



Corporate governance policy of Sava Re d.d.

Basic details	
Title	Corporate governance policy of Sava Re d.d.
Designation of act	PL_S
Subject	policy sets out main corporate governance policies
Status	effective
Version	Version 3.0
Document reference number	2021/KUSP/5
Administrator	Office of the management board and compliance
Adopted by	Company's management board
Consent by	supervisory board
Regulatory review	YES
Confidentiality level	published document
Date adopted	18 August 2021
applicable as from	1 September 2021
Supersedes document	Corporate governance policy of Sava Re dated 11 December 2017
Periodic review	1 year
Scheduled date of review	1 December 2022
Language versions	SI/ENG

Distribution list:		
Seq. no.	Full name	Position
1.	/	All employees

Ljubljana, August 2021

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Pursuant to article 41 of its rules of procedure, the management board of Pozavarovalnica Sava d.d, Ljubljana adopted in its 26th regular session of 31 May 2021, with the consent of the supervisory board granted in its 2nd session of 18 August 2021, the following document:

CORPORATE GOVERNANCE POLICY OF SAVA RE D.D.

1 INTRODUCTION

This document refers to the company Sava Re d.d. (hereinafter: Sava Re or the Company).

1.1 Company profile

Sava Re is a public limited company traded on the prime market of the Ljubljana Stock Exchange. Sava Re carries on reinsurance business in accordance with its license issued under the Slovenian law governing insurance business and is the parent company of the Sava Insurance Group, consisting – in addition to the parent – of subsidiaries based in and outside the EU. Most Sava Insurance Group subsidiaries are insurance companies.

1.2 Subject matter and objectives of the governance policy

The document “Corporate governance policy of Sava Re d.d.” (hereinafter: the Corporate Governance Policy or the Policy) sets out the fundamental governance guidelines for the Company as well as for the control and supervision of Sava Insurance Group companies, taking into account the Company's goals, mission, vision and values.

The purpose of this Policy is to define the foundation of the Company's system of governance, the basic management rules, rules of corporate governance and a transparent organisational structure with transparent and clear allocation and segregation of roles and responsibilities.

Corporate governance is a combination of processes and structures used by the management or supervisory body for communicating, directing, controlling and monitoring the Company's operations in order to achieve its goals.

This governance policy is the basis for the establishment and implementation of a sound and reliable governance system founded on an effective risk management system.

The Policy's purpose is to build a sound, transparent, understandable and reliable system of corporate governance.

This governance policy represents a commitment for the future.

1.3 Definition of terms

The terms used in this governance policy have the meanings as defined in the appended glossary (**appendix 4**).

1.4 Goals, mission, vision and values incorporated in the governance guidelines

General

This governance policy defines the goals, mission, vision and values in order for all stakeholders (not only shareholders) to understand the purpose and direction of the Company.

Goals

We are working to become a recognised provider of comprehensive insurance and reinsurance services in our target markets, to establish a climate of trust and loyalty among stakeholders, to become recognised as a company that communicates fairly and transparently, to meet the expectations of our shareholders and achieve an adequate return on equity, to raise awareness about the organisation's values and to integrate these into core business policies and the way people conduct themselves.

Through a positive climate, good business culture, continuous training and investments in employees, we contribute to a continuous development of insurance and ancillary products and to more optimal business processes. We are developing a group-specific corporate culture that reflects and will continue to be reflected in the quality of services and in the loyalty of our employees to their Company and the Group.

By definition, insurance is the provision of economic security through the spreading of financial risk, which is why the industry is tightly intertwined with the larger overall economy. Within this system, Sava Re has a responsibility to support activities that contribute to improving the social environment. Sustainable development is an area that the Company is increasingly investing into. Special attention is given to the exchange of knowledge, permanent training of employees and external stakeholders and the utilization of synergies among Sava Insurance Group companies. The social responsibility demonstrated by the Company reflects the values on which we intend to focus more in the future.

Our mission

Through commitment and constant progress, we ensure security and quality of life.

Our vision

We are building a customer-centric, modern, digital, socially responsible and sustainability-oriented insurance group.

Values (What are we like?)

We grow relationships with our colleagues in a responsible, frank and respectful manner.

We exceed customer expectations by our ongoing effort to make improvements and strengthen relationships.

We are active in relation to the environment (owners, social environment).

1.5 Corporate governance code of reference

Sava Re being a public joint-stock company, its code of reference is the applicable Slovenian corporate governance code for public joint-stock companies.

1.6 Overview of the governance system

The rules of the Company's governance system are subject to regular annual review. In the event of any change in the legal environment or other objective circumstances, the Policy is reviewed more frequently.

Reviews are the responsibility of the compliance function, who in cooperation with the internal audit function verifies the consistency of this policy with other policies of the governance system and with other internal acts, legislation and other regulations.

When verifying and assessing the effectiveness of the corporate governance framework, the review focuses on the changes in internal and external factors affecting the Company.

2 STAKEHOLDER GROUPS: COMMUNICATION AND COOPERATION STRATEGIES

2.1 General

The governance system must ensure that all stakeholders are considered and that the Company's goals are achieved. The purpose of this section is to define all stakeholders of the Company and envision the relationship of the Company to such stakeholders in order to enhance the standards and transparency in day-to-day dealings.

The Company nurtures common values that are reflected in a positive work climate, sound business culture and long-standing partner relationships, thereby building a friendly and responsible attitude towards our social and natural environment.

A key principle of our activities is to identify all stakeholders and develop transparent dialogue.

Communication with stakeholders is aimed at informing and raising awareness. It helps strengthen the reputation of the company, is conducive to attracting high-quality talent and partners and supports the achievement of the company's goals. The communication with its external stakeholders has an effect on the POSR share price.

2.2 Communication strategy

The Company is aware that the credibility and reputation of a financial institution in the domestic as well as in the international market depends on the opinion formed by the public. While a positive public image is built through fair and responsible dealings, it is also established through impartial, transparent, accurate and timely communication. By entering the securities market, Sava Re became a public company required to communicate with the public transparently and in line with the rules of the Ljubljana Stock Exchange and the Market in Financial Instruments Act.

Proactive and transparent provision of information to all stakeholders of the Company will place the organisation among those businesses worthy of trust. Sava Re became an international financial Group through acquiring subsidiary companies. Strengthening the brand of the parent company, the Sava Insurance Group and its individual members requires continued professional efforts in public relations.

2.3 Communication goals

Apart from compliance with the law, the purpose of the communication strategy is to raise the profile of Sava Re, enhance its reputation and strengthen the trust of all stakeholders. Continued communication efforts support all other Company activities and contribute to the final result – profit and reputation.

Communication includes both communication with internal and external Sava Re stakeholders.

2.4 Communication with internal stakeholders

Employees are the ambassadors of the Company's brand. They co-create the Company's image, influence the reputation it enjoys in its operating environment and shape the perception of the Company among external stakeholders.

2.5 Communication with external stakeholders

Communication with external stakeholders is aimed at informing them and raising awareness. It strengthens the reputation of the Company, impacts the POSR share price, attracts new investors, partners and potential employees, and ultimately contributes to the achievement of the Company's goals.

2.6 Persons responsible for communication

Persons responsible for communicating with the public are identified in the "Communication rules of Sava Re d.d." They communicate in line with the Company's communication rules, its published financial calendar and notification rules applicable to public companies. In the case of a price-sensitive piece of information for which no announcement has been scheduled in the financial calendar, the Company informs the public thereof as soon as such information is published or as promptly as possible.

The types of communication and authorisations are set out in the Company's communication rules.

2.7 Safeguarding business secrets and procedures for handling inside information

The safeguarding of business secrets in the Company is governed by its rules on the protection of trade secrets. The Company has put in place rules on the protection of Sava Re inside information and rules regarding restrictions of trading in Sava Re shares to regulate the areas of inside information and trading in financial instruments of Sava Re.

