

# Active Ownership Policy

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# Glossary

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<b>Term</b>	<b>Description</b>
<b>Active ownership</b>	The term 'active ownership' refers to investors addressing concerns of environmental, social and governance (ESG) issues by voting on such topics or engaging corporate managers and boards of directors on them. Active ownership is utilized to address business strategy and decisions made by the corporation in an effort to reduce risk and enhance sustainable long-term shareholder value. (SSF definition)
<b>AMAS</b>	Asset Management Association Switzerland
<b>Baloise</b>	Baloise Asset Management Ltd is the asset manager of the Baloise Group
<b>Baloise Group</b>	Baloise Holding Ltd and its direct and indirect subsidiaries
<b>Corporate Division Asset Management</b>	Includes Baloise Asset Management Ltd and divisions of the Swiss units of Baloise Group that report to the Head of Corporate Division Asset Management
<b>Direct corporate dialogue/ direct engagement</b>	Dialogue with companies in whose securities the assets managed by Baloise are directly invested in order to address specific sustainability issues and achieve improvements.
<b>ESG</b>	Environmental, Social and Governance. Umbrella term for environmental, social and corporate governance Environmental aspects include, but are not limited to: <ul style="list-style-type: none"><li>• Climate change adaptation policies</li><li>• Greenhouse gas (GHG) emissions</li><li>• Biodiversity</li><li>• Pollution</li></ul> Social aspects include, but are not limited to: <ul style="list-style-type: none"><li>• Inclusion and diversity</li><li>• Health and safety</li><li>• Working conditions</li><li>• Standards within the supply chain</li></ul> Corporate governance aspects include, but are not limited to: <ul style="list-style-type: none"><li>• Diversity in the Executive Committee</li><li>• Management Remuneration</li><li>• Business ethics</li><li>• Anti-bribery</li><li>• Anti-corruption</li></ul>
<b>Exercise of voting rights</b>	Exercise of the right of shareholders to vote on certain decisions at the annual general meeting (AGM) of listed companies in which they own shares
<b>FINMA</b>	The Swiss Financial Market Supervisory Authority
<b>Insurance funds</b>	The Baloise-managed assets of the insurance units of the Baloise Group

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<b>Investment funds</b>	Collective investment schemes for which Baloise acts as the authorised asset manager
<b>Investors</b>	Investors in Baloise Investment Funds
<b>Policy</b>	This Active Ownership Policy
<b>PRI</b>	Principles for Responsible Investment
<b>Responsible investment</b>	Responsible investment: this refers to the integration of ESG factors into investment decisions.
<b>SIA</b>	Swiss Insurance Association
<b>SSF</b>	Swiss Sustainable Finance
<b>Sustainability risks</b>	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
<b>Target funds</b>	Investment funds or third-party funds that are put to use in the assets managed by BAM.
<b>UN</b>	United Nations
<b>Voting</b>	See exercise of voting rights

# Active Ownership Policy

## 1. Purpose of this policy

This policy sets out the guidelines for the implementation of the Active Ownership Strategy in Corporate Division Asset Management. The Policy outlines the role of Active Ownership activities in the context of the Responsible Investment Guidelines (covering both third party and investment fund assets and the assets of the Baloise Group's insurance units).

In particular, this policy shall serve the following purposes as regards the assets under management by Baloise of third-party clients, investment funds and Baloise Group's insurance units:

- Defines the four pillars of the active ownership strategy and the cases in which they apply
- Explains the processes for performing active ownership activities, particularly in relation to direct corporate dialogue
- Defines the roles and responsibilities within various corporate functions in regard to active ownership.

## 2. Intention

Our Active Ownership approach aims to achieve a long-term, positive return-risk ratio and reduce risks on the client side. On the other hand, with the aid of the assets entrusted to us and the resulting pooled financial strength, we also encourage the management of the relevant associate companies to address environmental, social and governance (ESG) risks and make use of the associated opportunities.

This policy has been developed to complement the Responsible Investment Policy, which sets out the requirements relating to the consideration of sustainability risks and factors in the investment decision-making process for third-party clients as well as investment funds and insurance assets. This includes the opportunity for direct and collaborative corporate dialogue, exercise of voting rights and public policy engagement, as further described in this policy.

## 3. Scope of application

Active ownership is an integral part of our approach to responsible investing. The application of the Active Ownership activities is therefore regulated in the Responsible Investment Policy. In general, a distinction is made between:

- A general Responsible Investment ("RI") strategy using exclusions, an active ownership strategy and integration of ESG criteria into the investment process
- An advanced RI strategy for strategies that promote environmental and social characteristics. The advanced RI strategy comprises an active ownership strategy that includes dedicated direct corporate engagement.

