")
- Rules based on standard international requirements. Non-compliance with these rules must be declared and explained in order to comply with the Code ("Comply or Explain")
- Non-compliance with rules of a purely recommending nature does not need to be disclosed or explained ("Recommendation")

VIG complies with all of the "Legal Requirements" of the Austrian Code of Corporate Governance as set forth by law. VIG deviates from one "Comply or Explain" rule, as explained below:

## RULE 41

The supervisory board shall set up a nomination committee. In cases of supervisory boards with no more than six members (including employees' representatives), the function may be exercised by all members jointly. The nomination committee submits proposals to the supervisory board for filling mandates that become free on the management board and deals with issues relating to successor planning.

Explanation: Because of its special importance, the entire issue of successor planning is handled by the Supervisory Board. The Vienna Insurance Group Supervisory Board has therefore not established a nomination committee.

VIG's scope of consolidation also includes capital market-oriented subsidiaries that are required by the legal systems applicable to them to prepare and publish corporate governance reports. These include: Bulstrad Non-Life (Bulgaria), Makedonija (Macedonia) and Ray Sigorta (Turkey). The corporate governance reports are included in the annual reports of these companies and can be accessed on their websites: [www.raysigorta.com.tr](http://www.raysigorta.com.tr) (About > Investor Relations), [www.bulstrad.bg/en/](http://www.bulstrad.bg/en/) (About Bulstrad > Financial Results), [www.insumak.mk](http://www.insumak.mk) (website link: <http://www.insumak.mk/sobraniena-akcioneri.php>). Any areas of deviation, and the reasons for these deviations, are indicated in the corporate governance reports for these countries.

## MEMBERS OF THE MANAGING BOARD AND AREAS OF RESPONSIBILITY AS OF 1 JANUARY 2017

Vienna Insurance Group Managing Board is made up of six people:



**Elisabeth Stadler**  
General Manager

Year of birth: 1961  
Date first appointed: 1 January 2016  
End of current term of office:  
30 June 2018

**Elisabeth Stadler** studied actuarial theory at the Vienna Technical University and began her career in the Austrian insurance industry as a Board member and chair. In May 2014, she was awarded the professional title of professor by Federal Minister Gabriele Heinisch-Hosek for her services in the insurance industry. She served as General Manager of Donau Versicherung from September 2014 to March 2016 and has been General Manager of VIG since 2016.

**Areas of responsibility:** Management of the VIG Group, strategic issues, European issues, corporate communications and marketing, sponsorship, people management, group development and strategy

**Country responsibilities:** Austria, Czech Republic

**Positions held on the Supervisory Boards of other Austrian and foreign companies outside of the Group:** Österreichische Post AG, Bank Austria Real Invest Immobilien Kapitalanlage GmbH (until 6 March 2017), Die Österreichische Hagelversicherung, Casinos Austria AG

Elisabeth Stadler also has an active role on the Supervisory Boards of material Vienna Insurance Group companies: Wiener Städtische, Donau Versicherung, s Versicherung, Kooperativa (Czech Republic), ČPP, PČS, InterRisk



**Franz Fuchs**

Year of birth: 1953  
Date first appointed: 1 October 2009  
End of current term of office:  
30 June 2018

**Franz Fuchs** began his career in the insurance industry as an actuary. He held leading management positions in other international companies as a specialist in the life insurance area and pension funds before joining VIG. Franz Fuchs was Chair of the Managing Board of Compensa Non-life and Compensa Life from 2003 to the beginning of 2014. He has been Chair of the Managing Board of VIG Polska since 2003. He was first appointed to the Vienna Insurance Group Managing Board on 1 October 2009.

**Areas of responsibility:** Performance management personal and motor insurance, asset risk management

**Country responsibilities:** Baltic states, Moldova, Poland, Ukraine

**Positions held on the Supervisory Boards of other Austrian and foreign companies outside of the Group:** C-QUADRAT Investment AG

Franz Fuchs also has an active role on the Supervisory Boards of material Vienna Insurance Group companies: Kooperativa (Czech Republic), ČPP, PČS, InterRisk, Omniasig.



**Roland Gröll**

Year of birth: 1965

Date first appointed: 1 January 2016

End of current term of office:

30 June 2018

**Roland Gröll** studied at the Vienna University of Economics and Business and joined Wiener Städtische in 1994 in the Finance and Accounting department. He became Deputy Head of the Finance and Accounting department in 2003, and was head of this department from 2008 until the end of 2015. Roland Gröll was also a member of the Managing Board of Donau Versicherung for two years. He has been a member of the Vienna Insurance Group Managing Board since January 2016.

