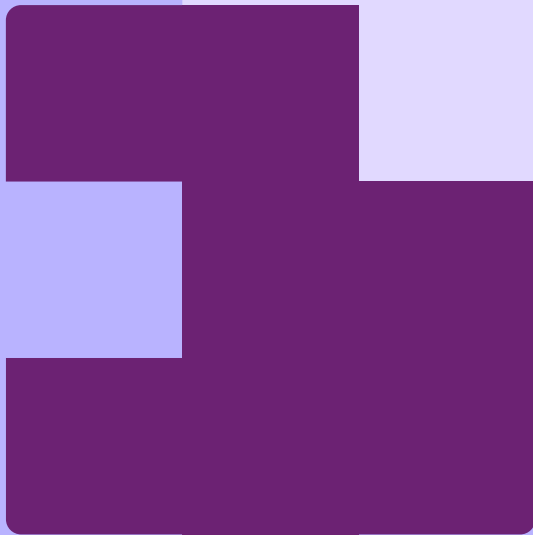


Baloise Active Ownership Report 2023

Marketing document

2024



Responsible investment and active ownership at Baloise

Responsible investment is a core element of the Baloise Asset Management (BAM) investment principles. BAM’s strategic approach to responsible investment defines how the sustainability-related risks and how the environmental, social and governance criteria are incorporated as part of the investment process for third party-assets, investment funds and insurance assets.

BAM distinguishes between a general Responsible Investment Strategy and an advanced Responsible Investment Strategy. The general Responsible Investment Strategy considers exclusion criteria and active ownership elements and integrates ESG criteria into investment decisions. The advanced Responsible Investment Strategy, introduced in 2023, extends the elements of the general strategy, by integrating wider exclusions, a best-in-class approach and an additional active ownership pillar.

As part of our Responsible Investment Strategy, we consider active ownership as a vital mechanism for positively influencing companies’ behaviour, minimising the return-risk ratio and reducing the risks on our client side. With the general Responsible Investment Strategy, we promote the three pillars of collaborative engagement, public policy engagement and proxy voting. In addition to these three components, the advanced Responsible Investment Strategy introduced a fourth pillar, direct engagement. We launched our first direct corporate dialogues in 2023, which helped us to engage in a constructive dialogue with companies to address specific sustainability issues and plan an improvement process.

Baloise’s Active Ownership strategy covers the entire equity and bond portfolio of the Baloise insurance assets and some of our third-party clients. In the case of proxy voting, we currently only exercise voting rights for specific Swiss equity investments in the Swiss insurance portfolios.

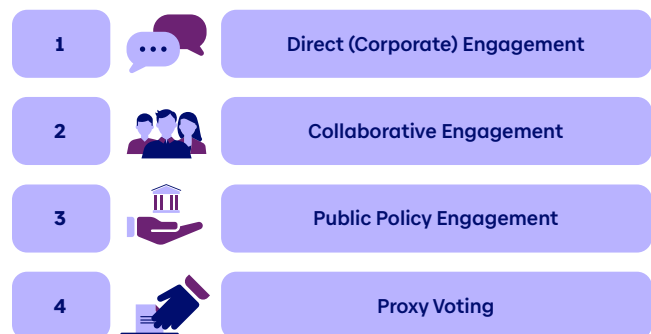
The aim of this report is to describe the BAM approach to active ownership and to provide an overview of the activities undertaken in 2023 and an outlook introducing forthcoming activities.

Baloise Active Ownership Strategy

The Baloise Active Ownership Strategy introduces the scope of activities aligned with our rights, duties and opportunities that we can use as an investor and shareholder to improve corporate behaviour. We exercise our active ownership activities through the following four pillars:

1. **Direct (Corporate) Engagement:** refers to direct communication between Baloise and companies on environmental, social and/or governance matters.
2. **Collaborative Engagement:** Baloise incorporates engagement activities with companies in collaboration with other investors. These dialogues are organised via platforms or stakeholder associations depending on the urgency of the respective topic.
3. **Public Policy Engagement:** refers to the communication with public authorities on ESG issues for specific regulatory and reporting projects. These dialogues are generally channelled via memberships of various associations.
4. **Proxy Voting:** 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.

