Baloise – Responsible Investment Policy

For third-party assets and investment funds

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Glossary

Term	Description
Active ownership	The term "active ownership" refers to investors who concern themselves with environmental, social and governance (ESG) issues by voting on or engaging in discussions with company managers and supervisory Boards in regard to these issues
AMAS	Asset Management Association Switzerland
Baloise	Baloise Asset Management Ltd
Baloise Group	Baloise Holding Ltd and its direct and indirect subsidiaries
Corporate Division Asset Management	Includes Baloise Asset Management Ltd and divisions of the Swiss units of Baloise Group that report to the Head of Corporate Division Asset Management
Employees	Employees of Baloise and all service providers that act for the account of or in the name of Baloise
ESG	Environmental, Social and Governance. Umbrella term for environmental, social and corporate governance Environmental aspects include, but are not limited to: • Climate change adaptation policies • Greenhouse gas (GHG) emissions • Biodiversity • Pollution Social aspects include, but are not limited to: • Inclusion and diversity • Health and safety • Working conditions • Standards within the supply chain Corporate governance aspects include, but are not limited to: • Diversity in the Executive Management • Management Remuneration • Business ethics • Anti-bribery • Anti-corruption
FINMA	Swiss Financial Market Supervisory Authority
Investment funds	Swiss and foreign collective investment schemes for which Baloise acts as the asset manager
Investors	The investors in the investment funds
ManCo	The management company or the AIFM (alternative investment fund manager)

Policy	This document
Principal adverse impacts (PAIs) on sustainability factors	Actual or potential material adverse impacts of investment decisions on sustainability factors pursuant to the EU Sustainable Finance Disclosure Regulation 2019/2088.
Responsible investment (RI)	Responsible investment: this refers to the integration of ESG factors into investment decisions.
SFDR	SFDR Sustainable Finance Disclosure Regulation (EU 2019/2088)
SIA	Swiss Insurance Association
SSF	Swiss Sustainable Finance
Sustainability factors	This term refers to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters
Sustainable investment	The EU Regulation 2019/2088 (SFDR) defines “sustainable investment” in Article 2(17) as • an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, • or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, • provided that such investments do not significantly harm any of those objectives • and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.
Sustainability risks	Such risks refer to an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment
SVVK – ASIR	Swiss Association for Responsible Investments
Target funds	Investment funds or third-party funds used in the assets or investment funds managed by Baloise
Third-party clients or clients	Asset management customers of Baloise, excluding Baloise Group companies
Third-party funds	Swiss and foreign collective investment schemes run by other providers (third-party providers) and not set up by companies of the Baloise Group, but used by Baloise for the assets it manages

UN	United Nations
UN PRI	UN Principles for Responsible Investment
UN SDGs	UN Sustainable Development Goals

1. Purpose of this policy

This policy regulates the promotion of environmentally and socially responsible actions and good corporate governance. With regard to third-party client assets and investment funds managed by Baloise, it regulates the integration of sustainability risks and opportunities into investment activities as well as the mitigation of adverse impacts on sustainability factors in the context of investment activities. The policy describes how sustainability factors are integrated throughout the investment process and within governance.

This policy serves the following purposes in relation to the assets managed by Baloise for third-party clients and investment funds:

- Determination of the consideration of sustainability factors in the investment process as part of the decision-making process for investments;
- Explanation of the strategies for incorporating sustainability risks into investment decision-making processes, risk management processes and reporting;
- Definition of roles, responsibilities, and knowledge requirements within different functions regarding sustainability.

2. Intention

Baloise Group is an insurance group that grew out of the idea of a community of solidarity and attaches particular importance to taking responsibility and placing its own actions at the service of sustainable development.

For Baloise Group, sustainable development and the insurance and financial services business have significant similarities: long-term activities and responsible handling of risks and resources. We therefore wish to secure our own business operations and thus our employees' jobs in the long term, and actively shape social transformation as a corporate citizen.

This Responsible Investment Policy has been developed to determine how the requirements regarding the consideration of sustainability risks and factors are met as part of the investment process for third-party clients and investment funds and to provide a clear description of the beliefs with respect to ESG-related investments. We remain true to our values by acting in accordance with the Responsible Investment Policy.

3. Scope of application

The provisions of this policy apply to third-party client assets and investment funds managed by Baloise only if this has been declared applicable in the relevant documents. In particular, this policy does not apply to the assets of insurance units of the Baloise Group, which are subject to separate requirements.

For specific information on the applicability of this policy to asset management mandates and investment funds, reference is made to the respective contractual terms, the product documentation as well as the applicable investment guidelines.

This policy applies to direct investments and investments in target funds. For the purposes of this policy, liquid investments refer to publicly traded equities and interest-bearing investments of governments and external companies. Especially direct and indirect investments in derivatives, commodities, mortgage investments as well as direct money market investments (including short-term loans) and direct real estate do not come within the scope of this policy.

The content of this policy is reviewed at least once a year. The review will assess whether the policy is up to date and complies with applicable national and international regulations, principles, and standards. If and where necessary, Baloise will take immediate action to adjust and update the policy.

4. Governance

4.1 Governance of Baloise Group

The Baloise Group has had a Group-wide sustainability network since 2019. In 2021, country-specific working groups were established with a focus on implementing sustainability measures in the respective national markets. The working groups comprise members of all operating segments that have an influence on, or are influenced by, the issue of sustainability. These working groups are equipped with the necessary professional expertise to develop and regularly update the content of the sustainability approach, such as the value-added model.

The Corporate Executive Management decides on the implementation of the content. The Board of Directors is responsible for developing the sustainability approach, embedding it in the overall strategy and overseeing its application. Since 2022, the Board of Directors' strategy and governance committee has also functioned as the sustainability committee, monitoring developments in sustainable management.

