

**SUSTAINABLE INVESTMENT POLICY
OF TRIGLAV OSIGURANJE D.D.
AND
TRIGLAV GROUP**

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1. Introduction

The Group realises its mission of creating a safer future based on a sustainability orientation using environmental, social and governance factors. The goal is to carry out the Group's core activities, i.e. insurance and asset management, in a way that will provide long-term economic, social and environmental value to our shareholders, investors, clients, employees, suppliers, partners, and the wider society and the environment.

The Group's **sustainability orientation** is based on linking the operations of the Group's companies with the following sustainability aspects:

- **Environmental factors:** the carbon footprint (greenhouse gas emissions – GHG), consumption of natural resources, energy efficiency, climate risks, water management, waste management, biodiversity.
- **Social factors:** responsibility to employees, clients and suppliers, diversity, equality and inclusion, respect for human rights, impact on local and wider communities.
- **Governance factors:** corporate governance, zero tolerance for corruption and bribery, risk management, business transparency, active investor relations management, tax policy, diversity of management and supervisory bodies.

The first requirement for a successful and sustainable society is to recognise and identify challenges in sustainability and to be willing and able to act. With the goals of the Paris Agreement and the European Green Deal, the EU Member States committed themselves to transition to climate neutrality by significantly reducing greenhouse gas emissions. In order to achieve this goal, they will have to increase energy efficiency and the use of renewable energy sources. Furthermore, clients, shareholders, investors and employees increasingly expect a sustainability orientation. We believe that in the future this trend will become even more pronounced, also due to generational effects.

Promoting the transition to a low-carbon circular economy, which brings cost challenges in the short term, can also be a source of new competitive advantage for companies. Taking into account sustainable aspects in business decisions is one of the important foundations for a successful business and increasing the company's value in the long term.

2. Purpose

The purpose of the Sustainable Investment Policy (hereinafter: the Policy) is to define and regulate a comprehensive approach to integrating environmental, social and governance factors in the investment process of Triglav osiguranje d.d. and the Triglav Group, as well as to ensure compliance with applicable laws and regulations related to investment, such as Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR) and Commission Delegated Regulation (EU) 2022/1288. When investing, the Company is required to act in accordance with the best interests of policyholders, shareholders and other stakeholders. The Policy also defines the Company's positions and beliefs regarding sustainable investment, which are in line with the Triglav Group's strategic ambitions in sustainable development.

3. Scope of application

This Policy applies to all insurance and pension companies within the Triglav Group, except for the clients' assets managed in mutual funds and discretionary mandate assets, which are managed by the Group's asset management companies.

4. Sustainable investment

The definition of sustainable investment is the integration of environmental, social and governance (ESG) factors into the investment process. By integrating sustainability factors, Triglav osiguranje d.d. has the opportunity to influence companies, economic activities, regions and asset classes through its investments. Within ESG, climate change requires special treatment and properly established processes to identify climate risks and climate-related opportunities.

5. Policy basis

The basis of formulating the Policy are global practices in the insurance industry and pension funds and the adopted Sustainable Development Policy of Zavarovalnica Triglav d. d. and the Triglav Group (hereinafter: the overarching policy). The Company's approach to the integration of environmental, social and governance factors primarily takes into account EU legislation (the Sustainable Finance Disclosure Regulation – SFDR) and responsible investment methods based on the United Nations Principles for Responsible Investment (UN PRI) and the United Nations Sustainable Development Goals (SDGs).

5.1. The Sustainable Finance Disclosure Regulation (SFDR)

The Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR) is a legislative framework that lays down harmonised rules for financial market participants and financial advisers on transparency with regard to the integration of sustainability risks and the consideration of adverse sustainability impacts in their processes and the provision of sustainability-related information with respect to financial products. The implementation of the SFDR in investment is regulated in more detail in Commission Delegated Regulation (EU) 2022/1288.

The SFDR's main objective is to ensure that investors and financial advisers are better informed about the sustainability aspects of investments, enabling them to make more informed decisions. The SFDR introduces requirements for the disclosure of sustainability-related information at the level of companies and products, and sets standards according to which financial institutions must disclose information on the environmental, social and governance aspects of investments. The SFDR's goal is to encourage a shift towards more

sustainable investment and increase investor confidence in the green and sustainable economy.

Financial institutions must disclose sustainability policies and their processes for integrating sustainability criteria into investment decision-making process.

