

# ANNUAL REVIEW

# 2021

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Baloise Group



**Baloise Group**  
Annual Review 2021

# Overview of the reporting environment

## Overview of Baloise's external reporting

The external reporting procedures of Baloise are based on relevant statutory and regulatory requirements and applicable standards and guidelines, such as those issued by the International Accounting Standards Boards and SIX Swiss Exchange, where the shares of Baloise Holding Ltd are listed.

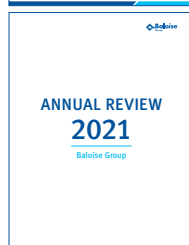
The Annual Report forms the core of the reporting activities and comprises the management report, the financial report and the income statement of Baloise Holding Ltd. The review of the financial year also serves to provide a holistic view of the added value generated by Baloise under its value creation model. This model is based on the integrated reporting framework (iR Framework) of the International Integrated Reporting Council (IIRC).

### REPORTING PROCESSES IN DETAIL



#### Annual Report of Baloise

The Annual Report of the Baloise Group comprises the management review of the operating performance, the corporate governance report, the remuneration report and the financial report. The financial report contains the consolidated annual financial statements of the Baloise Group and the income statement of Baloise Holding Ltd.



#### Review of the financial year at Baloise

The review of the financial year of the Baloise Group provides an overview of important financial key figures as well as comprehensive information on Baloise and its strategy. The report outlines the value creation of Baloise across the six resources of the value creation model (investors, employees, customers, partners, environment and society) and the four framework processes (IT, compliance, corporate governance and risk management). The aim of the report is to provide an integrated view of Baloise's value creation.

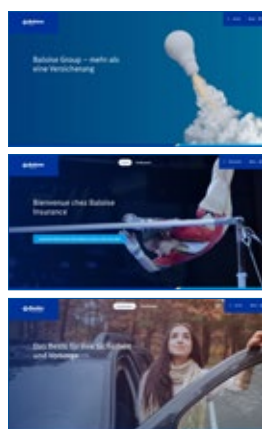


#### Presentation for financial analysts

The presentation for financial analysts is designed specifically for investors. It is made available only on our website and exclusively in English, and it provides detailed information on the financial performance of Baloise and its individual operating segments and strategic business units.

The reports published by the Baloise Group are also available online at

[www.baloise.com/annual-report](http://www.baloise.com/annual-report).



#### Continuous reporting

In addition, Baloise uses its website, [www.baloise.com](http://www.baloise.com), to share updates on various initiatives and activities as well as background stories about the implementation of its strategy on an ongoing basis.

#### Reporting by national units

In some cases, national units of Baloise publish their own external reports in accordance with the statutory and regulatory requirements of the jurisdiction in which they operate. These reports are published on the websites of Baloise Insurance Belgium [www.baloise.be/fr/a-propos-de-nous](http://www.baloise.be/fr/a-propos-de-nous), Basler Versicherungen in Germany [www.basler.de/de/ueber-uns](http://www.basler.de/de/ueber-uns) and Basler Versicherungen in Switzerland [www.baloise.com/en/home/investors/publications/financial-condition-report](http://www.baloise.com/en/home/investors/publications/financial-condition-report) respectively.

## About this report

Baloise aspires to be more than just an insurance company. Our aim is to play an important part in people's lives. Building on more than 150 years of experience as an insurance provider, we are transforming our corporate culture in order to meet the constantly evolving needs of our customers with regard to safety and services in the digital era. Our 'Simply Safe' strategy, which is now entering its second phase (season 2), pursues three core objectives: We want to be a top-notch employer, the provider of choice for our customers, and a reliable and attractive investment proposition for our investors. The Baloise value creation process (see page 26) also forms the basis for our sustainability strategy. It offers an integrated view of how Baloise generates value across six resources (investors, employees, customers, partners, environment and society).

