

Corporate Governance

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Transparent corporate governance

As a company that adds value, Baloise has always attached great importance to practising sound, responsible corporate governance and continues this tradition today.

Operating in line with the Swiss Code of Best Practice and the SIX Corporate Governance Guidelines, Baloise strives to foster a corporate culture of high ethical standards that emphasises the integrity of the Company and its employees. Baloise is convinced that high-quality corporate governance has a positive impact on its long-term performance. The Company therefore rapidly and transparently implemented the requirements under the Swiss Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares (ERCO).

This chapter reflects the structure of the SIX Corporate Governance Guidelines as amended on 1 September 2014 in order to enhance transparency and, consequently, improve comparability with previous years and other companies. It includes economiesuisse's Swiss Code of Best Practice for Corporate Governance and, in particular, Appendix 1 to the latter, which contains recommendations on the remuneration paid to the Board of Directors and the Executive Committee. Baloise publishes its own remuneration report as item 5 of its Corporate Governance Report, which meets the criteria specified in circular 2010/1 of the Swiss Financial Market Supervisory Authority (FINMA).

1. STRUCTURE OF THE BALOISE GROUP AND SHAREHOLDER BASE

Structure of the Baloise Group

Headquartered in Basel, Switzerland, Baloise Holding is a public limited holding company that is incorporated under Swiss law and listed on the Swiss Exchange (SIX). The Baloise Group had a market capitalisation of CHF 6,380 million as at 31 December 2015.

- Information on Baloise shares can be found from page 12 onwards.
- Significant subsidiaries, joint ventures and associates as at 31 December 2015 can be found from page 250 onwards in the notes to the consolidated annual financial statements, which form part of the Financial Report.
- Segment reporting by region and operating segment can be found from page 177 onwards in the notes to the consolidated annual financial statements within the Financial Report section.
- The Baloise Group's operational management structure is presented on page 72.

Shareholder base

As a public company with a broad shareholder base, Baloise Holding is a member of the SMI Mid (SMIM) Index and the Swiss Leader Index (SLI).

Shareholder structure

A total of 20,723 shareholders were registered in Baloise Holding's share register as at 31 December 2015. The number of registered shareholders had increased by 5.58 per cent compared with the previous year. The "Significant shareholders" section on page 268 provides information on the structure of the Company's shareholder base as at 31 December 2015.

The reports that were submitted to the issuer and to SIX Swiss Exchange AG's disclosure office during the reporting year in compliance with section 20 of the Swiss Federal Act on Stock Exchanges and Securities Trading (BEHG) and were published on the latter's electronic reporting and publication platform in compliance with section 21 BEHG can be viewed using the search function at <https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>

Treasury shares

Bâloise held 2,740,262 treasury shares (5.5 per cent of the issued share capital) as at 31 December 2015.

Cross-shareholdings

There are no cross-shareholdings based on either capital ownership or voting rights.

2. CAPITAL STRUCTURE

Dividend policy

Bâloise Holding pursues a policy of paying consistent, earnings-related dividends. It uses other dividend instruments such as share buy-backs and options to supplement conventional cash dividends. Shareholders have received a total of CHF 1,263.7 million from cash dividends and share buy-backs over the last five years. Baloise has therefore had a combined annual payout rate of between 30 per cent and 50 per cent in recent years.

| | Cash dividends | Share buy-backs | Total |
|--------------------|----------------|-----------------|----------------|
| Year (CHF million) | | | |
| 2011 | 225.0 | 17.1 | 242.1 |
| 2012 | 225.0 | – | 225.0 |
| 2013 | 237.5 | – | 237.5 |
| 2014 | 250.0 | – | 250.0 |
| 2015 | 250.0 | 59.1 | 309.1 |
| Total | 1,187.5 | 76.2 | 1,263.7 |

All figures stated as at 31 December.

Bâloise Holding's equity

The table below shows the changes in equity during the last three reporting years.

CHANGES IN BÂLOISE HOLDING'S EQUITY (BEFORE APPROPRIATION OF PROFIT)

| | 2013 | 2014 | 2015 |
|---|--------------|--------------|--------------|
| CHF million | | | |
| Share capital | 5.0 | 5.0 | 5.0 |
| General reserve | 11.7 | 11.7 | 11.7 |
| Reserve for treasury shares | 176.3 | 182.8 | 3.5 |
| Other reserves | 240.7 | 52.4 | 387.7 |
| Distributable profit | 56.3 | 406.5 | 435.4 |
| Treasury shares | n/a | n/a | –194.8 |
| Equity attributable to Bâloise Holding | 490.1 | 658.4 | 648.4 |

All figures stated as at 31 December.

The share capital of Bâloise Holding has totalled CHF 5.0 million since 29 April 2008 and is divided into 50,000,000 dividend-bearing registered shares with a par value of CHF 0.10 each.

Authorised and conditional capital; other financing instruments

Authorised capital

A resolution adopted by the Annual General Meeting on 30 April 2015 has authorised the Board of Directors until 30 April 2017 to increase the Company's share capital by up to CHF 500,000 by issuing up to 5,000,000 fully paid-up registered shares with a par value of CHF 0.10 each (see section 3 [4] of the Articles of Association).

→ www.baloise.com/rules-regulations

Conditional capital

The 2004 Annual General Meeting created conditional capital. This capital enables the Company's share capital to be increased by up to 5,530,715 registered shares with a par value of CHF 0.10 each (see section 3 [2] of the Articles of Association). This constitutes a nominal share capital increase of up to CHF 553,071.50.

Conditional capital is used to cover any option rights or conversion rights granted in conjunction with bonds and similar

securities. Shareholders' pre-emption rights are disapplied. Holders of the pertinent option rights and conversion rights are entitled to subscribe for the new registered shares. The Board of Directors may restrict or disapply shareholders' pre-emption rights when issuing warrant-linked bonds or convertible bonds in international capital markets.

→ www.baloise.com/rules-regulations

Other equity instruments

The Company has no profit-participation certificates.

The Baloise Group's consolidated equity

The Baloise Group's consolidated equity amounted to CHF 5,462.3 million on 31 December 2015. Details of changes in consolidated equity in 2014 and 2015 can be found in the consolidated statement of changes in equity on pages 110 and 111 in the Financial Report section. All pertinent details relating to 2013 can be found in the consolidated statement of changes in equity on page 98 in the Financial Report section of the 2014 Annual Report.

Bonds outstanding

Baloise Holding has issued bonds publicly. Baloise Holding had a total of eight public bonds outstanding at the end of 2015 (of which one is a convertible bond). Details of outstanding bonds of Baloise Holding can be found on pages 228 and 266 and on the internet.

→ www.baloise.com/bonds

Credit rating

On 18 August 2015, credit rating agency Standard & Poor's confirmed Baloise Insurance Ltd's rating of 'A' with a stable outlook'. S&P awarded this rating in recognition of the firm's very strong capitalisation, its excellent operational profitability and its solid competitive position in Baloise's core markets. The agency also rated the firm's risk management as strong. The rating was awarded to Baloise Holding Ltd's Swiss subsidiary, Baloise Insurance Ltd, which is a core company of the Baloise Group.

→ www.baloise.com/s&prating

3. BOARD OF DIRECTORS

Election and term of appointment

The Board of Directors consisted of nine members at the end of 2015. Since the 2014 Annual General Meeting each member of the Board of Directors has been elected for a term of one year at a time.

The average age on the Board of Directors is currently 61. Each member of the Board of Directors is elected individually.

Members of the Board of Directors

All members of the Board of Directors – including the Chairman – are non-executives. They were not involved in the day-to-day management of any Baloise Group companies in any of the three financial years immediately preceding the reporting period, and they maintain no material business relationships with the Baloise Group.

During the reporting year, Dr Michael Becker, Dr Andreas Beerli, Dr Georges-Antoine de Boccard, Dr Andreas Burckhardt, Christoph B. Gloor, Karin Keller-Sutter, Werner Kummer, Thomas Pleines and Dr Eveline Saupper were re-elected as members of the Board of Directors for a one-year term until the end of the next ordinary Annual General Meeting.

Because their term of appointment is limited to one year, all members of the Board of Directors will have to be re-elected at the 2016 Annual General Meeting unless they are stepping down from the Board. All members of the Board of Directors, with the exception of Dr Eveline Saupper, are standing for re-election. Dr Eveline Saupper will step down from the Board of Directors at the 2016 Annual General Meeting. She has been a member of the Board of Directors since 1999 and has chaired the Remuneration Committee since 2012. She has made an outstanding contribution to the Baloise Group.

The Board of Directors will propose Hugo Lasat (1964, Belgium, Master in Economic Sciences, Master in Finance) for election at the Annual General Meeting on 29 April 2016. He has been CEO of Brussels-based Degroof Petercam Asset Management (formerly Petercam Institutional Asset Management) since 2011. His managerial roles prior to that include CEO of Amonis Pension Fund and CEO of Dexia Asset Management.

He is a guest professor at Hogeschool-Universiteit Brussel (HU-Brussel), Chairman of the Belgian Asset Management Association (BEAMA) and a member of the Board of Directors of the Belgian Financial Sector Federation (Febelfin). He is also a member of the Financial Committee of the Red Cross and the Financial Committee of the King Baudouin Foundation. Mr Lasat will be an independent, non-executive director.

Furthermore, Marie-Noëlle Venturi - Zen-Ruffinen (1975, CH, Prof. Dr. iur., lawyer) is to be elected as a new member of the Board of Directors. She holds a PhD and master's degree in law and a master's degree in philosophy from the University of Fribourg. She is a lawyer and honorary professor at the School of Economics and Management at the University of Geneva, where she mainly lectures on corporate law. Professor

MEMBERS

| | Chairman's Committee | Audit Committee | Remuneration Committee | Investment Committee | Nationality | Born in | Appointed in |
|--|-------------------------|--------------------|---------------------------|-------------------------|-------------|---------|--------------|
| Dr Andreas Burckhardt, Chairman, Basel | C | | | C | CH | 1951 | 1999 |
| Werner Kummer, Vice-Chairman, Küsnacht | VC | C | | | CH | 1947 | 2000 |
| Dr Michael Becker, Darmstadt | | DC | | M | D | 1948 | 2010 |
| Dr Andreas Beerli, Oberwil-Lieli | M | M | | | CH | 1951 | 2011 |
| Dr Georges-Antoine de Boccard, Conches | | | M | M | CH | 1951 | 2011 |
| Christoph B. Gloor, Riehen | | | | DC | CH | 1966 | 2014 |
| Karin Keller-Sutter, Wil | | | M | | CH | 1963 | 2013 |
| Thomas Pleines, Munich | | M | DC | | D | 1955 | 2012 |
| Dr Eveline Saupper, Zurich | M | | C | | CH | 1958 | 1999 |

C: Chair, VC: Vice-Chairman, DC: Deputy Chairman, M: Member.

BOARD ATTENDANCE IN 2015: MEETINGS OF THE FULL BOARD OF DIRECTORS

| | 20.03.2015 | 30.04.2015 | 26.06.2015 | 25.08.2015 | 28.10.2015 | 16.12.2015 |
|---------------------------------|------------|------------|------------|------------|------------|------------|
| Dr Andreas Burckhardt, Chairman | x | x | x | x | x | x |
| Werner Kummer, Vice-Chairman | x | x | x | x | x | x |
| Dr Michael Becker | x | x | x | x | x | x |
| Dr Andreas Beerli | x | x | x | x | x | x |
| Dr Georges-Antoine de Boccard | x | x | x | x | x | x |
| Christoph B. Gloor | x | x | x | x | x | x |
| Karin Keller-Sutter | x | x | x | x | x | x |
| Thomas Pleines | x | x | x | x | x | x |
| Dr Eveline Saupper | x | x | x | x | x | x |

x = present, 0 = absent, n/a = not applicable.

All members were attending the respective committee meetings.

Venturi - Zen-Ruffinen was a partner in the Geneva law firm Tavernier Tschanz until 2012, and since that time has been of counsel for the firm. She is president of the Swiss Board Institute foundation and sits on the Board of Management of the Swiss Institute of Directors. She will be an independent non-executive director.

Further information on the members of the Board of Directors can be found on the internet.

→ www.baloise.com/board-of-directors

Statutory rules concerning the number of permitted activities

The 2015 Annual General Meeting approved the addition of a new section to the Articles of Association (section 33) concerning the maximum number of directorships held outside the Company. Section 1 stipulates the principle that the number of external directorships held by members of the Board of Directors or Corporate Executive Committee must be compatible with the commitment, availability, capabilities and independence required of them in order to perform their duties as members of the Board of Directors or Corporate Executive Committee. Subsections 2 and 3 then specify numerical restrictions.

Interlocking directorates

There are no interlocking directorates.

Internal organisation

Functions and responsibilities of the Board of Directors

Subject to the decision-making powers exercised by shareholders at the Annual General Meeting, the Board of Directors is the Company's ultimate decision-making body. Decisions are taken by the Board of Directors unless authority has been delegated on the basis of the Organisational Regulations to the Chairman of the Board of Directors, its committees, the Chief Executive Officer or the Corporate Executive Committee.

Section 716a of the Swiss Code of Obligations (OR) and clause A3 of the Organisational Regulations state that the Board of Directors' main functions and responsibilities are to act as the Company's ultimate managerial and supervisory body, to oversee the Company's finances and to determine its organisational structures.

→ www.baloise.com/rules-regulations

Committees of the Board of Directors

The Board of Directors has four committees, which support it in its activities. These committees report to the Board of Directors and submit the necessary proposals for their particular areas of responsibility.

The committees appointed by the Board of Directors generally consist of four members, who are newly elected every year by the Board of Directors. Since 2015, section 7 ERCO has required the members of the Remuneration Committee to be elected by the Annual General Meeting. The Chairman and Vice-Chairman of the Board of Directors are ex officio members of the Chairman's Committee. The Chairman of the Board of Directors is not allowed to sit on the Audit and Risk Committee. The committees' basic functions and responsibilities are specified in the Organisational Regulations. Additional specific regulations applicable to individual committees also govern administrative and other aspects.