Pursuant to the applicable law on the market in financial instruments, the Company publishes inside information as soon as possible. Sava Re may, on its own responsibility, postpone the release of inside

information, to protect the Company's legitimate interests subject to the conditions set out in the applicable law on the market in financial instruments and the Company's internal regulations. For such cases, the Company has in place rules and procedures for managing inside information, ensuring that inside information does not leak.

The Company keeps a list of persons who have access to inside information. Sava Re informs all persons on the inside information list of the fact that they are on the list and ensures that such persons sign a statement confirming they are familiar with the rules on handling inside information and with the sanctions imposed for any breach relating thereto.

By way of its rules on the management of conflict of interest in asset management, the Company sets out procedures and criteria for handling conflicts of interest that may arise in ordinary or extraordinary transactions pertaining to asset management. The rules set down specific transactions, persons who may experience conflicts of interest, detailed procedures on identifying and preventing conflicts of interest and rules for uncovering conflicts of interest.

2.8 Announcement of financial results and other relevant information

The Company publishes its financial reports and financial statements in line with the standards applicable to prime market issuers, observing the applicable law on markets in financial instruments and the recommendations of the Ljubljana Stock Exchange. A financial calendar is published on the Company's website www.sava-re.si, providing the dates of all releases of significant announcements.

2.9 Responding to rumours and published articles relating to Sava Re and its operations

The Company publishes regularly and timely all relevant information that may affect the business decisions of investors or the interested public. We also answer any questions posed by the media, promptly and in accordance with the recommendations issued by the Ljubljana Stock Exchange. In the event of false or inaccurate information in press releases and elsewhere that may be potentially harmful to the reputation of the Company or its business results, the Company responds in line with the Slovenian law governing media and good business practice.




2.10 Relations with stakeholders

Shareholders

Since its listing on the Ljubljana Stock Exchange, Sava Re has been developing advanced approaches to relationships with existing shareholders and potential investors. Our basic principle in communication is transparency, so that we provide a true and fair view of the operations of Sava Re and hence a true and fair estimate of the share price.

Announcements are prepared in compliance with the standards of the prime market, among other things to broaden our international investor base.

The Company uses the following forms of communication with its shareholders:

-  general meetings of shareholders,
-  periodic updates,
-  SEO.net system (official website of the Ljubljana Stock Exchange),

- ☑ Sava Re website,
- ☑ participation in local and international conferences,
- ☑ individual presentations in Slovenia and abroad,
- ☑ meetings with the financial community,
- ☑ press conferences upon release of business results,
- ☑ e-mail (to respond to shareholder queries),
- ☑ letters to shareholders.

Personnel

We are well aware of the fact that our employees are our most valuable assets. In order to establish a positive climate and business culture, which are the drivers of progress, it is vital to promote open, continuous two-way communication.

We regularly inform our employees – both in the Sava Insurance Group and in the Company – about new developments and know-how, building relationships and motivation through:

- ☑ all-staff meetings,
- ☑ the intranet,
- ☑ the SavaReporter e-bulletin,
- ☑ circular e-mail,
- ☑ college meetings,
- ☑ individual discussions,
- ☑ in-house training,
- ☑ informal staff meetings,
- ☑ team building events,
- ☑ management meetings with trade union and workers' council representatives,
- ☑ annual performance assessment interviews with staff members,
- ☑ strategic conferences.

Cedants and other business partners

Dedication to clients contributes to sales, which is of key importance in our business. We believe in building lasting partnerships by providing good service. We believe that the satisfaction of our clients is a mirror of our success. As our business model is exclusively business-to-business, it is absolutely essential to enjoy good relationships that are based on professional, direct, two-way communication.

We communicate with our clients using the following means:




- ☑ telephone and written correspondence,
- ☑ regular personal meetings in Slovenia and abroad,
- ☑ international professional seminars and meetings with reinsurers and brokers,
- ☑ periodic professional training – Sava Summer Seminar,
- ☑ annual report,
- ☑ promotional materials,
- ☑ company website.

Analysts

Being a part of the professional financial community, financial analysts are an important creator of opinion in the market. Through their comments, opinions and analyses, they help investors make decisions related to buying or selling POSR shares. They represent yet another channel for accessing additional capital resources, while playing an important role in maintaining the credibility and enhancing the reputation of the Company. From this perspective, it is vital that the professional

financial public is kept well informed on the performance and goals of the Company in a prompt and transparent manner.

Furthermore, communication with the financial public is through:

-  presentation visits to investors (roadshow),
-  presentation videoconferencing (webcast),
-  professional meetings.

Media

The Company views the media as an important bridge to the broader public. We maintain regular contacts with the media. We respond to questions within agreed timeframes and we communicate in a transparent manner, giving particular regard to the principles of information symmetry. At major events, we send out press releases and/or organise press conferences.

Supervisory bodies and government authorities

The Company strives to establish sound and full cooperation with all supervisory and other public authorities, including compliance with their decisions.

The Company regularly reports to the Insurance Supervision Agency and the Securities Market Agency. In accordance with our status and activities, we also communicate with the Ljubljana Stock Exchange, the Competition Protection Office of the Republic of Slovenia and other relevant bodies. In our operations we follow both relevant regulations as well as recommendations. The Company also respond to all other extraordinary reporting requests made by government authorities.

Suppliers and creditors

The Company takes great care in dealing with suppliers and creditors, using a partnership approach and building long-term business relations, thereby ensuring the stability of the sourcing process and the Company's operations. Sourcing is conducted in a transparent manner in accordance with the prescribed standard procedure and purchasing process in line with the Company's sourcing policy.

By signing a standard purchasing contract, which includes the general conditions of purchase (except in exceptional cases) and defines the rights and obligations of the parties, we set the foundation for a partnership-based relationship with our suppliers.

The Company is aware that we can only strengthen our reputation in our environment by regular meeting our obligations to suppliers and creditors.

The "General conditions of business cooperation" with suppliers and the "Sustainability questionnaire" are posted on the Company's website. The completed questionnaire helps the Company embed sustainability principles across our business. We are developing into a group that actively co-creates a better planet for everyone. The Company takes into account the information disclosed in the questionnaire when selecting a supplier, and suppliers who return completed questionnaires will enjoy a certain advantage over those who do not.

Local and wider community

The Company is committed to providing security, quality of life and a profitable future for its clients, employees and other stakeholders. Our mission includes fostering respect and responsibility for the environment in which we live and work. Because responsibility is a day-to-day matter, employees take

part in the “Heart for the World” initiative, contributing themselves or in co-operation with their family or friends. Our goal is to highlight that on the path towards sustainability every single step matters.

In addition, we make donations to causes that foster knowledge, sports and culture.

2.11 Safeguarding employee interests

Human resource management at Sava Re believes that we will only be able to reach our goals if our employees are properly qualified and committed. The Company’s management makes sure that employees receive effective leadership and motivation and, in line with business plans, encourage employees to take part in various professional training and personal development activities. By building the Company’s employer’s brand and focusing on our people, we strengthen commitment and enhance the organisational climate.

We build partnership-based relations with our employees, foster transparent and two-way communication, and inclusion at all Company levels.

The Company builds and strengthens a modern organisational culture, providing employees with a safe, diverse and sustainable workplace. Our responsibility to our employees is also reflected in our efforts to build a work environment that respects the dignity and integrity of each employee. We ensure that our employees’ rights arising from their employment relationship are respected and provide working conditions that help employees balance their work and family life.

The Company has its own code of ethics. We included in the code all principles we believe are relevant in the relationship to colleagues, clients and other interested public.

3 MANAGEMENT SYSTEM

3.1 Selection of management system

The Company has a two-tier management system.

3.2 Governance bodies

The Company’s governance bodies are the general meeting of shareholders, the management board and the supervisory board.

3.3 Distribution of responsibilities, terms of reference and powers among governance bodies

3.3.1 Governance bodies

3.3.1.1 General

The governance bodies carry out their duties in accordance with statutory regulations, internal rules and in accordance with the general guidelines established by this Policy, other policies of the Company and other internal acts.

