

## 4. Strategy and plans of the Triglav Group

Jožefa Mlinar, an insurance agent, Zavarovalnica Triglav

"I was surprised and delighted by how openly our clients accepted the changes and new ways of doing business. Both agents and other colleagues offered their support, we stood by them when they needed help or advice.

Responsive, simple, reliable – just like our values. The new situation has in many cases made our bond even stronger, despite the safety measures. Some new digital solutions only needed to be integrated in the underwriting and claim handling procedures, and now they support the whole process, from which we all have benefited."



- Even in a greatly changed situation, the Triglav Group's strategy has proven to be effective, aimed at developing the Group into a modern, innovative and dynamic insurance/financial group, which firmly remains the leader both in Slovenia and the wider region.
- The implementation of strategic guidelines and projects was accelerated, the Group's responsiveness and agility were increased and effective action was taken.
- Business continuity, stability and client focus were ensured. Employee and client satisfaction reached the highest levels ever measured.
- Performance of the Triglav Group in 2020 was consistent with its plans.
- Profit before tax of the Triglav Group is planned at EUR 85–95 million for 2021. Consolidated gross written premium is planned at EUR 1.2–1.3 billion.

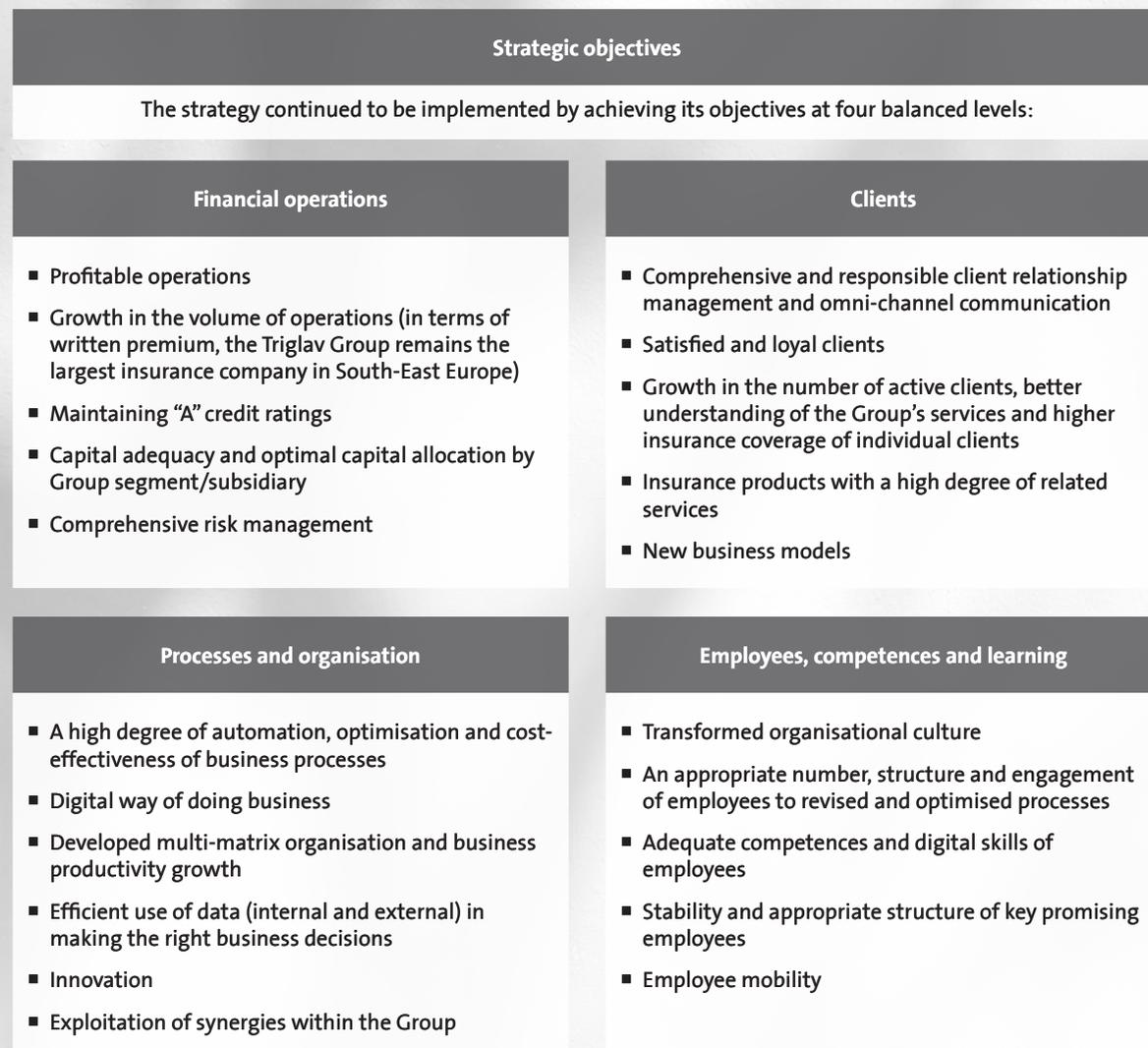
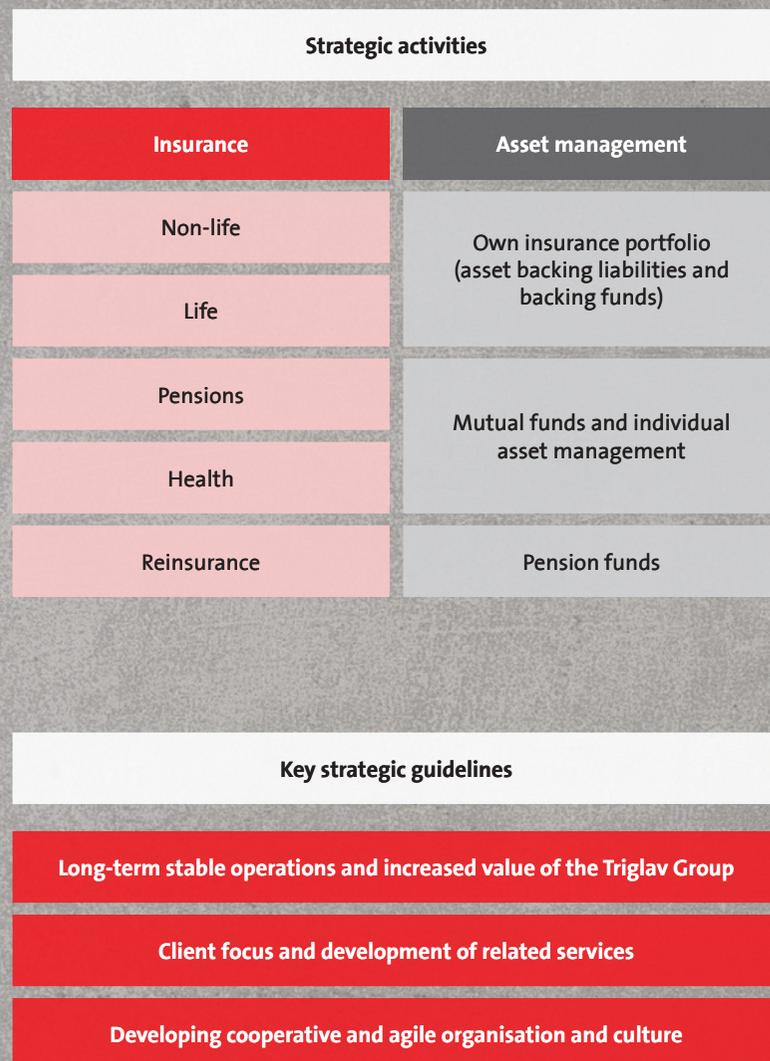
## 4.1 Mission, values and vision of the Triglav Group

By being committed to the common values and vision, the Triglav Group was able to effectively adjust to the extraordinary situation and ensure reliable operations.