→ www.baloise.com/rules-regulations

Functions and responsibilities of the committees

The **Chairman's Committee** provides advice on key transactions, especially those involving important strategic or personnel-related decisions. The Chairman's Committee also performs the function of a Nominations Committee and prepares personnel-related matters that fall within the remit of the Board of Directors for subsequent approval by the latter.

The **Investment Committee's** main responsibilities are to oversee the Baloise Group's investment activities, define the basic principles of its investment policy, specify the asset allocation strategy for all strategic business units and devise the relevant investment plan.

The **Remuneration Committee** proposes to the Board of Directors – for subsequent approval by the Annual General Meeting – the structure and amount of remuneration paid to the members of the Board of Directors and of the salaries paid to the members of the Corporate Executive Committee. Under ERCO, the remuneration paid to the Board of Directors and the Corporate Executive Committee has had to be approved by the Annual General Meeting. The Remuneration Committee

approves the target agreements and performance assessments that are applied to the Corporate Executive Committee members in order to determine their variable remuneration. It also sanctions the remuneration policies applicable to the Corporate Executive Committee members and ensures that they are being correctly implemented. It approves the variable remuneration granted to individual members of the Corporate Executive Committee; this remuneration has to be within the maximum amount approved by the Annual General Meeting. Furthermore, it specifies the total amount available in the performance pool.

The **Audit and Risk Committee** supports the Board of Directors in its non-delegable overarching supervisory and financial oversight functions (section 716a OR) by ascertaining whether the internal and external control systems, including risk management, are well organised and function properly, by assessing the situation with respect to compliance in the Company and by forming its own view of the Company's separate and consolidated annual financial statements. It receives regular reports on the work and findings of Group Internal Audit and on cooperation with the external auditors.

Meetings of the Board of Directors and its committees

The Organisational Regulations stipulate that the full Board of Directors must meet as often as business requires, but no fewer than four times a year.

→ www.baloise.com/rules-regulations

The full Board of Directors of Baloise Holding met on six occasions in 2015. The table on page 61 shows Board of Directors members' attendance at these meetings. All members of the relevant committee in each case attended every one of the additional 19 committee meetings. This means that the Board of Directors achieved an overall meeting attendance rate of 100 per cent. The Board of Directors held a seminar for the purpose of training its members. Meetings of the Board of Directors and its committees usually last half a working day each.

The Chairman's Committee convened nine times in 2015, which included one two-day strategy meeting. The Investment Committee met on three occasions. The Audit and Risk Committee held four meetings, and the Remuneration Committee convened three times.

Meetings of the Board of Directors are regularly attended by members of the Corporate Executive Committee. Meetings of the Chairman's Committee are usually attended by the Group CEO and the Chief Financial Officer. Those present at Audit and Risk Committee meetings are primarily the Chief Financial Officer, the Head of the Corporate Centre, the Head of Group Internal Audit and, occasionally, representatives of the external auditors, the Chief Risk Officer, the Chief Investment Officer and the Group Compliance Officer. The main attendees at Remuneration Committee meetings are the Group CEO, the Head of the Corporate Centre and the Head of Group Human Resources. Meetings of the Investment Committee are usually attended by the Group CEO, the Chief Investment Officer and the Heads of Investment Strategy and Investment Control, Baloise Asset Management and Real Estate. The Secretary to the Board of Directors attends the meetings of the full Board of Directors and those of its committees.

Division of authorities, functions and responsibilities between the Board of Directors and the Corporate Executive Committee

The division of authorities, functions and responsibilities between the Board of Directors and the Corporate Executive Committee is governed by law, the Articles of Association and the Organisational Regulations. The latter are reviewed on an ongoing basis and updated as changing circumstances require.

→ www.baloise.com/rules-regulations

Tools used to monitor and obtain information on the Corporate Executive Committee

Group Internal Audit reports directly to the Chairman of the Board of Directors.

Effective risk management is essential for any insurance group. This is why Baloise has devoted two entire chapters to the subject of financial risk management from page 50 onwards and in the Financial Report section starting on page 132.

The members of the Board of Directors receive copies of the minutes of Corporate Executive Committee meetings for their information. The Chairman of the Board of Directors may attend meetings of the Corporate Executive Committee at any time.



Andreas Burckhardt



Andreas Burckhardt (1951, Switzerland, Dr iur., lawyer) has been a member of the Board of Directors since 1999 and its Chairman since 29 April 2011. He studied jurisprudence at the universities of Basel and Geneva. He worked in the legal department of Fides Treuhandgesellschaft from 1982 to 1987 and served as Secretary General of the Baloise Group from 1988 to 1994. He was director and head of the Basel Chamber of Commerce from 1994 to April 2011. In this role he sat on various governing bodies of national and regional business organisations. From 1981 to 2011 he performed political functions in Basel City, and from 1997 to 2011 he served on the Great Council of the Canton of Basel City (as Chairman in 2006 and 2007). He sits on the Board of Directors of Carl Spaeter AG and is Chairman of the Board of Governors of the Swiss Tropical and Public Health Institute, Basel. He is a member of the Executive Committee of economiesuisse and sits on the Executive Board of the Employers' Federation for Basel and Regio Basiliensis. Dr Burckhardt performs a non-executive function as Chairman of Baloise's Board of Directors.



Werner Kummer (1947, Switzerland, Dipl.-Ing. ETH Zurich, MBA Insead) has been a member of the Board of Directors since 2000 and Vice-Chairman since 2014. From 1990 to 1994 he was CEO of Schindler Aufzüge AG and subsequently, until 1998, sat on Schindler's Group Management Committee, where he was responsible for the Asia Pacific region. Until 2013 he was a member of the Supervisory Board of Schindler Deutschland Holding GmbH. He was CEO of Forbo Holding AG from 1998 until 2004. He is a freelance management consultant, Chairman of the Board of Directors at Gebrüder Meier AG, a member of other supervisory boards of non-listed companies in Switzerland and abroad and an executive director of the Zurich Chamber of Commerce. Mr Kummer is an independent non-executive director.



Werner Kummer



Michael Becker



Michael Becker (1948, Germany, Dr iur.) has been a member of the Board of Directors since 2010. He studied law in Hamburg and Tübingen and became Head of Accounting and Finance at Merck KGaA, Darmstadt, in 1998. He was an executive director and general partner at the publicly listed company Merck KGaA from 2000 until the end of 2011, and he was an executive director and general partner at E. Merck KG, Darmstadt, which holds 70 per cent of the share capital in Merck KGaA, from 2002 until 2011. He sits on the Supervisory Board at Symrise AG, Germany. Dr Becker is an independent non-executive director.



Andreas Beerli (1951, Switzerland, Dr iur.) has been a member of the Board of Directors since 2011. He studied law at the University of Basel. In 1979 he started working as an underwriter for the German market at Swiss Re. From 1985 to 1993 he performed various managerial roles at Baloise, with the main focus on supervising and supporting several foreign units. He then returned to Swiss Re, where he became a member of the Group Executive Committee in 2000, first in the United States as Head of Swiss Re Americas and, most recently, in Zurich as Chief Operating Officer for the entire Swiss Re Group. Since 2009 he has acted as an independent advisor on the boards of directors and advisory boards of companies and professional associations. He is a member of the Board of Directors at Ironshore Europe Inc., Dublin, a member of the Advisory Board of Accenture Schweiz, and Chairman of the Swiss Advisory Council of the American Swiss Foundation. Dr Beerli is an independent non-executive director.



Andreas Beerli

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Georges-Antoine de Boccard (1951, Switzerland, Dr med.) has been a member of the Board of Directors since 2011. He studied medicine at the University of Geneva. He has been running his own urological surgery practice in Geneva since 1987. Dr Georges-Antoine de Boccard is Chairman of the Board of Directors of Citadel Finance SA and Stellaria Holding SA, sits on the Board of Directors of the Swiss International Prostate Center SA and was Chairman of the Swiss Association of Urology from 2005 to 2006. He chairs the Board of Directors at Citadel Finance SA and was Chairman of the Swiss Association of Urology from 2005 to 2006. He is a member of the Swiss Association of Urology, the European Association of Urology and other professional bodies and associations and sits on the boards of directors of various foundations. Dr de Boccard is an independent non-executive director.



Georges-Antoine de Boccard



Christoph B. Gloor

←

Christoph B. Gloor (1966, Switzerland) has been a member of the Board of Directors since 2014. He holds a university degree in business economics and has been a member of the Executive Committee of Notenstein La Roche Privatbank AG, Basel, since November 2015. He was previously Chief Executive Officer of Basel-based private bank La Roche & Co AG. Prior to joining La Roche & Co AG in 1998, he worked for Swiss Bank Corporation (SBC) before moving to Vitra (International). Christoph B. Gloor served as president of the Association of Swiss Private Banks from November 2013 to February 2015 and was a member of the Board of Directors of the Swiss Bankers Association from September 2013 to February 2015. Mr Gloor is an independent non-executive director.



Karin Keller-Sutter (1963, Switzerland), who holds a university degree in translation and conference interpreting and has a postgraduate qualification in education, has been a member of the Board of Directors since 2013. In 1996 she was elected to St. Gallen's cantonal parliament and became Chairwoman of the FDP (the Swiss Liberal Party) for the canton of St. Gallen before being elected to St. Gallen's cantonal governing council in 2000. She was in charge of the security and justice department until May 2012 and chaired the Governing Council in 2006/2007 and again in 2011/2012. She has been a member of the Council of States – the upper chamber of the Swiss parliament – since the autumn of 2011. Ms Keller-Sutter sits on the boards of directors at the NZZ media group and Pensimo Fondsleitung AG. She is also a member of the Board of Directors at the ASGA pension fund and chairs the Board of Trustees at the Pensimo investment trust. She is Chairwoman of the Swiss Retail Federation and a member of the Executive Committee of the Swiss Employers' Federation. Ms Keller-Sutter is an independent non-executive director.



Karin Keller-Sutter



Thomas Pleines

Thomas Pleines (1955, Germany, lawyer) has been a member of the Board of Directors since 2012. From 2003 to 2005 he was CEO and delegate of the Board of Directors at Allianz Suisse, Zurich, and from 2006 to 2010 he was CEO of Allianz Versicherungs-AG, Munich, and an executive director at Allianz Deutschland AG, Munich. From 1998 to 2013 Mr Pleines sat on the Supervisory Board of Bilfinger SE, Mannheim. Since 2011, he has been Chairman of the Presidential Board at DEKRA e.V., Stuttgart, Chairman of the Supervisory Board of DEKRA SE, Stuttgart, Chairman of the Supervisory Board at SÜDVERS Holding GmbH & Co. KG, Au near Freiburg, Zurich. Mr Pleines is an independent non-executive director.



Eveline Saupper



Eveline Saupper (1958, Switzerland, Dr iur., lawyer) has been a member of the Board of Directors since 1999. She studied jurisprudence at the University of St. Gallen. She is a lawyer and a certified tax expert. She worked for Peat Marwick Mitchell (now KPMG Fides), Zurich, from 1983 to 1985 and was employed by Baker & McKenzie, Zurich and Chicago, from 1985 to 1992. Until mid-2014, she was a partner at Homburger AG, Zurich, where she is now of counsel. Dr Eveline Saupper sits on the boards of directors of Syngenta AG, Basel, Georg Fischer AG, Schaffhausen, Stäubli Holding AG, Pfäffikon SZ, and hkp group AG, Zurich. She is also Vice Chairwoman of the Board of Directors of Flughafen Zürich AG, Kloten, and chairs the Board of Directors of Mentex Holding AG, Schwyz. Dr Saupper is an independent non-executive director.

Secretary to the Board of Directors:
Dr Philipp Jermann,
Buus (BL)

Head of Group Internal Audit:
Rolf-Christian Andersen,
Meilen (ZH)

4. CORPORATE EXECUTIVE COMMITTEE



Martin Strobel (1966, Germany/Switzerland, Dr rer. pol.) studied computer science, business management and business information systems at the universities of Kaiserslautern, Windsor (Canada) and Bamberg. From 1993 to 1999 he performed various roles at Boston Consulting Group, Düsseldorf, dealing with strategic IT management issues in the banking and insurance sectors. He joined the Baloise Group at the beginning of 1999. He was initially Head of IT at Basler Switzerland and, within the Baloise Group, was in charge of major cross-functional projects in the areas of insurance and finance. From 2003 to 2008 he was a member of the Corporate Executive Committee with responsibility for Corporate Division Switzerland. Dr Martin Strobel became Group CEO on 1 January 2009. He also headed up Corporate Division International from 2013 until the end of 2014. He sits on the boards of directors of the Basel Chamber of Commerce and the Geneva Association. On 27 May 2015, Martin Strobel announced that he would be stepping down on 30 April 2016. On 29 October 2015, the Board of Directors of Baloise Holding Ltd appointed Gert De Winter to succeed Martin Strobel. Gert De Winter (49) will take up his role as CEO of the Baloise Group (Group CEO) on 1 January 2016. He was previously CEO of Baloise in Belgium and has worked for Baloise since 2005.



Martin Strobel



German Egloff



German Egloff (1958, Switzerland, lic. oec. HSG) graduated in business management from the University of St. Gallen. From 1985 onwards he held various managerial positions at Winterthur Insurance, Switzerland. In 1997, as an executive director, he was put in charge of personal non-life insurance products, which included responsibility for both Wincare and – as Chairman of the Board of Directors – Sanacare. From 1998 to 2002 he was Chief Financial Officer of Winterthur Switzerland and sat on the Board of Directors of Wincare, becoming its Chairman in 2000. From 2002 to 2004 he was Chief Financial Officer at Zurich Financial Services, Switzerland. His responsibilities here comprised finance, human resources, IT, logistics and procurement. Since 1 December 2004, he has been a member of the Corporate Executive Committee (heading up Corporate Division Finance), where he oversees Group Accounting & Finance, Corporate Communications & Investor Relations, Group Risk Management, and Corporate IT. The actuary responsible for Baloise's business in Switzerland and the Head of Regulatory Affairs also report to German Egloff.



