



Baloise Active Ownership Report 2021

At Baloise, sustainability is an integral part of the value-added model and thus also of the investment strategy. Baloise Asset Management manages investments responsibly, taking into consideration criteria from the areas of the environment, social responsibility and good corporate governance (ESG). It does so in line with the Responsible Investment (RI) Policy.

In order to refine the approach for responsible investing, Baloise introduced an active ownership strategy in 2021. This is an important element of the RI policy. In the new Framework, we describe our process for discussing sustainability issues with the management of companies and spurring positive developments in the spirit of sustainability in collaboration with other investors. It also includes requirements concerning the exercise of voting rights and how we engage with public authorities on ESG issues.

Moreover, having launched a dedicated climate strategy last year, we are also focusing on the issue of climate change as part of our active ownership initiatives. With this report, we are pleased to provide further details about our active ownership activities in 2021 and to create transparency about our strategy.

Our active ownership strategy

With the active ownership strategy introduced in 2021, we are using our financial power to better manage ESG risks and at the same time to make a positive impact. Active ownership is fully integrated into our responsible investment strategy. For the purposes of the active ownership strategy, Baloise Asset Management applies the following three methods:

Baloise active ownership strategy

1

Collaborative corporate dialogue

Refers to the direct dialogue with companies in collaboration with other investors. The dialogue is organised via platforms or stakeholder associations depending on the urgency of the respective issue.

2

Public policy engagement

Refers to the dialogue with public authorities on ESG topics for specific regulatory projects. This dialogue occurs through memberships in individual associations.

3

Proxy voting

Refers to the exercise of voting rights at the Annual General Meetings of the companies. The investor exercises its voting right on various proposals in the agenda.

Cornerstones of the active ownership strategy

Scope

Our collaborative corporate dialogue covers the entire portfolio of equities and bonds, except for proxy voting, that Baloise Asset Management manages for the insurer and third-party customers. We currently exercise our voting rights for the insurer's Swiss securities that are actively managed. In the case of the Baloise Fund Invest (CH) funds, the voting rights are exercised by Credit Suisse.

We regularly review possible extensions to other asset classes. Our active ownership approach, as well as the entire responsible investment strategy, is based on the Principles for Responsible Investment (PRI).

Focus issues

Our active ownership strategy has three focus issues, which serve as guidelines for the selection of engagement initiatives: climate compatibility, human rights and board effectiveness. In 2021 the focus was on climate compatibility.

Governance

The active ownership council, consisting of four representatives from Portfolio Management and the active ownership lead from the responsible investment core team, is responsible for selecting and coordinating the collaborative engagements and selecting the focus issues, as well as for annual reporting.

[Download active ownership strategy](#)

Collaborative corporate dialogue

Baloise Asset Management works together with other (institutional) investors to talk to companies about ESG practices. This approach is particularly effective when it comes to ESG issues that are important to the general public, e.g. reduction of CO₂ emissions, access to medication, protection of biodiversity, etc. In this regard, the adoption of a common position when speaking with companies increases the effectiveness of the engagement.

Collaborative corporate dialogue is achieved through participation in initiatives. In 2021 issues relating to the climate and COVID-19 shaped our joint corporate dialogue.

In keeping with our climate focus, Baloise entered into a partnership with Climate Action 100+ in 2021. Climate Action 100+ has the objective of engaging with the 167 largest CO₂ emitters, which are responsible for 80 per cent of global industrial emissions, and developing solutions for the future.

It seeks to have them observe three commitments:

- Good corporate governance: each company should consider the issue of climate risks and take appropriate measures as well as monitor them.
- Reduction of CO₂ emissions: emissions should be reduced over the entire value chain so that the goal of the Paris Agreement or what is called "Net Zero" can be achieved by 2050.

- Reporting: the companies commit to create transparency. To that end, they should use available reporting standards (e.g. TCFD) or develop industry standards in a collaborative effort.

Over 600 investors and asset managers with more than USD 60,000 billion of assets under management are a part of this initiative, thus achieving a broad reach and a significant impact with the general public.

A proud participant of:



Baloise Asset Management participated in an engagement stream with a Climate Action 100+ focus company. In general, our actively managed equity portfolio includes 51 companies that are the focus of Climate Action 100+. In the case of our bonds, there are 48 portfolio holdings for which we are attempting to bring about a positive development in the climate area through Climate Action 100+. At the same time, we believe that it is also useful to engage with companies in which we are not invested, since this can have a positive impact on the entire industry while simultaneously enlarging our investable universe.

In addition, Baloise Asset Management has advanced further issues together with other investors. As investors, we have jointly written letters to the management of companies expressing our views on important sustainability issues.

