



**Remuneration policy  
for members of management  
and supervisory bodies  
of Sava Re d.d.**



**SAVARe**

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In accordance with Article 294(a) of the Slovenian Companies Act (Official Gazette of the Republic of Slovenia No. 42/2006, as amended; hereinafter: ZGD-1), the company Sava Re d.d., Dunajska 56, 1000 Ljubljana, has compiled the document

## **Remuneration policy for members of management and supervisory bodies of Sava Re d.d.**

# **1 Introduction**

### **1.1 Purpose of the remuneration policy**

The Remuneration Policy for Members of Management and Supervisory Bodies of Sava Re d.d. (hereinafter: the Remuneration Policy) is a uniform document that governs remuneration for management and supervisory bodies of Sava Re d.d. (hereinafter: Sava Re or the Company).

The remuneration system for management body members not only provides for remuneration for the work done but is also a key mechanism for guiding and motivating them in the performance of their function. Remuneration to supervisory body members represents payment for the performance of their function and for assuming responsibility.

The remuneration system for management body members, while taking into account legislation and best remuneration practices, allows the Company to employ and retain top experts with relevant knowledge, experience and skills required for good performance of the function of a Company management board member.

For each item (or component) of remuneration to members of management bodies, the remuneration policy determines the highest amount or range within which negotiations with candidates for management bodies are possible, with the highest amounts and ranges being flexible enough to allow consideration of changes in the Company's business environment, industry specifics and pursuit of the Company's strategy when determining the remuneration.

### **1.2 The remuneration policy's contribution to promoting the Company's strategy, long-term development and sustainability**

Sava Re is a public limited company traded on the prime market of the Ljubljana Stock Exchange. Sava Re carries on reinsurance business under its license issued under the Slovenian law governing insurance business; it is the parent company of the Sava Insurance Group (hereinafter also the Group), consisting of the parent and its subsidiaries based inside and outside the EU. Most Sava Insurance Group subsidiaries are insurance companies.

Sava Re is obliged to adhere to well-organised corporate governance, under which it not only pursues economic objectives but is also building a customer-centric, modern, digital, socially responsible and sustainability-oriented insurance group that the stakeholders recognise as: (1) a socially responsible insurance and reinsurance company and a socially responsible and credible partner, (2) a socially responsible asset and equity manager, (3) a responsible and attractive employer, and (4) a socially responsible organisation for the wider community.

## The remuneration policy is designed to promote

- **the pursuit of strategy**, by enabling pay and remuneration in line with the principles, successful implementation of the business strategy and achievement of the strategic goals of Sava Re and the Sava Insurance Group;
- **long-term development**, by preserving a direct link between payment and results, and by aligning remuneration with the goal of creating long-term value for the stakeholders and ensuring efficient risk management and
- **the Company's sustainable operations and sustainability**, with all the incentive systems at all organisational levels contributing to the Company's sustainability by aligning the goals and individuals' behaviour with the long term-mission, pursuing the Company's mission through time and building long-term value for all stakeholders and the Company's reputation, while avoiding risks that exceed the Company's risk appetite.

### 1.3 Principles of the remuneration policy for management body members

This remuneration policy primarily adheres to the following principles:

**The principle of proportionality:** the total remuneration of management body members is in appropriate proportion to their tasks, the scale of operation of the Company and Group, and their financial situation and operating results, while also taking into account comparable circumstances in the market. The fixed and variable components of remuneration and other components of the total remuneration to management body members must be at a level that allows the supervisory body to recruit top experts motivated to work responsibly and diligently to the management body.

**The principle of limitations on total remuneration:** the remuneration policy contains all the elements that make it possible to determine the total amount of remuneration. All components of remuneration in this policy have determined upper limits. The total amount of remuneration has a directly or indirectly (as the sum of individual components) fixed or determined limit.

**The principle of linking total remuneration to the Company's long-term performance:** the components of total remuneration in the remuneration policy are structured so that the remuneration policy for management body members, in addition to taking into account short-term performance, also promotes the business strategy, long-term performance and development, sustainable operations and the Company's sustainability.

**Principle of economy:** the total remuneration is determined up to the amount that does not affect the management of risks of recruiting, motivating and retaining management body members.

**Risk management principle:** the variable component may not be determined so as to allow rewarding behaviour of management body members that encourages the exposure of the Company to uncontrolled risk.

**The principle of work of equal value:** components of remuneration to management body members for equal work are determined equally, regardless of gender.

### 1.4 Definitions

The **supervisory body** is defined under the applicable ZGD-1 and the Company's applicable articles of association. In line with the latter, the supervisory body of Sava Re is composed of six members.

