



# Corporate Governance Policy of Sava Re d.d.

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On the basis of Article 2 of the Rules of Procedure of the Management Board of Sava Re d.d., the Company's management board adopted the following document at its 50th session, held on 24 October 2023, with the consent of the supervisory board given at its 27th session, held on 16 November 2023:

## **CORPORATE GOVERNANCE POLICY OF SAVA RE D.D.**

### **1 INTRODUCTION**

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

#### **1.1 Company profile**

Sava Re is a public limited company whose shares are traded on the prime market of the Ljubljana Stock Exchange. Sava Re carries on reinsurance business in accordance with its licence issued under the Slovenian Insurance Act; it is the parent company of the Sava Insurance Group, which consists of the parent and its subsidiaries based in the EU and outside the EU. Most Sava Insurance Group subsidiaries are insurance companies.

#### **1.2 Subject matter and objectives of the corporate governance policy**

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

The purpose of this Policy is to define the foundation of the Company's system of governance, the basic management rules, rules of corporate governance and a transparent organisational structure with defined, transparent and consistent lines of responsibility and terms of reference in the governance system.

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

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

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

This Corporate Governance Policy is a commitment for the future.

#### **1.3 Definition of terms**

The terms used in this Corporate Governance Policy have the meanings as defined in the appended glossary (**Appendix 4**).

## 1.4 Goals, mission, vision, values and sustainability incorporated in the governance principles

### General

This Corporate Governance Policy defines goals, mission, vision, values and sustainability for all stakeholders and shareholders to understand the purpose and direction of the Company.

### Goals

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

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

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

### Mission

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

### Vision

We are building a customer-centric, flexible and sustainability-oriented insurance group.

### Values

We build relationships with care, integrity and respect.

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

We are active in relation to our natural and social environment.

### Sustainability

The Company pursues sustainability in all key areas: environment, society and governance. We build long-term corporate social responsibility through continuous dialogue with our stakeholders, supporting global sustainability goals, with a particular focus on climate change, the health and well-being of our customers, employees and the wider community.

The Company strives to be recognised by its stakeholders as:

- a credible and socially responsible partner,
- a socially responsible asset and equity manager,
- a socially responsible and attractive employer,
- a socially responsible organisation to the wider community.

The Company's sustainable operations are further defined in the Sustainable Development Policy of the Sava Insurance Group, which is published on the Company's website, at <https://www.sava-re.si>.

## 1.5 Corporate governance code of reference

As a public limited company, Sava Re's code of reference is the Slovenian Corporate Governance Code for Listed Companies (hereinafter: the Code).

## 1.6 Overview of the governance system

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

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

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

# 2 STAKEHOLDER GROUPS: COMMUNICATION AND COOPERATION STRATEGIES

## 2.1 General

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

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

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

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

## **2.2 Communication strategy**

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

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

## **2.3 Communication goals**

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

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

## **2.4 Communication with internal stakeholders**

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

## **2.5 Communication with external stakeholders**

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

## **2.6 Persons responsible for communication**

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

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

## **2.7 Safeguarding business secrets and procedures for handling inside information**

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

Pursuant to the Slovenian Market in Financial Instruments Act (ZTFI-1), the Company publishes inside information as soon as possible. Sava Re may, on its own responsibility, postpone the release of inside information to protect the Company's legitimate interests under the conditions set out in ZTFI-1 and the Company's internal regulations. For such cases, the Company has rules and procedures in place for managing inside information to ensure that inside information does not leak.

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

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

## **2.8 Announcement of financial results and other relevant information**

The Company publishes its financial reports and financial statements in line with the standards applicable to prime market issuers, observing ZTFI-1 and the recommendations of the Ljubljana Stock Exchange. A financial calendar is published on the Company's website, at [www.sava-re.si](http://www.sava-re.si), providing the dates of all releases of significant announcements.

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

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

## 2.10 Relations with stakeholders

### Shareholders

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

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

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

- general meetings of shareholders,
- periodic updates,
- SEOnet system (website of the Ljubljana Stock Exchange),
- Sava Re website,
- participation in local and international conferences,
- individual presentations in Slovenia and abroad,
- meetings with the financial community,
- press conferences upon release of business results,
- email (to respond to shareholder queries),
- letters to shareholders.

