

K.S.J” Illyria Life” sh. a

Governance policy

Basic details	
Title:	K.S.J “Illyria Life” sh. a
Designation of at:	PL_S
Subject:	The policy sets out the main guidelines for the governance of K.S.J “Illyria Life” sh. a, as well as the control and supervision of K.S.J “Illyria Life” sh. a
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Contents

1. Introduction.....	4
1.1 Subject matter and objectives of the governance policy.....	4
1.2 Goals, mission, vision and values incorporated in the governance guidelines.....	5
1.3 Goals, mission, vision and values integrated in the governance principles of subsidiaries.....	7
1.4 Corporate governance code of reference	7
2. COMMUNICATION AND COOPERATION STRATEGIES.....	8
2.1 General.....	8
2.2 Communication strategy	8
2.3 Communication objectives.....	8
2.4 Protection of business data and other important information.....	9
Publication of business data and other important information	9
2.5 Protection of employees' interests.....	9
2.6 Stakeholder engagement.....	10
3. MANAGEMENT SYSTEM IN THE K.S.J "Illyria Life" sh. a.....	12
3.1 Selection of management system of K.S.J "Illyria Life" sh.a.....	12
3.2 Managing authorities of K.S.J "Illyria Life" sh. a	12
3.3 Roles and responsibilities.....	12
4. Assembly.....	13
4.1 General.....	13
4.2 Terms of reference	13
4.3 Convening the general assembly meeting	13
5. Supervisory body (Board of Directors, board of directors, supervisory committee, etc.).....	14
5.1 General.....	14
5.2 Size and composition	14
5.3 Criteria for membership	14
5.4 Succession	15
5.5 Remuneration	15
6. Strengthening good practice and the functioning of the Board of Directors	15
6.1 Board of Directors committees	16
6.2 Audit committee	16
6.3 Risk Management Committee.....	16
6.4 Investment Committee.....	17
7. Management body (management board, senior management, managing director, executive director).....	17
7.1 General.....	17
7.2 Terms of reference	17
7.3 Size and composition	18
7.4 Criteria for membership	18
7.5 Succession	19
7.6 Remuneration	19
8. Risk management activities in Company.....	19
8.1 Key functions of the risk management system	20
8.1.1 General.....	20
8.1.2 Role of individual key functions	21
8.1.3 Criteria and conditions for appointment of key function holders	22
8.1.4 Remuneration of key function holders	23
8.1.5 Reporting by key function holders.....	23
8.1.6 Cooperation among key function holders	23

9. Committees in the governance system	24
9.2 Framework of business conduct	24
9.2.1 Corporate values and ethical code of conduct	24
9.2.1 General	24
9.2.2 Management board.....	25
9.2.3 Employee with special powers and responsibilities.....	26
9.2.4 Key function holders	26
9.2.5 Internal control system	26
9.2.6 Competence and suitability of the personal concerned.....	27
9.2.7 Outsourced transactions	27
9.2.8 Business continuity management	28
10. System of adoption, transfer and review of business policies in K.S.J “Illyria Life” sh. a.....	28
10.1 General.....	28
10.2 Procedure for adopting new policies.	29
10.3 Procedure for reviewing existing policies.	29
11. Traditional and final provisions	29

Based on the Regulations for Corporate Governance in Insurance (Central Bank of Kosovo) and in compliance with the Corporate Governance of the Sava Insurance Group, the Board of Directors of K.S.J "ILLYRIA Life" sh.a., at the meeting held on April 12, 2024, approved:

K.S.J "ILLYRIA Life" sh. a COMPANY GOVERNANCE POLICY

1. Introduction

The document refers to K.S.J "Illyria Life" sh. a (hereinafter: K.S.J "Illyria Life" sh. or the company) and functions as a reference document for the senior management of the Company for efficient management, as well as to be in full compliance with the local legal requirements as well as the requirements of the group.

Presentation of the Company

The Life Insurance Company "Illyria Life" sh.a. is the first Company licensed by the Central Bank of the Republic of Kosovo, according to Rule 31 on the Licensing of Life Insurance Companies, with License No. 01, to offer Life Insurance in Kosovo.

Illyria Life is a member of Sava Insurance Group with a 100% shareholding, with its registered office in the Republic of Slovenia.

1.1 Subject matter and objectives of the governance policy

The K.S.J "Illyria Life" sh. a Governance Policy sets out the main directions for the governance as well as the control and supervision of K.S.J "Illyria Life" sh. a, taking into account the goals, mission, vision and values of the K.S.J "Illyria Life" sh. a. In addition, it may include agreed specifics required due to the legislation of a certain country in which a subsidiary is based that apply to only a specific Company.

The purpose of the policy is to define the foundations of the governance system, the basic rules of governance in the company and the basic rules of corporate governance, as well as a transparent organizational structure with defined, transparent, and consistent internal relationships regarding responsibilities and competencies in the management system.

Corporate governance is a combination of procedures and structures used by the company's management or board of directors to inform, direct, manage and monitor the operation of the company to achieve its objectives.

The policy represents the foundation for the establishment and implementation of a solid and reliable management system based on an effective risk management system. The policy is aimed at setting up a sound, transparent, understandable, and reliable governance system for the K.S.J "Illyria Life" sh. a.

This governance policy represents a commitment for the future.

1.2 Goals, mission, vision and values incorporated in the governance guidelines.

General

This governance policy defines goals, the mission, vision and values for all stakeholders (not only shareholders) to understand why the company exists and in what direction it is moving.

Goals

We want to continue to be a recognized provider of comprehensive insurance and reinsurance services in our target markets, establish a climate of trust and loyalty among stakeholders, become recognized as a company that communicates transparently and fairly, meet the expectations of our shareholders, and achieve an adequate return on equity, raise the awareness about the organization's values and integrate them into fundamental business policies and the behavior of individuals.