Michael Müller (1971, Switzerland, lic. oec. publ.) graduated in economics from the University of Zurich, specialising in insurance and accounting/finance. He began his career with Basler Versicherungen in 1997, starting as a management trainee, then working in Group Finance and eventually becoming Deputy Head and, in 2004, Head of Financial Accounting for the Baloise Group. In 2009, as Head of Finance and Risk, he became a member of the senior management team in Corporate Division Switzerland, focusing on financial reporting and accounting, actuarial management of the insurance companies, risk management and coordination of logistics processes and the pool of project leaders. He has been a member of the Corporate Executive Committee and CEO of Corporate Division Switzerland since March 2011. Michael Müller is a member of the Board of Foundation of Stiftung Finanzplatz Basel.



Michael Müller



Thomas Sieber



Thomas Sieber (1965, Switzerland, Dr iur., M.B.L., lawyer, SDM mediator) studied law at the University of St. Gallen. At the beginning of 1994 he qualified to practise as a lawyer in the Swiss canton of Zurich. From 1999 to 2002 he lectured in corporate law at the University of St. Gallen. After brief spells working at Landis & Gyr and Siemens he joined the Baloise Group in 1997 as Deputy Head of Legal & Tax. He became head of this division in 2001 and, in addition, was secretary to Baloise Holding's Board of Directors until April 2012. Since 6 December 2007 he has been a member of the Corporate Executive Committee and, as Head of the Corporate Centre, is responsible for Group Human Resources, Legal and Tax, Group Compliance, Corporate Development, Run-off Business and – since 2009 – Group Procurement. He also sits on the Board of Directors at EuroAirport Basel-Mulhouse-Freiburg.

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Martin Wenk (1957, Switzerland, lic. iur.) held several posts at a major bank from 1982 to 1992 after graduating in law from the University of Basel. He started out as an investment advisor to institutional clients before becoming a Group Manager in private banking in New York and eventually working as Section Head of Securities Sales, where he primarily covered key institutional clients. From 1992 to 2000 he headed up portfolio management in Switzerland for the Baloise Group, where he was responsible for managing the assets of several Swiss companies, including their pension funds. In 2001 he was appointed to the Corporate Executive Committee (as Head of Corporate Division Asset Management) and, in this capacity, is responsible for the Baloise Group's asset management activities, which include investment strategy and investment control, Baloise Asset Management, real estate, and Baloise Investment Services (investment fund business). He sits on the Board of Directors at Unigestion Holding, Geneva, and compenswiss (the Swiss Federal Social Security Funds), Geneva.



Martin Wenk

Further information on the members of the Corporate Executive Committee can be found on the internet.

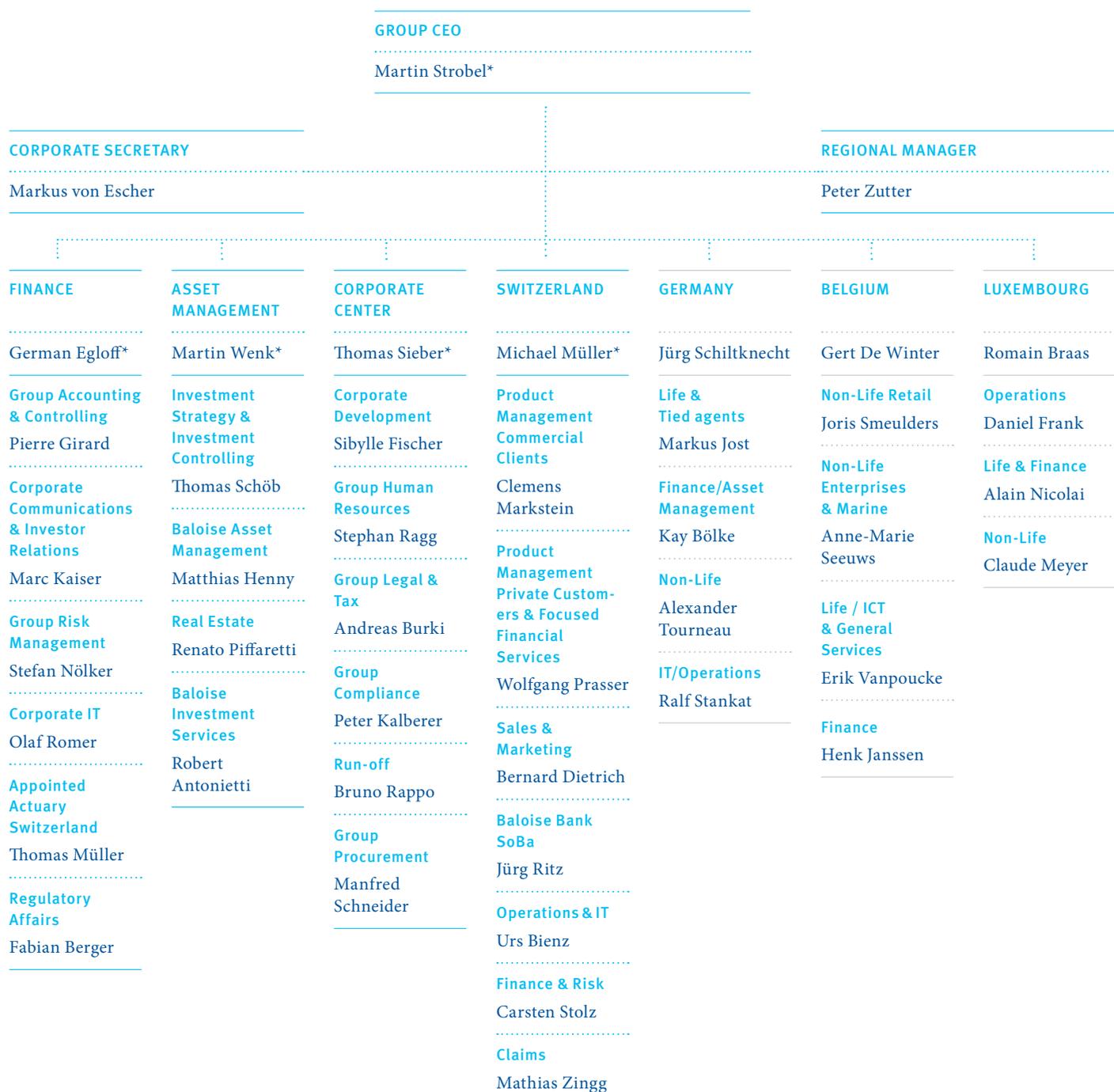
With the exception of Dr Thomas Sieber and Martin Wenk, no Corporate Executive Committee members serve on the boards of directors at companies outside the Baloise Group.

There are no management agreements that assign executive functions to third parties.

→ www.baloise.com/corporate-executive-committee

Management structure

(as at: 31 December 2015)



* Member of the Corporate Executive Committee.

5. REMUNERATION REPORT: REMUNERATION, SHARE OWNERSHIP AND LOANS GRANTED TO MEMBERS OF THE BOARD OF DIRECTORS AND THE CORPORATE EXECUTIVE COMMITTEE

This remuneration report relates to the 2015 financial year. It describes the remuneration policies adopted and the remuneration systems in place, and it discloses the remuneration paid to the Board of Directors and the Corporate Executive Committee in 2015. The content and scope of these disclosures are determined by sections 13 to 17 of the Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares (ERCO), section 663c (3) of the Swiss Code of Obligations (OR), the corporate governance information guidelines published by the SIX Swiss Exchange, the Swiss Code of Best Practice for Corporate Governance, and circular 10/1 of the Swiss Financial Market Supervisory Authority (FINMA) concerning remuneration systems.

5.1 Remuneration Committee of the Board of Directors

The Remuneration Committee set up by the Board of Directors in 2001 is consistent with the Swiss Code of Best Practice and is tasked with helping the Board of Directors to frame the Company's remuneration policies. The Remuneration Committee has been vested with special decision-making powers and ensures, among other things, that:

- the remuneration offered by Baloise is in line with the going market rate and performance-related in order to attract and retain individuals with the necessary skills and character attributes;
- the remuneration paid is demonstrably dependent on the Company's sustained success and individuals' personal contributions and does not create any perverse incentives;
- the structure and amount of overall remuneration paid are consistent with Baloise's risk policies and encourage risk awareness.

The Remuneration Committee's main functions and responsibilities are to:

- submit proposals to the Board of Directors on the structure of remuneration to be paid in the Baloise Group, especially the remuneration to be paid to the Chairman

and members of the Board of Directors and to the members of the Corporate Executive Committee;

- submit proposals to the Board of Directors – for approval by the Annual General Meeting – on the amount of remuneration to be paid to the Chairman and members of the Board of Directors and to the members of the Corporate Executive Committee;
- approve the basic salaries and the variable remuneration paid to individual members of the Corporate Executive Committee (in compliance with the pay caps stipulated by the Annual General Meeting);
- specify the total amount available in the performance pool and the total amount set aside for the allocation of performance share units (PSUs);
- approve inducement payments and severance packages that are granted to the most senior managers and which in individual cases exceed CHF 100,000 (subject to the proviso that no severance packages may be granted to members of the Board of Directors or the Corporate Executive Committee).

The Remuneration Committee consists of at least three independent members of the Board of Directors, who are elected every year by the Annual General Meeting. Dr Eveline Saupper (Chairwoman), Thomas Pleines (Deputy Chairman), Dr Georges-Antoine de Boccard and Karin Keller-Sutter were elected to the Remuneration Committee by the Annual General Meeting on 30 April 2015. The Remuneration Committee maintains an intensive dialogue with senior management throughout the year and generally meets at least twice annually. In addition to the committee secretary being present, these meetings are usually also attended by the Group CEO, the Head of the Corporate Centre and the Head of Group Human Resources, who participate in an advisory capacity. The individual members of the Group Executive Committee leave the meeting if the Remuneration Committee is discussing or deciding on their personal remuneration. The Chairwoman of the Remuneration Committee reports to the Board of Directors at its next meeting on the committee's activities.

5.2 Remuneration policies

Principles

The Company's success is largely dependent on the skills, capabilities and performance of its workforce. It is therefore essential to recruit, develop and retain suitably qualified, highly capable and highly motivated professionals and executives. The level of remuneration offered by Baloise is in line with the going market rate and performance-related. The clearly defined caps approved by the Annual General Meeting for the pay awarded to members of the Board of Directors and Corporate Executive Committee ensure that remuneration is not excessive.

Remuneration Guideline and Remuneration Policy

Responding to a request from the Remuneration Committee, in 2010 the Board of Directors formally adopted a Remuneration Guideline that formulates the remuneration principles and parameters applied across the Baloise Group. This Remuneration Guideline applies to all employees throughout the Baloise Group. It reflects the Company's values and principles and can be summarised as follows:

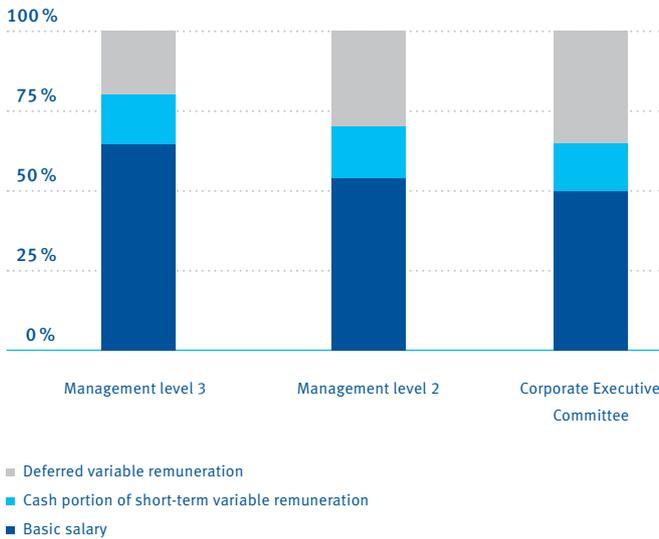
- Competitiveness in the marketplace: Baloise aims to pay basic salaries that are in line with the market – i.e. around the market median – and to offer variable remuneration packages in excess of the going market rate to reward outstanding performance by individuals and the Company;
- Remuneration that reflects individual and company-wide performance: merit and achievement form the basis for advancement and promotion;
- Fairness and transparency: external market-based comparisons, fair pay and no discrimination;
- Sustainability: high correlation between the interests of managers and shareholders, long-term commitment, and a high proportion of restricted shares.

The Board of Directors used this Remuneration Guideline as the basis for the Remuneration Policy, which applies to all employees in Switzerland and, by analogy, to all members of staff throughout the Baloise Group. By adopting this Remuneration Guideline and Remuneration Policy, the Board of Directors has ensured that all aspects of remuneration policy are centrally coordinated. This regulatory framework underpins a remuneration system that meets all the requirements of the Swiss Financial Market Supervisory Authority and, in particular, ensures that variable remuneration even more accurately reflects the value added by the Company.

