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Sustainability-related disclosure as at 2 August 2022

1. Introduction

The Sustainability Investment Policy of the Sava Insurance Group (hereinafter: the Policy) was adopted for the first time on 22 June 2021. The purpose of this Policy is to regulate the Group's approach to environmental, social and governance (ESG) aspects of the Group's investing. The Policy is also intended to ensure that the Group adheres to applicable laws and regulations regarding investments, such as the Sustainable Finance Disclosure Regulation (hereinafter: the SFDR) and other EU and national regulations.

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

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

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

2. Sustainability risks

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

As a member of the Sava Insurance Group, Zavarovalnica Sava d.d. (hereinafter: the Company) is committed to adhering to the guidelines and commitments set out in the Sustainability Investment Policy of the Sava Insurance Group. It will also take a proactive approach to integrating sustainability risks into investment processes, in line with the amended Sustainability Investment Policy adopted on 2 August 2022 (Delegated Regulation (EU) 2021/1256). This will be done by adapting investment processes in order to identify, assess and manage sustainability risks in an effective way. The Company is mindful of the impact of long-term investment policies and strategies on sustainability factors.

Furthermore, the Company takes into account sustainability risk when investing in financial instruments in accordance with the prudent investor principle. The Group monitors its investment portfolios and maintains an exclusion list of investments in debt securities, collective investment undertakings and equity securities (shares, exchange-traded funds, etc.).

Sustainability risks are analysed by applying the look-through approach as far as possible for mutual fund and exchange-traded fund investments to gain insight into the individual investments of the fund in terms of compliance with the Sustainability Investment Policy. Where a look-through approach is followed, deviations from the provisions of this Policy are allowed up to a maximum of 30% of portfolio assets.

2.2. Exclusions

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

- monitoring and evaluating principal adverse impacts,
- monitoring and evaluating greenhouse gas intensities,
- exclusions.

The Group believes that certain industries are not part of its ambition to invest responsibly and sustainably and are therefore excluded from its investment options. The Company has therefore committed not to finance, directly or indirectly, companies or projects that derive a significant part of their revenues from these industries. The industries are set out in Appendix 2 to the Policy.

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

The guidelines provided recommend that the Company sell non-compliant investments within six months of identifying any non-compliance. Exceptions are allowed for the held-to-maturity (HTM) class of assets. The Group will update the exclusion list of investments at least semi-annually.

2.3. Integration of sustainability risks in the remuneration policy

The remuneration policy is designed to promote sustainable business operations and the sustainability of the Company, with all incentive schemes at all organisational levels contributing to the Company's sustainability by aligning the objectives and behaviour of individuals with the Company's long-term mission, creating long-term value for all stakeholders and building the Company's reputation, while avoiding risks beyond the Company's risk appetite.

3. Statement on principal adverse impacts

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

The Company has taken steps to obtain data on the main adverse impacts on the assets it manages from an external source. As required under the SFDR, the Company will publish this data in 2023 with the reference year 2022.

3.1. International commitments

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