The Company is run by the management board, whose work is supervised by the supervisory board. Both the management and supervisory boards work for the benefit of the Company. The law on commercial companies, the law governing insurance, the articles of association, the rules of procedure of the management board and rules of procedure of the supervisory board define the division of duties and responsibilities between the management board and the supervisory board, and the manner in which they work together.

The management board is autonomous in running the Company's affairs and making decisions. Prior to taking major decisions that could significantly affect the operating, financial or legal position of the Company, the management board notifies the supervisory board thereof in order to achieve consensus on the issues under consideration.

The management board regularly informs the supervisory board about all important issues and events that have or could have an effect on the operations of the Company. The management board consults the supervisory board on business operations, strategy, risk management, and on matters concerning public relations.

The chair of the management board informs the chair of the supervisory board or the entire supervisory board about important events that are essential to assessing the Company's position as well as to the taking of further action. When only the chair of the supervisory board is informed, the chair communicates the information to other members of the supervisory board and, if necessary, calls a supervisory board meeting. The management board and the supervisory board collaborate closely in accordance with law and good practice for the benefit of the Company.










3.3.1.2 The general meeting of shareholders

General

The general meeting of shareholders is the highest body of the Company through which shareholders exercise their rights in company matters.

Terms of reference

The general meeting decides on the following:

-  approval of the annual report, unless approved by the supervisory board, or if the management board and supervisory board have left the decision on said approval to the general meeting of shareholders;
-  the appropriation of distributable profit, at the proposal of and based on a report by the management board;
-  appointment and removal of supervisory board members;
-  granting of discharges to management and supervisory board members;
-  adoption of amendments to the articles of association;
-  measures to increase and reduce capital;
-  dissolution of the Company and transformation of its status;
-  appointment of the auditor, at the proposal of the supervisory board;
-  other matters in compliance with the law and articles of association.

Convening the general meeting

The general meeting of shareholders, through which the Company's shareholders exercise their rights in the affairs of the Company, is convened at least once a year, no later than end of August. The general meeting may be convened in other cases as provided by law, the Company's articles of association,

and whenever this is in the interest of the Company. As a rule, the general meeting is convened by the management board. In the cases stipulated by law, it may be convened by the supervisory board or shareholders.

The Company publishes notices of general meeting through the SEOnet system provided by the Ljubljana Stock Exchange (www.ljse.si), on the AJ PES website (www.ajpes.si), and on the Company's official website www.sava-re.si; in printed form in one daily newspaper as provided for in the articles of association: in Delo, Finance or Dnevnik, or in the Official Gazette of the Republic of Slovenia.

Participation in the general meeting

To attend the general meeting and exercise voting rights, shareholders must send the Company a registration form no later than by the end of the fourth day prior to the session of the general meeting and must be registered holders of shares listed in the central register of book-entry securities at the end of the seventh day prior to the session of the general meeting.

The conditions of participation or exercise of voting rights at the general meeting must be set out in detail in the notice of general meeting.

Adoption of resolutions

Resolutions by the general meeting are adopted by a majority of votes cast (simple majority), unless a larger majority or other requirements are stipulated by law or the articles of association.

Exercise of voting rights







Shareholders may exercise their voting rights in a general meeting based on their representative share of the Company's share capital. Each no-par-value share with voting rights carries one vote. Voting rights can be exercised by proxy based on a written proxy form, or through financial organisations or shareholder associations. Own shares carry no voting rights.

3.3.1.3 The supervisory board

Terms of reference

The supervisory board oversees the management of the Company during the financial year, in line with the Company's business strategy and financial plan. In this, it acts in accordance with applicable regulations, particularly the Slovenian law on commercial companies and the law governing insurance, as well as with the Company's articles of association and the supervisory board's rules of procedure.

Major responsibilities of the supervisory board are to:

-  monitor and supervise the management and operation of the Company and when deficiencies or irregularities are detected, requires the management board to propose remedial action;
-  grant consent to the business policy and financial plan of the Sava Insurance Group and Sava Re as prepared by the management board;
-  grant consent to the development strategy of the Sava Insurance Group and Sava Re as prepared by the management board;
-  grant consent to the written rules of the system of governance, risk management, compliance, internal audit, the actuarial function, internal controls and outsourced business;
-  grant consent to the management board's appointment of key function holders;
-  grant consent to the solvency and financial condition report of the Company and that of the Group as prepared by the management board;

- grant consent to the risk strategy of the Company and the Group as prepared by the management board;
- consider the own risk and solvency assessment report and quarterly risk reports of the Company and the Group;
- consider reports prepared by the compliance key function holder;
- consider reports prepared by the actuarial key function holder;
- grant consent to the framework annual and multi-annual internal audit work plans as prepared by the management board;
- oversee the adequacy of processes and the effectiveness of the internal audit and to consider reports prepared by the internal audit service;
- issue an opinion for the general meeting on the internal audit annual report;
- grant consent to the appointment, removal and remuneration of the head of the internal audit service;
- review annual and interim financial reports of the Sava Insurance Group and Sava Re;
- review the annual report submitted by the management board, adopt an opinion on the auditor's report, and prepare a report for the general meeting and state therein any comments or approve it;
- review the proposed appropriation of the distributable profit as submitted by the management board, and draw up a written report for the general meeting;
- appoint and remove the chair and members of the management board;
- decide on criteria for setting the level of income and the remuneration system for the chair and members of the management board;
- adopt its rules of procedure;
- draw up proposed resolutions for the general meeting as within its powers and implements tasks directed by the general meeting;
- consider the findings of the Insurance Supervision Agency and other supervisory bodies after regulatory proceedings involving the Company;

The supervisory board prepares annually a meeting schedule for its own use and for its committees, including those meetings in particular that are obligatory due to requirements regarding the publication of business results or are standard with regard to past practices.

Operation of the supervisory board

Supervisory board resolutions are taken by a majority of votes cast by supervisory board members. In case of equal votes "FOR" and "AGAINST", the chair, or the deputy chair in the absence of the chair, has the casting vote.

Other issues relating to supervisory board procedure are laid down by the rules of procedure of the supervisory board.

Size and composition

Pursuant to the Company's articles of association and the applicable legislation, the supervisory board is composed of six members, of which four (shareholder representatives) are elected by the Company's general meeting, and two (employee representatives) are elected by the workers' council, which informs the general meeting of its decision. Supervisory board members are appointed for a term of up to four years and may be re-elected. The supervisory board members elect a chairperson from among its members.

The supervisory board is constituted so as to ensure responsible oversight and decision-making in the best interest of the Company. Members are selected so that their professional expertise, experience

and skills are complementary. The Company seeks that its supervisory board complies with the Company's diversity policy, forming a homogenous whole.

The operation of the supervisory board is governed by the rules of procedure of the supervisory board.

Criteria for membership

The following criteria are to be used in assessing candidates for membership of the supervisory board in addition to the requirements or restrictions imposed by law. It is vital that a supervisory board member:

- ✔ demonstrates a commitment to integrity and business ethics,
- ✔ has a comprehensive knowledge of the business,
- ✔ has available time resources during the period when the function is to be performed,
- ✔ is capable of effective communication and teamwork,
- ✔ is ready to participate in ongoing education and professional development.

The supervisory board is composed in such a way that the members of the supervisory board as a collective body have experience in and knowledge of:

- ✔ insurance and financial markets,
- ✔ business strategy and business models,
- ✔ the management/governance system,
- ✔ financial and actuarial analysis and
- ✔ the legislative framework and requirements,

so as to be able to ensure sound and prudent business operations through the proper oversight of the Company.

The process and criteria for the selection of candidates for members of the supervisory board and for drafting proposals for general meeting resolutions on the appointment of supervisory board members, including the process of periodic fit and proper assessments of individual members, is transparently set out in the Company's internal fit and proper policy for relevant personnel.

Succession

When setting up a supervisory board, upon a new member entering office and upon the appointment of special committees of the supervisory board, the chair of the supervisory board, with the assistance of the management board, organises a comprehensive induction process for new supervisory board members or members of its committees.