The following diagram depicts the structures within the Baloise Group:

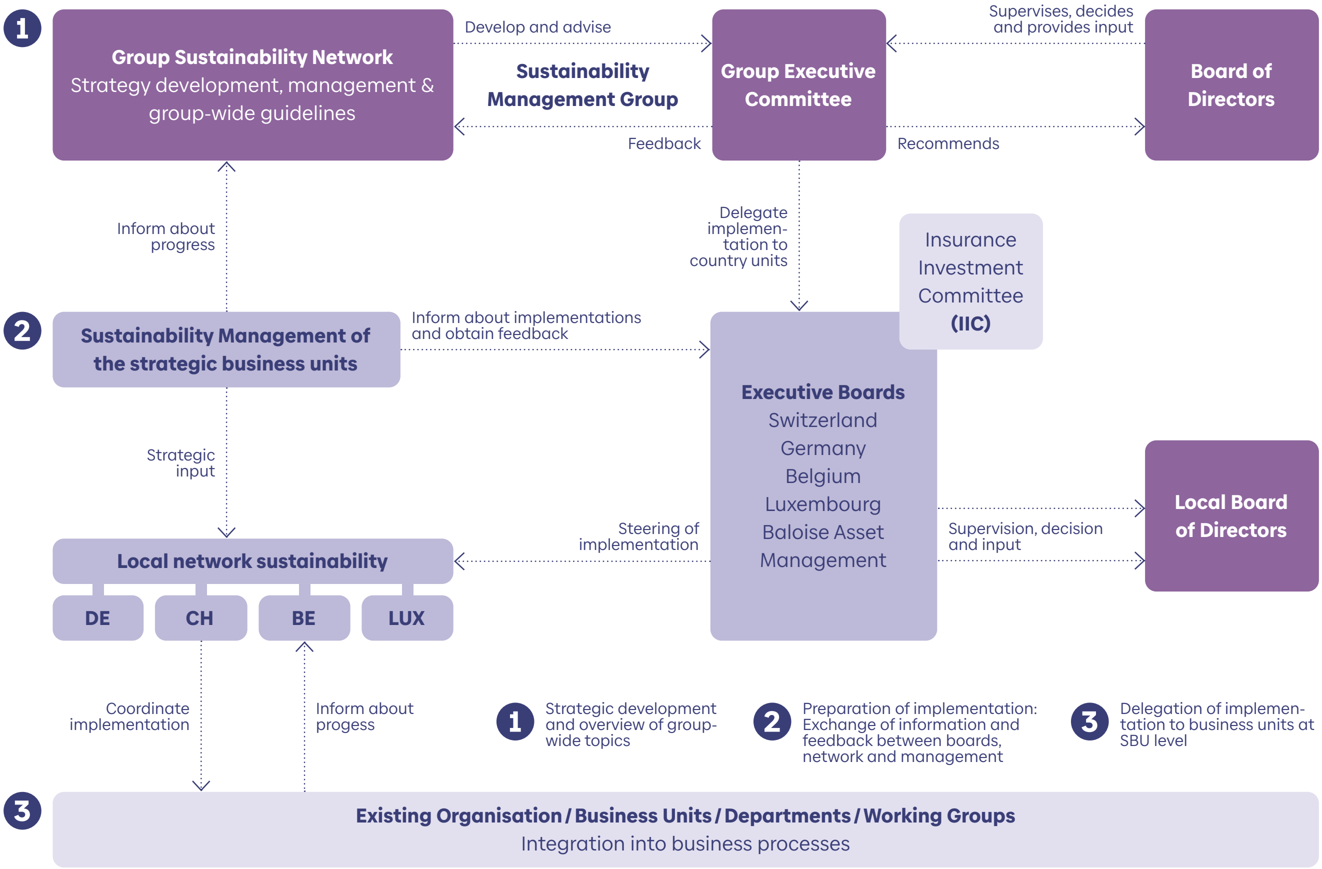
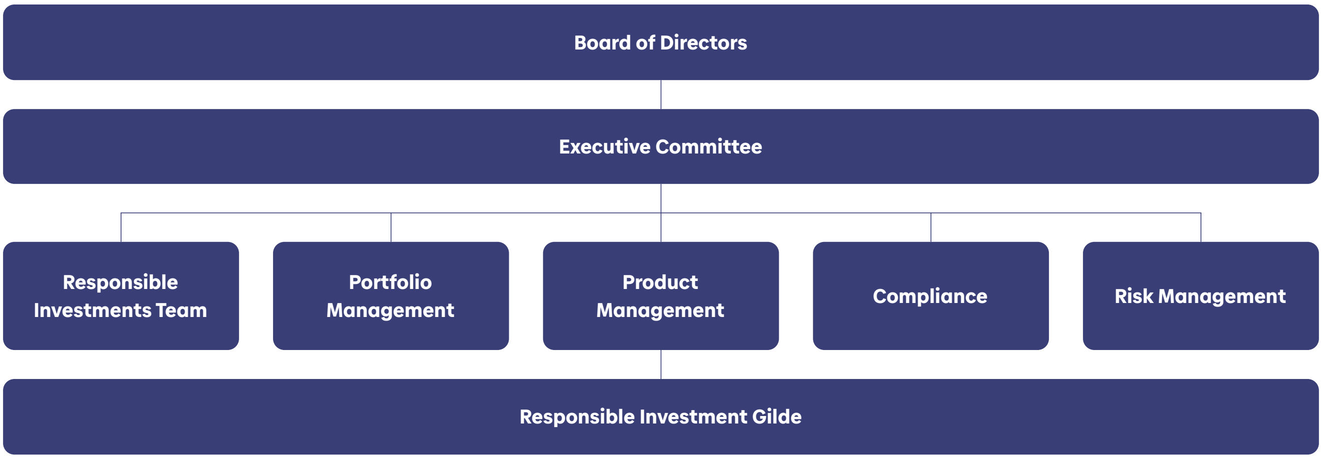


Figure 1: Structure of the Baloise Group

This diagram and other information on the subject of sustainability at the Baloise Group are available online at: https://www.baloise.com/en/home/about-us/what-we-stand-for/sustainability.html

4.2 Governance of Baloise

Baloise has suitable organisation and processes in place to ensure that the obligations and responsibilities arising from this policy and emerging contracts are adequately implemented. This following units and bodies are primarily involved in this:



Other functions within the organisation may also play an important role. Various different departments such as Finance, Investor Relations, Communications and Legal are also involved so as to integrate their vision and contribution in this policy.

