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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., LEI code
48510000OGX4W2DFYV52, for 2023**

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1 Summary

Zavarovalnica Sava d.d. (the Company or Zavarovalnica Sava), LEI code 48510000OGX4W2DFYV52, is considered a financial market participant within the meaning of Article 2(1)(a) of Delegated Regulation (EU) 2022/1288 of 6 April 2022 (the SFDR Delegated Regulation or SFDR DR), as it is an insurance undertaking providing 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 Zavarovalnica Sava and its subsidiaries, namely Sava Osiguranje d.d. – Croatian branch.

Article 4(1) and (3) of SFDR requires a company which is 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 and a description of the principal adverse impacts on sustainability (Principal Adverse Impact (PAI) Statement), including any actions taken or planned to address them.

This statement on principal adverse impacts of investment decisions on sustainability factors covers the reference period from 1 January to 31 December 2023. The indicators are calculated on the basis of the average of the quarterly holdings in investee companies over the reference period from 1 January to 31 December 2023 and according to the latest available information on the principal adverse impacts of investee companies (PAI indicators).

The Sava Insurance Group, of which Zavarovalnica Sava 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 defines 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, Zavarovalnica Sava 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, as Zavarovalnica Sava 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, Zavarovalnica Sava offers the 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, which means that it promotes environmental or social characteristics or a combination of the two. 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	Greenhouse gas emissions (GHG)	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	1	10
		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
Additional indicators 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 the SFDR DR.

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 (2023)	Impact (2022)	Unit	Coverage (2023)	Coverage (2022)	Explanation	Actions taken, actions planned and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS								
Greenhouse gas emissions (GHG)	1. GHG emissions							<p>Actions taken Zavarovalnica Sava follows the Sustainability Investment Policy in managing its investment portfolio. This means that the Company does not finance, directly or indirectly, the thermal coal production industry with a significant share of revenues exceeding 10%, nor does it finance investments in the shale oil industry. Zavarovalnica Sava also follows its commitment to regularly and annually monitor and limit the intensity of GHG emissions. 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 goals of the European Green Deal and the objectives of the Paris Agreement in general. In 2023, Zavarovalnica Sava had no new investments in the thermal coal production industry with a significant share of revenues exceeding 10% and no investments in 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>Actions planned Zavarovalnica Sava will regularly measure and monitor the dynamics of GHG intensity and quantity for the</p>
	Scope 1 GHG emissions	16,317.50	17,844.60	tCO ₂ e	30%	23%	In line with the Sustainability Investment Policy, Zavarovalnica Sava monitors and limits its investments in industries with intensive greenhouse gas emissions. As a result, scope 1 GHG emissions decreased by 1,527.10 tCO ₂ e compared to the previous period.	
	Scope 2 GHG emissions	2,153.93	2,477.07	tCO ₂ e	30%	23%	Zavarovalnica Sava monitors and limits investments in industries with intensive scope 2 emissions, which are the indirect GHG emissions resulting from the consumption of purchased electricity, heat, cooling or steam by the investee companies. In line with the Sustainability Investment Policy, scope 2 GHG emissions decreased by 323.14 tCO ₂ e compared to the previous period.	