Remuneration

Supervisory board members are entitled to payment in the form of remuneration for performing their function, attendance fees and reimbursement of expenses. The amounts of these payments are determined by resolution in general meeting. The supervisory board is accountable to the Company's general meeting of shareholders. Supervisory board members cannot participate in the Company's profits.

Remuneration must not be directly linked to the Company's performance as indicated by the financial statements of the Company.

Strengthening the good practices of the supervisory board

In accordance with good practice, the supervisory board of each Group company annually assesses its composition, operation, potential conflicts of interests of individual members, and the functioning of the individual members and the supervisory board as a whole, including its cooperation with the management board.

The self-assessment of the supervisory board includes the following activities:

- an evaluation of the activities of the supervisory board and its committees in the previous year and drawing up an action plan for required improvements;
- an assessment of the adequacy of the communication and collaboration between the management board and the supervisory board;
- an assessment on the appropriateness and adequacy of the information it receives from the management board and other bodies and parties;
- an assessment of the members' contributions, their attendance at meetings and their participation in discussions and decision-making;
- an assessment of the diversity of the supervisory board's composition with regard to its requirements in view of the goals set by the Company;
- a review of circumstances that could result in a conflict of interest or dependence of any member.

3.3.1.4 Supervisory board committees

In accordance with law, the supervisory board may appoint one or more committees and task them with specific areas, the analysis of specific questions, with the drafting of proposed resolutions for the supervisory board, implementation of resolutions of the supervisory board and other professional tasks, thereby providing professional support. Notwithstanding the appointment of any committee, decision-making remains the exclusive responsibility of the supervisory board.

The committee chair reports to the supervisory board on the committee's work. The committee adopts its rules of procedure, in cases not specifically laid down, the provisions of the supervisory board's rules of procedure apply together with any necessary conforming changes.

The Company has set up the following supervisory board committees: the audit committee, risk committee, nominations and remuneration committee, and the fit and proper committee.

3.3.1.4.1 The audit committee

The responsibilities and powers of the audit committee of the supervisory board are set out in the Slovenian law on commercial companies, the audit committee's rules of procedure, the supervisory board's rules of procedure, and other autonomous legal acts (e.g. recommendations for audit committees).

The main responsibilities of the audit committee of the supervisory board are to:







- oversee the integrity of financial information,
- monitor the efficiency and effectiveness of the Company's internal controls, of the operation of the internal audit and the functioning of risk management systems,
- monitor the statutory audit of the stand-alone and consolidated financial statements,
- perform other tasks set out in valid resolutions of the supervisory board, in accordance with statutory requirements and good practice of comparable companies or insurance groups.

3.3.1.4.2 The risk committee

The risk committee performs tasks in accordance with supervisory board resolutions, the Solvency II Directive, its rules of procedure, the supervisory board's rules of procedure, the Slovenian law on insurance, the Corporate Governance Code for Listed Companies and other applicable regulations on risk management.

3.3.1.4.3 The nominations and remuneration committee

The responsibilities of the nominations and remuneration committee are to:

-  prepare proposals for the supervisory board on management board membership criteria and to consider and prepare proposals for nominations to be decided on by the supervisory board;
-  preliminarily consider proposals of the management board's chair concerning the composition of the management board and the running of the Company and to submit a proposal to the supervisory board;
-  carry out the nomination process for appointing one or more candidates as supervisory board members – shareholders representatives;
-  provide support in setting up and implementing the system for payments, reimbursements and other benefits of management board members;
-  oversee the development of the succession system for the chief executive body and senior management;
-  provide support and prepare proposals on topics concerning the supervisory board (for example conflicts of interest, setting up and implementing the remuneration system for supervisory board members, assessing the work of the supervisory board in accordance with the Code);

3.3.1.4.4 The fit and proper committee

The fit and proper committee performs tasks in accordance with the internal fit and proper policy of relevant personnel of the Company. The committee carries out procedures on evaluating qualifications of the supervisory board, the supervisory board's committees and the management board as collective bodies as well as the procedures for the fit and proper assessment of the relevant personnel of these bodies. The fit and proper committee also conducts, upon request of the Company's workers' council, the fit and proper assessment of the supervisory board members who represent the interests of employees and who have been elected by the workers' council of the Company.

3.3.1.5 The management board

Terms of reference

The management board represents the Company in its legal transactions. Through its efforts and using its knowledge and experience, the management board pursues the long-term success of the Company, ensuring optimal guidance and risk management. The management board determines the Company's goals, values, mission, vision, and business strategy. Business operations are optimised through an adequate structure of human resources and prudent use of financial resources. In this, it acts in accordance with the applicable legislation, particularly the Slovenian law on commercial companies and the law governing insurance, as well as with its articles of association and the management board's charter and rules of procedure. The management board is committed to observing high ethical standards and considers the interests of all of the stakeholder groups.

The main responsibilities of the management board are to:

-  provide leadership to the Company and organise its operations;

- ☑ represent the Company;
- ☑ be responsible for the legality of Company operations;
- ☑ adopt the development strategy of the Company and Group, which is to be presented to the supervisory board for consent;
- ☑ adopt the business policy and financial plan of the Company and the Group, which is presented to the supervisory board for consent;
- ☑ adopt internal acts of the Company;
- ☑ approve and periodically review strategies and written rules on risk management, the internal control system, internal audit, the actuarial function with regard to outsourcing, and to ensure their implementation;
- ☑ adopt the report on the Company's solvency and financial condition and submit it to the supervisory board for approval;
- ☑ with consent of the supervisory board, grant authorisation to the Company's key function holders;
- ☑ report to the supervisory board on operations of the Company and the Group;
- ☑ prepare a draft annual report, including a business report, and to submit it to the supervisory board together with the auditor's report and a proposal for the appropriation of distributable profit for approval;
- ☑ convene the general meeting of shareholders;
- ☑ implement the resolutions adopted by the supervisory board.

Operation of the management board

No member of the management board has the authority to represent the Company independently with regard to the entire scale of operations pertaining to the Company's activities. The management board takes decisions by a majority of votes cast. The other issues relating to the manner of work of the management board are laid down by the rules of procedure of the management board.

Size and composition

The management board runs the Company and represents it in public and legal matters. It is composed of at least two but not more than five members, of whom one is the chair and the others are members of the management board. The chair and members of the management board are appointed by the supervisory board for a period of five years. Such appointments are renewable without limitations. The chairperson and all members of the management board are full-time permanent employees of the Company.

The management board has a composition so as to ensure responsible oversight and decision-making in the best interest of the Company. Members are selected such that their professional expertise, experience and skills are complementary and ensure the sound and prudent operation of the Company. The Company seeks that its management board complies with the Company's diversity policy regarding the composition of the supervisory and management boards, forming a homogenous whole.

The exact number of management board members and the areas for which each individual member is responsible is determined by the supervisory board upon the proposal of the management board's chair in the act on the management board.

Criteria for membership

The following criteria are to be used in assessing candidates for membership of the management board in addition to the requirements or restrictions imposed by local law. It is vital that a management board member:

- ✔ demonstrates a commitment to integrity and business ethics,
- ✔ is highly motivated,
- ✔ has a comprehensive knowledge of the business,
- ✔ is capable of effective communication and teamwork,
- ✔ is ready to participate in constant training, education and professional development,
- ✔ has the ability to effectively apply knowledge in work and to transfer knowledge to others,
- ✔ has the ability to lead people,
- ✔ is responsive to change,
- ✔ manages well crisis situations,
- ✔ is friendly and relates to people.

The management board is composed in such a way that the members of the management board as a collective body have experience in and knowledge of:

- ✔ insurance and financial markets,
- ✔ business strategy and business models,
- ✔ the management/governance system,
- ✔ financial and actuarial analysis and
- ✔ the legislative framework and requirements.

The process and criteria for the selection of candidates for members of the management board as well as the process of periodic fit and proper assessments of individual members is transparently set out in the Company's fit and proper policy for relevant personnel.