Baloise provides the relevant internal and/or external resources for the induction and training of all stakeholders involved, ensuring uniform and in-depth knowledge of the necessary ESG issues is instilled across the board.

The central units and bodies as well as their duties in the field of responsible investment are outlined briefly below:

Board of Directors

The Baloise Board of Directors has expertise in the field of sustainability and sets the strategy for responsible investment. It charges the Executive Board with the implementation of the strategy and, by association, the development and adoption of the policy and guidelines in connection with responsible investment and sustainability in the investment process.

The Board of Directors monitors operational implementation in the area of responsible investment and makes any decisions on the delegation of tasks to third parties in connection with the management of collective investment schemes. In the case of a delegation or sub-delegation to a third party, a written contract must be concluded that meets the requirements of AMAS self-regulation.

Executive Management

The Baloise Executive Management has expertise in the field of sustainability and is responsible for further developing and implementing strategy in areas which include sustainability. The Executive Management ensures that Baloise has an organisational structure that is equipped for this. It issues the policy guidelines for responsible investment and specifies how these are to be implemented at operational level. As part of this, the Executive Management decides on new initiatives and the selection of ESG data providers.

Responsible Investment (RI) Team

Baloise has the necessary infrastructure and dedicated resources, which are independent of the operational functions and address sustainability issues. The core tasks of the RI Team include:

- Further development of RI strategies;
- Consultation for the entire organisation on all sustainability issues; and
- Monitoring of sustainability developments at corporate level and in terms of investments.

The RI Team also performs the following tasks:
- Initiation and management of cross-cutting ESG initiatives
- Development and coordination of ESG integration projects in organisation and business
- Coordination and exchange with the sustainability network and sustainability boards of the Baloise Group
- Ambassadorial function regarding RI
- Suggestions for the selection of new ESG data providers
- Development of training concepts and training of the organisation within the framework of the concepts adopted by the competent bodies

The RI Team has a direct reporting line to the Baloise Executive Management. The head of the RI Team participates in the meetings of the Executive Management.

Regular exchange meetings take place between the RI Team and the control functions Risk Management and Compliance, as well as the Managing Director of Baloise and the Head of Asset Strategy & Investment Controlling.

Responsible Investment (RI) Guild
The Responsible Investment Guild is interdisciplinary and consists of the RI Team and representatives from Portfolio Management, Product Management, the Legal Department or Investment Controlling and Reporting as well as from individual representatives from other departments of the Baloise Group.

This Guild has the necessary expertise and performs the following functions:
- Development and regular update of concepts related to the responsible investment approach
- Exchange and networking
- Collaboration on sustainability-related projects and initiatives.

Portfolio Management
Portfolio Management is responsible for the implementation of the requirements of this policy in the investment process and, in particular, for the integration of sustainability-related criteria in the investment process and their compliance. The responsible portfolio managers have and maintain the necessary expertise in the area of sustainability.

Product Management
Product Management coordinates the development and management of products over the entire life cycle of the investment fund. As such, Product Management is responsible for taking into consideration and implementing the RI policy at all the relevant stages of the product development process. This responsibility starts with generating ideas and ends the liquidation/merger of an investment fund.

Compliance
Compliance reviews the integration of the sustainability-related criteria in the investment process and their compliance within the scope of investment activities, with a focus on the regulatory and contractual aspects. For investment funds, this happens in collaboration with the respective fund's management.

Risk Management
Risk Management is responsible for defining, implementing, and monitoring control frameworks, in particular with regard to:
- identifying, monitoring and internally reporting sustainability risks in the investment process;
- ensuring compliance with the specified responsible investment strategy at product level;
- transparent validation of external data suppliers of ESG data;
- traceability of the implemented ESG risk rating methodology of the external data provider; and
- ensuring that breaches of the responsible investment strategy are identified and reported to the appropriate bodies.

Other functions such as finance, investor relations, communications and legal can also play an important role.

Corporate Division Asset Management provides appropriate internal and/or external resources for the familiarisation and training of all stakeholders involved in order to provide them with standard and in-depth knowledge of the necessary ESG topics.

5. Responsible investment strategy

Responsible investment is an integral part of Baloise's investment decision-making process. This policy defines the approaches for the responsible investment of third-party customer assets managed by Baloise and investment funds, and how to implement this in the course of portfolio management.

We pursue a general RI strategy using exclusions, active ownership elements and integration of ESG criteria into the investment process. Baloise uses an advanced RI strategy for strategies that promote environmental and social characteristics.

The advanced RI strategy includes all general exclusions, wider exclusions, a best-in-class approach, and an active ownership strategy including dedicated direct corporate engagement. The advanced RI strategy is applied specifically to those investment funds managed by Baloise that promote environmental or social characteristics as defined in Art. 8 of the SFDR, or a combination of these characteristics. Specific details regarding individual products can be found in the respective fund prospectus and/or fund contract and the product Information. Mandates are subject to individual contractual arrangements. The individual approaches are described in detail below.

The principal adverse impacts (PAIs) of investment decisions on sustainability factors are taken into account in the various aspects of the Baloise responsible investment strategy. You can find further information in the Appendix "Consideration of principal adverse impacts on sustainability factors".

The RI strategies for liquid investments are based on data from MSCI ESG Research. Investments without available MSCI ESG data remain part of the investable universe.

	General RI strategy	Advanced RI strategy
General exclusions	X	X
Wider exclusions	–	X
ESG integration	X	X
Best-in-Class	–	X
Proxy voting*		
Collaborative engagement	X	X
Direct corporate dialogue	–	X
Public policy dialogue	X	X

*Upon agreement only for third-party assets

Furthermore, specific criteria, which are described in chapter 6.1, apply to funds for alternative investments that are launched by Baloise Group companies.