**A supervisory body member** is a member of the supervisory board. Where masculine grammatical forms are used for a supervisory board member, they are deemed to be understood to relate to both men and women. The term **supervisory board member** used in this report is a uniform term for both the chair of the supervisory board and any member of the supervisory board, unless specific reference is made to the chair of the supervisory board. Where masculine grammatical forms are

used for a supervisory board member, they are deemed to be understood to relate to both men and women.

The **management body** is defined under the applicable ZGD-1 and the Company's applicable articles of association. In line with the latter, the management body of Sava Re is the management board, composed of two to five members.

**A management body member** is a member of the management board. Where masculine grammatical forms are used for a management board member, they are deemed to be understood to relate to both men and women. The term **management board member** is used as a uniform term for both the chair of the management board and any member of the management board, except where specific reference is made to the chair of the management board. Where masculine grammatical forms are used for a management board member, they are deemed to be understood to relate to both men and women.

**Sava Re** or the **Company** is Sava Re d.d., Dunajska 56, 1000 Ljubljana.

The **Sava Insurance Group** is the parent Sava Re d.d. and all its subsidiaries.

The **Sava Insurance Group company** is a 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 as the parent company.

## 1.5 Presentation of the process of determining, implementing and revising the remuneration policy

### **Process of developing and updating the remuneration policy**

The supervisory board includes development or updating the remuneration policy in its framework work plan. The nomination and remuneration committee revises the existing management board remuneration system based on contracts and other documents, and the supervisory board remuneration system based on existing general meeting resolutions. Based on the analysis, the nomination and remuneration committee obtains the management board's opinion on the bases for developing or updating the remuneration policy in the part pertaining to the remuneration of management bodies, and it proposes the bases for developing or updating the remuneration policy to the supervisory board. In accordance with the supervisory board's decision and nominations and the remuneration committee's instruction, the Company's relevant offices draw up a draft remuneration policy that contains a description of remuneration for each separate body. The remuneration policy for members of management and supervisory bodies is approved by the supervisory board at the proposal of the nomination and remuneration committee.

### **The process of revising the remuneration policy**

The supervisory board's nomination and remuneration committee reviews the remuneration policy's compliance with the applicable legislation and associated internal regulations of the Company at least once a year, and it proposes changes and updates to the supervisory board as needed.

### **Process of implementing the remuneration policy**

The implementation of the remuneration policy is monitored by the supervisory board.

### **Voting on the remuneration policy**

The remuneration policy is presented for approval through a vote at Sava Re's general meeting after every significant change or every four years in any case.

### **Public disclosure of the remuneration policy**

After the general meeting vote, the remuneration policy, along with the date and outcome of the vote, is published on the Company's website, where it is publicly available for free at least as long as it is applied and not less than ten years.

### **Measures for preventing or managing conflicts of interest**

The rules on procedures for managing and mechanisms for preventing conflicts of interest are specified in the Corporate Governance Policy of Sava Re d.d. and the Company's internal rules on managing conflicts of interest.

### **Management of conflicts of interest in the supervisory board**

Before taking office and then periodically (annually) and upon each change, each supervisory board member shall sign and submit to the supervisory board a statement of independence of the member of the Company's supervisory board, stating that he has sufficient knowledge and experience for performing the function of a supervisory board member and for taking a position relating to his potential conflicts of interest, in accordance with the criteria laid down in the Corporate Governance Code for Listed Companies.

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 offices. In addition, each member of the supervisory board keeps the supervisory board informed of any memberships in management or supervisory bodies of other companies.

The members of the supervisory board are aware of the fact that the existence of a material or evident conflict of interest could constitute cause for termination of their terms of office.

In addition, the supervisory board members shall, on an annual basis, complete 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 shall not be nominated for election by the general meeting to the supervisory board.

Moreover, in performing their duties, a supervisory board member is not dependent on the opinions or instructions of those who elected, nominated or appointed him, but shall follow his own judgement and assume full personal responsibility for his decisions. All supervisory board members have equal rights and duties; only in the case of a tied vote does the chairman, or the deputy chairman in the absence of the chairman, have a casting vote.

### **Management of conflicts of interest in the 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 and inform other management board members thereof. They also disclose to the supervisory board any membership of interest groups, associations and organisations.

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

## **1.6 Description and explanation of substantial changes to the remuneration policy**

At the 36th session of 16 June 2020, the management and supervisory boards submitted to the general meeting of shareholders the Remuneration Policy for Members of the Supervisory and Management Bodies of the Sava Insurance Group.