The aim of the report is to illustrate Baloise's value creation from an integrated perspective. The report covers the business strategy and business model and includes in-depth information about the activities of the Baloise Group in 2021. It also outlines the economic, social and environmental impact of Baloise's activities. The value creation process of Baloise and any pertinent disclosures are based on the integrated reporting framework (iIR Framework) of the International Integrated Reporting Council (IIRC). Following the merger of the IIRC and the Sustainability Accounting Standards Board (SASB) to form the Value Reporting Foundation (VRF), we are keeping a close eye on developments in the market in relation to disclosure standards and especially the SASB standards. Our materiality assessment is already closely aligned with the SASB standards. The merger of the VRF with the IFRS Foundation, which has been announced for June 2022, will provide additional momentum for the further development of disclosure standards, which we will be monitoring very carefully. We will take the results of these processes into account in our future reporting and in the decision on our future reporting standard.

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# Baloise takes responsibility

DEAR READER,

What responsibilities do companies have in today's world, and what should guide their actions? These questions were being raised ever more frequently even before the coronavirus pandemic. They have been accompanied by growing demands on companies in terms of disclosures. Shareholders and other stakeholder groups want to understand what companies do to exercise responsibility and how they create value in the process. Legislators, regulators and investors are working on frameworks and reporting standards with the overriding aim of improving the transparency and comparability of disclosures. This report is Baloise's first step towards reporting on its value creation.

In 2017, Baloise launched its 'Simply Safe: Season 1' strategy. This was guided by the overarching idea that satisfied employees are the key to satisfied customers, which in turn will strengthen the success of our business and so enable us to meet the expectations of our investors. The strategic phase Simply Safe: Season 2 involves the integration of our Baloise value creation approach, expanding our focus from the three dimensions of the first phase – investors, customers and employees – to include three additional dimensions – environment, society and partners – that are just as important to Baloise. In our review of 2021, we are providing a first integrated overview of how we are implementing this new approach and what we have achieved in 2021.

This is the beginning of a process for us. We continue to monitor the fast-paced developments in the field of reporting standards, such as the integration of the reporting framework of the Value Reporting Foundation with the reporting standards of the Sustainability Accounting Standards Board (SASB). This review is our first step towards mapping the links between financial and non-financial aspects of Baloise's business model. We want to show in this report that Baloise exercises its responsibility towards a multitude of stakeholder groups, thereby increasing the value of the Company in a sustainable manner.

Basel, March 2022



**Dr Thomas von Planta**

Chairman of the Board of Directors



**Gert De Winter**

Group CEO

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# Baloise basics

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## At a glance

Profit attributable to  
shareholders  
CHF **588.4** million

Equity of  
CHF **7,299.9** million

Dividend of  
CHF **7.00** per share  
(proposal to the  
Annual General Meeting  
on 29 April 2022)

Cash upstream  
CHF **431** million

Net combined ratio of  
**92.6 per cent**

**7.4 per cent**  
increase in the volume  
of business

New business margin  
in the life business of  
**39.0 per cent**

Net investment yield on  
insurance asset of  
**2.2 per cent**

**81 per cent**  
of employees  
recommend Baloise  
as an employer

**- 20 per cent**  
reduction in carbon  
emissions since 2017

**+ 223,000**  
additional customers

**75 per cent**  
A-AAA MSCI ESG rating  
for rated insurance  
investments

# Our core activities

## BELGIUM



### Business volume (CHF million)

Life: 189.3 Non-life: 1,644.3

Investment-type premiums: 468.8

Employees: 1,737

Net combined ratio: 93.0%

## LUXEMBOURG



### Business volume (CHF million)

Life: 74.5 Non-life: 148.5

Investment-type premiums: 1,362.2

Employees: 649 (including Liechtenstein [17] and FRIDAY [187])

Net combined ratio: 93.9%

## SWITZERLAND



### Business volume (CHF million)

Life: 2,727.8 Non-life: 1,392.7

Investment-type premiums: 119.4

Employees Swiss offices: 3,981 (including Baloise Bank SoBa and Baloise Asset Management)

Net combined ratio: 89.2%

## Baloise Bank SoBa

Customer assets under management generated by sales force: CHF 2,527.9 million

Lending-business assets generated by sales force: CHF 1,487.8 million

Wealth & pensions advisory mandates: 4,315

Return on equity: 8.2%

Employees: 383



Total assets under management: CHF 65.7 billion

Third-party assets under management: CHF 13,422.8 million

Net new third-party assets: CHF 986.5 million

Employees: 203

Cost / Income-Ratio: 57.2%

## GERMANY



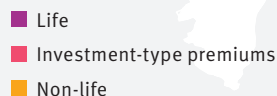
### Business volume (CHF million)

Life: 397.9 Non-life: 821.0

Investment-type premiums: 187.5

Employees: 1,577

Net combined ratio: 96.8%



## Letter to shareholders



Dr Thomas von Planta, Chairman of the Board of Directors (right), and Gert De Winter, Group CEO (left), with a view from the first floor of the Group headquarters at Baloise Park.