**Areas of responsibility:** Group IT/SAP, international processes and methods

**Country responsibilities:** Bosnia-Herzegovina, Croatia, Macedonia, Romania

Roland Gröll also has an active role on the Supervisory Board of a material Vienna Insurance Group company: Omniasig.



**Judit Havasi**

Year of birth: 1975

Date first appointed: 1 January 2016

End of current term of office:

30 June 2018

**Judit Havasi** has worked for the Group since 2000. She began as an internal audit employee in UNION Biztosító and became the head of this company in 2003. Before her appointment to the Managing Board of Wiener Städtische in 2009, Judit Havasi was a substitute member of the Managing Board of Wiener Städtische and a member of the Managing Board of UNION Biztosító in Hungary. Judit Havasi was Deputy General Manager of Wiener Städtische from July 2013 to the end of 2015. She was also a substitute member of the Vienna Insurance Group Managing Board starting in 2011. She has been a member of the Vienna Insurance Group Managing Board since January 2016.

**Areas of responsibility:** Solvency II, planning and controlling, law

**Country responsibilities:** Slovakia

**Positions held on the Supervisory Boards of other Austrian and foreign companies outside of the Group:** Erste&Steiermärkische Bank d.d., Die Zweite Wiener Vereins-Sparcasse

Judit Havasi also has an active role on the Supervisory Boards of material Vienna Insurance Group companies: Wiener Städtische, Donau Versicherung, Kooperativa (Slovakia).





**Peter Höfing**

Year of birth: 1971

Date first appointed: 1 January 2009

End of current term of office:

30 June 2018

**Peter Höfing** has been a member of the Vienna Insurance Group Managing Board since 1 January 2009. Prior to that, he was director of the Managing Board of Donau Versicherung. He joined this company in 2003. Previously, he held management positions outside the Group in Hungary, the Czech Republic and Poland.

**Areas of responsibility:** International corporate and large customer business, Vienna International Underwriters (VIU), reinsurance, group development and strategy

**Country responsibilities:** Albania (incl. Kosovo), Bulgaria, Montenegro, Serbia, Hungary, Belarus



**Martin Simhandl, CFO**

Year of birth: 1961

Date first appointed: 1 November 2004

End of current term of office:

30 June 2018

**Martin Simhandl** began his career with the Group in 1985 in the legal department of Wiener Städtische. In 1995, he became head of the subsidiaries department and in 2003, he took over coordination of the Group's investment activities. In 2002 and 2003, Martin Simhandl was also a member of the Managing Boards of InterRisk Non-life and InterRisk Life in Germany, with responsibility for the areas of property insurance, reinsurance and planning/controlling. On 1 November 2004, Martin Simhandl was appointed to the Managing Board of the Company.

**Areas of responsibility:** Asset management, subsidiaries department, finance and accounting, treasury/capital markets

**Country responsibilities:** Germany, Georgia, Liechtenstein, Turkey

**Positions held on the Supervisory Boards of other Austrian and foreign companies outside of the Group:** CEESEG Aktiengesellschaft, Erste Asset Management, Wiener Hafen Management GmbH, Wiener Börse AG

The Managing Board as a whole is responsible for enterprise risk management (Solvency II), general secretariat, the actuarial department, Group compliance, internal audit and investor relations.

The following two substitute members were also appointed to the Managing Board and will become members of the Managing Board if a member of the Managing Board becomes permanently incapable of performing his or her duties:

**Martin Diviš (year of birth: 1973)**

**Gábor Lehel (year of birth: 1977)**

\* VIG considers all companies that contribute at least 2% of written premiums and at least 2% of profit before taxes to be "material".

## MEMBERS OF THE SUPERVISORY BOARD AS OF 31 DECEMBER 2016

### **Günter Geyer**

#### **Chair**

Year of birth: 1943

Date first appointed: 2014

End of current term of office: 2019

Günter Geyer joined Wiener Städtische in 1974 and was appointed to the Managing Board in 1988. In 2001, he became General Manager and Chair of the Managing Board. Working in a variety of positions in Austria and the CEE region, he played a major role in VIG's development into a successful international insurance group. Günter Geyer resigned from his position as Chair of the Managing Board of Vienna Insurance Group effective 31 May 2012 and has held the position of Chair of the Supervisory Board since 2014. He is Chair of the Managing Board of Wiener Städtische Wechselseitiger Versicherungsverein, the principal shareholder of Vienna Insurance Group.