5.1 Overarching exclusions

These exclusions are applied to all direct investments regardless of the Responsible Investment Policy. For example, regulatory sanctions imposed by SECO, the EU, the UN and the US or requirements of the Swiss Association for Responsible Investment (SVVK-ASIR).

5.2 Investment-specific exclusions

We use exclusions as part of the responsible investment strategy to exclude direct investments in the immediate scope of this policy that are exposed to principal sustainability risks according to defined criteria. The term "exclusions" refers to the systematic exclusion of certain issuers from an investment portfolio on the grounds that their business activities or practices violate predetermined norms or values based on customer preferences, or that risks are anticipated.[1] The exclusions are based on the analysis of data provided by MSCI ESG Research.

General RI strategy exclusions apply to all actively managed investment funds that invest directly in companies, government bonds and target funds.[2] Mandates are subject to individual contractual arrangements.

Advanced RI strategy exclusions are applied specifically to those investment funds managed by Baloise that promote environmental or social characteristics as defined in Art. 8 of the SFDR, or a combination of them.

[1] Pursuant to the AMAS definition.
[2] Under Chapter 3 of this Policy "Scope of application"

Exclusions for direct investments in companies:[3]

Exclusion	Threshold	General strategy	Advanced strategy
Poor MSCI ESG corporate rating	MSCI ESG rating "CCC" excluded	X	X
Controversial weapons	• Cluster munition (turnover threshold of 0 %) • Land mines (turnover threshold of 0 %) • Biochemical weapons and systems (turnover threshold of 0 %) • Depleted uranium weapons (turnover threshold of 0 %) • Laser stun weapons (turnover threshold of 0 %) • Weapons – undetectable shards (turnover threshold of 0 %) • Incendiary weapons (turnover threshold of 0 %) • Nuclear weapons (turnover threshold of > = 1 %)	X	X
Conventional weapons	Turnover threshold > = 10 %	–	X
Thermal coal	Turnover threshold > = 10 %	X	X
Generation of unconventional oil and gas	Turnover threshold > = 10 % for the general RI strategy and > = 5 % for the advanced RI strategy	> = 10 %	> = 5 %
Conventional oil and gas	Turnover threshold > = 30 %	–	X
Tobacco	Turnover threshold > = 5 %	–	X
Violations of the UNGC Principles and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.	Very serious violations (MSCI ESG "Red Flag")	–	X

[3] Excluding direct money market investments and short-term loans.

Exclusions for investments in countries including supranational organisations:

Exclusion	Threshold	General strategy	Advanced strategy
Poor MSCI ESG government rating	MSCI ESG rating "CCC" excluded	X	X
Countries with high GHG emission intensity	The worst 10 % are excluded	–	X
Countries that have not ratified the Paris Agreement	Absolute criterion for exclusion	–	X
Countries on the UN Sanctions List	Absolute criterion for exclusion	–	X
Countries on the EU Sanctions List	Absolute criterion for exclusion (based on MSCI criterion "EU Sanctions")	–	X
Countries with serious human rights and democracy violations	"Not free" according to Freedom House Index Score	–	X

Exclusions for investments in target funds in liquid asset classes:[4,5]

Exclusion	Threshold	General strategy	Advanced strategy
Poor MSCI ESG Fund Rating (Fund ESG Quality Score)	Fund ESG Quality Score equal to or less than 1.4 (corresponds to an MSCI ESG Fund Rating of "CCC")	X	X
Investments in the production or sale of controversial weapons (chemical weapons systems, biochemical weapons components, blinding lasers, cluster bombs, incendiary weapons, land mines, depleted uranium weapons, weapons using undetectable fragments)	> 1 % of the market value of the target fund	X	X
Investments in the production or sale of nuclear weapons	> 5 % of the market value of the target fund	X	X
Investments in the production or sale of conventional weapons	> 10 % of the market value of the target fund	–	X
Investments in the production of unconventional oil and gas (revenues from oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas and the Arctic onshore/offshore)	> 10 % of the market value of the target fund	X	X
Investments in the production of conventional oil and gas	> 30 % of the market value of the target fund	–	X
Investments in the production of coal (mining and sale [except for own consumption, metallurgical or trade], electricity generation with coal)	> 10 % of the market value of the target fund	X	X
Investments in tobacco	> 5 % of the market value of the target fund	–	X
Investments in companies with violations of the UNGC Principles and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises	> 5 % of the market value of the target fund	–	X

[4] Equities, bonds and money market
[5] The criteria may deviate from one investment fund to another. These deviations are highlighted in the fund documentation.

5.3 ESG integration

The investment teams include sustainability risks into the investment analysis in order to reduce any potential adverse financial impact or reputational damage from sustainability risks.

Dedicated environmental, social and governance (ESG) data is made available to Portfolio Management. All investment teams have access to the MSCI ESG database.

5.4 Best-in-class

The advanced RI strategy provides for the application of a best-in-class approach. Through this approach, the portfolio is constructed with regard to sustainability aspects by avoiding securities that bear high ESG risks. As part of the defined strategy, the lowest 20 per cent of issuers or target funds within the respective sectors or peer group are excluded, based on the MSCI ESG universe.

This is applied as follows, depending on the asset class:

Direct investments in companies	Exclusion of the worst 20 per cent of the rated companies within the relevant industry, measured by the MSCI ESG rating (final industry-adjusted company score)
Direct investments in government bonds	Exclusion of the worst 20 per cent of the rated countries, including government-related issuers such as states, provinces, cities, municipalities, local authorities, funding institutions, agencies and supranational institutions, according to the MSCI ESG government rating (government-adjusted ESG score)
Target funds	Exclusion of the worst 20 per cent of the target funds rated by MSCI ESG in the respective peer group, as measured by the MSCI ESG Fund Rating (Fund ESG Quality Score)

The best-in-class approach of the advanced RI strategy is applied specifically to those investment funds managed by Baloise that promote environmental or social characteristics as defined in Art. 8 of the SFDR or a combination of these characteristics. The criteria may deviate from one investment fund to another. These deviations are highlighted in the fund documentation.