	Scope 3 GHG emissions	234,246.25	236,528.13	tCO ₂ e	31%	23%	Zavarovalnica Sava monitors and limits investments in sectors with intensive scope 3 GHG emissions. This mainly concerns investments that represent indirect GHG emissions resulting from the consumption of purchased electricity, heat, cooling or steam by the investee companies. The actions resulted in a reduction of 2,281.88 tCO ₂ e of scope 3 GHG emissions compared to the previous period.	<p>entire investment portfolio, as well as monitor compliance with the Sustainability Investment Policy, which excludes certain undesirable activities from the investment portfolio. Exclusion thresholds are available here.</p> <p>Targets set for the next reference period Zavarovalnica Sava 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. In the future, the Company aims to increase the share of ESG investments in the total portfolio, with a primary target of 25% by the end of 2027. The aim is to introduce further restrictions on investment in GHG-intensive sectors next year.</p>
	Total GHG emissions (scope 1 + scope 2 + scope 3)	252,718.68	20,299.00	tCO ₂ e	30%	23%	During the reporting period, total GHG emissions increased compared to the previous period. This is due to the fact that in 2022 only the sum of scope 1 and 2 GHG emissions were reported under total emissions. However, in the reference period, in addition to the sum of scope 1 and 2 GHG emissions, scope 3 was added as required by the SFDR DR.	
2. Carbon footprint	Carbon footprint	21.79	22.49	tCO ₂ e per million EUR invested	22%	21%	The carbon footprint of total GHG emissions relative to the value of investee companies decreased by 0.70 tCO ₂ e per million EUR invested compared to the previous period. The decrease is due to divestments and is in line with the Sustainability Investment Policy.	
3. GHG intensity of investee companies	GHG intensity of investee companies	51.50	70.95	tCO ₂ e per million EUR of revenue of investee companies	29%	26%	The value of total GHG emissions relative to the revenue of investee companies was reduced by 19.44 tCO ₂ e per million EUR of investee companies' revenue compared to 2022. This reduction is due to divestments and is in line with the Sustainability Investment Policy.	

4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	2.65	2.65	%	32%	33%	Zavarovalnica Sava considers and follows the Sustainability Investment Policy and does not invest directly in companies active in the fossil fuel sector. Nevertheless, the share of investments in companies active in or exposed to the fossil fuel sector remained the same compared to the previous period.
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	0.16	0.11	%	26%	16%	During the reporting period, companies' share of non-renewable energy consumption increased by 0.05 percentage points. Given that Zavarovalnica Sava consistently follows the Sustainability Investment Policy when making new investments and thus indirectly limits its investments in companies that consume energy from non-renewable energy sources, this higher share is due to an increase in the portfolio's data coverage by 10 percentage points.
	Share of non-renewable energy production of investee companies compared to renewable energy sources, expressed as a percentage of total energy sources	0.02	0.01	%	3%	1%	During the reporting period, the share of investments in non-renewable energy companies increased slightly (0.01 percentage points) compared to the previous reference period.
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	0.00	0.00	GWh per million EUR of revenue of investee companies	27%	13%	During the reporting period, there was no increase in the energy intensity in GWh per million EUR of the investee companies' revenue, although the data coverage increased by 14% compared to the previous reference period.

Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0.00	0.00	%	31%	33%	There was no change in the share of investments in companies located in or near to biodiversity-sensitive areas during the reporting period compared to the previous period.	<p>Actions taken and planned, and targets set for the next reference period</p> <p>2022 was the first year that Zavarovalnica Sava collected data and measured the principal adverse impacts of investment decisions on biodiversity. The Company does not currently have a defined target for mitigating these impacts, but it has identified increasing ESG investments as one of its strategic goals. The investment process takes into account the excluded sectors set out in the Sustainability Investment Policy, which will have an indirect positive impact on reducing negative impacts on biodiversity-sensitive areas.</p>
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.00	0.00	t of emissions per million EUR invested	3%	3%	In 2023, there was no change from the previous period in the indicator measuring tonnes of emissions to water from investee companies.	<p>Actions taken and planned, and targets set for the next reference period</p> <p>Zavarovalnica Sava does not currently have a defined target for reducing investments in companies that discharge emissions to water. Given the low data coverage, the Company aims to obtain more data from the data provider next year. By excluding defined industries from the investment universe, an indirect positive impact on reducing wastewater emissions is expected.</p>
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	0.00	0.00	t of waste per million EUR invested	17%	12%	In 2023, there was no change in the indicator measuring tonnes of hazardous and radioactive waste generated by companies in which Zavarovalnica Sava invests.	<p>Actions taken and planned, and targets set for the next reference period</p> <p>Zavarovalnica Sava has not taken or planned any actions for this indicator, but by excluding defined industries from the investment universe, an indirect positive impact on the reduction of hazardous and radioactive waste is expected in the next reference period.</p>
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS									
Social and employee matters	10. Violations of UN Global Compact principles and OECD Guidelines for	Share of investments in investee companies that have been involved in violations of the	4.75	4.46	%	32%	33%	Despite integrating the UNGC principles and the OECD Guidelines into the investment process, the investment ratio for indicator 1.10 increased by 0.29 percentage points over the period	<p>Actions taken</p> <p>The Sava Insurance Group is a member of the UN Global Compact, which promotes responsible business practices in the areas of human rights, labour, the environment and anti-corruption. As part of the investment process, Zavarovalnica Sava identifies</p>

