

Statement on principal adverse impacts of investment decisions on sustainability factors of Zavarovalnica Triglav d.d.

1. Summary

Zavarovalnica Triglav d.d. (549300KGI78MKHO38N42) considers principal adverse impacts of its investment decisions on sustainability factors. This statement is a consolidated statement on principal adverse impacts of investment decisions on sustainability factors of Zavarovalnica Triglav d.d. The statement on principal adverse impacts on sustainability factors presented below covers the reference period from 1 January to 31 December 2022.

Zavarovalnica Triglav (hereinafter: the Company) realises the Triglav Group's (hereinafter: the Group) mission of creating a safer future based on a sustainability orientation using environmental, social and governance factors. 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. As a result, it began to consider principal adverse impacts of investment decisions on sustainability factors in accordance with Article 4 of Regulation (EU) 2019/2088, which has been effective as of 10 March 2021.

The statement presented below covers the indicators of adverse impacts, which are set out by the regulatory technical standards and defined in Annex I to Commission Delegated Regulation (EU) 2022/1288. For the 2022 reference year, the values for the Company's portfolio were calculated for 16 of 18 principal adverse impacts¹ listed in Table 1 and for one additional adverse impact each from Table 2 and Table 3 of Annex I to the aforementioned regulation, for which data were obtained from an external provider – the Bloomberg information platform.

When making investment decisions, the Group currently identifies and prioritises four principal adverse impacts in connection with climate and other environment-related indicators and one in connection with social matters, which is presented in Table 1.

<i>Applies to:</i>	<i>Area</i>	<i>PAI indicator</i>	<i>Table</i>	<i>No</i>
Investee companies	Climate and other environment-related indicators	GHG emissions	1	1
		Carbon footprint	1	2
		GHG intensity of investee companies	1	3
		Share of investments in companies active in the fossil fuel sector	1	4
	Social and employee, respect for human rights, anti-corruption and anti-bribery matters	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	1	14

¹ The indicators used for investments in real estate assets were not calculated, because the Company's investment portfolio mostly includes real estate for which data on adverse impacts are not available.

2. Description of the principal adverse impacts of investment decisions on sustainability factors

Indicators applicable to investments in investee companies						
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Adverse sustainability indicator		Metric	Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
GHG emissions	1. GHG emissions (thousand metric tonnes per million EUR)	Scope 1 GHG emissions	67,849.51	n/a	n/a	Zavarovalnica Triglav adopted the Sustainable Investment Policy, in which it defined a list of sensitive economic activities to which additional attention is devoted. The list primarily includes activities that directly or indirectly contribute the most to greenhouse gas emissions, i.e. coal mining, thermal power plants and natural gas and crude oil extraction and production. In the investment activity, for the time being, a policy of exclusion or reducing exposure to companies from the aforementioned activities is mainly implemented. The adopted guidelines for the aforementioned sectors are as follows: <ul style="list-style-type: none"> - 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 by 2025 and completely withdraw from coal mining and thermal power plants by 2030. - Immediately abandon investments in all those companies from the coal sector that are expanding their infrastructure or investing in additional capacities. - Prudently reduce exposure to natural gas and crude oil activities. By striving to achieve these goals, the values of principal adverse impacts (PAIs 1–4), which are monitored and prioritised, will also decrease during this time. Since 2021, the Group has also been increasing the shares of green bonds issued to fund environmental projects, bonds issued to fund projects with a social impact (social impact bonds) and sustainable bonds intended to fund either green or social sustainability goals of issuers. The goal is to double the share of these bonds by 2025 compared to the end of 2020, thereby contributing to the transition to a low-carbon and fair economy.
		Scope 2 GHG emissions	16,017.03	n/a	n/a	
		Scope 3 GHG emissions	1,115,795.24	n/a	n/a	
		Total GHG emissions	1,210,390.68	n/a	n/a	
	2. Carbon footprint (thousand metric tonnes per million EUR in investment)	Carbon footprint	793.38	n/a	n/a	
	3. GHG intensity of investee companies (thousand metric tonnes per million EUR in income)	GHG intensity of investee companies	652.06	n/a	n/a	
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector (%)	2.06	n/a	n/a		
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	Consumption 53.68 Production 75.62	n/a	n/a	Zavarovalnica Triglav will continue to monitor and assess the intensity of greenhouse gases in accordance with the above adopted guidelines from the Sustainable Investment Policy. Special attention will be paid to the analysis of reported data, which are not yet fully available or they are not entirely reliable. Accordingly, in the future the Company's processes and policies related to sustainability will be adapted and regularly updated and amended. In the coming year, the Company will continue to strive to increase the share of green, social impact and sustainable bonds in accordance with the goal of doubling the share of said bonds by 2025. In addition, it will strive for compliance with the Sustainable Investment Policy, which imposes on it the guidelines described above regarding sensitive economic activities.	