The four active ownership pillars are used in the two RI strategies as follows (see Table 1):

	General RI strategy	Advanced RI Strategy
Exercise of voting rights*		
Collaborative corporate dialogue	X	X
Direct corporate dialogue		X
Public policy dialogue	X	X

\*applies to insurance assets and, by prior agreement, to third-party client assets

Table 1: Application of the RI strategies

The provisions of this policy apply to assets managed by Baloise for third-party clients and investment funds as well as for the insurance units of the Baloise Group. However, the following restrictions are currently in place for direct corporate dialogue:

- For third-party client assets and investment funds managed by Baloise, the provisions for direct corporate dialogues apply only if they have been declared to be applicable in the relevant documents
- The direct corporate dialogue provisions do not apply to investment funds domiciled in Switzerland
- Existing fixed income positions before 1 January 2023 are grandfathered in for the insurance portfolios of Switzerland, Belgium, Luxembourg and Baloise Sachversicherung AG Germany

In addition, voting rights are only exercised for listed Swiss share certificates in the actively managed insurance portfolio and, by prior agreement, for third-party client assets.

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This policy applies to direct investments in equities and bonds. Asset management mandates, as well as investments in target funds, derivatives and real estate, do not fall within the scope of this policy.

The Engagement Manager reviews the content of this policy at least annually. This review assesses whether the policy is up to date and whether it complies with applicable national and international regulations, principles and standards as well as with internal policies and practices. If necessary, the Engagement Manager takes immediate action to adjust and update the policy.

### 4. Governance

The basic organisation, procedures, duties and responsibilities are governed by the Responsible Investment Policy. In addition, the key units and functions, as well as their tasks in the area of Active Ownership, are presented below.

These include:

- Baloise Executive Committee
- Investment Insurance Committee
- Active Ownership Council
- Engagement Manager
- Portfolio Management
- Responsible Investment (RI) Team
- Compliance
- Risk Management

Other functions within the organisation, such as Group Public Affairs & Sustainability and Investment Strategy, are also involved and informed about the Active Ownership activities.

#### 4.1 Governance of third-party client assets and investment funds

The Baloise Executive Committee issues the policy on third-party client assets and investment funds. The Baloise Executive Committee management which has expertise in the area of sustainability is informed on a regular basis for the decisions taken by the Active Ownership Council, with respect to direct corporate dialogues concerning third-party client assets funds and investment funds, in particular regarding the initiation and termination of direct engagements.

#### 4.2 Governance of insurance assets

The Head of Asset Management defines the policy on insurance assets, with the Insurance Investment Committee (IIC) providing advice. This Committee is composed of representatives of the Corporate Division Asset Management and the capital managers of the foreign insurance companies. The Head of Corporate Division Asset Management issues the policy. The applicability of this policy defined by the decision-makers of the Baloise Group insurance companies.

The IIC has expertise in the area of sustainability and, following consultation with the Active Ownership Council with respect to direct corporate dialogues concerning insurance funds, in particular with regard to the initiation and termination of direct engagements.

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## 4.3 Functions in Corporate Division Asset Management

### Active Ownership Council (AOC)

The AOC is composed of representatives from:

- Engagement Manager (Chair)
- Portfolio Management (PM)
- RI Team
- Compliance
- Risk Management

The AOC is responsible for verifying compliance with the predefined criteria in the process and making decisions in conjunction with direct corporate dialogues, in particular for initiating and terminating them, which are submitted to the Baloise Executive Committee and the IIC.

### Engagement Manager

The Engagement Manager is part of the Responsible Investment Team and plays the central role in the execution of the active ownership strategy. The Engagement Manager is responsible for:

- Detailed examination of companies that could be considered for direct engagement, including assessment of possible risks from a sustainability and reputational perspective
- The decision on how to conduct the corporate dialogue
- Conducting the corporate dialogue, usually together with a PM sponsor
- Final evaluation of the engagement in order to draw a conclusion at the end of the engagement period
- Regular internal reporting to the AOC, RI Team, Executive Committee and IIC, as well as information sharing with other relevant functions (including Group Sustainability and Regulatory Affairs)
- Preparation of Active Ownership Reports
- Screening, selection and implementation of collaborative engagements
- Participation in initiatives, associations and working groups.

