



**Presentation of the remuneration policy  
for members of the supervisory and  
management bodies  
of the Sava Insurance Group**

(Presentation for the general meeting of shareholders  
of Sava Re d.d.)

Ljubljana, 16 April 2020

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# Introduction

## **1. Introduction**

Under the Companies Act, the management and supervisory boards are to present to the general meeting of shareholders a general presentation of the remuneration policy for members of the management and supervisory bodies of the Sava Insurance Group companies, the remuneration policy for members of the management and supervisory boards of Sava Re and the remuneration policy for members of the management and supervisory boards of the largest subsidiary of Sava Re, Zavarovalnica Sava.

**Remuneration policy for members  
of management and supervisory  
bodies in Sava Insurance Group  
companies**

## **2. General presentation of the remuneration policy for members of management and supervisory bodies in Sava Insurance Group companies<sup>1</sup>**

The remuneration of members of management and supervisory bodies in Sava Insurance Group subsidiary companies must not be directly linked to the parent company's performance as demonstrated by the financial statements of the parent company or the subsidiary.

Members of the supervisory body in each Sava Insurance Group company are entitled to remuneration for performing their function up to the amount set by the general meeting. Employees of Sava Insurance Group members who serve on supervisory bodies of any Group company representing shareholder interests waive their right to remuneration for performing their function in supervisory bodies.

Members of supervisory bodies of Group companies cannot participate in profits.

Remuneration policies and remuneration criteria for management bodies in individual subsidiaries are set out in the framework remuneration policy of the Sava Insurance Group.

The remuneration system for members of management bodies in individual subsidiary companies must allow the attraction of relevant candidates for these positions according to the requirements of individual companies, striving for balance between the interests of the management and the long-term interests of the individual company.

The remuneration of members of management bodies of subsidiaries are proportionate to their roles, the individual company's business volume, financial condition and performance as well as comparative figures for the market. The remuneration of members of management bodies are at a level that promotes the long-term sustainability of company's operations and ensures that remuneration is consistent with performance achieved.

The remuneration of members of management bodies of subsidiaries consists of a fixed component and a variable component. The variable component may not be determined so as to allow rewarding behaviour that encourages the exposure of the company to uncontrolled risk.

The remuneration of members of management bodies in most subsidiaries is determined in the employment contract of a member of a management body.

Directors' and officers' insurance is purchased for all members of supervisory and management bodies of Sava Insurance Group companies to provide coverage against risks arising from their roles.

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<sup>1</sup> The materiality criterion has been applied in determining the scope of remuneration policies of Sava Insurance Group subsidiaries included in this presentation: the subsidiary's revenues account for 15% or more of total revenues of the Sava Insurance Group. Therefore, this document only presents in detail the remuneration policy of the largest subsidiary of the Sava Insurance Group, Zavarovalnica Sava.

**Remuneration policy for members  
of supervisory and management  
boards of Sava Re**

### **3. Remuneration policy for Sava Re supervisory board members**

#### **3.1 Introduction**

The term “supervisory board member” used in this document is a uniform term for both the “chair of the supervisory board” and any “member of the supervisory board”, except where specific reference is made to the chair of the supervisory board.

Where masculine pronouns are used for a supervisory board member, they are deemed to be understood to relate to both men and women.

#### **3.2 Remuneration of Sava Re supervisory board members**

The remuneration of members of the Sava Re supervisory board must not be directly linked to the Company’s performance as demonstrated by the Company’s financial statements. Based on their role, supervisory board members are entitled to (1) remuneration for performing their function, (2) attendance fees and (3) reimbursement of agreed expenses.

Supervisory board members do not receive any payments other than those set out above.

Supervisory board members cannot participate in the company’s profits.

The amount of remuneration of supervisory board members was set by a resolution at the 31st general meeting of Sava Re shareholders, held on 30 August 2016.

#### **Data on remuneration of the Sava Re supervisory board members**

Remuneration of supervisory board members in 2019 is discussed in detail in section 17.10 “Related party disclosures” in the notes to the financial statements of the audited 2019 annual report.

### **4. Remuneration policy for Sava Re management board members**

#### **4.1 Introduction**

The term “management board member” used in this document is a uniform term for both the “chair of the management board” and any “member of the management board”, except where specific reference is made to the chair of the management board.

Where masculine pronouns are used for a management board member, they are deemed to be understood to relate to both men and women.

Sava Re does not have a special policy on the remuneration of management board members as a separate single document, but the area of their remuneration is regulated by (1) special Solvency II policies, the Group’s remuneration policy and Sava Re’s remuneration policy, (2) the employment contracts of the individual management board members and (3) the methodology for determining the variable pay of management board members of Sava Re, which is an integral part of the employment contract of a management board member.