	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of income of investee companies, per high impact climate sector ²	0.57 A: 0.00 B: 0.01 C: 0.19 D: 0.27 E: 0.00 F: 0.00 G: 0.04 H: 0.01 L: 0.02	n/a	n/a	
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 (%)	0.70	n/a	n/a	For the time being, Zavarovalnica Triglav only reports on the indicator's value, while reviewing the quality of the data for this indicator and examining methods and ways of monitoring the indicator's value in connection with possible goals. Based on the information obtained and the methods examined, the Company will set goals in the future that will help to reduce the adverse impact of investments on said indicator.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	144.09	n/a	n/a	For the time being, Zavarovalnica Triglav only reports on the indicator's value, while reviewing the quality of the data for this indicator and examining methods and ways of monitoring the indicator's value in connection with possible goals. Based on the information obtained and the methods examined, the Company will set goals in the future that will help to reduce the adverse impact of investments on said indicator.
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	2.24	n/a	n/a	For the time being, Zavarovalnica Triglav only reports on the indicator's value, while reviewing the quality of the data for this indicator and examining methods and ways of monitoring the indicator's value in connection with possible goals. Based on the information obtained and the methods examined, the Company will set goals in the future that will help to reduce the adverse impact of investments on said indicator.
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 Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (%)	1.95	n/a	n/a	For the time being, Zavarovalnica Triglav only reports on the indicator's value, while reviewing the quality of the data for this indicator and examining methods and ways of monitoring the indicator's value in connection with possible goals. Based on the information obtained and the methods examined, the Company will set goals in the future that will help to reduce the adverse impact of investments on said indicator.

² Sectors: A – Agriculture, forestry and fishing; B – Mining and quarrying; C – Manufacturing; D – Electricity, gas, steam and air-conditioning supply; E – Water supply, sewerage, waste management and remediation activities; F – Construction; G – Wholesale and retail trade, repair of motor vehicles and motorcycles; H – Transportation and storage; L – Real estate activities

	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	3.54	n/a	n/a	For the time being, Zavarovalnica Triglav only reports on the indicator's value, while reviewing the quality of the data for this indicator and examining methods and ways of monitoring the indicator's value in connection with possible goals. Based on the information obtained and the methods examined, the Company will set goals in the future that will help to reduce the adverse impact of investments on said indicator.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies (%)	21.40	n/a	n/a	For the time being, Zavarovalnica Triglav only reports on the indicator's value, while reviewing the quality of the data for this indicator and examining methods and ways of monitoring the indicator's value in connection with possible goals. Based on the information obtained and the methods examined, the Company will set goals in the future that will help to reduce the adverse impact of investments on said indicator.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members (%)	33.99	n/a	n/a	For the time being, Zavarovalnica Triglav only reports on the indicator's value, while reviewing the quality of the data for this indicator and examining methods and ways of monitoring the indicator's value in connection with possible goals. Based on the information obtained and the methods examined, the Company will set goals in the future that will help to reduce the adverse impact of investments on said indicator.
	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 (%)	0.30	n/a	n/a	Zavarovalnica Triglav adopted the Sustainable Investment Policy, in which it defined a list of sensitive economic activities to which additional attention is devoted. These also include the manufacturing of weapons, ammunition and combat vehicles. The adverse social impacts of the manufacturing 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 manufacturing, transport and/or trade in prohibited weapons as defined by international conventions. In the investment activity, as in activities closely related to greenhouse gas emissions, for the time being, a policy of exclusion or reducing exposure to companies from the aforementioned activities is implemented. The Group is abandoning and reducing investments in the securities of the companies from the aforementioned sector 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 the Group will wait for them to mature. In the future, the Company's processes and policies related to sustainability will be adapted and regularly updated and amended.
Indicators applicable to investments in sovereigns and supranationals						
Environmental	15. GHG intensity	GHG intensity of investee countries (tonnes per thousand USD)	0.15	n/a	n/a	For the time being, Zavarovalnica Triglav only reports on the indicator's value, while reviewing the quality of the data for this indicator and examining methods and ways of monitoring the indicator's value in connection with possible goals. Based on the information obtained and the methods examined, the Company will set goals in the future that will help to reduce the adverse impact of investments on said indicator.
Social	16. Investee countries subject to social violations	Share 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 (%)	0.22	n/a	n/a	For the time being, Zavarovalnica Triglav only reports on the indicator's value, while reviewing the quality of the data for this indicator and examining methods and ways of monitoring the indicator's value in connection with possible goals. Based on the information obtained and the methods examined, the Company will set goals in the future that will help to reduce the adverse impact of investments on said indicator.