Succession

The supervisory board defines candidate profiles and selects qualified and experienced candidates for membership of the management board. The supervisory board, in cooperation with the management board, ensures proper succession planning for the individual members of the management board, taking into account all of the legal requirements regarding the composition, appointment and succession, the required internal diversity policy on the management board's composition, as well as the requirements of the fit and proper policy relating to both individual management board members and the management board as whole.

In preparing the succession plan for members of the management board, the supervisory board takes into account the expiry date of each member's term of office in order to avoid having to replace several at the same time.

Remuneration

The remuneration system for the management board must ensure that relevant candidates for these positions can be attracted according to the requirements of the individual companies, and must seek to strike a balance between the interests of the management board and the long-term interests of a company. Remuneration of the management board members consists of a fixed and a variable component. The variable component must not be determined so as to allow the rewarding of behaviour that encourages exposure of the Company to uncontrolled risks.

The remuneration system and criteria for remuneration of the management board are set out in detail in the Company's remuneration policy.

Reporting

The management board regularly (at least quarterly) reports to the supervisory board in a comprehensive and accurate manner on:

- the implementation of business policies and other principles relating to business,
- the profitability of the Company, particularly return on equity,
- business performance, especially business volume, financial situation and solvency,
- transactions that may have a significant impact on the profitability and solvency of the Company, and
- all material risks that are, or could have a significant impact on the capital adequacy of the Company.

3.4 Risk management

The risk management system is a key building block of the governance system.

The Company's management board must ensure that an effective risk management system is in place.

An appropriate organisational structure is the basis of an effective risk management system.

The risk management system is set out in detail in the Company's risk management policy. Own risk and solvency assessment is set out in detail in the own risk and solvency assessment policy.

3.5 Key functions of the risk management system

3.5.1 General

The Company has certain functions integrated into the organisational structure and decision-making processes. These are the risk management function, internal audit function, actuarial function and compliance function, defined by applicable law as the key functions of the governance system (hereinafter: "key functions").

The key functions are integrated into the organisational structure and decision-making processes to strengthen the three-lines-of-defence framework of the Company's control system. All four key functions work closely with each other, regularly exchanging information they need in order to function as intended.

The key functions perform their duties independently from each other and from other organisational units of the Company. The key functions in the company are organised as management support services and report directly to the management board of the parent company. The compliance key function is organised within the "Office of the management board and compliance" department.

The key functions established and integrated into Sava Re's governance system perform their key functions at both the level of the parent company as well as at the Group level.

The main activities of any key function holder at the Group level are:

- coordinating the development of a uniform methodology for all key functions in the ,
- working to develop appropriate framework policies for the key function and professional guidelines for the adoption of area-specific operational rules for the parent company and subsidiary companies,

- 📄 working toward strict application and observance of uniform standards by all key functions in the Sava Insurance Group,
- 📄 coordinating and implementing joint activities in the Sava Insurance Group;
- 📄 providing guidance and overseeing the operations of key functions in all Sava Insurance Group companies (coordinating planning activities and reviewing reports of Group companies);
- 📄 professional development and exchange of good practices relating to the key functions of the Sava Insurance Group.

3.5.2 Role of individual key functions

3.5.2.1 Risk management function

The risk management function performs the duties stipulated by the Solvency II Directive and the regulations based thereon, together with the insurance law, including regulations based thereon. The risk management function is primarily responsible for (1) the operation of the risk management system, (2) the identification and assessment of risks assumed, (3) pooling of risks into a common risk profile, including interactions, (4) regular monitoring of the risk profile (5) reporting on potential hazards.

Details on the duties, terms of reference, responsibilities and powers of the risk management function holder, procedures, obligations, time limits and reporting distribution lists are set out in the Company's risk management policy.

3.5.2.2 Actuarial function

The actuarial function performs the duties stipulated by the Solvency II Directive and the regulations based thereon and the insurance law, including regulations based thereon. The actuarial function is primarily responsible for (1) working to coordinate and oversee the establishment of technical provisions, including ensuring the use of appropriate and sound methodologies, assumptions and underlying data, (2) expressing an opinion on the underwriting policy, (3) expressing an opinion on the adequacy of reinsurance arrangements, (4) contributing to the effective implementation of the risk management system, in particular with respect to risk modelling.

Details on the duties, terms of reference, responsibilities and powers of the actuarial function holder, procedures, obligations, time limits and reporting distribution lists are set out in the Company's actuarial function policy.

3.5.2.3 The internal audit function

The internal audit function performs the duties stipulated by the Solvency II Directive and regulations based thereon and the insurance law, including regulations based thereon. The internal audit function primarily (1) provides objective and relevant assurance and advice to the management board in order to add value and improve the efficiency and effectiveness of operations, (2) assists the Company in achieving its goals based on systematic, methodical assessment and improvement of the effectiveness and efficiency of governance, risk management and control procedures (3) reports to the management and the supervisory bodies on the purpose, terms of reference and duties of internal audit and the implementation of its plan, the findings of the audit reviews carried out, and proposes recommendations for improvements.

Details on the duties, terms of reference, responsibilities and powers of the internal audit function holder, procedures, obligations, time limits and reporting distribution lists are set out in the Company's internal audit policy.

3.5.2.4 Compliance function

The compliance function performs the duties stipulated by the Solvency II Directive and regulations based thereon and the insurance law, including regulations based thereon. The compliance function primarily (1) seeks to ensure compliance of the Company's operations with regulations and other commitments, (2) advises the management board on compliance with the laws, implementing regulations and internal regulations, (3) assesses the potential impact of any changes in the legal environment on the Company's operations, (4) identifies and assesses compliance risks, providing assistance in managing these risks.

Details on the duties, terms of reference, responsibilities and powers of the compliance function holder, procedures, obligations, time limits and reporting distribution lists are set out in the Company's compliance policy.

3.5.2.5 Criteria and conditions for appointment of key function holders

The process and criteria for the selection of candidates for key function holders as well as the process of their periodic fit and proper assessment of individual key function holders are transparently set out in the Company's fit and proper policy for relevant personnel.

Key function holders are granted authorisations by the management board subject to consent by the Company's supervisory board.

3.5.2.6 Remuneration of key function holders



The remuneration system for key function holders must allow the attraction of appropriate candidates that will meet the needs of the Company, taking into account the nature and volume of the Company's business.

The variable component of the key function holder's salary must not be determined so as to allow the rewarding of a key function holder's behaviour that would encourage exposure of the Company to uncontrolled risks.

The remuneration system and criteria for remuneration of key function holders are set out in detail in the Company's remuneration policy.

3.5.2.7 Reporting by key function holders

Key function holders report in two directions, namely:

-  to the management and supervisory boards or, if so provided, the audit or other (subject-specific) committees, if so stipulated by internal regulations;
-  to the relevant key function holder at the Group level.

Detailed provisions on the scope, manner, matrices and time framework for reporting of any key function are set out in internal regulations governing the relevant key function.

3.5.2.8 Cooperation of key function holders

Key function holders meet regularly, as a general rule once a month, to exchange opinions, discuss topical issues and specifics of the business in the current period. They harmonise the various annual work plans of the key function holders they are required to draw up under the applicable legislation or internal acts. They also exchange findings from individual audit reviews, findings and

recommendations from the areas of work covered by each key function holder, and discuss the annual or other reports on the work of each key function holder. In accordance with the applicable legislation and internal acts, they report on findings and follow up on recommendations to the management and supervisory boards. The key function holders manage their recommendations and follow up on implementation using an online application.

Annually, the key function holders issue a joint statement that they have undertaken, with due care and in accordance with the rules of the profession, activities to ensure that all key risks that the Company is or could be exposed to in the course of its business operations, are monitored and that the risk management system level is effective.

3.6 Committees of the governance system

The Company's management board may pass resolutions to set up committees with an advisory capacity. Such committees consider issues relating to specific areas, prepare draft management board resolutions and oversee their implementation, perform other tasks requiring specific expertise, and provide professional support to the management board.

