

13 SUSTAINABLE DEVELOPMENT AT THE SAVA RE GROUP

The following is the first comprehensive Sava Re sustainability report prepared in accordance with the international sustainability reporting standards Global Reporting Initiative (GRI) (Core option); it provides a straightforward and honest overview of the character, values and strategic pursuits of the Company and the Group as a whole.⁷¹

Sustainability as part of the strategy⁷²

In its strategic plan for the period 2017–2019, Sava Re incorporated sustainable development as one of its key pursuits and made a commitment to make it an integral part of all business processes in this period:

One of its strategic commitments is customer focus. Access to services is simple and adapts to the customer.

New development opportunities are being explored in an effort to offer assistance and improve the quality of life.

Business is becoming paperless and processes are being optimized.

Responsible investment is incorporated into the investment strategy.

Reporting method⁷³

The consolidated annual report refers to a single financial year and is prepared in accordance with the International Accounting Standards, The Companies Act, the Solvency II Directive and international sustainability report-

In addition to general disclosures it provides, in accordance with prescribed principles, disclosures on the economic, environmental and social aspects that are of vital importance for Sava Re and that relate directly to the Group strategy.

The market communications strategy follows the motto #Never alone, and promotes activation among stakeholders.

Principles of sustainable development are being introduced to all Group subsidiaries.

As Sava Re only adopted the strategy for the period 2017–2019 in the middle of the year, the guidelines are either being implemented or are still being developed. Business models for sustainable development and criteria for monitoring sustainable development indicators have not yet been developed. Non-financial reporting for 2017 therefore does not provide for a proper comparative analysis, but rather presents the data and facts in accordance with the reporting principles. Based on these principles objectives are set for the next reporting period that will also serve to fill any gaps that may exist.

ing standards Global Reporting Initiative (GRI). The annual report is prepared in cooperation with Sava Re specialist services. The consolidated annual report incorporates all legal entities constituting the Sava Re Group.

Sustainability reporting is integrated in individual sections of the annual report. Disclosures are specially indicated with interactive references. The section “Sustainable Development in the Sava Re Group” provides disclosures and other specific business impacts not covered by other sections of the annual report.

The report recognises the key stakeholders believed to have a significant impact on each individual legal entity in the Group and vice versa; what is more, these stakeholders also actively contribute in adding value to our business operations. While we were unable to directly include our key stakeholders in the preparation of the sustainability report in the reporting period 2017, we recognised, through their previous involvement and cooperation, those areas of particular interest to them and highlighted these areas in the report. Although some of the content discussed is neither extensive nor measurable in this period, we find it important both for

the Group and our strategic stakeholders, so we want to pay more attention to such in the future and establish a system to monitor and improve it.

The GRI content index⁷⁴ at the end of the annual report offers a comprehensive overview of the type and scope of disclosures. The data on sustainable operation of the Group was prepared by a mixed working group brought together explicitly for this purpose, with the assistance of specialist services of each subsidiary. Data is collected and the report drafted by specialist services of the controlling company, which is also responsible for reporting. Disclosures in accordance with the GRI standard mainly refer to the controlling company and EU-based subsidiaries and will be gradually introduced to other subsidiaries as well.

For the time being, Sava Re has not decided to seek external assurance for the report.⁷⁵

Non-financial statement

With the non-financial information reported in accordance with the GRI standards the Sava Re Group and Sava Re, d.d. annual report for 2017 complies with the Directive 2014/95/EU of the Euro-

pean Parliament and of the Council on disclosure of non-financial and diversity information by certain large undertakings and groups and with the Companies Act.

Material topics⁷⁶

The Sava Re Group sustainability report covers three specific areas where the Company and the Group’s impacts on sustainability are particularly relevant.

Economic topics – GRI 200	Environmental topics – GRI 300	Social topics – GRI 400
Economic performance Market presence Indirect economic impacts Purchasing practices Anti-corruption	Waste disposal policy Energy Investments	Recruitment and staffing levels Employee training and development Management and motivation Health and safety at work Relations with policyholders and cedants Relations with suppliers Local community Marketing and labelling

⁷¹ GRI 102-54
⁷² GRI 102-48, 102-49
⁷³ GRI 102-43, 102-45, 102-46, 102-47, 102-50, 102-52

⁷⁴ GRI 102-55
⁷⁵ GRI 102-56
⁷⁶ GRI 102-47

Direct economic value generated and distributed of the Sava Re Group⁷⁷

(€)	2017	2016	Index
Other economic impacts			
Economic value generated*	519.8	516.0	100.7
Economic value distributed	508.8	475.0	107.1
Net claims incurred and other technical expenses	313.6	285.7	109.8
Expenses for financial assets	11.9	8.6	139.0
Other expenses	2.8	2.5	110.2
Operating expenses**	87.7	90.7	96.7
Dividend payouts	12.5	12.4	100.5
Income tax expense	8.8	7.8	113.3
Investments in the social community (prevention, donations, sponsorships)	3.2	3.0	107.1
Employee payments, allowances and benefits	68.4	64.4	106.3
Economic value retained	11.0	41.0	26.8

* Economic value generated = net premium earned + other technical income + investment income + other income

** Operating expenses include commissions and other operating costs excluding personnel costs, sponsorships, prevention and donations

Stakeholder engagement⁷⁸

We cultivate responsible and sincere relations with all our stakeholders. In doing so we follow the recommendations and rules of public reporting, the code of ethics and internal rules. Additionally, we seek out opportunities to simplify access to information and opinion sharing, making use of information technology, which is unconstrained by time and space.