In accordance with Article 294a of ZGD-1, which in line with paragraph 4 of Article 71 of the amending act ZGD-1K (Official Gazette of the RS, no. 18/2021) came into effect on 24 August 2021, Sava Re drew up a revised remuneration policy for members of management and supervisory bodies. This revised policy adheres to the provisions of Article 294a of ZGD-1, guidelines for designing remuneration policies of the Slovenian Directors' Association, and the recommendations of Slovenian Sovereign Holding (SSH) for designing remuneration policies for state-owned companies and regulating remuneration in contracts with management body members.

**Key emphases of the revised policy:**

- Provisions on remuneration in subsidiaries – namely, the largest Group subsidiary – have been deleted in the revised remuneration policy.
- For each item (component) of remuneration to members of management bodies, the remuneration policy determines the highest amount or range, within which negotiations with candidates for management bodies are possible.

The revised policy does not differ from the guidelines of the existing remuneration policy in regard to the type, substance and amount of remuneration to members of management and supervisory bodies.

Since the provision of Article 294a of ZGD-1 came into effect on 24 August 2021 (i.e. after the date of the 37th general meeting, held in 2021), this remuneration policy will be presented to the general meeting for approval for the first time. Therefore the outcome of general meeting's vote on the remuneration policy is not presented in this document.

# 2 Remuneration of Sava Re supervisory board members

The amount of remuneration for supervisory board members is determined by the Company's general meeting, except for external members of supervisory board committees, whose remuneration is determined by the supervisory board.

**Supervisory board members are entitled to the following remuneration for the performance of their function:**

- (1) for performing the function itself,
- (2) of attendance fees and
- (3) as reimbursement of agreed-upon expenses.

The amount of remuneration of supervisory board members was set by a resolution of the 31st general meeting of Sava Re shareholders, held on 30 August 2016.

**The resolution on the amount of remuneration for supervisory board members has been in effect since 1 September 2016:**

- (1) Members of the supervisory board shall receive an attendance fee for each meeting attended, which is the same for all supervisory board members and amounts to EUR 275 gross. Each member of any supervisory board committee shall receive an attendance fee for each committee meeting attended in the amount of 80% of the attendance fee set for supervisory board meetings. Attendance fees for correspondence sessions shall be 80% of the amount for regular sessions. Without prejudice to the above and irrespective of the number of sessions attended, every member of any supervisory board committee is entitled to receive, in any one financial year, attendance fees of up to 50% of the annual basic remuneration for performing the function of a supervisory board member. Without prejudice to the above and irrespective of the number of supervisory board or committee sessions attended, every supervisory board member who is a member of any supervisory board committee is entitled to receive, in any one financial year, attendance fees relating to supervisory board and committee sessions of up to 75% of the annual basic remuneration for performing the function of a supervisory board member.
- (2) In addition to attendance fees, each supervisory board member shall receive basic remuneration for performing his function in the amount of EUR 13,000 gross per year. The supervisory board chair shall also receive an additional 50% of the basic remuneration for performing the function of a supervisory board member, and the vice-chair or deputy chair of the supervisory board shall receive an additional 10% of the basic remuneration for performing the function of a supervisory board member. Each member of any supervisory board committee shall receive an additional remuneration for performing his function of 25% of the basic remuneration of a supervisory board member. The chair of any committee shall be entitled to receive an additional remuneration for performing the function in the amount of 37.5% of the basic remuneration for performing the function of a supervisory board member. Without prejudice to the above and irrespective of the number of committees he serves on or chairs, any member of any supervisory board committee is entitled to receive, in any financial year, additional remuneration for committee membership of up to 50% of the basic annual remuneration for performing the function of a supervisory board member. Without prejudice to the above and irrespective of the number of committees he serves on or chairs, if the term of office of any supervisory board member is less than one financial



year, such a member of a supervisory board committee is entitled to receive, in any financial year, additional remuneration for membership of committees of up to 50% of the basic remuneration for performing the function of a supervisory board member with regard to entitlements to payments for the period covering such a member's term of office in the relevant financial year.

- (3) Each member of the supervisory board or any supervisory board committee shall receive the basic remuneration and additional remuneration for performing his function in proportional monthly payments as long as he performs the said function. The monthly payment shall be one-twelfth of the said annual amounts.
- (4) The aggregate limit of attendance fees and additional remuneration for a supervisory board member shall in no way influence the obligation to actively participate in all meetings of the supervisory board or its committees which he is a member of and to perform his obligations in accordance with the law.
- (5) Supervisory board members are entitled to reimbursement of transport costs and accommodation costs related to their activities as supervisory board members up to the amount prescribed by regulations on the reimbursement of work-related costs and other income not included in the tax base (provisions relating to transport and transient lodging on business trips). The amount that a supervisory board member is entitled to under the above provisions shall be grossed up so that the net payment represents the reimbursement of actual travel costs. The number of kilometres travelled shall be determined based on the distance between places calculated using the public AMZS website. Accommodation costs shall be reimbursed only if the supervisory board member's permanent or temporary residence is at a distance of 100 km or more, if the member cannot return because of unavailable public transport as per the timetable or based on other objective grounds.