Through a positive climate, good business culture, continuous training and investments in employees, we contribute to a 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 its 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 industry is tightly intertwined with the larger overall economy. Within this system, K.S.J "Illyria Life" sh. has a responsibility to support activities that contribute to improving the social environment. Sustainable development is an area that K.S.J "Illyria Life" sh. a is increasingly committed to special attention is given to the exchange of knowledge, permanent training of employees and external stakeholders and the utilization of synergies among K.S.J "Illyria Life" sh. a. The social responsibility demonstrated by the company as a whole reflect our values that we will increasingly focus on in the future.

Mission (Why do we exist?)

We ensure financial safety and a profitable future for our employees, our clients and our shareholders. We offer professional and personal development to our employees, we are partners to our insureds and give them our full support, and to our shareholders, we ensure an adequate return on equity. We are developing a friendly and responsible relationship to the environment and to society.

Vision (Who do we want to be in the long run?)

We create a modern, socially oriented, and sustainable insurance company.

MODERN:

K.S.J ILLYRIA Life places a client at the center of all its activities and develops quality and competitive solutions for its needs. We offer quality services and effectively face risks, making us one of the most trusted companies in the industry. We have a transparently regulated and modern organized system of business that provides high-quality services and long-term development.

SOCIALLY ORIENTED:

We are an understanding and trustworthy partner. We listen to the individual and delve into the relationship, knowing that even small things are the ones by which we can differentiate. By ensuring stable and safe operations, professional qualifications of our employees and taking care of the quality of life of individuals and communities, we want to be a constant in the lives of our partners, customers and employees.

SUSTAINABLE:

The company realizes sustainable operations in all key parts, both from the point of view of the environment and society, as well as from the management system. In constant dialogue with our stakeholders, we build long-term socially responsible business, supporting global sustainability goals, with a particular focus on climate change, health care and the well-being of our customers, employees, and the wider community.

The company strives to be recognized by stakeholders as:

- a credible and socially responsible partner,
- socially responsible asset and capital manager,
- responsible and attractive employer,
- socially responsible towards the wider community.

The sustainable operation of the company is defined in more detail in the Sustainable Policy of the Sava Insurance Group.

Values (What are we like?)

We are dedicated to our clients because we believe that by providing quality services, we are building long-term relationships. We believe that the satisfaction of our partners is the measure of our success, and our partners share in our reputation. We believe that success and reputation foster employee commitment and satisfaction. We believe that satisfied employees are professional, responsible, innovative and - committed. We are committed to our clients.

Employees

The values in the field of employees arise from the goal to create a common modern organizational culture defined by:

- respect, honesty and sincerity,
- teamwork and knowledge transfer,

- good work is praised and rewarded, mistakes for the desire to
- progress are not reprimanded,
- encouraging the promotion of employees within the company,
- care for professional and personal growth,
- promoting belonging to the company of all employees.

Customers

- respect for each customer at all times,
- quick response; always give an answer,
- searching for ways to exceed the client's expectations (availability of products and services, suitability of products, permanent goal-orientedness, friendliness, speed of response, consulting),
- innovation, encouraging the testing of new ideas,
- pleasantness of the environment
- maximum simplification of service provision procedures,
- development of insurance-related services.

Environment

- we are an ecologically oriented company,
- we respect the local environment and its specificities, take care of local development wherever we operate,
- we are socially engaged,
- We respect regulations, good business practices and adapt our business operations to the specificities of the environment where we operate.

1.3 Goals, mission, vision and values integrated in the governance principles of subsidiaries.

K.S.J "Illyria Life" sh. a is to set our goals, mission, vision and values consistent with the framework provided by the parent company, while these concepts may be adjusted to specific directions given by the parent company. The goals, mission, vision and values must be laid down in the strategic plan of each company.

The chief executive body shall manage the company in accordance with adopted values and communicate them down the corporate hierarchy.

1.4 Corporate governance code of reference

K.S.J "Illyria Life" sh. a has its own governance structure, which takes into account the management and supervision needs of the Sava Insurance Group, a whole while complying with the country's legislation.

Rules of the governance system of the company are subject to periodic annual review by K.S.J "Illyria Life" sh. a

Reviews are the responsibility of the compliance function, who in cooperation with the internal audit function verifies the consistency of this policy with other policies of the governance system and with other internal acts, legislation and other regulations.

When reviewing and assessing the effectiveness of the corporate governance framework, the reviewer shall focus on the changes in internal and external factors affecting the company and the K.S.J "Illyria Life" sh. a.

2. COMMUNICATION AND COOPERATION STRATEGIES

2.1 General

The governance system must ensure compliance with all relevant stakeholders and the achievement of the company's goals.

The K.S.J "Illyria Life" sh. a nurtures common values that are reflected in a positive work climate, sound business culture and long-standing partner relationships, thereby building a friendly and responsible attitude towards our social and natural environment.

Communication with stakeholders is aimed at informing and raising awareness. It helps strengthen the reputation of the company, is conducive to attracting high-quality talent and partners and supports the achievement of the company's goals. The communications of the parent company with its external stakeholders have an effect on the POSR share price.

The fundamental guidelines for communicating, the means of communication and persons responsible for communicating as well as their powers and responsibilities are set out in the internal communication rules.

2.2 Communication strategy

The company is aware that the credibility and reputation of a financial institution, both at home and abroad, depends on the opinion that the public creates about us. In addition to acting honestly and responsibly, positive opinion is further promoted by continuous, transparent, correct, and timely communication.

2.3 Communication objectives

The purpose of the communication strategy is, in addition to complying with legal information regulations, to increase the visibility in the area where we operate, to increase the reputation of K.S.J ILLYRIA Life sh. and to consolidate the trust of all stakeholders. The continuous implementation of communication activities supports all other activities in the company, which together also affect the final outcome – business result and reputation.

Communication includes communicating with internal stakeholders and communicating with external stakeholders of the company.

2.4 Protection of business data and other important information

With the Rules on professional secrecy, the company defines the data, information, and documentation of K.S.J ILLYRIA Life sh. a, which it carefully protects against unlawful acquisition, use and disclosure to unauthorized persons. Such information is considered a trade secret of the insurance company since its disclosure could cause damage to the insurance company. The Rules also specify the levels of confidentiality of individual data and documents.