Multinational Enterprises	UNGC principles or OECD Guidelines for Multinational Enterprises						analysed. The reasons for the increase are: 1. Investment in mutual funds of the policyholders' choice, over which the Group has no direct influence. 2. Missing data in 2022 from the data provider for the corporate bonds of the company violating the UNGC principles. In 2023, the provider obtained the data, which means that the investment was included in the calculation. 3. A doubling of the carrying amount of the relevant corporate bond in 2023 compared to the previous period.	potential violations of and compliance with the UNGC principles and works to integrate these principles into the investment process. The Company also endorses the OECD Guidelines for Multinational Enterprises. Actions planned Through indicator 10, Zavarovalnica Sava will monitor the share of investments in investee companies that have been involved in violations of the UNGC principles or the OECD Guidelines for Multinational Enterprises. The Company will continue to conduct rigorous 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. Targets set for the next reference period When more detailed data on violations of and compliance of investments with the UN principles are available, Zavarovalnica Sava 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	0.00	0.06	%	31%	22%	During the reporting period, there was a decrease in the share of investments in companies that do not monitor compliance with the UNGC principles or the OECD Guidelines compared to the previous period.	Actions taken and planned, and targets set for the next reference period See indicator 10.
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	0.02	0.02	Ratio	15%	12%	The unadjusted pay gap indicator shows no change in 2023 compared to the previous period.	Actions taken and planned, and targets set for the next reference period See indicator 10.

13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	0.10	0.09	Ratio	30%	27%	In 2023, there was a slight increase in the ratio (0.01 percentage points) for the board gender diversity indicator compared to the previous year. This is due to an increase in data coverage.	Actions taken and planned, and targets set for the next reference period 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 selling of controversial weapons	0.11	0.09	%	32%	33%	Despite the monitoring of investments and compliance with the Sustainability Investment Policy, which states that Zavarovalnica Sava does not invest in companies involved in the manufacture or sale of controversial weapons, the share of investments in this indicator slightly increased in 2023 (0.02 percentage points). The increase was due to investments in mutual funds of the policyholders' choice, over which the Company has no direct influence. There were no new investments in companies involved in the manufacture or sale of controversial weapons during the reference period.	Actions taken 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. Actions planned and targets set for the next reference period Zavarovalnica Sava 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.

* The difference with the published results for 2022 as at 30 June 2023 is due to rounding of the results to two decimal places.

Table 3: Indicators applicable to investments in sovereigns and supnationals

Adverse sustainability indicator	Metric	Impact (2023)	Impact (2022)	Unit	Coverage (2023)	Coverage (2022)	Explanation	Actions taken, actions planned and targets set for the next reference period	
Environmental	15. GHG intensity	GHG intensity of investee countries	104.80	92.45	tCO ₂ e per million EUR of GDP	36%	37%	The share of total investments in government bonds declined in 2023 compared to 2022. Three countries, France, Indonesia and Mexico, contributed the most to the increase in GHG intensity of investee countries. As a result, the increase in the PAI indicator in 2023 was 12.35 tCO ₂ e per million EUR of GDP.	Actions taken and planned, and targets set for the next reference period 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	3.00 and 0.03	4.75 and 0.04	Absolute and relative number	36%	37%	In both absolute and relative terms, the number of all investee countries where social rights are violated decreased compared to the previous reference period. Exposure to countries where social rights are violated is through mutual funds of the policyholders' choice, over which the Company has no direct influence. However, in 2023, the absolute number decreased by 1.75 and the relative number by 0.01 compared to 2022.	Actions taken and planned, and targets set for the next reference period Zavarovalnica Sava 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.

* The difference with the published results for 2022 as at 30 June 2023 is due to rounding of the results to two decimal places.