Mission	Values	Vision of the Triglav Group
<p><b>Building a safer future.</b></p>	<ul style="list-style-type: none"> <li>▪ <b>Responsiveness:</b> We respond immediately and effectively.</li> <li>▪ <b>Simplicity:</b> We are simple and transparent.</li> <li>▪ <b>Reliability:</b> We deliver as promised.</li> </ul>	<p><b>Based on its client-centric approach, the Triglav 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.</b></p> <ul style="list-style-type: none"> <li>▪ In South-East Europe, the Group is recognised as the leading provider of innovative and comprehensive insurance-service products and asset management services.</li> <li>▪ The Group is the largest in terms of income and the best in terms of client satisfaction.</li> <li>▪ Clients perceive the Group's omni-channel products and services as simple and desirable.</li> <li>▪ Client experience is the Group's main competitive advantage.</li> <li>▪ The Group dynamically develops new ways of doing business, setting top trends in digitalisation.</li> <li>▪ The Group is well-positioned in dynamic networks of business ecosystems.</li> <li>▪ The Group effectively manages the risks and ensures its financial stability.</li> <li>▪ Return on equity (ROE) exceeds 10% throughout the whole strategy period.</li> <li>▪ The standalone "A" credit rating assigned by a renowned rating agency is being maintained.</li> <li>▪ The Group's governance and management systems are structured and effective.</li> <li>▪ The Group's processes are lean, simple, technologically advanced and cost-effective.</li> <li>▪ 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.</li> </ul>

## 4.2 The Triglav Group strategy for 2019–2022 and its implementation in 2020<sup>7</sup>

Even in greatly changed business conditions in 2020, the strengthening of the Triglav Group as a modern, digital and dynamic insurance/financial system proved to be an effective strategy.



Monitoring the implementation of the strategy (through periodic review and adjustment to internal and external changes) was introduced in all subsidiaries and thus standardised at the Group level in 2020, which was reflected in greater responsiveness and agility and more effective action in the event of changes in the environment. The Group as a whole responded immediately to any identified business risk during the pandemic. The Group accelerated the implementation of the strategy of strengthening the Group as a modern, digital and dynamic insurance/financial group, which will remain the leader both in Slovenia and the wider region. In an uncertain and volatile business environment, the Group regularly carried out an assessment of impact on its operations according to various probable scenarios, based on which it was assessed that the Group was able to effectively cope with any future increased risks arising from the COVID-19 pandemic.

See [Challenges and opportunities of today in Section Risk management](#) for more information; for further information on the Triglav Group's response see related sections, especially in [Sections 11. Development and marketing activities](#) and [12. Sustainable development and ESG aspects of the Triglav Group](#).

### Major risk factors in the environment

- The COVID-19 pandemic
- Declining economic growth
- Low and negative interest rates
- Changed client expectations and needs
- Increased need for digitally supported services
- Increased cyber risks
- Effects of climate change
- Demographic changes
- The need for greater social security of the population

### Main responses of the Triglav Group

- Smooth organisational and process transition to remote business
- Expansion of digital channels, launch of new technologically supported services and redesign of assistance services
- Implementation of new forms of work
- Training and knowledge transfer to improve the digital skills of all employee age groups
- Client support in the transition to remote business
- Regular monitoring of the implementation of the strategy in all subsidiaries
- Uniform internal business standards
- Prudent adjustment of the risk profile and investment policy
- Active reduction of market risks and careful liquidity risk management
- Upgraded information security management system and security controls
- Continuous operation of the new security control centre
- Custom-tailored insurance products for cyber security
- Prudent diversification of risks assumed through reinsurance
- Adoption of The Triglav Group's commitment to sustainability (ESG)
- Upgraded climate change risk management
- Redesigned financial products for social security at all stages of life (life, pension and health)
- Effective multi-channel communication with stakeholders on service accessibility and doing business in new circumstances

The tables below present in greater detail the implementation of the Group's strategic guidelines and objectives in the reporting year, which was not only marked by the COVID-19 pandemic but also by intense development activities. In this respect, important innovations for further business digitalisation were introduced and the implementation of several strategic projects was accelerated. The set strategic objectives were fulfilled. To sum up, all that was achieved helped to consolidate the foundations of the Group's operations and provided additional momentum for achieving the set strategic objectives.