If the score of a company deteriorates after inclusion in the assets of an investment fund and the company is no longer part of the best-in-class universe, the investments may only be retained beyond the specified deadlines if, after assessment, direct engagement with the company is initiated.[6]

5.5 Other product-specific RI strategies

Within the scope of custom product strategies, Baloise uses other approaches for responsible investment. These are implemented, for instance, for investment funds that contribute to one or more sustainable issues or objectives. This also includes funds that, in accordance with Art. 9 of the SFDR, have a sustainable investment objective, within the meaning of Art. 2 (17) of the SFDR. These individual RI strategies may for instance include investments that make a positive contribution to one or more of the 17 UN Sustainable Development Goals (SDGs) defined within the scope of the UN 2030 Agenda for Sustainable Development.

5.6 Assessment of good governance practices

As part of the investment process for investment funds with sustainability-related strategies, we screen the companies in which we invest for good governance practices. Direct investments in companies are rated for all products that promote ecological and/or social characteristics within the meaning of Art. 8 of the SFDR or have a sustainable investment objective within the meaning of Art. 9.

Direct investments in companies are excluded if the data used indicates that serious violations with respect to the environment, human rights and corporate governance have occurred and the company in question does not take any countermeasures. As such, companies that, according to MSCI ESG-based data, have serious controversies regarding the various dimensions of good governance practices, i.e., sound management structures, employee relations, employee remuneration and tax compliance, are excluded. In particular, companies must not violate the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

The assessment of good governance practices is based on the following dimensions:

- sound management structures;
- employee relations;
- employee remuneration; and
- tax compliance.

[6] Cf. chapter "Active ownership".

5.7 Our climate strategy

In order to maximize the impact of corporate citizenship on social transformation, the United Nations Sustainable Development Goals (SDGs) are used as a framework for the implementation of goals and measures, in addition to the value-added approach. The SDGs are 17 goals set by the United Nations and adopted by the governments of 193 countries around the world in 2015. These 17 goals provide a comprehensive roadmap for people, the planet, and global prosperity by 2030.

Within this framework, we focus primarily on climate action and thus on Sustainable Development Goal No. 13 (combating climate change) when it comes to responsible investment. We have developed our own climate strategy for this purpose. It is in our interest to minimise environmental risks while also achieving a positive impact on the environment in order to preserve it for us all in the long term.

Our climate strategy is based on the four strategic pillars and forms an integral part of the general RI strategy and, therefore, of this policy:

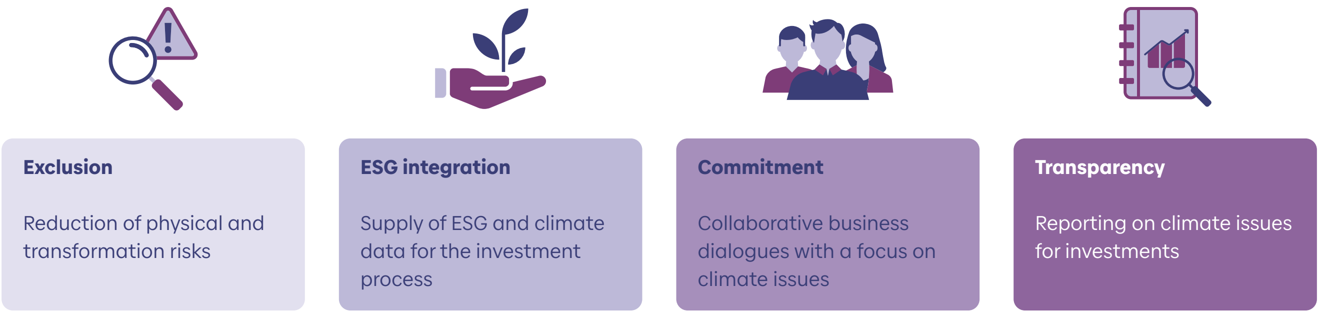


Figure 2: Four pillars of the Baloise Asset Management Climate Strategy

More information about the climate strategy is available at the following link: https://www.baloise.com/en/home/about-us/what-we-stand-for/sustainability.html

5.8 Active ownership

Active ownership is an integral part of our approach to responsible investment. A separate Active Ownership Policy defines the active ownership process and determines its implementation within the framework of portfolio management. The Active Ownership strategy consists of the following four pillars:

1) Direct corporate dialogue:
Through Baloise Direct engagement activities, we seek constructive dialogue with companies with the aim to address specific sustainability issues. Within the framework of the advanced RI strategy, direct engagement may be considered in the following cases:

- Deterioration in the MSCI ESG rating (final industry-adjusted company score) of a company after inclusion in the assets of the investment fund, which results in the investment no longer meeting the requirements of the best-in-class approach
- serious violation of minimum standards of conduct in areas such as human rights, labour, environment and anti-corruption, defined as a "Red Flag" by MSCI;

The primary objective of direct engagement is to support the elimination of the cause of the deterioration of the MSCI ESG rating with respect to reported deficiencies in regard to the UN Global Compact and the OECD Guidelines for Multinational Enterprises.

2) Exercise of voting rights:
Upon agreement we exercise the voting rights of listed Swiss share certificates for our third-party assets in accordance with the principles of good and ethical corporate governance.

3) Collaborative corporate dialogue:
In addition to direct engagement with companies, the investment team can also join a group of like-minded shareholders who are addressing or would like to address similar sustainability issues, which are referred to as collaborative engagements. Collaborative corporate dialogues are realised through participation in initiatives such as via Climate Action 100+ or the PRI Collaboration Platform.

4) Public policy engagement:
Finally, it is also possible to cooperate with the authorities on ESG issues in certain policies. Membership in the individual associations makes this cooperation possible. For example, we are a member of relevant working groups of various associations such as the Swiss Insurance Association (SIA), the Asset Management Association Switzerland (AMAS) and Swiss Sustainable Finance (SSF) (see chapter 8).

