

Statement on principal adverse impacts of investment decisions on sustainability factors of the Sava Insurance Group

1 Summary

The Sava Insurance Group (549300P6F1BDSFSW5T72) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Sava Re d.d. and its subsidiaries. This statement on principal adverse impacts of investment decisions on sustainability factors covers the reference period from 1 January to 31 December 2022.

The Group is aware of its responsibility when making investment decisions and therefore takes into account their principle adverse impacts on sustainability factors in line with Article 4 of Regulation (EU) 2019/2088 (SFDR), which came into effect on 10 March 2021. Principal adverse impacts are defined as principal adverse impacts of investment decisions on sustainability factors, including, but not limited to, environmental, social and employee-related matters, respect for human rights, and anti-corruption and anti-bribery matters.

In 2022, we have considered 18 principle adverse impacts of investment decisions, for which data was obtained from the external provider Moody's (previously Vigeo Eiris). The statement below comprises adverse impact indicators defined by the regulatory technical standards laid down in Annex 1 of the SFDR Delegated Regulation (Commission Delegated Regulation (EU) 2022/1288). The indicators are defined qualitatively, and the Group will disclose quantitative information on the indicators by 30 June 2023 at the latest.

Sava Re d.d. identifies and prioritises the principal adverse impacts of assets managed by Group members based on the data provided by the contracted external provider.

Table 1 provides a summary of principal adverse impacts on sustainability factors in the Group.

Applies to	Area	KPI	Table	No.
Indicators applicable to investments in investee companies	Climate and other environment-related indicators	GHG emissions	1	1
		Carbon footprint	1	2
		GHG intensity of investee companies	1	3
		Exposure to companies active in the fossil fuel sector	1	4
		Share of non-renewable energy consumption and production	1	5
		Energy consumption intensity per high impact climate sector	1	6
		Activities negatively affecting biodiversity-sensitive areas	1	7
		Emissions to water	1	8
		Hazardous waste and radioactive waste ratio	1	9
	Indicators relating to social affairs and employees, respect for human rights, anti-corruption and anti-bribery matters	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	1	10
		Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	1	11
		Unadjusted pay gap	1	12
		Board gender diversity	1	13

Applies to	Area	KPI	Table	No.
		Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)	1	14
Indicators applicable to investments in sovereigns and supranationals	Environmental	GHG intensity	1	15
	Social	Investee countries subject to social violations	1	16
Indicators applicable to investments in real estate assets	Fossil fuels	Exposure to fossil fuels through real estate assets	1	17
	Energy efficiency	Exposure to energy-inefficient real estate assets	1	18