### **Karl Skyba**

#### **1<sup>st</sup> Deputy Chair (until 30 April 2017)**

Year of birth: 1939

Date first appointed: 1992

End of current term of office: 2019

Karl Skyba began working with the City of Vienna after graduating from high school in 1957, and his career path took him through a wide variety of positions in the local administration of the City of Vienna. After completing part-time law studies, he held the position of General Manager of the Vienna public utilities from 1991 to the end of 2002.

### **Maria Kubitschek**

#### **2<sup>nd</sup> Deputy Chair**

**(since 6 September 2016)**

Year of birth: 1962

Date first appointed: 2014

End of current term of office: 2019

After completing her studies in social sciences and economics at the University of Vienna, Maria Kubitschek began working for the Vienna Chamber of Labour in 1988. After

holding a variety of management positions, she was the Head of the Economic Division of the Vienna Chamber of Labour starting in 2001, with a short interruption from 2011-2013 (management position in the cabinet of the Austrian Federal Ministry for Transport, Innovation and Technology), and has been Deputy Director of the Vienna Chamber of Labour since in 2016. She is also a Member of the Managing Board of the Austrian Institute of Economic Research (WIFO).

### **Bernhard Backovsky**

Year of birth: 1943

Date first appointed: 2002

End of current term of office: 2019

Bernhard Backovsky was ordained as a priest in 1967 and chosen as the 66th provost of Klosterneuburg Monastery in December 1995, a position that he still holds today. He has also been Abbott President of the Canons Regular of the Lateran Congregation of Austria since 18 October 2002 and was Abbott Primate of the Confederation of the Canons Regular of St. Augustine from 19 October 2010 to 16 October 2016. In addition to numerous other honours, at the end of 2010 he received the Grand Decoration of Honour in Silver for Services Rendered to the Republic of Austria for supporting the Foundation for Street Children in Romania. VIG has been a partner of Klosterneuburg Monastery for many years. The former provost of the monastery, Gaudenz Dunkler, was one of the founding fathers of "Wechselseitige k.k. priv. Brandschaden-Versicherungs-Anstalt" in 1824, which subsequently developed into Wiener Städtische Versicherungsverein and then into Wiener Städtische and VIG.

### **Martina Dobringer**

Year of birth: 1947

Date first appointed: 2011

End of current term of office: 2019

Martina Dobringer has held management positions in the Coface Group since 1989 and was General Manager and Chair of the Managing Board of Coface Austria Holding AG from 2001 to 2011. In 2011, she was awarded the Grand Decoration of Honour in Silver for Services Rendered to the Republic of Austria and in 2006 became the first Austrian businesswoman to receive the highest French decoration ("Chevalier dans l'ordre de la Légion").

**Rudolf Ertl**

Year of birth: 1946

Date first appointed: 2014

End of current term of office: 2019

Rudolf Ertl has a Doctor of Laws degree and has been with the Group since 1972. He was a Member of the Managing Board of Wiener Städtische until the end of 2008 and Member of the Managing Board of Donau Versicherung until June 2009. He is a Member of the Managing Board of Wiener Städtische Wechselseitiger Versicherungsverein, the principal shareholder of Vienna Insurance Group.

**Heinz Öhler**

Year of birth: 1945

Date first appointed: 2002

End of current term of office: 2019

Heinz Öhler joined the Tyrolean Regional Health Insurance Fund in 1990, where he initially acted as Manager of the Finance Department and later held an executive position until 2011. Handball has been one of his passions since he was a child and he has held many positions in the sports world, including being appointed as a Member of the Tyrolean State Sports Council in November 2016.

**Reinhard Ortner †**

Year of birth: 1949

Date first appointed: 2007

Reinhard Ortner died unexpectedly at the age of 68 on 21 January 2017. He had been a Member of the Supervisory Board since 2007 (Wiener Städtische and then Vienna Insurance Group). Reinhard Ortner worked in a variety of management positions in Erste Group during the entire 45 years of his professional career. He was highly appreciated for his humanity and consistently fair treatment of business partners and colleagues. We remember him with great respect and admiration.

**Georg Riedl**

Year of birth: 1959

Date first appointed: 2014

End of current term of office: 2019

After completing his legal studies at the University of Vienna, Georg Riedl has worked as an independent lawyer since 1991. His areas of specialisation include company law, mergers and acquisitions, private foundation law and tax law.