5.2. United Nations Principles for Responsible Investment (UN PRI)

The PRI international organisation is the world's leading advocate of responsible investment principles. The United Nations has supported the principles for responsible investment since their inception. In its operation, the PRI cooperates with two partners from the UN, who play an important role in the implementation of the strategy. The Principles for Responsible Investment bring together more than 5,000 investors worldwide who manage USD 121 trillion in assets (the global GDP is USD 85 trillion).

Zavarovalnica Triglav d.d. has been a signatory to the United Nations Principles for Responsible Investing (UN PRI) since February 2023. The principles bind asset managers to invest responsibly with the goal of long-term profitable investing and better risk management, as well as co-creating sustainable capital markets that contribute to a fairer and greener future. By signing these principles, the Company is endorsing the six principles of responsible investing. In accordance with these principles, the Company will report annually on the process of incorporating sustainability principles into asset management.

5.3. United Nations Sustainable Development Goals (SDGs)

The modern world faces challenges of global dimensions and which require a global response. Therefore, in 2015, world leaders under the auspices of the United Nations (UN) adopted 17 Sustainable Development Goals (SDGs) – a global plan by 2030. The UN Sustainable Development Goals aim to co-create a sustainable future for people and the environment by 2030. The 2030 Agenda is universal; its goals will have to be achieved by 2030, and all the countries of the world will have to implement them.

Figure1: United Nations Sustainable Development Goals (SDGs)



Source: <https://sdgs.un.org/goals>

The Group aims to contribute to the UN Sustainable Development Goals through its insurance and financial products, investments, business processes, projects and partnerships. Because *building a safer future* is its mission, it focuses on the SDGs where it can have the greatest impact through its business activities, investments and community programmes. Furthermore, it actively communicates these goals and includes them in its communication and cooperation with project stakeholders.

In investment, the initial focus was on the following two goals:

Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all

In asset management, the share of social impact, green and sustainable bonds in debt securities will be doubled by 2025, thereby contributing to the transition to a low-carbon and fair economy.

Goal 13: Take urgent action to combat climate change and its impacts

As a responsible asset manager, in addition to considering sustainability factors, the Company also pursues the strategy of investing in sustainable asset classes (e.g. green bonds, social impact bonds and sustainable bonds). Green bonds provide capital that is used exclusively to fund projects with environmental benefits, i.e. from renewable energy production to investment in sustainable real estate and energy efficiency projects.

6. Environmental, social and governance aspects in investment decisions

By pursuing sustainability goals, the Triglav Group is creating a long-term stable basis for its profitable and safe operations, promoting the transition to a sustainable society and reducing its impact on climate change. The Group aims to play a leading role in integrating the best global sustainability practices into its operations in the Adria region and knows how to identify the opportunities and risks of sustainable development.

In asset management, which is one of the two Group's strategic activities, the Group's activities will be focused on the transition to a climate-neutral and climate-resilient circular economy. In carrying out its investment activity, the Group will promote sustainable economic activity, energy efficiency and energy from renewable sources with an aim to reduce greenhouse gas emissions.

The ESG aspects will be gradually integrated into the development of investment products and services. Since 2021, in asset management, the Group has been increasing the share of green bonds issued to fund environmental projects, bonds issued to fund projects with a social impact (social bonds) and sustainable bonds intended to fund either green or social sustainability goals of issuers. The Group's goal is not only to double the share of the aforementioned three bond categories compared to the 2020 base year, but also to reduce its exposure to issuers on the Coal Exit List¹ (companies at which at least 20 per cent of electricity production or income stems from coal) to less than one per cent of total investment value by 2025.

Key quantitative performance indicators by 2025:

- Double the share of green, social impact and sustainable bonds (compared to 31 December 2020).
- Reduce exposure to issuers on the Coal Exit List (companies at which at least 20 per cent of electricity production or income stems from coal) to less than one per cent of our total investment value.

6.1. Guidelines on economic activities sensitive to sustainability risks

In managing portfolios, the aim is to achieve positive effects both for the Group and the wider society by incorporating environmental, social and governance criteria.

In the asset management process, sustainability aspects are carefully considered. Certain economic activities have a potentially greater adverse impact on sustainability factors, which is why a list of sensitive economic activities has been defined at Triglav osiguranje d.d. and Group levels that reflect the Group's views on the protection of the environment, society and respect for human rights.

Described below are the sensitive areas to which additional care is devoted.

¹ More information is available on the website <https://www.coalexit.org/>.

6.1.1 Coal mines, natural gas and oil

Activities in this area provide the supply of energy and mineral resources. The main sustainability risks arising from them are related to endangering local communities and harmful effects on the environment. The biggest harmful factors are related to human rights violations, greenhouse gas emissions, water pollution, impacts on biodiversity and damage caused to protected areas.