### Personnel

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

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

- regular and other all-staff meetings,
- information on the intranet of each company and the Group, the SavaReporter e-bulletin,
- circular email,
- college meetings,
- individual discussions,
- in-house training,
- informal staff meetings,
- Group sports games,
- team building events,
- meetings with social partners,
- annual performance assessment interviews with staff members,
- in-house seminars and strategy conferences.

### Cedants and other business partners

Dedication to customers contributes to sales, which is of key importance in our business. We believe that through sound performance, we build long-term relationships and that the satisfaction of our



partners is the mirror of our success. As our business model is exclusively business-to-business, it is absolutely essential to enjoy good relationships that are based on professional, direct, two-way communication.

We communicate with our customers using the following means:

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

## Analysts

Being a part of the professional financial community, financial analysts are an important creator of opinion in the market. Through their comments, opinions and analyses, they help investors make decisions related to buying or selling POSR shares. They represent yet another channel for accessing additional capital resources and play an important role in maintaining the Company's credibility and enhancing its reputation. From this perspective, it is vital that the professional financial public is kept well informed on the performance and goals of the Company in a prompt and transparent manner.

Furthermore, communication with the financial public is through:

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

## Media

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

## Regulatory and government authorities

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

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

## Suppliers and creditors

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

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

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

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

## Local and wider community

The Company is committed to providing security, quality of life and a profitable future for its customers, employees and other stakeholders. Our mission includes fostering respect and responsibility for the environment in which we live and work. Because responsibility is a day-to-day matter, employees take part in the "Heart for the World" initiative, contributing themselves or in cooperation with their family or friends. Our aim is to demonstrate that every step towards sustainability is important.

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

### 2.11 Safeguarding employee interests

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

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

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

The Company has its own code of ethics. We included in the code all principles we believe are relevant in our dealings with colleagues, customers and other interested members of the public.

## **3 MANAGEMENT SYSTEM**

### **3.1 Selection of the management system**

The Company has a two-tier management system.

### **3.2 Governing bodies**

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

### **3.3 Roles and responsibilities**

#### **3.3.1 Governing bodies**

##### **3.3.1.1 General**

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

The Company is run by the management board, whose work is supervised by the supervisory board. Both the management board and the supervisory board work for the benefit of the Company. The Company's articles of association, the Slovenian Companies Act, the Slovenian Insurance Act, and the rules of procedure of the management board and those of the supervisory board establish the segregation of duties and responsibilities between the management board and the supervisory board, and the mode of their cooperation.

The management board is autonomous in running the Company's affairs and making decisions. Before making major decisions that could significantly affect the operations, financial position or legal position of the Company, the management board notifies the supervisory board thereof in order to reach a consensus regarding such issues.

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

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

### 3.3.1.2 General meeting of shareholders

#### General

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

#### Terms of reference

The general meeting decides on the following:

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

#### Convening the general meeting

The general meeting of shareholders, through which the Company's shareholders exercise their rights in the affairs of the Company, is convened at least once a year, no later than August. The general meeting may be convened in other cases as provided by law, the Company's articles of association and whenever this is in the interest of the Company. As a rule, the general meeting is convened by the management board. In the cases stipulated by law, it may be convened by the supervisory board or shareholders.

The Company publishes general meeting notices through the SEOnet system provided by the Ljubljana Stock Exchange and through its website ([www.ljse.si](http://www.ljse.si)), on the Ajpes website ([www.ajpes.si](http://www.ajpes.si)) and on the Company's official website, at [www.sava-re.si](http://www.sava-re.si); and in printed form in one daily newspaper as provided in the articles of association, namely in *Delo* or *Dnevnik* or the *Official Gazette of the Republic of Slovenia*.

#### Participation in the general meeting

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

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

## Adoption of resolutions

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

## Exercise of voting rights

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

### 3.3.1.3 Supervisory board

## Terms of reference

The supervisory board oversees the management of the Company during the financial year, in line with the Company's business strategy and financial plan. In this regard, it acts in accordance with applicable regulations, particularly the Slovenian Companies Act and the Insurance Act, as well as with the Company's articles of association and the supervisory board's rules of procedure.

