

# Green Bond Report

Allocation and impact reporting as of July 2022



25 August 2022, Baloise Group

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## **1. Sustainability at Baloise**

Located at the heart of Europe, with its head office in Basel, the Baloise Group is a provider of prevention, pension, assistance and insurance solutions. Its core markets are Switzerland, Germany, Belgium and Luxembourg. In Switzerland, with Baloise Bank SoBa, the Group also operates as a financial services provider, offering a combination of insurance and banking services. The Group offers innovative pension products to retail customers throughout Europe from its competence centre in Luxembourg. Baloise Holding Ltd shares are listed in the main segment of the SIX Swiss Exchange.

The Baloise Group is more than just a traditional insurance company. The changing security, safety and service needs of society in the digital age lie at the heart of its business activities. Therefore, the approximately 7,900 employees of Baloise focus on the wishes of their customers. The best possible customer service, combined with innovative products and services, makes Baloise the first choice for people who want to feel 'simply safe'.

Insurance companies have grown out of the idea of risk sharing. The strength of a community sharing insurance risk is that a community is more than the sum of its parts. No matter how careful an individual may be, he or she is still exposed to risks that can be better managed and mitigated by being spread – along with cost – across the community. Of course this only works if the community of insured persons is effectively and efficiently organized. This is precisely where Baloise has seen its role ever since it was founded in the 19th century: in ensuring the sustainable functioning of this community. Responsible and socially engaged behaviour is also an integral element of Baloise's Simply Safe strategy, alongside sustainable business management that takes account of the Company's stakeholders.

For Baloise, sustainable business is about creating value for the resources we use and, as a result, for our own business, too. Decisions are made on the basis of the impact that they have on these resources: the society, the environment, our employees, customers, partners and investors.

Baloise recognises that the insurance industry and the broader financial services industry have an important role to play in the transition towards more sustainable, lower-carbon economies; both through the products and services they provide and the financial assets they manage and choose to invest in. Baloise's ambition is to ensure that our investment portfolio has a positive impact on society and the environment, as a supplement to traditional fundamental credit analysis. We believe that there is an opportunity to secure market recognition of the role played by our sector and have established this Green Bond Framework to provide fixed income investors with opportunities to support this vision.

This report provides an overview on Baloise outstanding Green Bonds, Eligible Green Asset portfolio and the environmental impact achieved by the use of the net proceeds as of 31 July 2022.

## **2. Green Bond Framework**

Baloise's Green Bond Framework<sup>1</sup> has been developed in alignment with the Green Bond Principles as published by the International Capital Market Association (ICMA) in June 2021<sup>2</sup>.

The Baloise Green Bond Framework was reviewed by Sustainalytics, who confirmed in their Second Party Opinion dated 10 August 2021 that "the Baloise Group Green Bond Framework is credible and impactful and aligns to the four core components of the Green Bond Principles 2021."

Baloise will allocate an amount equal to the net proceeds of any Green Bond issuance as defined within this Green Bond Framework to finance and /or refinance, in whole or in part, investments in Eligible Green Assets as defined below.

Baloise will make allocations to Eligible Green Assets where the investment has taken place within a maximum of two years prior to the date of any Green Bond issuance. On a best efforts basis, Baloise will allocate an amount equal to the net proceeds raised by any Green Bond by the end of the third year after issuance.

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<sup>1</sup> Published on Baloise's website at [www.baloise.com](http://www.baloise.com)

<sup>2</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>

**Eligible Green Assets**

Baloise will consider assets or investments in assets as eligible if they fulfil any of the following criteria:

<b>Construction or acquisitions of buildings, certified or to be certified, as follows:</b>	
<b>Building certification</b>	<b>Certification levels</b>
Minergie	Minergie, Minergie-P, Minergie-A, Minergie ECO
LEED	Gold, Platinum
SNBS 2.0	Gold, Platinum
BREEAM	Excellent, Outstanding
DGNB	Gold, Platinum

<b>Redevelopments, reconstruction, renovations, refurbishments of existing buildings</b>
Investments leading to one of the building certifications listed above
Investments leading to a reduction of greenhouse gas (GHG) emissions of at least 30%

**Exclusions**

Allocations will be made in accordance with the specifications in the table above. For the avoidance of doubt, allocations to the following activities are excluded from the financing under Baloise Green Bond Framework: Fossil Fuels, Nuclear Energy, Alcohol, Gaming, Tobacco, Defence.

Furthermore, Baloise will refrain from financing commercial buildings designed for extraction, storage, transportation, or manufacture of fossil fuels.

**3. Allocation report**

On 27 September 2021 Baloise issued its first senior Green Bond for a total nominal amount of CHF 200 million. On 19 July 2022 Baloise issued its second senior Green Bond for a total nominal amount of CHF 110 million.

