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OSIGURANJE

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## STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS OF ZAVAROVALNICA SAVA D.D.

### 1 Summary

Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation – SFDR) requires financial market participants, in addition to publicly disclosing their sustainability management policies and how they integrate sustainability risks into their investment decision-making process, to disclose the Company's position on the principal adverse impacts of its investment decisions on sustainability factors (PAI statement).

Zavarovalnica Sava d.d. (the Company), LEI code 48510000OGX4W2DFYV52, is considered a financial market participant within the meaning of Article 2(1)(a) of SFDR, as it is an insurance undertaking which makes available an insurance-based investment product (IBIP) (unit-linked life insurance where the investment risk is borne by the policyholders). This statement refers to the principal adverse impacts of investment decisions on the sustainability factors of the Company, including the subsidiary in Croatia.

Article 4(1) and (3) of SFDR requires a company, as a financial market participant with an average number of employees over 500, to publish and maintain on its website a statement of its due diligence policies with respect to the principal adverse impacts of investment decisions on sustainability factors, as well as a description of the principal adverse impacts on sustainability, including any actions taken or planned to address them.

The statement covers the reference period from 1 January to 31 December 2022. The indicators are calculated on the basis of the average of the quarterly shares of investments in investee companies over the reference period from 1 January to 31 December 2022 and according to the latest available information on the principal adverse impacts of investee companies.

The Sava Insurance Group, of which the Company is a member, has adopted the [Sustainability Investment Policy](#), which establishes sustainability guidelines for investment decisions in the investment management covering non-life insurance liabilities, traditional life insurance liabilities and the Company's own funds. The policy is based on the principles of integrating environmental, social and governance (ESG) considerations into investment decision-making processes, and identifies industries that do not comply with sustainability and responsible guidelines and in which Group companies do not invest, thereby limiting the adverse impacts of investment decisions. In managing its investment portfolio, the Company consistently adheres to and implements the Group's policy by integrating sustainability considerations into the due diligence of new issuers and by monitoring the overall investment portfolio for adverse impacts on sustainability factors.

Investments in mutual funds covering life insurance liabilities where the investment risk is borne by the policyholders are not subject to the Sustainability Investment Policy, given that the Company is

unable to influence the investment policy of the mutual funds currently offered in unit-linked life insurance where the investment risk is borne by the policyholders.

As part of the financial product of unit-linked life insurance, where the investment risk is borne by the policyholders, the Company offers policyholders the possibility of choosing mutual funds managed by Sava Infond d.o.o. (Sava Infond). For most of the funds currently on offer, Sava Infond has chosen not to consider the principal adverse impacts when making investment decisions. One exception is the Infond Družbeno Odgovorni (Socially Responsible) Fund, an equity sub-fund in developed markets. The fund operates in accordance with Article 8 of SFDR and takes into account the principal adverse impacts on sustainability factors. Policyholders are informed of this before taking out a life insurance policy where they bear the investment risk.

The principal adverse impacts on sustainability factors are described below.

**Table 1: Summary of principal adverse impacts on sustainability factors**

Applies to	Area	KPI	Table	No.
Indicators applicable to investments in investee companies	Climate and other environment-related indicators	GHG emissions	1	1
		Carbon footprint	1	2
		GHG intensity of investee companies	1	3
		Exposure to companies active in the fossil fuel sector	1	4
		Share of non-renewable energy consumption and production	1	5
		Energy consumption intensity per high impact climate sector	1	6
		Activities negatively affecting biodiversity-sensitive areas	1	7
		Emissions to water	1	8
		Hazardous waste and radioactive waste ratio	1	9
		Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters		Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	1			11
Unadjusted gender pay gap	1			12
Board gender diversity	1			13
Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	1			14
Indicators applicable to investments in sovereigns and supranationals	Environmental	GHG intensity	1	15
	Social	Investee countries subject to social violations	1	16
Indicators applicable to investments in real estate assets	Fossil fuels	Exposure to fossil fuels through real estate assets	1	17
	Energy efficiency	Exposure to energy-inefficient real estate assets	1	18
<b>Additional indicators</b> applicable to investments in investee companies	Environmental indicator (emissions)	Investments in companies without carbon emission reduction initiatives	2	4
	Indicator for respect for human rights matters	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis	3	14

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

The following are the qualitative and quantitative PAI indicators as set out in Annex I to Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 (SFDR Delegated Regulation).