The main tasks of the supervisory board are to:

- monitor and oversee the business conduct and operations of the Company, and, in the case of weaknesses or irregularities, propose remedial action to the management board;
- give consent to the business policy and financial plan of the Sava Insurance Group and Sava Re as prepared by the management board;
- give consent to the development strategy of the Sava Insurance Group and Sava Re as prepared by the management board;
- approve the written rules of the system of governance, risk management, compliance, internal audit, actuarial function, internal controls and outsourced business;
- approve the granting and withdrawal of authority relating to key function holder;
- approve the solvency and financial condition report of the Company and the Group;
- approve the risk strategy of the Company and the Group as prepared by the management board;
- consider the own risk and solvency report and quarterly risk reports of the Company and the Group;
- consider compliance function reports;
- consider actuarial function reports;
- approve the framework annual and long-term work plan of the internal audit plan as prepared by the management board;
- oversee the adequacy of the procedures used by and the effectiveness of the internal audit function and consider internal audit function reports;
- issue an opinion for the general meeting to be attached to the annual report on internal auditing;
- give consent to the appointment, removal and remuneration of the head of internal audit;
- review the annual and interim financial reports of the Sava Insurance Group and Sava Re;
- review the annual report submitted by the management board, adopt an opinion on the auditor's report, and prepare a qualified or approving report for the general meeting;
- review the proposal regarding appropriation of the distributable profit submitted by the management board, and prepare a written report for the general meeting;
- appoint and remove the chair and the members of the management board;

- decide on the criteria for determining the remuneration and reward system of the chair and the members of the management board;
- adopt the rules of procedure of its operation;
- draft general meeting resolutions within the supervisory board's terms of reference, and perform tasks directed by the general meeting;
- consider the findings of the Insurance Supervision Agency and other supervisory bodies made when exercising their supervisory function over the Company.

Each year, the supervisory board prepares a schedule for its own sessions and those of its committees, including in particular the content and dates of those sessions which are obligatory due to requirements for the release of business results or which are customary based on past practice.

## Operation of the supervisory board

Supervisory board resolutions are taken by a majority of the votes cast by supervisory board members. In case of a tied vote, the chair – or the deputy chair if the chair is absent – has a casting vote.

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

## Size and composition

In accordance with the Company's Articles of Association and applicable law, the supervisory board is composed of six members, of which four (shareholder representatives) are elected by the Company's general meeting, and two (employee representatives) are elected by the works council, which informs the general meeting of its decision. Supervisory board members are appointed for a term of up to four years and may be re-elected. Members elect a chair and deputy chair from among their number.

The supervisory board is composed in such a manner as to ensure responsible oversight and decision-making in the best interest of the Company. Members are selected to complement each other in terms of expertise, experience and skills. The Company seeks to ensure that the composition of the supervisory board is in line with its policy on diversity in the composition of the management and supervisory boards, thus forming an appropriately homogeneous whole.

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

## Criteria for membership

The following criteria are used in assessing candidates for membership of the supervisory board in addition to the requirements or restrictions imposed by law:

- adequate personal integrity and professional ethics,
- comprehensive knowledge of the business,
- time availability during the performance of the function,
- effective communication and teamwork skills,
- readiness to participate in continuous education and professional development.

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

- insurance and financial markets,
- business strategy and business models,
- management/governance system,
- financial and actuarial analysis, and

- legislative framework and requirements,

so they can oversee the Company to ensure sound and prudent conduct of business.

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

## Succession

When the supervisory board is established, when a new member takes office and when special committees of the supervisory board are appointed, the chair of the supervisory board, with the support of the management board, organises a comprehensive induction programme for new members of the supervisory board or its committees.

## Remuneration

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

The remuneration must not be directly linked to the Company's performance as demonstrated by the financial statements of the parent company.

The remuneration system for the supervisory board is set out in detail in the remuneration policy for members of the management and supervisory bodies, which is reviewed by the general meeting and published on the Company's website, at <https://www.sava-re.si>.

## Strengthening supervisory board best practices

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

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

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

### 3.3.1.4 Supervisory board committees

In accordance with the law, the supervisory board may form, by way of resolution, one or more committees that consider previously determined areas, analyse specific issues, draft resolutions of the supervisory board and ensure their implementation, and perform other professional tasks to provide professional support to the supervisory board. Notwithstanding the appointment of any committee, decision-making remains the sole responsibility of the supervisory board.

