

Sustainability-related disclosure as at 2 August 2022

1. INTRODUCTION

The management board of Sava Re d.d. adopted the Sustainability Investment Policy of the Sava Insurance Group (hereinafter: the Policy) for the first time on 22 June 2021. The purpose of the Policy is to regulate the Group's approach to environmental, social and governance (ESG) aspects of the Group's investing.

The Policy is also intended to ensure that the Group adheres to applicable laws and regulations regarding investments, such as the Sustainable Finance Disclosure Regulation (hereinafter: SFDR) and other EU and national regulations.

On 21 April 2021, the European Commission adopted Commission Delegated Regulation (EU) 2021/1256 amending Delegated Regulation 2015/35 as regards the integration of sustainability risks in the governance of insurance and reinsurance undertakings.

The disclosure presented below presents the steps taken by the Group to integrate sustainability risks in investment decision-making and to amend both the Sustainability Investment Policy of the Sava Insurance Group and its remuneration policy.

In implementing the current Sava Insurance Group's sustainable development strategy (2020–2022) and preparing the strategy for the next period, the Group will build on the framework set by the SFDR, the EU taxonomy and the Non-Financial Reporting Directive.

2. Sustainability risks

2.1. Policy of integrating sustainability risks in investment decision-making

In accordance with Delegated Regulation (EU) 2021/1256, the Group has amended its Policy with the obligation to actively integrate sustainability risks in its investment processes. This is done by adapting investment processes to identify, assess and manage sustainability risks in an effective way. The Group takes into account the impact of long-term investment policies and strategies on sustainability factors.

Furthermore, the Group takes into account sustainability risk when investing in financial instruments in accordance with the prudent investor principle. The Group monitors its investment portfolios and maintains 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.

2.2. Exclusions

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

- monitoring and evaluating principal adverse impacts,
- monitoring and evaluating greenhouse gas intensities,
- 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 these industries. The industries are set out in Appendix 2 to the Policy.

In 2022, the Sava Insurance Group, in cooperation with an external data provider, prepared an exclusion list identifying investments that exceeded the criteria defined in the Policy. The purpose of the investment exclusion list is to identify those investments or sectors/industries in which Group companies are recommended not to invest.

The guidelines provided recommend that Group companies sell their investments within six months of identifying any non-compliance. 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 in place an action plan that aligns 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 the amended Policy shall draw up an alignment action plan within one year of becoming a member of the Group.

2.3. Integration of sustainability risks in the remuneration policy

The 38th general meeting of Sava Re, held on 23 June 2022, approved the Directors' Remuneration Report of Sava Re d.d. for the Financial Year 2021 (Directors' Remuneration Report), whereas the consultation vote on the resolution to approve the Remuneration Policy for Members of Management and Supervisory Bodies of Sava Re d.d. (Directors' Remuneration Policy) was not carried. Although the Directors' Remuneration Policy is valid and consistent with the law, it is not fully aligned with the recommendations of the shareholder Slovenian Sovereign Holding, which were published on 16 March 2022. The Company will examine the deviations from the recommendations of this shareholder and will remove them by the next Sava Re annual general meeting.

3. Statement on principal adverse impacts

The Group considers principal adverse impacts in investment decision-making in line with Article 4 of the SFDR, effective as from 10 March 2021. These impacts are defined as principal adverse impacts in investment decisions regarding sustainability factors.

Sava Re d.d. has taken steps to obtain data on the main adverse impacts on the assets managed by the Group members from an external source. As required under the SFDR, the Group will publish this data in 2023 with the reference year 2022.

3.1. International commitments

In 2021, Sava Re d.d. became a signatory to the Principles for Responsible Investment and the United Nations Global Compact. Having entered these commitments, it will continuously work to integrate the Principles for Responsible Investment and United Nations Global Compact in its investment decision-making at the Group level.