Table 4: Indicators applicable to investments in real estate assets

Adverse sustainability impact	Metric	Impact (2023)	Impact (2022)	Unit	Coverage (2023)	Coverage (2022)	Explanation	Actions taken, actions 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	0.00	/	%	3%	0%	<p>For 2023, Zavarovalnica Sava managed to obtain data for 3% of the investments analysed in indicator 17, while in the previous year it could not obtain any data for the indicator. The share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels was 0%.</p> <p>Actions taken In terms of infrastructure investments, real estate funds and other alternative investments, Zavarovalnica Sava takes sustainability criteria into account, 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>Actions planned Zavarovalnica Sava will continue to consider sustainability criteria when making such investments. The aim for the next reference period is to gather 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	34.00	/	%	3%	0%	<p>For 2022, Zavarovalnica Sava could not obtain data for indicator 18. For 2023, the Company obtained data for its own properties and some real-estate funds. Calculations based on the formula set out in the SFDR DR showed that 34% of the Company's investments were in energy-inefficient real estate assets. The data coverage was 3%.</p> <p>Actions taken and planned The target set in the last reference period was achieved as Zavarovalnica Sava managed to obtain data for its own properties and some real-estate funds. In the next reference period, the Company will try to obtain data for even more real-estate funds, thus increasing the data coverage.</p>

* The difference with the published results for 2022 as at 30 June 2023 is due to rounding of the results to two decimal places.

Table 5: Additional indicators applicable to investments in investee companies

Adverse sustainability impact	Metric	Impact (2023)	Impact (2022)	Unit	Coverage (2023)	Coverage (2022)	Explanation	Actions taken, actions planned and targets set for the next reference period	
Environmental impacts (emissions)	4. 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	13.75	14.39	%	21%	23%	Investments in companies without carbon reduction initiatives showed a slight decrease of 0.64% in the reference period compared to the previous period.	Actions taken and planned, and targets set for the next reference period See indicators 1–6.
Respect for human rights	14. 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	0.00	0.00	Number	31%	35%	The indicator on the number of cases of severe human rights issues and incidents showed no change in 2023 compared to the previous reference period.	Actions taken and planned, and targets set for the next reference period 2022 was the first year that Zavarovalnica Sava collected data on the number of cases of severe human rights issues and incidents related to investee companies. The aim is to monitor and reduce the share of investments in companies with severe human rights issues and incidents in future periods.

* The difference with the published results for 2022 as at 30 June 2023 is due to rounding of the results to two decimal places.

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 (the [Sustainability Investment Policy](#)), which was presented to the management board of Zavarovalnica Sava at its session held on 29 June 2021. By the end of 2021, Zavarovalnica Sava incorporated the provisions of this policy into its own 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 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. Zavarovalnica Sava 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, Zavarovalnica Sava monitors direct investments and attends general meetings where it believes it has significant influence.

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 2023, investments in green and sustainability bonds represented 16.9% (2022: 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 2023, ESG-compliant investments represented 24.6% (2022: 24.2%). 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, direct infrastructure projects and private debt funds) that adhere to ESG principles. 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 management board of Zavarovalnica Sava monitors the implementation of the Sustainability Investment Policy through regular periodic compliance reviews and approves the Statement on Principal Adverse Impacts on Sustainability Factors before it is published on the Company’s website.

3.2 Data sources

In 2021, following due diligence of data providers in the market, Zavarovalnica Sava entered into a contract with Moody's Analytics (Moody's), a recognised and established data provider, for the collection and use of data. For the purposes of this PAI statement, the Company has obtained information from Moody's and from its own data sources.

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 received 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.

3.3 Methodology for measuring principal adverse impacts

In 2022, the Company started collecting data and setting up processes to calculate indicators of adverse impact on sustainability factors. For 2023, the Company calculated the adverse impact indicators using the same methodology as the previous year. A more detailed description of the comparison of indicators between the previous period and the reference period is given in section 6 and tables 2, 3, 4 and 5. The "Explanation" column in the tables describes the differences and compares the PAI calculations for 2022 and 2023. In addition to the 18 mandatory PAI indicators as derived from the SFDR DR, we have also calculated two additional indicators for both periods, as set out in the Annex to the aforementioned Regulation, namely the climate and environment indicators in table 2 and the social indicator in table 3.