The chair of the committee reports to the supervisory board on the committee's work. The committee adopts its own rules of procedure for its operation, otherwise the provisions of the supervisory board's rules of procedure apply accordingly to the committee's work.

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

#### 3.3.1.4.1 Audit committee

The tasks and terms of reference of the audit committee of the supervisory board are set out in the Slovenian Companies Act, rules of procedure, the supervisory board's rules of procedure and other autonomous legal acts (e.g. recommendations for audit committees).

Major tasks of the supervisory board's audit committee include:

- overseeing the integrity of financial information;
- monitoring the efficiency and effectiveness of internal controls, the operation of the internal audit department and risk management systems;
- monitoring the statutory audit of independent and consolidated financial statements;
- performing other tasks assigned by a valid resolution of the supervisory board, in line with statutory requirements and best practices of comparable companies or insurance groups.

#### 3.3.1.4.2 Risk committee

In its operation, the risk committee is bound by the provisions of resolutions of the supervisory board, the Solvency II Directive, the rules of procedure of the risk committee, the rules of procedure of the supervisory board, the insurance act, the Slovenian Corporate Governance Code for Listed Companies and other applicable regulations pertaining to risk management.

#### 3.3.1.4.3 Nominations and remuneration committee

The tasks and terms of reference of the nominations and remuneration committee are:

- drafting proposals for the supervisory board regarding the criteria for membership of the management board, and considering and drafting proposals concerning nominations to be decided by the supervisory board;
- preliminarily considering the proposal of the chair of the management board regarding the composition of the management board and the Company's governance, and drafting proposals for the supervisory board;
- carrying out the nomination procedure for a candidate for membership of the supervisory board who is a shareholder representative;
- providing support in drawing up and implementing a system for remuneration, reimbursements and other benefits for management board members;
- overseeing the development of a succession system for management and senior management;



- supporting and drafting proposals related to the supervisory board (e.g. conflicts of interest, the drawing up and implementation of a supervisory board remuneration system, and evaluation of the supervisory board's work pursuant to the Slovenian Corporate Governance Code for Listed Companies).

#### 3.3.1.4.4 Fit and proper committee

The fit and proper committee performed its tasks in accordance with the Company's fit and proper policy for relevant persons. The committee carries out procedures for assessing the competence of the supervisory board, supervisory board committees and the management board as collective bodies as well as for assessing compliance with the fit and proper requirements related to individual members of these bodies. At the request of the Company's works council, the committee carries out a fit and proper assessment of employee representatives on the supervisory board that have been elected by the works council.

#### 3.3.1.5 Management board

### Terms of reference

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

The main tasks of the management board are to:

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

- implement the resolutions adopted by the supervisory board.

## Operation of the management board

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

## Size and composition

The management board conducts the business of the Company and represents it in public and legal matters. It is composed of at least two but no more than five members, of whom one is the chair and the others are members of the management board. The chair and members of the management board are appointed by the supervisory board for a period of five years. Such appointments are renewable without limitations. The chair and all members of the management board are in regular employment on a full-time basis.

The management board is composed in a manner to ensure responsible oversight and decision-making in the best interest of the Company. Members are selected to complement each other in terms of expertise, experience and skills so as to ensure the sound and prudent operation of the Company. The Company seeks to ensure that the composition of the management board is in line with its policy on diversity in the composition of the management and supervisory boards, thus forming an appropriately homogeneous whole.

The exact number of management board members and the areas for which each individual member is responsible are laid down by the supervisory board, acting on a proposal from the chair of the management board, in the act on the management board.

## Criteria for membership

The following criteria, in addition to any requirements or restrictions imposed by local law, should be used in assessing candidates for membership of the management board:

- adequate personal integrity and professional ethics,
- high motivation,
- comprehensive knowledge of the business,
- effective communication and teamwork skills,
- readiness to participate in continuous education and professional development,
- ability to apply expertise effectively and transfer knowledge to others,
- ability to lead people,
- responsiveness to change,
- good management of critical situations,
- non-confrontation and cohesiveness.

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

- insurance and financial markets,
- business strategy and business models,
- management/governance system,
- financial and actuarial analysis, and

- legislative framework and requirements.