The management of the company may also determine by special decision the data that are business secrets and persons obliged to protect business secrets.

With the Rules on the management of conflicts of interest, the company defines procedures and criteria for managing conflicts of interest that may arise when performing regular or extraordinary transactions in the field of operation of the company.

Publication of business data and other important information

The Company publishes its management reports and financial statements in accordance with the applicable law governing companies and with the decision of the Central Bank of Kosovo, which specifies in more detail the obligation to report publicly.

2.5 Protection of employees' interests

When managing our employees in the company, we start from the belief that we will achieve the set goals only with qualified and committed employees. The company's management ensures effective management and motivation of employees and, in accordance with the annual business plans, strives to involve employees in various activities of professional training and personal development. By building an employer brand and focusing on employees, we strengthen the organizational climate and employee engagement.

We build a partnership with our employees and encourage two-way communication through cooperation and inclusion at different levels of the company.

The company builds and strengthens a modern organizational culture and ensures work in a safe, diverse and sustainable working environment. Our responsibility towards employees is also reflected in our efforts to create a working environment in which the dignity and integrity of each employee is respected. We guarantee our employees all employment rights and provide working conditions to reconcile work and family life as easily as possible.

The company adopted the Code of Ethics of K.S.J ILLYRIA LIFE sh.a. In the Code we have written down all the principles by which employees act in relation to colleagues, customers, and other interested public.

2.6 Stakeholder engagement

Employees

Employees are crucial to the success of an organization. They drive productivity, contribute to innovation, and play a key role in achieving business goals. Engaged and motivated employees produce higher job satisfaction, lower turnover, and a positive company culture, all of which contribute to long-term success.

Providing training, tuition reimbursement, leadership development, career-pathing, or coaching helps employees grow and yields results that benefit both the employee and employer.

A strong company culture has a massive impact on employee satisfaction and retention, two factors that play a big role in the success of a business. By creating a culture that values its employees, fosters collaboration, and encourages growth, we create an environment that employees are proud to be a part of and motivated to stay with, so for us, the importance of a strong company culture is essential.

Employee engagement also leads to better relationships with colleagues, which can in turn lead to more productive and creative problem solving, as well as increased job satisfaction.

All this is achieved only with open communication and K.S.J Illyria Life does this by using all communication channels.

- all-staff meetings,
- intranet communication,
- circular e-mail,
- staff meetings,
- individual discussions,
- in-house training,
- informal staff meetings
- team building events,
- management meetings with all employees
- annual performance assessment interviews with staff members,
- strategic conferences.

Cedants (persons insured) and other business partners.

Striving to develop long-term partnership relations with their clients, K.S.J “Illyria Life” sh. a meet all agreed commitments arising out of written insurance contracts and our business operations. In its communications and in building relations with policyholders, the K.S.J “Illyria Life” sh. a uses communication tools that have proven to be the most effective ones, namely personal, written and telephone communication. In addition, the Company communicates via electronic media, organization of events and business meetings, presentation brochures, direct mail, research, surveys and hotlines are key

tools to ensure advancement to excellence in communication and relations with policyholders.

Sales are vital to the operation of the company. We believe that through sound performance, we build long-term relationships, and that the satisfaction of our partners is the mirror of our success. As the business model of K.S.J “Illyria Life” sh. a is exclusively business-to-clients, and another sales channel in which we are developing with a special focus is Bancassurance. Bancassurance refers to the distribution of insurance products through banking channels, it is absolutely essential for a good relationship that is based on professional and direct communication.

It communicates with its partners through:

- telephone and written correspondence,
- regular face-to-face meetings in Slovenia and abroad,
- international professional seminars and meetings with reinsurers and brokers,
- periodic professional training – Sava Summer Seminar,
- annual report,
- promotional materials,
- company website.

Media

For K.S.J “Illyria Life” sh. a, the media represent an important bridge to the broader public. We maintain regular contacts with the media. We respond to questions within the agreed timeframe; we communicate openly, and, above all, in line with the principle of uniform informing of all shareholders. In case of important events, we send press releases or organise press conferences.

Regulatory bodies and authorities

K.S.J “Illyria Life” sh. a members strive to establish sound and complete cooperation with all supervisory and other public authorities, including compliance with their decisions.

The body that Company is required to report to, is the local regulator of the insurance market. In Kosovo is the Central Bank of the Republic of Kosovo. The Company also respond to all other extraordinary reporting requests made by local authorities.

Suppliers and creditors

K.S.J “Illyria Life” sh. a company take great care building long-term partnership relationships with suppliers and creditors, thereby ensuring the stability of the sourcing process and operations of both the K.S.J “Illyria Life” sh. and its members. Sourcing is conducted in a transparent manner in accordance with the prescribed standard procedure and purchasing process in line with the Group’s internal sourcing policy.

By signing a standard purchasing contract, which includes the general conditions of purchase (except in exceptional cases) and defines the rights and obligations of the parties, we set the foundation for a partnership-based relation with our suppliers.

At the K.S.J "Illyria Life" sh. we are aware that we can only strengthen our reputation in our environment by regularly meeting our obligations to suppliers and creditors.

Local and wider community

K.S.J "Illyria Life" sh. a is committed to providing security, quality life and a profitable future to its clients, employees, and other stakeholders. With a positive climate, good business culture, training, and investments in employees, we are contributing to a continuous development of insurance and ancillary products and to more optimal business processes. We are developing a culture that will be reflected in the quality of services and in the loyalty of employees to their company and the Group.

Our employees, through various humanitarian projects contribute to the general good of the community and are setting a good example of an active citizen who cares about working for the community.

3. MANAGEMENT SYSTEM IN THE K.S.J "Illyria Life" sh. a

3.1 Selection of management system of K.S.J "Illyria Life" sh.a

The company has formed a one-tier management system.