5.3 Remuneration system

Objectives

The objectives of the remuneration system are to further increase the emphasis on performance at Baloise and to strengthen employees' and executives' loyalty and commitment to the organisation. The aim of Baloise's remuneration policies is to pay basic salaries in line with the going market rate. In addition, the variable components of remuneration are structured in such a way that it is possible to grant payments above the market median for years in which individual performance and the Company's profitability have been good; equally, it is possible to offer payments below the market median for years in which performance and profitability have been poor. As a performance-driven organisation, Baloise clearly and transparently aligns individual employees' targets with the Company's targets, which are derived from its strategic priorities. Target agreements, performance assessments and remuneration are closely correlated. The total remuneration package – which comprises basic salary and variable remuneration – offers a sophisticated way of linking individuals' performance to Baloise's success and recognising both accordingly, and it is designed to reward employees for outstanding achievement without creating an incentive for them to take inappropriate risks. Personal performance provides our talented individuals with the necessary platform for their development, advancement, career planning and promotion. Baloise attaches considerable importance to retaining high performers and managing its business sustainably. In addition to paying its staff in line with market rates and according to individual achievement, the Company encourages its executives to focus on the long term and on its shareholders' interests. Consequently, it pays a substantial proportion of variable remuneration in the form of shares that are restricted for three years. Furthermore, the three most senior management levels receive performance share units, which means that a further component of their salaries is paid out as shares; these PSUs must be held for three years before being converted into shares as a form of deferred remuneration. As managers' strategic responsibility and influence grow, the amount of their variable remuneration is largely determined by the Company's profitability and economic value added (allowing for the level of risk taken). Short-term variable remuneration as a percentage of total compensation as well as the proportion of remuneration paid in the form of restricted shares (i.e. as deferred compensation) increase accordingly.



Performance management system

Baloise introduced a new performance management system for short-term variable remuneration in 2011. In order to encourage employees to focus relentlessly on performance and results while also taking account of the Company’s success, this system comprises two clearly distinct tools: performance-related remuneration and the performance pool. Performance-related remuneration is used to reward individual employees’ achievements, while the performance pool as a whole takes account of the Company’s performance and value added.

The performance management system applies to the most senior level of management and to most other members of the management team throughout the Baloise Group.

The individual performance of the members of the Corporate Executive Committee is factored into the measurement of the performance pool.

Market comparisons

Baloise regularly compares the salaries paid to its senior executives with those paid in the wider market. The Corporate Key Position Benchmark survey conducted by Kienbaum uses function-specific peer groups. Each function being compared is assigned to one of three distinct peer groups. Assignment is based on which companies Baloise is competing against for the skill-sets and qualifications needed for each function (i.e. recruitment market) and which alternative employers – in theory, at least – meet a certain function profile (i.e. competitors).

The first peer group replicates Baloise’s core market and comprises direct insurers in the respective country. This peer group is used for conventional insurance and sales functions and for the local CEOs, executive directors and senior management functions. The second peer group supplements the core-market group by including further companies from the banking and financial services sector in the respective country. This group is designed to compare functions that demand considerable financial expertise but do not necessarily require an insurance background. The third peer group consists of companies of a similar size and structure from various sectors and is used for interdisciplinary functions.

Baloise regularly compares the salaries paid in its insurance-specific and insurance-related functions in Switzerland with those of its relevant competitors and takes part in the Club Survey that Kienbaum has been conducting since 1995. This benchmarking survey of the salaries paid in the Swiss insurance sector is constantly being optimised to ensure that it meets participants’ high professional standards and quality requirements. The comparison mainly covers insurance-specific functions up to middle management level. It also examines insurance-related, managerial and specialist functions performed by senior executives. Functions not covered by the Kienbaum comparison are regularly reviewed using Towers Watson’s Financial Services Compensation Survey. The findings of these benchmarking surveys are fed into the Company’s regular review of its salary structures and presented to the Remuneration Committee.

Baloise also regularly conducts market comparisons of its local functions in the countries outside Switzerland.

5.4 Components of remuneration

Baloise views its compensation packages in the round and therefore factors in not only the basic salary plus short- and long-term variable remuneration but also other material and non-material benefits such as pension contributions, additional benefits, and staff development.

Basic salary

The basic salary constitutes the level of remuneration that is commensurate with the functions and responsibilities of the position concerned as well as the employee skills and expertise required in order to achieve the relevant business targets and objectives. When determining the level of its basic salaries, Baloise aims to position itself around the market median, although the way in which this is done will vary depending on local operating and market requirements. This remuneration is paid in cash by bank transfer. In order to ensure fairness and compliance with its code of conduct when determining the level of basic salaries, Baloise applies the internal fair-pay principle that people who do the same job and have the same qualifications should be paid the same amount. The Company's clearly defined and market-based salary structures help ensure fair pay both inside and outside the organisation.

Short-term variable remuneration

The key factors determining the amount of short-term variable remuneration paid are an employee's individual performance and the Company's profitability and economic value added. The consequent link between individual performance and the Company's profits is designed to incentivise staff to achieve outstanding results. Measurement of the variable remuneration paid to employees who perform control functions (risk management, compliance, Group Internal Audit) is structured in such a way that it is not determined directly by the profitability of the unit being monitored or by the profitability of individual products or transactions.

The remuneration paid to the insurance sales force is, by its very nature, strongly performance-related in line with the system of commissions commonly used in the insurance industry as a whole. However, these commissions constitute selling expenses rather than being regarded as variable remuneration in the strict sense of the term. Consequently, they are not discussed in this remuneration report.

Short-term variable remuneration is paid together with the salary for March of the following year. Baloise attaches

considerable importance to managing its business sustainably and ensuring a high correlation between the interests of its shareholders and executives. It therefore pays a substantial proportion of variable remuneration in the form of shares. Senior managers can choose what percentage of their remuneration is paid out in cash and what proportion they receive in the form of shares. This choice is limited for the most senior managers, who are obliged to subscribe for shares on a sliding-scale basis: members of the Corporate Executive Committee must receive at least 50 per cent of their short-term variable remuneration in the form of shares, which account for at least 70 per cent of total variable remuneration if the long-term effect of performance share units is included (see page 78). The shares subscribed in this way are restricted for three years and during this period are exposed to market risk. This mandatory purchase of shares in particular ensures that as senior executives' managerial responsibilities and total remuneration packages increase, a significant proportion of their compensation is paid in the form of deferred remuneration. This system also raises employees' risk awareness and encourages them to maintain sustainable business practices.

Two plans are available to individuals who wish to subscribe for shares: the Share Subscription Plan and the Employee Share Ownership Plan (see '5.6 Share Subscription Plan and Employee Share Ownership Plan').

The section below describes performance-related remuneration and the performance pool, which are available as short-term variable remuneration tools.

Performance-related remuneration

Performance-related remuneration reflects individual employees' performance and rewards the achievement of their personal targets. To this end, line managers consult their members of staff once a year in order to define the latter's key individual targets and objectives and then – by no later than February of the following year – assess the extent to which these targets and objectives have been achieved. The target achievement scale ranges from 0 per cent (not achieved) to a maximum of 150 per cent (significantly over-achieved). When setting these individual targets, line managers and their staff ensure that they do not agree any targets or objectives that conflict with the Company's business strategy.

The target figure agreed for performance-related remuneration depends on the employee's basic salary and varies according to his or her seniority in the management hierarchy

and the importance of his or her function. Those entitled to receive performance-related remuneration are the most senior management level in the Baloise Group (except for the members of the Corporate Executive Committee), the majority of senior managers in Switzerland and the corresponding functions abroad. The members of the Corporate Executive Committee do not receive any performance-related remuneration. Instead, their individual performance is recognised in such a way that the contribution made by each and every member of the Corporate Executive Committee to the achievement of the Company's targets and objectives is factored into decisions affecting the measurement of the performance pool.

Performance pool

The performance pool takes account of the entire Baloise Group's performance; its amount is determined by the Remuneration Committee after the end of the financial year concerned, and it factors in the following indicators resulting from systematic analysis:

- Business performance
The key metric for this criterion is the profit for the period.
- Risks taken
The indicators used to gauge the success of the Company's business from a risk perspective are the Solvency I ratio, the Swiss Solvency Test (SST) ratio, economic profit, the credit rating awarded by Standard & Poor's, and assessments provided by the Chief Risk Officer and the Head of Group Compliance.
- Capital-markets perspective compared with competitors
The main metric used to evaluate this criterion is the performance of Baloise's share price compared with the almost 40 European insurance companies represented in the STOXX Europe 600 Insurance Index (the composition of this index is shown in the table on page 78).
- Strategy implementation
The indicators used here are the changes in the combined ratio and market-consistent embedded value (MCEV) over time as well as the progress made on key strategic initiatives and projects.

The assessments by the Chief Risk Officer and the Head of Group Compliance of the risks taken and the evaluations by the Head of Group Human Resources and others of strategy implementation are also based on qualitative criteria and non-financial indicators such as senior managers' risk behaviour, compliance with procedures and regulations and the practising

of a genuine compliance culture, the effectiveness of the internal control system, and the efforts made in respect of talent management and staff engagement.

Performance pool payments are awarded to individuals at the discretion of the line manager concerned; no regulatory target figures have been specified. The amount of these payments is mainly determined by a holistic assessment consisting of individuals' achievement of targets (gauged by the extent to which they have achieved their personal targets and objectives) as well as their leadership and conduct. The individual performance pool payment proposed by the respective line manager is discussed by the relevant management team, compared with other departments and divisions, and adjusted where necessary. This process ensures that risk-relevant behavioural attributes are factored into the performance pool payments awarded to individuals.

This chosen system is centred on senior managers' overall assessment and the validation of individuals' performance pool payments at roundtable discussions. The aim here is to give due consideration to all aspects of an individual's performance rather than using just a few parameters to make an assessment that may neglect other key factors.

The Remuneration Committee decides on the performance pool payments awarded to the individual members of the Corporate Executive Committee. The average expected value amounts to 60 per cent of basic salary.

Those considered for performance pool payments are the most senior management level in the Baloise Group, the majority of senior managers in Switzerland and the corresponding functions abroad. However, there is no fundamental entitlement to receive payments from the performance pool.

For the 2015 financial year the Remuneration Committee decided on a factor of 100 per cent of the normally expected value of performance pool payments. This decision was motivated by the following considerations:

- Good and solid profit for the year that was in line with expectations, despite a challenging environment;
- Good operational profitability, resulting in a strong combined ratio;
- Encouraging growth in the target segments;
- Key projects and initiatives on track for completion;
- Stable balance sheet, despite negative interest-rate environment and a strong Swiss franc.

The Remuneration Committee conducts a detailed assessment of the Company's performance once a year and adjusts the size of the performance pool accordingly, as the table below shows in the form of a comparison with the consolidated profit for the period:

| | Performance pool (as a percentage of the normal expected value) | Consolidated profit for the period (CHF million) |
|------|--|--|
| 2011 | 70 % | 61.3 |
| 2012 | 100 % | 485.2 |
| 2013 | 120 % | 455.4 |
| 2014 | 137 % | 711.9 |
| 2015 | 100 % | 511.1 |

Long-term variable remuneration: Performance share units

In addition, Baloise grants performance share units (PSUs) to the most senior managers as a form of long-term variable remuneration. The PSU programme enables the top management level to benefit even more from the Company's performance and helps Baloise to retain high performers in the long run.

At the beginning of each vesting period the participating employees are granted rights in the form of PSUs, which entitle them to receive a certain number of shares free of charge after the vesting period has elapsed. The Remuneration Committee specifies the grant date and applies its own discretion in deciding which of the most senior management team members are

eligible for the programme. It determines the total number of PSUs available and decides how many are to be awarded to each member of the Corporate Executive Committee. PSUs are granted to the other programme participants on the basis of the relevant line manager's proposal, which must be approved by the line manager's manager.

The number of shares that can be subscribed after three years – i.e. at the end of the vesting period – depends on the performance of Baloise shares relative to a peer group. This comparative performance multiplier can be anywhere between 0.5 and 1.5. The peer group comprises the almost 40 leading European insurance companies contained in the STOXX Europe 600 Insurance Index.

One PSU generally confers the right to receive one share. This is the case if Baloise shares perform in line with the median of their peer group. In this case the performance multiplier would be 1.0. Programme participants receive more shares in exchange for their PSUs if Baloise shares outperform their peer group. The multiplier reaches the maximum of 1.5 if the performance of Baloise shares is in the top quartile of companies in the peer group. The multiplier amounts to 0.5 if the performance of Baloise shares is in the bottom quartile of companies in the peer group. If the performance of Baloise shares is in either of the two middle quartiles, a linear scale is used to calculate the performance multiplier. The performance multiplier for the entire vesting period ended is based on the closing stock market prices on the final trading day of the respective vesting period.

Companies in the STOXX 600 Europe Insurance Index (as at 31 December 2015)

| | | | |
|------------------------|-----------------------------|---------------------------|---------------------------|
| Admiral Group plc | Direct Line Insurance Group | Phoenix Group Holding | Unipol Gruppo Finanziario |
| Aegon NV | Gjensidige Forsikring | Prudential plc | Unipolsai |
| Ageas | Hannover Rück | RSA Insurance Group | Zurich Insurance Group |
| Allianz | Helvetia | Sampo OYJ | |
| Amlin plc | Hiscox | Scor | |
| Assicurazioni Generali | Lancashire Holdings | Standard Life plc | |
| Aviva plc | Legal & General Group plc | St. James's Place Capital | |
| Axa | Mapfre SA | Swiss Life | |
| Baloise Holding | Münchener Rück | Swiss Re | |
| Beazly | NN Group | Topdanmark A/S | |
| CNP Assurances | Old Mutual plc | Tryg Forsikring | |

Source: http://www.stoxx.com/indices/index_information.html?symbol= SXIP

Participants receive the pertinent number of shares once the vesting period has elapsed, which means that for the PSUs allocated in 2015 they receive their shares on 1 March 2018. If an individual's employment contract is terminated during the vesting period, the PSUs expire without the person concerned receiving any consideration or compensation. This does not apply if the employment contract ends due to retirement, disability or death. It also does not apply if the contract is terminated but the programme participant does not join a rival company or is not personally at fault for the termination of the contract. In the latter two cases, some of the allocated PSUs will still expire. The number of PSUs expiring is proportional to the amount of time remaining until the end of the vesting period. In addition, the Remuneration Committee has the powers to claw back some or all of the PSUs allocated to an individual or to a group of programme participants if there are specific reasons for doing so. Such specific reasons include, for example, serious breaches of internal or external regulations, the taking of inappropriate risks that are within an individual's control, and the type of conduct or behaviour that would increase the risks to Baloise.