Committees are an integral part of the risk governance system of the Group and the Company and may consider issues including but not limited to risk management, asset-liability management, actuarial issues, internal audit, remuneration, information technology, data quality management and such like.

Committees set up on the parent company level perform both the role of the committee of the parent company as well as the committee at the Group level.

The terms of reference, powers and composition of committees are set out in internal regulations adopted by the Company's management board.

3.7 Framework of business conduct

3.7.1 Corporate values and ethical code of conduct

The management and the supervisory boards as well as all employees of the Company act in accordance with corporate values, high ethical standards, and consider the interests of all stakeholder groups.

The management and the supervisory boards develop and promote high ethical and professional standards. Implementing appropriate standards of professional and responsible conduct at Group level may reduce the risks to which companies are exposed. Giving such standards high priority will reduce the likelihood of operational and reputation risk considerably.

Detailed rules and lines of conduct for individual cases that may be problematic with regard to ethical and professional standards of conduct are detailed in the Group's code of ethics.

3.7.2 Commitment to identifying conflicts of interest and independence of members of the supervisory board, management board, senior and lower management as well as key function holders

3.7.2.1 General

Persons involved in the management and supervision process of the Sava Insurance Group may experience conflicts of interests due to the nature of the business relation between the parent company and a subsidiary or associate company. The participants are responsible for performing their function in both the corporate governance system or in any business function role in the best interest of the Company. If in so doing they experience a conflict of interest in respect of the core activity of any Sava Insurance Group company or any other employer they are obliged to disclose such conflict of interest and proceed in the best interest of the Company. Failing that, they notify either the Company's or the parent company's management board. Rules on procedures for managing conflict of interest are set out in detail in the rules on managing conflicts of interest of Sava Re.

3.7.2.2 The supervisory board

Before taking office and then periodically (annually) and upon each relevant change, each supervisory board member signs and submits to the supervisory board a statement of independence of supervisory board member, stating that they have sufficient knowledge and experience to perform the function of supervisory board member and takes a position relating to their potential conflicts of interest in accordance with the criteria laid down in the Code.

The members of the supervisory board inform the supervisory board of any kind of conflict of interest that may arise or could arise in the exercise of or in connection with the exercise of their office. In addition, each member of the supervisory board keeps the supervisory board informed of any memberships in management or supervisory bodies of companies.

The members of the supervisory board are aware of the fact that the existence of a material conflict of interest, or the existence of an evident conflict of interest serves, in relation to a supervisory board member, as grounds for termination of their term of office.

In addition, the supervisory board members complete, on an annual basis, questionnaires on related parties so that the Company may verify the existence of any other business relations between the Company and the supervisory board members. Any findings are disclosed in the annual report in the section on transactions with related parties.

The supervisory board takes into account any potential conflicts of interest when selecting candidates for new supervisory board members: candidates who already exhibit conflicts of interest of a nature that may have a significant impact on decision-taking and activities must not be nominated for election by the general meeting to the supervisory board.

Also, in performing their duties, a supervisory board member is not dependent on the opinions or instructions of those who elected, nominated or appointed them, but follows their own judgement and assumes full personal responsibility for their decisions. All supervisory board members have equal rights and duties, except in the event of a tied vote, wherein the chair, or the deputy chair in the absence of the chair, has the deciding vote.

3.7.2.3 Management board

On an annual basis, management board members complete questionnaires on related parties so that the Company may verify the existence of any other business relations between the Company and its employees. Any findings are disclosed in the annual report in the section on transactions with related parties.

Management board members immediately disclose any potential conflicts of interest to the supervisory board as well as inform other management board members thereof. In addition, management board members report to the supervisory board any memberships in interest groups, associations and other organisations.

As a general rule, the Company's management board members do not serve on the supervisory boards of companies outside the Group, which is designed to minimise potential conflicts of interest. Exceptions are considered and ruled on by the Company's supervisory board.

3.7.2.4 Senior and lower management

Annually, members of senior and lower management (employees under contracts that are not subject to the tariff part of the collective agreement – employees with special powers) complete questionnaires on related parties in order for the Company to establish the existence of any other business relations between the Company and its employees.

Members of senior and lower management immediately report any potential conflict of interest to the management board.

3.7.2.5 Key function holders

Key function holders cannot both implement and oversee the same duties. The Company organises processes so that different lines of defence operate separately.

On an annual basis, each key function holder completes a questionnaire on related parties so that the Company may verify the existence of any other business relations between the Company and its employees.

Key function holders immediately report any potential conflict of interest to the management board.

In order to minimise potential conflicts of interest key function holders cannot be members of any supervisory board or any committee of any Sava Insurance Group company.

If, in accordance with the proportionality principle, key functions are assigned additional activities and tasks, there are to be put in place appropriate internal measures and mechanisms for managing any potential conflicts of interest arising from such activities of a key function. Measures and mechanisms for avoiding situations that might potentially lead to conflicts of interest are detailed in the internal regulations governing the operation of individual key functions.

3.8 Internal control system

The purpose of the Company's internal control system is to identify measure, monitor and manage risk at all levels of operations, including reporting on risks that the Company is or may be exposed to in the course of its operations. In addition, the internal control system ensures compliance with the Company's internal rules and meets the requirements of other risk management laws and regulations.

It is vital that employees understand the importance of internal controls and are actively involved in the implementation of internal control procedures. Procedures for reporting to the appropriate level of management with regard to potential problems, deviations, non-compliance with the Code of Conduct or other policy violations or illegal actions are presented to all employees in plain language and clearly stated in documents available to all employees.

Detailed rules of the internal control system are set out in the Company's internal control policy.

3.9 Fit and proper assessment of the members of the management and supervisory boards, key function holders and senior management

In accordance with applicable law and this Policy, the Company ensures that persons who effectively run and oversee the operations of the Company or are holders of key or other important functions in the Company, at all times comply with the following requirements:

- (a) their professional qualifications, expertise and experience are appropriate for good and prudent governance (fit), and
- (b) they are individuals of integrity and good repute (proper).

The members of the management board, of the supervisory board, including its committees, and the members of other relevant personnel are responsible for governing and overseeing the Company, which is why they are subject to special requirements on professional knowledge, experience and personal skills depending on their role. The knowledge, skills and experience required of the members of relevant personnel is to ensure that the Company's management body adopts professionally sound decisions based on a good understanding of the Company's operations, the regulatory framework of risks and the Company's management structure.

To this end, the purpose of the Policy is to establish and implement a fit and proper assessment procedure for the members of the management and supervisory boards, their committees and other relevant personnel before their appointment and afterwards whenever circumstances arise that require a reassessment of whether such persons are still fit and proper.

The requirements regarding the qualifications of relevant personnel are specific to their role or position.

The criteria and procedures for the fit and proper assessment of members of the management and supervisory boards, its committees and other relevant personnel are laid down in detail in the Company's fit and proper policy.

3.10 Outsourced transactions




The outsourcing of activities or functions is a contracting out of work related to the business of insurance or to an important or key business function or activity of the Company otherwise carried out by the Company as part of its licensed activities. A service provider is any natural or legal person who performs services that are the object of a transfer of activities or functions. The Company is fully responsible for activities or functions outsourced since the Company's liability to third parties is not transferable to service providers or other contractors. The Company is required, before deciding on the transfer of activities or functions, to assess and document the impact that such outsourcing of tasks or functions will have, and ensure regular implementation in the future. The Company has the right to contract with service providers in order to outsource activities or functions subject to law;

however, in this regard, the Company is never deemed to be a small company or one with a small business volume, and is always subject to the provisions of the law regarding outsourcing of business.

The type, purpose and terms of outsourcing activities or functions are regulated in detail in the Company's outsourcing policy.