This resolution shall cancel resolution no. 8, passed in the Company's 24th general meeting on 29 June 2011.

Supervisory board members do not receive any payments other than those set out above.

Supervisory board members cannot participate in the Company's profits.

# 3 Remuneration of Sava Re management board members

## 3.1 Introduction

The amount of remuneration for management board members is determined by the Company's supervisory board.

Remuneration of the members of the management board is regulated by (1) specific Solvency II policies: the remuneration policy of the Group and that of Sava Re, (2) this Remuneration Policy, (3) the employment contracts of each management board member and (4) the methodology for determining the performance-based pay of management board members of Sava Re, which is appended and forms part of each management board member's employment contract.

The remuneration of management board members is set out in the employment contract made between the Company and each management board member.

## 3.2 Types of remuneration

The remuneration policy regulates total remuneration to management board members.

**The total remuneration to management board members comprises:**

- (1) fixed remuneration (base salary),
- (2) variable remuneration (performance-based pay),
- (3) termination benefits and
- (4) other rights.

## 3.3 Fixed remuneration (base salary)

The fixed remuneration (base salary) of a management board member is pay for performance of duties, and for pursuing and assuming responsibility, and it is determined taking into account the provision of financial stability, compensation of efforts and professional experience. The base salary does not depend on business performance or unpredictable factors. The monthly base salary of a member of the management board is set in the employment contract as a gross amount.

### **Criteria for determining monthly gross base salary**

When determining the monthly gross base salary, the complexity and responsibility of managing the Company are taken into account in particular, applying the **complexity criteria**, which are divided into:

- (1) the criteria determining the **size of a particular company**<sup>1</sup> and

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<sup>1</sup> The complexity criteria determining the size of a particular company are: (1) the value of assets (the balance sheet total), (2) net premiums earned and (3) the average number of employees in the last financial year.

(2) the criteria reflecting the **complexity of that company's operations**.<sup>2</sup>

The upper limit for the monthly gross base salary of a management board member, depending on categorisation and taking into account the complexity criteria, is EUR 20,000.

More detailed reasoning for determining the upper limit for the monthly gross base salary of Sava Re's management board members is provided in **Appendix 1** to this policy.

**The base salary of a management board member is determined within the upper limit for monthly gross base salary determined in this remuneration policy and by taking into account the following factors in the employment contract:**

- the tasks and responsibilities of the management board member (chairman/member of the management board and division of areas of work),
- individual traits of the management board member (knowledge, experience, references and skills) and
- remuneration to management body members in comparable companies in the industry in Slovenia and the region.

The base salary of each management board member is set at a maximum of 90% of the salary of the chair of the management board.

Management board members are not entitled to a seniority bonus as this is already included in the base salary.

### 3.4 Variable remuneration (performance-based pay)

Variable remuneration is governed by the Methodology for Determining Variable Pay of a Management Board Member of Sava Re (hereinafter: the Methodology), adopted by the supervisory board, which also determines the bonus of each management board member. After the supervisory board approves the strategic and annual plans for the next year, the supervisory board lays down the quantitative and qualitative criteria for assessing the performance of individual management board members for that year.

#### **Variable component of remuneration in relation to fixed remuneration**

Annual variable remuneration to a management board member may amount to up to 50% of his annual fixed remuneration.

#### **Composition of variable remuneration**

The variable remuneration of a management board member consists of:

- business performance-based remuneration,
- individual performance-based remuneration relating to annual personal goals of a management board member and
- board performance-based remuneration based on common goals of the management board.

Eligibility for variable remuneration is determined once a year after the end of the financial year, when the accounts of Sava Re have been audited and approved. Variable remuneration is determined under the conditions and in the amount determined in the methodology. The payment

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<sup>2</sup> The complexity criteria reflecting the complexity of operations are: (1) organisational complexity: the number and size of subsidiaries in the Group, regulation complexity and complexity of risk management, (2) internationalisation of business (the number and size of subsidiaries abroad, and the share of revenue generated abroad), (3) the complexity of the direct business environment (competition level in the industry, competition in major markets, industry development stage, and the importance of research and development), (4) complexity of key products (their development stages, technological complexity, and risks and sales growth potential) and (5) industry regulation (the level of revenue/cost regulation and provision of public services).

of variable remuneration for management board members is decided by a supervisory board resolution.