<b>Short name</b>	<b>ISIN</b>	<b>Issue date</b>	<b>Maturity date</b>	<b>Nominal amount (in CHF mn)</b>	<b>Net proceeds outstanding<sup>3</sup> (in CHF mn)</b>
0.125 BAL 21-30	CH1130818839	27.09.2021	27.06.2030	200.0	200.1
1.90 BAL 22-28	CH1199322350	19.07.2022	19.07.2028	110.0	109.8
<b>Total amount outstanding</b>				<b>310.0</b>	<b>309.9</b>

<sup>3</sup> After deduction of commissions, fees and expenses incurred for the issuance of any Green Bonds issuance. Issue price for 0.125 BAL 21-30 was 100.299%, and following the aforementioned deductions, resulted in net proceeds of CHF 200.1 mn.

The allocation to Eligible Green Assets as of 31 July 2022 is as follows:

Property	Project type	Total investment (in CHF mn)	Building certification and level	Period of investment <sup>4, 5</sup>	Allocation to Eligible Green Assets (in CHF mn)
4051 Basel, Baloise Park BFC	Development	58.5	Minergie-P; SNBS Gold	refinancing	28.4
				financing	0.3
4002 Basel, Baloise Park BFB	Development	69.0	Minergie-P; SNBS Gold	refinancing	25.4
				financing	4.6
6010 Kriens, Nidfeld B2	Development	40.3	Minergie-P	refinancing	13.6
				financing	8.6
6010 Kriens, Nidfeld B1	Development	18.7	Minergie-P	refinancing	6.3
				financing	0.4
8956 Killwangen, Zürcherstrasse	Development	41.2	Minergie	refinancing	8.7
				financing	3.9
1030 Bussigny, Chemin de la Mochettaz	Development	100.1	Minergie	refinancing	17.9
				financing	16.0
8600 Dübendorf, Überlandstrasse	Development	249.9	Minergie-P	refinancing	75.4
				financing	0.1
<b>Allocated net proceeds</b>					(67.7%) <b>209.8</b>
<b>Unallocated net proceeds<sup>6</sup></b>					(32.3%) <b>100.1</b>
<b>Total net proceeds outstanding as of 31.07.2022</b>					(100.0%) <b>309.9</b>

In total, CHF 209.8 million of net proceeds have been allocated to Eligible Green Assets. Thereof an amount of CHF 175.9 million has been allocated to refinance eligible investments within the allowed time frame of maximum two years prior to the date of any Green Bond issuance. Accordingly, the amount of CHF 33.9 million has been allocated to finance eligible investments in an investment period lying after the date of any Green Bond issuance.

In the reporting period no proceeds have been allocated to renovations and refurbishments.

<sup>4</sup> Refinancing means within the period between 27.09.2019 and 27.09.2021 for 0.125 BALHOL 21-30 resp. between 19.07.2020 and 19.07.2022 for 1.9 BALHOL 22-28

<sup>5</sup> Financing means within the period between 27.09.2021 and 31.07.2022 for 0.125 BALHOL 21-30 resp. between 19.07.2022 and 31.07.2022 for 1.9 BALHOL 22-28

<sup>6</sup> Unallocated net proceeds of outstanding Green Bonds are invested in accordance with the Baloise Green Bond Framework

## 4. Impact report

Baloise has estimated the environmental benefits of investments in Eligible Green Assets and outlined the impact as of 31 July 2022 with this report.

For green buildings, the presented data is based on estimates of greenhouse gas (GHG) emissions, expressed in kg of CO<sub>2</sub> per square meter of allocated energy reference area (sqm ERA) per year (excluding tenants' electricity). All presented CO<sub>2</sub> emissions are in kg CO<sub>2</sub> equivalents. Emission factors have been applied which comply with the methodological principles of the GHG Protocol. Allocated ERA was calculated by multiplying the total ERA of a building with the proportion of total investment that was allocated to the Green Bonds.

Property	Total investment (in CHF mn)	Allocated investment (in CHF mn)	Total ERA (in sqm)	Allocated ERA (in sqm)
4051 Basel, Baloise Park BFC	58.5	28.8	11'163.0	5'486.5
4002 Basel, Baloise Park BFB	69.0	30.0	10'239.0	4'458.7
6010 Kriens, Nidfeld B2	40.3	22.2	4'061.0	2'231.3
6010 Kriens, Nidfeld B1	18.7	6.7	8'421.0	3'018.2
8956 Killwangen, Zürcherstrasse	41.2	12.6	9'896.6	3'025.0
1030 Bussigny, Chemin de la Mochettaz	100.1	34.0	22'633.0	7'608.9
8600 Dübendorf, Überlandstrasse	249.9	75.2	52'307.1	15'812.1
<b>Total of acquisitions and developments<sup>7</sup></b>				<b>41'640.7</b>

<sup>7</sup> Construction or acquisitions of buildings, certified or to be certified

The avoidance of GHG emissions for these green buildings are as follows:

Property	Yearly GHG emissions in kg CO <sub>2</sub> /sqm ERA/year		Yearly avoided GHG emission <sup>8</sup> in kg CO <sub>2</sub> /sqm ERA/year
	of the object	of the benchmark	
4051 Basel, Baloise Park BFC	2	16	-14
4002 Basel, Baloise Park BFB	2	16	-14
6010 Kriens, Nidfeld B2	2	16	-14
6010 Kriens, Nidfeld B1	2	16	-14
8956 Killwangen, Zürcherstrasse	2	16	-14
1030 Bussigny, Chemin de la Mochettaz	1	16	-15
8600 Dübendorf, Überlandstrasse	1	16	-15
<b>Weighted average<sup>9</sup></b>			<b>-14.6</b>

Investments in green buildings allocated to any Green Bonds allow to avoid GHG emissions in the approximate amount of 14.6 kg CO<sub>2</sub> per sqm ERA per year, as compared to benchmark assets<sup>10</sup>.

