

Report of the Supervisory Board

Dear shareholders,

The Report of the Supervisory Board for the 2017 financial year is divided into four sections:

1. How we see our role as the Supervisory Board of UNIQA Insurance Group AG

Just like management, the Supervisory Board of UNIQA Insurance Group AG sees the European Solvency II Directive and further regulatory reforms, such as the Insurance Distribution Directive (IDD) and the EU General Data Protection Regulation, as an opportunity for the further development required in the global insurance industry: as a result, for shareholders, business partners and customers of insurance companies, the transparency of “their” company and the opportunities for more effective comparison between banks will increase considerably.

It also means that, to live up to the conception we have of our role as Supervisory Board, we must continuously work on developing our own qualifications, particularly through in-depth training. We therefore paid particular attention to this in 2017 and will consistently do so going forward. The Supervisory Board must have complementary knowledge regarding the entire industry, the insurance and capital markets and the trends that will have a significant influence on the future of insurance companies – such as digitalisation. Achieving considerably higher representation by women in the Supervisory Board is a natural concern for the shareholder representatives.

At the same time we are working continuously on closer collaboration with each other, with the Group Management Board and the auditor. We have dedicated significant effort over the past year to the Supervisory Board’s understanding of its role in implementing the statutory requirements.

2. 2017 and its most crucial challenges

The 2017 financial year was once again characterised by challenging conditions overall for the European insurance industry. While the low-interest rate environment did relax further over the course of the year, it still undisputedly remains the industry’s biggest challenge.

On a positive note, we have put the all-time lows on returns for long-term investments behind us, and interest rates are starting to rise again, slowly but steadily. Economic growth, and with it the demand for insurance products, has also gained momentum once again in CEE. On the negative side, the claim load from natural disasters was well above the levels of the last few years.

We are pleased that despite these influences, UNIQA was on schedule with its further steps towards implementing the long-term strategic programme UNIQA 2.0 in the sixth full year (2011 to 2020).

I would like to highlight three points here:

- The investment programme decided on at the start of 2016, the redesign of the business model associated with this, and the required update to the IT systems were all advanced further.
- The Group also continued to concentrate on its core insurance business as a direct insurer in Austria as well as in Central and Eastern Europe, and sold its Italian subsidiaries.
- In December, the Austrian Financial Market Authority (FMA) finally approved UNIQA’s partial internal model in the area of property and casualty insurance. As a result of this step in particular, the regulatory capital ratio under Solvency II (SCR ratio) of 202 per cent so far, which is already a very good figure when compared internationally, rose to 250 per cent (as at the end of 2017). This means UNIQA is on very solid ground. This strength on the capital side, combined with the readiness to make relevant investments to actively shape the future, makes

the Supervisory Board confident that UNIQA is very well positioned in a challenging environment.

3. Activities of the Supervisory Board in detail

During 2017, the Supervisory Board was regularly informed by the Group Management Board about the business performance and position of UNIQA Insurance Group AG and the Group as a whole. It also supervised the Management Board's management of the business and fulfilled all the tasks assigned to the Supervisory Board by law and the Articles of Association. At the Supervisory Board meetings, the Group Management Board presented detailed quarterly reports and provided additional oral as well as written reports. The Supervisory Board was given timely and comprehensive information about those measures requiring its approval.

The members of the Supervisory Board are regularly invited to participate in information events on relevant topics. Two special seminars were held in 2017 on the topics of "Property insurance & sales" and "Investments". An all-day seminar was also held for the first time on the two major topics of "Controlling insurance companies" and "Governance under Solvency II".

Focus of the deliberations

The Supervisory Board met on six occasions in 2017. The meetings focused on the respective earnings situation within the Group and its further strategic development. It also adopted two decisions by circulating a written resolution.