### Portfolio Management (PM)

Portfolio Management is responsible for implementing the requirements of this policy within the investment process for equities and bonds. The tasks include:

- Depending on the contractual arrangement of roles and responsibilities, development of a decision-making basis for immediate disposals or initiation of the selection process for direct engagements based on predefined criteria and in coordination with the relevant PM Equities and Fixed Income
- Preliminary assessment of companies that could be considered for direct engagement, including assessment of possible risks from an investment perspective
- If applicable, providing support to the Engagement Manager in having the corporate dialogue conducted by a relevant PM.

### Responsible Investments (RI) Team

As dedicated resources that deal intensively with sustainability issues, the RI Team contributes additional sustainability expertise to the active ownership activities. In particular, it advises and supports the selection and implementation of direct and collaborative engagements as well as public policy engagements.

### Compliance

Compliance evaluates and verifies the integration of the sustainability criteria into the process for direct corporate dialogues and their compliance with these criteria within the scope of investment activities.

### Risk Management

As an independent control function, Risk Management advises on the selection and termination of direct engagements and is also responsible for:

- Ensuring compliance with the specified Active Ownership Strategy at product level
- Ensuring identification and reporting of possible failures to comply with the Active Ownership Strategy to the relevant stakeholders.

### 5. Active Ownership Strategy

Active ownership is an integral part of our approach to responsible investment. This policy helps define the active ownership process and defines how it is implemented within portfolio management. Our Active Ownership Strategy consists of four pillars:

1. **Direct engagement:** Through direct engagement activities, we seek constructive dialogue with companies to address specific sustainability issues. Direct engagement can be considered in the cases mentioned under 5.1.2. The units involved analyse individual engagement opportunities against data provided by MSCI ESG Research LLC as well as publicly available documentation.
2. **Exercise of voting rights:** We exercise the voting rights of listed Swiss shares in the actively managed insurance portfolio and, by prior agreement, for third-party client assets in accordance with the principles of good and ethical corporate governance.
3. **Collaborative engagement:** 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; these are referred to as collaborative engagements.
4. **Public policy engagement:** Finally, it is also possible to cooperate with public authorities on ESG issues in certain policies. Membership in the individual associations makes this cooperation possible.

#### 5.1 Direct engagement

##### 5.1.1 Standard engagement process

The standard engagement process provides for the following steps, which are described in more detail in the following chapters:

1. Review of the requirements for direct engagements and selection of direct engagements based on a predefined decision-making process
2. Contact and initial exchange with the company to discuss its sustainability performance, risks and strategy, as well as any violations or controversies
3. Definition of short- and long-term engagement goals and measures
4. Ongoing exchange (every six months) with the company to assess progress; if necessary, adjustment or supplementation of goals and measures
5. Conclusion after 24 months based on a progress assessment: target(s) achieved, partially achieved, no progress/no change or no response and appropriate action taken (conclusion or continuation of the engagement, holding or selling of the security)
6. Ongoing internal reporting on the progress of direct engagements and external reporting in active ownership reports.



Figure 1: Our Active Ownership Strategy consists of four pillars

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Figure 2: Standard engagement process

### 5.1.2 Requirements for direct engagements

In the following cases, direct engagement with companies that take company-specific sustainability issues into account can be considered:

1. **Deterioration of the MSCI ESG rating** (industry-adjusted score) of a company after inclusion in the assets of the investment fund or the insurance assets, meaning that the investment no longer meets the requirements of the best-in-class approach.
  - For third-party assets: in this case, direct engagement with Swiss public law corporations or companies will be considered.
  - For insurance assets: in this case, direct engagement with selected companies will be considered.
  - The primary goal of the direct engagement is to support the elimination of the cause of the deterioration of the MSCI ESG credit rating.
2. **Serious violation of minimum standards of conduct** in areas such as human rights, labour, environment and anti-corruption.
  - For third-party and insurance funds: in this case, direct engagement with selected companies will be considered.
  - The primary goal of direct engagement is to support the elimination of reported deficiencies in regard to the UN Global Compact and the OECD Guidelines for Multinational Enterprises. Eligible companies are those which are classified by MSCI ESG in the relevant category “red”.

The Engagement Manager analyses the cause of the deterioration in the MSCI ESG rating or the “red” categorisation. Engagement always requires demonstrably visible willingness to improve the company after appraisal of the Engagement Manager. In addition, the company must not be subject to exclusion due to binding exclusion criteria.

The Engagement Manager will analyse the individual engagement opportunities against data provided, inter alia, by MSCI ESG Research LLC or publicly available sources and assess potential reputational risks associated with an engagement or holding the security.