Among the achievements stands out the upgraded remote business, which together with changes in the way of working and business processes is an important milestone in the digital transformation of the Group's operations. During the COVID-19 pandemic, the Group continuously provided its services to clients, taking into account the measures taken to curb the spread of infection and protect the health of its employees, clients and other stakeholders. The Group is satisfied with the response and the results achieved and so are its clients, who rated the Group the highest so far in the most difficult months.



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

### ■ Profitable operations

- Profit before tax: EUR 90.9 million.
- Return on equity (ROE): 8.9%.

### ■ Growth in business volume

- Gross written premium: +4%.
- Overall market share in the Slovenian insurance market: +0.4 percentage point.
- Seized opportunities in new target markets; achieved target financial effects of new partnerships.

### ■ Increased value of the Triglav Group

- Share annual turnover: +4%.
- Market position: strengthened through capital investment management (capital increase of subsidiaries and increase of participating interest in the subsidiaries of strategic importance, integration of an acquired company, a structure for investing in healthcare service providers).
- Credit rating: reaffirmed "A" credit rating with a stable medium-term outlook.

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

- Achieved target capital adequacy and upgraded capital adequacy monitoring process.
- Risk, capital and asset liability management system: effective operation; the parent company's portfolio is in line with the revised investment policies.
- Investment processes: upgraded to enable the Group to take a comprehensive approach to implementing its commitment to sustainability.

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

- Ongoing analyses of the impact of the COVID-19 pandemic, its effects on operations and taking action; upgrading the risk monitoring and reduction process.
- Communication and verification of implementation of the strategy of the Group and its members.

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

- The proportion of operating expenses of the insurance business in gross written premium lower: -1.1 percentage points.
- Business digitalisation and optimisation: new technological solutions already introduced or being implemented.

### ■ Efficient use of data (internal and external) in making business decisions

- Improved data warehouse functionality and an expanded database at several organisational levels.
- In-depth knowledge of business processes at the Group level and client expectations.

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

- Business productivity increased by 3%; average gross written premium per Company employee is EUR 267.5 thousand.
- Transfer of good practices and exploitation of internal potential; adapting products and services to markets; implemented minimum business standards in subsidiaries.



## 2. Client focus and development of related services

- **Comprehensive and responsible client relationship management and omni-channel communication**
  - Enhanced communication with existing and potential clients via all communication channels to achieve high responsiveness, reliability and transparency; a new client communication platform launched.
  - Redesigned websites triglav.si and triglav.eu; upgraded i.triglav web platform.
- **Increased client satisfaction and loyalty**
  - The highest client satisfaction score achieved (NPS = 67).
  - Adaptation of products and services to client expectations and rewarding of their loyalty.
- **Growth in the number of active clients, better understanding of the Group's services and higher insurance coverage of individual clients**
  - Diverse and innovative marketing and sales approaches; targeted promotional activities to attract new clients.
  - Increased scope of measurements and analyses of user experience, activities to improve understanding of the Group's products and services.
- **Insurance products with a high degree of related services**
  - Upgrade of several assistance services; product development in mobility.
  - Strengthening of existing and establishment of new partnerships in related services.
- **Digitalisation and implementation of innovative forms of doing business**
  - Adaptation of key insurance processes to remote work and business, implementation of new digital solutions, such as remote video identification.
  - Expansion and simplification of taking out insurance and settling claims remotely.