Remuneration, reimbursements and other benefits of management board members are set out in the employment contract made between the Company and each management board member.

The remuneration of management board members of Sava Re, the parent company in the Sava Insurance Group, are proportionate to their roles, the scope of operations of the Company and the entire Group, and the financial condition and business results of both the Company and the Group. The remuneration of management board members is at a level that promotes the long-term sustainability of operations of the Company and the Group and ensures that remuneration is consistent with performance achieved.

The remuneration of management board members consists of a fixed component and a variable component. The variable component may not be determined so as to allow rewarding behaviour that encourages the exposure of the Company to uncontrolled risk.

### Data on the remuneration of the Sava Re management board members

The remuneration of management board members in 2019 is discussed in detail in section 17.10 “Related party disclosures” in the notes to the financial statements of the audited 2019 annual report.

## 4.2 Base salary (fixed component)

The base salary of the chair of the management board is set in the employment contract. The based annual salary of the chair of the management board is disclosed in detail in section 17.10 “Related party disclosures” in the notes to the financial statements of the audited 2019 annual report.

The base salary of each management board member is set at 90% (or such other agreed percentage) of the salary of the chair of the management board.

Management board members are not entitled to a seniority bonus as this is already included in the base salary.

## 4.3 Variable pay

Variable pay is governed by the methodology for determining the variable pay of a management board member of Sava Re adopted by the supervisory board, which also determines the bonus of a management board member.

The methodology is valid provided that the consolidated solvency ratio in the period 2020–2022 does not fall below a pre-set level (excluding the effects of potential extraordinary dividends at the request of the owner and the effects of major acquisitions of new companies made with the agreement of the supervisory board).

After the supervisory board approves the strategic and annual plans for the following year, the supervisory board lays down the quantitative and qualitative criteria for assessing the performance of individual management board members for that year.

The variable pay of a management board member may be determined at a maximum of six times the average gross monthly base salary of the management board member in the financial year.

The variable pay of a management board member consists of:

- S business-performance-based pay:** a maximum of four times the average gross monthly base salary of the management board member in the financial year,

- S part of the salary for performance based on annual personal objectives of the management board member** a maximum of one average gross monthly base salary of the management board member in the financial year,
- S part of the salary for the overall performance of the management board based on annual objectives of the management board** a maximum of one average gross monthly base salary of the management board member in the financial year.

### Business-performance-based pay of management board member

Business-performance-based pay of a management board member is tied to three selected financial performance indicators at the Sava Insurance Group level (return on equity, return on revenues and the expenses ratio).

### Individual-performance-based pay of a management board member relating to each member's personal goals

The individual-performance-based pay of a management board member depends on the assessment of the Company's supervisory board, and whether the management board member has achieved the personal goals for the areas the member is responsible for and has contributed constructively to the goals of the Company recorded in the Company's plans approved by the supervisory board. The goals set in the annual performance appraisal interview are annually appended to the employment contract and relate to the successful implementation of business goals and development and strategic projects of the area covered by each management board member (e.g. successful implementation of strategic goals, successful implementation of corporate finance projects, market share in individual markets, achieved quality criteria for the development of social responsibility and sustainable development of the Company and the Group, etc.).

### Board-performance-based pay based on common goals of the management board

Board-performance-based pay received by a management board member depends on the assessment of the Company's supervisory board of whether the management board as a whole has achieved the goals of common development projects, risk management objectives and other common goals as set out in the Company's strategic plan and which are part of the Company's plans approved by the supervisory board.

### Supervisory board discretion

The supervisory board may determine the variable pay for a management board member, by resolution, under conditions that include the following:

- S** if, in any assessed financial year, circumstances arise that are not measurable under the methodology used by the supervisory board to determine the amount of annual variable pay for any management board member, but such circumstances have a positive impact on the development of the Sava Insurance Group, or
- S** if, in any assessed year, a management board member has conducted business in line with the approved business plan and has been successful in individual tasks or projects critical to the Company's development, but due to circumstances beyond his power it has been impossible to achieve or exceed the targets set as criteria by the methodology for determining variable pay for any one financial year.

### Method of payment of variable pay

Eligibility for variable pay is determined once a year after the end of the financial year, when the results of the Sava Insurance Group have been confirmed and audited. Variable pay is determined under the conditions and in the amount set out in this methodology. The payment of variable pay for management board members is decided by supervisory board resolution.

If the amount of variable pay exceeds 30% of the management board member's annual salary, the payment of the variable pay above the 30% of the management board member's annual salary in the financial year to which the variable pay refers is postponed for a period of three years. If a management board member's term of office expires before the end of the postponement period, the management board member is entitled to be paid this amount upon expiration of his term of office.