Indicators applicable to investments in real estate assets						
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 (%)	n/a	n/a	n/a	Zavaroalnica Triglav currently examines methods and ways of monitoring the indicator's value in connection with possible goals. Data for said indicator in the Company's real estate investments are not available for the time being. Based on the information obtained and the methods examined, the Company will set goals in the future that will help to reduce the adverse impact of investments on said indicator.
Energy performance	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets (%)	n/a	n/a	n/a	Zavaroalnica Triglav currently examines methods and ways of monitoring the indicator's value in connection with possible goals. Data for said indicator in the Company's real estate investments are not available for the time being. Based on the information obtained and the methods examined, the Company will set goals in the future that will help to reduce the adverse impact of investments on said indicator.

Additional climate and other environment-related indicators (from Table 2)						
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Adverse sustainability indicator	Metric	Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Water, waste and material Emissions	9. Investments in companies producing chemicals	Share of investments in investee companies the activities of which fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006 (%)	1.07	n/a	n/a	For the time being, Zavaroalnica Triglav only reports on the additional indicator's value, while reviewing the quality of the data for this indicator and examining methods and ways of monitoring the indicator's value in connection with possible goals. Based on the information obtained and the methods examined, the Company will set goals in the future that will help to reduce the adverse impact of investments on said indicator.

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters (from Table 3)						
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Adverse sustainability indicator	Metric	Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Social and employee matters	2. Rate of accidents	Rate of accidents in investee companies expressed as a weighted average	0.58	n/a	n/a	For the time being, Zavaroalnica Triglav only reports on the additional indicator's value, while reviewing the quality of the data for this indicator and examining methods and ways of monitoring the indicator's value in connection with possible goals. Based on the information obtained and the methods examined, the Company will set goals in the future that will help to reduce the adverse impact of investments on said indicator.

3. Description of policies to identify and prioritise principal adverse impacts of investment decisions on sustainability factors

3.1 The methodology to identify and prioritise principal adverse impacts

Identification of principal adverse impacts

Zavarovalnica Triglav monitors and reviews, 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 findings are reviewed and assessed by the Investment Department at an investment meeting held at least once a year.

In accordance with the Sustainable Development Policy of Zavarovalnica Triglav d.d. and the Triglav Group (hereinafter: the overarching policy), adopted by the Management Board on 23 May 2023, and the Sustainable Investment Policy, adopted by the Assets and Liabilities Committee (ALCO) on 30 June 2023, a list of sensitive economic activities was defined at Company and Group levels that reflect the Group's views on the protection of the environment, society and respect for human rights and to which additional attention is devoted. The list covers the following sectors: coal mining, thermal power plants, natural gas, crude oil, weapons manufacturing, tobacco and gambling. In the investment activity, for the time being, a policy of exclusion or reducing exposure to companies from the aforementioned activities is mainly implemented. The adopted guidelines for the aforementioned sectors are as follows:

- 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 by 2025 and completely withdraw from coal mining and thermal power plants by 2030.
- Immediately abandon investments in all those companies from the coal sector that are expanding their infrastructure or investing in additional capacities.
- Prudently reduce exposure to other sensitive economic activities (natural gas, oil, weapon manufacturing, tobacco manufacturing, gambling).