The shares needed to convert the PSUs are purchased in the market as and when required.

Measurement of the PSUs at their issue date is based on a Monte Carlo simulation, which calculates a present value for the payout expected at the end of the vesting period. This measurement incorporates the following parameters:

- interest rate of 1 per cent;
- the volatilities of all shares in the peer group and their correlations with each other (measured over a three-year track record);
- the expected dividend yields;
- empirical data on how long eligible programme participants remain with the Company.

The value of PSUs is exposed to market risk until the end of the vesting period and may, of course, fluctuate significantly, as shown in the table below:

PERFORMANCE SHARE UNIT (PSU) PLAN

| | PSUs granted | | PSUs converted | | | Change in value ³ | |
|------|--------------|--------------------------|----------------|-------------------|--------------------------|------------------------------|--------------------------|
| | Date | Price (CHF) ¹ | Date | Multiplier | Price (CHF) ¹ | | Value (CHF) ² |
| 2007 | 01.03.2007 | 125.80 | 01.01.2010 | 1.182 | 86.05 | 101.71 | -19% |
| 2008 | 01.01.2008 | 109.50 | 01.01.2011 | 1.24 | 91.00 | 112.84 | 3% |
| 2009 | 01.01.2009 | 82.40 | 01.01.2012 | 0.64 | 64.40 | 41.22 | -50% |
| 2010 | 01.01.2010 | 86.05 | 01.01.2013 | 0.58 | 78.50 | 45.53 | -47% |
| 2011 | 01.01.2011 | 91.00 | 01.01.2014 | 0.77 | 113.60 | 87.47 | -4% |
| 2012 | 01.03.2012 | 71.20 | 01.03.2015 | 1.21 | 124.00 | 150.04 | 111% |
| 2013 | 01.03.2013 | 84.50 | 01.03.2016 | ⁴ 1.23 | ⁴ 127.60 | ⁴ 156.95 | ⁴ 86% |
| 2014 | 01.03.2014 | 113.40 | 01.03.2017 | ⁴ 0.90 | ⁴ 127.60 | ⁴ 114.84 | ⁴ 1% |
| 2015 | 01.03.2015 | 124.00 | 01.03.2018 | ⁴ 1.05 | ⁴ 127.60 | ⁴ 133.98 | ⁴ 8% |

¹ Price = price of Baloise shares at the PSU grant date or conversion date.

² Value = value of one PSU at the conversion date (share price at the conversion date times the multiplier).

³ Change in value = difference between the value at the conversion date (multiplier times the share price at the conversion date) and the share price at the grant date, expressed as a percentage of the share price at the grant date; example of the PSU plan in 2007: $\frac{((1.182 \times 86.05) - 125.80)}{125.80} \times 100 = -19\%$.

⁴ Interim measurement as at 31 December 2015.

Fringe benefits

Fringe benefits are generally defined as components of the total remuneration package that are not dependent on either an individual's function or performance or the Company's performance. By providing benefits in the form of retirement pensions, subsidies, concessions, and staff training and professional development, Baloise demonstrates the close partnership that it maintains with its employees and the extent to which it values their contribution. Fringe benefits are granted on a country-by-country basis in line with prevailing local laws.

5.5 Employment contracts, change-of-control clauses, inducement payments and severance packages

The employment contracts of senior managers in Switzerland and – in most cases – in other countries as well have been concluded for an indefinite period. They stipulate a notice period of six months. All members of the Corporate Executive Committee have a notice period of twelve months. The employment contract with the Chairman of the Board of Directors does not stipulate any notice period; its duration is determined by the term of appointment and by law. There are no change-of-control clauses.

The Remuneration Policy adopted by the Board of Directors contains clear guidance on inducement payments and severance packages. Such remuneration may only be paid in justified cases. No severance packages may be awarded to members of either the Board of Directors or the Corporate Executive Committee, and any inducement payments granted to such persons – irrespective of their amount – must be approved by the Remuneration Committee. Inducement payments and severance packages for the most senior managers must be approved by the Remuneration Committee if they exceed CHF 100,000. Each individual case is assessed on a discretionary basis.

5.6 Share Subscription Plan and Employee

Share Ownership Plan

Two plans are available to individuals who wish to subscribe for shares as part of their short-term variable remuneration: the Share Subscription Plan and the Employee Share Ownership Plan.

Share Subscription Plan

Since January 2003 those who qualify as eligible persons at Baloise Group companies in Switzerland – and, since 2008, the members of the Executive Committees at companies outside Switzerland as well – have been able to subscribe for shares at a preferential price as part of their short-term variable remuneration. The subscription date is 1 March of each year; although title to the shares passes to the relevant employees on this date without any further vesting conditions having to be met, the shares cannot be sold for the duration of a three-year closed period.

The parameters used to determine the subscription price are decided each year by the Remuneration Committee. The subscription price is based on the closing price on the first day of the subscription period, on which a discount of 10 per cent is granted (please refer to the accompanying table for details). Once it has been calculated using this method, the subscription price is published in advance on the intranet. The shares needed for the Share Subscription Plan are purchased in the market as and when required.

| | Applicable closing quotation | | Subscription price |
|--|------------------------------|--------|--------------------|
| | from | CHF | CHF |
| Share Subscription Plan for 2016 | 08.01.2016 | 121.40 | 109.26 |
| (applies to variable remuneration awarded for the 2015 reporting period) | | | |
| Share Subscription Plan for 2015 | 09.01.2015 | 127.50 | 114.75 |
| (applies to the variable remuneration granted for 2014 and to the shares subscribed by the Chairman and members of the Board of Directors in 2015) | | | |

Employee Share Ownership Plan

Since May 2001 it has been possible for most management team members working in Switzerland to receive part of their short-term variable remuneration in the form of shares from the Employee Share Ownership Plan instead of receiving cash. Within certain limits they are free to choose what proportion of their short-term variable remuneration they receive in the form of such shares. The most senior management team members are subject to upper limits; members of the Corporate Executive Committee – who are obliged to receive at least half of their short-term variable remuneration in the form of shares – are not allowed to receive more than 40 per cent of their entitlement in the form of shares from the Employee Share Ownership Plan. The subscription date is 1 March of each year (the same as for the Share Subscription Plan); although title to the shares passes to the relevant employees on this date without any further vesting conditions having to be met, the shares cannot be sold during a three-year closed period.

The parameters used to determine the subscription price are decided each year by the Remuneration Committee. The subscription price is based on the closing price on the first day of the subscription period, from which discounted dividend rights are deducted over a period of three years (please refer to the accompanying table for details). Once it has been calculated using this method, the subscription price is published in advance on the intranet. The shares needed for the Employee Share Ownership Plan are purchased in the market as and when required.

In order to increase the impact of this Employee Share Ownership Plan, employees are granted loans on which interest is charged at market rates, which enables them to subscribe for shares whose value constitutes a multiple of the capital invested; these shares are purchased at their fair value net of discounted dividend rights over a period of three years. Repayment of these loans after the three-year closed period has elapsed is hedged by put options, which are financed by the sale of offsetting call options. If the price of the shares is below the put options' strike price when the closed period expires, programme participants can sell all their shares at this strike price, which ensures that they can repay their loans plus interest. In this event, however, they lose all the capital that they have invested. If, on the other hand, the price of the shares is above the call options' strike price, programme participants must pay the commercial value of these options. Their upside profit potential is thus limited by the call options. If, when the three-year closed period elapses, the price of the shares is between the put options' strike price and the call options' strike price, once the loans plus accrued interest have been repaid the employees concerned receive the remaining shares to do with as they wish.

| | Applicable closing quotation | | Subscription price |
|--|------------------------------|--------|--------------------|
| | from | CHF | CHF |
| Employee Share Ownership Plan for 2016 | 08.01.2016 | 121.40 | 106.59 |
| (applies to variable remuneration awarded for the 2015 reporting period) | | | |
| Employee Share Ownership Plan for 2015 | 09.01.2015 | 127.50 | 112.70 |
| (applies to the variable remuneration granted for 2014 and to the shares subscribed by the Chairman of the Board of Directors in 2015) | | | |

EMPLOYEE INCENTIVE PLAN

| | 2014 | 2015 |
|--|-----------|------------|
| Number of shares subscribed | 174,810 | 172,796 |
| Restricted until | 31.8.2017 | 31.08.2018 |
| Subscription price per share (CHF) | 57.30 | 60.40 |
| Value of shares subscribed (CHF million) | 10.0 | 10.4 |
| Fair value of subscribed shares on subscription date (CHF million) | 20.9 | 20.5 |
| Employees entitled to participate | 3,187 | 3,181 |
| Participating employees | 1,949 | 1,920 |
| Subscribed shares per participant (average) | 89.7 | 90.0 |

5.7 Employee Incentive Plan

The Baloise Foundation for Employee Participation set up in 1989 offers members of staff working for various Baloise Group companies in Switzerland the opportunity to purchase shares of Baloise Holding Ltd – usually once a year – at a preferential price in compliance with the regulations adopted by the Board of Foundation. This encourages employees to maintain their commitment to the Company over the long term by becoming shareholders. The subscription price is fixed by the Board of Foundation at the beginning of the subscription period and is then published on the intranet. It equals half of the volume-weighted average share price calculated for the month of August in each subscription year. In 2015 the subscription price amounted to CHF 60.40 (2014: CHF 57.30) and a total of 172,796 shares were subscribed (2014: 174,810). Title to the subscribed shares passes to the relevant employees with effect from 1 September each year, and the shares are subject to a three-year closed period.

The Foundation acquired the underlying stock of shares used in this plan from previous capital increases carried out by Baloise Holding Ltd. It supplements these shareholdings by purchasing shares in the market. The existing shareholdings will enable the Foundation to continue the Employee Incentive Plan over the coming years. The Foundation is run by a Board of Foundation that is predominantly independent of the Corporate Executive Committee. The independent Board of Foundation members are Peter Schwager (Chairman) and Professor Heinrich Koller (lawyer); the third member of the Board of Foundation is Andreas Burki (Head of Legal & Tax at Baloise).

5.8 Pension schemes

Baloise provides a range of pension solutions, which vary from country to country in line with local circumstances. In Switzerland it offers different pension schemes for its insurance and banking employees.

The Company provides its employees in Switzerland with an attractive occupational pension solution (Pillar 2) that meets the following objectives:

- It covers its insured employees' needs in the event of old age, death or disability and mitigates the resultant financial consequences by offering an occupational pension scheme based on the principle of social partnership.
- It enables its retirees to maintain the standard of living to which they are accustomed by providing them with a sufficiently high level of income replacement (combination of Pillar 1 and Pillar 2 benefits) to compensate for their loss of earnings.
- The employer makes a disproportionately high contribution to the funding of its occupational pension scheme.
- Its pension solutions are future-proof, robust, predictable and properly costed.

The Chairman of the Board of Directors and the members of the Corporate Executive Committee are insured under the pension scheme run by Baloise Insurance Ltd. They are subject to the same terms and conditions as all other insured office-based members of staff.

5.9 Rules stipulated in the Articles of Association

Certain rules governing remuneration are stipulated in the Articles of Association:

- Section 30 Additional amount for the remuneration paid to Corporate Executive Committee members appointed since the last Annual General Meeting
- Section 31 Annual General Meeting votes on remuneration
- Section 32 Principles of profit-related remuneration and the granting of equity instruments
- Section 34 Loans and advances granted to members of the Board of Directors and the Corporate Executive Committee
- www.baloise.com/rules-regulations

5.10 Remuneration paid to the members of the Board of Directors

Please refer to the tables on pages 86 and 87.

The Chairman of the Board of Directors chairs the meetings of both the Board of Directors and the Chairman's Committee. He also chairs the Investment Committee. He represents the Company externally and, acting in this capacity, maintains contact with government agencies, trade associations and other Baloise stakeholders. The Chairman of the Board of Directors liaises with the Group CEO in formulating proposals on Baloise's long-term objectives and its strategic direction and development, and these proposals are then discussed and approved by the Board of Directors as a whole. He works closely with the Corporate Executive Committee to ensure that the Board of Directors is provided with timely information on all matters of material importance to the decision-making and monitoring process at Baloise. The Chairman of the Board of Directors is entitled to attend meetings of the Corporate Executive Committee at any time. He takes part in these meetings when necessary in order to maintain a regular dialogue between himself and the Corporate Executive Committee and whenever matters of strategic or long-term importance are being discussed.

The Chairman of the Board of Directors performs his various functions on a full-time basis, in return for which he is paid a fixed amount of remuneration. He is not entitled to any variable remuneration and, consequently, he receives no performance-related remuneration, no performance pool payments and no allocation of PSUs. He is paid roughly a quarter of his remuneration in the form of shares, although he is free to choose each year how many shares he receives under the Share Subscription Plan and the Employee Share Ownership Plan respectively. The shares that he receives under the Share Subscription Plan are subject to a closed period of five years (instead of the usual three years).

The other members of the Board of Directors are paid a lump sum as remuneration for their work on the Board of Directors (CHF 125,000) and for additional functions that they perform on the Board of Directors' committees (CHF 70,000 for the Chairman and CHF 50,000 for members). These amounts provide appropriate compensation for the responsibility and workload involved in their various functions and have remained unchanged since 2008.

Since 2006 the members of the Board of Directors have received 25 per cent of their annual remuneration in the form of shares that are restricted for three years. Members of the Board of Directors receive a 10 per cent discount on the shares' market price in line with the Share Subscription Plan available to senior executives. The members of the Board of Directors do not participate in any share ownership programmes that are predicated on the achievement of specific performance targets.

No amounts receivable from current or previous members of the Board of Directors have been waived. No remuneration was paid to former members of the Board of Directors.

5.11 Remuneration paid to the members of the Corporate Executive Committee

Please refer to the tables on pages 88 to 91.