Baloise Active Ownership Strategy in 2023



Direct engagement

With the revised Active Ownership Policy in 2023, Baloise introduced the possibility for direct engagement, i.e., dialogue with companies in whose securities the assets managed by Baloise are directly invested in order to address specific sustainability issues and achieve improvements. The criteria for initiation of direct engagement with issuers is based on (but not limited to) two main drivers:

- a deterioration of the MSCI ESG Rating (Industry Adjusted Score);
- serious violation of minimum standards of conduct.

In 2023, Baloise initiated direct engagement with two issuers, which due to their low MSCI ESG scores were violating our best-in-class requirements. In other words, both companies were classified among the 20% worst-rated issuers in the MSCI industry category “Banks”, which was obstructing Baloise from further investments. Both of these issuers are Swiss cantonal banks that have a solid credit rating and have been a strategic partner of Baloise, especially for fixed income investments over the past years.

In initiating and executing the engagement dialogue, we followed Baloise’s standard process, as described in our Active Ownership Policy (see figure).

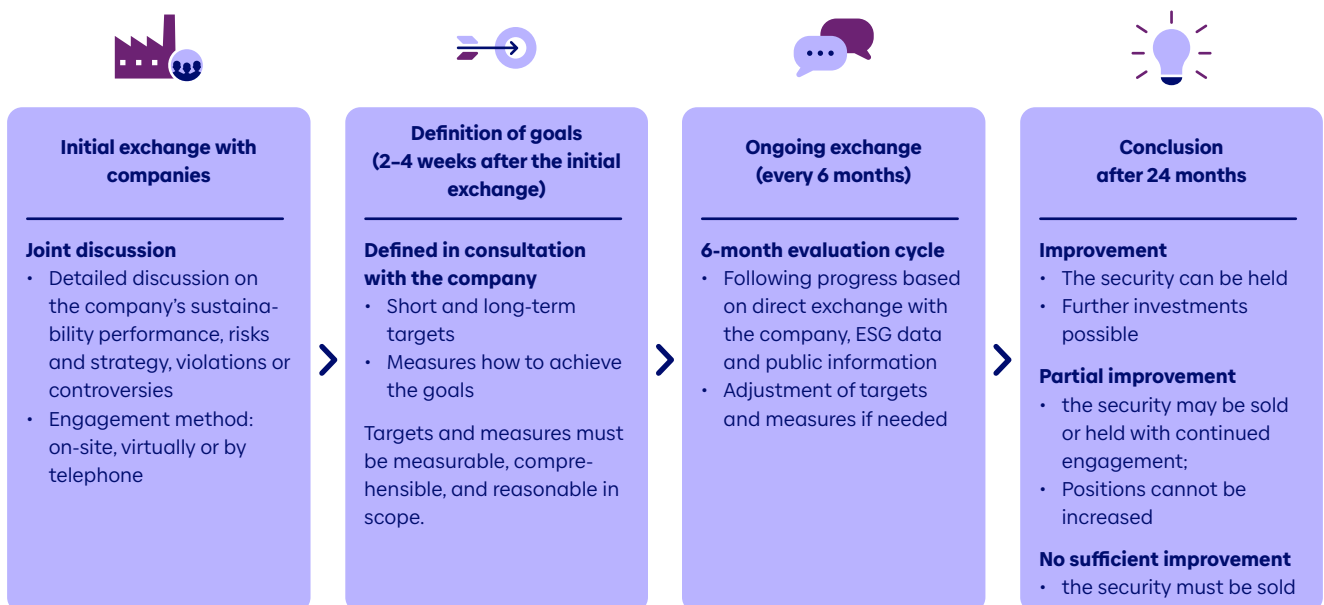
Both companies have accepted our proposal for engagement cooperation and with both of them we had the initial engagement meeting in July 2023. Through these meetings, Baloise elaborated in detail the reason for the initiated sustainability engagement dialogue and described its assessment of the sustainability standing of the issuer (based on the MSCI ESG company report,

information disclosed on the companies’ web pages and other media sources). At the same time, the issuers were given the chance to present their sustainability approach and describe the status quo of their sustainability-related undertakings. While the ultimate goal is to improve the MSCI ESG rating, a range of supporting goals were also defined, ranging from sustainability policies, strategies and governance mechanisms to sustainability products and practices. The engagement has started and will continue in the next 24 months or shorter, if the targets of the engagement are met earlier.