By striving to achieve these goals, the values of principal adverse impacts (PAIs 1–4) will decrease during this time.

For a more accurate assessment of other principal adverse impacts of investment decisions on sustainability factors, additional ESG data will be needed, which are currently not yet fully available or they are not entirely reliable. Accordingly, in the future the Company's processes and policies related to sustainability will be adapted and regularly updated and amended.

Prioritisation

The Group prioritises principal adverse impacts in terms of responsible and sustainable investment practices that benefit both its clients and society as a whole and that are set out by the Sustainable Investment Policy. In 2022, the Group paid more attention to obtaining data for the calculation of 18 indicators of principal adverse impacts specified in Table 1 of Annex I to Commission Delegated Regulation (EU) 2022/1288. When making investment decisions, the Company currently identifies and prioritises four principal adverse impacts in connection with climate and other environment-related indicators, which coincide with the set goals of reducing exposure to companies from the aforementioned sensitive economic activities defined in the overarching policy.

3.2 Governance

The overarching policy sets out the framework of the Group's sustainable development, which defines the way of achieving strategic ambitions in sustainable development.

The Assets and Liabilities Committee (ALCO) adopts or revises the Sustainable Investment Policy at the proposal of the director of the Investment Department, based on which the guidelines regarding the treatment of the principal adverse impacts are derived.

The Compliance and Sustainable Development Committee (hereinafter: CSDC) at the Company monitors the sustainable aspects of the Group's operations, and the Chairperson of the CSDC reports to the Management Board on the committee's work. The Investment Department reports on a quarterly basis at CSDC meetings on its activities and the achievement of adopted sustainability goals.

3.3 Data sources

After carefully reviewing the availability of data offered by providers on the market, the Company decided to obtain the data via the Bloomberg information platform. The obtained data are analysed and the values of the principal adverse impacts on the investment portfolio level are calculated based on the prescribed regulatory technical standards set out in Commission Delegated Regulation (EU) 2022/1288.

4. Engagement policy

Active ownership in the sustainable investment process is exercised through communication with the issuer or through the exercise of rights deriving from financial instruments. The Company participates, votes and occasionally proposes agenda items at the meetings of domestic issuers, on the management of which it may have a slightly greater influence.

The Company and 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.

The Group is a signatory to the United Nations Principles for Responsible Investment (UN PRI). Acting in accordance with the aforementioned principles in this case also includes the possibility of cooperation with other shareholders in order to encourage companies and countries to implement these principles.

The Sustainable Investment Policy sets out the minimum requirements regarding the inclusion of sustainability factors in the investment process also for 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.

5. References to international standards

Zavarovalnica Triglav and Triglav Skladi have been signatories to the United Nations Principles for Responsible Investing (UN PRI) since 2023. The principles encourage 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.

In its Sustainable Investment Policy, the Group also describes how it aims to contribute to the UN Sustainable Development Goals (SDGs) through its insurance and financial products, investments, business processes, projects and partnerships. By focusing on sensitive economic activities, it strives to contribute to the goals of the Paris Agreement and to achieving net zero carbon emissions by 2050.

When making investment decisions, the Company therefore first focused on the principal adverse impacts related to greenhouse gas emissions (PAIs 1–4) and efforts to reduce them through the measures described in Section 3.1.

Since 2021, the Company has also been increasing the shares of green bonds issued to fund environmental projects, bonds issued to fund projects with a social impact (social impact bonds) and sustainable bonds intended to fund either green or social sustainability goals of issuers, thereby contributing to the transition to a low-carbon and fair economy. The goal, which was formally adopted, is to double the share of these three types of bonds by 2025 compared to the end of 2020.