The short-term variable remuneration paid to the members of the Corporate Executive Committee is allocated from the performance pool. The individual performance of each member in achieving the Company's objectives is factored into the measurement of the performance pool. The expected performance pool value amounts to 60 per cent of basic salary. Even in cases of outstanding individual performance and excellent performance by the Company as a whole, this payment cannot exceed 90 per cent of basic salary (cap of 150 per cent of the expected value).

The members of the Corporate Executive Committee receive performance share units (PSUs) as a form of long-term variable remuneration, which is expected to account for 40 per cent of basic salary. This system complies with Swiss legislation and meets the European standard, which stipulates that the ratio of fixed to variable remuneration should normally be one-to-one (Capital Requirements Directive IV).

In addition, the Annual General Meeting held on 30 April 2015 passed binding votes in which it set a cap on the variable remuneration payable for 2015 and the amount of fixed remuneration to be paid for 2016.

The structure of remuneration paid to the Corporate Executive Committee is laid down in the Remuneration Policy. The actual level of remuneration paid is determined as follows (see table below).

The members of the Corporate Executive Committee must receive at least 50 per cent of their short-term variable remuneration in the form of shares in order to ensure that their own interests are more strongly aligned with those of shareholders. This mandatory purchase of shares coupled with the shares allocated under the PSU programme ensures that, compared with the market as a whole, a significant proportion of their compensation is paid in the form of deferred remuneration. The Corporate Executive Committee members' remuneration is disclosed on pages 88 to 91 in accordance with the accrual principle. The table includes all forms of remuneration awarded for performance in 2015 even if individual components are not paid until a later date.

The total remuneration paid to the Corporate Executive Committee for 2015 was lower than in the previous year (sum total of basic salary plus variable remuneration down by 16.0 per cent). This can be attributed to several factors:

- At 100 per cent, the performance pool is substantially smaller overall than it was in 2014 (137 per cent), which is reflected in the lower variable remuneration for the members of the Corporate Executive Committee.
- One member of the Corporate Executive Committee took early retirement with effect from 30 April 2015. His total remuneration was therefore only around 41.0 per cent of his previous year's remuneration.

Excluding the member of the Corporate Executive Committee who retired, the total remuneration of the other members of the Corporate Executive Committee for 2015 was 7.7 per cent lower than for 2014 because of the reduced variable remuneration.

| TYPE OF REMUNERATION | DECIDED BY | APPLICABLE PERIOD |
|-----------------------|--|--------------------------------|
| Fixed remuneration | Annual General Meeting | For the next financial year |
| Variable remuneration | | |
| – cap | Annual General Meeting | For the current financial year |
| – individual payment | Remuneration Committee (in compliance with the cap set by the Annual General Meeting) | |

The Annual General Meeting held on 30 April 2015 approved a maximum amount of CHF 5.3 million for the variable remuneration payable for 2015. A total of CHF 4.0 million was paid out, which meant that only around three-quarters of the maximum amount available was utilised.

5.12 Loans and credit facilities

Please refer to the table on page 92.

5.13 Shares and options held

Please refer to the tables on pages 93 and 94.

5.14 Amounts of total remuneration and variable remuneration

Please refer to the table on page 95.

As requested by circular 10/1 issued by the Swiss Financial Market Supervisory Authority on the subject of remuneration, Baloise has published in the table on page 95 the amounts of total remuneration and variable remuneration and has disclosed the total amounts of outstanding deferred remuneration and the inducement payments and severance packages granted. These figures include all forms of remuneration awarded for 2015 even if individual components are not paid until a later date.

REMUNERATION PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS

| 2014 | Basic remuneration | Remuneration for additional functions | Total remuneration | Pension benefits | Total | Of which: in shares | Number of shares |
|---|--------------------|---------------------------------------|--------------------|------------------|------------------|---------------------|------------------|
| CHF | | | | | | | |
| Dr Andreas Burckhardt | 1,320,000 | 0 | 1,320,000 | 230,646 | 1,550,646 | 311,907 | 3,064 |
| Chairman of the Board of Directors | | | | | | | |
| Dr Georg F. Krayer (until 24 April 2014) | 62,500 | | 137,500 | 0 | 137,500 | 68,657 | 668 |
| Vice-Chairman of the Board of Directors | | 25,000 | | | | | |
| Chairman's Committee | | 25,000 | | | | | |
| Investment Committee | | 25,000 | | | | | |
| Werner Kummer | 125,000 | | 278,333 | 0 | 278,333 | 61,154 | 595 |
| Vice-Chairman of the Board of Directors (since 24 April 2014) | | 33,333 | | | | | |
| Chairman's Committee | | 50,000 | | | | | |
| Chair of the Audit and Risk Committee | | 70,000 | | | | | |
| Dr Michael Becker | 125,000 | | 225,000 | 0 | 225,000 | 56,221 | 547 |
| Investment Committee | | 50,000 | | | | | |
| Audit and Risk Committee | | 50,000 | | | | | |
| Dr Andreas Beerli | 125,000 | | 225,000 | 5,743 | 230,743 | 56,221 | 547 |
| Chairman's Committee | | 50,000 | | | | | |
| Audit and Risk Committee | | 50,000 | | | | | |
| Dr Georges-Antoine de Boccard | 125,000 | | 208,333 | 5,743 | 214,076 | 43,682 | 425 |
| Investment Committee (since 24 April 2014) | | 33,333 | | | | | |
| Remuneration Committee | | 50,000 | | | | | |
| Christoph B. Gloor (since 24 April 2014) | 83,333 | | 116,666 | 5,743 | 122,409 | 0 | 0 |
| Investment Committee | | 33,333 | | | | | |
| Karin Keller-Sutter | 125,000 | | 175,000 | 5,743 | 180,743 | 43,682 | 425 |
| Remuneration Committee | | 50,000 | | | | | |
| Thomas Pleines | 125,000 | | 225,000 | 5,743 | 230,743 | 56,221 | 547 |
| Audit and Risk Committee | | 50,000 | | | | | |
| Remuneration Committee | | 50,000 | | | | | |
| Dr Eveline Saupper | 125,000 | | 245,000 | 5,743 | 250,743 | 61,154 | 595 |
| Chairman's Committee (since 24 April 2014) | | 33,333 | | | | | |
| Investment Committee (until 24 April 2014) | | 16,667 | | | | | |
| Chair of the Remuneration Committee | | 70,000 | | | | | |
| Total for the Board of Directors | 2,340,833 | 814,999 | 3,155,832 | 265,104 | 3,420,936 | 758,897 | 7,413 |

Explanatory notes to the table

Christoph B. Gloor was voted in as a new member of the Board of Directors at the 2014 Annual General Meeting. Consequently, he only received a pro-rata share of the usual remuneration. Dr Georg F. Krayer left the Board of Directors at the same time, so he only received half of the usual remuneration.

Remuneration paid to former members and related parties No remuneration on a non-arm's-length-basis was paid to individuals or companies who are related to members of the Board of Directors. Related parties are spouses, life partners, children under 18 years, companies owned or controlled by directors, and legal entities or individuals who act as trustees for them. No amounts receivable from these persons were waived.

Shares 25 per cent of contractually agreed overall remuneration is paid in shares which remain restricted for three years. They are recognised at market value less 10 per cent (CHF 102.78, in line with the Share Subscription Plan). Shares received by the Chairman of the Board of Directors amounted to 1,517 shares in connection with the Share Subscription Plan (CHF 155,917, with a closed period of five years instead of the usual three years) and 1,547 shares in connection with the Employee Share Ownership Plan (CHF 155,990).

Pension contributions The information disclosed for 2014 includes for the first time the contributions payable by the employer into the state-run social security schemes (up to the pensionable or insurable threshold in each case) and the pension fund (only for the Chairman of the Board of Directors).

REMUNERATION PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS

| 2015 | Basic remuneration | Remuneration for additional functions | Total remuneration | Pension benefits | Total | Of which: in shares | Number of shares |
|---|--------------------|---------------------------------------|--------------------|------------------|------------------|---------------------|------------------|
| CHF | | | | | | | |
| Dr Andreas Burckhardt | 1,320,000 | 0 | 1,320,000 | 231,607 | 1,551,607 | 311,940 | 2,743 |
| Chairman of the Board of Directors | | | | | | | |
| Werner Kummer | 125,000 | | 295,000 | 0 | 295,000 | 73,670 | 642 |
| Vice-Chairman of the Board of Directors | | 50,000 | | | | | |
| Chairman's Committee | | 50,000 | | | | | |
| Chair of the Audit and Risk Committee | | 70,000 | | | | | |
| Dr Michael Becker | 125,000 | | 225,000 | 0 | 225,000 | 56,228 | 490 |
| Investment Committee | | 50,000 | | | | | |
| Audit and Risk Committee | | 50,000 | | | | | |
| Dr Andreas Beerli | 125,000 | | 225,000 | 5,743 | 230,743 | 56,228 | 490 |
| Chairman's Committee | | 50,000 | | | | | |
| Audit and Risk Committee | | 50,000 | | | | | |
| Dr Georges-Antoine de Boccad | 125,000 | | 225,000 | 5,743 | 230,743 | 56,228 | 490 |
| Investment Committee | | 50,000 | | | | | |
| Remuneration Committee | | 50,000 | | | | | |
| Christoph B. Gloor | 125,000 | | 175,000 | 5,743 | 180,743 | 43,720 | 381 |
| Investment Committee | | 50,000 | | | | | |
| Karin Keller-Sutter | 125,000 | | 175,000 | 5,743 | 180,743 | 43,720 | 381 |
| Remuneration Committee | | 50,000 | | | | | |
| Thomas Pleines | 125,000 | | 225,000 | 5,743 | 230,743 | 56,228 | 490 |
| Audit and Risk Committee | | 50,000 | | | | | |
| Remuneration Committee | | 50,000 | | | | | |
| Dr Eveline Saupper | 125,000 | | 245,000 | 5,743 | 250,743 | 61,162 | 533 |
| Chairman's Committee | | 50,000 | | | | | |
| Chair of the Remuneration Committee | | 70,000 | | | | | |
| Total for the Board of Directors | 2,320,000 | 790,000 | 3,110,000 | 266,065 | 3,376,065 | 759,121 | 6,640 |

Explanatory notes to the table

Remuneration paid to former members and related parties No remuneration on a non-arm's-length-basis was paid to individuals or companies who are related to members of the Board of Directors. Related parties are spouses, life partners, children under 18 years, companies owned or controlled by directors, and legal entities or individuals who act as trustees for them. No amounts receivable from these persons were waived.

Shares 25 per cent of contractually agreed overall remuneration is paid in shares which remain restricted for three years. They are recognised at market value less 10 per cent (CHF 114.75, in line with the Share Subscription Plan). Shares received by the Chairman of the Board of Directors amounted to 1,359 shares in connection with the Share Subscription Plan (CHF 155,945, with a closed period of five years instead of the usual three years) and 1,384 shares in connection with the Employee Share Ownership Plan (CHF 155,995).

Pension contributions The information disclosed for 2015 includes the contributions payable by the employer into the state-run social security schemes (up to the pensionable or insurable threshold in each case) and the pension fund (only for the Chairman of the Board of Directors).

REMUNERATION PAID TO THE MEMBERS OF THE CORPORATE EXECUTIVE COMMITTEE

| | Basic salary | | Share Subscription Plan | Employee Share Ownership Plan | | |
|--|----------------------|------------------|-------------------------|-------------------------------|------------------|----------------|
| | Cash payment (fixed) | Cash payment | | Number of shares | Number of shares | |
| 2014 | CHF | CHF | Number of shares | CHF | Number of shares | CHF |
| Dr Martin Strobel | 1,150,000 | 448,557 | 3,908 | 448,443 | 0 | 0 |
| Group CEO | | | | | | |
| Michael Müller | 632,500 | 246,752 | 2,149 | 246,598 | 0 | 0 |
| Head of Corporate Division Switzerland | | | | | | |
| Jan De Meulder | 818,382 | 99,248 | 863 | 99,029 | 0 | 0 |
| Head of SBU Germany | | | | | | |
| German Egloff | 690,000 | 269,111 | 2,345 | 269,089 | 0 | 0 |
| Head of Corporate Division Finance | | | | | | |
| Dr Thomas Sieber | 621,000 | 260,913 | 1,363 | 156,404 | 926 | 104,323 |
| Head of Corporate Division Corporate Centre | | | | | | |
| Martin Wenk | 690,000 | 269,111 | 2,345 | 269,089 | 0 | 0 |
| Head of Corporate Division Asset Management | | | | | | |
| Total for the Corporate Executive Committee | 4,601,882 | 1,593,692 | 12,973 | 1,488,652 | 926 | 104,323 |

Explanatory notes to the table

Remuneration is disclosed in accordance with the accrual principle. The table includes all forms of remuneration awarded for performance in 2014 even if individual components are not paid until a later date. Amounts are gross, before deduction of social security contributions, etc.

Remuneration paid to former members and related parties No remuneration on a non-arm's-length basis was paid to companies or individuals who are related to members of the Corporate Executive Committee. Related parties are spouses, life partners, children under 18 years, companies owned or controlled by directors, and legal entities or individuals who act as trustees for them. No amounts receivable from these persons were waived.

Share Subscription Plan Proportion of variable remuneration received directly as shares, which are measured at market value less 10 per cent markdown. Subscription price = CHF 114.75.

Employee Share Ownership Plan Proportion of variable remuneration received as shares (excluding loans to purchase shares), which are measured at market value less dividend rights discounted over three years. Subscription price = CHF 112.70.