6. Asset-Class-Specific Application of the RI Strategy

6.1 RI strategy for alternative investments
Alternative investments typically have a medium- to long-term investment horizon with limited or no tradability (liquidity). Consequently, changes to the investment strategy can only be implemented to a limited extent and with delays. Additionally, the availability and quality of data for alternative investments are lower compared to liquid investments.

As such, this policy can only be applied to a limited extent to funds for alternative investments. At a minimum, all investments must comply with the exclusion criteria set forth in the general RI strategy. An exception is the MSCI company rating, which is not considered due to limited data coverage. Furthermore, it will be ensured that the investments generally account for ESG integration as outlined in this policy. When applying the extended RI strategy, the extended exclusion criteria must also be observed.

6.2 Indirect Swiss real estate investments
For indirect Swiss real estate investments, a two-stage selection process is applied, which integrates sustainability criteria into the selection and evaluation of target real estate investments.

1. **Selection Criteria:** First, it is assessed whether the real estate target investment meets the following criteria at the product level:
   - Existence of a formal sustainability strategy, documented in the form of an ESG, Climate, or Responsible Investment Policy.
   - Collection and disclosure of key sustainability indicators.

2. **Internal ESG Scoring:** In addition to meeting the two selection criteria, an ESG score is generated, based on an internal ESG questionnaire, which considers both qualitative and quantitative criteria regarding the real estate target investments and their investment managers. The questionnaire evaluates both the ESG policies and strategies as well as the ESG competence and corporate governance at the company level. At the product level, information on the sustainability strategy, emission targets, participation in ESG benchmarks, and external verification of sustainability data is included in the evaluation. The questionnaire must be completed by the investment manager of the respective real estate target investment. To be considered for investment, the overall score must meet a threshold and will be updated annually.

A target real estate investment that fulfills both selection criteria and achieves the minimum score meets comparable sustainability standards as the extended RI strategy of this policy (see section 5).

Investments/funds based on Swiss real estate indices do not fall within the scope of this selection process and are therefore not evaluated.

7. Sustainability risks and risk management

7.1 Integration of sustainability risks
We believe that incorporating ESG criteria into the investment process can have a positive impact on the risk-return profile and that we can reduce sustainability risks with potential financial implications. For a positive risk-return profile, a long-term and holistic investment horizon is essential in investment analysis. In this respect, we see the Responsible Investment Policy as an additional risk management tool.

We recognise that sustainability risks can have a material financial impact and result in losses that may affect the investments and the financial circumstances of the company and funds.

Sustainability risks are environmental, social or governance events or circumstances that, if they occurred, could actually or potentially cause a negative material impact on the value of the investment.

Type of sustainability risks can be summarised as follows:
- Environmental risks, e.g. climate risks:
  - resulting from extreme weather events or physical climate change (referred to as physical risks);
  - which are associated with the transition to a CO_2-neutral economy or with society's attitude towards climate change (referred to as transitional risks);

    - in connection with climate-related litigation (referred to as litigation risks).
- Social risks associated with societal events (e.g. inequality, inclusiveness, labour relations, investment in human capital, accident prevention, changing customer behaviour, etc.)
- Governance risks associated with irregularities in corporate governance (e.g. repeated significant breaches of international agreements, corruption, product quality and safety, sales practices, etc.)

Some markets, sectors and regions are more affected by sustainability risks than others. For example, markets, sectors and regions with relatively low government or regulatory oversight, or limited transparency or disclosure of sustainability factors, may be exposed to greater sustainability risks. The investment's exposure to different sustainability risks may therefore fluctuate in addition to other factors as exposure to different markets, sectors and regions varies.

Sustainability risks are integrated into the existing risk management framework.

By applying the sustainability-related exclusions in the investment strategy mentioned in chapter 5, direct investments in issuers and target funds that are exposed to material sustainability risks according to defined criteria are excluded. Details of the specific exclusions per asset class are provided in chapter 5. The objective of the exclusions is to reduce the sustainability risks in the investment portfolios.

Depending on the RI strategy, sustainability risks are further taken into account by applying the ESG ratings from MSCI ESG Research as part of the exclusions described in chapter 5 and the best-in-class approach.

Through the Active Ownership Policy, we use the financial leverage of the funds entrusted to us to convince companies to better manage sustainability risks and seize opportunities to secure their value.

7.2 Dealing with conflicts of interest

We have issued policies and directives to ensure that conflicts of interest that may arise during investment and advisory activities related to the inclusion of sustainability risks and factors are carefully managed and seek to avoid or transparently disclose and address them.

7.3 Remuneration Policy

The Baloise Group's remuneration system, which applies to Baloise too, is aligned with its long-term business activities and fiduciary focus. The Remuneration Policy promotes sound and effective risk management and in no way encourages excessive risk-taking that is inconsistent with our risk profile or the risk profiles of the mandates and investment funds managed by the company, including sustainability risks arising in particular from climate-related events or attitudes towards climate change.

8. ESG data

In implementing this policy, we rely on ESG data and analyses provided by external data providers. MSCI ESG Research LLC, a global leader in ESG data and ESG ratings, is used for investments in liquid assets. We have processes in place as part of quality assurance to validate data quality on a regular basis as well as to review and monitor the external provider.

The required ESG data is defined individually and depends on the relevant RI strategy. Possible data points include, but are not limited to, ESG ratings and scores (e.g. MSCI ESG rating, MSCI ESG fund rating), ESG indicators (e.g. MSCI analyses and assessments to determine exclusions) and raw data (e.g. GHG emissions and other indicators regarding principal adverse impacts on sustainability factors).[7]

9. Memberships and collaboration

The Baloise Group is committed to helping shape the future development of responsible investments in the Swiss market: not only with its range of products and services, but also by joining national and international initiatives and working groups that help to promote sustainable finance and responsible investments.