## 3. Developing cooperative and agile organisation and culture

- **Transformed organisational culture**
  - Realisation of key values in relation to all stakeholders.
  - Enhanced agility of employees and their attitude to change.
  - Promotion of intergenerational cooperation, teamwork and a healthy lifestyle and work practices.
- **An appropriate number, structure and engagement of employees to revised and optimised processes**
  - Exceeded target level of employee engagement and satisfaction at the Group level.
  - Adaptation of the organisation and main processes to changed circumstances and market needs.
- **Adequate competences and digital skills of employees**
  - Training system: adapted to changed circumstances; empowered employees with improved digital competences for independent teleworking.
  - Management-by-objective system: strengthened by periodic development interviews.
- **Stability and appropriate structure of key promising employees and employee mobility**
  - Maintaining stable and adequate occupation of key posts.
  - Enhanced cooperation, knowledge transfer and mobility of employees within the Group.

## 4.3 Implementation of the Triglav Group's business plans in 2020

In challenging conditions aggravated by the COVID-19 pandemic and the unfavourable situation in the financial markets, the Triglav Group performed well and generated **profit before tax of EUR 90.9 million**. The profit earned is lower than originally planned for 2020, but **in line with the interim estimate of the reduced planned profit** (see [Section 8. Financial result of the Triglav Group and Zavarovalnica Triglav](#) for more information).

The Group **increased the volume of written premium by 4% and fulfilled its plans** despite the demanding market conditions marked by fierce competition. Premium growth was recorded in most insurance markets of the Group and in the health and non-life insurance segments. Premium growth in the Slovenian market was 3%, while in markets outside Slovenia it stood at 4%. See [Section 7.5 Gross written insurance, coinsurance and reinsurance premiums](#) for further information on insurance premium.

The **combined ratio of the Triglav Group was 91.2%**, which is in the lower end of its average target strategic value range (the performance indicator of the Company in the core non-life and health insurance business excluding return on investment). Compared to the preceding year, it is lower by 0.3 percentage point due to an improvement in both the claims ratio and the expense ratio. See [Section 8. Financial result of the Triglav Group and Zavarovalnica Triglav](#) for more information.

The credit rating agencies S&P Global Ratings and AM Best re-affirmed the Group's **"A" credit rating with a stable medium-term outlook**, thus confirming the Group's **strong financial stability, capital adequacy and profitability**. The achievement of the "A" credit rating is in line with the Group's strategy. It ensures an appropriate competitive position of the Group in insurance, reinsurance and financial markets, as it confirms its financial strength and sound performance. See [Section 6.6 Credit rating of the Triglav Group and Zavarovalnica Triglav](#) for more information.

## 4.4 Plans of the Triglav Group for 2021

The Triglav Group business plan for 2021 is the continuation of the consistent implementation of the Group's planned strategic guidelines and a new step towards the realisation of its vision.

The Triglav Group business plan is based on strategic starting points and goals, performance assessment in 2020, market potential, competitive conditions, and the forecasts of macroeconomic trends and trends in financial markets.

**Expected business conditions:** According to the selected baseline scenario, the Group estimates that in 2021 the macroeconomic environment will improve compared to the previous year and that the economy will gradually recover, with GDP growth not offsetting the 2020 declines. It is taken into account that the proportions of the epidemiological situation remain a factor of great uncertainty and pose a risk that the period of paralysed economic activity will continue and that the decline in GDP will be higher and more lasting than expected.

### Triglav Group Business Plan for 2021

**Profit before tax:** Profit before tax of EUR 85–95 million is planned. The planned profit is based on projected performance of the Group's both activities, taking into account the anticipated conditions in the financial markets that will affect the rates of return on investment.

**Premium:** In the insurance business, written premium volume is planned to increase to EUR 1.2–1.3 billion. Through continued underwriting discipline, the Group plans to maintain the profitability of its insurance business. By implementing a client-focused strategy, the Group will promptly adapt to the competitive situation in its markets. The main emphasis will remain on the achievement of high-quality services aimed at comprehensively addressing the challenges and needs of clients, the innovative development of technologically advanced sales processes, and the development of the sales network by using an omni-channel approach to clients.