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

## Succession

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

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

## Remuneration

The remuneration system for the management board must allow the attraction of relevant candidates for these positions according to the requirements of individual companies, striving for a balance between the interests of the management board and the long-term interests of the Company. The remuneration of management board members consists of a fixed component and a variable component. The variable component may not be determined in such a way as to reward behaviour that encourages the exposure of the Company to uncontrolled risk.

The remuneration system and criteria for the management board are set out in detail in the remuneration policy for members of the management and supervisory bodies, which is reviewed by the general meeting and published on the Company's website, at <https://www.sava-re.si>.

## Reporting

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

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

### 3.4 Risk management

The risk management system is a cornerstone of strong governance.

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

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

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

### **3.5 Key functions of the risk management system**

#### **3.5.1 General**

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

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

The key function holders perform their duties independently from each other and from other organisational units of the Company. The key functions in the Company are normally organised as services of the risk management system that report directly to the Company's management board. The compliance key function is conducted as part of the office of the management board and of compliance.

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

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

- coordinating the development of a uniform methodology for all key functions in the Sava Insurance Group;
- seeking to develop appropriate framework policies for the key function and professional guidelines for the adoption of area-specific operational rules for the parent company and subsidiary companies;
- striving for strict application of uniform standards by all key functions in the Sava Insurance Group;
- coordinating and implementing joint activities in the Sava Insurance Group;
- providing guidance and overseeing the operations of key functions in all Group companies (coordinating planning activities and reviewing reports of Group companies);
- professional development and exchange of best practices relating to the key functions of the Sava Insurance Group.

#### **3.5.2 Replacement of key function holders**

If the holder of a key function is temporarily unable to perform his or her duties for any reason, a temporary replacement or deputy should be provided at short notice. The conditions, methods and procedures for the temporary replacement of a key function holder in circumstances where he or she is unable to perform the duties for which he or she has been authorised are set out in detail in the Group's internal policy on human resource development and succession planning.

### 3.5.3 Role of individual key functions

#### 3.5.3.1 Risk management function

The risk management function holder performs the duties set out in the Solvency II Directive and regulations based thereon and in the insurance law, including regulations based thereon. The risk management function holder is primarily responsible for (1) the operation of the risk management system, (2) identifying and assessing of risks assumed, (3) pooling of risks into a common risk profile, including interactions, (4) regular monitoring of the risk profile, and (5) reporting on potential hazards.

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

#### 3.5.3.2 Actuarial function

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

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

#### 3.5.3.3 Internal audit function

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

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

#### 3.5.3.4 Compliance function

The compliance function holder performs the duties set out in the Solvency II Directive and regulations based thereon and in the insurance law, including regulations based thereon. The compliance function holder primarily (1) seeks to ensure compliance of the Company's operations with regulations and other commitments, (2) advises the management board on compliance with the laws, implementing regulations and internal regulations, (3) assesses the potential impact of any changes in the legal

environment on the Company's operations, and (4) identifies and assesses compliance risks, providing assistance in managing these risks.

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

#### 3.5.3.5 Criteria and conditions for appointment of key function holders

The process and criteria for the selection of candidates for key function holders, as well as the process of their periodic fit and proper assessments, including other key persons, are transparently set out in the Company's fit and proper policy for relevant persons.

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

#### 3.5.3.6 Remuneration of key function holders

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

The variable component of the key function holder's salary may not be determined in such a way as to reward the key function holder's behaviour that encourages the exposure of the Company to uncontrolled risks.

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

#### 3.5.3.7 Reporting by key function holders

Key function holders report in two directions, namely:

- to the management and the supervisory boards or, if so provided, the audit committee and other relevant committees, if so required by the internal regulations;
- to the relevant key function holder at the Group level.

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

#### 3.5.3.8 Cooperation of key function holders

Key function holders meet regularly, as a general rule once a month, to exchange opinions and discuss topical issues and specifics of the business in the current period. They harmonise the various annual work plans of the key function holders they are required to draw up under the applicable legislation or internal regulations. They also exchange findings from individual audit reviews, findings and recommendations from the areas of work covered by each key function holder, and discuss the annual or other reports on the work of each key function holder. In accordance with the applicable legislation and internal regulations, they report on findings and follow up on recommendations to the management and supervisory boards. The key function holders manage their recommendations and follow up on implementation using an online application.