2 Description of the principal adverse impacts of investment decisions on sustainability factors

Indicators applicable to investments in investee companies

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken and planned, and targets set for the next year
GHG emissions	1. GHG emissions	Scope 1 GHG emissions	NA	NA	NA	<p>Actions taken</p> <p>The Group has undertaken to implement its sustainability investment policy with the aim to achieve carbon neutrality by 2050. The sustainability investment policy is focused mainly on reducing the risks associated with greenhouse gas emissions and global warming. By adopting the Policy the Group has undertaken to monitor and limit the greenhouse gas intensity of its investment portfolio. Our strategic orientation towards net zero emissions is based on the expectation that our stakeholders (employees, suppliers, business partners, shareholders, customers) and other economic and social sectors will also deliver on their commitment to fulfil the objectives of the European Green Deal and the objectives of the Paris Agreement in general. In the first half of 2022, the Group sold most of its investments in the thermal coal production industry, where the revenue threshold exceeds 10%. In addition, the Group will not directly or indirectly invest in such industries, thereby pursuing the goal of decarbonising its investment portfolio.</p> <p>The Group is also increasing its investments in securities issued to fund green, environmental projects (green bonds) and sustainability bonds, which are intended to finance the green and social sustainability objectives of issuers. Investments in green and sustainability bonds over the period end-2020 through 30 September 2022 increased by 57.1%. As of 30 September 2022, the share of the Group's ESG integrated investments totalled 14.7%. The Group will continue to actively pursue such investments.</p> <p>Actions planned</p> <p>The Group will continue to monitor and assess greenhouse gas intensity by excluding investments in the production of thermal coal and shale oil. Exclusion thresholds are available here. The Group is working to reduce GHG emissions of its investment portfolio by 10% annually, but achievement of this goal is subject to the compliance of all financial market participants with the European Green Deal.</p> <p>Targets set for the next year</p> <p>The Group will work to increase the share of ESG investments in the consolidated portfolio. The target is to increase the share of ESG investments to more than 20% by the end of the strategy period in 2027.</p> <p>In addition, the Group will work to align the investment portfolio with the sustainability investment policy, which excludes certain undesirable activities.</p> <p>The data relating to the exposure of real estate assets to fossil fuels will improve in line with the disclosures by financial market entities. The targets will be set accordingly in the annual plan 2024.</p>
		Scope 2 GHG emissions	NA	NA	NA	
		Scope 3 GHG emissions	NA	NA	NA	
	2. Carbon footprint	Carbon footprint	NA	NA	NA	
	3. GHG intensity of investee companies	GHG intensity of investee companies	NA	NA	NA	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	NA	NA	NA	
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	NA	NA	NA		
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector					

Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	NA	NA	NA	Actions taken and planned, and targets set for the next year The Group is currently developing methods and acquiring data to assess the significance of biodiversity for investment portfolios and the impact of investment portfolios on biodiversity. Based on acquired methods and data, the Group will set the biodiversity conservation targets by the end of 2024.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	NA	NA	NA	Actions taken and planned, and targets set for the next year See indicator 7.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	NA	NA	NA	Actions taken and planned, and targets set for the next year See indicator 7.

INDICATORS RELATING TO SOCIAL AFFAIRS AND EMPLOYEES, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Adverse sustainability indicator	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken and planned, and targets set for the next year	
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UN Global Compact principles or OECD Guidelines for Multinational Enterprises	NA	NA	NA	<p>Actions taken The Group has become a member of the United Nations Global Compact, which supports responsible business practices in the areas of human rights, labour, environment and corruption. In the framework of the investment process, the Group identifies potential violations of and compliance with the UN Global Compact principles and works to integrate these principles into the investment process. It also endorses the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.</p> <p>Actions planned Through Indicator 10 the Group will monitor the share of investments in investee companies that have been involved in violations of the UN Global Compact principles or OECD Guidelines for Multinational Enterprises.</p> <p>Targets set for the next year When more detailed data concerning the violations and compliance of investments with the UN Global Compact principles is available, the Group will define the criteria for exclusion of such investments from its portfolio.</p>

	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UN Global Compact principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UN Global Compact principles or OECD Guidelines for Multinational Enterprises	NA	NA	NA	Actions taken and planned, and targets set for the next year See indicator 10.
Social and employee matters	12. Unadjusted pay gap	Average unadjusted pay gap of investee companies	NA	NA	NA	Actions taken and planned, and targets set for the next year The Group is currently obtaining data on the unadjusted pay gap of investee companies. Through indicator 12, the Group will monitor the unadjusted pay gap of these companies and will set pay gap reduction targets by the end of 2024.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	NA	NA	NA	Actions taken and planned, and targets set for the next year The Group is currently obtaining data on the gender balance in corporate boards of investee companies. Using indicator 13 the Group will monitor the gender balance in the corporate boards of these companies and will set gender balance targets by the end 2024.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or sale of controversial weapons	NA	NA	NA	Actions taken The Group does not, directly or indirectly, finance companies or projects that derive revenue from the production of cluster munitions, and chemical, biological or nuclear weapons, nor does it finance retail sales in these activities. Actions planned The Group will work to maintain compliance with the Group's Sustainability Investment Policy, which sets exclusion thresholds for activities exposed to controversial weapons. Although activities associated with anti-personnel mines are excluded from the Sustainability Investment Policy due to insufficient data, the Group will work to reduce exposure to these activities. Targets set for the next year The Sustainability Investment Policy takes a zero-tolerance approach to investments exposed to controversial weapons, and the Group will actively pursue this approach also in the future.