Taking into account the principle of proportionality, the management system of K.S.J ILLYRIA Life sh.a, the organizational structure and decision-making processes, in addition to the basic functions of the company, also incorporate the risk management function, the internal audit function, the actuarial function and the compliance monitoring function, which the our company defines as key functions (hereinafter: key functions), a function by which the Company ensures the correct implementation of policies and procedures for insurance distribution products, and committees appointed by the company's management board as appropriate.

The management system at K.S.J ILLYRIA Life sh. a is proportionate to the nature, scope and complexity of the company's operations.

The key functions formed by K.S.J ILLYRIA Life sh.a coordinate operation at the Group level and cooperate with key functions of the parent company.

3.2 Managing authorities of K.S.J "Illyria Life" sh. a

The management bodies of the company are the General Meeting, the Borad of Directors, and the Management Board of the Company.

3.3 Roles and responsibilities

Managing authorities perform their tasks in accordance with the legislative system, the company's internal rules and in accordance with the general policies set out in this policy, other company policies and other internal acts.

The Management Board manages the company's business, and its work is supervised by the Board of Directors. Both the Management Board and the Board of Directors carry out their work for the benefit of the Company.

The Management Board is independent in managing the company and making decisions. When making decisions that could have a significant impact on the business, financial or legal situation of the company, the Management Board informs the Board of Directors with a view to reaching mutual agreement on such issues.

The Management Board regularly informs the Board of Directors about all important factors and events that affect or could affect the Company's operations. The Management Board consults the Board of Directors on business, strategy, risk management and public relations.

The Chief Executive Officer informs either the Chairman of Board of Directors or the entire Board of Directors about important events that are necessary for assessing the situation as well as for the management of the Company. In case of informing only the Chairman of the Board of Directors, the latter must inform the Board of Directors about important events and, if necessary, convene a meeting of the board of directors. The Management Board and the Board of Directors cooperate closely, in accordance with legislation and good practice for the benefit of the Company.

4. Assembly

4.1 General

The general meeting is the highest organ of the company, through which the company's shareholders exercise their rights in the affairs of the company. The powers of the general meeting are determined by law and the company's articles of association.

4.2 Terms of reference

The terms of reference of the general meeting of the company are determined in line with the legislation of each country and the company's articles of association.

4.3 Convening the general assembly meeting

General meetings of shareholders of K.S.J "Illyria Life" sh. members are generally convened at least once a year, or more often according to the demands of the shareholders, the board of directors or by order of the Central Bank of Kosovo.

A shareholder who is on the list of shareholders in the register, thirty (30) days before the date of the session of the general assembly of shareholders, has the right to vote in the general assembly of shareholders. A shareholder who is on the list of shareholders in the register, thirty (30) days before the date of the session of the general assembly of shareholders, has the right to vote in the general assembly of shareholders.

The general meeting may also be convened in other cases, as provided by local law, the Company member's articles of association and whenever this is in the Company member's interest. As a rule, the general meeting is convened by the company's chief executive body. Local law stipulates the circumstances in which the general meeting may also be convened by other bodies of the company or the shareholders themselves.

Details on the convening of the general meeting of Company members, shareholder rights regarding the general meeting, conditions for participation in the general meeting and the exercise of voting rights are set out in each country's local law and the Company member's articles of association and rules of procedure of the general meeting.

5. Board of Directors and Supervisory Committees

5.1 General

The Board of Directors supervises the management of the company's operations throughout the financial year, in accordance with the adopted business strategy and the company's financial plan.

It meets at least five times a year, but not less than once in three (3) months. usually after the end of each quarter to review the annual and interim financial reports, while one session is devoted to the approval of planning documents. The board of directors and supervisory committees in companies with a one-tier system generally meet more frequently.

5.2 Size and composition

The Board of Directors consists of not less than five (5) voting members who are appointed and dismissed by the General Assembly of Shareholders, with a four (4) years term, with reappointment possibility.

Besides the CEO, who is an ex-official member of the Board of Directors, all other members should be non-executive directors.

The company strives to set up Board of Directors that is diverse while forming an appropriately homogeneous whole. The Board of Directors is composed to ensure responsible oversight and decision-making in the best interest of the company. Members are selected so that their professional expertise, experience, and skills are complementary.

5.3 Criteria for membership

All members shall have appropriate experience, competencies, and personal qualities. Requirements for "fit and proper" qualifications are provided in Article 24 of the Law on Insurance, while the requirements for qualification and experience are provided in Article 32 of the Law on Insurance and the Regulation on Licensing of Insurers and Branches of Foreign Insurers.

Board members shall meet the criteria provided in Articles 24 and 32 of the Law on Insurance and must be approved in advance by the Central Bank of Kosovo pursuant to Articles 24 and 33 of the Law on Insurance.

When assessing a candidate's suitability for a member of a board of directors, the fulfilment of the following conditions shall be taken into account as much as possible:

- demonstrates a commitment to integrity and business ethics,
- has a comprehensive knowledge of the business,
- has available time resources in the period when performing the function,
- is capable of effective communication and teamwork,
- is ready to participate in continuous education and professional development.

When selecting members of the Board of Directors, it is desirable that the body has as much as possible of the following qualifications, experience and knowledge of:

- insurance and financial markets,
- business strategy and business models,
- the management/governance system,
- financial and actuarial analysis, and
- the legislative framework and requirements,

5.4 Succession

When the Board of Directors is constituted, new members of the Board of Directors take office or special committees of the Board of Directors are appointed, the Chairman of the Board of Directors with the organizational assistance of the Management Board ensures a quality introduction of new members of the Board of Directors or members of its committees.

5.5 Remuneration

Members of the Board of Directors in K.S.J "Illyria Life" sh. a are entitled to remuneration for performing their function up to the amount set by the general meeting. The Board of Directors members cannot participate in the company's profits.

The remuneration must not be directly linked to the company's performance as demonstrated by the financial statements.

6. Strengthening good practice and the functioning of the Board of Directors

In accordance with good practice, the Company's Board of Directors usually assesses once a year its composition, operations, potential conflicts of interest of individual members, the activities of individual members and of the Board of Directors as a whole, as well as cooperation with the Management Board.