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

### **3.6 Committees in the governance system**

The Company's management board sets up committees tasked with advisory roles based on its resolutions. Such committees consider issues from specific areas, prepare draft management board resolutions and oversee their implementation, and perform other tasks requiring specific expertise, providing professional support to the management board.

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

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

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

### **3.7 Framework of business conduct**

#### **3.7.1 Corporate values and code of ethics**

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

The management and the supervisory boards develop and promote high ethical and professional standards. Implementing appropriate standards of professional and responsible conduct at the Company level may reduce the risk to which companies are exposed. When such standards are a high priority, operational and reputational risks in particular are reduced.

Detailed rules and lines of conduct for individual cases that may be problematic with regard to ethical and professional standards of conduct are specified in the Group's code of ethics, which is published on the Company's website, at <https://www.sava-re.si>.

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

##### **3.7.2.1 General**

Persons involved in the management and supervision process of the Group may experience conflicts of interest due to the nature of the business relation between the parent company and any subsidiary or associate company. The participants are responsible for performing their function in both the corporate governance system and in any business function role in the best interest of the Company. If

in doing so, they experience a conflict of interest in respect of the core activity of any Group company or with any other employer, they are obliged to disclose such conflict of interest and proceed in the best interest of the Company. Failing that, they notify either the Company's or the parent company's management board. The rules on procedures for managing conflicts of interest are set out in the Rules on the Management of Conflicts of Interest of Sava Re d.d.

### 3.7.2.2 Supervisory board

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

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

In addition, each year the supervisory board members complete questionnaires on related parties to enable the Company to 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-making and activities will not be nominated for election by the general meeting to the supervisory board.

Also, in performing their duties, supervisory board members are not dependent on the opinions or instructions of those who elected, nominated or appointed them, but follow their own judgement and assume full personal responsibility for their decisions. All supervisory board members have equal rights and duties, except in the case of a tied vote, when the chair, or the deputy chair in the chair's absence, has a casting vote.

The provisions of this section also apply accordingly to the members of individual committees of the supervisory board.

### 3.7.2.3 Management board

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

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



As a general rule, the Company's management board members do not serve on supervisory boards of non-Group companies, thereby minimising potential conflicts of interest. Exceptions are decided by the Company's supervisory board.

#### 3.7.2.4 Senior and lower management

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

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

#### 3.7.2.5 Key function holders

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

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

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

Key function holders cannot be members of any supervisory board or any of its committees of any company of the Sava Insurance Group, thus minimising potential conflicts of interest.

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

### 3.8 Internal control system

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

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

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

### **3.9 Fit and proper assessment of the members of the management and the supervisory board and of key function holders and senior management**

In accordance with the requirements of applicable legislation and in accordance with this Policy, the Company ensures that persons who effectively run and oversee the Company or hold key or important function holders at all times meet the following requirements:

- (a) their professional qualifications, knowledge and experience are adequate to ensure sound and prudent management (they are “fit”) and
- (b) they are of good repute and integrity (they are “proper”).

The members of the management and supervisory boards, including any committees thereof, as well as other relevant personnel, are responsible for managing and supervising the Company and therefore have specific requirements with regard to their professional knowledge, experience and personal skills. The required knowledge, skills and experience of each relevant person ensure that the management body makes informed and competent decisions based on a good understanding of operations, the regulatory framework relating to risks and the governance structure of the company being managed.

The purpose of this Policy is to establish and implement a fit and proper assessment process for the members of the management and supervisory boards, including any committees thereof, as well as other relevant personnel prior to their appointment and thereafter whenever circumstances arise that require a reassessment of the fit and proper status of such persons.

The fitness requirements for the personnel concerned depend on the function or position held by the person concerned.

Criteria and procedures for any fit and proper assessment of members of the management and supervisory boards, key function holders and senior management are detailed in the Company’s fit and proper policy for relevant persons.

