

4.

# Strategy and plans of the Triglav Group

- The Triglav Group’s performance in 2021 was sound and the business result exceeded plans.
- The Triglav Group implemented its strategic guidelines and projects at a high pace, focusing on clients. Employee and client satisfaction reached the highest levels ever measured.
- In its revised strategy for 2025, the Triglav Group maintained its key guidelines and upgraded it in terms of development activities, highlighting the Group’s ambitions in sustainable development.
- In 2022, profit before tax of the Triglav Group is planned to reach EUR 120–130 million and gross written premium over EUR 1.4 billion.

## 4.1 Strategy of the Triglav Group in the period 2022–2025<sup>10</sup>

The Triglav Group has revised its strategy for 2025. The Group continues to pursue its existing key strategic guidelines, while upgrading them in terms of growth and development activities and an improved client-centric approach. By focusing on these goals, the Group continues to carry out its digital transformation process and develop service-oriented business models and ecosystems which address interrelated client needs. The Group’s planned operations remain profitable and safe. Through its sustainable operations, the Group continues to provide a development-oriented environment for its employees, maintain ties with its partners and be a stable, safe and profitable investment for investors.

<p><b>Triglav Group’s mission</b></p>	<p><b>We build safer future</b></p> <ul style="list-style-type: none"> <li>• We are client-centred.</li> <li>• We support development of our partners.</li> </ul> <ul style="list-style-type: none"> <li>• We provide development-oriented environment for our employees.</li> <li>• We are stable, safe and profitable investment for our investors.</li> </ul>		
<p>Triglav is leading Insurance and financial group in Adria region, synonymous with the best user experience. Through our operations we are creating above-average value for our key stakeholders and promote transition to sustainable company.</p>			
<p><b>Triglav Group’s vision</b></p>	<p><b>We set standards of outstanding client experience - anytime, anyplace.</b></p>		
<p><b>Triglav Group’s values</b></p>	<p><b>Responsiveness, simplicity and reliability are reflected in our day-to-day operations.</b></p>		
<p>Triglav Group will remain leader in all its core businesses in Adria region.</p>			
<p><b>Triglav Group’s core businesses</b></p>	<table border="0"> <tr> <td data-bbox="1218 1249 1713 1476"> <p><b>Insurance</b></p> <ul style="list-style-type: none"> <li>• Non-life</li> <li>• Health</li> <li>• Life</li> <li>• Pension</li> <li>• Reinsurance</li> </ul> </td> <td data-bbox="1713 1249 2215 1476"> <p><b>Asset management</b></p> <ul style="list-style-type: none"> <li>• Own insurance portfolio (asset backing liabilities and backing funds)</li> <li>• Mutual funds and individual asset management</li> <li>• Pension funds</li> </ul> </td> </tr> </table>	<p><b>Insurance</b></p> <ul style="list-style-type: none"> <li>• Non-life</li> <li>• Health</li> <li>• Life</li> <li>• Pension</li> <li>• Reinsurance</li> </ul>	<p><b>Asset management</b></p> <ul style="list-style-type: none"> <li>• Own insurance portfolio (asset backing liabilities and backing funds)</li> <li>• Mutual funds and individual asset management</li> <li>• Pension funds</li> </ul>
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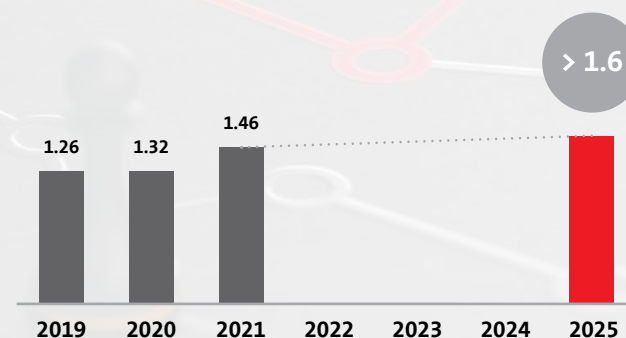