In the Sava Re Group, employees, policyholders, cedants, shareholders, prospective investors, regulators, the trade union, media, suppliers and the community are recognised as the stakeholders that play the key role in its existence and successful operations.

	Type of engagement	Content and objective
Employees	intranet, idea box, email, personal contact, opinion polls/questionnaires, colleges, internal training/consultations, strategic conferences, informal meetings, team building events, management by objectives (annual appraisal interviews)	information, awareness, opinion sharing, stimulating ideas for improvements to the work environment and the business process, two-way communication, feedback loop, culture building, improving relations
Policyholders/cedants	one-on-one counselling, meetings, website, contact centre, market communication through different channels, expert meetings/conferences	quality service, customer focus, information, quick problem solving, customer-friendly attitude, identifying actual market needs, modern sales channels
Shareholders and prospective investors	supervisory board meetings, general meeting, public notifications (SEOnet and www.sava-re.si), financial reports, letter to shareholders, email, meetings, investor conferences and webcast	equal access to information, clear dividend policy, in-depth information on business operations, sustainable operations, strategic policy, credit rating
Regulators	regular and extraordinary reporting to the Insurance Supervision Agency (ISA) and Securities Market Agency (SMA), regular and extraordinary reporting to the Competition Protection Agency (CPA)	compliance with legislation, transparency of operations, security of policyholders, compliance of business operations
Trade union	regular quarterly meetings, cooperation (coordination) in preparation of internal acts, negotiations, donations	employee engagement in governance, collaboration, employee benefits, employee remuneration, ensuring a friendly working environment
Media	press releases, press conferences, interviews, answers to journalists' questions	providing information to the general public, strengthening the positive realistic image of the Company/Group
Suppliers	calls for tenders, invitations to participation meetings, presentations	environmentally friendly materials, paperless operation, digitisation of operations, payment reliability, honouring agreements, supporting local economy and craftsmanship
Community	collaboration in joint activities/projects, financial support (donations, sponsorship), material support (supply of devices required for their work), meetings with decision-makers	assistance in providing for basic needs, co-financing of projects important for the local community, awareness raising among the population, concern for improving the safety of the population

⁷⁷ GRI 201-1

⁷⁸ GRI 102-40, 102-42, 102-43, 102-44

Responsibility to employees

environment and sound business culture. We pursue them through adopted strategic policies, in our daily work, behaviour, communication, relationships and decisions.

Our responsibility to employees is also reflected in our efforts to build a work environment that respects the dignity and integrity of each employee. One of the Sava Re Group's strategic guidelines in the field of human resources management is to ensure a safe, diverse and sustainable work environment. Our leaders are expected to lead by their example and encourage the creation of the right conditions. Furthermore, our HRM policy dictates that HRM objectives be aligned with sustainable development policies of the Company and the Group, promoting equal opportunities and diversity of our workforce.⁷⁹

For this reason, a leadership model was set up for the Sava Re Group, defining the key competencies expected of leaders in a modern organisational cul-

Employee benefits⁸¹

Sava Re companies in Slovenia pay a voluntary supplementary pension insurance premium for their employees – the second-pillar pension scheme.

The Macedonian subsidiary Sava osiguruvanje also pays the voluntary supplementary pension insurance premium for its employees.

Sava Re pays the voluntary pension insurance premium – the third pillar – and the collective accident insurance premium for its employees.

Sava Re and Zavarovalnica Sava employees and their family members can take out health insurance on particularly favourable terms.

ture that promotes constructive collaboration, open communication, openness to change and continuous development. The leadership model serves as the basis for steering the development activities of leaders, who are key to creating and maintaining a secure, diverse and sustainable work environment.

At the end of 2017 we launched a management by objectives project, where objectives were defined for individual areas and for individual employees. The objectives will be monitored on a quarterly basis upon annual interviews with employees.

In accordance with the GRI standards, sustainable development with a view to human resources is monitored using several indicators as presented below.

For more information on HRM see section 10 “Human Resources Management” and section 20.3 “Human Resources Management”.⁸⁰

Sava Re employees are also protected through an additional business travel accident insurance scheme.

Zavarovalnica Sava employees can enjoy the benefits of sponsorship agreements (Maribor Football Club, Tennis Slovenia, Koper Handball Club, Festival Ljubljana, Festival Lent and similar).

Zavarovalnica Sava also offers paid absence from work for employees introducing their children into kindergarten or accompanying their child on the first day of school (from the 1st to the 3rd year of elementary school). Sava Re also offers paid absence from work for parents accompanying their first-graders on the first day of school.

Zavarovalnica Sava, which holds the full Family-Friendly Company certificate, carries out a number of other selected measures that help employees improve their work-life balance. Employees returning to work after a prolonged absence are offered assistance through interviews and a work reintegration plan.

Sava Re and Zavarovalnica Sava offer company-owned holiday facilities on favourable terms.

Sava osiguruvanje, Macedonia, set up an open-type sports club that promotes employee membership.

Financial assistance received from government⁸²

The Group companies received no financial assistance from the government in 2017.

Definition of other government incentives

Zavarovalnica Sava receives a monthly bonus for employing more employees with disabilities than prescribed by the quota and also claims exemption from paying the contribution for pension and disability insurance for these employees. The total amount from these incentives in Zavarovalnica Sava was €112,058.

In 2017, Sava Re claimed reduction in the payment of employer's contributions for pension and disability insurance for employing persons younger than 26 years of age for indefinite time (first employment), namely for the first two years of employment. The Company was entitled to a 50% refund on employer's contributions for pension and disability insurance for the first year of employment and up to 30% on the contributions for pension and disability insurance for the second year. The total value of these refunds was €8,369.