A more detailed description of the methodology for measuring principal adverse impacts is provided in section 3.

**Table 2: Indicators applicable to investments in investee companies**

Adverse sustainability indicator	Metric	Impact (2022)	Unit	Coverage	Explanation	Actions taken and planned, and targets set for the next reference period	
GHG emissions	1. GHG emissions	Scope 1 GHG emissions	17,844	tCO <sub>2</sub> e	23%	This indicator shows scope 1 emissions, which represent total global direct emissions from sources owned or controlled by investee companies. The calculation follows formula 1 in Annex I to the SFDR Delegated Regulation.	<p><b>Actions taken</b> The Company follows the Sustainability Investment Policy of the Sava Insurance Group in managing its investment portfolio and is committed to monitoring and limiting its GHG intensity. Our strategic focus on emission reduction is based on the expectation that other economic and social sectors will also deliver on their commitments to meet the objectives of the European Green Deal and the objectives of the Paris Agreement in general.</p> <p>In 2022, the Company had no investments from the thermal coal production industry with a significant share of revenues exceeding 10% and no investments from the shale oil industry. In addition, the Company will not directly or indirectly invest in such industries, thereby pursuing the goal of decarbonising its investment portfolio.</p> <p><b>Actions planned</b> The Company will continue to measure and monitor the GHG intensity and quantity by excluding investments in the production of thermal coal and shale oil. In general, it will seek to comply with the Sustainability Investment Policy, which excludes certain undesirable activities from the investment portfolio. The exclusion thresholds are available <a href="#">here</a>.</p> <p><b>Targets set for the next reference period</b> The Company has adopted an investment management strategy up to 2027, which sets a target of reducing or improving the carbon footprint of investments by 10% each year, where possible and appropriate.</p>
		Scope 2 GHG emissions	2,477	tCO <sub>2</sub> e	23%	This indicator shows scope 2 emissions, which are the indirect GHG emissions resulting from the consumption of purchased electricity, heat, cooling or steam by the investee companies. Scope 2 emissions can be measured in two different ways: on a location-related basis and/or market-related basis. When a company provides both values, location-based values are used. When a company delivers only one value, that value is taken into account. The calculation of the impact follows formula 1 in Annex I to the SFDR Delegated Regulation.	
		Scope 3 GHG emissions	236,528	tCO <sub>2</sub> e	23%	This indicator shows scope 3 emissions resulting from the activities of investee companies but from sources that are not owned or controlled by them. The information obtained on adverse impacts is a combination of direct data from the investee companies and estimated data where the investee company has not yet disclosed the exact values. The calculation of the impact follows formula 1 in Annex I to the SFDR Delegated Regulation.	

Adverse sustainability indicator	Metric	Impact (2022)	Unit	Coverage	Explanation	Actions taken and planned, and targets set for the next reference period
	Total GHG emissions	20,299	tCO <sub>2</sub> e	23%	Total GHG emissions are calculated as the sum of scope 1 and scope 2 emissions until scope 3 emissions are more consistently and accurately reported. The calculation of the impact follows formula 1 in Annex I to the SFDR Delegated Regulation.	In the future, the Company aims to increase the share of ESG investments to at least 20% of the total portfolio, with a primary target of 25% by the end of 2027. The data relating to GHG emissions in the investment portfolio will improve in line with the disclosures by financial and non-financial market participants.
2. Carbon footprint	Carbon footprint	22.49	tCO <sub>2</sub> e / million EUR invested	21%	This indicator shows the total GHG emissions in relation to the value of the investee companies. The information on adverse impacts represents actual carbon footprint values. The calculation of the impact follows formula 2 in Annex I to the SFDR Delegated Regulation.	
3. GHG intensity of investee companies	GHG intensity of investee companies	71	tCO <sub>2</sub> e / million EUR of company revenue	26%	This indicator shows the total GHG emissions in relation to the revenue of the investee companies. The information on adverse impacts represents the actual values of the GHG emissions intensity of the investee companies. The calculation of the impact follows formula 3 in Annex I to the SFDR Delegated Regulation.	
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	2.65	%	33%	This indicator is calculated according to a binary classification (Y/N) that defines exposure to the fossil fuel sector based on established criteria. The impact is calculated as the ratio of the sum of the current value of investments in fossil fuel companies to the current value of all investments.	
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption of investee companies compared to renewable energy sources, expressed as a percentage of total energy sources	0.11	%	16%	This indicator shows the share of non-renewable energy consumption of investee companies, expressed as a percentage of total energy sources. The information on adverse impacts represents the actual energy consumption values of the investee companies. The calculation is the sum of the product of the weighting of the current value of the investment in the company to the current value of all investments and the ratio of the non-renewable energy consumption of investee companies to all energy sources.	