<sup>10</sup> GRI GS 103-1, 103-2, 103-3

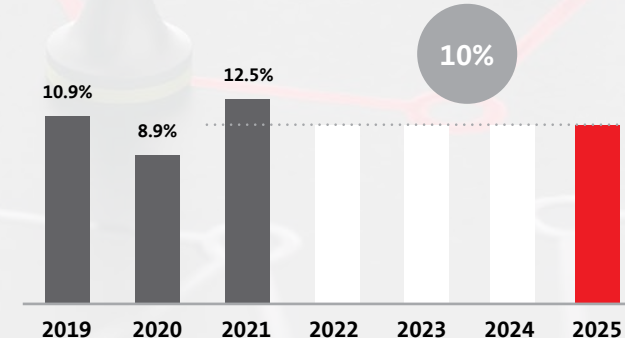


**Triglav Group's strategic performance indicators for 2022–2025**

*Triglav Group's total revenue (in EUR billion)*



*Triglav Group's return on equity (ROE)*





## The Triglav Group's strategic ambitions in sustainable development (ESG)

*By pursuing sustainability goals, the Triglav Group is creating a long-term stable basis for its profitable and safe operations, promoting the transition to a sustainable society and reducing its impact on climate change.*

The Group realises its mission of creating a safer future based on a sustainability orientation using environmental, social and governance factors. The Group aims to play a leading role in integrating the best global ESG practices into its operations in the Adria region and knows how to identify the opportunities and risks of sustainable development. Its sustainable (ESG) ambitions for 2025 are divided into four key areas<sup>11</sup>.

### 1. Insurance and asset management

In both strategic activities, insurance and asset management, the Group's activities will be focused on the transition to a climate-neutral and climate-resilient circular economy. In carrying out its insurance and investment activity, the Group will promote sustainable economic activity, energy efficiency and energy from renewable sources with an aim to reduce greenhouse gas emissions.

The ESG aspects will be integrated into the development of insurance and investment products and services. In **asset management**, the Group will not only double the share of its green and sustainable investments but also reduce its exposure to Coal Exit List issuers to less than one per cent of total investment value by 2025. In its **insurance activity**, the Group will develop new and increase the presence of existing parametric insurance products for droughts, floods and other climate risks. The Group will promote its range of insurance products related to sustainable mobility and provide effective risk protection for companies

involved in the production of energy from renewable sources (solar power plants, wind farms and others). The Group will design the policy on insurance for coal mines and thermal power plants by taking into account national strategies to phase out coal and transition to a climate-neutral economy.

### 2. Triglav Group's business processes

The Group is implementing an assessment of suppliers by ESG criteria and comprehensive carbon footprint measurement and management (Scopes 1, 2 and 3). A 15% reduction in location-based (Scopes 1 and 2) carbon footprint per employee is planned by 2025, thereby pursuing the 2050 carbon neutrality target in line with the European Green Deal.

Furthermore, by 2025 the Group will increase the share of electricity from renewable energy sources, reduce energy and paper consumption per employee and total waste generated per employee, and increase the share of electric and hybrid vehicles in its fleet to at least 30%.

### 3. Responsible stakeholder engagement

The Group acts with responsibility towards its employees, clients, partners and community at large. It aims to maintain high levels of client (NPS) and employee satisfaction. The concept of flexible working will be implemented by 2023 with the aim of improving employees' work-life balance, while expanding programmes promoting health and well-being. The focus will continue to be on multidimensional diversity, intergenerational cooperation, and employee development and training.

The Group will continue to participate in social responsibility and environmental projects, enter into partnerships and give donations. In parallel, the Group will promote environmental and social responsibility projects that

contribute to the achievement of the United Nations Sustainable Development Goals (SDGs).

