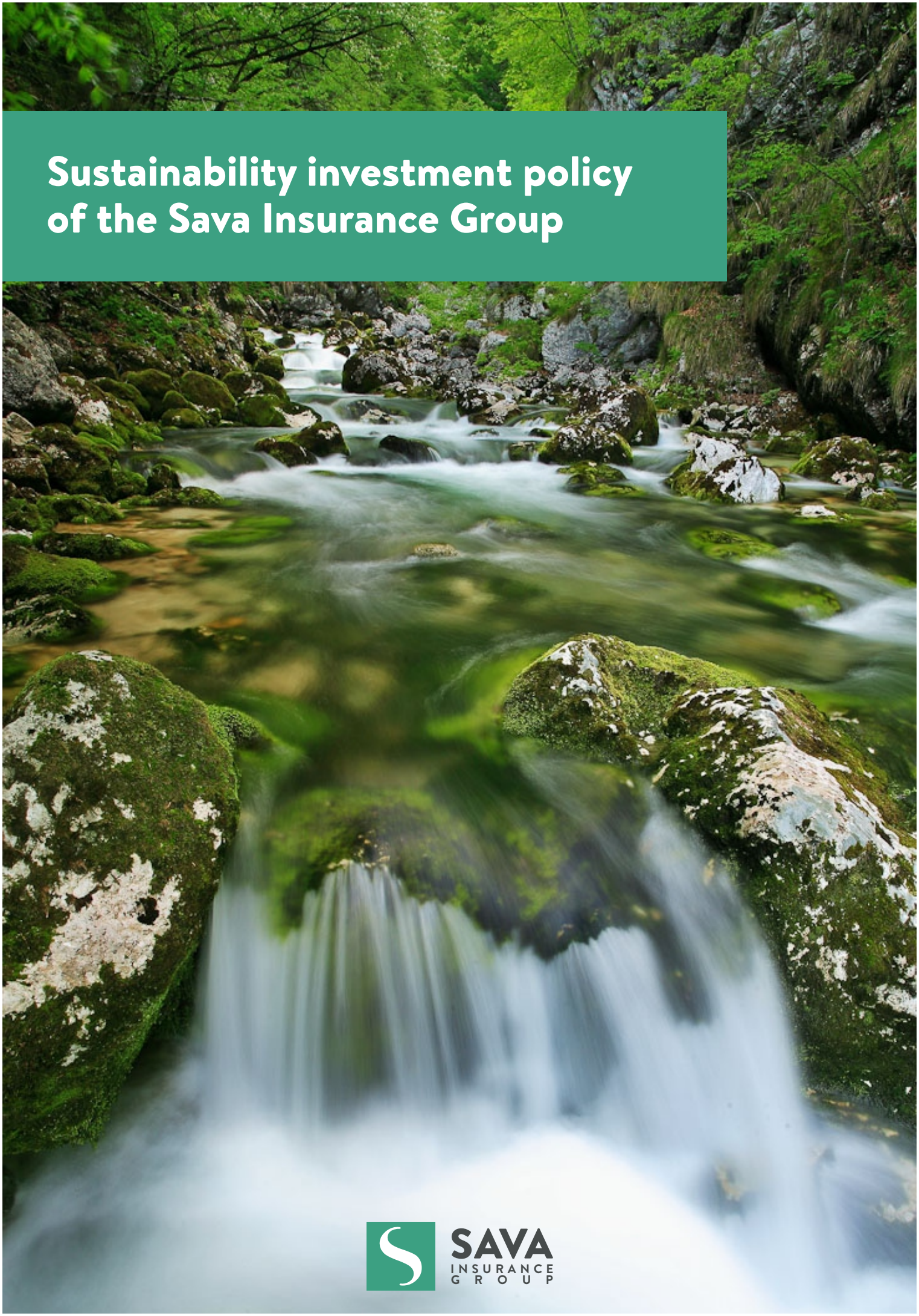
Sustainability investment policy of the Sava Insurance Group



SAVA INSURANCE GROUP

Contents

1 Introduction
page 3

2 Purpose
page 3

3 Scope of the Policy
page 4

4 Standards & principles
page 5

5 ESG in investment decision-making
pages 6-7

6 Active ownership
page 7

7 Managing sustainability risks
page 7

8 Reporting
page 8

9 Transitional and final provisions
page 9

10 Appendices
page 10

1 Introduction

On the basis of Article 2 of its rules of procedure, the management board of Sava Re, d.d., Ljubljana adopted the following document in its 39th regular session on 2 August 2022: Sustainability investment policy of the Sava Insurance Group.

This document refers to the parent company Sava Re d.d. (hereinafter: “Sava Re” or the “parent company”) and functions as a reference document for subsidiaries that together with the parent company constitute the Sava Insurance Group (hereinafter: the “Group”).

1.1 Definition of terms

The terms used in this Policy have the meanings as defined in the appended glossary (Appendix 1).