Adverse sustainability indicator	Metric	Impact (2022)	Unit	Coverage	Explanation	Actions taken and planned, and targets set for the next reference period	
	Share of non-renewable energy production of investee companies compared to renewable energy sources, expressed as a percentage of total energy sources	0.01	%	1%	This indicator shows the share of non-renewable energy production of investee companies, expressed as a percentage of total energy sources. The information on adverse impacts represents the actual energy production values of the investee companies. The calculation is the sum of the product of the weighting of the current value of the investment in the company to the current value of all investments and the ratio of the non-renewable energy production of investee companies to all energy sources.		
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	0.0000	GWh / million EUR of company revenue	13%	This indicator shows the energy consumption intensity, calculated as the ratio of the actual total energy consumption of investee companies to their revenues. The calculation of the energy consumption intensity per climate sector follows the principle of the impact calculation of indicator 3.		
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0.00401	%	33%	This proxy indicator indirectly reflects the estimated share of investee companies' facilities that may have a negative impact on an area of high biodiversity value. This means that the companies are linked to an industry with a high impact on the natural environment, or are located in or near (within 5 km) affected areas of high biodiversity value. The calculation is the ratio of the sum of the current value of investments in companies that have a negative impact on biodiversity-sensitive areas to the current value of all investments.	<b>Actions taken and planned, and targets set for the next reference period</b> In 2022, for the first time, the Company obtained data and measured the principal adverse impacts of investment decisions on biodiversity. The Company does not currently have a defined target for reducing the principal adverse impacts of investment decisions on biodiversity, but has set a strategic goal to increase ESG investments and has considered the exclusion industries identified in the Sustainability Investment Policy in its investment process, which has had an indirect positive effect on reducing the negative impact on biodiversity-sensitive areas.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.0000	t of emissions / million EUR invested	3%	This indicator shows the amount of substances discharged into water, such as direct emissions of nitrogen compounds, phosphates, pesticides and other substances. The information on adverse impacts represents the actual values of emissions to water generated by the investee companies. The calculation of the impact follows the formula presented under question 6 in section 2 of the document of	<b>Actions taken and planned, and targets set for the next reference period</b> See indicator 7.

Adverse sustainability indicator	Metric	Impact (2022)	Unit	Coverage	Explanation	Actions taken and planned, and targets set for the next reference period	
					the Joint Committee of the European Supervisory Authorities. <sup>1</sup>		
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0.000428	t of waste / million EUR invested	12%	This indicator shows the amount of hazardous waste as defined in Article 3 of Directive 2008/98/EC of the European Parliament and of the Council and the amount of radioactive waste. The information on adverse impacts represents the actual waste levels of the investee companies. The calculation of the impact follows the formula presented under question 6 in section 2 of the document of the Joint Committee of the European Supervisory Authorities. <sup>2</sup>	<b>Actions taken and planned, and targets set for the next reference period</b> See indicator 7.
Social and employee matters	10. Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	4.46	%	33%	This indicator describes the investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises. This means that these companies deal with significant controversial issues related to at least one of the 38 ESG criteria under the controversy risk assessment, or generate revenue from the sale of anti-personnel mines, cluster munitions or tobacco products. The impact is calculated as the ratio of the sum of the current value of investments in companies that have been involved in violations to the current value of all investments.	<b>Actions taken</b> As the Sava Insurance Group has joined the UN Global Compact, which emphasises responsible business practices in the areas of human rights, workforce, environment and corruption, the Company reviews potential violations of and compliance with the UN principles as part of its investment process and is committed to incorporating these principles into its investment process. The Company also endorses the OECD Guidelines for Multinational Enterprises. <b>Actions planned</b> Through indicator 10, the Company will monitor the share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises. The Company will continue to rigorously conduct due diligence on new issuers in this regard and will not fund issuers that are involved in violations of the principles. At the same time, it will monitor the existing portfolio in this respect. <b>Targets set for the next reference period</b>