Direct engagement – outlook

Our Active Ownership Policy defines a set of breach cases for which we can decide to either enter into a dialogue with the investee companies or sell the positions. However, it also gives us the possibility to engage outside of the breach case scenarios. With the expertise and knowledge that we can offer in the area of ESG as an investor, we believe that we can strongly support financial institutions in their sustainability journeys. Therefore, we plan to strengthen our presence in particular on the Swiss market through direct company engagement.

Standard direct engagement process



Collaborative engagement

Baloise firmly believes in the strength and effectiveness of joining forces with like-minded investors in pursuing sustainability improvements. In line with this, over the years we have joined multiple collaborative engagement initiatives together with other stakeholders from various organisations, and we continued our participation this year. We are guided by our focus topics which we have as part of our Active Ownership Strategy.

Collaborative engagements promoting environmental sustainability

Biodiversity, energy transition and reduction of CO₂ emissions are the three environmental focus areas of Baloise's Active Ownership Strategy. With our engagement activities, Baloise:

- a. promotes the development of biodiversity strategies that aim to control potential risks associated with biodiversity loss while supporting a nature-positive transformation of companies;
- b. supports structural changes in the production, distribution and consumption of energy; and
- c. encourages decarbonisation strategies with the ultimate goal of limiting climate change.

To that end, we are members or endorsers of the following initiatives:

- **Climate Action 100+¹**

As of 2021, Baloise is a signatory to the Climate Action 100+ initiative. This initiative aims to engage with the world's largest greenhouse gas emitters to ensure that they take the necessary action on climate change in order to mitigate financial risk and to maximise the long-term value of assets. The three ultimate goals of Climate Action 100+ incorporate:

- a. improving the governance framework so that it clearly articulates the board's accountability and oversight of climate change risk;
- b. cutting greenhouse emissions along the entire value chain; and
- c. strengthening disclosure and implementing transition plans to deliver on robust targets.

With over 700 signatories, this initiative represents one of the largest sustainability-related collaborative engagements. Out of the 170 targeted companies, 77% have committed to net zero by 2050 – at least for

Scope 1 and 2 emissions – and about 90% have explicitly committed to aligning their disclosures with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We are a member of the engagement initiative with Chevron and support those actions and goals.

- **Spring – a PRI initiative for nature²**

Having biodiversity as one of the focus areas of our Active Ownership Strategy motivated us to endorse the Spring initiative for nature in 2023, coordinated by the United National Principles for Responsible Investing (PRI). This initiative aims to address the systematic risk of nature loss to societies and long-term portfolio value creation by enhancing corporate practices on forest loss and land degradation. To achieve this, in the investor statement, a set of detailed investor expectations were defined incorporating:

- a. business operations, strategy and risk management;
- b. supply chain management; and
- c. political engagement. The first set of engagements is expected to cover 40 companies.

- **Sprint to Net Zero 2024³**

Commitment to net zero is the first step for all companies; however, effective implementation requires a precise pathway methodology and specific performance metrics. In 2023, we requested to join Sprint to Net Zero. This initiative aims to take advantage of the proxy voting season starting in 2024 and to ensure that 100% of the targeted companies have a clearly defined strategy and a net-zero plan approved by the Science Based Targets initiative (SBTi)⁴. With that, we are not only driving awareness, but also setting expectations as part of our role as a responsible asset manager.

Collaborative engagements promoting social aspects

- **Advance⁵**

In the first quarter of 2022, we endorsed the PRI-led Advance stewardship initiative, which is committed to human rights and social issues. Investors can join the initiative as endorsers by publicly signing the Advance investor statement, signalling their support for Advance's goals and strategy. The statement sets out investors' arguments in favour of promoting human rights, the strategy for achieving progress and expectations of the companies involved in the initiative.