Investors letters that Baloise Asset Management has co-signed:

Climate compatibility

SEC climate change disclosure rulemaking
Investor letter to the Securities and Exchange Commission (SEC) supporting rules on the disclosure of climate data and risks by companies that are covered by the SEC's jurisdiction.

COVID-19

Global availability of COVID-19 vaccines
Investor letter to the G7 and G20 governments and the ACT Accelerator Facilitation Council on collaboration with the goal of promoting the global availability of COVID-19 vaccines. The specific focus was on funding, on collaboration with the Access to Medicine Foundation and on innovative financing mechanisms.

COVID-19

Management remuneration as incentive for accelerating the global availability of COVID-19 vaccines
Investor letter emphasising to companies that manufacture a COVID-19 vaccine the importance of the World Health Organization (WHO) roadmap for the worldwide COVID-19 vaccination campaign. The corresponding companies were called upon to integrate the WHO roadmap issues into their remuneration strategies. These include, inter alia, the fulfilment of existing contracts, the promotion of transparency and rapid and early distribution of vaccines, where possible.

Public policy engagement

An important part of the active ownership strategy is also political engagement on the industry level. Baloise Asset Management is a member of both the UN-supported PRI and the Swiss Sustainable Finance (SSF) network. In addition, representatives of Asset Management participate in working groups and are members of the sustainability commission of the Swiss Insurance Association (SIA) and the Asset Management Association Switzerland (AMAS), both of which have the goal, among other things, of advancing and promoting responsible investment on the Swiss market. We are also part of expert groups that have been formed on this issue by the State Secretariat for International Finance (SIF) and the Swiss Financial Market Supervisory Authority (FINMA).



In addition to the various working groups, we take part in reporting activities of the associations so that a transparent view can be developed of Switzerland's position as a financial centre. In this respect, Baloise has also participated in the Paris Agreement Capital Transition Assessment (PACTA) test of the Swiss government. This is the climate compatibility test of the Swiss financial centre.

Proxy voting

Baloise Asset Management considers proxy voting to be the third pillar of active ownership, and it exercises the voting rights of Swiss equities in the case of the insurer's own assets.

Our proxy voting policy was adjusted in 2021 in order to better depict our RI strategy principles. The adjustment focused on the area of governance.

Baloise Asset Management exercises the voting rights for Swiss equities in the actively managed insurance portfolio. In 2021 these made up about one third of the actively managed equity portfolio of the insurance group.

Overview of the exercise of voting rights in 2021: Baloise Life, Baloise Insurance Ltd and Baloise Investment Foundation for Pension Funds, as at 31 December 2021

Exercise of voting rights	Basler Life and Baloise Insurance Ltd	Baloise Investment Foundation for Pension Funds
Approval of agenda item	519	46
Rejection of agenda item	42	0
Abstentions	0	0
Number of voting items	561	46
Number of holdings	27	3

Source: Baloise Asset Management

Most rejections involved the election of the Board of Directors and the election of a member of the Remuneration Committee. Further information on the exercise of voting rights can be found on the Baloise website [Corporate Governance \(baloise.com\)](https://www.baloise.com).



In addition, the voting rights for all of our equity funds domiciled in Switzerland, Baloise Fund Invest (CH), are exercised by our fund manager Credit Suisse. In this regard, Baloise Asset Management has analysed the Credit Suisse proxy voting policy in detail in order to ensure that the exercise of voting rights is in line with our expectations.

Overview of the exercise of voting rights in 2021 for Baloise Fund Invest (CH)

As at November 2021	BFI CH
Approval of agenda item	5,904
Rejection or abstention	1,515
Abstentions	103
Number of voting items	7,561
Number of holdings	439

Source: Baloise Asset Management, based on Credit Suisse data

Here as well, most of the rejections were in the area of the election of the Board of Directors and remuneration.

In 2022 we intend to further expand our proxy voting activities in order to exercise a greater share of our voting rights.

Outlook

In 2022 we plan to further bolster our active ownership activities. This includes expanding proxy voting and reviewing and assessing further collaborative engagements in the area of climate, as well as in the areas of biodiversity and human rights. Our public policy engagement will also continue to be of importance. This includes, among other things, participating again in the PACTA climate test in Switzerland. In addition, we will continue to participate actively in the various bodies of the SIA, the AMAS and SSF, as well as at the FINMA. And of course we will also be reporting transparently next year about our activities.

You can find further information on the website:

- [Baloise Responsible Investment](#)
- [Baloise responsible investment policy](#)
- [Baloise active ownership strategy](#)
- [Baloise climate strategy](#)

Baloise Asset Management Ltd

Aeschengraben 21
4002 Basel

assetmanagement@baloise.ch
www.baloise-asset-management.com