**Gertrude Tumpel-Gugerell**

Year of birth: 1952

Date first appointed: 2012

End of current term of office: 2019

Gertrude Tumpel-Gugerell was Vice Governor of the National Bank of Austria (OeNB) from 1998 to 2003 and Member of its Board of Directors from 1997 to 2003. During this period, she was also the Austrian Vice Governor to the International Monetary Fund and a Member of the Economic and Financial Committee, the most important economic policy advisory committee of the European Union. Gertrude Tumpel-Gugerell was responsible for the Economics and Financial Markets portfolios at the National Bank of Austria. From 2003 to 2011, she was a Member of the Executive Board of the European Central Bank.

**SUPERVISORY BOARD INDEPENDENCE**

In accordance with Rule 53 of the Austrian Code of Corporate Governance, the Supervisory Board of VIG has established the following criteria for independence:

- The Supervisory Board member has not been a member of the Managing Board or a senior manager of the Company or subsidiary of the Company in the last five years.
- The Supervisory Board member does not have a business relationship with the Company or a subsidiary of the Company that is of such significant scope for the Supervisory Board member that it affects his or her activities on the Supervisory Board to the detriment of the Company. This also applies to business relationships with companies, in which the Supervisory Board member has a significant economic interest. The approval of individual transactions by the Supervisory Board in accordance with § 95(5)(12) of the Austrian Stock Corporation Act (AktG) or § 15(2)(l) of the Articles of Association does not automatically lead to a classification of non-independence. For the purpose of clarification, it is expressly noted that

the purchase or existence of insurance policies with the Company has no adverse effect on independence.

- The Supervisory Board member has not been an auditor of the Company's financial statements or held an ownership interest in or been an employee of the auditing company executing such auditing in the last three years.
- The Supervisory Board member is not a member of the Managing Board of another company that has a member of the Company's Managing Board on its Supervisory Board.
- The Supervisory Board member is not a close family member (direct descendant, spouse, partner, parent, uncle, aunt, brother, sister, niece, nephew) of a member of the Managing Board or individuals holding one of the positions described above.
- The Supervisory Board as a whole is to be considered independent if at least 50% of the members elected by the general meeting satisfy the criteria above for independence of a Supervisory Board member.

All members of the Supervisory Board have declared whether they can be considered independent based on the criteria specified by the Supervisory Board. The following members are independent in terms of the points mentioned above: Karl Skyba, Bernhard Backovsky, Martina Dobringer, Maria Kubitschek, Heinz Öhler, Reinhard Ortner †, Georg Riedl, Gertrude Tumpel-Gugerell.

No member of the Supervisory Board is a shareholder with more than 10% of the shares of the Company.

The following members of the Supervisory Board held Supervisory Board positions or comparable positions in Austrian or foreign listed companies as of 31 December 2016:

**Martina Dobringer**

Praktiker AG

**Georg Riedl**

AT&S Austria Technologie und Systemtechnik AG  
Bwin.Party Digital Entertainment Plc (until 31 January 2016)

**Gertrude Tumpel-Gugerell**

Commerzbank AG  
OMV AG

## SUPERVISORY BOARD COMMITTEES

The following qualified Supervisory Board committees were established to increase the efficiency of the Supervisory Board and address complex issues:

### COMMITTEE FOR URGENT MATTERS (WORKING COMMITTEE)

The Committee for Urgent Matters (Working Committee) decides on matters that require an approval of the Supervisory Board, but cannot be deferred to the next ordinary Supervisory Board meeting because of particular urgency.

**Günter Geyer** (Chair)

1<sup>st</sup> substitute: Gertrude Tumpel-Gugerell

2<sup>nd</sup> substitute: Reinhard Ortner †

**Karl Skyba** (Deputy Chair)

1<sup>st</sup> substitute: Georg Riedl

2<sup>nd</sup> substitute: Reinhard Ortner †

**Rudolf Ertl**

1<sup>st</sup> substitute: Martina Dobringer

2<sup>nd</sup> substitute: Reinhard Ortner †

### AUDIT COMMITTEE (ACCOUNTS COMMITTEE)

The Audit Committee (Accounts Committee) is responsible for the duties assigned by § 92(4a) no. 4 of the Austrian Stock Corporation Act (AktG) and § 123(9) of the Austrian Insurance Supervision Act (VAG), namely:

1. Monitoring the accounting process and providing recommendations or suggestions for ensuring its reliability;
2. Monitoring the effectiveness of the Company's internal control system and, if applicable, the internal audit function and risk management system;
3. Monitoring the audit of the financial statements and consolidated financial statements taking into account findings and conclusions in reports published by the supervisory authority for financial statement auditors in accordance with § 4(2) no. 12 of the Austrian Auditor Supervision Act (APAG);

4. Checking and monitoring the independence of the financial statement auditor (consolidated financial statement auditor), in particular with respect to the additional services provided for the audited company; Art. 5 of Regulation (EU) No. 537/2014 and § 271a(6) UGB apply;

5. Reporting the results of the financial statement audit to the Supervisory Board and explaining how the financial statement audit has contributed to the reliability of the financial reports and the role of the Audit Committee in this;

6. Auditing the annual financial statements and performing preparations for their approval, examining the proposal for appropriation of profits, the management report, solvency and financial position report and, if applicable, corporate governance report, and presenting a report on the audit findings to the Supervisory Board or Board of Directors;

7. If necessary, auditing the consolidated financial statements and Group management report, the solvency and financial position report at the Group level and the corporate governance report at the consolidated level, and reporting the results of the audit to the Supervisory Board or Board of Directors;

8. Performing the procedure for selecting the financial statement auditor (consolidated financial statement auditor), taking into account the appropriateness of the fees, and recommending the appointment of a financial statement auditor (consolidated financial statement auditor) to the Supervisory Board in accordance with Art. 16 of Regulation (EU) No. 537/2014.

Furthermore, in a meeting (another meeting, in addition to the meeting required by law), the Audit Committee (Accounts Committee) specifies how the two-way communication between the (consolidated) financial statements auditor and the Audit Committee has to take place, while making provision for exchanges to take place between the Audit Committee (Accounts Committee) and the (consolidated) financial statements auditor without the presence of the Managing Board.

All of the members of the Audit Committee are experienced financial experts with knowledge and practical experience in finance, accounting and reporting that satisfy the requirements of the Company.

**Gertrude Tumpel-Gugerell** (Chair)

1<sup>st</sup> substitute: Karl Skyba

2<sup>nd</sup> substitute: Heinz Öhler

**Georg Riedl** (Deputy Chair)

1<sup>st</sup> substitute: Karl Skyba

2<sup>nd</sup> substitute: Heinz Öhler

**Reinhard Ortner †**

1<sup>st</sup> substitute: Maria Kubitschek

2<sup>nd</sup> substitute: Heinz Öhler

**Günter Geyer**

1<sup>st</sup> substitute: Maria Kubitschek

2<sup>nd</sup> substitute: Heinz Öhler

**Rudolf Ertl**

1<sup>st</sup> substitute: Karl Skyba

2<sup>nd</sup> substitute: Heinz Öhler

**Martina Dobringer**

1<sup>st</sup> substitute: Maria Kubitschek

2<sup>nd</sup> substitute: Heinz Öhler

**COMMITTEE FOR MANAGING BOARD MATTERS  
(COMPENSATION COMMITTEE)**

The Committee for Managing Board Matters (Compensation Committee) deals with personnel matters of the Managing Board. The Committee for Managing Board Matters therefore decides on terms of employment contracts with members of the Managing Board and their compensation and examines remuneration policies at regular intervals.

**Günter Geyer** (Chair)

**Karl Skyba** (Deputy Chair)

Substitute member: Rudolf Ertl

**STRATEGY COMMITTEE**

The Strategy Committee cooperates with the Managing Board and, when appropriate, with experts that it consults, to prepare fundamental decisions that must then be decided on by the Supervisory Board as a whole.

**Günter Geyer** (Chair)

1<sup>st</sup> substitute: Gertrude Tumpel-Gugerell

2<sup>nd</sup> substitute: Reinhard Ortner †

**Karl Skyba** (Deputy Chair)

1<sup>st</sup> substitute: Georg Riedl

2<sup>nd</sup> substitute: Reinhard Ortner †

**Rudolf Ertl**

1<sup>st</sup> substitute: Martina Dobringer

2<sup>nd</sup> substitute: Reinhard Ortner †

In 2014, the Supervisory Board gave its consent to VIG Holding and other companies in the VIG Group that allowed them to use legal services of Georg Riedl, Member of the Supervisory Board, and engage him or his law firm to act as a representative and provide advisory services on a project-related basis on normal market terms. Georg Riedl provided no advisory services in financial year 2016. The Company did not enter into any other contracts with members of the Supervisory Board in 2016 that would have required an approval of the Supervisory Board.