### **3.10 Outsourcing**

The outsourcing of activities or functions means contracting out work related to the insurance business or an important or key business function or activity of the Group company that is otherwise carried out by the company as part of its licensed activities. A service provider is any natural or legal person who provides services which are the subject of a transfer of activities or functions. The Company is fully responsible for activities or functions outsourced since the Company’s liability to third parties cannot be transferred to service providers or other contractors. The Company is required to assess and document the impact of outsourcing activities or functions before deciding to transfer them, and to ensure that this is done regularly in the future. The Company has the right to contract with service providers in order to outsource activities or functions subject to law; however, in this regard, the Company is never deemed to be a small company or one with a small business volume and is always subject to the provisions of the law on outsourcing of business.

The nature, purpose and terms of outsourcing of business or functions are detailed in the Company’s outsourcing policy.

### 3.11 Business continuity management

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

- a contingency plan and a business continuity plan to ensure that the Company responds appropriately to emergencies and is able to maintain its vital business activities in the event of disruption to normal operations;
- a recovery plan for key resources that enables it to return to normal business operations within a reasonable timeframe;
- substitution and succession plans for key positions.

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

The key risks and actions to be taken in the case of an adverse event are covered in the business continuity policy adopted by the Company's management board.

## 4 GOVERNANCE OF THE SAVA INSURANCE GROUP

### 4.1 General

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

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

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

Management or supervisory bodies of Sava Insurance Group subsidiaries individually pursue the same values and corporate governance policies as the parent company, unless otherwise required by law, the local regulator or based on the principle of proportionality. Therefore, the management or supervisory bodies of each Sava Insurance Group subsidiary, as part of their responsibility for the governance of their company with regard to the implementation of Group policies, consider the need for any adjustments to local legislation as well as any other necessary adjustments and, in accordance with the procedures set out in the Group policies, determine their adjustments to Group policies, ensuring that the subsidiary complies with applicable laws and regulations as well as the rules of sound and prudent operation.

The management and supervisory bodies of the subsidiaries ensure that their decisions neither harm the reputation of the Sava Insurance Group nor compromise the Company's financial soundness.

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

To comply with their responsibilities regarding corporate governance, the management or supervisory bodies of the parent company:

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

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

Sava Re's system of subsidiary governance provides for effective and uniform governance of Sava Insurance Group subsidiaries, favourable conditions for the optimisation of the subsidiaries' operations and advice on all necessary activities. Representatives of the parent company are members of the subsidiaries' management or supervisory bodies in order to strengthen the cooperation with and supervision of subsidiary operations in the Sava Insurance Group.

The corporate governance system of the Sava Insurance Group, the relationship between the parent company and the subsidiaries, the flow of information and communication between individuals and the management or supervisory bodies are detailed in the Group's governance rules.

The companies of the Sava Insurance Group are supervised by governing bodies, business functions and supervision functions.

## **4.2 Supervision of individual Sava Insurance Group members**

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

- governance supervision (by governing bodies: general meeting, supervisory board),
- business function supervision (by heads of business lines),
- additional supervision (by key function holders).

The supervision of individual Group companies is detailed in the Group's governance rules.

## **4.3 Communication between Sava Insurance Group members**

Twice yearly, Sava Re organises a Sava Insurance Group strategic conference to discuss the strategic directions to be applied in the planning (i) the operations of companies of the Sava Insurance Group,

(ii) the development of individual business functions and (iii) the current performance of each company. Thus, strategic conferences are aimed at improving communication on strategies and policies of the Sava Insurance Group at the top management level.

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

#### **4.4 Planning and reporting of Sava Insurance Group subsidiaries**

The planning process and content of the annual and three-year strategic planning documents of the controlling and subsidiary companies are described in detail in the Group's financial control rules.

The process and content of reporting by the subsidiaries of the Sava Insurance Group are set out in detail in the Group's financial control rules and the Group's governance rules.

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

#### **4.5 Charging of services among related entities in the Sava Insurance Group**

All transactions between the companies of the Sava Insurance Group are carried out at arm's length and on the basis of reimbursement of expenses incurred in rendering services. The companies of the Sava Insurance Group take turns in taking the role of service provider and service user within the Sava Insurance Group in order to enhance the effectiveness of the Group as a whole.

As part of the annual functional analysis, risks identified and resources expended are used to determine risks assumed by individual functions implemented for the purpose of subsidiary governance. Functions implemented by the parent company mainly include strategy setting, coordination, monitoring or controlling, and analysis, which are normally services provided free of charge.