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 2023 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.¹ 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 (ETFs) 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 1.33% (2022: 1.5%) of all funds as information on the breakdown of the funds into individual investments was not available.

¹ Questions and answers on the SFDR DR.

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, both in the reference period and in the year before.

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. The Company expects the PAI data coverage to improve in the future as a result of better sustainability disclosure or reporting by 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 Engagement policies

Engagement with investee companies can have a positive effect on investment results, society and the environment. The Company promotes responsible engagement with companies and countries with the aim of protecting the interests of its customers and achieving the objectives and priorities of the Sustainability Investment Policy. Engagement can take the form of monitoring companies and countries, informal discussions or the formal exercise of voting rights.

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 Group has no influence on the investment policy of asset management companies. In view of the above, there is no possibility of engaging with companies to mitigate the principal adverse impacts.

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 Zavarovalnica Sava, became a signatory to the Principles for Responsible Investment and the United Nations Global Compact principles and endorsed the 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 into its investment decisions on an ongoing basis. To this end, it has incorporated the principles into the Sustainability Investment Policy, which the Company also takes into account in its investment process.

Indicator 10 (violations of the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises), indicator 11 (lack of processes and compliance mechanisms to monitor compliance with the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises) and the additional indicator 14 (number of identified cases of severe human rights issues and incidents) allow for more effective monitoring of the investment portfolio in relation to human rights as they are directly related to the Company's efforts in this area. Despite integrating the UNGC principles and the OECD Guidelines into the investment process, the investment ratio for indicator 1.10 increased by

0.29 percentage points over the period analysed. The reasons for the increase in this indicator are detailed in the table above. For indicator 1.11, the share of investments in companies that do not monitor compliance with the UNGC principles or the OECD Guidelines decreased during the reporting period compared to the previous period. In contrast, indicator 2.14, which measures the number of cases of severe human rights issues and incidents, showed no change in 2023 compared to the previous reference period.

5.2 Paris Agreement and European Green Deal

The Group is increasingly focusing on sustainability risks. In its strategy period 2023–2027, the Group is placing great emphasis on sustainable development and has drawn up and adopted a sustainable development strategy in collaboration with all Group companies. This strategy is the basis for the Group's development in the area of sustainable business and also provides for the disclosure of alternative financial information on environmental, social and human resource matters, respect for human rights, anti-corruption and anti-bribery. In this regard, the Group adheres to the guidelines of the Global Initiative Reporting (GRI) standards, which take a comprehensive approach to sustainable development, taking account of all impacts – on economic performance, the environment and society at large. Group companies are exposed to risks associated with the transition to more sustainable operations. The Group is adapting its operations, including offering more sustainable products and keeping pace with new customer needs. The Group has implemented its Guidelines for Responsible Underwriting of Environmental, Social and Governance Risks in Non-Life Insurance, which guide Group companies in the underwriting of risks. The Group-level Sustainability Investment Policy of the Sava Insurance Group defines, among other things, the activities in which the Group does not invest. At the Group level, both physical and transition risks are monitored as part of climate change risk. Under the insurers' business model, physical risks are those most clearly manifested in the increased risk of natural disasters and weather-related losses. The assessment of the materiality of the impact of climate change risk is published in the [Solvency and Financial Condition Report of the Sava Insurance Group for 2023](#), namely in section C.6.3 "Sustainability risk and climate change risk".

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 the Solvency and Financial Condition Report of the Sava Insurance Group for 2023 as part of its own risk and solvency assessment (ORSA) at the end of 2023.

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 its 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 the European Green Deal targets for greenhouse gas emissions as we lack the resources to do so.

6 Comparison with previous periods

In the table above, where the PAI indicators are calculated, the “Explanation” column next to each PAI explains the difference compared to the previous period. For most of the PAI indicators calculated, the principal adverse impacts of investment decisions on sustainability factors were reduced or remained unchanged. Among other things, data coverage improved for most indicators, increasing the value of each calculation for some indicators.

