

# 4. Strategy and plans of the Triglav Group

## 4.1 Mission, values and vision of the Triglav Group

- Client focus is at the heart of the Triglav Group Strategy until 2022.
- The Triglav Group is developing into a modern, innovative and dynamic insurance/financial group, which firmly remains the leader both in Slovenia and the wider region.
- The planned profit level for 2019 was surpassed.
- In 2020, profit before tax of the Triglav Group is planned at EUR 95–105 million and gross written premium at around EUR 1.2 billion.

**Mission**

**Building a safer future.**

**Values**

- **Responsiveness:**  
We respond immediately and effectively.
- **Simplicity:**  
We are simple and transparent.
- **Reliability:**  
We deliver as promised.

**Vision of the Triglav Group**

**Based on its client-centric approach, the Group dynamically develops new ways of doing business as the foundation of its responsible long-term development, while at the same time earns profit and operates safely.**

- In South-East Europe, the Triglav Group is recognised as the leading provider of innovative and comprehensive insurance-service products and asset management services.
- The Group is the largest in terms of income and the best in terms of client satisfaction.
- Clients perceive the Group's omni-channel products and services as simple and desirable.
- The Group's main competitive advantage is client experiences.
- The Group dynamically develops new ways of doing business, which are among the top trends of digitalisation.
- It is well-positioned in dynamic networks of business ecosystems.
- The Group effectively manages the risks and ensures its financial stability.
- Return on equity (ROE) exceeds 10% throughout the whole strategy period.
- The standalone »A« credit rating assigned by a renowned rating agency is being maintained.
- The governance and management system of the Group is structured and effective.
- The Group's processes are lean, simple, technologically advanced and cost-effective.
- Engaged and highly skilled employees are the cornerstone of the Group's culture of openness and cooperation, as well as its sustainable development and a responsible attitude towards all stakeholders.



## 4.2 The Triglav Group Strategy for the 2019–2020 period and its implementation in 2019<sup>7</sup>

Strategic activities	
<b>Insurance</b>	<b>Asset management</b>
Non-life	Own insurance portfolio (asset backing liabilities and backing funds)
Life	
Pensions	Mutual funds and individual asset management
Health	
Reinsurance	Pension funds
Key strategic guidelines	
Long-term stable operations and increased value of the Triglav Group	
Client focus and development of related services	
Developing cooperative and agile organisation and culture	

Strategic objectives	
Strategic objectives were classified into four balanced scorecard strategy levels:	
<b>Financial operations</b> <ul style="list-style-type: none"> <li>Profitable operations</li> <li>Growth in the volume of operations (in terms of written premium, the Triglav Group remains the largest insurance company in South-East Europe)</li> <li>Maintaining the “A” credit ratings</li> <li>Capital adequacy and optimal capital allocation by segment/subsidiary of the Group</li> <li>Comprehensive risk management</li> </ul>	<b>Clients</b> <ul style="list-style-type: none"> <li>Comprehensive and responsible client relationship management and omni-channel communication with clients</li> <li>Satisfied and loyal clients</li> <li>Growth in the number of active clients, their understanding of the Group’s services and higher insurance coverage of individual clients</li> <li>Insurance products with a high degree of related services</li> <li>New business models</li> </ul>
<b>Processes and organisation</b> <ul style="list-style-type: none"> <li>A high degree of automation, optimisation and cost-effectiveness of business processes</li> <li>Digital business</li> <li>Developed multi-matrix organisation and business productivity growth</li> <li>Efficient use of data (internal and external) so as to make the right business decisions</li> <li>Innovation</li> <li>Exploitation of synergies within the Group</li> </ul>	<b>Employees, competences and learning</b> <ul style="list-style-type: none"> <li>Redesigned organisational culture</li> <li>An appropriate number, structure and engagement of employees in relation to renewed and optimised processes</li> <li>Adequate competences and digital skills of employees</li> <li>Stability and appropriate structure of key promising employees</li> <li>Employee mobility</li> </ul>

<sup>7</sup>GRI GS 103-1, 103-2, 103-3



### 4.2.1. Implementation of the Triglav Group Strategy in 2019<sup>8</sup>

The objectives set were achieved through various activities aimed at implementing the strategy. The Company was active in numerous areas, such as new product development and the upgrading of existing products, streamlining and optimising work, work processes and business process management, IT support and enhancing digital support. Strategic processes were also pursued in sales promotion and development of even more effective approaches, channels and communication techniques, as well as catering for the needs of the existing and potential clients. In the parent company and in relation to subsidiaries and key external stakeholders, special attention was paid to the building of partnerships, Triglav's core competence.