### DEAR SHAREHOLDERS,

Baloise achieved strong results in 2021, reporting a profit attributable to shareholders of CHF 588.4 million, and is in an excellent position for the start of Simply Safe: Season 2. All operating segments and units contributed to this improved result. In the life insurance business, we also benefited from rising interest rates. The result affirms the success of our business model, which is based on sustainable value creation. Insurance is all about managing risk. What sets Baloise apart is that we aim for and achieve sustainable success for everyone: customers, employees and shareholders. Our stakeholders can rely on this stability, especially in difficult times.

The ongoing measures to tackle the coronavirus pandemic continued to put a strain on employees and customers in 2021. Much of the past year was marked by extreme weather events in Europe. Hailstorms, strong winds, heavy rain and the associated flooding took their toll on those affected, who included our customers in Belgium, Germany, Luxembourg and Switzerland. The exceptional weather events were also very challenging for many of our employees who were there by our customers' side, ready to support them during this stressful time. The record

storm damage reduced profit by CHF 121 million, making it the biggest ever loss event in the history of Baloise. But we still achieved a strong set of figures even in this difficult environment. This once again illustrates the stability and resilience of our balance sheet, the effectiveness of our risk management and the performance of our employees, who deserve our very special thanks.

#### Goals as drivers of the transformation

At the close of last year, we successfully completed Simply Safe: Season 1 and transitioned smoothly to the next strategic phase: Simply Safe: Season 2. Building on what we have achieved so far, we are aiming for more growth and to be an important part of people's lives as a service provider. The three strategic targets have been retained and are now even more ambitious. By 2025, we are aiming to be in the top 5 per cent of the best companies to work for in Europe, to have gained 1.5 million new customers and to have generated CHF 2 billion in cash. The experience gained from Simply Safe: Season 1 has shown that ambitious targets accelerate Baloise's transfor-

mation. During our strategic journey, the Company has gained a lot of momentum, enabling us to operate sustainably and effectively for all stakeholders. In this context, we are also monitoring the conflict in Ukraine and its potential implications very carefully. In the short term, what is happening there will not impact on our business, as Baloise does not operate in Ukraine or Russia and has only a small investment exposure to Russia. What remains unclear at this stage is how the conflict will affect economies in Europe, and thus our customers, over the medium term.

### “Ambitious goals accelerate the transformation”

The roll-out of the global vaccination campaign against coronavirus that began in spring 2021 was reflected in a positive response from the markets. The Baloise share price stood at CHF 168.80 on 8 March 2021, following a strong performance in the first four years of ‘Simply Safe: Season 1’, but came under increasing pressure over the course of the year.

In 2021, we also embedded sustainability even more deeply within our business processes. The Baloise value creation model has been the basis of our value generation for all stakeholders since 2018. While excellent progress has been made in the area of responsible investment, we are now also turning our attention to underwriting. The question of which risks we are able and willing to insure in future not only affects the stability of Baloise but can also help to nudge the behaviour of our customers towards acting in a more sustainable way. The challenges we face in this regard will become even greater in future. This is one reason why the Board of Directors is adapting and reorganising its committee structure. Changes include transforming the Chairman’s Committee into a Strategy and Governance Committee in order to address the strategic topics that will be relevant going forward.

### A sustainable approach in policymaking

However, more sustainability is also required in policymaking to strengthen the stability of national economies and to ensure an equitable society. In Switzerland, we are once again facing attempts to place the funding of pensions on a sustainable footing. For years, there has been generational cross-subsidisation where those currently in work are funding the pensions of those who have retired because too much has been promised and current returns are too low. Parameters set by the state such as the conversion rate, minimum returns and the inflexible retirement age are partly to blame. Today’s contribution payers are bearing the ever-increasing burden of successive failures to implement the necessary reforms. This makes it all the more important that efforts to reform the pension system should succeed.