Performance share units (PSUs) These have been disclosed at their value of CHF 113.95 at the grant date and measured using a Monte Carlo simulation, which calculates a present value for the payout expected at the end of the vesting period.

| Performance share units (PSUs) | | Total variable remuneration | | Total basic salary plus variable remuneration | Variable remuneration as percentage of basic salary | Non-cash benefits | Pension contributions | Total remuneration |
|--------------------------------|------------------|-----------------------------|------------------|---|---|-------------------|-----------------------|--------------------|
| Granted in 2014 | | | | | | | | |
| Number of PSUs | CHF | Number of shares | CHF | CHF | | CHF | CHF | CHF |
| 4,037 | 460,016 | 3,908 | 1,357,016 | 2,507,016 | 118 % | 4,320 | 173,398 | 2,684,734 |
| 2,221 | 253,083 | 2,149 | 746,433 | 1,378,933 | 118 % | 4,320 | 141,262 | 1,524,515 |
| 2,953 | 336,494 | 863 | 534,771 | 1,353,153 | 65 % | 102,586 | 317,772 | 1,773,511 |
| 2,423 | 276,101 | 2,345 | 814,301 | 1,504,301 | 118 % | 4,320 | 215,181 | 1,723,802 |
| 2,180 | 248,411 | 2,289 | 770,051 | 1,391,051 | 124 % | 4,320 | 179,123 | 1,574,494 |
| 2,423 | 276,101 | 2,345 | 814,301 | 1,504,301 | 118 % | 4,320 | 215,181 | 1,723,802 |
| 16,237 | 1,850,206 | 13,899 | 5,036,873 | 9,638,755 | 109 % | 124,186 | 1,241,917 | 11,004,858 |

Non-cash benefits Based on all remuneration elements required to be declared on the Swiss salary certificate, including long-service awards, taxable benefits relating to shares received in connection with the Employee Incentive Plan (maximum of 100 shares per annum), accommodation costs and non-cash benefits (use of a company vehicle) granted to a Corporate Executive Committee member residing abroad.

Pension benefits These comprise the estimated employer contributions to the state-run social security schemes (up to the pensionable or insurable threshold in each case) and the pension fund or, alternatively, a compensatory payment in lieu of employer and employee contributions to the Swiss social security scheme and the pension fund (neither of these is payable if the person concerned is working outside Switzerland) and maintenance of disability insurance cover in the home country of a Corporate Executive Committee member residing abroad.

REMUNERATION PAID TO THE MEMBERS OF THE CORPORATE EXECUTIVE COMMITTEE

| | Basic salary | | Share Subscription Plan | Employee Share Ownership Plan | | |
|--|----------------------|------------------|-------------------------|-------------------------------|------------------|----------------|
| | Cash payment (fixed) | Cash payment | | Number of shares | Number of shares | |
| 2015 | CHF | CHF | Number of shares | CHF | Number of shares | CHF |
| Dr Martin Strobel | 1,150,000 | 310,592 | 2,841 | 310,408 | 0 | 0 |
| Group CEO | | | | | | |
| Michael Müller | 632,500 | 123,053 | 2,625 | 286,808 | 0 | 0 |
| Head of Corporate Division Switzerland | | | | | | |
| Jan De Meulder | 255,762 | 143,142 | 0 | 0 | 0 | 0 |
| Head of SBU Germany (until 30 April 2015) | | | | | | |
| German Egloff | 690,000 | 144,975 | 1,515 | 165,529 | 971 | 103,496 |
| Head of Corporate Division Finance | | | | | | |
| Dr Thomas Sieber | 621,000 | 186,318 | 1,023 | 111,773 | 699 | 74,509 |
| Head of Corporate Division Corporate Centre | | | | | | |
| Martin Wenk | 690,000 | 111,801 | 3,069 | 335,319 | 0 | 0 |
| Head of Corporate Division Asset Management | | | | | | |
| Total for the Corporate Executive Committee | 4,039,262 | 1,019,881 | 11,073 | 1,209,836 | 1,670 | 178,005 |

Explanatory notes to the table

Remuneration is disclosed in accordance with the accrual principle. The table includes all forms of remuneration awarded for performance in 2015 even if individual components are not paid until a later date. Amounts are gross, before deduction of social security contributions, etc.

Remuneration paid to former members and related parties No remuneration on a non-arm's-length basis was paid to companies or individuals who are related to members of the Corporate Executive Committee. Related parties are spouses, life partners, children under 18 years, companies owned or controlled by directors, and legal entities or individuals who act as trustees for them. No amounts receivable from these persons were waived.

Share Subscription Plan Proportion of variable remuneration received directly as shares, which are measured at market value less 10 per cent markdown. Subscription price = CHF 109.26.

Employee Share Ownership Plan Proportion of variable remuneration received as shares (excluding loans to purchase shares), which are measured at market value less dividend rights discounted over three years. Subscription price = CHF 106.59.

Performance share units (PSUs) These have been disclosed at their value of CHF 121.20 at the grant date and measured using a Monte Carlo simulation, which calculates a present value for the payout expected at the end of the vesting period.

| Performance share units (PSUs) | | Variable remuneration | | Total basic salary plus variable remuneration | Variable remuneration as percentage of basic salary | Non-cash benefits | Pension contributions | Total remuneration |
|--------------------------------|-----------|-----------------------------|-----------|---|---|-------------------|-----------------------|--------------------|
| Granted in 2015 | | Total variable remuneration | | CHF | | CHF | CHF | CHF |
| Number of PSUs | CHF | Number of shares | CHF | CHF | | CHF | CHF | CHF |
| 3,796 | 460,075 | 2,841 | 1,081,075 | 2,231,075 | 94 % | 3,901 | 174,115 | 2,409,091 |
| 2,088 | 253,066 | 2,625 | 662,926 | 1,295,426 | 105 % | 3,901 | 141,262 | 1,440,588 |
| 926 | 112,231 | 0 | 255,373 | 511,135 | 100 % | 62,004 | 154,443 | 727,581 |
| 2,278 | 276,094 | 2,486 | 690,094 | 1,380,094 | 100 % | 3,901 | 215,181 | 1,599,175 |
| 2,050 | 248,460 | 1,722 | 621,060 | 1,242,060 | 100 % | 3,901 | 194,648 | 1,440,609 |
| 2,278 | 276,094 | 3,069 | 723,214 | 1,413,214 | 105 % | 3,901 | 215,181 | 1,632,295 |
| 13,416 | 1,626,019 | 12,743 | 4,033,741 | 8,073,003 | 100 % | 81,509 | 1,094,828 | 9,249,340 |

Non-cash benefits Based on all remuneration elements required to be declared on the Swiss salary certificate, including long-service awards, taxable benefits relating to shares received in connection with the Employee Incentive Plan (maximum of 100 shares per annum), accommodation costs and non-cash benefits (use of a company vehicle) granted to a Corporate Executive Committee member residing abroad.

Pension benefits These comprise the estimated employer contributions to the state-run social security schemes (up to the pensionable or insurable threshold in each case) and the pension fund or, alternatively, a compensatory payment in lieu of employer and employee contributions to the Swiss social security scheme and the pension fund (neither of these is payable if the person concerned is working outside Switzerland) and maintenance of disability insurance cover in the home country of a Corporate Executive Committee member residing abroad.

**LOANS AND CREDIT FACILITIES GRANTED TO MEMBERS OF THE BOARD OF DIRECTORS AND THE CORPORATE EXECUTIVE COMMITTEE
(AS AT 31 DECEMBER)**

| | Mortgages | | Loans pertaining to the Employee Share Ownership Plan | | Other loans | | Total | |
|---|------------------|------------------|---|------------------|-------------|----------|------------------|------------------|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| CHF | | | | | | | | |
| Dr Andreas Burckhardt | | | | | | | | |
| Chairman | 0 | 0 | 2,706,237 | 2,674,203 | 0 | 0 | 2,706,237 | 2,674,203 |
| Werner Kummer | | | | | | | | |
| Vice-Chairman | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dr Michael Becker | | | | | | | | |
| Member | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dr Andreas Beerli | | | | | | | | |
| Member | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dr Georges-Antoine de Boccard | | | | | | | | |
| Member | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Christoph B. Gloor | | | | | | | | |
| Member | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Karin Keller-Sutter | | | | | | | | |
| Member | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Thomas Pleines | | | | | | | | |
| Member | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dr Eveline Saupper | | | | | | | | |
| Member | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total for the Board of Directors | 0 | 0 | 2,706,237 | 2,674,203 | 0 | 0 | 2,706,237 | 2,674,203 |
| Corporate Executive Committee member with the highest outstanding loan | | | | | | | | |
| Dr Thomas Sieber | | | | | | | | |
| Head of Corporate Division Corporate Centre | 1,000,000 | 1,000,000 | 2,549,704 | 2,399,986 | 0 | 0 | 3,549,704 | 3,399,986 |
| Other members of the Corporate Executive Committee | 2,275,000 | 1,850,000 | 2,560,621 | 897,885 | 0 | 0 | 4,835,621 | 2,747,885 |
| Total for the Corporate Executive Committee | 3,275,000 | 2,850,000 | 5,110,325 | 3,297,871 | 0 | 0 | 8,385,325 | 6,147,871 |

Explanatory notes to the table

Loans and credit facilities No loans or credit facilities were granted at non-market terms and conditions

a) to former members of the Board of Directors or Corporate Executive Committee;

b) to individuals or companies related to members of the Board of Directors or Corporate Executive Committee. Related parties are: spouses, life partners, children under 18 years, companies owned or controlled by directors, or legal entities or individuals who act as trustees for them.

Mortgages Mortgages of up to CHF 1 million are granted to staff at the following terms and conditions: 1 per cent below the customer interest rate for variable-rate mortgages and at a preferential interest rate for fixed-rate mortgages.

Loans associated with the Employee Share Ownership Plan Loans to increase the effect of the Employee Share Ownership Plan (see '5.6 Share Subscription Plan and Employee Share Ownership Plan'). Interest is charged on loans at a market rate (2015: 1 per cent), and they have a term of three years.

Other loans There are no policy loans.

**SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS
(AS AT 31 DECEMBER)**

| | Discretionary shares | | Restricted shares | | Total share ownership | | Percentage of issued share capital | |
|---|----------------------|---------------|-------------------|---------------|-----------------------|---------------|------------------------------------|----------------|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Quantity | | | | | | | | |
| Dr Andreas Burckhardt | | | | | | | | |
| Chairman | 4,951 | 8,809 | 50,576 | 43,919 | 55,527 | 52,728 | 0.111 % | 0.105 % |
| Werner Kummer | | | | | | | | |
| Vice-Chairman | 4,184 | 4,927 | 3,170 | 3,069 | 7,354 | 7,996 | 0.015 % | 0.016 % |
| Dr Michael Becker | | | | | | | | |
| Member | 1,530 | 2,197 | 2,978 | 2,801 | 4,508 | 4,998 | 0.009 % | 0.010 % |
| Dr Andreas Beerli | | | | | | | | |
| Member | 0 | 667 | 2,808 | 2,631 | 2,808 | 3,298 | 0.006 % | 0.007 % |
| Dr Georges-Antoine de Boccard | | | | | | | | |
| Member | 0 | 667 | 2,686 | 2,509 | 2,686 | 3,176 | 0.005 % | 0.006 % |
| Christoph B. Gloor | | | | | | | | |
| Member | 7,000 | 7,312 | 1,000 | 1,381 | 8,000 | 8,693 | 0.016 % | 0.017 % |
| Karin Keller-Sutter | | | | | | | | |
| Member | 0 | 0 | 1,425 | 1,806 | 1,425 | 1,806 | 0.003 % | 0.004 % |
| Thomas Pleines | | | | | | | | |
| Member | 0 | 0 | 2,141 | 2,631 | 2,141 | 2,631 | 0.004 % | 0.005 % |
| Dr Eveline Saupper | | | | | | | | |
| Member | 2,771 | 3,438 | 3,094 | 2,960 | 5,865 | 6,398 | 0.012 % | 0.013 % |
| Total for the Board of Directors | 20,436 | 28,017 | 69,878 | 63,707 | 90,314 | 91,724 | 0.181 % | 0.183 % |
| Percentage of issued share capital | 0.041 % | 0.056 % | 0.140 % | 0.127 % | 0.181 % | 0.183 % | | |

Explanatory notes to the table

Shareholdings Includes shares held by related parties (spouses, life partners, children under 18 years, companies owned or controlled by directors, and legal entities or individuals who act as trustees for them).

Restricted shares Shares received in connection with share-based remuneration programmes are subject to a closed period of three years. The closed period for shares received by the Chairman of the Board of Directors in connection with the Share Subscription Plan is five years. Section 20 of the Articles of Association also requires all members of the Board of Directors to lodge 1,000 shares with the Company for the duration of their term of appointment (qualifying shares).

Options Members of the Board of Directors do not hold any options on Baloise shares.

**SHARES HELD BY MEMBERS OF THE CORPORATE EXECUTIVE COMMITTEE
(AS AT 31 DECEMBER)**

| | Discretionary shares | | Restricted shares | | Total share ownership | | Percentage of issued share capital | | Prospective entitlements (PSUs) | |
|---|----------------------|---------------|-------------------|----------------|-----------------------|----------------|------------------------------------|---------------|---------------------------------|---------------|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Quantity | | | | | | | | | | |
| Dr Martin Strobel | | | | | | | | | | |
| Group CEO | 100 | 100 | 51,044 | 28,960 | 51,144 | 29,060 | 0.102% | 0.058% | 20,408 | 14,373 |
| Michael Müller | | | | | | | | | | |
| Head of Corporate Division Switzerland | 2,679 | 9,708 | 10,632 | 9,931 | 13,311 | 19,639 | 0.027% | 0.039% | 8,654 | 7,371 |
| Jan De Meulder | | | | | | | | | | |
| Head of SBU Germany (until 30 April 2015) | 4,593 | 7,724 | 11,525 | 8,607 | 16,118 | 16,331 | 0.032% | 0.033% | 12,033 | 8,043 |
| German Egloff | | | | | | | | | | |
| Head of Corporate Division Finance | 7,583 | 17,457 | 19,280 | 9,557 | 26,863 | 27,014 | 0.054% | 0.054% | 9,854 | 8,269 |
| Dr Thomas Sieber | | | | | | | | | | |
| Head of Corporate Division Corporate Centre | 3,150 | 6,050 | 45,239 | 36,623 | 48,389 | 42,673 | 0.097% | 0.085% | 9,183 | 7,441 |
| Martin Wenk | | | | | | | | | | |
| Head of Corporate Division Asset Management | 8,000 | 9,000 | 11,098 | 9,894 | 19,098 | 18,894 | 0.038% | 0.038% | 10,204 | 8,269 |
| Total for the members of the Corporate Executive Committee | 26,105 | 50,039 | 148,818 | 103,572 | 174,923 | 153,611 | 0.350% | 0.307% | 70,336 | 53,766 |
| Percentage of issued share capital | 0.052% | 0.100% | 0.298% | 0.207% | 0.350% | 0.307% | | | | |

Explanatory notes to the table

Shareholdings Includes shares held by related parties (spouses, life partners, children under 18 years, companies owned or controlled by directors, and legal entities or individuals who act as trustees for them).