The implementation of the strategy is periodically reviewed and dynamically adapted to changes in the internal and external environments. In 2019, the strategies of individual Group members were revised, followed by intense activities aimed at deepening the knowledge of the key content of the Group's revised strategy.

The summary of achievements in 2019 in relation to the strategic objectives and key guidelines of the Triglav Group Strategy for the 2019–2022 period shows that the Group's foundations are sound and that it is driven to achieve the set goals. The Company established good starting points for further strengthening the Group's competitive position and overcoming the challenges in the near future.



## 1. Long-term stable and profitable operations and increased value of the Triglav Group

### Purpose:

Creating a more secure future for all stakeholders. Long-term responsible asset management.

#### ■ Profitable operations

- Profit before tax: EUR 100.9 million
- Return on equity (ROE): 10.9%

#### ■ Growth in business volume

- Gross written premium: +11%
- Increased overall market share of the Triglav Group on the Slovene insurance market.

#### ■ Increased value of the Triglav Group

- High profitability of the parent company's share was achieved.
- Strengthened market position with the management of capital investments: capital increase of subsidiaries, increase in participating interests in the subsidiaries of strategic importance, sale of non-strategic investments, establishment and co-founding of a new company, and integration of the acquired competing company.
- Maintained "A" credit rating with stable medium-term outlook.

#### ■ Capital adequacy and optimal capital allocation by segment/subsidiary of the Group

- A 30.5-year subordinated bond was issued to achieve the desired optimal capital structure.
- Upgraded bases for calculating the efficiency of capital utilisation of individual Group members and segments of the Group's core activities.

#### ■ Comprehensive risk management and introduction of new business models

- Upgraded the own risk and solvency assessment (ORSA) process with the involvement of subsidiaries.
- Communicated and verified the core content of the Group's strategy and the revised strategies of individual subsidiaries.
- Identified key functionalities of an innovative remote business model.
- Implementation of new technological solutions (e.g. artificial intelligence in the non-life insurance segment).

#### ■ A high degree of automation, optimisation and cost-effectiveness of business processes

- The share of operating expenses of the insurance business in gross written premium lower by 1.3 percentage point.
- Controlled and streamlined costs where possible and positive for achieving the strategic objectives.

#### ■ Efficient use of data (internal and external) so as to make the right business decisions

- Improved data warehouse functionality and an expanded database for decision-making at various organisational levels.
- In-depth knowledge of the specifics of business processes at the Group level and client behaviour.

#### ■ Developed multi-matrix organisation, business productivity growth and utilisation of synergies within the Group

- Transfer of best practices, products and services to subsidiaries and adaptation to individual markets.
- Increased cooperation and transfer of knowledge, especially sales skills, tools and techniques.
- Increased productivity by enhancing cross-selling within the Group.
- Fulfilled desired financial effects of entering into new partnerships.



## 2. Client focus and development of related services

### Purpose:

Build and maintain relationships based on trust. Effectively manage the decision-making process.

Improve user experience. Achieve client satisfaction and loyalty. Increase client lifetime value.

#### ■ Comprehensive and responsible client relationship management and omni-channel communication

- Expanded range of client contact points.
- Development of a system for personalised client service and introduction of a rating system based on various criteria.
- A redesigned product-sales website [www.triglav.si](http://www.triglav.si) and improved user experience.

#### ■ Increased client satisfaction and loyalty

- Active measurement and collection of user experience to improve client satisfaction.
- Higher overall client satisfaction score.
- Rewarding of client loyalty.

#### ■ Growth in the number of active clients, better understanding of the Group's services and higher insurance coverage of individual clients

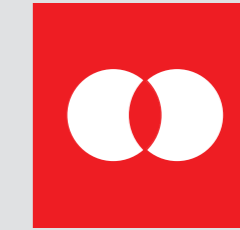
- Development of new products and services and upgrading of existing ones.
- Development of digital sales, communication and distribution channels.

#### ■ Insurance products with a high degree of related services

- Establishment of joint digital sales for the non-life, life and health insurance segments.
- Upgrading of related services in cooperation with various partners.

#### ■ The digital way of doing business and innovation

- Implementation of paperless, mobile and streamlined business operations with clients and partners.
- Process optimisation to increase client focus, especially when dealing with loss events.



## 3. Developing cooperative and agile organisation and culture

### Purpose:

Dynamically adapt the organisation to provide responsive, simple and effective services to both internal and external clients. Empower

individuals and working groups to design and execute solutions by assuming responsibility. Introduce agility and modern practices at all levels of business.