Based on the allocated ERA of 41'640.7 sqm, the estimated yearly GHG emissions avoided with the outstanding Green Bonds add up to around 606 tons CO<sub>2</sub> as of the reporting date.

<sup>8</sup> Excluding tenants' electricity. All presented CO<sub>2</sub> emissions are in kg CO<sub>2</sub> equivalents. Emission factors have been applied which comply with the methodological principles of the GHG Protocol

<sup>9</sup> Weighting according to allocated ERA

<sup>10</sup> For details on the benchmark see section methodology



## Methodology

### *Estimation of GHG emissions of objects in the portfolio*

The amount of yearly GHG emissions (measured in kg CO<sub>2</sub> per sqm ERA per year and excluding tenants' electricity) was derived from adjusted object plan data.

### *Estimation of avoided GHG emissions*

GHG emission savings following acquisitions and developments are calculated by comparing yearly GHG emissions of each object to a relevant benchmark (see below).

Estimated yearly GHG emission avoidance was calculated based on the weighted average avoidance in tons CO<sub>2</sub> per sqm ERA of the invested green buildings and the total allocated sqm ERA of the outstanding Green Bonds.

### *Benchmark for acquisitions and developments*

Baloise mandated the consulting company Wüest Partner AG in 2021 to elaborate appropriate benchmarks for its real estate portfolio. The benchmark was elaborated for a broadly based Swiss real estate investors reference portfolio.

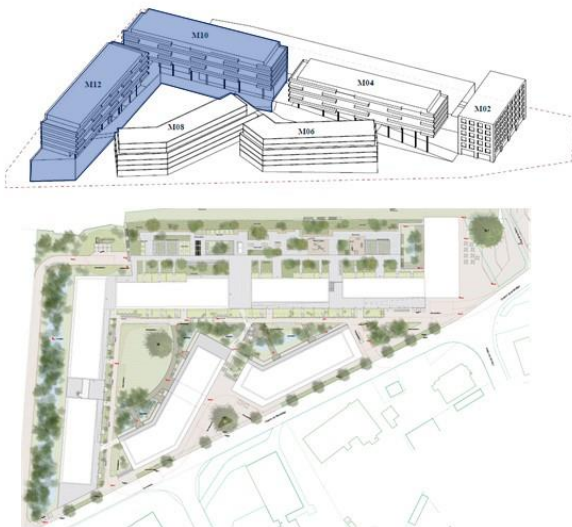
## 5. Selected case studies

### Baloise Park, BFB + BFC



<b>2</b> Buildings East & South (BL-UG)	<b>2</b> Headquarter Offices 16'800 m <sup>2</sup>	<b>7</b> Commerce 5'800 m <sup>2</sup>	<b>61</b> Parking Private
<b>Location</b> 15 Min. Basel Airport 2 Min. Railway Station Top located	<b>2020/21</b> Move-in Construction Start 2016	<b>SNBS</b> Gold	

### Bussigny, Chemin de la Mochettaz



<b>2</b> Building (BL-UG)	<b>233</b> Apartment 16'740 m <sup>2</sup>	<b>4</b> Commerce 433 m <sup>2</sup>	<b>195</b> Parking 15 public space
<b>4.5</b> Location WP 06/2020	12 min. Lausanne Railway 4 Min. Renens Railway 17 Min. ETH Lausanne	<b>2024 Q3</b> Move-in Construction Start 01/2021	<b>Minergie</b> P

Kriens, Nidfeld B1 + B2



<b>2</b> Building (BL-UG)	<b>108</b> Apartment 8'202 m <sup>2</sup>	<b>16</b> Commerce 1'226 m <sup>2</sup>	<b>88</b> Parking
<b>4.0</b> Location WP 06/2020	1h 39 Min. Zürich Airport 1h 4 Min. Zürich Railway 11 Min. Luzern Railway	<b>2023</b> q2 Move-in Construction Start 06/2020	<b>Minergie</b> P / ECO 2000-Watt-Areal

## ***6. Independent assurance review***

Sustainalytics has provided a Second Party Opinion (SPO) on the present Baloise Green Bond Report dated 2 August 2022 as published on Baloise's website at [www.baloise.com](http://www.baloise.com). The SPO confirms that the presented bond projects are "in conformance with the Use of Proceeds and Reporting Criteria of the Framework".

## **7. Disclaimer**

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