

6 Mission, vision, strategic focus and goals

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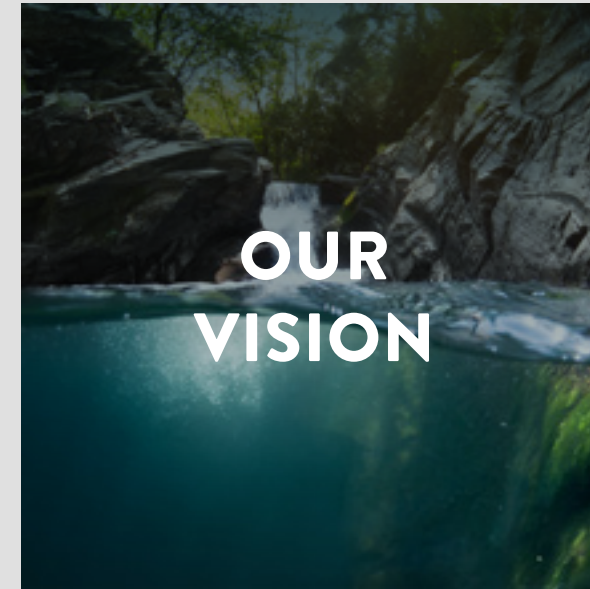
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6.1 Our purpose²¹

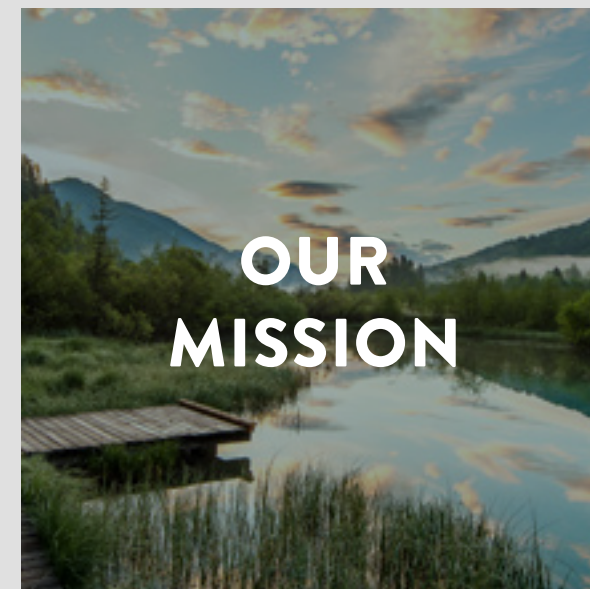
We are working to become a recognised provider of comprehensive insurance and reinsurance services in our target markets, to establish a climate of trust and loyalty among stakeholders, to become recognised as a company that communicates fairly and transparently, to meet the expectations of our shareholders and achieve an adequate return on equity, to raise awareness about the organisation's values and to integrate these into core business policies and the way people conduct themselves.

Through a positive climate, good business culture, continuous training and investments in employees, we contribute to the continuous development of insurance and ancillary products and to more optimal business processes. We are developing a Group-specific corporate culture that will be reflected in the quality of services and in the loyalty of our employees to their company and the Group.

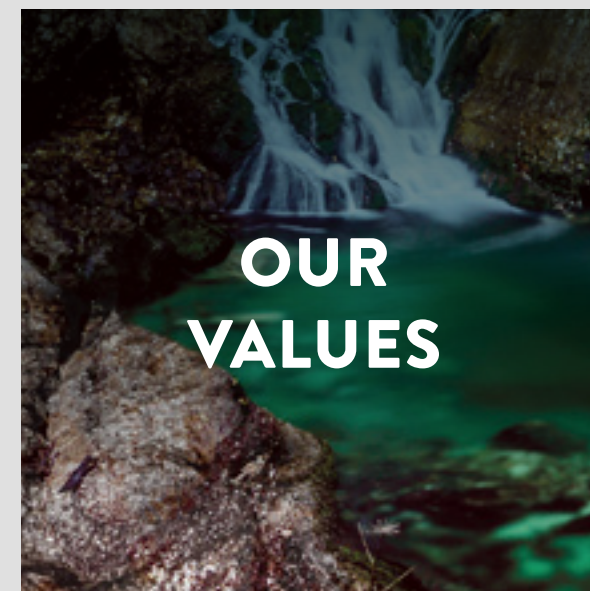
By definition, insurance is the provision of economic security through the spreading of financial risk, which is why the industry is tightly intertwined with the larger overall economy. Within this system, Sava Re has a responsibility to support activities that contribute to improving the social environment. Sustainable development is an area to which the Company is increasingly committed. Special attention is given to the exchange of knowledge, permanent training of employees and external stakeholders and the utilization of synergies among Sava Insurance Group companies. The social responsibility demonstrated by the Company reflects the values on which we intend to focus more in the future.