<sup>1</sup> Questions and answers (Q&A) on the SFDR Delegated Regulation (Commission Delegated Regulation (EU) 2022/1288).

<sup>2</sup> Questions and answers (Q&A) on the SFDR Delegated Regulation (Commission Delegated Regulation (EU) 2022/1288).

Adverse sustainability indicator	Metric	Impact (2022)	Unit	Coverage	Explanation	Actions taken and planned, and targets set for the next reference period
						When more detailed data concerning the violations of and compliance of investments with the UN principles are available, the Group will define the criteria for excluding such investments from its portfolio.
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.06	%	22%	This indicator shows the percentage of OECD guidelines and UNGC principles for which companies do not have procedures in place to monitor compliance. The approach addresses both the OECD guidelines and the UNGC principles and follows the relevant sections of the OECD guidelines as they cover a wide range of topics, including the UNGC principles. This is an assessment of whether companies have at least one policy in place to monitor topics related to each section of the OECD guidelines (sections 3 to 11, excluding section 6). This is followed by the percentage of sections not covered by companies. A score of 1 would indicate that companies have not covered any of the sections and have no policies in place to monitor compliance, whereas a score of 0 would indicate that they have covered all sections and have all necessary policies in place to monitor compliance with the principles. The impact is calculated as the ratio of the sum of the current value of investments in companies without policies to the current value of all investments.	<b>Actions taken and planned, and targets set for the next reference period</b> See indicator 10.
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	0.02	Ratio	12%	This indicator measures the average unadjusted gender pay gap. It is calculated as the percentage difference between the average gross hourly earnings of male employees and female employees compared to the average gross hourly earnings of male employees. The indicator is only reported if the organisation discloses data based on the calculation method specified. This indicator helps to identify potential gender pay gaps. The calculation of the impact is a weighted sum of the average unadjusted gender pay gap, where the weighting is determined by the ratio of the current value of the investment to the current value of all investments.	<b>Actions taken and planned, and targets set for the next reference period</b> See indicator 10.

Adverse sustainability indicator	Metric	Impact (2022)	Unit	Coverage	Explanation	Actions taken and planned, and targets set for the next reference period
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	0.09	Ratio	27%	This indicator shows the ratio of the number of female members to the total number of members in the organisation's highest governing body (board of directors). Where actual data are not available or cannot be easily estimated, proxy data are used. The calculation of the impact is a weighted sum of the average ratio of female to male board members in companies, where the weighting is determined by the ratio of the current value of the investment to the current value of all investments.	<b>Actions taken and planned, and targets set for the next reference period</b> See indicator 10.
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or sale of controversial weapons	0.09	%	33%	This indicator is calculated according to a binary classification (Y/N) that reflects the assessment of a company's involvement in controversial weapons. The impact is calculated as the ratio of the sum of the current value of investments in companies involved in the manufacture or sale of controversial weapons to the current value of all investments.	<b>Actions taken</b> The controversial weapons manufacturing industry is on the list of excluded industries defined in the Sustainability Investment Policy and refers to direct exposure to controversial weapons manufacturers. <b>Actions planned and targets set for the next reference period</b> The Company will continue to monitor the portfolio in this regard and assess the need to exclude individual issuers from the investment portfolio on a case-by-case basis.