The deferred part of variable pay is paid out provided that the management board member receives the bonus and/or variable pay (regardless of the type and amount of variable pay) and provided that there were no adverse consequences for the Company related to business in the year for which the management board member was awarded variable pay. The supervisory board adopts a special resolution on the deferment and payment of the retained variable pay.

Management board members are entitled to a single annual performance-based pay proportional to the period they perform their role in any calendar year

### Clawback of variable pay

Under the Slovenian Companies Act, the supervisory board may reclaim business-performance-based pay already paid from management board members relating to the performance of the Sava Insurance Group.

## 4.4 Other remuneration of management board members

In addition, management board members are entitled to the following remuneration and benefits: termination benefit, allowance for annual leave, insurance premiums for accident insurance, supplementary pension insurance and health insurance with medical assistance abroad.

### Termination benefit

- (1) In the case of **retirement**, the management board member is entitled to a termination benefit in the amount of three times the average base monthly gross salary received by the member during the most recent three months prior to termination.
- (2) In the event of **removal due to other economic or business reasons or termination of term of office without re-election or consensual termination of the function of a management board member**, a management board member is entitled to termination benefit in the amount of a minimum of three times and a maximum of six times the average base monthly gross salary received during the current term of office. A management board member is entitled to a termination benefit only if his employment relationship with all companies of the Sava Insurance Group is terminated.

### Allowance for annual leave

Management board members are entitled to one allowance for annual leave a year, in accordance

with the provisions of the law and the collective agreement binding on the Company.

#### **Personal accident insurance**

Management board members are entitled to the payment of monthly premiums to cover accident, disability and accidental death under personal accident insurance policies applying to other company employees.

#### **Voluntary supplementary pension insurance**

Management board members are entitled to the payment of a monthly premium for voluntary supplementary pension insurance.

#### **Travel insurance with medical assistance abroad**

Management board members are entitled to travel insurance with medical assistance abroad.

#### **Any other entitlements**

Management board members are entitled to use of a company car, including use for private purposes. They are entitled to the use of a mobile phone with unlimited calls.

### **4.5 Payments to management board members serving on supervisory boards of subsidiaries boards or performing other tasks in such companies**

Management board members are not remunerated for serving on supervisory boards of subsidiaries or performing other tasks in such companies. When attending meetings, they are entitled to reimbursement of travel expenses from subsidiaries.

**Remuneration policy for members  
of supervisory and management  
boards of Zavarovalnica Sava**

## **5. Remuneration policy for members of the supervisory board of Zavarovalnica Sava**

The remuneration for performing the function of a supervisory board member of Zavarovalnica Sava must not be directly linked to the company's performance as demonstrated by the company's financial statements. Based on their role, supervisory board members are entitled to (1) remuneration for performing their function, (2) attendance fees and (3) reimbursement of expenses. Supervisory board members who are shareholder representatives and in the employment of the Sava Insurance Group waive any remuneration for their roles on the supervisory board.

Supervisory board members do not receive any payments other than those set out above.

Supervisory board members cannot participate in the company's profits.

The amount of the remuneration of supervisory board members was set by resolution at the 46th general meeting of Zavarovalnica Sava shareholders, held on 9 February 2015.

### **Data on remuneration of Zavarovalnica Sava supervisory board members**

The remuneration of supervisory board members of Zavarovalnica Sava in 2019 is disclosed in detail in the 2019 annual report of Zavarovalnica Sava posted on the company's website.

## **6. Remuneration policy for members of the management board of Zavarovalnica Sava**

### **6.1 Introduction**

Zavarovalnica Sava does not have a special policy on the remuneration of management board members as a separate single document, but the area of their remuneration is regulated by (1) a special Solvency II policy, the company's remuneration policy, (2) the employment contracts of individual members of the management board and (3) the methodology for determining the variable pay of management board members of Zavarovalnica Sava, which is an integral part of the employment contract of a management board member.

Remuneration, reimbursements and other benefits of management board members are set out in the employment contract made between the Company and each management board member.

### **Data on remuneration of Zavarovalnica Sava management board members**

The remuneration of management board members of Zavarovalnica Sava in 2019 is disclosed in detail in the 2019 annual report of Zavarovalnica Sava, posted on the company's website.

### **6.2 Base salary (fixed component)**

The base salary of the chair of the management board of Zavarovalnica Sava is set at 90% (or such other agreed percentage) of the salary of the chair of the management board of the parent company.

The base salary of each management board member of the subsidiary is set at 90% (or such other agreed percentage) of the salary of the chair of the management board of that subsidiary.