#### ■ Transformed organisational culture

- Transfer of best practices within the Group.
- Coaching at the parent company and subsidiaries and training of new in-house coaches.
- A strengthened mentoring system, promotion of diversity and intergenerational cooperation.
- Establishment of a system of competencies and powers in subsidiaries for responsive and reliable decision-making.

#### ■ An appropriate number, structure and commitment of employees to revised and optimised processes

- Activities carried out to effectively manage changes and strengthen project work or teamwork.
- The target level of engagement at the Group level was achieved.
- Adaptation of the organisational structure and key processes to dynamic changes in the environment.

#### ■ Adequate competences and digital skills of employees

- Strengthening of the management-by-objectives system by conducting periodic development interviews according to the Company's own methodology.
- Adaptation of work processes in an increasingly digitalised environment.
- Increasing proportion of digital content training hours.
- Ongoing training and coaching of leaders.

#### ■ Stability and appropriate structure of key promising employees and employee mobility

- Maintaining stable and adequate occupation of key posts.
- Strengthening cooperation and mobility within the Group.

### 4.3 Implementation of the Triglav Group's business plans in 2019<sup>9</sup>

The Triglav Group's performance was sound and the Group achieved its strategic objectives despite operating in challenging and unfavourable conditions on financial markets. By generating **profit before tax of EUR 100.9 million**, the Group exceeded the planned profit (see [→ *Section 8. Financial result of the Triglav Group and Zavarovalnica Triglav*] for further details).

**The Group's written premium was also higher than planned:** premium growth was achieved in all insurance segments and on all insurance markets of the Group. In the parent company, premium was up by 6%, in Triglav, Zdravstvena zavarovalnica by 23% and in Triglav, pokojninska družba by 1%. Premium growth on the Slovene market was 10% while on markets outside Slovenia it stood at 12%. See [→ *Section 7.5 Gross written insurance, co-insurance and reinsurance premiums*] for further details on insurance premium.

**The combined ratio** of the Triglav Group was **91.5%**, which is in the lower end of the range of its average target strategic value (the performance indicator of the Company in the core non-life and health insurance business excluding return on investment). See [→ *sections 8. Financial result of the Triglav Group and Zavarovalnica Triglav*] and [→ *7.2 Environmental impact on the performance of the Triglav Group*] for more information.

The credit rating agencies S&P Global Ratings and AM Best again confirmed the Group's **»A« credit rating with a stable medium-term outlook**, which confirms the Group's **strong financial stability, high capital adequacy and high profitability**. The achievement of the »A« credit rating is in line with the Group's strategy, thus enabling the Group to maintain an appropriate competitive position on insurance, reinsurance and financial markets. It also confirms the Group's financial strength and solid performance. See [→ *Section 6.6 Credit rating of the Triglav Group and Zavarovalnica Triglav*] for more details.

### 4.4 Plans of the Triglav Group for 2020

The strategic starting points, market potential and competitive conditions on the markets in which the Group operates as well as forecast macroeconomic trends and developments of financial markets were the basis for drawing up the Triglav Group Business Plan for 2020.

**Expected business conditions:** The Group expects that the macroeconomic environment of the region will continue to be favourable for its insurance business, even though somewhat less than before, which could result in even fiercer competitive conditions on the insurance markets. According to expectations, the financial environment for the rates of return on the Group's investments will remain unfavourable in 2020.

#### Triglav Group Business Plan for 2020

**Profit before tax:** Profit before tax of EUR 95–105 million is planned. The planned profit is based on the projected performance of the Group's insurance and asset management business, taking into account the anticipated conditions on the financial markets, which will affect the rates of return on investments.

**Insurance premium:** In the insurance business, written premium is planned at around EUR 1.2 billion. Through consistent implementation of development activities, the Group will adapt to the competitive situation and achieve the set strategic objectives. Quality, simplicity and integrity of services tailored to the clients' needs and expectations will be the main guidelines of the Group's activities. These will continue to include the development of services and sales processes, which are based on innovative and advanced technologies, the improvement and upgrading of omni-channel client communication, and the enhancement of sales channels efficiency. On this basis, backed by further prudent underwriting, the Group will increase premium volume and maintain the profitability of the insurance business on its markets.

**Mass claims:** Approximately the same development and occurrence of major CAT events (flood, hail, storm) is foreseen as in past years. Adequate reinsurance protection will be maintained.

**Combined ratio:** At the Group level, the combined ratio of below 95% is planned, which is in the lower end of the range of its average target strategic value of around 95%.