Climate and other environmental indicators applicable to investments in investee companies have mostly declined. In terms of results, we are in line with the Sustainability Investment Policy as indicators 1.1, 1.2 and 1.3 showed a reduction in companies’ GHG emissions, carbon footprint and GHG intensity per million EUR of revenue.

The share of investments in companies active in the fossil fuel sector (indicator 1.4) remained unchanged compared to 2022, while indicator 1.5 (share of non-renewable energy consumption and production) saw a slight increase. Indicator 1.6 (energy consumption intensity per high impact climate sector) remained unchanged from the previous period. In the next reference period, we will continue to pursue our Sustainability Investment Policy and strive to meet our targets. We aim to reduce investments in GHG-intensive businesses by taking planned actions.

There was no change between the previous and the reference period for indicators 1.7 and 1.8. Zavarovalnica Sava does not currently have defined impact mitigation targets for these indicators but expects to have an indirect positive impact on reducing both indicators by excluding defined industries from the investment universe. Indicator 1.9, which measures tonnes of hazardous and radioactive waste generated by investee companies, showed no change in 2023 compared to the previous period.

Indicators 1.10 to 1.14, which monitor social and employee, respect for human rights, anti-corruption and anti-bribery matters, gave varying results. Indicator 1.10, which measures the share of investments in investee companies that have been involved in violations of the UNGC principles or the OECD Guidelines for Multinational Enterprises, increased by 0.29 percentage points. This was mainly due to investments in mutual funds of policyholders’ choice over which the Group has no direct influence, a doubling of the carrying amount of the relevant corporate bond in 2023 compared to the previous period and missing data in 2022 from the data provider for the corporate bond of the company violating the UNGC principles. In 2023, the provider obtained the data, which means that the investment was included in the calculation, but not the year before. For indicator 1.11, the share of investments in companies that do not monitor compliance with the UNGC principles or the OECD Guidelines decreased during the reporting period compared to the previous period. Indicator 1.12 (average unadjusted gender pay gap of investee companies) remained unchanged from the previous period. Indicator 1.13 (board gender diversity) showed a slight increase in the ratio (0.01) over the reference period compared to the previous year. This was due to an increase in data coverage from 27% to 30%. Indicator 1.14 showed a slight increase in the share of investments over the reporting period, despite the monitoring of investments and compliance with the Sustainability Investment Policy, which commits the Company not to invest in companies involved in the manufacture or sale of controversial weapons. The increase was due to investments in mutual funds, over which the Company has no direct influence. There were no new investments in corporate bonds of companies involved in the manufacture or sale of controversial weapons during the reference period.

Among the indicators applicable to investments in sovereigns and supranationals, environmental indicator 1.15 showed an increase in the GHG intensity of the investee countries. The share of total investments in government bonds in 2023 decreased compared to 2022, but investments in the three countries that contributed the most to the GHG emissions of the existing portfolio (France, Indonesia and Mexico) increased. In both absolute and relative terms, indicator 1.16 showed a decrease in the number of all investee countries where social rights were violated. The absolute number in 2023 was 3.00, which is 1.75 less than in 2022, while the relative number in 2023 was 0.01 less than in the previous period.

Regarding the two indicators used for investments in real estate assets, Zavarovalnica Sava obtained data for 3% of the investments analysed for indicator 1.17 for 2023. The year before, however, the Company was unable to obtain data for this indicator. The share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels was 0%, which is in line with the Sustainability Investment Policy. For 2022, no data could be obtained for indicator 1.18. For 2023, the Company obtained data for its own properties and some real-estate funds. Calculations based on the formula set out in the SFDR DR showed that 34% of the Company's investments were in energy-inefficient real estate assets. The data coverage was 3%.

With regard to the additional indicators applicable to investments in investee companies, the Company chose to report on indicators 2.4 and 3.14. Indicator 2.4 (investments in companies without carbon emission reduction initiatives) showed a slight decrease of 0.64% in 2023. Indicator 3.14, which shows the number of cases of severe human rights issues and incidents, remained unchanged in 2023 compared to the previous reference period.