### **Criteria for determining the level of variable remuneration**

#### **Quantitative criteria for determining the level of variable remuneration (business performance–based pay)**

The quantitative criteria for determining the level of variable remuneration are used to measure performance against the achievement of the plan for a particular financial period. **Business performance–based pay of a management board member** is tied to three selected financial performance indicators at the Sava Insurance Group level:

- return on equity (ROE): the basis for determining the amount of the bonus is the achievement of the planned percentage of return on equity of the Sava Insurance Group,
- return on revenue (ROR): the basis for determining the amount of the bonus is the achievement of the planned percentage of return on revenue of the Sava Insurance Group and
- expense ratio: the basis for determining the amount of the bonus is the achievement of the planned percentage of net expense ratio of the Sava Insurance Group.

#### **Qualitative criteria for determining the level of variable remuneration (consisting of individual performance–based pay based on individual goals of each management board member and individual performance–based pay based on joint goals of the management board)**

Qualitative criteria for determining the level of variable remuneration are used to measure performance against the achievement of individual annual goals of each member of the management board and against the achievement of the joint annual goals of the management board. Qualitative criteria are vital for motivating individual management board members and the management board as a whole to achieve the annual and strategic plans of both Sava Re and the Sava Insurance Group. They also include criteria related to the fulfilment of environmental and social objectives of the Company and Group. Objectives of each and/or all management board member(s) also include and measure objectives related to social responsibility.

#### **Individual performance–based pay of a management board member relating to personal goals:**

individual performance–based pay of a management board member depends on the assessment of the Company’s supervisory board whether the management board member has achieved the personal objectives as per annual assessment interviews (annually appended to the employment contract) and has contributed constructively to the short- and long-term objectives of the Company and the Group set in the annual business and strategic plans of the Company and the Group approved by the supervisory board.

**Board performance–based pay based on common objectives of the management board:** the part of salary for the overall performance of the management board received by a management board member depends on the assessment of the Company’s supervisory board whether the management board as a whole has achieved the objectives of common development projects, risk management objectives and other common short- and long-term goals as per the strategic plan of the Company and the Group set out in the annual business and strategic plans of the Company and the Group approved by the supervisory board.

#### **Variable remuneration rewarding long-term successful performance of the Company and Group**

When determining performance-based pay to management board members pertaining to the fulfilment of personal goals and determining performance-based pay pertaining to the management board’s common objectives, the short-term objectives from the annual business plan and long-term goals from the strategic plan of the Company and the Group are taken into account.

Risk management is key to achieving operational and strategic objectives and to ensuring the long-term solvency of the Company and the Group. If the Group’s solvency ratio drops below 170%, the

Company's supervisory board will review each management board member's eligibility for variable remuneration for the year.

Management board members' variable remuneration rewarding the Company's and Group's long-term performance is also subject to deferment of variable remuneration and the claw-back provision.

### **Share of qualitative criteria in relation to the share of quantitative criteria in variable remuneration**

The share of qualitative criteria in relation to the share of quantitative criteria in variable remuneration of management board members must be at least 30%.

### **Supervisory board discretion**

The supervisory board may determine the variable pay for a management board member, by resolution, under conditions that include the following:

- if, in any assessed financial year, circumstances arise that are not measurable under the methodology used by the supervisory board to determine the amount of annual variable remuneration for any management board member, but such circumstances have a positive impact on the development of the Sava Insurance Group or
- if, in any assessed year, a management board member has conducted business in line with the approved business plan and has been successful in individual tasks or projects critical to the development of the Company and the Group, but due to circumstances beyond his power it has been impossible to achieve or exceed the targets set as criteria by the methodology for determining variable pay for any one financial year.

### **Deferment of variable remuneration**

If the amount of variable remuneration exceeds 30% of the management board member's annual salary, the payment of the variable pay above the 30% of the management board member's annual salary in the financial year to which the variable remuneration refers is deferred for a period of three years. If a management board member's term of office expires before the end of the deferment period, the management board member is entitled to be paid this amount upon expiration of the deferment period regardless of his term of office ending.

The supervisory board adopts a special resolution on the deferment of variable remuneration and then a special resolution on the payment of the retained variable pay.

The supervisory board may decide not to pay out deferred performance-based pay of a management board member if the Company and/or the Group has shown materially negative operating trends during the period to which the deferred payment relates, if such trends are also the result of decisions made by that management board member.