2 Purpose

The purpose of the Sustainability Investment Policy of the Sava Insurance Group (hereinafter: the Policy) is to (i) regulate the Group's approach to environmental, social and governance (ESG) aspects of the Group's investing, and (ii) to integrate sustainability risks in the investment process.

The Policy also has the purpose of ensuring that the Group adheres to applicable laws and regulations regarding investments, such as the Sustainable Finance Disclosure Regulation (hereinafter: the SFCR) and other EU and national rules (e.g. Delegated Regulation (EU) 2021/1256).

The Policy states the Group's commitments to a responsible and sustainable investment practice to the benefit of its customers and society at large.

3 Scope of the Policy

This Policy does not apply to investments in index-based derivatives and existing illiquid investments.

This Policy outlines how ESG is integrated into investment decision-making, including principal adverse sustainability impacts.

Scope in terms of legal entities

This Policy applies to:
- the Group's insurance and pension companies with specific consideration to investment portfolios as defined below in the scope by investment portfolio;
- the Group's asset management companies, with special emphasis on investment portfolios as defined below in the scope by investment portfolio.

Scope in terms of investment portfolio

This Policy applies to investments of the Group (consolidated list of investments), specifically to the following investment portfolios covering insurance provisions or equity capital of the Group's insurance and pension companies:
- portfolios where investment risk is borne by shareholders (non-life insurance, life funds with interest guarantees, annuities, own funds);
- portfolios where investment risk is shared between shareholders and policyholders (life funds with profit sharing).

This Policy also applies to portfolios of undertakings for collective investment in transferable securities (hereinafter: UCITS) managed by the Group's asset management companies and referred to in Articles 8 and 9 of the SFDR.

4 Standards & principles

The Group supports the collective efforts of the global investment community to form common standards for integrating ESG considerations into investment decision-making.

The Group has adopted the UN-supported Principles for Responsible Investment. In addition, the Group has become a signatory to the United Nations Global Compact, which promotes responsible business practices in the areas of human rights, labour, environment and corruption. The Group is taking definitive steps towards integrating such principles in its investment process.

The Group recognises the risks that the degradation of natural resources poses to human health and well-being, the environment and financial returns.

The Group has a particular focus on the risks associated with greenhouse gas emissions and global warming, and it will work to monitor and limit the greenhouse gas intensity of its investment portfolio.

5 ESG in investment decision-making

The integration of ESG considerations into investment decision-making in the Group is based on the following three elements:

- monitoring and evaluation of principal adverse impacts,
- monitoring and evaluation of greenhouse gas intensities,
- exclusions.

5.1 Monitoring and evaluation of principal adverse impacts

The Group considers principal adverse impacts (PAIs) in investment decision-making in line with Article 4 of the EU SFDR applicable as from 10 March 2021. Principal adverse impacts are defined in the SFDR as the principal adverse impacts of investment decisions on sustainability factors.

Sava Re, as the parent company of the Group, has entered an agreement with a data provider to provide PAI data on assets managed by the Group's entities. The Group will be publishing this data from 2023 with the reference period 2022, in accordance with the requirements of the SFDR.

Currently, the primary way in which the Group considers PAIs in investment decision-making is through the exclusions set out in this Policy. In addition, it is the responsibility of investment managers to evaluate which PAIs are most material to consider for specific investments.

The Group is continuously developing its efforts in this regard and is systematically working to further integrate consideration of sustainability risks, being the risks from E, S or G factors or events on the financial value of investments.

5.2 Monitoring and evaluation of greenhouse gas intensities

Climate change is one of the greatest challenges our world is facing, and reducing levels of global greenhouse emissions is one of the most central factors in mitigating climate change.

The Group therefore has a particular focus on the impact of investment decisions on greenhouse gas emissions. With the implementation of this Policy, the Group is therefore phasing in new exclusions of thermal coal production and shale oil.

Sava Re, as the parent company, has entered an agreement with a data provider to provide PAI data on assets managed by Group entities. This enables Group companies to measure and report on the greenhouse gas footprint of the Group's investment portfolio.

The Group will design a strategy for the 2022–2027 strategy period to reduce its greenhouse gas footprint. This strategy will include targets, commitments and an action plan.

6 Active ownership

The Group acts as an active owner on its direct investments in Slovenia, where the Group has assessed it has a meaningful impact. The Group's active ownership activities include monitoring investments, reviewing all agenda items of shareholder meetings, attending shareholder meetings and voting.

On the Group's non-Slovenian holdings, where its impact is small, the Group has so far decided to actively monitor its investments but not to attend shareholder meetings.

7 Managing sustainability risks

In accordance with Delegated Regulation (EU) 2021/1256, the Group also actively integrates sustainability risks into its investment processes. This is done by adapting investment processes to effectively identify, assess and manage sustainability risks. The Group takes into account the impact of long-term investment policies and strategies on sustainability factors.