### 4. Effective corporate governance

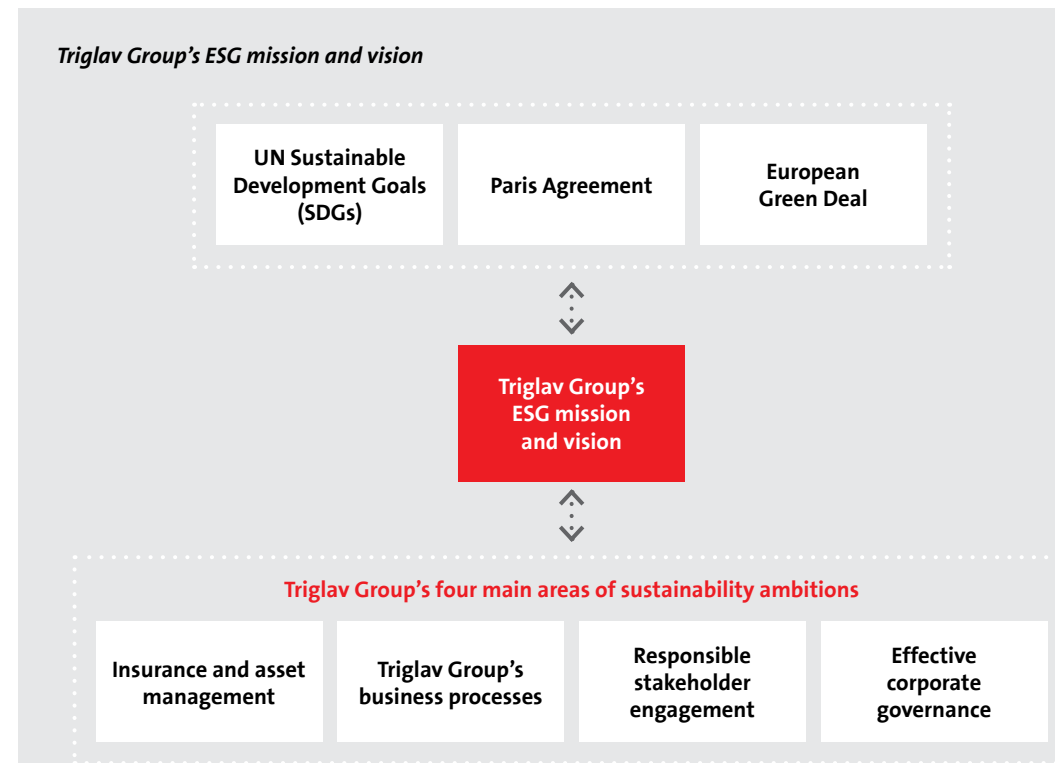
The Group attains high standards of corporate governance and adheres to its code of ethics in the performance of its business operations. By incorporating environmental, social and governance factors, the Group plans to upgrade succession, diversity and remuneration policies for the members of the management and strive to improve the diversity of the Group's management and supervisory bodies in terms of gender, education and experience.

The Group will also increase the scope of public disclosures on its sustainable operations by 2025. In addition to using Global Reporting Initiative (GRI) criteria, which it has done for

several years, the Group will include reporting according to Sustainability Accounting Standards Board (SASB), implement disclosures according to CDP questionnaire on climate change and TCFD metrics and targets (Task Force on Climate-related Financial Disclosures) and begin using the United Nations Principles for Sustainable Insurance (UN PSI).

At Group level, sustainability-related activities are coordinated and directed by the Sustainable Development Coordinator, monitored by the Compliance and Sustainable Development Committee and decided on by the parent company's Management Board.

See Section [12 Sustainable development](#) for more information about key ESG topics in the Triglav Group and related disclosures.



<sup>11</sup> The baseline year for comparison is 2019.



## 4.2 Implementation of the Triglav Group strategy in 2021<sup>12</sup>

The Triglav Group consistently pursued its strategic guidelines as a modern and dynamic insurance and financial group, which is the leader in both Slovenia and in Adria region. In a still uncertain and volatile business environment, the Group regularly assessed impacts on its operations according to various scenarios and effectively coped with any increased risks arising from the COVID-19 pandemic.

The year 2021 was again marked by intense development activities at Group level. In this respect, important innovations for further business digitalisation were introduced and the completion of several strategic projects was accelerated. An overview of what was achieved shows that, despite the extremely changed business environment, the foundations of the

Group's operations were further consolidated, their flexibility, adaptability and resilience increased and the set strategic goals were achieved. Among the achievements stands out **stable remote business**, which together with modern and innovative ways of working and business processes is an important milestone in the digital transformation of the Group's

operations. The Group is satisfied with the response and the results achieved and so are its clients, who rated the Group the highest to date. The new financial year has begun with a revised strategy to 2025, which has again set high strategic goals on a solid foundation.