## PROCEDURES FOLLOWED BY THE MANAGING BOARD AND SUPERVISORY BOARD

### Managing Board

The Managing Board manages the business of the Company under the leadership of its Chair and within the constraints of the law, articles of association, rules of procedure for the Managing Board and rules of procedure for the Supervisory Board.

The Managing Board meets when needed (generally each week or every two weeks) to discuss current business developments and makes necessary decisions and resolutions during the course of these meetings. The members of the Managing Board continuously exchange information with each other and the heads of various departments.

### Supervisory Board

The Supervisory Board performs all activities defined under the law, articles of association and rules of procedure of the Supervisory Board. In order to ensure effectiveness and efficiency of its activities and procedures, the Supervisory

Board examines its procedures regularly in the form of a self-evaluation at least once a year. The results of the 2016 self-evaluation once again demonstrate that the practices used to meet the requirements of the Austrian Stock Corporation Act and the Austrian Code of Corporate Governance and that the organisation and procedures of the Supervisory Board are appropriate and satisfactorily efficient for the business activities and business volume of the Company and Group as a whole. Requests and comments made by members of the Supervisory Board during this self-evaluation are taken into account.

The Supervisory Board and its committees, Chair and Deputy Chair continuously monitor and periodically examine management activities of the Company. Detailed presentations and discussions during Supervisory Board and Supervisory Board Committee meetings serve this purpose, as do thorough and, in some cases, in-depth discussions between the executive committee of the Supervisory Board and members of the Managing Board, who provide comprehensive explanations and evidence based on supporting documentation relating to the management and financial position of the Company and the Group. Strategy and other topics related to implementation of new legal requirements, business development (overall and in individual regions), risk management, the internal control system, internal audit activities and the IT strategy of the Company were also discussed in the Supervisory Board meetings and discussions with the Managing Board. The Supervisory Board holds closed Supervisory Board meetings with the Managing Board to discuss policy issues and determine the long-term growth strategy.

Supervisory Board and Audit Committee also hold direct discussions with the financial statements auditor and the consolidated financial statements auditor in order to familiarise themselves with the accounting process and audit progress, and to inquire whether the audit has produced any important findings. Provision was made for exchanges between the members of the Audit Committee and the (consolidated) financial statement auditor in such meetings without the presence of the Managing Board, but no member of the Audit Committee took advantage of this opportunity during the financial year. Audit reports are discussed and debated in detail with audit managers during Audit

Committee and Supervisory Board meetings regarding the annual financial statements and consolidated financial statements. The Audit Committee examined the Company's solvency and financial position report and reported its findings to the entire Supervisory Board. The Supervisory Board found no grounds for objection.

The Supervisory Board also receives quarterly reports from the internal audit department and asks the head of internal audit to provide detailed explanations of individual issues and audit focal points if necessary. The annual audit plan is submitted to the Supervisory Board. The Managing Board explains the organisation and operation of the risk management system and internal control system to the Supervisory Board at least once per year, and provides the Supervisory Board with a written report on this subject so that it can confirm the efficiency of the systems. The Audit Committee also examines the report and assessment of the functioning of the risk management system prepared by the (consolidated) financial statement auditor and reports its findings to the Supervisory Board.

At least once per year, the Managing Board presents to the Supervisory Board the precautions taken in the Group to prevent corruption, and the Supervisory Board discusses these measures.

When preparing general meeting proposals concerning the election of new Supervisory Board members, the Supervisory Board takes into account the requirements of the law and the Austrian Code of Corporate Governance that members of the Supervisory Board must satisfy and observe. Particular attention is paid to ensuring appropriate diversity in the sex, age and international distribution of the members.

The Audit Committee and Supervisory Board also strictly ensure that all of the requirements and conditions provided for under the law and Austrian Code of Corporate Governance are fully satisfied when preparing the general meeting proposal on selection of the (consolidated) financial statement auditor. In addition, after the audit of the consolidated financial statements has been completed, the Supervisory Board is provided with a list showing the total audit expenses for all Group companies. This list provides a separate breakdown according to expenses for the consolidated

financial statements auditor, the members of the network, to which the consolidated financial statements auditor belongs, and other financial statement auditors working for the Group.

The Supervisory Board has formed four committees from its members, a Committee for Urgent Matters (Working Committee), an Audit Committee (Accounts Committee), a Committee for Managing Board Matters (Compensation Committee) and a Strategy Committee. Detailed information on these is provided in the "Supervisory Board Committees" section.