### Summary: Requirements for engagement

- ✓ At least one of the following two cases exists:
  - (a) deterioration of a company’s **MSCI ESG rating** or (b) serious violation of **minimum standards of conduct** (“MSCI red flag”)
- ✓ The deterioration of the MSCI ESG rating/the violation occurs only **after** the investment has been included in the assets of the investment fund or the insurance assets
- ✓ The respective company is not excluded by binding **exclusion criteria**
- ✓ There is **visible willingness** to improve
- ✓ The **reputational risks** are classified as limited

In addition, direct engagement can be considered voluntarily for all companies without the existence of a violation listed above.

### 5.1.3 Selection process for direct engagements

Direct engagements must be selected no later than one month after notification of the violation based on the following steps and with detailed documentation using specific templates:

1. **Initial recognition by Investment Compliance:** As part of its monitoring activities, Investment Compliance identifies the deterioration of a company’s MSCI ESG rating or a serious violation of minimum standards of conduct (“MSCI red flag”). It logs the initial details of the violation and exposure to the company (including the products/portfolios in which the company is included, investment volume, weightings) and provides the information for further processing to PM Equities and Fixed Income.
2. **Pre-assessment by Portfolio Management (PM):** In coordination with relevant Equities and Fixed Income PM, PM decides on (a) direct sale of the position or (b) starting the selection process for direct engagements based on predefined criteria (particularly the investment volume/relative weighting of the position or the P&L for insurance portfolios). In addition, PM preliminarily assesses the company under consideration for direct engagement, including assessment of possible risks from an investment perspective.

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### 3. Individual case analysis by the Engagement

**Manager:** The Engagement Manager conducts a detailed review of the company under consideration for direct engagement, including an assessment of potential risks from a sustainability and reputational perspective. The review shall include a detailed analysis of the causes of the deterioration of the MSCI ESG rating/the violation as well as the company's history of sustainability performance and/or controversies. In addition, the review elicits the potential of the engagement to improve the company and determines possible measures. The Engagement Manager bases their analysis on data from ESG data providers (such as MSCI ESG Research LLC) as well as publicly available information.

4. **Decision by the Active Ownership Council:** Based on the information from Investment Compliance and PM as well as the analyses of the Engagement Manager, the AOC makes a decision in favor or against direct engagement. The AOC ensures that sustainability aspects have been sufficiently taken into account in the recommendation.

5. **Information to the Baloise Executive Committee and the IIC:** The decision in conjunction with direct corporate dialogues from the AOC is presented to the Baloise Executive Committee regarding third-party client funds and to the IIC regarding insurance funds.

#### 5.1.4 Initial exchange with companies

If a decision is made in favour of a direct corporate dialogue, the Engagement Manager initiates the dialogue process. In this process, the Engagement Manager informs the company for the first time about our concerns and expectations in connection with the incident (ESG rating deterioration or red flag) and the intended engagement. The Engagement Manager may choose the engagement method (including in particular a face-to-face meeting, email, letter or phone call) and the addressees (such as Investor Relations, ESG Teams, CEO, CFO, Executive Committee) that it deems most appropriate depending on the company concerned.

After feedback is received from the company, there is a joint discussion in which a more detailed picture of the company and its sustainability performance, risks and strategy are obtained, along with any violations or controversies. The Engagement Manager and any other persons such as the PM Sponsor from our side conduct the interview on-site, virtually or by telephone. As part of the comprehensive engagement documentation, the Engagement Manager uses the specified templates to log conversations with the company.

If there is no feedback from the company, the engagement manager evaluates whether it is a lack of willingness to improve on the part of the company and whether there is the possibility of targeted collaborative engagements, such as via the PRI Collaboration Platform. If it is not possible to influence the company despite careful examination of various options, the engagement process must be discontinued and the security sold.

#### 5.1.5 Definition of goals

Following the initial meeting with the company, the Engagement Manager proposes short- and long-term targets that the company must meet in the six months following the initial meeting or by the end of the 24-month engagement period. In addition, concrete measures to achieve the targets are defined in consultation with the company concerned and which must be implemented by the company. Targets and measures must be comprehensible, reasonable in scope and measurable.

#### 5.1.6 Ongoing evaluation (every six months)

The Engagement Manager continuously evaluates and documents the achievement of the goals and the implementation of measures at 6-month intervals. Depending on progress, existing short-term targets and measures can be adjusted or new short-term targets and measures can be formulated. The evaluation is based on direct exchange of information with the company as well as ESG data and publicly available information.

In the case of ad hoc or insider information, an evaluation and adjustment of the targets and measures can be carried out at any time in consultation with the company, regardless of the standard cycle.

#### 5.1.7 Conclusion after 24 months at the latest

At the end of the 24-month engagement period at the latest, a conclusion is sought based on the quality of the dialogue with the company and its responses.