Furthermore, deferred performance-based pay is not paid out if the management board member breached his legal and/or other obligations during the period to which the deferred payment relates. He is deemed to have breached his duties if he has failed to act in the interests of the Company and with the care of a diligent and fair businessman.

### **Assessing the fulfilment of goals and criteria for determining variable remuneration**

Eligibility for variable pay is determined once a year after the end of the financial year, when the accounts of the Sava Insurance Group have been confirmed and audited. Variable pay is determined under the conditions and in the amount determined in this Remuneration Policy in the Methodology. The payment of variable pay for management board members is decided by a supervisory board resolution.

Management board members are entitled to variable pay proportional to the period they perform their role in any calendar year.

In the event of deferred payments, the variable remuneration based on the fulfilment of set long-term goals is determined using the *bonus-malus* system when the deferment period expires, based on the (audited) annual report and other materials demonstrating the fulfilment of long-term goals.

If the management body member's term is terminated before the expiry of the deferment period, all contingent payments for the performance of the function are finally determined and paid based on relevant materials using the *bonus-malus* system when the deferment period expires.

#### **Variable remuneration claw back**

The Company may demand that already paid variable remuneration or its proportional part be returned

- if it has been decided by a final judicial decision that an annual report is void and the grounds for voidance relate to items or facts that were the basis for determining the variable pay of management board members or
- on the basis of a special auditor's report that found that the criteria used for determining the variable remuneration were used incorrectly or that they were calculated on the basis of inaccurate accounting, financial or other data or indicators.

The return of the paid variable remuneration or portion thereof may be required within three years of the payment of variable remuneration or its portion.

#### **Shares and stock options**

The Company does not specify variable remuneration of management board members in the form of shares or stock options.

#### **Management board members' participation in profit sharing**

The Company does not specify variable remuneration of management board members in the form of profit sharing.

### **3.5 Termination benefits due to early termination of a management body member's term of office**

A management board member is entitled to a termination benefit if he has been dismissed for other economic and business reasons, or if he is not reappointed upon the expiry of his term of office. In this case, the management board member is entitled to a termination benefit in the amount of six times the average basic monthly gross salary received by him over the term of office.

The management board member is entitled to a termination benefit if his office is terminated consensually. In this case, he is entitled to a termination benefit upon retirement of no less than three and no more than six average basic monthly gross salaries received by him while performing his function during the most recent term of office.

A management board member is entitled to a termination benefit referred to in the previous two paragraphs only if his employment relationship with all companies of the Sava Insurance Group is terminated.

### **3.6 Other rights of management body members**

Management board members also have other rights, such as bonuses and benefits, and other remuneration.

Bonuses and benefits

#### **Management board members are entitled to other bonuses and benefits, namely:**

**Company car:** management board members also have the right to use a company car for personal purposes, with the retail price of the car limited to EUR 60,000 (VAT included) or EUR 70,000 for green vehicles.

**Mobile phone:** each management board member is entitled to a mobile phone with unlimited expenses.

**Liability insurance:** management board members are entitled to the payment of a premium for liability insurance (so-called D&O insurance), considering the deductible prescribed by the applicable legislation.

**Personal accident insurance:** each management board member is entitled to monthly premiums to cover accident, disability and accidental death under personal accident insurance policies also applying to other Company employees.

**Voluntary supplementary pension insurance:** each management board member is also entitled to the payment of monthly premiums for the voluntary supplementary pension in accordance with the pension scheme (if he decides to join the scheme) that is also used by other Company employees.

**Travel insurance with medical assistance abroad:** each management board member is entitled to travel insurance with medical assistance abroad.

**Preventive health check-up:** management board members are entitled to a preventive health check-up once a year in the scope determined by the Company's health risk assessment for the position of a management board member.

**Additional training:** in accordance with the applicable law and this policy, the Company must ensure that the people actually managing the Company at all times meet the requirements regarding their professional qualifications for good and prudent management. Management board members must constantly learn and improve, and so they are entitled to yearly reimbursement of all costs related to additional education and training for preserving a sufficient level of qualifications for performing the function of a management board member – namely, in the amount of EUR 12,500 annually – and are also entitled to salary compensation for training-related absence for up to 15 business days a year. A special agreement is concluded for training that exceeds 10 business days.

**Memberships of professional organisations:** management board members are entitled to the reimbursement of the cost of professional organisation memberships related to the performance of the function in the amount of up to EUR 3,000 annually.

