

Baloise climate strategy for liquid investments

Baloise (Baloise Asset Management Ltd) sees itself as an asset manager with a long-term focus. In this role it has a fiduciary obligation to make investment decisions that are in the best interests of the customer and to maximise the value of investments. The climate strategy is an integral part of this investment decision process and of the policies for responsible investments for either insurance assets or third-party customer assets and investment funds. The activities within the climate strategy aim, on the one hand, to ensure the management of a range of sustainability risks and to increase the sustainable profitability of the investments, thus contributing to the long-term success of our customers' investments. On the other hand, a contribution to climate protection is to be made. Through our work within the framework of the 17 UN Sustainable Development Goals, we focus primarily on climate action and thus on Sustainable Development Goal No. 13 (climate action).

Our motivation

Climate is an area of sustainability that is becoming ever more important and prominent, influencing the agendas of governments and the economy. Some sections of society are facing the challenges posed by climate change head on too, take Switzerland's young environmental activists for instance, and there is an expectation of institutional investors to act more responsibly. Baloise wants to prepare for the risks and opportunities of this trend and at the same time, we want to make a positive contribution to the fight against climate change by reducing the negative impact on society and the environment.

Climate change poses a challenge for the investment of customer funds. Both in respect of the physical risks as well as the transitional risks, for example the risks associated with the potential implementation of radical political measures to reduce global greenhouse gas emissions. As such, Baloise sees anticipatory customer portfolio management of the risks posed by climate change as a matter of particular urgency. Through its collaborative engagement as part of the Baloise Active Ownership Strategy, Baloise intends to influence the companies it invests in positively in this respect too.

The Baloise Group supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and has begun to implement them, including for its investments.

This climate strategy applies to liquid investments used in the management of insurance assets and other assets or funds managed by Baloise, as provided for in the relevant documents.

The climate aspect is also an important topic in the directly held real estate investments of the Swiss insurance units. Further information on implementation in line with the Baloise climate strategy can be found in the [Baloise policy for responsible investment in real estate for the directly held real estate of the Swiss insurance units](#). Our customers get access to our responsible investment activities through communication and reporting. Our comprehensive responsible investment approach and therefore our climate strategy incorporate the Principles for Responsible Investment (PRI).

Our climate strategy

The Baloise climate strategy is based on the four strategic pillars depicted in figure 1. The climate strategy is fully integrated into the general Baloise Responsible Investment (RI) strategy and thus also part of the extended RI strategy. Both RI strategies are described in detail in the Responsible Investment policies.

1. Exclusion

The following applies to the general RI strategy: As far as exclusion is concerned, the threshold for turnover generated by coal is set to ten per cent for direct investments in corporate bonds and shares due to the high level of CO2 emitted during combustion and extraction. In addition to this, producers of unconventional oil and gas will be excluded where this activity exceeds the turnover threshold of ten per cent due, among other things, to the large amount of CO2 consumed during extraction and the major risks posed to the environment during production. Target funds with investments in unconventional oil and gas are excluded from the general and extended strategy if these investments exceed ten per cent of the market value of the target fund. The same market value threshold applies to target funds with investments in coal.

With the advanced RI strategy, Baloise goes one step further. In addition to the climate-relevant exclusions according to the general RI strategy, for direct investments producers of unconventional oil and gas are already excluded after reaching a turnover threshold of five per cent. There is also no investment in producers of conventional oil and gas with a turnover threshold of 30 per cent. In the extended RI strategy, target funds with

investments in conventional oil and gas are excluded if these investments account for more than 30 per cent of the market value of the target fund. Sovereign issuers that have not ratified the Paris Agreement are also excluded. Furthermore, we do not invest in the ten per cent of sovereign issuers with the worst CO2 intensity (measured in tonnes of CO2e emissions per million EUR GDP of the country). The reference universe is the MSCI ESG rated sovereign universe. All exclusion criteria are measured and implemented using MSCI Ltd ESG data.

2. ESG integration

As part of the second pillar, portfolio management is supplied with dedicated data relating to the environment, society and governance (ESG) and specifically on climate. All investment teams have access to the MSCI ESG database so that the information can be taken into account in investment decisions.

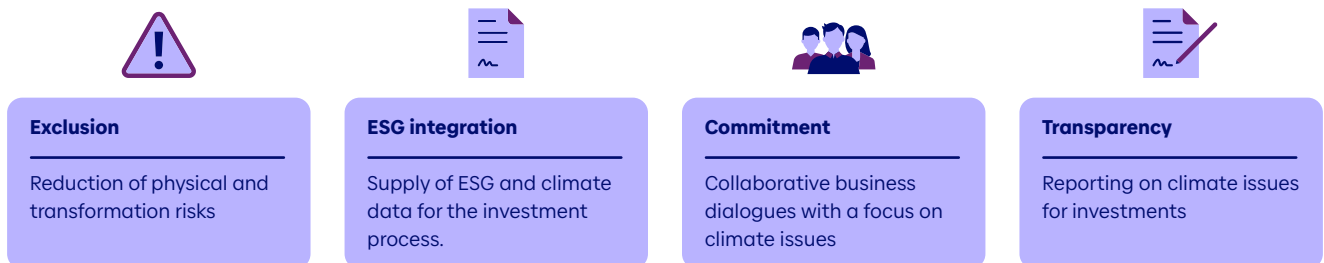
3. Commitment

As part of the Baloise Active Ownership Policy, Baloise together with other investors engages in collaborative dialogue with companies on specific and general issues related to climate change. In doing so, it is underlining its commitment to increased transparency on the part of companies with regard to climate performance indicators.

4. Transparency

Baloise is committed to reporting on climate issues. This includes, for example, reporting to CDP, formerly known as the Climate Disclosure Project. Baloise will also implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Figure 1: Four pillars of the Baloise Climate Strategy



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