#### **NUMBER OF MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES IN FINANCIAL YEAR 2016**

One ordinary general meeting and five Supervisory Board meetings distributed across the financial year were held in 2016. Five meetings of the Audit Committee were also held. The financial statement and consolidated financial statement auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG), attended four Audit Committee meetings and the Supervisory Board meeting in 2016 that dealt with the auditing of the 2015 annual financial statements and 2015 consolidated financial statements and formal approval of the 2015 annual financial statements, and also attended the Annual General Meeting. The Committee for Urgent Matters was contacted in writing on two occasions. Two meetings of the Committee for Managing Board Matters were held in 2016. The Strategy Committee did not hold any meetings in 2016; strategic matters were handled by the Supervisory Board as a whole.

No member of the Supervisory Board attended fewer than half of the Supervisory Board meetings.

#### **Disclosure of information on Managing Board and Supervisory Board compensation**

The Company compensation guidelines are based on the provisions of Solvency II and entered into effect on 1 January 2016. The guidelines include standards that are generally intended to prevent the compensation rules from creating incentives to assume excessive risk and to avoid conflicts of interest as far as possible. The Company guidelines include further provisions for key positions – in particular the variable compensation for these positions –

that are generally aimed at promoting sustainability and careful handling of risks. The Company guidelines apply to insurance companies and reinsurance companies in the Group and therefore apply to all material subsidiaries included in the scope of consolidation.

### **Compensation plan for Members of the Managing Board of the Company**

Managing Board compensation takes into account the importance of the Group and the responsibility that goes with it, the economic situation of the Company, and the market environment.

The variable portion of the compensation emphasises the need for sustainability and achieving it fully depends critically on an analysis of the sustainable performance of the Company that extends beyond a single financial year.

The performance-related compensation is limited. The maximum performance-related compensation that the Managing Board can receive by overachieving the traditional targets in financial year 2016 is between 60% and 65% of fixed compensation.

Large parts of the performance-related compensation are only paid after a delay. The delay for financial year 2016 extends to 2020. The deferred portions are awarded based on the sustainable performance of the Group, and non-financial factors are included in the evaluation of target achievement. For example, the performance-related compensation for 2016 is awarded based on promotion of those aspects of corporate governance that lead to the expression of social responsibility in practice.

Bonus compensation can also be earned for appropriate target achievement. In total, the members of the Managing Board can earn variable compensation equal to a maximum of between 81% and 93% of their fixed compensation in this way. The Managing Board is not entitled to the performance-related component of compensation if performance fails to meet certain thresholds.

Even if the targets are fully met in a financial year, because of the focus on sustainability, the full variable compensation is only awarded if the Company also achieves positive performance in the three following years.

In 2016, the key performance criteria for variable compensation are the combined ratio, premium growth and the result before taxes. The key performance criteria for bonus compensation are country-specific targets.

Managing Board compensation does not include stock options or similar instruments.

In 2016, the active members of the Managing Board received the following from the Company for their services during the reporting period:

- Elisabeth Stadler EUR 706,000, including EUR 0 variable,
- Franz Fuchs EUR 738,000 (EUR 737,000), including EUR 226,000 (EUR 231,000) variable,
- Roland Gröll EUR 511,000, including EUR 0 variable,
- Judit Havasi EUR 511,000, including EUR 0 variable,
- Peter Höfingler EUR 738,000 (EUR 790,000), including EUR 226,000 (EUR 284,000) variable,
- Martin Simhandl EUR 738,000 (EUR 790,000), including EUR 226,000 (EUR 284,000) variable.

The members of the Managing Board received the following compensation from affiliated companies for their services provided to the Company, or as a legal representative or an employee of an affiliated company:

- Elisabeth Stadler EUR 94,000, including EUR 94,000 variable,
- Judit Havasi EUR 173,000, including EUR 173,000 variable.

The standard employment contract for a member of the Managing Board of the Company includes a pension equal to a maximum of 40% of the measurement base if the member remains on the Managing Board until the age of 65 (the measurement base is equal to the standard fixed compensation).

A pension is normally received only if a Managing Board member's position is not extended and the member is not at fault for the lack of extension, or the Managing Board member retires due to illness or age.