#### Special cash benefits

Management board members are entitled to other cash benefits; namely:

**Allowance for annual leave:** management board members are entitled to one allowance for annual leave a year, in accordance with the provisions of the law and the collective agreement binding on the Company.

**Severance payment upon retirement:** each management board member is entitled to a severance payment upon retirement in the amount of three times the average base monthly gross salary received by the member during the most recent three months prior to termination.

**Reimbursement of cost related to the performance of function:** management board members are entitled to the reimbursement of costs related to the performance of functions under the conditions and in the amount applying to other Company employees (per diems for business trips, transportation and accommodation costs on business trips, and a meal allowance). A management board member is not entitled to reimbursement of commuting expenses if he exercises the right to use a company car.

**Compensation of salary for absences:** management board members are entitled to salary compensation for absence in cases and in the amount determined by the law.

**Right to family separation allowance:** management board members are entitled to a family separation allowance under the conditions and in the amount applying to other Company employees.

Management board members are not entitled to any remuneration or reimbursement of work-related expenses that is not expressly specified in this policy.

### 3.7 Note on how employee salaries were taken into account when designing the remuneration policy

The remuneration policy is the basis for determining the remuneration policy for employees at all Company levels. More detailed regulation of remuneration for the entire Company is provided in implementation acts separately for the management board, management and employees with contracts in line with the collective agreement, taking into account the scope of responsibilities and level of powers.

### 3.8 Legal transactions related to remuneration

The remuneration of management board members is set out in the employment contract. The employment contract specifies types of remuneration in accordance with this remuneration policy.

Management board members conclude employment contracts based on the employment relationships act, the Company's articles of association, the Insurance Supervision Agency's authorisation and the current legislation regulating companies and the insurance business. The employment contract with a management board member is also deemed an employment contract under employment law.

#### **Duration of a contract**

Employment contracts with management board members are concluded for a fixed term; namely, for the duration of their term of office (five years).

#### **Conditions for terminating an employment contract**

The employment contract with a management board member terminates on the day of termination of the term of office of the management board member.

The term of office of a management board member terminates:

- due to expiry of the term of office,
- due to his recall by the supervisory board,
- due to his resignation from the function,
- due to a consensual termination of his function or
- for other reasons that result in the termination of the term of office in accordance with legislation.

#### **Notice periods**

A management board member may terminate a contract with a six-month notice period.

### 3.9 Remuneration of management body members in the case of dual mandates

Sava Re management board members are not remunerated for serving on supervisory boards of subsidiaries or performing other tasks in such companies. When attending meetings of subsidiaries' supervisory bodies, they are entitled to reimbursement of travel expenses from subsidiaries.



# 4 Temporary derogations from the remuneration policy

Temporary derogations from the remuneration policy are only allowed in exceptional circumstances.

Exceptional circumstances arise when derogating from this remuneration policy is necessary for pursuing the long-term interests and sustainability of the Company as a whole and for ensuring its assets. The assessment of long-term interests may, among other things, consider the long-term financial performance of the Company, its competitiveness and generation of higher returns for shareholders, or a potential change in key business conditions after the general meeting decides on the remuneration policy – for example, due to a merger or acquisition agreement or in circumstances in which the current remuneration policy would no longer be reasonable. Exceptional circumstances that grant the possibility of temporarily derogating from the remuneration policy also include potential legislation changes (e.g. changes of tax regulations).

Any temporary derogation from the remuneration policy is decided with a resolution of the supervisory board at the proposal of the nomination and remuneration committee.

# 5 Guidelines for designing the remuneration policy in Sava Insurance Group companies

Sava Re as the parent company in the Sava Insurance Group adopts guidelines for designing remuneration policies for members of management and supervisory bodies for all Group companies, with guidelines for designing remuneration policies for members of management and supervisory bodies for companies with a registered office outside the EU, taking into account the specifics of a particular company, its business environment and local legislation.

# 6 Final provisions

The remuneration policy for members of management and supervisory bodies of Sava Re d.d. shall enter into force once the general meeting decides on it following a consultation, and it is applied as of 1 January 2022.

When this policy comes into force, the Remuneration Policy for Members of the Supervisory and Management Bodies of the Sava Insurance Group, which was presented to Sava Re's general meeting at the 36th session of 16 June 2020, will cease to apply.

Any deviations from this remuneration policy in the internal methodology for determining the variable remuneration of Sava Re's management board members and in management board members' contracts will be corrected within a year of the general meeting's approval of this remuneration policy.