Sava Re also set up a collective voluntary supplementary old-age pension insurance scheme funded by the employer and has a contract in place on the accession to the pension company's pension scheme, registered in the pension scheme register at the Financial Administration of the Republic of Slovenia. Based on said contracts the Company pays, for the employees who joined the pension scheme, a voluntary supplementary pension insurance premium. Thus, it is entitled to a reduced income tax base, namely for the amount of the voluntary supplementary pension insurance premium paid in the tax year for its employees to the pension scheme provider. The total value of this tax relief is €84,077.

⁷⁹ GRI 405-1

⁸⁰ GRI 102-41, 401-1, 403-2, 404-1, 404-3, 405-1

⁸¹ GRI 201-3

⁸² GRI 201-4

Responsibility to policyholders and cedants⁸³

Trust is the foundation of any quality long-term relationship. The Group takes its commitments very seriously. In 2017 we devoted increased attention to communication with policyholders across the region. Upon the merger of the Slovenian and Croatian insurance companies and simultaneous revamp of the corporate identity we informed the customers and the general public of the change through contemporary media channels and in person, through our agents. The message “Never alone” conveyed the Group’s strategic policy – people focus. It is a promise to all our stakeholders that we will always be there for them – with socially responsible products, with products tailored to our clients’ actual needs, with friendly gestures, with concern for our employees, humanitarian actions, with support for social activities, with an environmental-friendly policy – in short, a commitment to providing comprehensive care for each individual.

Just before the end of the year Zavarovalnica Sava entered the supplementary health insurance market with a supplementary health insurance plan. With Zdravje and Zdravje Plus products it promises faster access to specialist examinations and simple procedures, thus offering better options to utilise the Best Doctors insurance scheme that provides for a second opinion and health treatment abroad.

Access to services is essential for users, so most of our insurance companies offer also online user support. With its revamped website Zavarovalnica Sava offers policyholders the option to report their claims online, to take out insurance and to chat with an online consultant. The website also provides the opportunity for users to share their opinions, proposals, commendations and complaints. The assistance centre provides assistance to policyholders who are travelling. Detailed information is always available online, at info@zav-sava.si, and from our toll-free phone helpline, at 080 19 20.⁸⁴

It therefore makes every effort to ensure transparency, clarity and access to information both in developing new products and in client notification. Communication takes place via various channels adapted to different target groups. Customers are placed at the centre in order to build partnerships with them that will permeate all aspects of their lives. This can only be ensured through a wide range of insurance products and with services that are readily available at any time. In 2017 the Group entered the health insurance market and began to intensely develop assistance products.

Insurance companies avoid the fine print in advertising, offering their clients adequate information on the advertised product. Product information is always available on official websites together with statutory notifications and related news. In the event of mass losses we publish a notice and instructions explaining to the policyholders the right course of action in such cases.

In reinsurance client relationships, we pay due regard to internal underwriting regulations and internal rules for account managers. We maintain relationships with our existing business partners. Meetings are arranged during international conferences and individual meetings. Every year we organise the Sava Summer Seminar, a training programme in reinsurance-related areas, in an effort to provide our business partners with an insight into our activities and the characteristics of our business. In 2017, the Company organised the eighth consecutive seminar for reinsurers. The seminar was attended by 20 participants from existing and prospective cedants from across the world, including Asia, Africa and a number of European countries. At the seminar, the participants look into reinsurance, actuarial science, modelling and solvency-related issues, with practical examples.

Client communication and information⁸⁵

As regards their relationships with the insured, Group members follow the rules and procedures on complaints, which are compliant with the directives issued by the European Insurance and Occupational Pensions Authority (EIOPA).

As the largest insurer in the Sava Re Group, Zavarovalnica Sava complies with all provisions of the Consumer Protection Act and other acts governing communication of information to clients entering into contracts for financial services, including insurance contracts. Applicable legal provisions and regulatory frameworks are observed also when pursuing development activities.

The Insurance Act (ZZavar-1) prescribes disclosure of information on policy conditions and the obligation of notification of policyholders. A policyholder must be aware of the content of the insurance contract and general policy conditions upon entering into the contract and subsequently throughout the duration of the contract.

We also fully comply with the Personal Data Protection Act (ZVOP) and the regulations that require responsible handling of personal data of customers. Already in 2017, the insurance company started to actively prepare for the new legal bases that are to come into force in 2018.

Responsibility to investors

As a public limited company, Sava Re is responsible for ensuring that its shareholders have equal access to information and that communication is conducted in accordance with recommendations and legislation. With regard to the financial community, we pay special attention to our shareholders and other potential investors. We communicate with this group of stakeholders by organising regular meetings with analysts and investors, directly or through events organised by the Ljubljana Stock Exchange and other organisers, and by participating in local and international roadshows. We ensure prompt disclosure of information to all investors also via our official website at www.sava-re.si.

sava-re.si, the SEOnet portal of the Ljubljana Stock exchange, via the media, press conferences and the letter to shareholders, in which we keep them up to date with recent developments, invite them to the general meeting and similar. In all our announcements we comply with the standards applicable to the prime market of the Ljubljana Stock Exchange. More information about investor relations is provided in section 3.3 “Investor relations”.

In 2017, Sava Re conducted over 30 one-on-one and group meetings with investors in Slovenia and abroad.

⁸³ GRI 103-1, 103-2, 103-3

⁸⁴ GRI 417-1

⁸⁵ GRI 103-1, 103-2, 417-1

Relations with suppliers and the purchasing policy⁸⁶

Group companies prioritise cooperation with local suppliers. The local market of an individual Group member represents the total geographical area of the country in which it is registered. Group companies' suppliers are mainly providers of consulting services, office supplies, small tools, computer hardware, software and similar, and company cars.