Arming ourselves against future large risks is also important. Insurance can be part of the solution here. The coronavirus pandemic has shown that we can rely on the support of the state in a crisis. However, it is not sustainable always to turn to the state – and thus ultimately to taxpayers – after a crisis has already happened. Insurance companies have the specialist expertise required to identify, assess and prevent risks and to deal with large-scale loss events. The industry brought this expertise to bear when it came to covering losses from future pandemics with pandemic insurance. Unfortunately, policy-makers currently rely on mitigating damage after the event, using taxpayers’ money. Government and business should work together to develop solutions for preventing major risks. We are prepared to contribute our know-how and to play our part for society.


As ‘Simply Safe: Season 1’ comes to an end, Baloise is starting the next phase of its ‘Simply Safe’ strategic journey with a strong set of results. Stability, reliability, growth, innovation and sustainable value creation combined with a motivated workforce and a focus on customers and services are what set us apart. We will continue with this approach in the future. And you, our shareholders, should also be able to continue reaping the benefit in future. The Annual General Meeting will therefore be asked to approve an increase in the dividend of CHF 0.60 to CHF 7.00 this year.

Basel, March 2022



**Dr Thomas von Planta**

Chairman of the Board of Directors



**Gert De Winter**

Group CEO

# A look back at the year

## Baloise's highlights in 2021

### JANUARY

#### Baloise makes progress in becoming a learning organisation

Baloise introduces a new scheme whereby it allows all employees in Switzerland to dedicate up to 10 per cent of their working hours to independent learning and personal development. This step is intended to take account of constantly changing requirements in the work environment. Employees are thus taking on a central role in their own continuing professional development. This percentage should be regarded as a guideline that can be adjusted depending on the development needs and circumstances of individual employees.

### APRIL

#### Targeted expansion of the mobility platform

Baloise adds an important strategic element to its Mobility ecosystem with an investment of around €5 million in the Danish peer-to-peer car sharing company GoMore. GoMore is an established provider of mobility services in the car sharing and leasing sector in several European markets. With more than 2.6 million members in Denmark, Sweden, Finland and Spain, GoMore is one of the key players in the sustainable transformation of personal transport in Europe and an already well-established start-up firm. The investment by Baloise will accelerate GoMore's planned expansion into additional European countries.

### MARCH

#### Expansion of the responsible investment policy

Baloise expands its responsible investment policy with the adoption of a dedicated climate strategy and an active ownership approach. With this expansion, Baloise steps up its focus on further aspects of sustainability within the context of its responsible investment approach. The climate strategy comprises the components 'exclusion', 'ESG integration', 'engagement' and 'transparency'. The aim of the active ownership approach is to convince the senior managers of companies to proactively address ESG risks and to seize opportunities in this area. Baloise intends to use this approach to generate a positive environmental and social impact with the assets it manages.

### APRIL

#### Change of personnel on the Board of Directors

At the 58<sup>th</sup> Annual General Meeting of Baloise Holding AG, the shareholders elected Dr Thomas von Planta as the new Chairman of the Board of Directors and Dr Karin Lenzlinger Diedenhofen as a new member of the Board of Directors. Dr Andreas Burckhardt was thanked and commended for his significant contributions to the success of Baloise at the Annual General Meeting as he was leaving Baloise after ten years as Chairman of the Board of Directors.





## JUNE

### **Baloise is one of the most innovative insurance companies**

This year's Efma-Accenture Innovation in Insurance Awards ceremony demonstrated that Baloise is one of the world's most innovative insurance companies. Baloise received the coveted accolade in two separate categories. Both Inshareance – a modular insurance product for sharing platforms – and Drive Electric – an insurance solution designed especially for chargeable hybrid and electric cars – were singled out among the 460 innovation projects that were entered in the competition.