We want to live up to our responsibility in the Swiss market for responsible investment and play an active role in shaping further developments. Consequently, Baloise respectively Baloise Group units are members of the following initiatives:

- **Swiss Sustainable Finance (SSF)**
- **Asset Management Association Switzerland (AMAS)**
- **UN Principles for Responsible Investment**
- **Swiss Insurance Association (SIA)**
- **UN Principles for Sustainable Insurance**

[7] Securities for which no ESG data is available from external providers are not necessarily excluded from the universe. Product-specific provisions for this are contained in the respective product documentation.

Baloise respectively entities of the Baloise Group actively participate in some of the working groups of these initiatives.

We also want to intensify our efforts in the international context. That is why Baloise signed the United Nations-backed Principles for Responsible Investment in 2018. UN-PRI is an independent, non-profit and leading advocate for responsible investment throughout the world. It examines the impact of investment on environmental, social and governance factors and has developed six principles to help its signatories integrate these factors into their investment process and ownership decisions.

Our commitment

As a signatory to the UN PRI, Baloise Asset Management Ltd is committed to the following principles:

Principle 1	We will incorporate ESG issues into investment analysis and decision-making processes.
Principle 2	We will be active owners and incorporate ESG issues into our ownership policies and practices.
Principle 3	We will seek appropriate disclosure on ESG issues by the entities in which we invest.
Principle 4	We will promote acceptance and implementation of the Principles within the investment industry.
Principle 5	We will work together to enhance our effectiveness in implementing the Principles.
Principle 6	We will report on our activities and progress towards implementing the principles.

10. Disclosures

10.1 Transparency and sustainability-related investment funds and asset management mandates

Sustainability reporting defined in accordance with FINMA Guidance 05/2021 on Prevention and Combating of Greenwashing and the AMAS Self-Regulation on Transparency and Disclosure for Sustainability-Related Collective Investment Schemes is carried out for all Baloise-managed sustainability-related investment funds and asset management mandates in Switzerland.

10.2 Transparency for investment funds under the SFDR

In line with SFDR requirements, additional ESG-relevant information is provided for all Baloise-managed products falling within the scope of this ordinance.

In accordance with Art. 6 of the SFDR, first, transparency is demonstrated with regard to the inclusion of sustainability risks in the pre-contractual disclosures of the investment funds, including an indication of:

- how sustainability risks are incorporated in the investment decision; and
- the results of the assessment of the anticipated impacts of sustainability risks on the return of the financial product. Where sustainability risks are not deemed relevant, a brief and concise justification is outlined in the pre-contractual documents.

In accordance with Article 7 of the SFDR, clear and justified explanations are given as to whether and – if so – how the principal adverse impacts on sustainability factors are considered in the investment funds managed by Baloise, as well as a declaration that information relating to this is available in the regular reports.

For investment funds managed by Baloise that promote environmental or social characteristics or a combination of these characteristics within the meaning Art. 8 of the SFDR, or have a sustainable investment objective within the meaning of Art. 9, additional sustainability-related disclosures are included in the pre-contractual information, periodic reports and on the website.

10.3 PRI reporting

As part of the UN PRI obligation Baloise reports annually on its activities and progress in the field of responsible investment.

Appendix: Consideration of principal adverse impacts on sustainability factors

Purpose and regulatory framework of the Appendix

This Appendix aims to specify how the principal adverse impacts (PAIs) of investment decisions on sustainability factors are taken into account as a key component of responsible investment at Baloise and to set out the related strategies and processes. This includes, in particular:

- **PAI description:** Description of the principal adverse impacts of investment decisions on sustainability factors that Baloise takes into account.
- **PAI strategies:** Baloise's strategies for identifying and weighting the principal adverse sustainability impacts and sustainability indicators.
- **PAI roles and responsibilities:** Responsibility for implementing these strategies in the context of the organisational strategies and procedures.

This Appendix refers to the requirements to consider the principal adverse impacts of investment decisions on sustainability factors at entity level (Article 4 SFDR) and product level (Article 7 SFDR). The following overall legal conditions are particularly relevant within this context:

EU Regulations

Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, the Sustainable Finance Disclosure Regulation (SFDR).

Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of "do no significant harm", specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports.

The scope of application as defined in Chapter 3 of the Policy applies to this Appendix.

Description of principal adverse impacts on sustainability factors

Definition

PAIs refer to actual or potential material adverse impacts of investment decisions on sustainability factors with respect to environmental, social and employment issues, respect for human rights as well as anti-corruption and anti-bribery. As these impacts can have serious and long-term consequences, it is important to identify PAIs and take appropriate measures to minimise or avoid them.

PAIs and sustainability risks are closely linked and are key aspects of the EU concept of double materiality. While sustainability risks are associated with environmental, social or governance events or conditions which, if they were to materialise, could have actual or potential adverse impacts on the value of the investment (outside-in risk), PAIs are understood as material adverse impacts of investments on sustainability factors, i.e. undesirable consequences of activities that affect environmental, social and governance balance (inside-out risk).

Identification of PAIs

In order to take regulatory requirements into account,[8] Baloise makes a distinction between two main categories of PAIs in the investment process:

- **Environmental PAIs** refer to impacts on the natural environment, including air, soil and water pollution, climate change, resource use and loss of biodiversity.
- **Social PAIs,** on the other hand, refer to impacts on society, including employment rights, human rights, social justice, discrimination and impacts on local communities.

Different types of investments, i.e. investments in companies or sovereigns and supranationals, can involve different PAIs. The PAIs taken into account by Baloise for liquid investments based on the Baloise Responsible Investment Policy are listed below:[9]

[8] Pursuant to Table 1 of Annex I to Delegated Regulation (EU) 2022/1288 for investments in companies and sovereigns and supranationals.
[9] The extent to which these are taken into account depends on the RI strategy applied.

