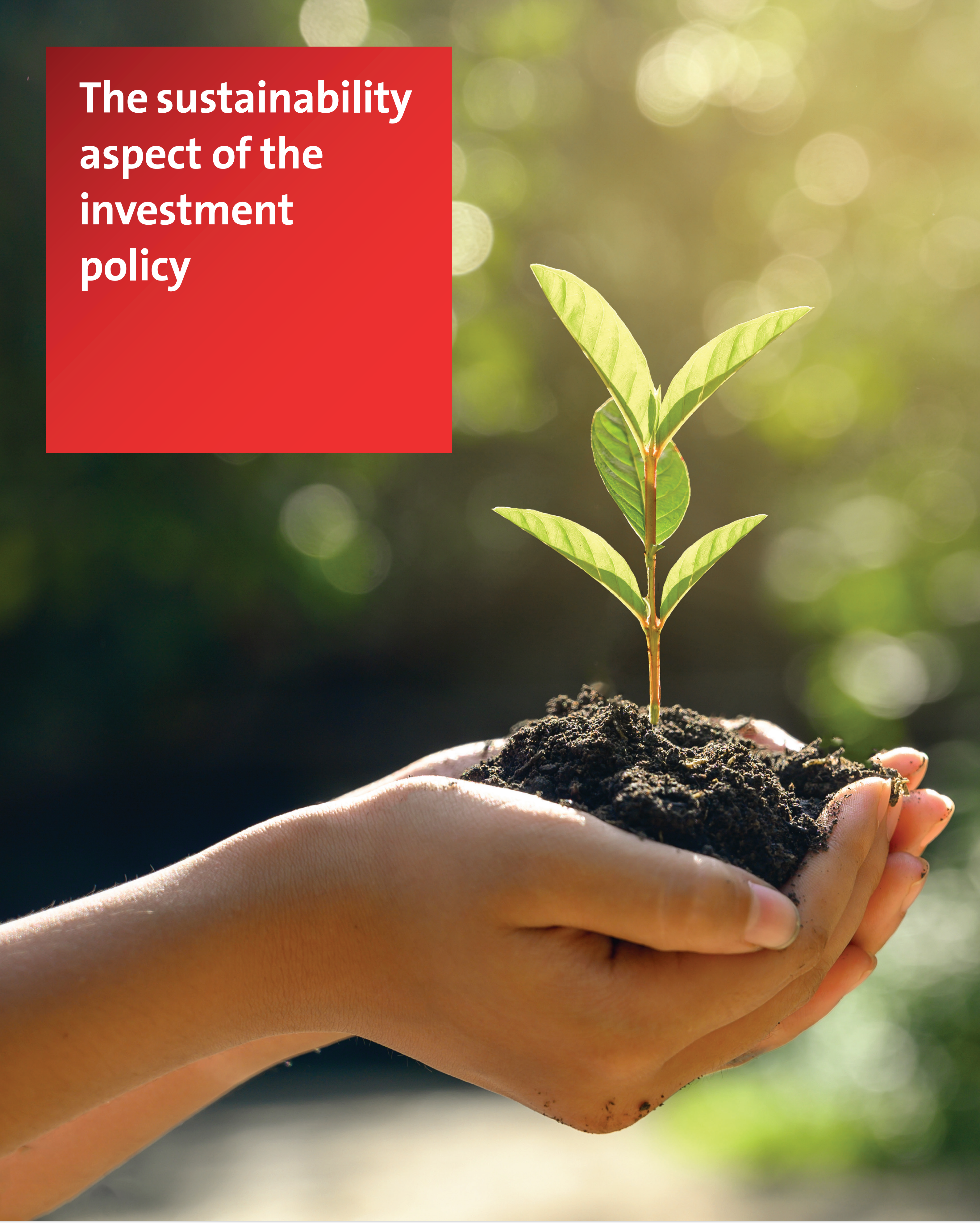
The sustainability aspect of the investment policy