**Gross operating expenses:** The planned growth in the volume of operations will continue to increase the Group's cost effectiveness, because the planned cost growth is lower than the planned premium growth. The Group expects higher insurance acquisition costs (fees and commissions, marketing campaigns, advertising, labour costs of the agent network) and higher depreciation of property, plant and equipment resulting from high past and future planned investments in information technology and strategic projects. Furthermore, gross operating expenses will be affected by the streamlining measures, which will be predominantly focused on the types of costs not directly related to insurance acquisition. The planning of staffing levels and labour costs, which account for the bulk of total operating expenses of the Group's insurance subsidiaries, will follow the strategic guidelines, changes in business processes and any identified requirements of individual work areas.

**Asset management:** The Group will follow the strategic objectives of increasing the volume of assets under management by selling existing savings insurance products and increasing the assets of investment funds. The Group will continue to actively pursue any opportunities arising from the consolidation of the asset management industry in the region.

**Profit from financial investments:** Given the expected continuation of low interest rates, the Group plans a further decline in rates of return on investment, excluding unit-linked assets. The main elements of the investment policy thus remain unchanged and include ensuring adequate security, liquidity and diversification of investments while achieving adequate profitability. The objective of the Group’s investment policy is to maintain a high credit rating of the entire portfolio. The investment portfolio structure remains relatively conservative. Bonds and other fixed-rate investments, which are mostly invested in the euro area, will continue to account for the majority. In some parts of the portfolio, the Group intends to achieve slightly higher rates of return at a lower liquidity of investments by improving the matching of asset-liability maturity.

**Maintaining high credit ratings:** By retaining strong financial stability, high capital adequacy, high profitability and reliable risk management, the Group is expected to maintain high credit ratings assigned by the renowned credit rating agencies S&P Global Ratings and AM Best.

The business plan for 2020 is the continuation of the consistent implementation of the Group’s planned strategic guidelines until 2022 and a step towards the realisation of its vision.

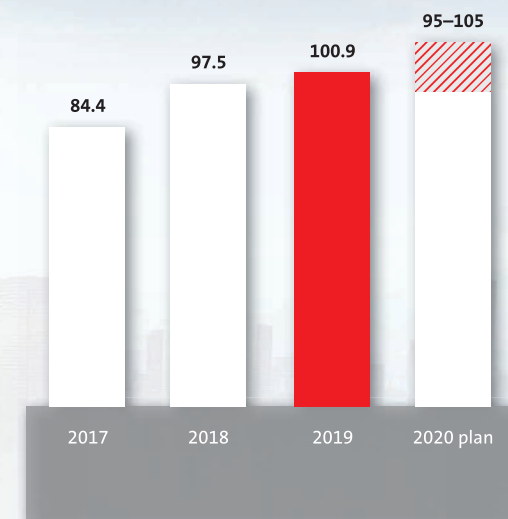
**Financial highlights of the Triglav Group business plan for 2020 (in EUR million)**

	in EUR million			
	2017	2018	2019	2020 plan
Profit/loss before tax	84.4	97.5	100.9	95–105
Gross written premium form insurance, co-insurance and reinsurance contracts	999.9	1,068.4	1,184.2	around 1,200
Combined ratio	93.1%	91.8%	91.5%	below 95%

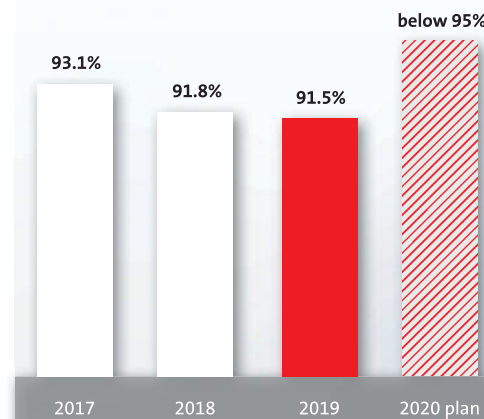
**Disclaimer**

The planned figures for 2020 are based on the outlook, expectations about events and circumstances, and forecasts available to the Company when drafting the plan. The actual results, performance and events may significantly deviate from those taken into account in the plan. When publishing the interim results of the Triglav Group in 2020, the Company will each time comment on the Group’s planned annual profit before tax.

**Planned net profit before tax of the Triglav Group for 2020 (in EUR million)**



**Planned combined ratio of the Triglav Group for 2020**



**Planned gross written premium for insurance and co-insurance contracts of the Triglav Group for 2020 (in EUR million)**