Management board members are not entitled to a seniority bonus as this is already included in the base salary.

### 6.3 Variable pay

Variable pay is governed by the methodology for determining the variable pay of a management board member of Zavarovalnica Sava adopted by the supervisory board, which also determines the bonus of management board members.

The methodology is valid provided that the consolidated solvency ratio in the period 2017–2020 does not fall below a pre-set level (excluding the effects of potential extraordinary dividends at the request of the owner).

After the supervisory board approves the strategic and annual plans for the following year, it lays down the quantitative and qualitative criteria for assessing the performance of individual members of the management board for that year.

The variable pay of a management board member may be determined at a maximum of four times the average gross monthly base salary of a management board member in the financial year.

The variable pay of a management board member consists of:

- S business-performance-based pay:** a maximum of 2.4 times the average gross monthly base salary of the management board member in the financial year, tied to two selected financial performance indicators of the company, return on revenues and premium income.
- S part of the salary for performance based on annual personal objectives of the management board member** a maximum of 0.6 times the average gross monthly base salary of the management board member in the financial year,
- S board-performance-based pay based on common goals of the management board:** a maximum of one average gross monthly base salary of the management board member in the financial year.
- S additional one-off bonus after the end of the 2020 financial year:** management board members of Zavarovalnica Sava who, in the period 2017–2020, played key roles in the achievement of synergistic effects following the merger of four insurers in 2016 are additionally entitled, after the end of the 2020 financial year, to two (2) more monthly salaries, if the cumulative synergistic effects on the income statement in the period 2017–2020 exceed EUR 20 million.

#### Supervisory board discretion

In addition to the basic method for determining the performance, the supervisory board may, under special circumstances, grant a management board member a bonus, by resolution, under the following circumstances:

- S** if in any business year special circumstances arise that are not directly measurable under the basic method used by the supervisory board to determine the amount of annual performance bonus for any management board member, but such circumstances have a positive impact on the development of the company or
- S** if, in any assessed year, a management board member conducts business in line with the approved business plan and is successful in individual tasks or projects that are critical to the Company's development, but due to circumstances beyond his power it is impossible to achieve or exceed the targets set as assessment criteria determined in the basic calculation method for any one financial year.

### Method of payment of variable pay

Eligibility for variable pay is determined once a year after the end of the financial year, when the results of the Sava Insurance Group have been confirmed and audited. Variable pay is determined under the conditions and in the amount set out in this methodology. The payment of variable pay for management board members is decided by supervisory board resolution.

If the amount of variable pay exceeds 30% of the management board member's annual salary, the payment of the variable pay above the 30% of the management board member's annual salary in the financial year to which the variable pay refers is postponed for a period of three years. If a management board member's term of office expires before the end of the postponement period, the management board member is entitled to be paid this amount upon expiration of his term of office.

Management board members are entitled to a single annual performance-based pay proportional to the period they perform their role in any calendar year

### Clawback of variable pay

Under the Slovenian Companies Act, the supervisory board may reclaim business-performance-based pay already paid from management board members relating to the performance of the Sava Insurance Group.

## 6.4 Other remuneration of management board members

In addition, management board members are entitled to the following remuneration and benefits: termination benefit, allowance for annual leave, insurance premiums for accident insurance, voluntary supplementary pension insurance and/or life insurance and travel insurance with medical assistance abroad.

### Termination benefit

- (1) In the case of **retirement**, a management board member is entitled to a termination benefit in the amount of three times the average base monthly gross salary received by the member during the most recent three months prior to termination.
- (2) In the event of **removal due to other economic or business reasons** or **termination of term of office without re-election** or **consensual termination of the function of a management board member**, a management board member is entitled to termination benefit in the amount of a minimum of three times and a maximum of six times the average base monthly gross salary received during the current term of office. A management board member is entitled to a termination benefit only if his employment relationship with all companies of the Sava Insurance Group is terminated.

### Allowance for annual leave

Management board members are entitled to one allowance for annual leave a year, in accordance with the provisions of the law and the collective agreement binding on the company.



### **Personal accident insurance**

Management board members are entitled to the payment of monthly premiums to cover accident, disability and accidental death under personal accident insurance policies applying to other company employees.

### **Voluntary supplementary pension insurance**

Management board members are entitled to the payment of a monthly premium for voluntary supplementary pension insurance and/or life insurance.

### **Travel insurance with medical assistance abroad**

Management board members are entitled to travel insurance with medical assistance abroad.

### **Any other entitlements**

Management board members are entitled to use of a company car, including use for private purposes. They are entitled to the use of a mobile phone with unlimited calls.