We are building a customer-centric, modern, digital, socially responsible and sustainability-oriented insurance group.



Through commitment and constant progress, we ensure security and quality of life.



We build relationships with care, integrity and respect.

We exceed client expectations with our ongoing efforts to improve and strengthen relationships.

We are active in relation to our natural and social environment.

²¹ GRI 102-16.

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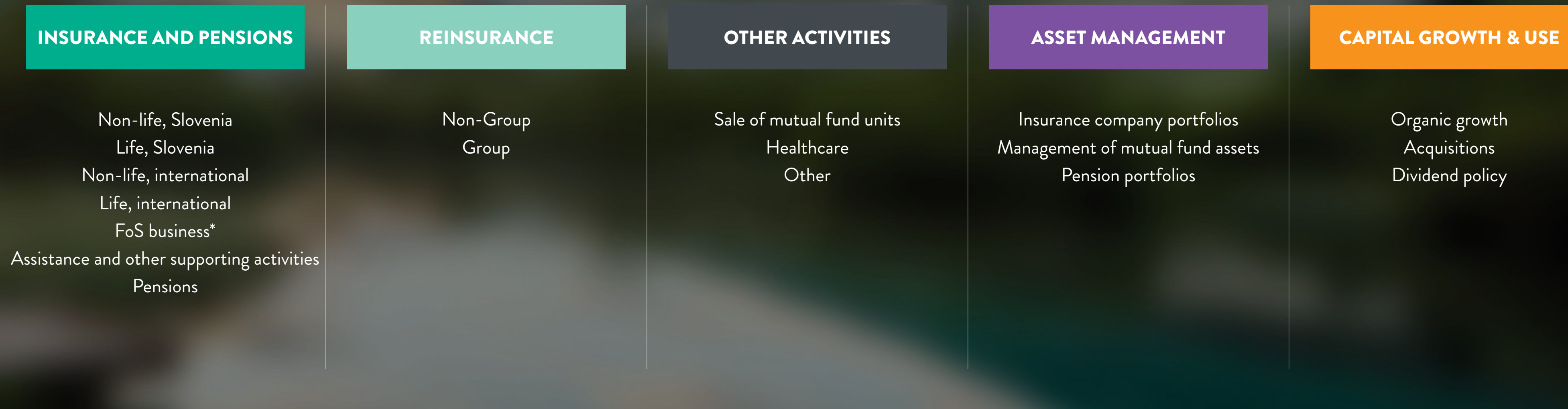
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6.2 Strategic focus of the Sava Insurance Group

The strategy of the Sava Insurance Group sets out strategic goals in two ways, based on its three key focus areas in the strategic period 2020–2022 and based on the Group’s key pillars of business operations.

Key Group pillars

INTEGRAL RISK MANAGEMENT



SUPPORTING ACTIVITIES

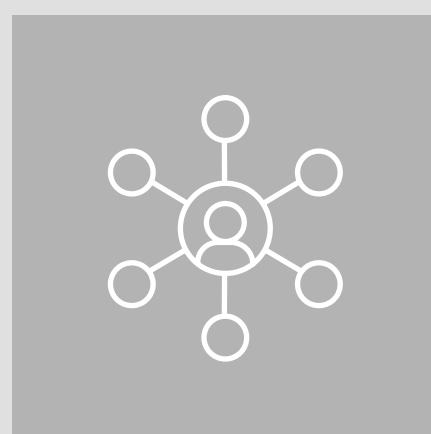
* FoS business. Freedom of Services business. Business written within the European Economic Area based on the freedom of services right to provide services on a cross-border basis.