### **Baloise's insurtech subsidiary FRIDAY expands**

Insurtech FRIDAY commences operations in the French insurance market with the launch of a multi-risk home contents insurance product. FRIDAY is thus forging ahead with the creation of a multi-country platform and its pursuit of further growth.



## MAY

### **Launch of an inhouse start-up programme**

Under the tagline Mobility@Baloise, Baloise launches its own mobility accelerator with the aim of promoting innovative ideas at the earliest possible stage. The initiative goes hand in hand with the launch of the information platform [www.baloise.com/mobility](http://www.baloise.com/mobility), which is designed to act as a new gateway to the Mobility@Baloise ecosystem for interested start-ups and young entrepreneurs.

## JULY

### **Baloise & UBS forge plans for a strategic partnership**

Baloise (along with its mortgage brokerage platforms Atrium) and UBS (along with key4) plan to enter into a strategic partnership in order to provide innovative solutions and services to property owners in Switzerland. The aim of this strategic relationship is to give customers access to complementary services that address property owners' key needs regarding financing, insurance and maintenance.



## SEPTEMBER

### First green bond placement by Baloise

Baloise successfully places a green bond issue with a volume of CHF 200 million. The capital raised with the issuance of the green bond will be used to finance green properties under Baloise's recently established green bond framework. The green bond framework and the associated second-party opinion are available for download at [www.baloise.com/bonds](http://www.baloise.com/bonds). The bond was issued with a maturity period of 8.75 years and a coupon of 0.125 per cent.

## JULY

### Baloise becomes partner of Swiss Climate Foundation

The Swiss Climate Foundation has added Baloise to its already impressive list of partners. Going forward, Baloise will be investing the annual net amount from its CO<sub>2</sub> levy redistribution in the foundation, which uses these funds to support SMEs in Switzerland and Liechtenstein that develop innovative climate solutions or improve their energy efficiency. Since it was established, the foundation has awarded a total of 31 million francs to climate protection projects by more than 2,100 Swiss and Liechtenstein SMEs. In addition, 550,000 tonnes of CO<sub>2</sub> have been saved as a direct result of the foundation's promotion of energy-saving measures.

## OCTOBER

### Baloise's partner GoMore expands into Switzerland

In April, Baloise announced that it was investing in the Danish peer-to-peer carsharing company GoMore. Now, GoMore is expanding into Switzerland and will initially be providing its car sharing service in Basel and Zurich. To complement GoMore's service offering, Baloise has designed the perfect insurance product to meet the needs of car owners and renters.





## NOVEMBER

### Baloise Swiss Property Fund goes public

Previously, only qualified investors were able to invest in the Baloise Swiss Property Fund. As of 1 November 2021, the date of its initial public offering, the Baloise Swiss Property Fund also becomes accessible to retail investors. At present, the portfolio comprises 72 properties and has an estimated current market value of around CHF 811 million. The fund management company intends to continue adding to the Baloise Swiss Property Fund real estate portfolio, maintaining the emphasis on residential properties.

## DECEMBER

### Sustainability rating upgrade by MSCI

The progress made by Baloise in the field of sustainability is attracting growing external attention and recognition. For example, MSCI has upgraded the ESG rating of Baloise from BBB to A. Progress in the areas of corporate governance, responsible investment and management of climate risks as well as the first steps towards integrating ESG criteria in underwriting processes were emphasised as factors in this decision.

## NOVEMBER

### Baloise Bank SoBa awards InnoPrix prize

QUMEA AG, an up-and-coming new business from Solothurn in Switzerland, is named the winner of the 2021 InnoPrix award. The company has developed a system that uses highly advanced technology to enhance the safety of hospital and care home patients who are at risk of falling. The QUMEA sensor is based on the latest three-dimensional radar technology. The Baloise Bank SoBa foundation has been presenting the annual award, which is endowed with prize money of CHF 25,000, to innovative new products and services in the Solothurn region since 1987.