“The business transformation and digitalisation of the Triglav Group’s operations are fully intertwined processes guided by our focus on the client. The speed at which client needs and expectations are changing, as well as the dynamics of technological development, is rapidly increasing. The urban environments in our markets also follow these trends. Everything we do must therefore be based on a deep understanding of our clients and their experience with us. We build their trust with a hybrid business model, which allows them to choose how they do business with us. Our job is to know our clients and offer them what they need – with modularly designed products, automated claim reporting processes and other advanced digital services available anywhere. We have built solid data warehouses, which we will use together with back office functions for the mutual benefit of both our clients and the Group. We have therefore adopted an approach to digitalisation, which enables a seamless, fluid transition between the physical and digital worlds.”



Gregor Kovačič

Executive Director at Zavarovalnica Triglav

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<sup>12</sup> GRI GS 103-1, 103-2, 103-3





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

- **Profitable operations**
  - Profit before tax: EUR 132.6 million.
  - Return on equity (ROE): 12.5%.
- **Growth in business volume**
  - Gross written premium: +10%.
  - Total market share of Slovenian insurance companies: +2.1 percentage points.
  - Seized opportunities of new business models and partnerships for doing business outside the region.
  - The Triglav Group remains the largest insurance company in South-East Europe (SEE) in terms of written premium.
- **Increased value of the Triglav Group**
  - Market capitalisation growth: +23%.
  - 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, increased investment 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 its monitoring.
  - Monitoring the movement of market capital by individual activities (insurance, investment management, capital management) in order to effectively achieve capital adequacy.
  - Investment processes: upgraded in terms of the Group's sustainable commitments and ambitions.
- **Comprehensive risk management**
  - Checking the adequacy of the risk management system at Group level.
- **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: 22.2%.
  - Business digitalisation and optimisation: numerous technological solutions were implemented.
- **Efficient use of data (internal and external) in making business decisions**
  - Better quality of data to understand business and make effective decisions.
- **Developed multi-matrix organisation, business productivity growth and utilisation of synergies within the Group**
  - Business productivity: increased by 9%; average gross written premium per Company employee is EUR 292 thousand.
  - Transfer of good practices among Group companies and exploitation of internal potential.



## 2. Client focus and development of related services

- **Comprehensive and responsible client relationship management and omni-channel communication with clients**
  - Enhanced communication with existing and potential clients via all communication channels to achieve high responsiveness, reliability and transparency.
  - Improving the user experience to speed up underwriting and claim settlement
  - Increased client registration in the i.triglav application and a higher number of clients who gave their consent to receive information electronically.
- **Increased client satisfaction and loyalty**
  - Higher client satisfaction rating (NPS) compared to the preceding year: an increase of 4 percentage points.
  - Adaptation of products and services to changed client needs 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.
  - 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**
  - Expanded scope of assistance services, optimisation of the assistance process.
  - Strengthening of existing and establishment of new business partnerships in related services.
- **Modern business models**
  - Upgraded remote underwriting and remote claim settlement.
  - A central entry point for client communication: better tracking of client communication and claim processing in one place.
  - Implementation of key insurance processes remotely.
  - Motivating the sales network for remote resale of insurance products and electronic delivery of insurance documentation.

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### 3. Developing a cooperative and agile organisation and culture

- **Transformation of organisational culture**
  - Realisation of the Group's key values in relation to all its stakeholders.
  - Promotion of teamwork, intergenerational cooperation, a healthy lifestyle and work practices, and a focus on relationships (this year's key competence).
  - Enhanced agility of employees and their orientation towards change.
  - Promotion of the development of leaders as important drivers of organisational culture changes through the implementation of the Leadership License.
  - Enhanced cooperation and improvement of constructive behavioural styles by 17% (Zavarovalnica Triglav) and 13% (Triglav Group), as shown by the repeated measurement of organisational culture.
  - Recognition for the best HR&M project of the year.
- **Appropriate number, structure and engagement of employees for revised and optimised processes**
  - Exceeded planned shares of employee engagement and satisfaction.
  - Adaptation of the organisation and main processes to changed circumstances and market needs.
  - Established framework for the implementation of innovations (collection of employee ideas and their classification according to implementation processes: simple improvement, innovation, project).
- **Adequate competences and digital skills of employees**
  - Empowered employees with digital competences for working remotely.
  - The management-by-objectives system and annual and quarterly interviews: a simplified process in line with the value of simplicity.
- **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 2021