The adopted Group-level purchasing policy entails strategic guidelines and principles governing a transparent procurement process, including the anti-corruption clause.

In 2017, Sava Re also adopted the rules on procurement, which are to be revised and supplemented in 2018 with the sustainability criterion (concern for the environment and society) for a supplier in the selection procedure.⁸⁷ This criterion was not integrated in the selection criteria in 2017. In terms of procurement the Company takes into account also a number of other internal acts defining procedures and other instructions: fleet management policy in the Sava Re Group, rules on procurement, use and maintenance of company vehicles, systemic procurement procedure in the Sava Re Group, rules on company mobile phones and devices, and similar.

Sava Re ensures transparency of the selection procedure, and fair cooperation and relationships with its suppliers. Its liabilities are fully settled within agreed deadlines.

Present in all major towns across the Republic of Slovenia, Zavarovalnica Sava is by nature – its business being life and non-life insurance – obliged to work in cooperation with local suppliers; as a result it maintains good business relationships, something that is reflected also in terms of transaction costs, which are lower than they would be if the company worked with suppliers outside Slovenia.

Although some of the purchases are made outside Slovenia, they are limited (mainly to the goods and services that cannot be sourced in Slovenia or are offered here at non-competitive prices).

A similar trend or local market specifics are observed in Croatia, where our branch also works with local suppliers (if such cooperation is based on competitive prices or justified in view of the company's business).

Environmental responsibility is taken into account in the selection process, but the criteria for such have not yet been set.

In its General Purchasing Conditions Zavarovalnica Sava requires suppliers to deliver goods with prescribed safety mechanisms and in compliance with applicable safety, environmental and other regulations (such as restrictions on the use of certain hazardous substances in electrical and electronic equipment and similar) as well as technical rules. The goods must bear the CE marking.

Based on said procurement conditions suppliers are also obliged to alert the company of the possibility or occurrence of hazardous waste in the goods delivered, and indicate the manner and potential options of its removal. At the request of Zavarovalnica Sava, the supplier is obliged to accept, free of charge, any waste created in the proper use of the goods supplied.

The company also uses environmentally-friendly electric vehicles, although not on a regular basis. To this end the company engaged a provider of such vehicles.

Fair business practices⁸⁸

All insurers in the Sava Re Group operate in compliance with the insurance act, the companies acts and the rules prescribed by the local regulator.

All companies have adopted a code of ethics that applies to all employees. Companies have also appointed a complaints resolution officer.

In accordance with the procurement policy all purchase agreements include an anti-corruption clause as a means of insurance against this risk.

Sava Re has also signed the Slovenian Corporate Integrity Guidelines, committing the Group to creating a work environment grounded in a culture of corporate integrity, zero tolerance for the illegal and unethical conduct of its employees, compliance with legislation, rules and values as well as in the highest ethical standards. The general principles of the code of ethics represent the basic values of the Sava Re Group, which are binding on all our employees and include: fairness and compliance of business operations, transparency, managing conflicts of interests, prevention of money-laundering and financing of terrorism, and prevention of restriction of competition. Employees who are aware of violations of the code or other binding rules are obliged to report said violations to the compliance function holders. Sava Re subsidiaries have also adopted the code of ethics of the Sava Re Group.

At the end of 2017 the Company also adopted the policy on the diversity of the management and supervisory boards of Sava Re, d.d. that governs, inter alia, gender and age balance of board members. Sava Re has integrated respect for human rights in its operations in accordance with the applicable legislation and follows the proposal for the national action plan on business and human rights of the Republic of Slovenia. The Company has adopted the rules on prevention and elimination of violence, bullying, harassment and other forms of psychosocial risks in the workplace, including a protocol for recognising and resolving such risks. In 2017, the Company recorded no such cases. For the time being, the Company does not conduct due diligence investigations, but will include them among its objectives.⁸⁹

In 2017, the Company adopted new rules on the management of conflicts of interest. The management of conflicts of interest is a cornerstone of effective corporate culture, in particular of financial institutions such as Sava Re. The importance of managing conflicts of interest was further advanced by the Solvency II Directive. Previously, the Company had set out principles and guidelines on the avoidance and management of conflicts of interest in various documents, such as the code of ethics, governance policy and other specific acts. Adopting the rules on managing conflicts of interest will facilitate the implementation of the commitments the Company made in its code of ethics and of the requirements to which it is subject under the Solvency II regime. In accordance with the provisions of the Slovenian Corporate Integrity Guidelines the anti-corruption clause is incorporated in all legal relations with our contractual partners. Through restructuring that was conducted at the end of 2017 we extended the scope of work of the management board to corporate security and prevention and detection of fraud. Pursuant to Sava Re compliance policy, prevention of fraud is also one of the main responsibilities of the compliance function holder.

⁸⁶ GRI 102-9, 103-1, 103-2, 103-3, 204-1, 308-1

⁸⁷ GRI 414-1

⁸⁸ GRI 102-16, 103-1, 103-2, 103-3, 205-1, 205-3

⁸⁹ GRI 405-1

As a public limited company, Sava Re, d.d. regularly and upon request reports to the Insurance Supervision Agency, in accordance with the Slovenian Insurance Act (ZZavar) and implementing regulations. We also report to the Securities Market Agency in accordance with the Financial Instruments Market Act (ZTFI) and the internal rules on trading with POSR shares.

Sava Re's reference code is the Corporate Governance Code for Listed Companies adopted by the Ljubljana Stock Exchange, the Slovenian Directors' Association and the Managers' Association of Slovenia on 27 October 2016.