6.1 Board of Directors committees

In accordance with law, the Board of Directors should establish an audit committee, risk management committee and investment management committee. The company may also establish other committees according to its assessment. The CBK within its competence, may require the insurer to establish special committees.

6.2 Audit committee

The Audit Committee must be established by the Board of Directors.

The number of members of the Audit Committee must be sufficient taking into account the size of the company, nature and complexity of doing business and there cannot be less than three (3) members.

The Audit Committee must be composed of members of the Board of Directors, most of them who should be non-executive members and one member should be an experienced external expert. at least three (3) years in the field of finance, accounting and auditing.

The chairman of the Audit Committee must not be an external expert engaged as a member of Audit Committee.

The Chairman of the Board of Directors must not be a member of the Audit Committee. The participation of the Executive Director or the Chairman of the Board at the meetings of the Audit Committee should be organized by invitation only and must be managed in a way that does not compromise the independence of this Committee and maintaining proper relations with other parties and especially with the auditors external.

The meetings of the Audit Committee must be held at regular intervals, at least every three months a year, one (1) ordinary meeting will be held, while their meetings will be held whenever called by the Board of Directors.

Responsibilities of the Audit Committee in addition to those in article 3, paragraph 4, of the Law on Insurance, there are others as well all set forth below:

- monitoring the effectiveness and adequacy of secure security controls,
- internal audit and IT systems;
- cooperation with the external auditor in relation to their audit findings;
- reviewing the reliability of insurance financial statements and the insurance they present
- the exact correct condition and right of insurance;
- review of any announcement or financial reporting and recommendation before it is forwarded to the Board.

6.3 Risk Management Committee

The Risk Management Committee must be established by the Board of Directors.

The number of members of the Risk Management Committee must be sufficient, taking into account the size of the company, nature and complexity of doing business, and there cannot be less than three (3) members.

The Risk Management Committee should consist only of members of the Board of Directors and the chairman of the Committee for Risk Management cannot also be the chairman Board of Directors.

The Risk Management Committee, in addition to the responsibilities defined in Article 30, paragraph 7, of the Law on Insurance, has the responsibility to supervise and advise the Board of Directors on the current exposure of the insurer to risks as well as on the strategy of risk management for the future.

6.4 Investment Committee

The Investment Committee must be established by the Board of Directors, in accordance with Article 30, paragraph. 8 of the Law on Insurance and the Regulation on Investment of Assets to Cover Technical Provisions and Mathematical as well as Investment of Insurers' Basic Capital.

The investment committee consists of at least three (3) members, one of whom must be a non-executive member of the Board of Directors.

7. Management body (management board, senior management, managing director, executive director)

7.1 General

In this section, the term management board is used as a generic term for any management body.

The rules established for the management board in a two-tier system, in principle, also apply to the managing directors and executive director in a one-tier system, unless otherwise specified.

7.2 Terms of reference

The management board provides leadership to and repress.

ents the company in its legal transactions.

Through its efforts and using its knowledge and experience, the management board pursues the long-term success of the company, ensuring optimal guidance and risk management. The management board determines the company's goals, values, mission, vision and business strategy. Business operations are optimized through an adequate structure of human resources and prudent use of financial resources. In addition, it must comply with local law and the company's articles of association and other ats.

7.3 Size and composition

The management board of K.S.J “Illyria Life” sh. a company is composed of professional principles to ensure that decision-making is for the benefit of the company. As a rule, it is comprised of two members and composed with a view to prudent and responsible fulfilment of the company’s goals. The number of members is proportionate to the nature, scale and complexity of each company’s business, while there must be clearly determined terms of reference of board members as well as an adequate delimitation of responsibilities. Where local legislation permits a single-member management board, the company must observe the four-eye principle in decision making.

Each company strives to set up a management board that is diverse while forming an appropriately homogeneous whole. Members are selected so that their professional expertise, experience and skills are complementary so as to ensure the sound and prudent operation of the company.

The management board is committed to high ethical standards and considers the interests of all stakeholder groups.

7.4 Criteria for membership

Each director and senior manager of the insurer should be capable and appropriate with a good reputation, who must meet the criteria set by the CBK regarding qualifications, experience and integrity.

Except as provided in Article 24 of this Law, a person shall not be eligible if the one:

- is sentenced by a final court decision for a criminal offense, with six (6) or more months sentenced;
- is removed from office of a provider upon the request of the CBK
- upon a decision of the competent authorities, the right to exercise the profession has been suspended and removed;
- has been a director or senior manager of an insurer whose license is revoked, or failure of payment or forced liquidation of the insurer was initiated during his term.

It is vital that a management board member meets the following criteria:

- demonstrates a commitment to integrity and business ethics,
- has a comprehensive knowledge of the business,
- is capable of effective communication and teamwork,
- is ready to participate in continuous education and professional development.

When selecting members of a multi-member management board, it is desirable that the body has as much as possible of the following qualifications, experience and knowledge of:

- insurance and financial markets,

- business strategy and business models,
- the management/governance system,
- financial and actuarial analysis, and
- the legislative framework and requirements.

The special importance is the gender composition of the directors as well as the senior management.

7.5 Succession

The Board of Directors shall define candidate profiles and select qualified and experienced candidates for membership of the management board. The Board of Directors, in cooperation with the management board, shall ensure proper succession planning for the individual members of the management board, taking into account all the legal requirements regarding the composition, appointment and succession as well as the requirements of the Group's fit and proper policy concerning both individual management board members and the management board as whole.

The company generally uses the mandate system, which entitles the chairperson of the management board to select and nominate other members of the management board with who the chairperson intends to accomplish the company's goals for appointment by the Board of Directors. Unless the company uses the mandate system, the Board of Directors determines the duties and responsibilities of board members in cooperation with the chairperson of the management board.