The Triglav Group performed well and in the third quarter even raised the estimate of the originally planned annual profit. **Profit before tax amounted to EUR 132.6 million**, up by 46% relative to the year before (see Section 8 Financial result of the Triglav Group and Zavarovalnica Triglav for more details).

Despite the challenging market situation, which was marked by fierce competition, the Group **increased the written premium volume by 10%, exceeding the planned figures**. Premium growth was recorded in all insurance markets and in all insurance segments. In the Slovenian market it was 4%, in the regional markets outside Slovenia it stood at 15% and in the international market it reached 40%. See Section [7.5 Gross written insurance, coinsurance and reinsurance premiums](#) for further information on insurance premium.

The Group's **combined ratio** reached a favourable 88.9%, which is in the lower end of its average target strategic value range (the company's performance indicator in the core non-life and health insurance business excluding return on investment). Compared to the preceding year, it was lower by 2.3 percentage points 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 details.

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**, thereby confirming the Group's **strong financial stability, capital adequacy and profitability**.

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 2022

The basis for developing the Triglav Group business plan for 2022 were strategic starting points and goals, the performance assessment and implementation of the business plan in 2021, market potential, competitive conditions, and forecasts of trends in the macroeconomic environment and the financial markets.

**Expected business conditions:** It is estimated that the macroeconomic environment will improve in 2022 compared to the previous year. The economic recovery is expected to continue and unemployment to fall. The biggest risks remain the uncertain epidemic situation and higher inflation that could result from a faster recovery in demand and a prolonged persistence of current global supply constraints. The consequences of current events in Ukraine also pose an additional risk.

#### Triglav Group Business Plan for 2022

**Profit before tax:** Profit before tax of EUR 120–130 million is planned. The planned profit is based on the projected performance of both of the Group's activities, taking into account the anticipated conditions in the financial markets that will affect the rates of return on investment.

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**Premium:** In the insurance business, written premium is planned to exceed EUR 1.4 billion. Premium growth is expected both in the existing markets in the Adria region and in those EU markets where the Group operates under the principle of free movement of services. Through continued underwriting discipline, the Group plans to maintain the profitability of its insurance business. Client focus remains the Group's most important guideline, therefore it will continue to develop innovative products, services and bonus programmes and ensure their effective sales. The innovative development of sales processes based on modern and digital technologies will be at the forefront.

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

**Combined ratio:** The Triglav Group's combined ratio is planned at below 93%.

**Cost-effectiveness:** Cost streamlining measures predominantly focused on the types of costs not directly related to insurance acquisition will continue to be implemented. Higher costs are expected in insurance acquisition, expanding digitalisation and investing 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, changes in business processes and the requirements of individual work areas.

**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 Group's investment policy thus remain unchanged and include ensuring security, liquidity and diversification of investments while achieving adequate profitability. The Group will maintain

a conservative investment structure with an emphasis on fixed-income investments, while slightly increasing the share of alternative investments, which will result in higher expected returns at lower liquidity.

**Asset management:** The Group will pursue the strategic guideline of increasing the volume of clients' assets under management from non-compulsory saving and the effective management of assets at Group level. The key guidelines will be active asset management with high investment beliefs, which in the long run provide adequate profitability and portfolio risk management.

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

## Disclaimer

The planned figures for 2022 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 2022, the Company will each time comment on the Group's planned annual profit before tax.

### Financial highlights of the Triglav Group business plan for 2022

	in EUR million			
	2019	2020	2021	2022 plan
Profit/loss before tax	100.9	90.9	132.6	120-130
Gros written premium from insurance, co-insurance and reinsurance contracts	1,184.2	1,233.8	1,353.0	over 1,400
Combined ratio in non-life insurance	91.5%	91.2%	88.9%	below 93%

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