In asset management, the Group has been following the general trends in sustainability for several years and has gradually reduced exposure to companies in the coal sector in its portfolios. Its exposure to issuers on the Coal Exit List (companies at which at least 20 per cent of electricity production or income stems from coal) was less than one per cent already in 2022, even though this particular goal was set to be reached by 2025. The Group continues to gradually withdraw from the aforementioned industry and by 2030 it will completely exclude issuers from said list from its investment portfolios. Furthermore, the Group is committed to immediately abandoning investments in all those companies from the coal sector that are building new infrastructure or investing in additional capacities.

In the natural gas and oil industries, the Group is also abandoning or reducing investments in securities issued by companies from the aforementioned industries. This is in line with the set goals of reducing the value of selected principal adverse impacts (PAIs). Accordingly, the existing exposure to such investments in the Group's investment portfolios will be prudently reduced.

6.1.2 Thermal power plants

The goals of the Paris Agreement and the European Green Deal are ambitious and can be achieved by finding new alternatives for generating electricity. Sustainability risks in the production of electricity in thermal power plants are related to air pollution, adverse effects on biodiversity and the consumption and pollution of water resources in endangered areas.

In asset management, in recent years – as in the case of the coal industry – the Group has reduced its portfolios' exposure to thermal power plants, which are also on the Coal Exit List. The Group will continue to gradually withdraw from the aforementioned industry, and by 2030 it will completely exclude issuers from said list from its investment portfolios. Even now, the companies that build new thermal power plants or invest in their additional capacities are no longer included in its portfolios.

6.1.3 Production of weapons, ammunition and combat vehicles

The adverse social impacts of the production of weapons, ammunition and combat vehicles are undeniable and of general concern from the perspective of both key stakeholders and society as a whole. In this economic activity, additional due diligence is

required to identify the possible production, transport and/or trade in prohibited weapons as defined by international conventions.

In asset management, the Group is abandoning and reducing investments in the securities of the companies from the aforementioned industry in line with the set goals of reducing adverse impacts, which will continue in the future. Accordingly, the exposure of existing securities in its investment portfolios will be prudently reduced or it will wait for them to mature.

6.1.4 Gambling and betting activities

Gambling and betting activities include the activities of casinos and other gambling and betting activities. The operation of gaming machines such as pinball machines and table football are classified as other amusement and recreation activities. These activities are under strict legal control of individual countries and are an important source of employment and leisure activity. Organisers must be aware of possible negative impacts and set up appropriate measures. Due diligence may identify risks such as the absence of preventive measures aimed at preventing excessive gambling, the absence of offering help to gambling addicts and the use of inappropriate advertising practices.

In asset management, the Group is already not exposed to this economic activity. The Group undertakes to avoid investing in the securities of companies from said economic activity in the future, except when such an investment would have a positive impact on the social environment due to the financing of humanitarian, disability and other important organisations. This aspect will be subject to assessment on a case-by-case basis.

6.1.5 Tobacco production

The negative effects of tobacco use on human health are well known and scientifically researched. Less recognised are the significant harmful impacts of tobacco production and use, which are associated with excessive water consumption, large-scale deforestation and pollution of fertile land, especially in low- and middle-income countries. The latter may also be related to the exploitation of child labour in tobacco production and the risk of green tobacco sickness due to the processing of tobacco without adequate protection.

In asset management, the Group is abandoning and reducing investments in the securities of companies from the aforementioned industry in line with the set goals of reducing adverse impacts, which will continue in the future. In addition, the exposure of existing securities in its investment portfolios will be prudently reduced or it will wait for them to mature.

6.2. Monitoring and assessment of principal adverse impacts

Triglav osiguranje d.d. and all insurance and pension companies within the Triglav Group, which in terms of their size fall under Article 4 of Regulation (EU) 2019/2088, monitor and review, at the investment portfolio level, the values of the principal adverse impacts (PAIs), which are calculated based on the prescribed regulatory technical standards described in Table 1 of Annex I to Commission Delegated Regulation (EU) 2022/1288. The competent bodies of companies review, assess and report on their findings once a year.

Adverse impacts on sustainability factors of the portfolio in those Group companies where they are monitored and reviewed are dealt with as a matter of priority based on their importance for the objectives of Triglav osiguranje d.d., Zavarovalnica Triglav d.d. and the Triglav Group. The Group assesses that climate change represents the greatest sustainability risk, which is why, when making investment decisions in asset management, the Group currently identifies and prioritises four principal adverse impacts in connection with climate and other environment-related indicators (PAIs 1–4), which refer to greenhouse gas emissions, and one in connection with social matters (PAI 14), which refers to the production of weapons, ammunition and combat vehicles.