## DECEMBER

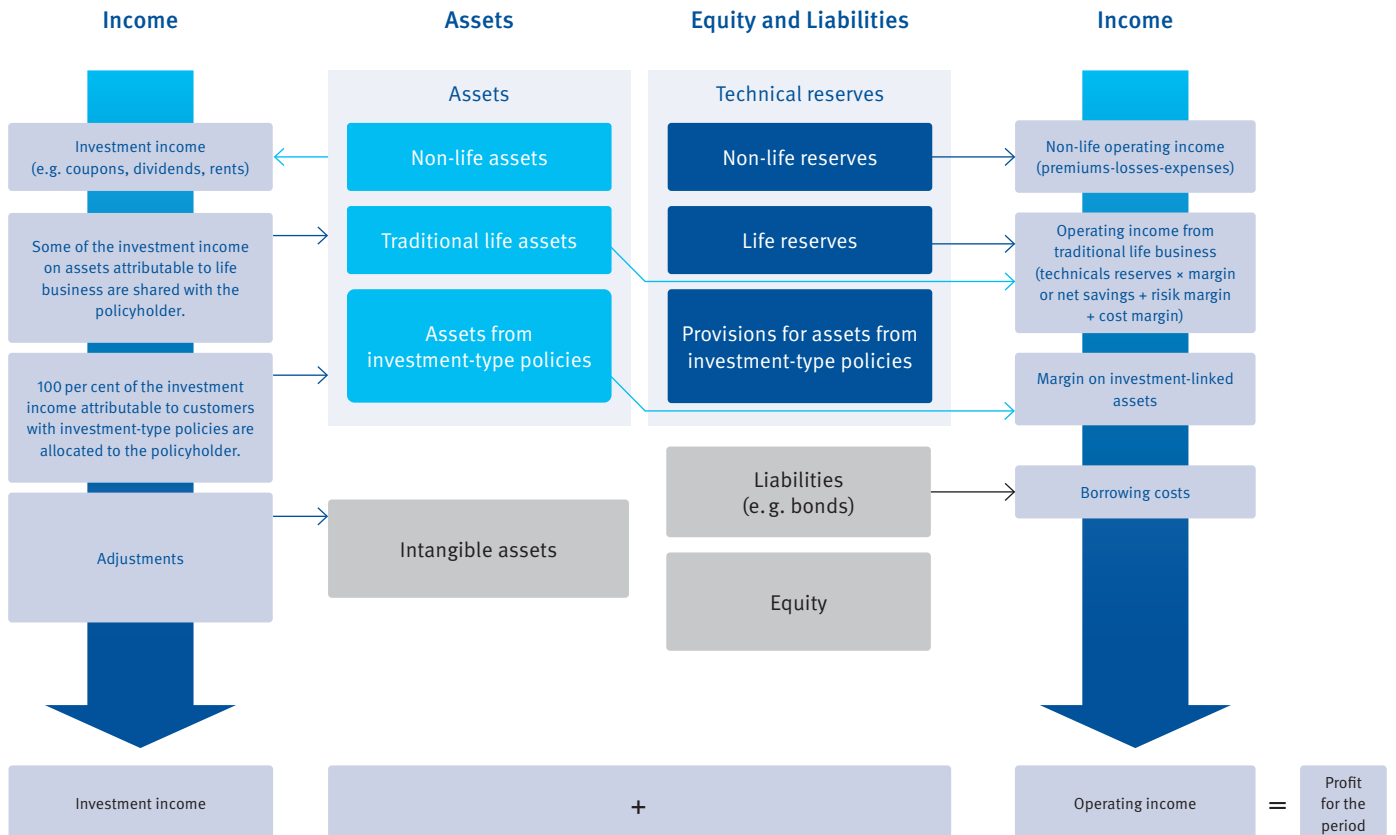
### Baloise supports a project for the national exhibition Svizra27

Baloise is already firmly focused on the future. The company sees Switzerland as a strong, innovative country that is looking forward with optimism. The Svizra27 national exhibition shares this confidence in a successful Switzerland of the future, which visitors to the exhibition will be able to experience in a fun and entertaining way. The project will now be subject to a feasibility study, which is receiving pioneering support from Baloise, among others.