7.6 Remuneration

The remuneration system for the management board must allow the attraction of relevant candidates for these positions according to the requirements of individual companies, striving for balance between the interests of the management board and the long-term interests of the company. The remuneration of management board members consists of a fixed component and a variable component. In cases where the compensation policy provides for fixed and variable compensation, the Company must ensure that the share of the fixed payment is at the appropriate level of compensation in full, to prevent dependence on variable payment and to contain the option of cancelling variable payment in cases of bad performance.

8. Risk management activities in Company

One of the key building blocks of the management system is the risk management system.

The company's management must ensure an effective risk management system.

The basis for an effective risk management system is an appropriate organizational structure.

Risk management is the sum of all measures taken by the company to manage significant risks (i.e. i.e. identification, monitoring, measurement, reporting) arising from various activities of the company as well as the external environment. With this, the company wants to achieve the best possible fulfilment of strategic business goals and minimize the possibility of losing its own sources of funds.

Details of the risk management system are defined in the Risk Management Policy.

The risk management system is a key building block of the governance system.

8.1 Key functions of the risk management system

8.1.1 General

With due regard to the proportionality principle, the governance system of K.S.J “Illyria Life” sh. has certain functions integrated into the organizational structure and decision-making processes. These are the risk management function, compliance function, actuarial function and internal audit function, defined by applicable law as the key functions of the risk management system (hereinafter: key functions).

K.S.J “Illyria Life” sh. a generally sets up all four key functions in its governance system, so they are independent from each other and from other organizational units of the company. The key functions directly report to the management board.

Where any key function is carried out by an independent organizational unit, it must be ensured that the key function holder has direct access to the management board.

The key functions are integrated into the organizational structure and decision-making processes to strengthen the structure of the three lines of defence in the control system of the K.S.J “Illyria Life” sh. a. All four key functions cooperate closely with each other, regularly exchanging information they need for their functioning.

Notwithstanding the organizational position of any key functions within a company, it is directly integrated in the Group’s framework of key functions. This establishes a direct link between a subsidiary’s key function and the key function at the Company level, providing for direct information flow between the second and third line of defence, ensuring comprehensive and consistent risk management within the K.S.J “Illyria Life” sh. a

The key functions established and integrated in the parent company’s risk management system perform the key function at both, the level of the parent company and at the K.S.J “Illyria Life” sh. a level.

The key functions in the parent company are normally organised as services of the risk management system that report directly to the parent company’s management board. The compliance key function is conducted as part of the office of the management board and compliance service.

The main activities of any key function holder at the K.S.J “Illyria Life” sh. a level are:

- coordinating the development of a uniform methodology for all key functions in the K.S.J “Illyria Life” sh. a,
- seeking to develop (i) appropriate framework policies for the key function and (ii) professional guidelines for the adoption of area-specific operational rules from the parent company
- striving for strict application of uniform standards by all key functions in the K.S.J “Illyria Life” sh. a,
- co-ordinating and implementing joint activities;
- providing guidance and overseeing the operations of key functions in all Company.
- professional development and exchange of good practices relating to the key functions of the K.S.J “Illyria Life” sh. a.

8.1.2 Role of individual key functions

8.1.2.1 Risk management function

The risk management function performs the duties stipulated by the Solvency II Directive and regulations based thereon and the insurance law, including regulations based thereon. The risk management function is primarily responsible for

- the operation of the risk management system,
- the identification and assessment of risks assumed,
- pooling of risks into a common risk profile, including interactions,
- regular monitoring of the risk profile
- reporting on potential hazards.

Details on duties, terms of reference, responsibilities and powers of the risk management function holder, procedures, obligations, time limits and reporting distribution lists are set out in the risk management policy of K.S.J “Illyria Life” sh. a

8.1.2.2 Compliance function

The compliance function performs the duties stipulated by the Solvency II Directive and regulations based thereon and the insurance law, including regulations based thereon. The compliance function primarily:

- seeks to ensure compliance of the company’s operations with regulations and other commitments,
- advises the management board on compliance with the laws, implementing regulations and internal regulations
- assesses the potential impact of any changes in the legal environment on the company’s operations
- identifies and assesses compliance risks, providing assistance in managing these risks.

Details on duties, terms of reference, responsibilities and powers of the compliance function holder, procedures, obligations, time limits and reporting distribution lists are set out in the Group’s internal compliance policy.

8.1.2.3 Actuarial function

The actuarial function performs the duties stipulated by the Solvency II Directive, Regulation on Insurance Actuaries and other regulations based thereon and the insurance law, including regulations based thereon. The actuarial function is primarily responsible for:

- seeking to coordinate and oversee the establishment of technical provisions, also by ensuring the use of appropriate and sound methodologies, assumptions and underlying data, expressing an opinion on the underwriting policy,
- expressing an opinion on the adequacy of reinsurance arrangements,
- contributing to an effective implementation of a risk management system, in particular with respect to risk modelling.

Details on duties, terms of reference, responsibilities and powers of the actuarial function holder, procedures, obligations, time limits and reporting distribution lists are set out in the internal actuarial function policy.

8.1.2.4 Internal audit function

The internal audit function performs the duties stipulated by a based thereon and the insurance law. The internal audit function primarily:

- provides objective and relevant assurance and advice to the management board in order to add value and improve the efficiency and effectiveness of operations,
- assists the company in achieving its goals based on systematic, methodical assessment and improvement of the effectiveness and efficiency of governance, risk management and control procedures
- reports to the management and the board of directors and audit committee on the purpose, terms of reference and duties of internal audit and the implementation of its plan, the findings of the audit reviews carried out, and proposes recommendations for improvements.

Details on duties, terms of reference, responsibilities and powers of the internal audit function holder, procedures, obligations, time limits and reporting distribution lists are set out in IA internal policy.

8.1.3 Criteria and conditions for appointment of key function holders

The process and criteria for the selection of candidates for key function holders as well as the process of their periodic fit and proper assessments, including key other key persons, is transparently set out in the Group's internal fit and proper policy of relevant persons.