Davor Ivan Gjivoje Jr  
Chairman of the Supervisory Board of Sava Re d.d

Ljubljana, 18 May 2022

# 7 Appendix

## 1: Grounds for selecting categories for determining the base salary of management body members

### Complexity of operations criteria

Company size (quantitative factors)			
SSH criterion	Fulfilment of the criterion	Sava Insurance Group's category	Sava Re's category
Asset value	EUR 200 million	5	5
Net premiums earned	EUR 100 million	5	5
No. of employees	over 500	5	3
Complexity of operations (qualitative factors)			
SSH criterion	Complexity level	Sava Insurance Group's category	Sava Re's category
<b>Organisational complexity</b>			
Number and size of subsidiaries, regulation complexity, complexity of risk management	high	5	5
<b>Internationalisation of business</b>			
Number and size of subsidiaries abroad, share of revenue generated abroad, connection with the international business environment	high	5	5
<b>Complexity of the direct economic environment</b>			
Competition in the industry, competition in major markets, industry development stage, importance of research and development	high	5	5
<b>Complexity of key products</b>			
Development phase, technological complexity, risks, growth potential, etc.	high	5	4
<b>Regulated activity</b>			
Level of revenue/cost regulation, provision of public services, etc.	medium	4	4
<b>Average value of factors</b>		<b>4.88</b>	<b>4.5</b>

### Grounds for categorising Sava Re and the Sava Insurance Group for each operation's complexity qualitative factor Re

Sava Re is a reinsurance company and the parent company in the Sava Insurance Group. Sava Re is the largest reinsurance company domiciled in central and eastern Europe, servicing more than 350 partners in over 100 insurance and reinsurance markets worldwide. The Group is one of the leading insurance groups in the region, with a presence in six countries of the Adriatic region (apart from Slovenia, also in Croatia, Serbia, Montenegro, North Macedonia and Kosovo).

Sava Re shares are listed on the Ljubljana Stock Exchange and are part of the SBI TOP, the Slovenian blue-chip index. Sava Re maintains "A"-level long-term financial strength ratings, with a stable outlook, by both S&P Global Ratings and AM Best.

The Group ended 2021 with operating revenues of over EUR 730 million and a net profit of EUR 76 million.

We focus on our customers and design our services around their needs. We are expanding the Group's life, non-life, health and pension insurance services, asset management business and other complementary activities. This allows us to strengthen and refine our service range, evolving into a comprehensive provider of services at all stages of our customers' lives. Thus, we make sure that all customers are among good people because at the Sava Insurance Group we always place them at the centre and work towards the best possible solutions for them.

The Group's risk management system is a cornerstone of the governance framework. The Company is aware that this area is key to achieving operational and strategic objectives and to ensuring the long-term solvency of the Company and the Group. Therefore, the Company is continuously improving its risk management system at the Group level. The Company's strong risk culture is essential to its security and financial stability, and to achieving its goals. In order to establish good risk management practices, the Company promotes a risk management culture with appropriately defined remuneration for employees, employee training and relevant internal information flow. The Company has implemented a risk strategy that defines the risk appetite and policies that cover the entire framework of risk management, own risk and solvency assessments (hereinafter: ORSA) and risk management for each risk category. Risk management is one of the key processes in insurance business; it is also regulated by the law and measured with the Solvency II system, and as a result it is a complex area.

Group companies operate in different, highly competitive markets. Each market has domestic as well as foreign competitors (foreign-owned insurance companies), and a high level of flexibility is required. The majority of the Group's markets are at the stage of intensive development and provide opportunities for high organic growth. Competition in the international reinsurance market is similarly challenging, and the complexity is due to the high number of markets where we operate. Management of investment portfolios is an important element of insurance companies' operations, which strongly depend on general economic circumstances and events in financial markets. The volume of premiums in each insurance market correlates to the GDP and is thus highly sensitive to economic developments.

Technological transformation is one of the three key pillars of the 2020–2022 strategy. The projects that the Group started in this period will be completed in the next strategic period, and they will have a significant effect on the Group's competitiveness. Based on the establishment of new core information systems, we are pursuing digitalisation goals and adjusting our services to the needs and changed buyer behaviour of our clients. This part of the strategy is essential for ensuring future stable revenue growth in the Group.

The activities of the Company and the majority of other Group companies are financial, and as a result are regulated in detail by relevant laws. All aspects of Sava Re and other Group companies' operations are monitored and overseen by individual market supervisors.

**The upper limit for fixed remuneration of Sava Re's management board members based on the average value of qualitative and quantitative factors of operations' complexity**

Based on the calculation of the average value of qualitative and quantitative factors of operations' complexity, the upper limit for fixed remuneration of Sava Re's management board members is set at the monthly gross amount of EUR 20,000.



**SAVARe**

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