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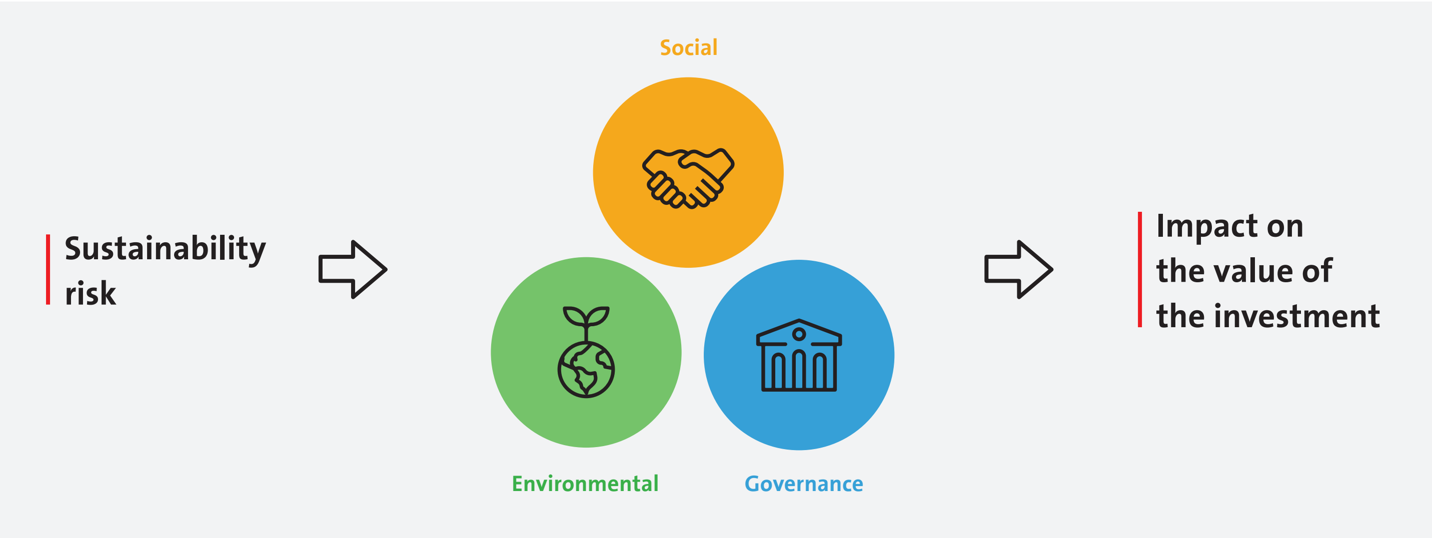
The sustainability aspect of the investment policy

The sustainability aspect of the investment policy includes a description of sustainability risks and the transparency of adverse sustainability impacts. We at Zavarovalnica Triglav make responsible investment decisions, in which the sustainability aspect is taken into account, in addition to focusing on security and long-term growth of assets under management. Thus, environmental, social and governance factors (ESG) are included in the Company's investment processes with the aim of ensuring long-term profitable investments. Sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. The impacts of sustainable operations are evaluated quantitatively, where possible, or with qualitative criteria, and the risk of sustainable operations is assessed and responses thereto are determined for both opportunities and threats.



Assets under management are invested in investments by issuers that may have different environmental impacts in terms of sustainability. The monitoring and calculation of the exposure of assets under management to individual issuers or their sustainability compliance is the basis for measuring sustainability risks and the transparency of adverse sustainability impacts. Sustainability risks of the issuer are identified and measured by means of compliance assessments based on own analyses and ratings assigned by specialised credit rating agencies. Sustainability risks at a national level are assessed on the basis of an internal methodology. In most cases, country risk indicators arising from the following risk categories need to be covered: socio-political, economic and financial risks, transfer risk and the risk of transmission of adverse impacts from other environments to the domestic environment (excessive dependence on foreign countries). The fifth category is represented by sustainability risks, which include environmental, social and governance risks within the country. The overall sustainability impact of the issuer, which includes environmental, social and governance aspects, is translated into a numerical assessment on a scale of 1 to 3. A score of 1 includes the main adverse impacts and indicates a low level of compliance, while a score of 3 indicates a high level of sustainability compliance. The portfolio compliance rate is calculated based on market values as a weighted average of the numerical scores of investments in the fund. If an investment is classified as sustainable due to the fact that it has sustainability factors as its objective or promotes sustainability factors, it consequently has a different risk assessment methodology and receives the highest possible score. In this case, the methodology is disclosed more extensively in the investment prospectus. The manager will aim to build the fund's portfolio so that it will achieve a higher weighted compliance rate with regard to the portfolio's sustainability. The maximum allowed share of issuers with a medium score will be 30% of the fund's assets, and the share with the worst score and main adverse impacts will not exceed 10% of the fund's assets.

Sustainability impact of the issuer ⇨

1 – low level of compliance (the main adverse impacts)

2- medium level of compliance

3 – high level of compliance

The goal of integrating, measuring and considering sustainability factors in the investment process is to improve long-term risk-adjusted return. This means that sustainability factors are fully taken into account in all investment decisions and that managers are responsible for managing exposure to material sustainability risk. In the investment management process, 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), which are becoming an increasingly important part of capital markets. The Company's range of insurance-based investment products includes a sustainable financial product. To a certain extent, those funds are selected that consider sustainability factors in their investment decisions, where relevant. They inform us transparently about the inclusion of risks of sustainability factors and likely impacts on the rates of return on financial products. Any information in this regard is disclosed in the pre-contractual documents.

Sustainable fixed income securities

Green bonds

Green bonds are an **instrument for funding environmental projects**, the funds of which are intended for ecologically efficient products, technologies and processes, pollution prevention and control, sustainable management of natural resources, sustainable management of water resources, renewable energy, energy efficiency and clean transport.

Social impact bonds

Social impact bonds are an **instrument for funding social services** and represent an innovative way of funding social interventions.

Sustainable bonds

Sustainable bonds are an **instrument for financing sustainability projects** and a combination of green and social impact bonds. Funding is often conditional on achieving sustainability goals.

Depending on the form of investment, the Company actively exercises management rights with issuers from portfolios with regard to sustainable development-related decisions or encourages them to adopt and implement commitments to achieve sustainability goals. In the investment process, the Company pursues the social corporate responsibility guidelines developed by the Organisation for Economic Co-operation and Development (OECD) and the principles for responsible investment, supported by the United Nations.