- On **3 January** the Supervisory Board approved the sale of the 29.63 per cent holding in Casinos Austria Aktiengesellschaft by circulating a written resolution. The legal aspects of the sale were finally completed in January 2018.
- At a meeting held on **8 March**, the Supervisory Board mainly discussed the Group's preliminary results for 2016 and the trends so far in the 2017 financial year.
- The Supervisory Board meeting on **20 April** focused on the audit of the annual financial statements and consolidated financial statements for the year ended 31 December 2016 and on the reports from the Management Board with up-to-date information on the performance of the Group in the first quarter of 2017. The Supervisory Board also discussed the agenda for the 18th Annual General Meeting held on 29 May 2017. The report by auditors PwC Wirtschaftsprüfung GmbH and lawyers Schönherr Rechtsanwälte GmbH, regarding compliance with the provisions of the Austrian Code of Corporate Governance (ÖCGK) in the 2016 financial year, was acknowledged.
- The meeting of the Supervisory Board held on **24 May** was dedicated to a discussion of the Group's earnings situation in the first quarter of 2017 and also discussions on the Solvency and Financial Condition Report (SFCR) 2016. It also approved the transfer of the employment contracts for UNIQA Insurance Group AG employees working for UNIQA Österreich Versicherungen AG to UNIQA Österreich Versicherungen AG effective 1 July 2017.
- The Supervisory Board was constituted in the meeting on **29 May** based on the exit of Ernst Burger and Johannes Schuster and the new election of Klemens Breuer and Burkhard Gantenbein.
- At its meeting on **17 August**, the Supervisory Board discussed the Group's earnings situation in the first half of 2017 and the latest developments in the third quarter of 2017.
- In addition to receiving reports on the results of the Group in the first three quarters of 2017 and the latest information on performance in the fourth quarter of 2017, the Supervisory Board meeting on **15 November** involved discussions on the forecast for the 2017 financial year, intensive planning for the 2018 financial year and the medium-term planning up to 2022. The Supervisory Board also evaluated its activities in accordance with the Austrian Code of Corporate Governance (ÖCGK) and discussed the 2017 Own Risk and Solvency Assessment (ORSA). The appointments of Sabine Usaty-Seewald and Alexander Bockelmann to the Group Management Board of UNIQA Österreich Versicherungen AG effective 1 January 2018 were supplemented with the approval for Alexander Bockelmann's appointment to the Group Management Board of UNIQA International AG, also effective 1 January 2018.
- As a result of Hartwig Löger leaving the Management Board of UNIQA Österreich Versicherungen AG effective 18 December 2017, the Supervisory Board provided its approval for Kurt Svoboda's appointment as chairman of the Management Board on **17 December** by way of circular resolution. The Supervisory Board also approved Peter Humer's appointment to the UNIQA Österreich Versicherungen AG Management Board effective 18 December 2017.

Committees of the Supervisory Board

Four other committees have been set up in addition to the mandatory financial Audit Committee in order to ensure that the work of the Supervisory Board is structured effectively.

- The **Working Committee** did not hold any meetings in the past financial year.

- The **Committee for Board Affairs**, which also exercises the functions of the Nominating and Remuneration Committee, dealt with legal employment formalities concerning the members of the Management Board and with questions relating to remuneration strategy and succession planning at four separate meetings. One decision was made by way of circular resolution.
- The **Investment Committee** held four meetings at which the members discussed the capital investment strategy, questions concerning capital structure and the focus of risk and asset liability management.
- The **IT Committee** dealt in the course of four meetings with the ongoing monitoring of the progress of the project implementing UNIQA's Insurance Platform, i.e. the new IT core system.
- Lastly the **Audit Committee** held three meetings in 2017 and these meetings were also attended by the auditors of the (consolidated) financial statements. All of the documents relating to the financial statements and the appropriation of profit proposed by the Group Management Board were discussed at the meeting on 20 April, with the Compliance Manager's annual activity report for 2016 also submitted and acknowledged in particular. At the meeting held on 24 May, the auditor presented the planning for the audits of the 2017 financial statements prepared by the companies in the UNIQA Group and coordinated this planning and strategy with the committee. The committee also discussed its exercise of the responsibilities assigned to it under the Stock Corporation Act and the Insurance Supervision Act along with the Solvency and Financial Condition Report (SFCR) 2016. At the meeting held on 15 November, the auditor informed the committee about the findings from its preliminary audits to date. The future strategic focus and content-related direction of the Audit Committee were also discussed. In addition, the Committee received quarterly reports from Internal Audit on the areas audited by this department and any material findings that arose from these audits.

The various chairs of the committees then informed the members of the Supervisory Board in detail about the relevant meetings and their committee's work.

4. Separate and consolidated financial statements

The separate financial statements prepared by the Management Board, the Management Report of UNIQA Insurance Group AG, the consolidated financial statements prepared in accordance with International Financial Reporting Standards

(IFRSs) and the Group Management Report for 2017 were audited by PwC Wirtschaftsprüfung GmbH, which issued an unqualified audit opinion.

The Supervisory Board acknowledged and approved the findings of the audit.

The audit of the compliance of the Corporate Governance Report with Section 96(2) of the Stock Corporation Act and the evaluation of UNIQA's compliance with the rules of the Austrian Code of Corporate Governance in the 2017 financial year was carried out by PwC Wirtschaftsprüfung GmbH, whereas compliance with Rules 77 to 83 of the Austrian Code of Corporate Governance was assessed by Schönherr Rechtsanwälte GmbH. The audits found that UNIQA had complied with the rules of the Austrian Code of Corporate Governance in the 2017 financial year to the extent that the rules were included in UNIQA's declaration of conformity.

The Supervisory Board acknowledged the consolidated financial statements for 2017 and approved the 2017 annual financial statements of UNIQA Insurance Group AG. It also endorsed both the Management Report and the Group Management Report. The 2017 annual financial statements were thereby adopted in accordance with Section 96(4) of the Austrian Stock Corporation Act.

The Supervisory Board reviewed and approved the proposal for the appropriation of profit submitted by the Group Management Board. Accordingly, a dividend distribution of 51 cents per share will be proposed to the Annual General Meeting on 28 May 2018.

Finally, on behalf of the Supervisory Board, I would like to thank all the employees of UNIQA Insurance Group AG and all Group companies for their huge personal effort in the 2017 financial year and wish them every continued success for the future.

Vienna, April 2018

On behalf of the Supervisory Board



Walter Rothensteiner
Chairman of the Supervisory Board