**Table 3: Indicators applicable to investments in sovereigns and suprationals**

Adverse sustainability indicator		Metric	Impact (2022)	Unit	Coverage (2022)	Explanation	Actions taken and planned, and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	92.45	tCO <sub>2</sub> e / million EUR of GDP	37%	This indicator shows GHG emissions as a share of a country's gross domestic product (GDP). The data used are actual values of GHG emissions. The calculation of the impact follows formula 4 in Annex I to the SFDR Delegated Regulation.	<b>Actions taken and planned, and targets set for the next reference period</b> See indicators 1–6.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	4.75 and 0.04	Absolute and relative number	37%	This indicator is calculated according to a binary classification (Y/N) that reflects the assessment of social violations. The calculation represents the absolute and relative number of all investee countries subject to social violations.	<b>Actions taken and planned, and targets set for the next reference period</b> The Company will continue to monitor the portfolio in this regard and assess the need to exclude individual issuers from the investment portfolio on a case-by-case basis.

**Table 4: Indicators applicable to investments in real estate assets**

Adverse sustainability impact		Metric	Impact (2022)	Unit	Coverage (2022)	Explanation	Actions taken and planned, and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	/	%	0%	The Company was unable to obtain data for indicator 17 applicable to investments in real estate assets.	<p><b>Actions taken</b> In terms of infrastructure investments, real estate funds, and other alternative investments, the Company considers sustainability criteria, as non-compliance with the ESG guidelines (as a rule) constitutes an exclusion criterion when deciding on investments in funds and direct projects. Currently, almost all alternative investments of the Company's portfolios in the form of alternative funds comply with at least one industry sustainability standard (UNPRI – United Nations Principles of Responsible Investments, GRESB – Global Real Estate Sustainability Benchmark, TCFD – Task Force on Climate-related Financial Disclosures), and the Company also reports in accordance with these standards.</p> <p><b>Actions planned</b> The Company will continue to consider sustainability criteria when making such investments.</p> <p><b>Targets set for the next reference period</b> In the future, the Company aims to obtain as much information as possible on this impact.</p>
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	/	%	0%	The Company was unable to obtain data for indicator 18 applicable to investments in real estate assets.	<p><b>Actions taken and planned</b> The Company has contacted the real estate asset managers, but they have not provided data on the real estate assets they manage.</p> <p><b>Targets set for the next reference period</b> As the Company was unable to obtain data for 2022 on this indicator, the aim is to obtain the data source that would allow the Company to define targets and activities only in relation to this indicator.</p>

**Table 5: Additional indicators applicable to investments in investee companies**

Adverse sustainability impact	Metric	Impact (2022)	Unit	Coverage	Explanation	Actions taken and planned, and targets set for the next reference period	
Environmental impacts (emissions)	19. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	14	%	23%	<p>This indicator is based on an assessment of the targets of companies' initiatives to reduce emissions. The assessment is based on a forecast of the company's total emissions over a given time period, from one year to the next. The indicator takes a conservative approach, meaning that if there is insufficient information on the company's initiatives, or if the targets of the carbon emission reduction initiatives are insufficient, the investment is flagged as having no such initiatives. The impact is calculated as the ratio of the sum of the current value of investments in companies without carbon emission reduction initiatives to the current value of all investments.</p>	<p><b>Actions taken and planned, and targets set for the next reference period</b></p> <p>See indicators 1–6.</p>
Respect for human rights	20. Number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis	0.0038	Number	35%	<p>This indicator shows the number of cases of severe issues and incidents identified through a risk assessment of controversial cases. This includes high severity cases that affect at least one defined criterion. The information on adverse impacts represents the actual number of cases of severe issues and incidents. The calculation of the impact is a weighted sum of the number of cases of severe issues and incidents, where the weighting is determined by the ratio of the current value of the investment to the current value of all investments.</p>	<p><b>Actions taken and planned, and targets set for the next reference period</b></p> <p>In 2022, for the first time, the Company obtained data on the number of cases of severe human rights issues and incidents related to investee companies.</p>

### **3 Description of policies for identifying and prioritising principal adverse impacts of investment decisions on sustainability factors**