3.11 Business continuity management

The Company has in place a sound business continuity programme to ensure continuous operation and limit its losses in the event of severe disruption of business. To this end, the Company sets up:

-  a contingency plan and a business continuity plan to ensure that the company properly responds to emergencies and is able to maintain its vital business activities in the event of a disruption of normal operation and transactions;
-  a recovery plan for key resources that allow it to re-establish normal business procedures within an appropriate timeframe,
-  substitution and succession plans for key positions.

The business continuity process is tested on an annual basis. The plans are subject to regular annual review by the Company.

Key risks and activities in the event of incidents are covered by the Company's business continuity plan to be adopted by the Company's management board.

4 GOVERNANCE OF THE SAVA INSURANCE GROUP

4.1 General

The parent company's management and supervisory bodies are the Sava Insurance Group bodies responsible for the proper governance and supervision of the entire Group, and for setting up a governance framework appropriate to the structure, business and risks of the Sava Insurance Group as a whole and of its individual members.

The parent company fully exercises its governance function by setting business strategy from the top down, taking into account both the Group as a whole as well as its individual members. For optimal capital allocation and resilience against unforeseen events, capital allocation and capital adequacy are managed on the Group level following the top-down principle. As part of its risk strategy, the Group determines the risk appetite both at the Group level as well as at the level of its members.

The Group has set up a systematic approach to risk management, including risk management at the level of individual companies, appropriate monitoring of the risks of individual companies by the parent company as well as risk management at the Group level. The latter takes into account any interaction between the risks of individual Group companies, in particular risk concentration and other material risks associated with the operation of the Group.

Management or supervisory bodies of Sava Insurance Group subsidiaries individually pursue the same values and corporate governance policies as the parent company, unless otherwise required by law, the local regulator or based on the proportionality principle. Therefore, the management or supervisory bodies of each Sava Insurance Group subsidiary, as part of their responsibility for the governance of their company with regard to the implementation of Group policies, verify the need for any adjustments to local legislation as well as any other necessary adjustments, and in accordance with

the procedures set out in the Group policies determine their adjustments to Group policies, making sure that the subsidiary complies with applicable laws and regulations as well as with the rules of sound and prudent operation.

The management and supervisory bodies of the subsidiaries take care that their decisions neither harm the reputation of the Sava Insurance Group nor compromise the financial integrity of the Company.

The management or supervisory bodies of the parent company and its subsidiaries apply and adhere to the requirements below regarding the influence of the Group on their management:

In order to comply with their responsibilities pertaining to corporate governance, the management or supervisory bodies of the parent company:

- set up a governance structure contributing to the effective control of the subsidiaries, taking into account the nature, scale and complexity of the various risks to which the Group and its individual members are exposed;
- adopt the corporate governance policy at the Group level for subsidiaries, including a recommendation to comply with all applicable governance guidelines;
- ensure that each subsidiary has sufficient resources to meet governance standards at both the Group and local level;
- have in place adequate means to monitor whether each subsidiary complies with all legislative requirements and recommendations of the Group relating to corporate governance, and
- ensure that reporting lines in the Group are clear and transparent, especially where individual business areas do not correlate with the Group's organisational structure.

The management or supervisory bodies of individual companies are responsible for the development of the company they manage or supervise, and according to statutory regulations are jointly and severally liable for any loss resulting from a breach of duty unless they can demonstrate that they carried out their duties with integrity and in good faith.

Sava Re's system of subsidiary governance provides for the effective and uniform governance of Sava Insurance Group subsidiaries as well as favourable conditions for the optimisation of the subsidiaries' operation, and advises on all necessary actions and activities. Representatives of Sava Re are members of subsidiaries' management or supervisory bodies in order to strengthen the co-operation with and enhance the supervision of subsidiary operations in the Sava Insurance Group.

The Sava Insurance Group corporate governance system, the relationship of the parent company to subsidiaries, information flow and communication between individuals and management or supervisory bodies, are all regulated in detail in the internal Group governance rules.

Sava Insurance Group companies are supervised through governance bodies of the company, business functions and supervision functions.

4.2 Supervision of individual Sava Insurance Group members

In order to ensure transparent and effective governance and supervision of Sava Insurance Group subsidiaries, the parent company's subsidiary supervision is divided into the following three parts:

- governance supervision (through company bodies – general meeting, supervisory board),
- business function supervision (through heads of business functions),
- additional supervision (through key function holders).

Supervision of individual Group companies is regulated in detail by the internal Group governance rules.

4.3 Communication among Sava Insurance Group members

Twice yearly the parent company organises a strategic conference to discuss the strategic directions to be observed in the planning of (i) the operations of Sava Insurance Group companies, (ii) enhancements of individual business functions and (iii) performance of each company. Thus strategic conferences are aimed at improving communication on strategies and policies of the Sava Insurance Group at the level of chief executive bodies.

The Sava Insurance Group organises professional training for various business lines several times a year in order to unify business processes and transfer knowledge, corporate culture and best practices.

4.4 Planning and reporting of Sava Insurance Group subsidiaries

The planning process and the contents of annual and three-year planning documents of the controlling and subsidiary companies are described in detail in the internal Group financial control rules.

The process and the contents of reporting by Sava Insurance Group subsidiaries is set out in detail in the internal Group financial control rules and the internal Group governance rules.

The Sava Insurance Group companies have also adopted a unified system of accounting, financial and risk-management policies and all other policies listed in **appendix 1** to this document.

4.5 Invoicing transactions among related entities in the Sava Insurance Group

All transactions among Sava Insurance Group companies are carried out at arm's length, to a minor extent by refunding expenses incurred in rendering services. Sava Insurance Group companies take turns in taking the role of service provider and service user within the Sava Insurance Group in order to enhance the effectiveness of the Group as a whole.

As part of the annual functional analysis, risks identified and resources expended are used to determine risks assumed by individual functions implemented for the sake of subsidiary governance. Functions implemented by the parent company mainly include strategy setting, coordination, monitoring or controlling, and analysis, which are services normally not charged.

Governance and business functions relating to the governance and supervision of the Group and its related companies are generally not invoiced.

Operational transactions that are considered in terms of related-party transactions are charged using the comparable uncontrolled price method based on internal or external comparisons, however, to a very small extent by refunding expenses incurred in rendering services.

The system of related-party transactions is set out in detail in the internal transfer pricing rules. In accordance with OECD guidelines on setting transfer prices, the Slovenian law on tax procedure, the Slovenian law on corporate income tax and the internal transfer pricing rules, the company annually prepares a transfer pricing report (general documentation) and a transfer pricing report (special documentation), presenting in detail all transactions with related persons, the methodology of setting

transfer prices, comparability analyses of transactions and other content as required by the above laws.

4.6 System of adoption, transfer and review of business policies in Sava Insurance Group companies

4.6.1 General

With due regard to the proportionality principle, local legislation and other business specifics, Sava Insurance Group subsidiaries are recommended to include as many of the guidelines of the Company's framework policies as possible into their internal regulations in order to foster unified best practices and effective risk management across the entire Sava Insurance Group, both at the Company and Group level.

4.6.2 Procedure for adopting new policies

The Group's area-specific policies represent reference documents with general professional guidelines for the preparation of area-specific policies in subsidiaries.

The adoption of any policy in a subsidiary is reported by the subsidiary's compliance function holder to the relevant policy administrator and the compliance function holder of the parent company, who keeps record of policies and their coordination for the whole Sava Insurance Group and reports thereon to the parent company's management board and the risk management function holder.

4.6.3 Procedure for reviewing existing policies

Group companies periodically review the consistency of policies with business strategy, other policies in the governance system and other internal documents, legislation and regulations and revise them accordingly. In the event of any change in the legal environment or other objective circumstances, the Policy is reviewed more frequently.

If a reference document of the Sava Insurance Group changes in the course of any periodic review, subsidiaries are notified thereof in the same way as upon the adoption of a new policy.

5 TRANSITIONAL AND FINAL PROVISIONS

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

This Policy becomes effective upon adoption by the management board and approval by the supervisory board and applies as of 1 September 2021.