Indicators taken into account for investments in investee companies

Climate indicators and other environmental indicators

Sustainability indicator for adverse impacts		Metric
Greenhouse gas emissions	1. GHG emissions	Scope 1 greenhouse gas emissions[10]
		Scope 2 greenhouse gas emissions[11]
		Scope 3 greenhouse gas emissions[12]
		Total GHG emissions
	2. Carbon footprint	Carbon footprint
	3. GHG intensity of investee companies	GHG intensity of investee companies
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources
	6. Energy consumption intensity per high impact climate sector	Energy consumption in gigawatt hours per million EUR of turnover of investee companies, per high impact climate sector
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average

[10] Scope 1 emissions are emissions that occur from sources that are controlled by the company that issues the underlying assets.
[11] Scope 2 emissions refer to emissions resulting from the consumption of purchased electricity, steam or other purchased primary forms of energy generated in upstream processes in the company that issues the underlying assets.
[12] Scope 3 emissions refer to all indirect emissions that do not fall under Scope 1 and 2 emissions and occur in the reporting company's value chain, including upstream and downstream emissions, in particular for sectors of the economy that have a major impact on climate change and its mitigation.

Indicators taken into account for investments in investee companies

Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Sustainability indicator for adverse impacts		Metric
Social and employee matters	10. Violations of UN Global Compact (UNGC) principles and Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	11. Lack of processes and compliance mechanisms to monitor compliance with UNGC principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons

Indicators taken into account for investments in sovereigns and supranationals

Environmental indicators

Sustainability indicator for adverse impacts		Metric
Environment	15. GHG intensity	GHG intensity of investee countries

Social indicators

Sustainability indicator for adverse impacts		Metric
Social responsibility	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law

Further PAIs can also be taken into account for specific products. Reference is made to the relevant product documentation for further information on individual products.

Additional PAIs are selected as part of the investment process based on factors including:
- Relevance for the investments concerned
- Product/portfolio-specific environmental and social characteristics or sustainable investment objectives
- RI approaches used
- Data available.

Strategies for considering adverse sustainability impacts

Identification of the principal adverse impacts of investment decisions on sustainability factors and methodology
The principal adverse impacts on sustainability factors are taken into account in the various aspects of the Baloise responsible investment strategy.

PAIs taken into account through:	General RI strategy	Advanced RI strategy
General exclusions	X	X
Wider exclusions		X
Best-in-class		X
Active ownership	X	X

- **Taking PAIs into account through exclusions:** The application of the general and wider exclusions means that investments that have, or could have, adverse impacts on sustainability factors are excluded. The exclusions are based on predefined criteria that aim to minimise investments' adverse impacts on sustainability factors by making a deliberate decision either not to invest or to divest. By way of example, Baloise excludes companies that generate a predefined percentage of their turnover from activities and sectors associated with a high level of adverse impacts, such as controversial weapons, unconventional oil and gas, coal mining or violations of the UNGC. Please refer to Chapter 5.2 of the Policy for more information on exclusions.
- **Taking PAIs into account through best-in-class approach:** The best-in-class approach, as part of the advanced RI strategy, is aimed at deliberately giving preference to investments based on the MSCI ESG rating. The MSCI ESG rating comprises several key performance indicators (KPIs)/scores based on a series of material sector-specific ESG criteria. Individual KPIs/scores can directly show or implicitly take into account an issuer's performance as against its peer group with regard to certain principal adverse impacts on sustainability factors. Please refer to Chapter 5.4 of the Policy for more information on the best-in-class approach.
- **Taking PAIs into account through active ownership:** The Active Ownership Strategy involves using Baloise's influence as an asset manager to actively address sustainability issues, the aim being to mitigate adverse impacts of certain investments on sustainability factors. Direct corporate dialogue, in particular, enables targeted engagement with the companies concerned, supporting a reduction in negative impacts on sustainability factors in cases where predefined criteria are met, for example by resolving the causes of serious violations of minimum standards of conduct (MSCI Red Flag). Please refer to Chapter 5.7 of the Policy for more information on active ownership.
- **Taking PAIs into account through other product-specific RI approaches:** The principal adverse impacts of investment decisions on sustainability factors can also be taken into account and minimised through other product-specific RI approaches for specific products. In such cases, the individual consideration of PAIs is described in greater detail in the relevant product documents.

Data and data sources
PAIs are taken into account in liquid investments based on the data and evaluations supplied by the external provider MSCI ESG Research LLC. The specific data points were selected after a careful review and assessment of the RI and PAI strategies that Baloise applies. The following data points made available by MSCI ESG Research LLC can be used to take PAIs into account:
- Direct raw data on PAI indicators
- Evaluations performed by MSCI (e.g. regarding exclusions selected by Baloise)
- ESG ratings produced and updated by MSCI based on defined methodologies

If the data is insufficient, MSCI ESG Research may include its own analyses and estimates. ESG data may only be used for the investment universe assessed by MSCI ESG Research. Data on the principal adverse impacts on sustainability factors is still limited and not available for all investments across the board.

Information can also be used as part of our active ownership activities, for example with regard to specific indicators disclosed by the company or the measures and strategies that the company in question is taking to reduce adverse impacts on ESG factors.

Baloise has processes in place as part of its quality assurance system to ensure the regular validation of data quality and the reviewing and monitoring of the external provider.

Explanatory information on Chapter 4 "Governance" of the Policy in relation to PAIs

The principal adverse impacts of investment decisions on sustainability factors are taken into account in the various aspects of the Baloise responsible investment strategy. Baloise has ensured that an appropriate organisation and appropriate processes are in place for this purpose, as described in Chapter 4 of the Policy. The following units are also assigned special tasks with regard to PAIs:

Responsible Investment (RI) Team

The core tasks of the RI Team when it comes to taking the principal adverse impacts of investments on sustainability factors into account include:

- Further development of PAI strategies
- Analysis as to whether or not, and how, individual measures and RI approaches adequately address PAIs
- Providing advice to the entire organisation on PAI topics
- Monitoring PAI developments

Responsible Investment (RI) Guild

As an interdisciplinary forum and in the context of the PAI strategies, the RI Guild supports the development and regular updating of concepts for taking PAIs into account in the investment process in particular.

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