In addition, the Group takes into account sustainability risk when investing in financial instruments in accordance with the prudent investor principle. The Group regularly monitors its investment portfolios and sets up an exclusion list of investments in debt securities, collective investment undertakings and equity securities (shares, exchange-traded funds (ETFs), etc.).

The analysis of sustainability risks applies the look-through approach as far as possible for mutual fund and exchange-traded fund (ETF) investments to gain insight into the individual investments of the fund in terms of compliance with the Sustainability Investment Policy. Where a look-through approach is followed, deviations from the provisions of this Policy are allowed up to a maximum of 30% of the portfolio assets. The Infond Raw Materials and Energy fund is exempt from these provisions.

7.1 Exclusions

The Group believes that certain industries are not part of its ambition to invest responsibly and sustainably and are therefore excluded from its investment options. The Group has therefore committed not to finance, directly or indirectly, companies or projects that derive a significant part of their revenues from the activities listed in the table in Appendix 2.

In 2022, the Group, in cooperation with an external data provider, prepared an exclusion list identifying investments that exceeded the criteria defined in the table in Appendix 2. The purpose of the investment exclusion list is to identify those investments or economic activities in which Group companies are recommended not to invest.

Companies are recommended to dispose non-compliant investments within six months of the non-compliance being identified. Exceptions are allowed for the held-to-maturity (HTM) class of assets. The Group will update the exclusion list of investments at least semi-annually.

Companies that have joined the Group after 1 February 2020 and have an action plan in place to adapt their investment portfolios to the Sustainability Investment Policy need only be informed of the exclusion list. Companies that join the Group after the effective date of this Policy shall draw up an action plan for their alignment within one year of becoming a member of the Group.

8 Reporting

Sava Re reports on the outcome of this Policy annually in connection with the presentation of the Group's annual report. The Group also provides periodic monitoring and reporting in accordance with sustainability regulations and legislation.

9 Transitional and final provisions

This Policy constitutes a reference document for designing policies in the Group's subsidiaries.

Adjustments and deviations from framework policies of the Group are documented and reported in line with the procedure of adopting and reviewing policies in the Group, as set out in the Group governance policy.

This Policy becomes effective upon adoption by the management board and applies from 15 August 2022. The administrator shall review this Policy annually and, if necessary, propose amendments to the Company's management board.

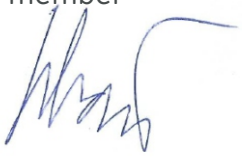
This document is to be posted on the Company's website (www.sava-re.si) in both Slovenian and English.

Ljubljana, 2 August 2022

The Management Board of Sava Re d.d.

Marko Jazbec
chairman

Polona Pirš Zupančič
member



Peter Skvarča
member

10 Appendices

Appendix 1: Glossary

The terms used in this Policy have the following meaning:	
Sava Insurance Group	The parent company Sava Re d.d. and all its subsidiaries.
Undertaking for collective investment in transferable securities (UCITS)	Undertaking for collective investment in transferable securities as defined under the Slovenian Investment Funds and Management Companies Act (ZISDU).
Consolidated list of investments	A list of investments of the Sava Insurance Group that are part of the consolidated statement of financial position of the Sava Insurance Group. This list does not include assets under management or assets managed by third parties.
Sustainable Finance Disclosure Regulation (SFDR)	Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability related disclosures in the financial services sector.
Commission Delegated Regulation (EU) 2021/1256	The Commission Delegated Regulation (EU) 2021/1256 amending Delegated Regulation (EU) 2015/35 as regards the integration of sustainability risks in the governance of insurance and reinsurance undertakings.
Principal adverse impacts (PAIs)	Relevant significant adverse sustainability impacts as defined under the SFDR.
United Nations Global Compact	Principles governing minimum standards in human rights, employees' rights, the environment and corruption.
United Nations Principles of Responsible Investment	An independent non-profit non-governmental organisation endorsed by the United Nations that has accepted principles for responsible investment. The acronym UN PRI is used to denote both the institution and the principles adopted.

Appendix 2: Exclusion list

The exclusion list defines sectors that the Sava Insurance Group does not invest in. The Group will not knowingly finance, directly or indirectly, companies or projects with a substantial part of their total revenue from activities listed in the following table.

Industry	Activity	Revenue threshold (%)
Alcohol	production and retail	5%
Tobacco	production and retail	5%
Adult entertainment	production and retail	5%
Gambling	production and services	5%
Thermal coal production*	coal mining and coal-based energy production	10%
Shale oil	production	0%
Nuclear energy	production	10%
Military industries	production	10%
Controversial weapons manufacturers	production and retail of anti-personnel mines, cluster ammunition, and chemical, biological and nuclear weapons	0%

* Companies assessed to be in transition away from coal activities may be kept in the investment universe, given that this is evaluated yearly..

Investments in green bonds or social bonds are exempt from the exclusion.