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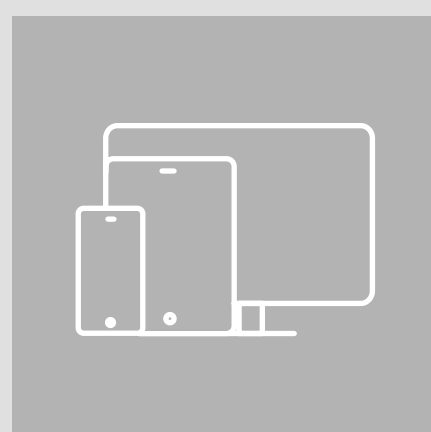
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Key focus areas set out in the strategy



Digital transformation & placing the customer at the centre

We are working to make it easier for policyholders to take out and manage insurance and to file claims, which also includes adapting our services to the needs and wishes of our clients. The new generation of digital customers is accustomed to fast and easy online shopping with as few clicks as possible. The Sava Insurance Group is adapting to this reality; we have therefore placed our core strategic focus on digital transformation and customer centricity.



IT overhaul

By upgrading our core systems, which includes replacing, upgrading and introducing new IT solutions, we will develop a modern and flexible IT system that will give us a competitive edge in the future..



Growth through acquisitions

In addition to effective organic growth during the strategic period, the Sava Insurance Group will continue its acquisition activities in the industries and markets where it is already present, and it will also look for growth opportunities in the insurance industry in other EU countries.

Long-term strategic targets

- The long-term objective is to achieve a return on equity of at least 12% at both the Group level and as a 3-year average. The internal calculation of the weighted average cost of capital (WACC) of the Sava Insurance Group, which includes the subordinated debt, totals 7.6%, with a cost of equity of 8.5%.
- During the period 2020–2022, the solvency ratio at the Sava Insurance Group level will be between 180% and 220% (target capital range).
- Non-life business in Slovenia will operate on a combined ratio that will not exceed 94%, and abroad it will not exceed 97%. The five-year average combined ratio of reinsurance business (total Group and non-Group business) will not exceed 93%.
- With regard to life insurance in Slovenia, profitability (the ratio of the value of new policies to the present value of the expected premiums of such new policies) of the portfolio of new life policies will be at least 9%, and in Croatia and on other markets at least 5% and 7.5%, respectively.
- The return on the Group's investment portfolio will average at least 1.5% over three years.

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6.3 Targets of the Sava Insurance Group for 2022

Major targets for 2022

EUR million	2020	2021	2022 plan	Change P2022/21
Operating revenue	680.8	732.7	> 700	95.5
Profit or loss, net of tax	56.4	76.2	> 60	78.8
Return on equity (ROE)	13.3%	15.8%	≥ 11.5%	-4.3 p.p.
Net expense ratio*	29.5%	29.0%	31–32%	+3.0 p.p.
Investment return*/**	1.6%	1.8%	1.4%	-0.4 p.p.
Net combined ratio (reins. + non-life)*	93.9%	88.3%	< 94%	+5.7 p.p.

* Excluding the effect of exchange differences.

** Subordinated debt expenses are excluded. Impairment losses on goodwill for 2020 are also excluded.

Target increase/decrease in consolidated operating revenue by segment²²

	2022 plan
Reinsurance	-16%
Non-life, Slovenia	-2%
Life, Slovenia	2%
Non-life, international	6%
Life, international	17%
Pensions and AM	13%
Other	4%

6.4 Goals achieved in 2021²³

6.4.1 Targets achieved in 2021

The Sava Insurance Group achieved all its financial targets in 2021:

EUR million	2021	2021 plan	As % of plan
Sava Insurance Group			
Operating revenue	732.7	> 685	107.0%
Profit or loss, net of tax	76.2	> 53	143.7%
Return on equity (ROE)	15.8%	≥ 11.5%	✓
Net expense ratio	29.0%	32–33%	✓
Investment return*/**	1.8%	1.5%	✓
(Re)insurance part			
Gross premiums written	725.6	> 685	105.9%
Net incurred loss ratio (reins. + non-life)*	55.6%	59–60%	✓
Net combined ratio (reins. + non-life)*	88.3%	< 94%	✓

Because exchange differences were not factored into the plan, the table shows ratios excluding the effect of exchange differences.

* Excluding the effect of exchange differences.

** Subordinated debt expenses are excluded.

ALL
targets
achieved

²² Vita was included as from 31 May 2020.

²³ GRI 103-01, 103-02, 103-03, 201-01.

