



## **OPINION OF THE SUPERVISORY BOARD TO THE ANNUAL REPORT OF THE INTERNAL AUDIT DEPARTMENT ON INTERNAL AUDITING IN 2017**

In 2017, the Internal Audit Department of Sava Re, d.d ("IAD") carried out audits in the areas set out in its annual work plan for 2017.

The audit goals pursued by the IAD were geared towards verifying whether risk management procedures were adequate and efficient and whether internal controls and governance processes in the reinsurer's most important operating segments were effective and efficient. The IAD assessed the adequacy of internal controls for the prevention of fraud and potential threats to information technology supporting operations.

A total of 17 internal audit reviews were carried out at Sava Re and in its subsidiaries in 2017, with certain processes having been audited in several companies. Based on these engagements, the IAD issued 97 recommendations. The supervisory board is of the opinion that the IAD operated in line with the guidelines set by the supervisory and management boards, thereby contributing significantly to risk management and the functioning of Sava Re and the Group.

Based on all tests and methods used in individual areas of auditing, the IAD is of the opinion that the internal controls at Sava Re are largely adequate and that the degree of their reliability is good, which is an improvement from the prior period. Furthermore, it believes that the governance of Sava Re was appropriate and undergoing ongoing improvement in order to achieve major business goals, and risks are effectively managed while striving for efficient and economical operations. The IAD is of the opinion that there remain opportunities to improve the functioning of the internal control system. The audit engagements revealed individual irregularities and weaknesses to which the IAD drew attention, recommending their remedy aimed at improving control procedures, corporate governance and risk management. The Company's management board is aware of the potential impacts that the identified breaches, irregularities and weaknesses may have on the achievement of its key goals and is therefore taking remedial action. This is to improve the efficiency of internal controls and regularity of operations.

Supervisory board members monitored the effectiveness and efficiency of the IAD through quarterly reports and the annual report of the IAD. They were submitted a summary of the self-assessment carried out by the IAD. The results of this assessment showed that the operation of the IAD complies in all material respects with the law and the International Standards for the Professional Practice of Internal Auditing.

Based on the above, the supervisory board hereby gives its positive opinion to the Annual report of the IAD on internal auditing in 2017.

Ljubljana, 8 March 2018

Mateja Herič Lovšin  
Chair of the Supervisory board of Sava Re, d.d.

A handwritten signature in blue ink, appearing to read 'Lovšin', positioned below the printed name and title.