All Senior Managers must complete criteria for "fit and proper" under the provisions of Article 24 of the Insurance Law as well as having the appropriate qualifications, experience and integrity, as required by Article 32 of the Insurance law.

Key functions holders are appointed and dismissed by the Board of Directors.

8.1.4 Remuneration of key function holders

The remuneration system for key function holders must allow the attraction of appropriate candidates that will meet the needs of the company, taking into account the type and volume of the company's business.

The variable component of the key function holder's salary may not be determined to allow the rewarding of a key function holder's behaviour that would encourage the exposure of the company to uncontrolled risks.

The remuneration system and criteria for remuneration of key function holders are set out in detail in the Group's internal remuneration policy.

8.1.5 Reporting by key function holders

Key function holders of each Company reports in two directions, namely:

- to management or Board of Directors the company or, if so provided, the audit or other committee and, in some cases, taking into account country-specific regulatory arrangements and internal regulations of individual companies, certain sectoral committees.
- to the holder of the relevant key function at the K.S.J "Illyria Life" sh. level.

Detailed provisions on the scope, manner, matrices and time framework for reporting in respect to any key function are set out in internal regulations, governing a relevant key function.

8.1.6 Cooperation among key function holders

Key function holders meet regularly, as a general rule once a month, to exchange opinions, discuss topical issues and specifics of the business in the current period. They also harmonise the various annual work plans of the key function holders they are required to draw up under the applicable legislation or internal ats. They also exchange findings from individual audit reviews, findings, and recommendations from the areas of work covered key function holder and discuss the annual or other reports on the work of each key function holder. In accordance with the applicable legislation and internal ats, they report on findings and follow up on recommendations to management and supervisory bodies. Key function holder at the Company level manages all their recommendations and follows up on implementation using an online application.

Annually, the Company level key function holders issue a joint statement that they have undertaken, with due care and in accordance with the rules of the profession, activities to ensure that all key risks that the Company is or could be exposed to in the course of its business operations, are monitored and that the risk management system established at the Company level is effective.

9. Committees in the governance system

The management board of K.S.J “Illyria Life” sh. a, based on its resolution, set up committees in an advisory role. Such committees consider issues from specific areas, prepare draft management board resolutions and oversee their implementation, and perform other tasks requiring specific expertise, providing professional support to the management board.

Committees set up on the parent company level perform both the role of the committee of the parent company as well as the committee at the K.S.J “Illyria Life” sh. a level.

Committees are an integral part of the risk management system of the K.S.J “Illyria Life” sh. and may consider issues including but not limited to risk management, asset-liability management, actuarial issues, internal audit and remuneration.

The terms of reference, powers and composition of committees are set out in internal regulations adopted by the management board of the company that established the committee.

9.2 Framework of business conduct

9.2.1 Corporate values and ethical code of conduct

The Management Board and Board of Directors, as well as all employees of the Company, act in accordance with corporate values, high ethical standards and take into account the interests of all stakeholder groups.

The Management Board and the Board of Directors must develop and promote high ethical and professional standards. By implementing appropriate standards of professional and responsible behaviour at the company level, the risks to which it is exposed can be reduced. In particular, high priority will reduce operational and reputational risks.

Detailed rules and methods of action in individual cases, which may be disputed from the point of view of ethical and professional standards of conduct, are defined in more detail in the Code of Ethics of K.S.J ILLYRIA Life sh.a

Commitment to identify conflicts of interest and independence of board of directors members, management, senior and senior management and key function holders.

9.2.1 General

Participants in the process of management and supervision of the company may be exposed to conflicts of interest due to the nature of business relations between the parent and associated companies. Participants are obliged to perform their functions either in the roles of the corporate governance system, or in the roles of conducting business functions in the interest of the company. If they have a conflict of interest in such conduct with respect to their core activity in the company in the Sava Insurance Group or with their other employer, they are obliged to disclose such conflict of interest

and act in the interest of the company. If this is not possible, they are obliged to inform the management of the company or the management of the parent company. The rules on conflict-of-interest management procedures are further detailed in the Rules on the management of conflicts of interest.

Board of Directors before taking office and then periodically (annually) and upon each change, each Board of Directors member shall sign and submit to the Board of Directors a statement of independence of member of the company's Board of Directors, stating that they have sufficient knowledge and experience for performing the function of Board of Directors member and taking a position relating to their potential conflicts of interest, in accordance with the criteria laid down in the Code.

The members of the Board of Directors inform the Board of Directors of any kind of conflict of interest that may arise or could arise in the exercise of or in connection with the exercise of their office. In addition, each member of the Board of Directors keeps the Board of Directors informed of any memberships in management or supervisory bodies of other companies.

The members of the Board of Directors are aware of the fact that the existence of a material conflict of interest, or the existence of an evident conflict of interest serves, in relation to a Board of Directors member, as the grounds for the termination of their term of office.

In addition, the Board of Directors members shall, on an annual basis, complete questionnaires on related parties so that the company may verify the existence of any other business relations between the company and the Board of Directors members. Any findings are disclosed in the annual report in the section on transactions with related parties.

The Board of Directors considers any potential conflicts of interest when selecting candidates for new Board of Directors members: candidates who already exhibit conflicts of interest of a nature that may have a significant impact on decision-taking and activities, shall not be nominated for election by the general meeting to the Board of Directors.

Also, in performing their duties, a Board of Directors member is not dependent on the opinions or instructions of those who elected, nominated, or appointed them, but shall follow their own judgement and assume full personal responsibility for their decisions. All Board of Directors members have equal rights and duties, only in case of a tied vote, the chairman, or the deputy chairman in the absence of the chairman, has a casting vote.

9.2.2 Management board

On an annual basis, management board members complete questionnaires on related parties so that the company may verify the existence of any other business relations between the company and its employees. Any findings are disclosed in the annual report in the section on transactions with related parties.

Management board members immediately disclose any potential conflicts of interest to the Board of Directors as well as inform other management board members thereof. In

addition, management board members report to the Board of Directors any memberships of interest groups, associations and other organizations.