# How does an insurance company work?

In addition to providing society with a well-functioning safety and security mechanism to protect against risks, insurance companies offer a partnership that enables companies and individuals to take risks and engage in business activity. Insurance is essentially a way of sharing risk among lots of people. Insurance companies need a sufficiently large pool of customers in order to be able to offer their products, which can be divided into three areas: risk, savings and service. We cover risk in both the non-life and life insurance business. Non-life business

essentially comprises property and liability insurance, while life insurance protects against the financial consequences of accident or death. Where required, we supplement the element of risk protection in the life insurance business with services such as saving and pensions. An insurance company's balance sheet (see chart) is a good way to obtain a better understanding of its business and how it adds value.



The four key value drivers of insurance work hand in hand:

- ▶ Assets
- ▶ Technical non-life reserves
- ▶ Technical life reserves
- ▶ Equity

We use the premiums paid by our customers to buy assets (investments) such as fixed-income securities, real estate and equities. We use the regular income from these investments to provide our customers with the safety and security that we have promised them. We offset the value of these promises on the equity and liabilities side of the balance sheet by setting aside technical reserves for our life and non-life business. We always have to keep sufficient equity available to ensure that we can honour the promises made to our customers at any time. The minimum amount of equity that we need is determined partly by our own calculations and partly by the requirements set by the regulatory authorities. This equity is provided to us by investors (shareholders). Because this equity is risk capital which – in the worst-case scenario – could be lost, our investors demand in return a level of compensation commensurate with the risk involved. This compensation is provided in the form of profits that are returned to investors via dividends, share buyback programmes or a rising share price. Consequently, this circular flow of funds between risk sellers (customers) and risk buyers (shareholders) only works if an insurance company can earn profits. It does so if it invests its assets as profitably as possible and if the insurance claims that occur do not exceed the amounts set aside by the insurer in its technical reserves. Shareholders will continue to provide the insurance company with equity if the ratio between the profit that it generates and the capital that it employs (return on equity) is adequate, compared with the market as a whole.

These four drivers of value within the insurance business are explained in more detail in the sections that follow.

### NON-LIFE BUSINESS

Non-life business essentially comprises property and liability insurance, such as motor vehicle and home contents insurance. The profitability of this business consists of two components: the technical result and the Company's gains or losses on its investments. Based on the premium payments received from customers, it is calculated as follows:

Customers pay an annual premium. If a claim occurs, the insurance company uses part of the premium earned to cover costs that have already been incurred. Because the claim has still generally not been finally settled, however, a further portion of the premiums earned is used to set aside claims reserves for future insurance benefits and is channelled into investments that will yield a return. Then there are also insurance business operating expenses such as claims handling costs and staff expenses. If the claims paid, the expenses for insurance benefit payments and the insurance business operating expenses are lower than the premiums collected, the technical result is positive and the insurance company earns a gross profit. The better the insurance company's cost containment and the lower the risks in its client portfolio, the higher the gross profit will be. Technical profitability is measured in terms of the so-called combined ratio, which is one of the key performance indicators used in insurance. It is a relative figure that denotes the ratio between an insurer's costs plus the claims incurred, and its premium income. If its combined ratio is less than 100 per cent, an insurance company has generated a technical profit.

In years when high levels of claims occur, an insurer's claims ratio may be above 100 per cent. In order to ensure that enough capital is still available to pay insurance benefits in such years, equity is required so that non-life business can be transacted. The amount of capital needed here depends on risk-related and business-specific factors and on regulatory requirements. Gains or losses on investments are calculated as the investment yield on the equity provided by shareholders and on the technical reserves. The gains on investments and the technical result must be used to cover all taxes, borrowing costs and the minimum rate of return required by shareholders.

### LIFE BUSINESS

Life insurance enables policyholders to build wealth, make provision for their old age and protect themselves against risk (e.g. in the event of accident or death). These benefits are usually offered in combination, but pure risk life insurance and pure endowment insurance are also available. Risk insurance benefits are paid out if an unforeseen event – such as the policyholder's occupational disablement – occurs. In the case of endowment insurance, on the other hand, the event that triggers the payment of benefits is the endowment date following a contractually agreed period. Endowment insurance policies are

therefore used as savings vehicles – mostly as a form of retirement pension – which is why they are sometimes paid out as monthly annuities.