The code of ethics of Zavarovalnica Sava, d.d. is based on trust and governs ethical and fair business conduct of the company. The code reflects and implements the principles that govern the decisions and behaviour of employees and other stakeholders. Its content and fundamental ethical principles are consistently promoted among employees and serve as a source of clear guidance in relation to legal and ethical requirements that are binding on all employees. With this code, Zavarovalnica Sava commits itself to the general principles that protect the interests of the company, respecting the dignity and integrity of each individual, protecting trade secrets, respecting clients, market rules, professionalism, avoiding conflicts of interests and concern for the environment and the wider social community.

In pursuing its business operations the company complies with the provisions of the adopted Insurance Code to ensure business development, a professional underwriting process and business conduct. The company's operations are grounded in compliance with market principles, market competition based on loyalty and integrity, and insurance economics and business ethics, with the aim of providing customers high-quality insurance protection.

In 2017, Zavarovalnica Sava received 44 reports that were processed by the complaints resolution officer. Most of them referred to violations of the insurance code and good business practices. Only minor irregularities were identified.

In the past year they also introduced a system for recording and monitoring all significant events in the online application "Register of Continuous Improvements". The register enables all employees to submit, by completing an online form, a report of an incident, inconsistency, deficiency or error that might refer to compliance of business operations, business processes, insurance products, risks and internal controls as well as employees and internal relationships. Employees can also submit commendations, which promotes a positive attitude across the company. In 2017, the register of continuous improvements received 25 requests. The online form does not allow for anonymous reports, because the whistle-blower protection system was not yet established in 2017.

Zavarovalnica Sava also has a system in place to manage conflicts of interest. With a written statement on disclosure of a conflict of interest (if any) employees report the conflict to their manager who examines the relevant situation, assesses the threat and reports to the compliance function holder on the proposed measures. The compliance function holder analyses all received disclosures of the conflict of interests and issues a decision imposing measures relating to the disclosure of the conflict of interests. Last year they processed 56 disclosures of conflicts of interests. Most of those disclosures referred to possible conflicts of interests in claims settlements, with regard to which only insignificant risk of conflict of interests was estimated, implying that the conflict of interest would be extremely rare. There were only a few cases where a low likelihood of occurrence of a conflict of interest was detected. Relevant measures were imposed in all discussed cases, ensuring consistent management of conflicts of interests.

In 2017 they also set up compliance standards that serve as a basis for further development of the compliance function. A regular quarterly reporting system was established for the compliance function holders to report on significant compliance activities and identified inconsistencies. No major inconsistencies were detected in 2017.⁹⁰

Anti-corruption activity and protection of personal data⁹¹

policy, the anti-corruption clause is incorporated as a mandatory contractual provision in legal relations with contractual partners, along with the general purchasing conditions of Zavarovalnica Sava, protection of confidential information and provisions governing the protection of personal data.

Data protection training courses were organised for all Zavarovalnica Sava employees. Throughout the year, employees were offered guidance related to the manner and importance of proper personal data protection. In 2017, a working group was set up to oversee the implementation of the new General Data

Protection Regulation (Regulation (EU) 2016/679) that will take effect on 25 May 2018.

Last year they dealt with one client request for information on own personal data in accordance with the Personal Data Protection Act (ZVOP-1). They also received two complaints about alleged violations of the provisions of the act, and three requests from the Information Commissioner for submission of clarifications. Two of these procedures were concluded last year, with the reported violations recognised as unfounded.

Cases of corruption and measures taken⁹²

In Zavarovalnica Sava, insurance fraud is investigated by the investigations segment unit that is organised within the claims department. In 2017 they processed 1,161 suspected cases of insurance fraud. No payments were made in 448 of these cases. The most common

instances of insurance fraud are identified in connection with civil liability and non-life insurance products OPA. In 2017, 14 criminal charges were filed for suspected fraud.

Contributions to political parties

In line with the adopted code of ethics and the rules on sponsorship and donations Sava Re and Zavarovalnica Sava do not finance political parties.

Social responsibility

Certain members of our Group are among the co-founders of the Network for Social Responsibility of Slovenia, and members of the Institute for the Development of Social Responsibility and of the Partnership for National Strategy and Social Responsibility.⁹³ Having already developed an extensive business network, Group companies can more easily

recognise the needs and potentials of local communities in their respective countries. We firmly believe in co-operation, and therefore support team sports, team efforts and projects that connect organisations with their communities and that allow us to become part of social developments..

⁹⁰ GRI 419-1

⁹¹ GRI 103-1, 103-2, 103-3, 205-1

⁹² GRI 103-1, 103-2, 103-3, 205-3

⁹³ GRI 102-13

Sponsorships and donations⁹⁴

True to its sponsorship and donations policy Sava Re supports efforts in education and development, humanitarian, healthcare and social security initiatives,

ecology, and projects that promote economic development and growth.

The value of Sava Re sponsorships and donations

(€)	2017	2016
Sponsorships	500	900
Donations	21,110	19,100

At the end of the year, Sava Re donates a part of funds allocated for business gifts to different charities. In 2017, these payments totalled €6,500.

As the largest member of the Group, present in direct business and active in two EU markets, Zavarovalnica Sava has a long-standing reputation and tradition as a socially responsible activist – also through its predecessors Zavarovalnica Maribor, Zavarovalnica Tilia, Velebit osiguranje and Velebit živотно osiguranje.

The merged entity is committed to its major promise, “#Never alone”. By placing people at the centre of its operations the company promises different audiences to always be there for them – by providing for their security, through socially responsible products, friendly gestures, humanitarian campaigns, support to social efforts, an environmentally-friendly attitude and similar. Friendly communication and responsible conduct are certainly the factors that have defined the image and reputation of the new insurer.