Restricted shares Includes loan-financed shares connected with the Employee Share Ownership Plan. Shares received in connection with share-based remuneration programmes are subject to a closed period of three years.

Options Options held in connection with the Employee Share Ownership Plan are not reported here because they were written to hedge loans and do not originate from a separate option plan. Each put option is also offset by a countervailing call option.

Prospective entitlements (PSUs) Number of allocated performance share units (granted as at 1 March 2013, 1 March 2014 and 1 March 2015).

TOTAL AND VARIABLE REMUNERATION IN THE BALOISE GROUP

| | 2014 | | | | 2015 | | | |
|--|---------|-----------|--------------------------|-------|---------|-----------|--------------------------|-------|
| | In cash | In shares | Prospective entitlements | Total | In cash | In shares | Prospective entitlements | Total |
| Total remuneration | | | | | | | | |
| CHF million | 762.3 | 5.7 | 5.6 | 773.6 | 698.8 | 5.5 | 5.1 | 709.4 |
| Total variable remuneration (total pool) | | | | | | | | |
| CHF million | 172.3 | 5.7 | 5.6 | 183.6 | 154.7 | 5.5 | 5.1 | 165.3 |
| Number of beneficiaries | 5,353 | 148 | 64 | | 5,230 | 168 | 62 | |
| Of which commission paid to insurance sales force | | | | | | | | |
| CHF million | 102.5 | 0.0 | 0.0 | 102.5 | 99.9 | 0.0 | 0.0 | 99.9 |
| Of which other forms of variable remuneration | | | | | | | | |
| CHF million | 69.8 | 5.7 | 5.6 | 81.1 | 54.7 | 5.5 | 5.1 | 65.3 |
| Total outstanding deferred remuneration | | | | | | | | |
| CHF million | 0.0 | 100.5 | 17.5 | 118.0 | 0.0 | 94.1 | 15.5 | 109.6 |
| Debits / credits for remuneration for previous reporting periods recognised in profit or loss | | | | | | | | |
| CHF million | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 | 0.0 | -0.1 |
| Total inducement payments made | | | | | | | | |
| CHF million | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.2 |
| Number of beneficiaries | 1 | 0 | 0 | | 3 | 0 | 0 | |
| Total severance payments made | | | | | | | | |
| CHF million | 19.7 | 0.0 | 0.0 | 19.7 | 14.7 | 0.0 | 0.0 | 14.7 |
| Number of beneficiaries | 157 | 0 | 0 | | 137 | 0 | 0 | |

Explanatory notes to the table

The table includes all forms of remuneration awarded for each year even if individual components are not paid until a later date.

Total remuneration All taxable benefits that the financial institution provides to persons directly or indirectly for the work they have performed for it in connection with their employment or directorship. They include cash payments, non-cash benefits, expenditure that creates or increases entitlements to pension benefits, pensions, allotment of shareholdings, conversion rights and warrants, and debt waivers.

Variable remuneration Part of total remuneration, the amount or payment of which is at the discretion of the financial institution or which depends on the occurrence of agreed conditions. It includes performance-related and profit-based remuneration such as fees and commissions. Inducement and severance payments also fall under the definition of variable remuneration.

Total pool All the variable remuneration that a financial institution allocates for a year regardless of its form, any contractual undertaking in respect of grant dates or payout dates and any terms and conditions attached. Inducement and severance payments made in the relevant year should be included in the total pool.

Inducement payment One-off payment agreed when an employment contract is signed. Payments to compensate for lost entitlement to remuneration from a former employer also count as inducement pay.

Severance payment Remuneration agreed in connection with the termination of an employment contract. Severance packages are paid only in individual justified cases and are granted only to management team members and to employees, but not to members of either the Board of Directors or the Corporate Executive Committee.

Report of the statutory auditor to the Annual General Meeting of Bâloise Holding Ltd, Basel

STATUTORY AUDITOR'S REPORT ON THE REMUNERATION REPORT FOR 2015

We have audited the remuneration report (pages 73 to 95) of 18 March 2016 published by Bâloise Holding Ltd for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the remuneration report in accordance with Swiss law and the Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares (ERCO). This responsibility includes drafting the Company's remuneration principles and setting remuneration levels in individual cases.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report based on our audit. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with professional codes of conduct and that we plan and perform the audit to obtain reasonable assurance about whether the remuneration report is consistent with Swiss law and sections 14 to 16 ERCO.

An audit involves performing procedures to obtain audit evidence about the remuneration report's disclosures on remuneration, loans and credit facilities in accordance with sections 14 to 16 ERCO. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the remuneration report, whether due to fraud or error. This audit also includes evaluating the appropriateness of the methods used to measure remuneration elements, as well as evaluating the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the remuneration report of Bâloise Holding Ltd for the year ended 31 December 2015 is consistent with Swiss law and sections 14 to 16 ERCO.

PricewaterhouseCoopers Ltd

Peter Lüssi
Audit expert
Auditor in charge

Michael Stämpfli
Audit expert

Basel, 18 March 2016

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6. SHAREHOLDER PARTICIPATION RIGHTS

Voting rights

The share capital of Bâloise Holding consists solely of registered shares. Each share confers the right to one vote. No shares carry preferential voting rights. To ensure a broad-based shareholder structure and to protect minority shareholders, no shareholder is registered as holding more than 2 per cent of voting rights, regardless of the size of their shareholding. The Board of Directors can approve exceptions to this provision if a majority of two-thirds of all its members is in favour (section 5 of the Articles of Association). There are currently no exceptions. Each shareholder can appoint a proxy in writing in order to authorise another shareholder or an independent proxy to exercise his or her voting rights. When exercising voting rights, no shareholder can accumulate more than one fifth of the voting shares at the Annual General Meeting directly or indirectly for his or her own votes or proxy votes (section 16 of the Articles of Association).

The 2015 Annual General Meeting voted for a provision in section 16 (2) of the Articles of Association to the effect that powers of attorney and voting instructions may also be given to an independent proxy electronically without requiring a qualifying electronic signature.

Statutory quorums

The Annual General Meeting is quorate regardless of the number of shareholders present or proxy votes represented, subject to the mandatory cases stated by law (section 17 of the Articles of Association).

The consent of at least three-quarters of the votes represented at the Annual General Meeting is required to suspend statutory restrictions on voting rights. The votes must also represent at least one third of the total shares issued by the Company. This qualified majority also applies to the cases specified in section 17 (3) lit. a–h of the Articles of Association. Otherwise, resolutions are adopted by a simple majority of the votes cast, subject to compulsory legal provisions (section 17 of the Articles of Association).

Convening the Annual General Meeting

The Annual General Meeting generally takes place in April, but must be held within six months of the end of the previous financial year. Bâloise Holding's financial year ends on 31 December. The Annual General Meeting is convened at least 20 days before the date of the meeting. Each registered shareholder receives a personal invitation, which includes the agenda. The invitation and the agenda are published in the Swiss Official Gazette of Commerce, in various newspapers and on the internet.

The Annual General Meeting, the Board of Directors or the external auditors decide whether to convene extraordinary general meetings. Furthermore, legal provisions also require the Board of Directors to convene an extraordinary general meeting if requested by the shareholders (section 11 of the Articles of Association). Article 699 (3) of the Swiss Code of Obligations (OR) states such requests must be made by shareholders who represent at least 10 per cent of the share capital.

Requesting agenda items

Article 699 (3) OR states that one or more shareholders who together represent shares of at least CHF 100,000 can request items to be put on the agenda for debate. Such requests must be submitted in writing to the Board of Directors at least six weeks before the ordinary Annual General Meeting is held, giving details of the motions to be put to the AGM (section 14 of the Articles of Association).

Entry in the share register

Shareholders are entitled to vote at the Annual General Meeting provided they are registered in the share register as shareholders with voting rights on the cut-off date stated by the Board of Directors in the invitation. The cut-off date should be several days before the Annual General Meeting (section 16 of the Articles of Association).

Section 5 of the Articles of Association determines whether nominee entries are permissible, taking into account any percentage limits and entry requirements. The procedures and requirements for suspending and restricting transferability are set out in the provisions in section 5 and section 17.

→ www.baloise.com/rules-regulations

→ www.baloise.com/calendar

7. CHANGES OF CONTROL AND POISON-PILL MEASURES

Shareholders or groups of shareholders acting together by agreement are required to issue a takeover bid to all other shareholders when they have acquired 33 per cent of all Baloise shares. Baloise Holding has not made any use of the option to deviate from or waive this regulation. There is no statutory opting-out clause or opting-up clause as defined by the Swiss Federal Act on Stock Exchanges and Securities Trading (Börsengesetz).

The members of the Corporate Executive Committee and the Chairman of the Board of Directors have a notice period of twelve months. Baloise has not agreed any arrangements in respect of changes of control or non-compete clauses with members of either the Board of Directors or the Corporate Executive Committee.

8. EXTERNAL AUDITORS

The external auditors are elected annually by the Annual General Meeting. PricewaterhouseCoopers AG (PwC) or its predecessor Schweizerische Treuhandgesellschaft / STG-Coopers & Lybrand has audited Baloise Holding since 1962. Mr Peter Lüssi has held the post of auditor-in-charge since 2013. In accordance with article 730a (2) OR, the role of auditor-in-charge is rotated every seven years. PwC has been the external auditing firm for almost all Group companies since 2005.

A new invitation to tender was issued and the contract awarded in anticipation of the new requirement to change external auditors on a regular basis. At the next Annual General Meeting, the Board of Directors will propose that its shareholders elect Ernst & Young (EY), Basel, as the Company's new external auditors.

PRICEWATERHOUSECOOPERS' FEES

| | 2014 | 2015 |
|---|------------------|------------------|
| CHF (rounded to the nearest thousand, including outlays and VAT) | | |
| Audit fees | 5,186,000 | 5,049,000 |
| Consulting fees | 608,000 | 953,000 |
| Tax consultancy and legal advice | 269,000 | 229,000 |
| Insurance-specific consulting | 54,000 | 2,000 |
| Operational consulting | 175,000 | 489,000 |
| Business and IT consulting | 110,000 | 233,000 |
| Total | 5,794,000 | 6,002,000 |

The audit fees include fees for engagements with a direct or indirect connection to a current or future audit engagement and fees for audit-related activities (including support with accounting issues, regulatory issues and statutory special audits).

At its meetings, the Audit and Risk Committee receives detailed documentation about the external auditors' findings, primarily at meetings about the annual and half-year financial statements.

The performance of the external auditors and their interaction with Group Internal Audit, Risk Management and Compliance are assessed by the Audit and Risk Committee. The Audit and Risk Committee's discussions with the external auditors focus on the audit work the latter have undertaken, their reports and the material findings and most important issues raised during the audit.

The Audit and Risk Committee submits proposals to the Board of Directors regarding the external auditors to be elected by the Annual General Meeting and makes recommendations regarding their fees. Before the start of the annual audit, it reviews the scope of the audit and suggests areas that require special attention. The Audit and Risk Committee reviews the external auditors' fees on an annual basis.

9. SIGNIFICANT AMENDMENTS TO THE ARTICLES OF ASSOCIATION SUBMITTED TO THE 2016 ANNUAL GENERAL MEETING

No amendments to the Articles of Association will be submitted to the 2016 Annual General Meeting.

10. INFORMATION POLICY

Information principles

The Baloise Group provides shareholders, potential investors, employees, customers and the public with information on a regular, open and comprehensive basis. All registered shareholders each receive a summary of the annual report once a year and a letter to shareholders every six months, which provide a review of business. The full annual report is sent to shareholders on request. All publications are simultaneously available to the public. All market participants receive the same information. Baloise uses technologies such as webcasting, podcasting and teleconferences to make financial analysts' meetings generally accessible.

Information events

Baloise provides detailed information about its business activities as follows:

- Details about its financial performance, targets, strategies and operations are provided at press conferences covering its annual and half-year financial statements.
- Teleconferences for financial analysts and investors take place when the annual and half-year financial statements are published. The events can then be downloaded as podcasts.
- Shareholders are informed about business during the year at the Annual General Meeting.
- Roadshows are regularly staged at various financial centres.

Ongoing relationships are maintained with analysts, investors and the media. Full details of individual Baloise events can be accessed at www.baloise.com.

Information about Baloise shares

Information about Baloise shares begins on page 12.

- www.baloise.com/baloise-share

Information about Baloise bonds

Information about Baloise bonds in circulation can be found on pages 228 and 266.

- www.baloise.com/bonds

Financial calendar

Important dates for investors are available at www.baloise.com. This is where the publication dates for the annual and half-year reports and the Q3 interim statement are listed and where the date of the Annual General Meeting, the AGM invitation, the closing date for the share register and any ex-dividend dates are published.

- www.baloise.com/calendar

Availability of documents

Annual and half-year reports, media releases, disclosures, recent announcements, presentations and other documents are available to the public at www.baloise.com. Please register for the latest corporate communications at www.baloise.com/maillinglist.

- www.baloise.com/media

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