As a rule, members of the Management Board are not members of supervisory boards of companies outside the Sava Insurance Group, which reduces the possibility of conflicts of interest. Any exceptions are decided by the board of directors of the parent company.

9.2.3 Employee with special powers and responsibilities

Annually, employees under contracts that are not subject to the tariff part of the collective agreement (employees with special powers) complete questionnaires on related parties in order for the company to establish the existence of any other business relations between the company and employees.

Employees with special powers must immediately report any potential conflict of interest to the management board.

9.2.4 Key function holders

On an annual basis, key function holders' complete questionnaires on related parties so that the company may verify the existence of any other business relations between the company and its employees.

Key function holders immediately report any potential conflict of interest to the management board.

Key function holders cannot be members of any Board of Directors or any of its committees of K.S.J "Illyria Life" sh. a in order to minimise potential conflicts of interest.

If, in accordance with the proportionality principle, key functions are assigned additional activities and tasks, there shall be in place appropriate internal measures and mechanisms for managing any potential conflicts of interest arising from such activities of a key function. Measures and mechanisms for avoiding situations potentially leading to conflicts of interest are detailed in the internal regulations governing the operation of individual key functions.

9.2.5 Internal control system

The company's internal control system is intended for identifying, measuring, monitoring and managing risks at all levels of business, including reporting on risks to which the company is or may be exposed in its operations. At the same time, the internal control system ensures compliance of operations with the internal rules of the company and meets legal requirements and requirements of other regulations in the field of risk management.

It is important that employees understand the importance of internal controls and are actively involved in internal control procedures. The procedures for reporting to the appropriate level of management regarding possible problems, deviations, non-compliance with the code of ethics or other violations of policies or illegal actions must be unambiguous, presented to all employees and clearly written in documents available to all employees.

The procedures for establishing internal controls, maintaining and documenting them, and ensuring the operation of the company in accordance with internal controls are described in the ***Internal Control Policy***.

9.2.6 Competence and suitability of the personal concerned

In accordance with the requirements of applicable law and this Policy, the Company ensures that persons who effectively direct and control the Company or are holders of key or other important functions within the Company comply at all times with the following requirements:

- a) their professional qualifications, knowledge and experience are adequate for sound and prudent management (so-called ability); and
- b) are persons of good repute and integrity (so-called suitability).

To that end, the company has established and implements a process for assessing the competence and suitability of the personnel concerned before appointment and after appointment, when and if circumstances arise requiring a reassessment of the suitability and suitability of those persons.

Members of the Management Board and Supervisory Board and members of other relevant staff are responsible for the management of the company or have a significant influence on the management of the company and are therefore subject to special conditions regarding their professional knowledge, experience and personal competencies, which differ depending on the function they perform. The required knowledge, skills, and experience of the members of the staff concerned shall ensure that the management of the company makes well-informed and competent decisions based on a sound understanding of the business, the legislative risk framework and the corporate governance structure of the company they manage.

The qualifications requirements of the personnel concerned depend on the function itself or the post occupied by each person.

9.2.7 Outsourced transactions

The outsourcing of business or functions is the contracting out of work related to the business of insurance or an important or key business function or activity of K.S.J "Illyria Life" sh. a, otherwise carried out by the company as part of its licensed activities. A service provider is any natural or legal person who performs services that are the object of outsourcing transactions. The company is fully responsible for functions or activities outsourced since the company's liability to third parties is not transferable to service

providers or other contract acceptors. The company is required, before deciding on the outsourcing of any tasks or functions, to assess and document the impact that such outsourcing of tasks or functions will have and ensure regular implementation in the future. K.S.J “Illyria Life” sh. a company has the right to contract outsourcing business or functions subject to statutory regulations.

Type, purpose and terms of outsourcing for business or functions are regulated in detail in the Group’s outsourcing policy and Regulation on Delegation of Function (Central Bank of Kosovo)

9.2.8 Business continuity management

K.S.J “Illyria Life” sh. a sets up sound business continuity management to ensure continuous operation and to limit its losses in the event of severe business disruption. To this end, the company sets up:

- a contingency plan and a business continuity plan to ensure that the company properly responds to emergencies and is able to maintain its vital business activities in the event of disruption of normal transactions;
- a recovery plan for key resources that allow it to re-establish normal business procedures within an appropriate timeframe.
- substitution and succession plans in key positions.

The business continuity process is tested on an annual basis. The plans are subject to regular annual review by each company.

The key risks and activities in case of possible adverse events are contained in the rules of the Business Continuity Policy adopted by the Management Board and acquainted with the function of business processes and information technology in the parent company.

The K.S.J “Illyria Life” sh. a corporate governance system, the relationship of the parent company to subsidiaries, information flow and communication between individuals and management or supervisory bodies are regulated in detail in the Group’ governance rules.

10. System of adoption, transfer and review of business policies in K.S.J “Illyria Life” sh. a

10.1 General

With due regard to the proportionality principle, local legislation and other business specifics, K.S.J “Illyria Life” sh. subsidiaries are encouraged to include as many as

possible of the guidelines of Sava Re framework policies into their internal regulations in order to foster unified best practices and effective risk management.

10.2 Procedure for adopting new policies.

All policies are approved by the business line before being published as Board of Directors materials.

10.3 Procedure for reviewing existing policies.

Company periodically review the consistency of policies with business strategy, other policies in the governance system and other internal documents, legislation and regulations and revise them accordingly. In the event of any change in the legal environment or other objective circumstances, such policy reviews are to be carried out more frequently.

11.Traditional and final provisions

The management body of K.S.J "Illyria Life" sh. a is responsible for the introduction and implementation of this policy in the company.

This policy will enter into force upon its adoption by the Board of Directors and obtaining consent of the Board of Directors and will apply from **1 May 2024**.

Upon coming into force of this document all other non-governmental, documents that regulate corporate governance, cease to be effective.

Marko Jazbec
Chairman of the Board of Directors

A handwritten signature in blue ink, appearing to read 'Marko Jazbec', is written over a horizontal line.