

Report of the Supervisory Board

Ladies and gentlemen,
dear shareholders,

The Report of the Supervisory Board for the 2018 financial year is divided into four sections:

1. How we structure our work

The pace and variety of changes that we have seen in many industries over the years has affected the global insurance industry. The consequences for us as members of the Supervisory Board are threefold:

Firstly we **supervise** management as closely as possible in its implementation of regulatory reforms. Despite the high financial and operational burden, we see seamless implementation of the Insurance Distribution Directive (IDD), the EU General Data Protection Regulation (GDPR) as well as the new accounting regulations IFRS 9/17 applicable from 2022 as an opportunity for necessary further development in the insurance industry. For you as shareholders, for business partners and for customers of insurance companies, this increases the transparency of “your” company, and with that increased transparency comes the possibility of better comparison, at least with other listed financial institutions.

Secondly we **make demands** on management related to its own further developments in managing the company. This means that in our work with the Management Board we make sure not to regard the sensible new instruments introduced under Solvency II such as ORSA, SFCR and the partial internal model as cumbersome mandatory obligations towards the regulator or as a means of achieving self-optimisation in accounting, but rather as a strategic cockpit for comprehensive, economically sustainable further development of the company. This also requires that we as members of the Supervisory Board have far more detailed knowledge than in the past.

Thirdly we **encourage** and coach the management in its balancing act between optimising the existing business model and orchestrating sensible investments for the future that may sometimes be disruptive. We encourage the Management Board in its leadership strategy to focus more heavily than it previously has on attracting new talent to our company based on conscious diversity, and then to promote these individuals within the company in a targeted manner. We actively support the Management Board in its task of promoting a new, well-educated and well-versed generation of managers for the next strategic phase of the company beginning in mid-2020, while consciously working to improve the level of diversity.

Overall, for us as a Supervisory Board these three initial points mean speeding up the development of our own qualifications, particularly through in-depth training. We paid particular attention to this in 2018 and will also focus on doing this consistently going forward. The Supervisory Board must have knowledge of global developments in the industry, projects relevant to regulation, capital markets, changes in customer expectations as well as digitalisation and disruptive competition from tech giants and platform companies. Having a higher number of women on the Supervisory Board is also a natural concern for us and will also be implemented by us with equal consistency over the next few years along with accelerated internationality.

Rapid changes in the industry place increased demands on the Supervisory Board’s time. We are constantly learning and aim to optimise our cooperation with management and with the statutory auditor continuously in order to act as efficiently and prudently as possible.

2. The most important features of 2018

The capital markets were firmly in the grip of geopolitical events and central banks in 2018. Although it had long been announced and was no surprise to market participants, the end of the ECB's expansionary monetary policy resulted in increased nervousness and therefore volatility in the financial markets. Accompanied by the global political dimension of an ever-escalating trade war between the USA and China, equities and various other investment categories fell sharply around the world. Only long-term high-quality interest-bearing securities managed to counter this trend. Returns on these securities that had been considered safe havens fell back to 2017 levels.

By contrast, economic growth in UNIQA's core markets was consistently positive, supporting our changes in premiums.

Despite these partly opposing influences, UNIQA managed to take further steps as planned in implementing the long-term strategic programme UNIQA 2.0 (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 it, and the required update to the IT systems were all advanced further. The first products in the life insurance sector are already being processed via the new IT core system.
- The Group also continued to concentrate on the insurance business as a direct insurer in Austria and in Central and Eastern Europe. In particular, the steady improvement in the combined ratio as a measure of profitability in the core underwriting business is key. Further improvements were successful here in 2018.
- The company's capitalisation remains very solid even in a challenging capital market environment. The relevant capital ratios ECR and SCR were barely changed at their very high level. 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. Timeline and details of our main areas of focus

During 2018, the Supervisory Board was regularly informed by the 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 Management Board presented detailed quarterly reports and provided additional oral as well as written reports. Our Supervisory Board was given timely and comprehensive information about those measures requiring our approval.

The members of our Supervisory Board are regularly invited to participate in informational events on relevant topics. Two special seminars were held in 2018 on the topics of "Products & Services" and "Customer Focus & Digital Strategies". An all-day seminar was also held covering the topics of the "General Data Protection Regulation" and "IFRS 9 and 17" as well as the latest statutory changes.