Within the framework of a final summary, the Engagement Manager evaluates the progress the company has made and the achievement of the short- and long-term targets as well as the implementation of the defined measures. This serves as the basis for a joint decision by the members of the AOC. Information about the decision is then presented to the Baloise Executive Committee and the IIC.

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The following conclusions can be drawn in general:

- The dialogue did not lead to sufficient improvement; the cause of the rating deterioration or the red flag could not be eliminated. The security must be sold.
- The dialogue has contributed to a visible improvement, but the cause of the rating deterioration or the red flag could not yet be completely eliminated. The security may be sold or held with continued engagement, but positions cannot be increased through additional purchases.
- The dialogue has contributed to a visible improvement and the cause of the rating deterioration or red flag has been eliminated. The security can still be held, and further investments can be made. The dialogue can be continued if necessary (such as for long-term relationship management or to further accompany topics that are still open).

### 5.1.8 Internal and external reporting

All steps of the engagement process are documented using defined templates that are always accessible to all persons and functions involved at any time. The Engagement Manager regularly informs the AOC and the RI Team as well as the Baloise Executive Committee and IIC about the progress of the engagements. Direct engagement activities are also reported publicly in an annual Active Ownership Report (see Chapter 5.5).

### 5.2 Exercise of voting rights

We exercise the voting rights of listed Swiss share certificates in the actively managed insurance portfolio in accordance with the principles of good and ethical corporate governance. 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. The Credit Suisse Proxy Voting Policy is regularly analysed to ensure that the exercise of voting rights is in line with our expectations. A policy and work instruction issued by Corporate Division Asset Management governs the principles and procedure for exercising voting rights.

### 5.3 Collaborative engagement

In addition to direct engagement with a specific company, we work with other (institutional) investors to engage with companies about ESG practices. This approach is particularly effective when it comes to ESG issues that affect an overall sector (such as cutting CO<sub>2</sub> emissions, access to medication, deforestation) in which a collective presence vis-à-vis companies can enhance the effect of the engagement.

The following criteria are relevant to the selection of activities in collaborative engagement:

- We select the specific engagements according to their significance and relevance. We strive to engage in and positively influence ESG issues that also play a role in investment analysis within our investment decision process and are materially relevant.
- We select specific engagements in which we can have a highly positive impact in collaboration with other investors.
- We select specific engagements in which we can contribute to sustainable development in general in collaboration with other investors.
- Collaborative corporate dialogues are realised through our participation in initiatives such as via the PRI Collaboration Platform. These initiatives are selected to fit the focus themes listed below and are coordinated internally by the Engagement Manager. The focus issues are reviewed on an annual basis and adjusted where necessary.

	<b>E</b>	<b>S</b>	<b>G</b>
Energy transition	X		
Reduction of CO <sub>2</sub> emissions	X		
Biodiversity	X		
Improvement of working conditions		X	
Human Rights		X	
(Workforce) diversity		X	
Board of Directors and Executive Committee (composition, compensation and independence of the Board of Directors)			X
Promotion of sustainability transparency and standardization of non-financial disclosure	X	X	X

Table 2: Focus issues for collaborative engagement

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The process for collaborative corporate dialogues is as follows:

1. The Engagement Manager screens potential initiatives based on current topics or focus areas discussed internally, as well as other criteria such as terms of participation or stakeholders involved.
2. The Engagement Manager, or Portfolio Management joins selected initiatives.
3. The Engagement Manager monitors and evaluates the milestones and planned time frame for the collaborative engagements.
4. The focus areas are reviewed by the RI team annually and adjustments are made if needed based on current developments and strategic positioning.
5. The results of the engagements are communicated to the AOC, and other internal stakeholders if desired. Furthermore, the collaborative engagement activities are presented to external stakeholders as part of the annual AO report.

### 5.4 Public policy engagement

We are committed to helping shape the future development of responsible investing in the Swiss market and internationally. We therefore also engage in political engagement on the industry level through involvement in leading initiatives for sustainable investment and organisations such as the:

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

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.

The PRI principles:

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

These organisations maintain contact with policymakers and other stakeholders with a view to promoting the consideration and integration of relevant ESG issues on the regulatory level. We are convinced that policymakers have a significant impact on the sustainability and stability of the financial markets and play an important role in regulation as well as in the relationships between companies, investors, and society.

### 5.5 Active Ownership Report

In an Active Ownership Report to be published annually on our website, the Engagement Manager will provide information on the active ownership activities implemented in all four pillars, general developments on the topic of active ownership in Corporate Division Asset Management and an outlook on future issues.