¹ <https://www.climateaction100.org/>

² <https://www.unpri.org/investment-tools/stewardship/spring>

³ <https://collaborate.unpri.org/group/20391/about>

⁴ <https://sciencebasedtargets.org/>

⁵ <https://www.unpri.org/investment-tools/stewardship/advance>

- **Votes Against Slavery**

Modern slavery has a significant human and economic impact globally. It is estimated to be a USD 150 billion trade which affects approximately 50 million people in some form of slavery, including forced labour, the sale and trafficking of people, forced and servile marriage and the exploitation of children. Corporations play a key role in tackling this issue, not only in their own operations, but also by making their supply chains more robust, especially if they are considered to have the resources to monitor and control their suppliers. Towards the end of 2023, we began the process of joining the ongoing initiative Votes Against Slavery. Operating as of 2020, this initiative aims to ensure that companies which fail under the UK's Modern Slavery Act report in detail on their approach to uncover modern slavery within their supply chains and to provide the appropriate care and remedy. The new engagement cycle will start in 2024. Led by the Rathbones Stewardship team and coordinated via the PRI Platform, it brings together asset managers and institutional investors to target 158 FTSE AIM smaller listed companies and FTSE 350 companies.

Collaborative engagements fostering reporting standardisation

In continuation of our efforts to support greater harmonisation and standardisation of reporting and disclosure of sustainability-related information, we signed the "SEC publication of draft proposal for climate-related disclosure" in 2021 and the "Declaration for greater alignment of regulatory and standardisation efforts in the area of sustainability disclosure" in 2022. This year we supported the initiative below.

- **Sign-on statement calling for adoption of ISSB standards⁶**

In the last quarter of 2023, Baloise became one of 120 signatories to a statement regarding commitment from relevant authorities across jurisdictions to adopt the International Sustainability Standards Board's (ISSB) standards, in particular IFRS S1 and IFRS S2. Both standards are based on the framework established by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) and other well-established voluntary sustainability reporting initiatives. Incorporating the ISSB standards is expected to build on the existing disclosure progress and urge entities to report material

information on climate and other sustainability-related risks and opportunities. By doing so, we support the possibility for global reporting alignment in these areas, promote the availability of consistent data across investment portfolios and support effective economic and investment decisions.

Collaborative engagement – outlook

Aiming to strengthen our collaborative engagement activities, at the end of 2023 we joined the Collaborative Engagement Solutions offered by Institutional Shareholder Services Inc. (ISS).

Through the ISS ESG Pooled Engagement platform, we joined ongoing engagement dialogues with 30 issuers on biodiversity matters. The biodiversity collaborative engagement cases seek to improve transparency around biodiversity impact and strategies to manage nature-related risks, especially in key impact industries such as mining and integrated production and food products. Furthermore, we joined another 40 ongoing engagement dialogues on gender equality issues. These engagements aim to improve disclosure on gender pay gap ratios, support measures to promote equal opportunity and gender diversity and increase female representation at board and executive management level. Both biodiversity and workforce diversity were among the focus areas of our Active Ownership Strategy for 2023.

Additionally, we will participate in the ISS ESG's Norm-Based Collaborative Engagement activities. This will allow us to contribute to engagements with companies which based on ISS ESG research are failing to prevent or address social and environmental controversies in line with established standards for responsible business conduct, such as the requirements of the UK Stewardship Code, the UN Global Compact Principles, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles and the UN Sustainable Development Goals. ISS ESG starts about 25 new engagement cases every quarter. At the end of 2023, we contributed to the selection of cases for which ISS ESG started to organise collaborative engagement dialogues in Q1 2024.