In cases where the provisions of the Austrian Employee and Self-Employment Provisions Act (Mitarbeiter- und Selbstständigen-Vorsorgegesetz) are not applicable by law,



the Company's Managing Board contracts provide for a severance payment entitlement structured in accordance with the provisions of the Austrian Employee Act (Angestelltengesetz), as amended in 2003, in combination with applicable sector-specific provisions. This allows Managing Board members to receive a severance payment equal to between two and twelve months' compensation, depending on the period of service, with a supplement of 50% if the member retires or leaves after a long-term illness. A Managing Board member who leaves of his or her own volition before retirement, or leaves due to a fault of his or her own, is not entitled to a severance payment.

Members of the Managing Board are provided a company car for both business and personal use.

#### **Compensation plan for the members of the Supervisory Board**

In accordance with the resolutions adopted by the 21<sup>st</sup> ordinary general meeting on 4 May 2012, the members of the Supervisory Board elected by the general meeting are entitled to receive compensation in the form of a payment remitted monthly in advance. Members of the Supervisory Board who withdraw from their positions before the end of a month still receive full compensation for the month in question. In addition to this compensation, Supervisory Board members are entitled to receive an attendance allowance for participating in Supervisory Board meetings and Supervisory Board committee meetings (remitted after participation in the meeting). The total compensation paid to members of the Supervisory Board in 2016 amounted to EUR 428,920.

The members of the Supervisory Board received the following amounts:

Günter Geyer EUR 73,000  
 Karl Skyba EUR 44,000  
 Maria Kubitschek EUR 38,000  
 Bernhard Backovsky EUR 33,000  
 Martina Dobringer EUR 39,000  
 Rudolf Ertl EUR 43,000  
 Heinz Öhler EUR 34,000  
 Reinhard Ortner † EUR 43,000  
 Georg Riedl EUR 37,000  
 Gertrude Tumpel-Gugerell EUR 43,000.

Supervisory Board compensation does not include stock options or similar instruments.

### **MEASURES HAVE BEEN PUT IN PLACE TO PROMOTE WOMEN TO THE MANAGING BOARD, SUPERVISORY BOARD AND MANAGEMENT POSITIONS IN THE GROUP**

#### **Women Supervisory Board members**

Women hold around 18% of the positions on Vienna Insurance Group supervisory boards across Europe (as at 31 December 2016) and 33% of the positions in VIG Holding.

#### **Women Managing Board members**

Women hold around 23% of the positions on the managing boards of Vienna Insurance Group companies, around 13% of the managing board chairs are women, and 33% in VIG Holding. Since 1 January 2016, Elisabeth Stadler has been the first woman managing board chair of an ATX company in Austria.

For comparison, women held 9.8% of the managing board positions in the 59 largest German insurance companies in 2016, and 1.7% of the managing board chair positions in these companies.

#### **Women in management positions**

Including distribution, women hold around 42% of the management positions at the level directly below the managing board in VIG insurance companies across Europe (not including distribution: around 47%).

Appreciation of diversity and, therefore, removing barriers to women's careers is one of the key elements of the personnel strategy at Vienna Insurance Group. In addition to implementing this principle to, for example, the management development process, efforts are being made to give visibility to ambitious women at all levels, for example, by assigning more women to attend external conferences, platforms, etc. as representatives of the Company.

Nomination procedures for Group-wide training programmes for management, high potentials and experts are also required to include equal numbers of women as far as possible, with the local human resources department bearing ultimate responsibility.

In the year 2016, managing board performance-related compensation in the individual Group companies was made dependent on diversity and, therefore, gender criteria.

Vienna Insurance Group is specifically involved in events such as the “Business Riot” – the Festival for Women, Work & Entrepreneurship, in particular making contributions on the subject of “actively structuring women’s careers”.

**External evaluation**

C-Rule 62 of the Austrian Code of Corporate Governance provides for voluntary external evaluation of compliance with the C-Rules of the Code at least every three years.

VIG had this evaluation performed in 2016 for the 2015 Corporate Governance Report. All evaluations came to the conclusion that Vienna Insurance Group has complied with all the requirements of the Code. The summarised information on these evaluations is available on the website of Vienna Insurance Group. Another external evaluation for financial year 2017 is scheduled for the spring of 2018. The results of this evaluation will also be made available on the website.

Vienna, 22 March 2017

The Managing Board:



**Elisabeth Stadler**  
General Manager,

Chairwoman of the Managing Board



**Franz Fuchs**  
Member of the Managing Board



**Roland Gröll**  
Member of the Managing Board



**Judit Havasi**  
Member of the Managing Board



**Peter Höfinger**  
Member of the Managing Board



**Martin Simhandl**  
CFO, Member of the Managing Board