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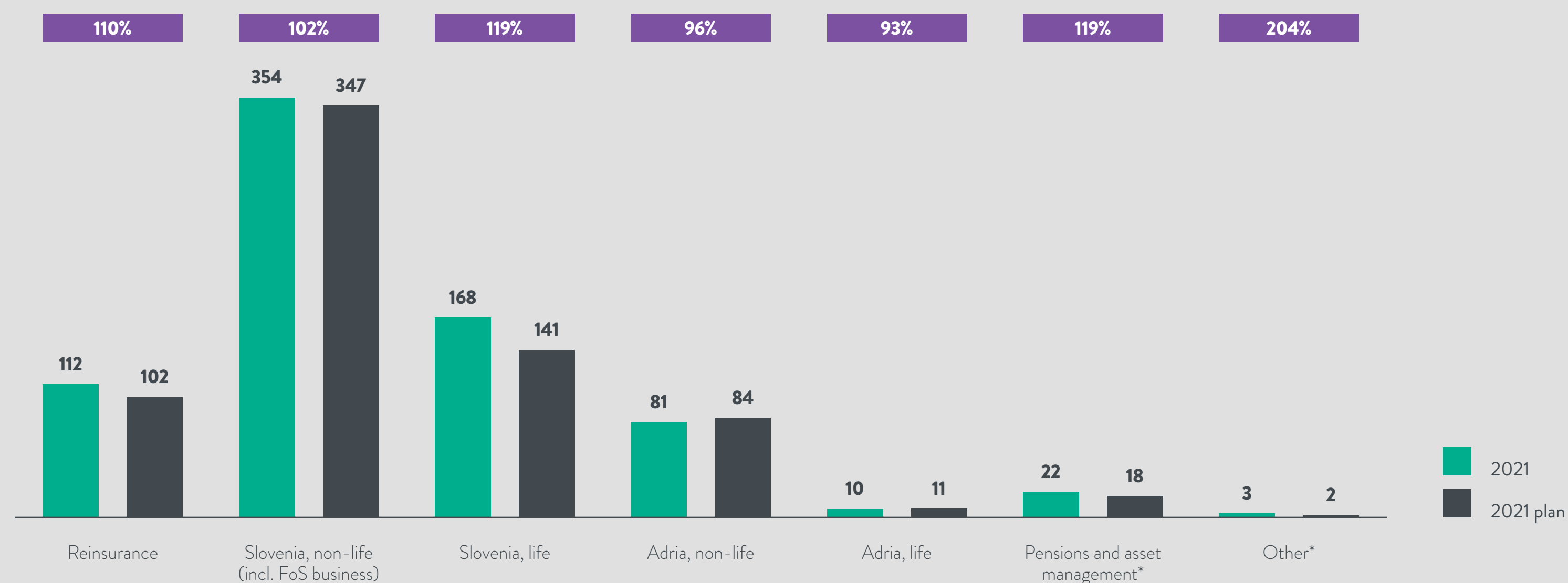
Operating revenue surpassed expectations across business segments. We were very successful in increasing operating revenue in life insurance, and even more successful in the pensions and asset management segment. We also achieved our targets in the non-life segment.

Net profit substantially exceeded the plan, mainly on account of more favourable claims experience in non-life insurance in Slovenia. Profit was also well above projections in the pensions and asset management, and reinsurance segments. As a result, the Group also exceeded the projected return on equity.

The net expense ratio achieved in 2021 was better than planned, which is attributable mainly to the life segment, and the pensions and asset management segment. The net incurred loss ratio was also better than planned with improvements in the reinsurance and non-life segments. The Group also succeeded in achieving better returns on the investment portfolio than expected in 2021.

Achievement of planned operating revenue

(€m)



* Operating revenue.

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6.4.2 Achievement of strategic targets

In 2021, the Sava Insurance Group exceeded all key targets set for the entire 2020–2022 strategy period.

	2020–2022		As % of plan
	2021	plan	
Average growth in operating revenue	7.6%	> 5% annually	✓
Return on equity (ROE)	15.8%	> 12%	✓
Solvency ratio under Solvency II rules	198%	180–220%	✓
Return on the investment portfolio*/**	1.8%	> 1.5%	✓
Net combined ratio (reins. + non-life)*	88.3%	< 95%	✓

* Excluding the effect of exchange differences.

** Subordinated debt expenses are excluded.

Strategic objectives achieved in the Group's strategic focus areas

Digital transformation and placing the customer at the centre

In 2021, due to Covid-19 the Sava Insurance Group continued to upgrade and use remote digital solutions, and optimise user experience, especially on its websites.

