

Sustainability-related disclosure as at 31 December 2022

1. Introduction

The Sustainability Investment Policy of the Sava Insurance Group (hereinafter: the Policy) is the overarching document that governs the Group's approach to managing sustainability risks and integrating them into its investment processes. It also serves to ensure the Group's compliance with applicable laws and regulations governing investments, such as the Regulation on sustainability-related disclosures in the financial services sector (hereinafter: the SFDR), and other EU and national regulations (e.g. Commission Delegated Regulation (EU) 2021/1256). Below we present key amendments to this Policy, effective from 31 December 2022. The amendments relate to the sections "Standards and principles" (section 4 of the Policy) and "Sustainability risk management" (section 7 of the Policy, excluded industries).

2. Standards and principles (section 4 of the Policy)

In 2021, Sava Re d.d. became a member of the United Nations Global Compact. The UN Global Compact is a principle-based framework supporting responsible business practices in the areas of human rights, labour, the environment and corruption. The Policy has been amended to integrate these principles into the investment process. As part of the investment process, the Group will use SFDR disclosure-related data (principal adverse impacts) to identify any violations of and verify compliance with the UN Global Compact principles so as to provide for the integration of these principles into the investment process. When more detailed data concerning potential violations and compliance of investments with the UN Global Compact principles are available, the Group will define the criteria for excluding non-compliant investments from its portfolio.

3. Sustainability risk management (section 7 of the Policy)

The Policy has been amended to more clearly define the types of investments to which the Policy guidelines apply when investing and monitoring compliance. These include investments in corporate bonds, mutual funds, infrastructure and property funds, and shares. Securities issued by a government, deposits, loans and investment property are excluded.

Compliance is monitored based on an exclusion list of exposure to issuers that derive a significant share of their revenue from activities that are incompatible with the defined Policy (so-called exclusion list of industries in appendix 2 of the Policy). In the list of industries excluded from investing, the Sava Insurance Group increased the revenue threshold for the alcohol sector from 5% to 10%. This refers only to those companies whose primary activity involves the production and retail sale of alcohol. Due to a lack of adequate data, the Group removed the production of anti-personnel mines, cluster munitions and chemical, biological and nuclear weapons from the exclusion list. The controversial weapons manufacturing industry remains on the exclusion list. Nuclear energy is also removed from the exclusion list. Investments classified as ESG are exempt from exclusion.

The treatment of an existing issuer in the investment portfolio may, in view of sustainability-related issues, change for various reasons and therefore lead to a violation of the Policy. As a result, the Group has adopted an additional criterion, which instructs companies to align their portfolios with the Policy to the extent that non-compliance of a company's portfolio is acceptable insofar as it does not relate to more than 3% of the value of the portfolio. Also, exposure to such issuers is not further increased.