Indicators applicable to investments in sovereigns and supranationals

Indicator	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken and planned, and targets set for the next year	
Environmental	15. GHG intensity	GHG intensity of investee countries	NA	NA	NA	Actions taken and planned, and targets set for the next year See indicators 1–6.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law.	NA	NA	NA	Actions taken and planned, and targets set for the next year See indicator 12.

Indicators applicable to investments in real estate assets

Adverse sustainability indicator	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken and planned, and targets set for the next year	
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	NA	NA	NA	Actions taken In terms of infrastructure investments, real estate funds, and other alternative investments, the Group considers sustainability metrics, since non-compliance with the ESG guidelines (as a rule) constitutes an exclusion metric when deciding on investments in funds and direct projects. Currently, almost all alternative investments of the Group's portfolios in the form of alternative funds, comply with at least one industry sustainability standard (UN PRI – United Nations Principles of Responsible Investments, GRESB – Global ESG Benchmark for Real Estate, TCFD – Task Force on climate-related Financial Disclosures) and also report in accordance with these standards. Actions planned The Group will work to reduce the share of investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil fuels. Targets set for the next year The data relating to the exposure of real estate assets to fossil fuels will improve in line with the disclosures by financial market entities. The targets will be set accordingly in the annual plan for 2024.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	NA	NA	NA	Actions taken See indicator 17. Actions planned The Group will work to reduce its share of investments in real estate assets that do not comply with energy requirements. Targets set for the next year Data concerning exposure to energy-inefficient real estate assets will improve in line with the disclosures by financial market entities. The targets will be set accordingly in the annual plan for 2024.

3 Description of policies to identify and prioritise principal adverse impacts of investment decisions on sustainability factors

3.1 Methodology used to identify and prioritise principal adverse impacts

Identification of principal adverse impacts

The Group regularly reviews principal adverse impact indicators, which are calculated based on the regulatory technical standards set out in Table 1 of Annex 1 of SFDR Delegated Regulation (Commission Delegated Regulation (EU) 2022/1288). The findings are regularly reviewed and are assessed by an internal sustainable development executive meeting at least on an annual basis. In the context of active ownership defined in section 6 of the Sustainability Investment Policy, the Group monitors direct investments in Slovenia and, where the Group has assessed it has a meaningful impact, reviews agendas of their general meetings and attends and votes in general meetings.

At the investment portfolio level, the Group applies a wide range of procedures to identify principal adverse impacts. Taking into account the exclusion list of industries in which it does not invest, it identifies and mitigates principal adverse impacts of investment decisions on sustainability factors. The exclusion list consists of industries such as the production of weapons, tobacco, coal-based energy, shale oil, and similar. The Group also monitors investments in companies violating the main UN Global Compact principles and OECD Guidelines for Multinational Enterprises. In the case of Slovenian companies where it may have a more significant impact on their management, it approaches them and actively participates at general meetings to start a discussion on these violations and their elimination. More information on the exclusion list is available [here](#).

The ESG database is gradually updated with data required for a more detailed assessment of the principal adverse impacts of investment decisions on sustainability factors. As a result, the Group also gradually adapts its sustainability-related processes and policies, regularly updating and supplementing them.

Prioritisation

The Group prioritises principal adverse impacts with regard to responsible and sustainable investment practices that are advantageous both for its customers and society at large, and are laid down by the Sustainability investment policy. In 2022, the Group increased its focus on obtaining data for the calculation of 18 principal adverse impact indicators set out in Table 1 of Annex 1 of the SFDR Delegated Regulation (Commission Delegated Regulation (EU) 2022/1288), which it is required to disclose by 30 June 2023. Subject to the data available, the Group will also make an effort to calculate the other 56 principal adverse impact indicators set out in Tables 2 and 3 of Annex 1 of the SFDR Delegated Regulation (Commission Delegated Regulation (EU) 2022/1288).