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

Operational transactions that are considered in terms of related-party transactions are charged using the comparable uncontrolled price method based on internal or external comparisons or, if this is not possible, by reimbursement of expenses incurred in rendering services.

The system of related-party transactions is set out in detail in the internal transfer pricing rules. The obligation of subsidiaries to report related-party transactions is defined in the Sava Insurance Group Financial Control Rules. In accordance with the OECD guidelines on setting transfer prices, the Slovenian Tax Procedure Act, the Slovenian Corporate Income Tax Act and the internal transfer pricing rules, the Company annually prepares a transfer pricing report (general documentation) and a transfer pricing report (special documentation), presenting in detail all transaction with related persons, the methodology of setting transfer prices, comparability analyses of transactions and other content as required by the above laws.

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

### **4.6.1 General**

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

### **4.6.2 Procedure for adopting new policies**

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

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

### **4.6.3 Procedure for reviewing existing policies**

The Group companies periodically review and revise policies for consistency with business strategy, other policies in the governance system, and other internal documents, legislation and regulations. In the event of any change in the legal environment or other objective circumstances, such policy reviews are to be carried out more frequently.

If a reference document of the Sava Insurance Group changes during the periodic review, subsidiaries are notified in the same way as when a new policy is adopted.

## **5 TRANSITIONAL AND FINAL PROVISIONS**

Adjustments and deviations from the framework policies of the Sava Insurance Group are documented and reported in line with the procedure of adopting and reviewing policies in the Group, as set out in the Corporate Governance Policy of the Sava Insurance Group.

This Policy enters into force upon adoption by the management board and consent by the supervisory board and applies from 1 December 2023.

Upon adoption of this Policy, the Corporate Governance Policy of Sava Re d.d. adopted by the management board on 31 May 2021 and approved by the supervisory board on 18 August 2021 ceases to apply.

Shareholders and the public are notified of the adoption and of the content of this document by means of its publication both on the electronic information system SEOnet ([www.ljse.si](http://www.ljse.si)) and on the Company's website ([www.sava-re.si](http://www.sava-re.si)).

This document is to be published on the above-mentioned websites in both Slovenian and English.

Ljubljana, 24 October 2023

The Management Board of Sava Re d.d.

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Marko Jazbec, Chairman

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David Benedek, Member

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Polona Pirš Zupančič, Member

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Peter Skvarča, Member

## 6 APPENDICES

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

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



*Appendix 2: List of documents referenced in the Corporate Governance Policy***DOCUMENTS REFERENCED IN THE CORPORATE GOVERNANCE POLICY**

Actuarial Function Policy of the Sava Insurance Group and Sava Re d.d.

Internal Audit Policy of the Sava Insurance Group and Sava Re d.d.

Compliance Policy of the Sava Insurance Group and Sava Re d.d.

Fit and Proper Policy for Relevant Persons of the Sava Insurance Group and Sava Re d.d.

Remuneration Policy of the Sava Insurance Group and Sava Re d.d.

Risk Management Policy of the Sava Insurance Group and Sava Re d.d.

Own Risk and Solvency Assessment Policy of the Sava Insurance Group and Sava Re d.d.

Internal Control Policy of the Sava Insurance Group and Sava Re d.d.

Outsourcing Policy of the Sava Insurance Group and Sava Re d.d.

Public Relations Rules of Sava Re d.d.

Rules on the Procurement Procedure of Sava Re d.d.

Transfer Pricing Rules of the Sava Insurance Group

Rules on the Management of Conflicts of Interest in the Management of Financial Investments of Sava Re d.d.

Sava Insurance Group Governance Rules

Sava Insurance Group Financial Control Rules

Policy on the Diversity of the Management and Supervisory Boards of Sava Re d.d.

Rules on Managing Conflicts of Interest of Sava Re d.d.

Rules on Protection of Confidential Data of Sava Re d.d.

Rules on the Protection of Sava Re Inside Information and Rules Regarding Restrictions of Trading in Sava Re Shares

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

**DOCUMENTS ADOPTED ON THE BASIS OF THE CORPORATE GOVERNANCE POLICY**

Sava Insurance Group Governance Rules

Sava Insurance Group Financial Control Rules

*Appendix 4: Glossary*

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

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

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

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