⁶ <https://www.unpri.org/driving-meaningful-data/joint-statement-from-lseg-pri-un-sse-and-wbcsd-on-issb-standards/12426.article>

Engagement focus areas

Baloise Active Ownership Policy collaborative engagement focus areas and respective initiatives

	Baloise focus areas						
	Energy transition	Reduction of CO ₂ emissions	Bio-diversity	Improve-ment of working conditions	Workforce (diversity)	BoD and executive committee (composition, compensation and independence)	Sustainability transparency; standardization of assessment and reporting
Baloise collaborative engagements							
Climate Action 100+	●	●					
Sprint to Net Zero 2024	●	●					
Spring – a PRI initiative for nature			●				
Advance				●			
Votes Against Slavery				●			
ISS ESG thematic engagements for biodiversity			●				
ISS ESG thematic engagements for gender equality					●		
ISS ESG norm-based engagements	●	●	●	●	●	●	
Joint statement calling for adoption of ISSB standards							●

Public policy engagement

Representatives of the Baloise Sustainability team and the Responsible Investment core team participated in the working groups listed below that provide feedback on regulatory proposals from the Swiss State Secretariat for International Finance (SIF) or other institutions.

These working groups include the following:

- Member of the Sustainability Commission of the Swiss Insurance Association (SIA),
- Sustainability Commission of Swiss Sustainable Finance (SSF) and Asset Management Association Switzerland (AMAS) (jointly),
- Expert Panel on Climate Risks of the Swiss Financial Market Authority (FINMA).

Representatives of the Baloise Responsible Investment core team were also part of the AMAS working group to develop version two of the “Self-regulation on transparency and disclosure for sustainability-related collective assets”, which is binding for all AMAS members. In addition, the team was part of the development of the first “Self-regulation on the prevention of greenwashing in sustainability-related unit-linked life insurance” of the SIA.

Proxy voting

Baloise exercises its voting rights on the listed Swiss share certificates in the actively managed Swiss insurance portfolio. We see proxy voting as a mechanism through which we can push corporations to act in the best interests of various stakeholder groups, including the shareholders, but also the planet and people.

A closer look at the voting exercised in the 2023 financial year is provided in the table below.

Overview of the exercise of voting rights in 2023⁷

Exercise of voting rights	Baloise Life Ltd and Baloise Insurance Ltd
Approval of items on the agenda	624
Rejection of agenda items	59
Abstentions	0
Number of voting points	683
Number of companies	26

⁷ The overview relates to all topics on the proxy voting agenda

Overview of the topics covered with proxy voting in 2023⁸

Agenda	Approval	Rejections	Abstentions
Approval of all motions of the ordinary and extraordinary General Meeting	15	11	0
Annual report and financial report	25	0	0
Discharge	24	1	0
Profits, dividend	25	0	0
Election of a member of the Board of Directors	203	9	0
Election of the Chairman of the Board of Directors	21	3	0
Election of a member of the Remuneration Committee	67	16	0
Increase in share capital	0	1	0
Capital reduction	9	1	0
Remuneration report	19	5	0
Election of the auditors	22	3	0
Election of the independent proxy	25	0	0
Further votes	169	9	0

In accordance with our directive on exercising proxy voting in the Asset Management division, we review voting on environmental and social matters on a case-by-case basis. In general, we vote for stronger management of sustainability risk and opportunities. For example, we support greater consideration of sustainability risks such as climate risks, efforts to implement a net-zero strategy, the promotion of greater diversity in the workforce, as well as increased disclosure of ESG risks.

Proxy voting – outlook

With the revision of the Swiss Code of Obligations⁹ in 2022, Swiss listed companies are required to disclose an annual non-financial report, incorporating environmental, social, employee-related, human rights and anti-corruption matters starting as of the fiscal year 2023. The law affects Swiss listed companies, banks and insurance companies with at least 500 full-time positions and total assets of CHF 20 million or revenue of CHF 40 million. Therefore, for companies in these categories, we expect to be offered to vote on non-financial reporting for the first time in 2024. The amendment of the law is fully aligned with our efforts to improve sustainability-related transparency and foster systematic disclosure. Therefore, Baloise’s stance on this matter is quite clear: we will vote in favour of sustainability reports where the vote is binding and against the management proposals in cases where the vote is on a consultative basis.

⁸ The overview relates to all topics on the proxy voting agenda

⁹ https://www.fedlex.admin.ch/eli/cc/27/317_321_377/en