In investment, the goals of reducing priority indicators of adverse impacts are currently achieved mainly through the policy of exclusion or reducing exposure to companies from the list of sensitive economic activities, which are described in more detail in Section 6.1., and to a certain extent also indirectly, through an increase in the share of green bonds, social impact bonds and sustainable bonds.

Triglav osiguranje d.d. will continue to strengthen its efforts in monitoring and assessing adverse impacts. In the coming period, special attention will be paid to the analysis of reported data on the values of indicators of adverse impacts by external data providers and to the study of methods and ways of monitoring the values of these indicators. Based on this, additional goals will be set that will help reduce the value of other indicators of adverse impacts of investments.

7. Active ownership in the sustainable investment process

Active ownership may be exercised through communication with the issuer or through the exercise of rights deriving from financial instruments, which, for example, includes participation, voting and proposing agenda items at issuers' general meetings. The latter applies especially when it comes to domestic companies on the management of which the Company can have a greater influence.

The Group companies to which the Policy refers have a low exposure to direct ownership interest, which is why they actively cooperate with the issuers of financial instruments in which the assets of the portfolios managed by the individual companies are invested in other ways, i.e. by taking part in consultations, conferences, investor days and other expert meetings organised by the issuer, the stock exchange, a brokerage company or another organisation. At meetings

with company representatives, representatives of Group companies can discuss various topics, including the operations of the issuer of financial instruments, financial results, reporting and disclosures, environmental, social and governance aspects and all other aspects that could represent major risks for a company's long-term success. A company may ask the issuer of financial instruments for additional information if it identifies any irregularities or needs additional explanation regarding the operations of the issuer of financial instruments.

8. Sustainability risk management

An integrated sustainability risk management system is being established and is based on sustainable development strategic guidelines. Know-how is regularly upgraded and the quality of data improved, which is necessary to assess the harmfulness, both from the environmental and social point of view of each business segment. Moreover, the aim is to encourage sustainable development among the Group's clients and partners.

Sustainability risks comprise environmental, social and governance risks, which may have a negative impact on the Group's financial position or solvency.

Environmental risks comprise climate risks and the risks of a shortage of water and natural resources, threats to biodiversity and pollution. Climate risks are divided into physical and transition risks. *Physical risks* are the risks of a financial loss due to extreme weather events or other environmental impacts related to climate change. *Transition risk* is associated with risks arising from changes in business or the environment, due to measures to promote the transition to a low-carbon economy in order to reduce the human impact on climate change.

Physical and transition risks affect economic activity, which in turn affects the financial system. This impact may be direct, for example through lower profitability or asset value, or indirect through macroeconomic changes.

Social risks mainly include risks arising from the way the Triglav osiguranje d.d. and the Group companies operate in relation to the requirements of the wider social environment, in particular ensuring diversity and equal opportunities for various stakeholders, safety, health and satisfaction of employees, and good relations with clients, suppliers and outsourcers.

Governance risks are associated with an inappropriately or inadequately established governance system, especially in the field of environmental and social aspects. They comprise the legality of business operations, corporate governance standards, including the risk management system and internal control system, remuneration of the company's management, business practices and the investor relations policy.

The management of sustainability risks is focused primarily on segments that represent increased exposure to coal-related economic activities and other sensitive sectors in terms of sustainability.

If a potentially interesting investment from sensitive sectors is identified, due diligence is carried out according to the same steps as for insurance transactions. The initial sustainability risk assessment is carried out on the basis of an internal sustainability questionnaire and guidelines,

which define the risk criteria in more detail, as well as examples and good practices of risk mitigation. In the event a risk is identified, the potential investment is considered by the competent committee, which may establish a commission for this purpose. The process chart is presented in greater detail in the overarching policy.

9. Reporting

We regularly report on sustainability-related issues on our website:

- <https://www.triglav.hr/o-nama/odrzivo-poslovanje>
- <https://www.triglav.hr/o-nama/objava-informacija-o-odrzivosti>
- <https://www.triglav.eu/sl/trajnostni-razvoj/trajnostno-poslovanje>

in the annual report and via the UN PRI reporting framework.

10. Policy validity and transitional and final provisions

The Sustainable Investment Policy of Triglav osiguranje d.d. and Triglav Group will apply as of 30 June 2023.

The Triglav osiguranje d.d. will review the Policy once a year and, if necessary, amend it. This document is published on the respective websites in Croatian and English.