The value of Zavarovalnica Sava sponsorships and donations

(€)	2017	2016*
Sponsorships	2,141,435	2,002,612
Donations	739,594	673,786

* The information refers to Zavarovalnica Maribor, Zavarovalnica Tilia and two months of the Croatian branch taken together.

In 2017, €2.1 million was allocated for sponsorships, of which 82.9% was dedicated to sports and 17.1% to other areas.

The structure of Zavarovalnica Sava donations in 2017 by purpose

	%
Humanitarian	1.58
Cultural	11.31
Educational	3.04
Sports	70.44
Social security	0.30
Disability	0.34
Healthcare	3.14
Disaster protection	1.60
Other	8.26

Significant sponsorships and donations

Aware of the importance of a healthy lifestyle Zavarovalnica Sava dedicates most of its sponsorship funding and donations to support sports. This way it promotes sports activity at all levels, from recreation to professional sports.

- For more than a decade it has been the main sponsor of Football Club Maribor, which made it into the Champions League for the third time in 2017.
- The same year, Zavarovalnica Sava became the main sponsor of yet another football club, the Croatian football club Rijeka, which played in the Champions League at the same time as Maribor.
- It has been the general sponsor and partner of Tennis Slovenia for five years,
- and continues to sponsor Handball Club Koper and Handball Club Maribor.
- As the diamond sponsor of Timing Ljubljana it takes part, for seven years running, in Slovenia's premiere running event – the Ljubljana Marathon,
- and was also, again in 2017, the main sponsor of Slovenia's foremost skiing event under Pohorje – Zlata lisica (the Golden Fox).

- By sponsoring the Nova KBM Branik Volleyball Club it contributes to the development of volleyball.
- With its project Committed to Steps (Predani korakom) it provided for yet another unforgettable experience for children at the University Rehabilitation Institute, who took part in acting workshops and performed on stage at the Križanke venue in Ljubljana.
- Culture lovers have benefited from its contribution as a general sponsor of the foremost Slovenian summer festival, Festival Ljubljana,
- as well as from its sponsorship of Festival Lent, which the company has supported for years.

Other Group companies also actively cooperate with local communities and support them through sponsorships and donations. However, as none of them has a sponsorship and donations policy in place and since their contributions are minimal, they were not included in this report.

Preventive measures⁹⁵

Zavarovalnica Sava is paying increasing attention to preventive action. Through timely action and adequate financial assistance the company supports organisations and associations in eliminating the causes of loss, preventing hazards that might lead to new losses for policyholders, and in eliminating

or mitigating the adverse effects of losses already incurred on insured property and people. This way, the insurance company also shows concern for the natural environment (fire prevention, prevention of pollution, traffic accidents and similar) and as a result contributes to lower expenses.

(€)	2017	2016**	2015*
Prevention	257,335	255,266	239,496

* The information refers to Zavarovalnica Maribor.

**The information refers to Zavarovalnica Maribor, Zavarovalnica Tilia and two months of the Croatian branch taken together.

Preventive action projects⁹⁶

Most of the assets go to fire prevention, and Zavarovalnica Sava thus supports a number of fire brigades both at the local and the national level. In 2017 the company helped firefighters to buy fire blankets.

Through prevention projects in cooperation with the national automobile association (AMZS) it also contributes to better road safety.

Corporate charity⁹⁷

The Sava Re Group supports corporate charity. Its major project is Sava Re Day, which has been bringing together employees from all Group members for seven years running. In collaboration with local organisations and associations we invest our efforts in helping less privileged groups and individuals in our society through intergenerational programmes and by assisting in renovations or minor repair and maintenance jobs.

In the spirit of intergenerational cooperation, Sava Re employees in 2017 went to nursing homes, occupational activity centres and similar institutions across Slovenia, where we lent a hand with landscaping efforts and renovated several children’s playgrounds, thus bringing some joy and variety to the residents’ daily routine. As many as 83% of Sava Re employees participated in the programme.

In the framework of Sava Re Day 2017 Sava Re employees participated in the following charity work:

Organisation	Activities
Slovenian Philanthropy	Providing assistance in landscaping, maintaining and decorating the organisation’s new premises (terrace, help in making indoor furniture and preparing a hangar for the exhibition of old furniture, setting up a garden for and with the residents of the asylum centre Viè and participation at the workshop for the children of asylum seekers).
Nursing home Ljubljana Vič-Rudnik	Socialising with residents and organising bingo events.
Nursing home Logatec	Socialising with residents and walking with less mobile residents.
Nursing home Center, Tabor-Poljane	Wheelchair clean-up day.
Nursing home Fužine	Socialising with residents, making a giant Easter palm out of wood shavings and colouring Easter eggs for an exhibition.
Mothers’ shelter Ljubljana	Window painting and garden hoeing. Preparing a joint meal.
Slovenian Hospice Association	Cleaning up the premises.
Red Cross Ljubljana	Sorting out clothes to be donated to the Humanitarian Centre and preparing for the distribution of aid packages.

In addition to Sava Re Day charity activities Zavarovalnica Sava carried out two additional humanitarian projects with the participation of its employees:

- The extremely well received “Sharing Christmas” event, an intergenerational social even, organised for the second time last year. The employees, children and residents baked gingerbread together and thus conjured up a true Christmas atmosphere at the Viè-Rudnik nursing home.

- The second project, which takes place in December, is the “Christmas Dinner for All”. The aim of the project is to invite employees to donate food for the less privileged in the local communities of the insurance company’s business units. The project’s mission goes beyond the donation of food; it aims to raise awareness about poverty in our communities and the importance of caring for each other, while building relations among socially sensitive staff members.