When this document becomes effective, the corporate governance policy of Sava Re d.d. adopted by the management and supervisory boards on 10 December 2017 and 20 December 2017, respectively, ceases to be effective.

Shareholders and the public are to be notified of the adoption and of the content of this document by publishing it via the SEO-net electronic information system (www.ljse.si) and posting it on the Company's website (www.sava-re.si).

This document is to be posted on the above websites in both Slovenian and English.

Ljubljana, 18 August 2021

Management Board of Sava Re d.d.

Marko Jazbec,
Chairman of the Management Board



Jošt Dolničar,
Member of the Management Board



Polona Pirš Zupančič
Member of the Management Board



Peter Skvarča,
Member of the Management Board



6 APPENDICES

Appendix 1: List of area-specific policies adopted by Sava Re d.d.

AREA	POLICY / OTHER DOCUMENT	SB CONSENT	REGULATORY REVIEW
SII ENVIRONMENT			
	Politika upravljanja (Corporate Governance Policy)	YES	YES
	Politika aktuarske funkcije (Actuarial Function Policy)	YES	YES
	Politika notranje revizije (Internal Audit Policy)	YES	YES
	Politika funkcije skladnosti poslovanja (Compliance Policy)	YES	YES
	Risk Management Policy – framework policy – covers rules for the operation of the risk management function and for the risk management culture	YES	YES
	Politika upravljanja naložbenih tveganj (Investment Risk Management Policy)	/	/
	Politika upravljanja likvidnostnih tveganj (Liquidity Risk Policy)	/	/
	Politika upravljanja sredstev in obveznosti (Asset and Liability Risk Management Policy)	/	/
	Politika upravljanja operativnih tveganj (Operational Risk Policy)	/	/
	Politika upravljanja zavarovalnih tveganj (Underwriting and Reserving Risk Policy)	/	/
	Politika lastne ocene tveganj in solventnosti (ORSA Policy)	YES	YES
	Politika notranjih kontrol (Internal Control Policy)	YES	YES
	Politika upravljanja kapitala (Capital Management Policy)	YES	YES
	Politika o izločenih poslih (Outsourcing Policy)	YES	YES
	Politika sposobnosti in primernosti zadevnih oseb (Fit and Proper Policy)	YES	/
	Politika prejemkov (Remuneration Policy)	YES	/
OTHER			
	Pravilnik o komuniciranju (Communication Rules)	/	/
	Pravilnik za finančno obvladovanje poslovanja družb v Zavarovalni skupini Sava (Sava Insurance Group Financial Control Rules)	/	/
	Politika raznolikosti sestave uprave in nadzornega sveta družbe (Diversity Policy)		

Appendix 2: List of documents referenced in the Corporate Governance Policy

DOCUMENTS REFERENCED IN THE CORPORATE GOVERNANCE POLICY
Actuarial function policy of the Sava Insurance Group and Sava Re d.d.
Internal audit policy of the Sava Insurance Group and Sava Re d.d.
Compliance policy of the Sava Insurance Group and Sava Re d.d.
Fit and proper policy for relevant persons of the Sava Insurance Group and Sava Re d.d.
Remuneration policy of the Sava Insurance Group and Sava Re d.d.
Risk management policy of the Sava Insurance Group and Sava Re d.d.
Own risk and solvency assessment policy of the Sava Insurance Group and Sava Re d.d.
Internal control policy of the Sava Insurance Group and Sava Re d.d.
Outsourcing policy of the Sava Insurance Group and Sava Re d.d.
Public relations rules of Sava Re d.d.
Rules on the procurement procedure of Sava Re d.d.
Transfer Pricing Report – general documentation
Transfer Pricing Report – specific documentation
Rules on the management of conflicts of interest in the management of financial investments of Sava Re d.d.
Sava Insurance Group governance rules
Sava Insurance Group financial control rules
Policy on the Diversity of the Management and Supervisory Boards of Sava Re, d.d.
Rules on managing conflicts of interest of Sava Re d.d.
Rules on protection of confidential data of Sava Re d.d.
Rules on the protection of Sava Re inside information and rules regarding restrictions of trading in Sava Re shares

Appendix 3: List of documents adopted on the basis of the Corporate Governance Policy

DOCUMENTS ADOPTED ON THE BASIS OF THE CORPORATE GOVERNANCE POLICY



Sava Insurance Group governance rules

Sava Insurance Group financial control manual

Appendix 4: Glossary

Terms used in the Company's Corporate Governance Policy have the following meaning:

Sava Insurance Group	the parent company Pozavarovalnica Sava d.d. (Sava Re) and all its subsidiaries
Sava Insurance Group member	commercial company that conducts a gainful activity independently as its sole activity and is part of the Sava Insurance Group owing to its ownership relations with Sava Re d.d. as the parent company;
stakeholders	individuals or interest groups, who may affect the company's operations or vice versa; stakeholders form the (internal and external) environment of the company in or through which they pursue their interests
body of the company	management or supervisory body of the company
supervisory body	the supervisory board in a two-tier system of governance and the board of directors in a one-tier management system or the non-executive members of the board of directors who are authorised by law to oversee the operations of the company
management body	the management board in a two-tier management system, and in a one-tier management system the executive members of the board of directors who are authorised by law to run the operations of the company
chief executive body	management body or members of the management body who are entered in the court register as legal representatives of the company
senior management	heads of individual organisational units of the company carrying out executive functions and reporting directly to the management body
lower management	heads of individual organisational units (or else employees who are not subject to the tariff part of the collective agreement) reporting directly to senior management
core business function	function of the company that is directly related to the core business of the company
support business function	function of the company that is not directly related to the core business of the company, but supports the core function
business function	general term encompassing both core and support functions
key functions (supporting the risk management system)	the four key functions to support the risk-management system as defined by the Solvency II Directive: risk management function, actuarial function, internal audit function, compliance function

key function holder	person who based on a decision on appointment by a competent body of the company is responsible for performing the duties of a certain key function
three lines of defence model	the risk governance system consists of three lines of defence with clearly defined roles
first line of defence: internal controls and risk management at the business function level	the first line of defence is made up of individual business functions; in the first line of defence, individual business functions assume ownership, responsibility and the ability for identifying, analysing, assessing, controlling and actively reducing the negative impact of risks due to day-to-day business operations
second line of defence: monitoring functions	the second line of defence consists of risk management, the actuarial function and the compliance function; the three key functions included in the second line of defence ensure independent monitoring of risk management activities in the first line of defence
third line of defence: control functions	the third line of defence consists of the internal audit function; internal audit is only key function that can provide an independently and impartial assessment of the governance system, risk management system and the system of control procedures
employee (of a Sava Insurance Group member)	each natural person who is in an employment relationship based on an employment contract with a Sava Insurance Group member, including the members of the chief executive body
company policy	set of principles, rules and general guidelines for the direction of employees in any business area of the company
framework policy	set of principles and general guidelines for the direction of employees in any business area of any Group company; also determines how the area is governed at the Group level. The Company's policy is drawn up at the parent company level. The Group's framework policies are reference documents for designing policies of individual Group companies. The Group's framework policies are first adopted by the management board of the parent company. Each Group member has two options relating to framework policies: either  adopt it in the proposed wording, or  adopt it in the proposed wording, except for certain specifics after prior coordination or obtaining of positive opinion from the parent company
framework policy administrator	person responsible for the professional preparation and periodic review and coordination of the framework policy
EU member state	member state of the European Union or a state party to the Agreement on the European Economic Area
third country	country other than an EU member state

local regulator	supervisory authority responsible for the supervision of the financial sector of a state; in the Republic of Slovenia, it refers to the Insurance Supervision Agency and the Securities Market Agency
legislation	statutes and other applicable regulations of state authorities
governance supervision of subsidiaries	supervision of subsidiaries through the bodies of the company: general meeting, supervisory board, board of directors
business function supervision of subsidiaries	supervision of subsidiaries through business functions organised in the parent company (business function supervision)
additional supervision of subsidiaries	additional supervision of subsidiaries through the four key functions