#### **3.1 General guidelines for integrating the sustainability aspect into the investment process**

On 22 June 2021, the parent company Sava Re adopted the Sustainability Investment Policy of the Sava Insurance Group ([Sustainability investment policy](#)), which was presented to the management board of Sava Re at its session held on 29 June 2021. By the end of 2021, the Company incorporated the provisions of this policy into the Company's internal regulations governing the investment management process. The policy defines the approach to environmental, social and governance (ESG) considerations of investment decisions and sets out an exclusion list of industries in which the Company does not invest. In this way, the Company indirectly influences and mitigates the principal adverse impacts of investment decisions on sustainability factors. The exclusion list consists of industries such as the production of weapons, tobacco, coal-based energy, shale oil, and similar. The Company also monitors investments in companies violating the main UN principles and OECD Guidelines for Multinational Enterprises. More information on the exclusion list is available [here](#). As part of its active ownership, the Company monitors direct investments and attends general meetings where it considers it can have a meaningful impact.

The objectives related to the sustainability aspect of investment management have been defined by the Company in the Sustainable Development Strategy of Zavarovalnica Sava d.d. for 2023–2027, which was adopted by the Company's management board and has been in force since 1 January 2023.

The Company is increasing its investments in securities issued to fund green and environmental projects (green bonds) and sustainability bonds intended to finance the issuers' green and social sustainability objectives. As at 31 December 2022, investments in green and sustainability bonds represented 14.7% of the investment portfolio managed by the Company, excluding the investments of unit-linked policyholders who bear the investment risk.

As at 31 December 2022, ESG-compliant investments represented 24.2% of the Company's total investments. In addition to ESG bonds, these investments include mutual funds and exchange-traded funds (ETFs; excluding unit-linked funds) that adhere to ESG principles, as well as investments in alternative funds (infrastructure funds, real-estate funds and private debt funds) that clearly adhere to ESG principles, including by signing the United Nations Principles for Responsible Investment (UNPRI). By increasing the share of investments that adhere to ESG guidelines, the Company indirectly limits the adverse impacts of investment decisions and will continue to be active in this area. The ESG database is gradually being updated with data required for a more detailed assessment of the principal adverse impacts of investment decisions on sustainability factors. As a result, the Company is gradually adapting its sustainability-related processes and policies, which are regularly updated and supplemented.

The Company's management board monitors the implementation of the Sustainability Investment Policy through regular periodic compliance reviews and approves the Statement on Principal Adverse Impacts before it is published on the Company's website.

#### **3.2 Data sources**

In 2021, following due diligence of data providers in the market, the Company entered into a contract with Moody's Analytics (Moody's), a recognised and established data provider, for the

collection and use of data. The data supplied by this provider is currently the only source available to the Company to calculate the principal adverse impacts on sustainability factors.

Moody's collects information directly from companies or provides an estimate for the group of companies it monitors if the company has not yet disclosed its exact values. The Company believes that Moody's data collection methodologies and processes for assessing supplier indicators are reliable and credible.

The Company regularly analyses the data, measurements and calculations obtained from Moody's with the aim of identifying potential deviations in the input data. In the event of a deviation, the data provider is contacted directly.

Moody's does not have data for indicators 17 and 18 applicable to investments in real estate assets. As the majority of these investments are in real-estate funds, the Company has itself approached the managers of these funds to obtain data for the calculation of this indicator, but has not been successful to date and has not been able to provide such data for this report.

### **3.3 Methodology for measuring principal adverse impacts**

In 2022, the Company started collecting data and setting up processes to calculate adverse impact indicators on sustainability factors. On this basis, in the first half of this year, it measured for the first time the 18 adverse impact indicators set out in table 1 of Annex I to Delegated Regulation (EU) 2022/1288 with regard to the regulatory technical standards of SFDR. In addition to these, the Company also measures two additional indicators – the climate and environmental indicator in table 2 and the social indicator in table 3 of the above-mentioned annex.

The indicators are calculated on the basis of the average of the quarterly shares of investments in investee companies over the reference period from 1 January to 31 December 2022 and according to the latest available information on the principal adverse impacts of investee companies.

Taking into account the regulatory requirements, we have calculated the indicator in a way that shows the value of adverse impacts in relation to all investments, as explained in the document of the Joint Committee of the European Supervisory Authorities.<sup>3</sup> For the purpose of calculating the impact, the following items of the Company's statement of financial position are included in the denominator: financial investments, investment property, cash and cash equivalents, and investments in subsidiaries and associates. They relate to portfolios covering non-life insurance liabilities, traditional life insurance liabilities, life insurance liabilities where the investment risk is borne by the policyholders and the Company's own funds.