⁹⁵ GRI 103-1, 103-2, 103-3

⁹⁶ GRI 203-1, 413-1

⁹⁷ GRI 103-1, 413-1

Responsibility to the natural environment⁹⁸

Our fundamental mission is to ensure security of life and property in order to improve the quality of life and management of risks so as to avoid uncertain outcomes. We create conditions that ensure a secure and carefree lifestyle as well as favourable business results, which is an investment in the future.

Losses are a natural phenomenon in our business. Reinsurance and insurance play a critical role in creating security through additional risk equalization, as they help protect against random, unpredictable losses. Climate change has a significant impact not only on the quality of life in general, but also on the insurance industry. Managing this risk has been and will continue to be a particular challenge for the insurance industry. 2017 in particular suffered numerous catastrophes, which significantly also affected the results of major international (re)insurers.

Owing to carefully planned provisions and a diversified portfolio the Sava Re Group did not suffer such significant losses, but Group members nevertheless felt the consequences of climate change. Zavarovalnica Sava suffered the biggest loss impact. Catastrophes (storm, hail) accounted for more than 14,000 claims totalling more than €11 million (payments and provisions). This resulted not only in financial losses, but also in an extremely increased workload, which in turn leads to less responsive customer services and to the potential risk of diminished accuracy of claims processing. Excessive workloads also meant that certain development activities had to be suspended. Zavarovalnica Sava already conducts regular and development project activities with which it works to optimise claims processing and introduce new approaches (to claim reporting, on-site examination, guidance for clients, organisation of comprehensive loss remediation, induction of contractors). These novelties and developments are also expected to have a favourable impact on work organisation in mass loss events.

Losses arising from climate change had an impact of €9.0 million on reinsurance results in 2017 (mostly from storms in Central and South America and a flooded mine in Russia).

Sava Re views the environmental policy as a set of principles and practices aimed at protecting the environment and the landscape as well as natural and cultural heritage. Even though it does not have its own environmental policy in place, Sava Re motivates employees to reduce waste and improve their environmental impact. The guidelines that have already been implemented in the work process:

- Electronic pay slips
- Documents for the management board, supervisory board and committees in electronic form
- Office supplies that are recycled or manufactured using certified environmentally-friendly materials
- Each employee receives a water bottle
- Employees use city passenger transport services for business travel in the city, and the Urbana public transport card is available
- The company leases two central printers
- Waste separation