Key development activities continued with the introduction of a multichannel solution in several Sava Insurance Group companies, with an emphasis on the management of multi-level processes and additional, integrated communication channels.

We introduced and upgraded the SavaNet portal to integrate the data of Zavarovalnica Sava and Sava Pokojninska; the portal is scheduled to be updated again in 2022 with data for Sava Infond.

The first paperless business communication processes were implemented in the Group and additional business communication processes will be integrated going forward. With the introduction of advanced technologies, we continue to develop and deploy artificial intelligence in various work processes.

By developing the use of additional sources of external databases, we are looking to increase security and accelerate process implementation for our clients.

IT overhaul

As part of our IT overhaul projects for core insurance systems, we:

- completed the replacement of the asset management solution for all target Group companies;
- completed the introduction of a new insurance solution for FoS business;
- continued with the implementation of the core insurance business solution for the Croatian subsidiary of Zavarovalnica Sava;
- launched the operational part of the project for implementing a reinsurance IT solution at Sava Re.

We completed the consolidation of the existing Zavarovalnica Sava data warehouses and started to develop and integrate additional content and solutions at other Group companies.

In terms of infrastructure, we ensured ongoing support to various development projects and upgraded supervisory-management processes while improving the efficiency of infrastructural support.

We also increased IT security by introducing 24/7 operational oversight (Security Operations Centre) in all target Group companies.

Acquisitions-based growth

In 2021, the Sava Insurance Group pursued the strategic goal of growth through acquisitions. Acquisition activities continued in the private health segment, which the Group is developing through the company DCB, and in the road-side assistance segment, where the Sava Insurance Group has acquired an additional stake in TBS Team 24.

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Achievement of strategic objectives by key business pillar

Insurance and pensions

As part of the client in the centre programme, companies successfully started implementing projects for multi-channel communication, support to the contact centre processes, and portal and mobile solutions.

In 2021, online non-life insurance sales grew even faster, cooperation with banks was strengthened and new partnerships were formed with mobile operators, digital equipment retailers and other specialised partners. In non-EU companies we established the “request a quotation” functionality, which also allows customers to send an inquiry for products that are not available online. In 2021, we launched two new non-life products, namely micromobility insurance and assistance insurance for lightweight vehicles. Liability, assistance and accidents covers are linked to the driver and no longer to the vehicle. New products with integrated assistance are also being developed for small and medium-sized enterprises.

Investment guarantees in life insurance products in non-EU companies continued to decline, whereas Slovenian companies have stopped offering such life insurance arrangements altogether. Life products were supplemented

with additional health coverage and assistance services (e-consultation with a doctor, home assistance), and a special emphasis was placed on the development of independent health insurance products (specialist services). To accommodate the needs demonstrated by our banking partners, we adapted the existing bancassurance products and successfully established a partnership between our life insurer and NLB bank in Kosovo.

Despite the impact of the coronavirus and the challenges faced by assistance services, the TBS Team 24 Group assistance service provider managed to adapt to the new situation. Due to changed travel patterns in 2021, when most people travelled with private vehicles, the Company strengthened its technical assistance service both within and outside the Sava Insurance Group.

Reinsurance

In 2021, activities were aimed at ensuring quality growth, taking into account the situation in individual markets and striving to further diversify the portfolio, by both geography and market. 2021 was largely shaped by the Covid-19 pandemic and significant adverse claims experience over the summer months (floods, hailstorms, wildfires and similar). In the wake of these developments, we saw the first signs that the market was hardening in the

mid-year renewals, with higher prices and stricter conditions for reinsurance contracts (strict exclusion of communicable diseases, cyber risks and similar). Tighter conditions resulting from numerous loss events in the global markets in past years, when results were relatively poor, became blatantly obvious in the 1 January 2022 renewals. The focus on profitability and low volatility of the portfolio will continue in the forthcoming mid-year renewals.

Management of investments

The Group increased its share of real estate, infrastructure and sustainable investments in the portfolio in 2021. The share of sustainable investments (ESG investments) in the portfolio was 11.9% at the end of the year. The investment portfolio is composed of predominantly highly rated government and corporate bonds. The key goal of the Group's investment policy is to maintain low volatility and a high level of security of assets supporting obligations arising from insurance contracts, as well as to ensure high liquidity and risk diversification.

Asset management

Sava Infond substantially grew its asset management business in 2021 and performed very well. The strong growth in assets under management was partly the result of positive trends in capital markets.

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