3.2 Management

The Sustainable Development Policy of the Sava Insurance Group systemically regulates the management of sustainability-related matters, authorisations and responsibilities at all management levels.

The management board of Sava Re d.d. as the parent company of the Group adopts the Sustainability Investment Policy, which includes the analysis of the principle adverse impacts, at the proposal of the business function holder, and informs the Sava Re d.d. supervisory board thereof.

The finance function holder submits a report on the integration of principle adverse impacts or compliance with the Sustainability Investment Policy at least annually, and proposes relevant updates or changes.

The Sava Re d.d. supervisory board monitors the implementation of the Sustainability Investment Policy in the sustainable development report of the Sava Insurance Group.

3.3 Data sources

Following the due diligence of data suppliers in the market, the Group decided to purchase data from the recognised and established data provider Moody's (previously Vigeo Eiris). We are currently setting up robust data management processes and procedures that will allow us to establish an automated reporting system for principle adverse impacts and their monitoring.

The Group also regularly conducts a quantitative analysis of data, measurements, and calculations obtained by Moody's with the aim to identify potential deviations and other errors in input data. If such are identified, we try to understand and eliminate them by contacting the data provider directly.

4 Cooperation policy

We believe that cooperation with investee companies can have a positive effect on investment results as well as on society and the environment. In general, the Group promotes responsible cooperation with companies and countries with the aim of protecting the interests of its customers and achieving the goals and priorities of the Group's Sustainability Investment Policy. Cooperation can be through the monitoring of companies and countries, through informal discussions, or formally by exercising the right to vote.

The Group is a signatory to the UN Principles for Responsible Investment and UN Global Compact. Operating in line with these principles includes the possibility of cooperating with other shareholders in order to motivate companies and countries to pursue these principles.

[The Sustainability Investment Policy](#) represents minimum requirements regarding the integration of sustainability factors into the investment process for all Group companies.

5 References to international standards

5.1 Principles for Responsible Investment, UN Global Compact, OECD Guidelines for Multinational Enterprises, and UN Guiding Principles on Business and Human Rights

In 2021, Sava Re d.d. became a signatory to the Principles for Responsible Investment and the United Nations Global Compact principles, and endorses the OECD Guidelines for Multinational Enterprises. These commitments underline the Sava Insurance Group's ongoing efforts to integrate these principles into its investment decisions. By signing the UN Global Compact, it undertook to abide by the United Nations Universal Declaration of Human Rights, International Labour Organisation labour standards, and UN Guiding Principles on Business and Human Rights.

Together, these represent the minimum standards that serve as the basis for a dialogue with issuers and the exclusion policy. Indicator 10 (violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises) and indicator 11 (lack of processes and compliance mechanisms to monitor compliance with UN Global

Compact principles and OECD Guidelines for Multinational Enterprises) will enable more effective monitoring of the investment portfolio in the context of human rights, as they are directly related to the Group's efforts in this area.

5.2 Paris Agreement and European Green Deal

The Group is pursuing the targets of the European Green Deal and the Paris Agreement, which aim to reduce GHG emissions by 55% by 2030, based on a calculation in 2022. However, achievement of this target is subject to all financial market participants complying with the European Green Deal. One of the Group's main strategic priorities is to reduce the risks associated with greenhouse gas emissions and global warming.

Our efforts regarding climate change are directly connected with principal adverse impact indicators 1 to 6, which cover greenhouse gas emissions. In the future, we will monitor compliance of our investment portfolio with the greenhouse gas emissions-related objectives of the Paris Agreement and the European Green Deal against these indicators.