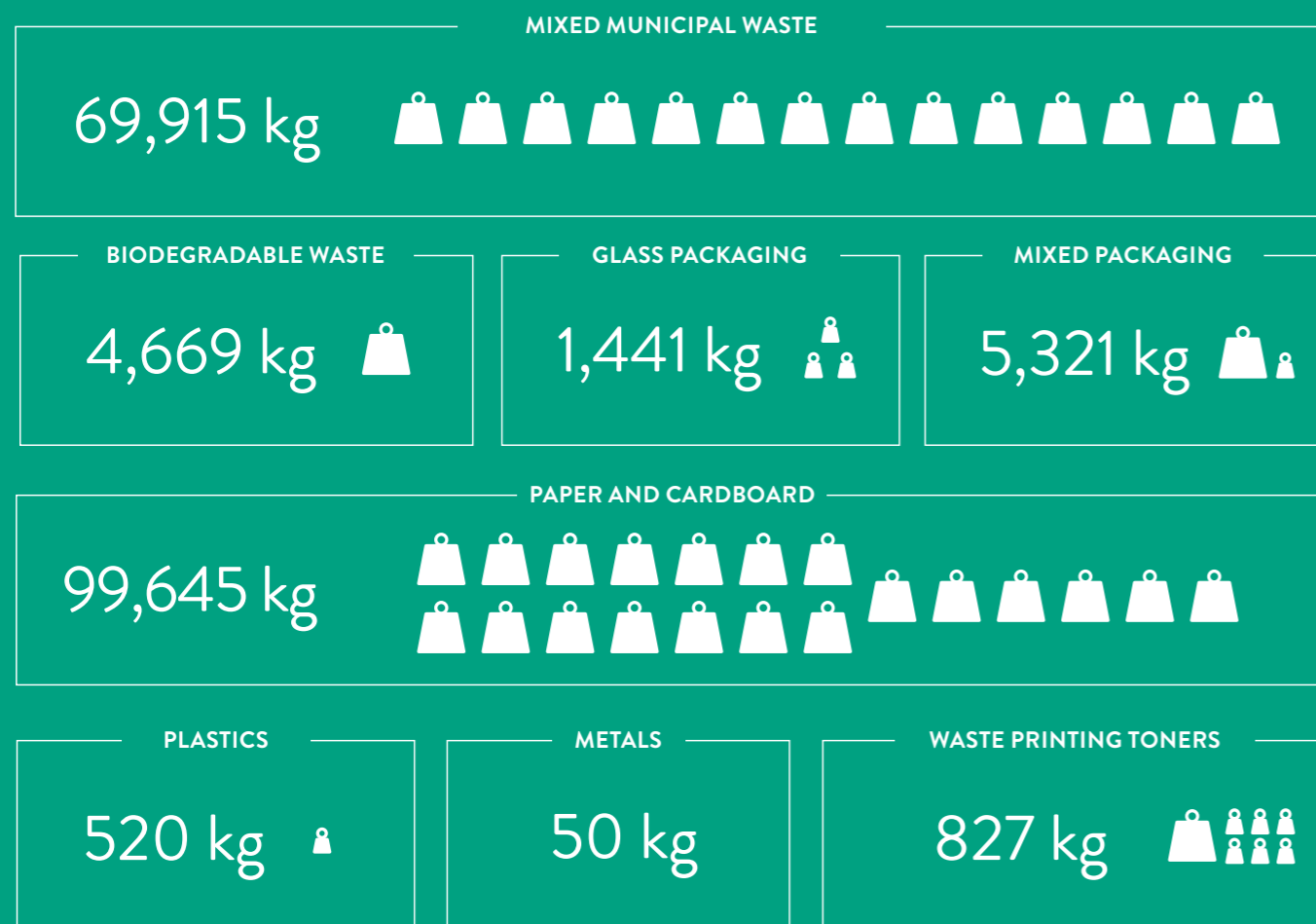
⁹⁸ GRI 103-1, 103-2, 103-3, 201-2

Waste disposal policy⁹⁹

At Sava Re we separate waste, but as we are not the only owner in the commercial building, we do not have information on the volume of each type of waste. We are currently negotiating with the building manager on a system that will allow waste to be recorded separately, so that in the next reporting period, we will be able to report in accordance with the standards.

Old electronic devices (computers, batteries, printers, monitors, telephones and similar) are collected by an authorised contractor that ensures e-waste is recycled and non-ferrous scrap metal is properly collected.

Zavarovalnica Sava records waste collection by type and volume (information for 2017)



All of the above waste was collected by authorised or registered waste collectors or processors at Zavarovalnica Sava's locations. Obsolete electronic devices are removed by contractors who also provide for their replacement, or

by outsourced repairers who service them. The amount of waste batteries is negligible (this waste is therefore collected for several years before it is handed over to the municipal waste service / waste separation).

Average daily paper consumption (sheets of A4 paper) per employee in 2017 (data refers to the company headquarters):

Sava Re, Slovenia	8.54
Zavarovalnica Sava, Slovenia*	29.6
Sava pokojninska, Slovenia	not available
Sava neživotno osiguranje (SRB)	12.7
Sava životno osiguranje (SRB)	11
Sava osiguranje (MKD)	41
Illyria	15
Illyria Life	not available
Sava osiguranje (MNE)	24

* The information refers to the company's headquarters and all its business units in Slovenia.

Energy consumption¹⁰⁰

Group companies do not use renewable energy sources. The main energy source is electricity (lighting, heating, air-conditioning). Another major energy user is the companies' car fleet (fossil fuels).

The Group has not yet implemented a separate system for efficient capture and breakdown of such data, nor has it measured its carbon footprint.

In 2018, EU-based Group companies will introduce a system for the collection and classification of data on energy consumption and for the calculation of the carbon footprint.

Environmental, social, governance investing

On a daily basis, the financial department of Sava Re adheres to the environmental and social policy prescribed by the EBRD, and follows the ESG ("environmental, social, governance") principles through negative screening. In building our investment portfolio we avoid investing in securities that might have harmful effects of any kind either on people or the environment, or that in any way deviate from the ESG principles. Part of our funds are invested in debt securities issued by international organisations such

as the EBRD, the World Bank and the European Investment Bank, as we believe that these organisations invest in environment-friendly projects and in accordance with their environmental and social policies. We also invest in securities issued to fund green, environmental projects (so-called green bonds). In the future we would like to further develop our investment management policy and define it in more detail and in accordance with the ESG principles.

⁹⁹ GRI 306-2

¹⁰⁰ GRI 302-1

Commitments to external initiatives¹⁰¹

In the Sava Re Group we participate in initiatives promoting ethical conduct and environmentally, socially and economically sustainable business practice. We comply with the fundamental standard of professional business conduct as laid down by the Insurance Code of the Slovenian Insurance Association. We follow the recommendations of the Ljubljana Stock Exchange for listed companies on disclosure of information and have signed the Slovenian Corporate Integrity Guidelines.

Sava Re's reference code is the Slovenian Corporate Governance Code for Listed Companies adopted by the Ljubljana Stock Exchange, the Slovenian Directors' Association and the Managers' Association of Slovenia on 27 October 2016.

Membership in associations¹⁰²

Sava Re is active in several professional associations: Slovenian Insurance Association, Slovenian Directors' Association, Chamber of Commerce and Industry of Slovenia, Sors – meeting of insurance and

reinsurance companies, Maritime Law Association of Slovenia, The Slovenian Institute of Auditors, CFA Institute, Business Angels of Slovenia.

Key sustainable development guidelines and objectives for 2018

This is the Group's first sustainability report. It was not possible to evaluate or report all the key aspects of sustainable business for this reporting period. Special limitations are recorded in the GRI content index. In order to be able to provide for an adequate comparative analysis in the next reporting period, and in particular to monitor progress in the integration of sustainability values in our business, we have set out several concrete objectives for 2018:

- to develop a strategy for the sustainable development of the Group;
- to establish a selection system for suppliers based on sustainability criteria;
- to participate in at least five investment conferences
- to establish a system for monitoring energy consumption and environmental impacts (carbon footprint);
- to integrate sustainability principles in at least two business processes;
- to integrate environmental, social and governance criteria into the investment management policy;
- to increase the company value for shareholders;
- to improve and establish a corporate security system;
- to identify psychosocial risks among employees and implement preventive actions;
- to strengthen employees' digital literacy;
- to digitise insurance services;
- to develop or revamp at least one insurance product that promotes sustainable development;
- to raise energy awareness among employees;
- to promote healthier lifestyles among employees;
- Human rights due diligence;
- to purchase company vehicles with low CO₂ emissions;
- to renovate the business premises at Sava Re headquarters in line with sustainability guidelines

¹⁰¹ GRI 102-12

¹⁰² GRI 102-13