**Claims:** In the claims segment, an increase in the volume of claims paid is expected, particularly due to the growth of the insurance portfolio and other factors. With regard to major CAT events, similar trends as in previous years are expected and, therefore, the prudently selected reinsurance protection will be maintained.

**Combined ratio:** The Triglav Group's combined ratio of below 95% is planned, which is in the lower (more favourable) end of its average target strategic value range of around 95%.

**Cost-effectiveness:** Cost streamlining measures predominantly focused on the types of costs not directly related to insurance acquisition will continue to be implemented. An increase is expected in costs related to insurance sale, expansion of digitalisation, development and maintenance of IT support, and depreciation costs due to past and planned investments in information technology. The planning of staffing levels and labour costs, which account for the bulk of the Group's total operating expenses, will comply with the strategic guidelines, changed business processes and the requirements of individual work areas.

**Profit from financial investments:** The situation, which is characterised by low or negative interest rates, is expected to continue, therefore the plan took into account that the rates of return on investment, excluding unit-linked assets, will continue to decline. The Group's investment policies remain unchanged. Their main focus in 2021 will continue to be ensuring security, liquidity and diversification of investments while achieving adequate profitability. The Group will maintain a conservative investment structure, placing emphasis on fixed-rate investments, and continue to ensure the high quality of the whole investment portfolio. 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. The Group will ensure that the underwritten risks will be in line with the defined risk appetite of the Triglav Group.

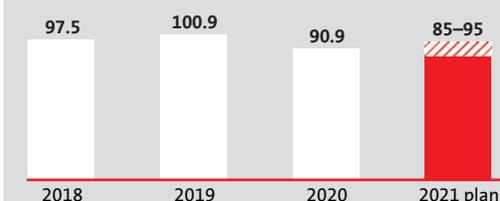
**Asset management:** The Group will pursue the strategic objectives of increasing the volume of assets under management by selling existing savings and insurance products and increasing the assets of investment funds managed by Triglav Skladi.

**Maintaining high credit ratings:** The Group will maintain its high financial stability and security in 2021 by ensuring the amount of capital that, in accordance with strategic guidelines, adequately exceeds the set level of underwritten risks. This and profit earned are the bases to retain high credit ratings assigned by the renowned credit rating agencies S&P Global Ratings and AM Best.

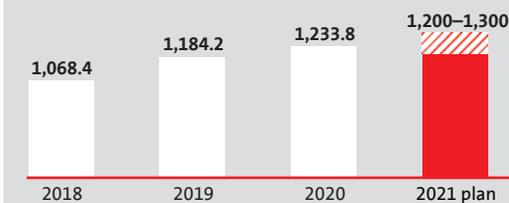
### Financial highlights of the Triglav Group business plan for 2021 (EUR million)

	2018	2019	2020	2021 plan
Profit/loss before tax	97.5	100.9	90.9	85–95
Gros written premium from insurance, coinsurance and reinsurance contracts	1,068.4	1,184.2	1,233.8	1,200–1,300
Combined ratio in non-life insurance	91.8%	91.5%	91.2%	below 95%

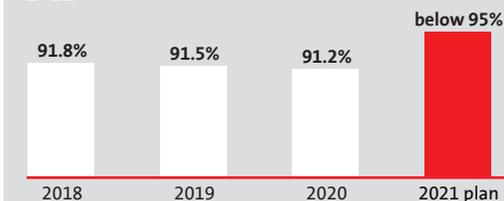
### Planned net profit before tax of the Triglav Group for 2021 (EUR million)



### Planned gross written premium for insurance, coinsurance and reinsurance contracts of the Triglav Group for 2021 (EUR million)



### Planned combined ratio of the Triglav Group for 2021



### Disclaimer

The planned figures for 2021 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 2021, the Company will each time comment on the Group's planned annual profit before tax.