Focus of the deliberations

The Supervisory Board met on six occasions in 2018. Our meetings focused on the respective earnings situation within our Group and its further strategic development. We also made one decision by way of circular resolution.

- At our meeting held on **27 February**, we mainly discussed the Group's preliminary results for the 2017 financial year and the changes up to that time in the 2018 financial year. The Supervisory Board also approved the formation of a branch of UNIQA Insurance Group AG in Bratislava for Group-wide processing of actuarial tasks.
- The Supervisory Board meeting on **11 April** focused on the audit of the annual financial statements and consolidated financial statements for the year ended 31 December 2017 and on the reports from the Management Board with up-to-date information on the performance of the Group in the first quarter of 2018. We also discussed the agenda for the 19th Annual General Meeting held on 28 May 2018. 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 2017 financial year was also acknowledged.

- Our meeting held on **23 May** was dedicated to a discussion of the Group's earnings situation in the first quarter of 2018 as well as to discussions on the Solvency and Financial Condition Report (SFCR) 2017.
- The Supervisory Board was constituted at the meeting on **28 May** due to the exit of Klemens Breuer and Eduard Lechner and the new election of Marie-Valerie Brunner and Elgar Fleisch.
- At our meeting on **21 August**, we discussed the Group's earnings situation in the first half of 2018 and the latest developments in the third quarter of 2018.
- On **10 October**, we approved the sale of some commercial properties by way of circular resolution.
- In addition to receiving reports on the results of the Group for the first three quarters of 2018 and the latest information on performance in the fourth quarter of 2018, the Supervisory Board meeting on **20 November** involved discussions on the forecast for the 2018 financial year, intensive planning for the 2019 financial year and the medium-term planning up to 2023. The Supervisory Board also evaluated its activities in accordance with the Austrian Code of Corporate Governance (ÖCGK) and discussed the 2018 Own Risk and Solvency Assessment (ORSA).
- The **IT Committee** dealt with the ongoing monitoring of the progress of the project implementing the UNIQA Insurance Platform over the course of four meetings.
- Lastly, the **Audit Committee** held three meetings in 2018, 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 Management Board were discussed at the meeting on 11 April, with the Compliance Manager's annual activity report for 2017 also submitted and acknowledged in particular. At the meeting held on 23 May, the auditor presented the planning for the audit of the 2018 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) 2017. At the meeting held on 20 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.

Committees of the Supervisory Board

In addition to the Audit Committee required by law, we have set up four more committees in order to ensure that the work of our Supervisory Board is structured effectively.

- The **Working Committee** did not hold any meetings in the past financial year. Three decisions were made by way of circular resolution.
- The **Committee for Board Affairs**, which also exercises the functions of the Nominating and Remuneration Committee, dealt with questions relating to remuneration strategy and succession planning at four separate meetings.
- The **Investment Committee** held four meetings during which the members discussed the capital investment strategy, questions concerning capital structure, and the focus of risk and asset liability management.

The various chairs of the committees then informed the members of the Supervisory Board in detail about the 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 2018 were audited by PwC Wirtschaftsprüfung GmbH; the statutory auditor also verified that a separate consolidated non-financial report and a consolidated corporate governance report had been prepared for the 2018 financial year. The audit raised no objections. The separate and consolidated financial statements were each awarded an unqualified audit opinion for 2018.

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

The evaluation of UNIQA's compliance with the rules of the Austrian Code of Corporate Governance in the 2018 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 2018 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 2018 and approved the 2018 annual financial statements of UNIQA Insurance Group AG. It also endorsed both the Management Report and the Group Management Report. The 2018 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 Management Board. Accordingly, a dividend distribution of €0.53 per share will be proposed to the Annual General Meeting on 20 May 2019.

On behalf of the Supervisory Board once again this year I would like to thank all the employees of UNIQA Insurance Group AG and all Group companies for their major personal commitment in the 2018 financial year and wish them every continued success for their future.

Vienna, April 2019

On behalf of the Supervisory Board



Walter Rothensteiner
Chairman of the Supervisory Board