For investments in mutual funds, exchange-traded funds and alternative funds (infrastructure funds, real-estate funds and private debt funds), the Company has implemented a look-through approach to ensure the impact is calculated for each investment in these funds. The look-through approach is applied to level 1 investments in the fund. The Company did not apply the look-through approach to 1.5% of all funds as information on the breakdown of the funds into individual investments was not available.

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<sup>3</sup> Questions and answers (Q&A) on the SFDR Delegated Regulation (Commission Delegated Regulation (EU) 2022/1288).

The coverage calculation provides information on the share of investments for which PAI data were available in relation to all investments in the investment portfolio.

For each indicator, in addition to the calculated impact, a description is given of the activities carried out to date in that area, together with the planned actions and targets in each area, if any. In the future, PAI data coverage will improve with more sustainable disclosure from financial and non-financial market participants. Accordingly, further activities will be planned to identify limitations or priorities for investment decision-making related to adverse impact indicators.

#### **4 Cooperation policy**

Cooperation with investee companies can have a positive effect on investment results, as well as on society and the environment. The Company promotes responsible cooperation with companies and countries with the aim of protecting the interests of its customers and achieving the objectives and priorities of its Sustainability Investment Policy. Cooperation can be through the monitoring of companies and countries, through informal discussions, or formally by exercising the right to vote.

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

The Company has no influence on the investment policy of asset management companies. In view of the above, there is no possibility of carrying out mitigation activities in terms of cooperation with companies.

#### **5 References to international standards**

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

In 2021, Sava Re d.d., as the parent company of the Sava Insurance Group, became a signatory to the United Nations Principles for Responsible Investment and the United Nations Global Compact principles. It also endorses the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. By signing the UN Global Compact, it undertook to abide by the United Nations Universal Declaration of Human Rights, the International Labour Organisation labour standards, and the UN Guiding Principles on Business and Human Rights. The Company has accepted these commitments and aims to integrate them continuously into its investment decisions at the level of the Sava Insurance Group, and has therefore incorporated the principles into the Group's Sustainability Investment Policy, which the Company also takes into account in its investment process.

Indicator 10 (violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises), indicator 11 (lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises) and the additional indicator 14 (number of identified cases of severe human rights issues and incidents) will enable more effective monitoring of the investment portfolio in the context of human rights, as they are directly related to the Group's efforts in this area.

## 5.2 Paris Agreement and European Green Deal

The Company is pursuing the targets of the European Green Deal and the Paris Agreement. In its investment management strategy for 2023–2027, the Company has set a target to reduce greenhouse gas emissions by 55% by 2030. Compliance by all financial and non-financial market participants with the European Green Deal and the Paris Agreement is crucial for achieving this target.

The Company's efforts regarding climate change are directly connected with principal adverse impact indicators 1 to 6, which cover greenhouse gas emissions. However, we do not currently monitor the compliance of our investment portfolio with the Paris Agreement and European Green Deal targets for greenhouse gas emissions as we do not have the resources to do so.

The Company uses forward-looking climate scenarios to analyse the potential losses associated with climate risks, such as extreme weather conditions and the transition to a low-carbon economy. It recognises the importance of climate change risks to its long-term operations and has therefore addressed these risks qualitatively and quantitatively in its own risk and solvency assessment (2023 ORSA) at the end of 2022. The process of preparing the 2023 ORSA began by identifying the significant transition and physical risks over the strategic period. For the first time, the 2023 ORSA additionally includes an assessment of the materiality of the impact of climate change risk on the investment or insurance portfolio. The assessment of the materiality of the impact of climate change risk is published in the Solvency and Financial Condition Report of Zavarovalnica Sava d.d. for 2022 in section C.6.3 "Risk management", and the results of the two quantitative climate scenarios are described in sections C.1.1.3 "Risk management" and C.2.3 "Risk management", respectively. The report is published on the Company's website.