A distinction can be made between **traditional life insurance** and investment-type insurance policies. In traditional life insurance business, the premium can be broken down into the following three components that provide benefits for the customer:

- ▶ Risk component – benefits payable on death or disability
- ▶ Savings component – capital protection and guaranteed interest income
- ▶ Cost component – for various services such as processing annuities.

The premiums paid by customers for their life insurance policies are divided in the same way. The savings component protects and builds the customer's capital. It is invested in portfolios of different assets in order to ensure that the promise of a guaranteed return is kept and to achieve surpluses over and above the guaranteed returns. The risk component is used to create a technical reserve for claims – for example in the event of the policyholder's death. The cost component covers the costs incurred by the insurance company for administering the policy.

Depending on how successfully the insurance company invests the assets, how cost efficient its operations are and the level of risk in the client portfolio, the insurance company is left with a return after providing the services. This amount then goes into gross profit. The majority of the gross profit, often over 90 per cent, e.g. for occupational pension insurance schemes in Switzerland or in German individual life insurance, is generally transferred back to customers in the form of surpluses. The amount that remains is the profit for the period. This profit must be sufficient to adequately compensate the shareholders who have provided the equity required for the business.

There are various forms of **investment-type insurance policy**, such as investment-linked life insurance and variable annuities. In contrast to traditional life business, the insurance company is merely responsible for the administration of these policies. If the premiums are invested in funds, customers often make the necessary investment decisions themselves. The insurance company receives commission for its asset administration services but is not involved in investing the insurance assets in the way that it is in the case of traditional life insurance policies offering guaranteed returns. Although modern life insurance policyholders therefore bear the investment risk, they can earn a far higher profit than they could from traditional life insurance that offers guaranteed returns. This is because customers benefit fully from any return on investments. This line of business is highly lucrative for insurers because it can generate fees but

the insurer only has to provide a relatively small amount of risk-bearing capital, as the policyholders bear the investment risk.

## ASSET MANAGEMENT & BANKING

The prudent management of investments is one of the most important capabilities that an insurer must possess. By successfully investing the premiums it receives, the insurance company ensures that it can meet its financial obligations towards its customers while making a contribution to its overall profitability. The safety of these investments must be guaranteed at all times. Baloise therefore ensures that its investments are widely diversified across several asset classes such as fixed-income securities, real estate and equities. Within each asset class the focus is on high-quality investments that yield consistent returns. The Company's investments must be carefully matched with its obligations. So-called asset / liability management (ALM) is used for this purpose. This involves matching the cash flows from the Company's investments with those from its liabilities.

Baloise is increasingly offering its asset management services to third parties as a means of expanding this area of its business. The Company offers investment solutions in the areas of equities, bonds, alternative investments, real estate and multi assets. Customers benefit from the specific expertise and experience of Baloise Asset Management, while Baloise is able to take advantage of economies of scale and keep its cost base under control more easily.

# The ‘Simply Safe’ strategy is transforming Baloise

‘Simply Safe’ was the banner under which Baloise launched its new strategy in 2016. The strategy set out our ambition of responding to the changing needs of society by providing innovative solutions that extend beyond traditional insurance. We successfully completed the first phase of the strategy – ‘Simply Safe: Season 1’ – in 2021. Building on the successes achieved so far, we now want to go further in 2022 with ‘Simply Safe: Season 2’, and establish ourselves as an important part of people’s lives. In order to do this, the Baloise value creation model has been integrated into the next strategic phase. We have a clear focus and three ambitious objectives in relation to employees, customers and shareholders as we continue our strategic journey towards profitable growth.

At the end of 2021, Baloise brought the first phase of its ‘Simply Safe’ strategy to a successful conclusion and moved seamlessly into the next phase, ‘Simply Safe: Season 2’, which will run from 2022 to 2025. As we announced on Investor Day in autumn 2020, we are building on the successes of the first phase of the strategy and continuing to focus our ambitious objectives on our stakeholders: employees, customers and shareholders. As part of our sustainability measures, we are continuing to work on the operationalisation of our value creation model, which is an integral element and cornerstone of our corporate strategy (see page 26). The value creation model adds partners, society and the environment to the existing stakeholder groups (employees, customers and shareholders), as these aspects have been identified as additional key factors in the success of Baloise. The strategic phase ending in 2025 thus envisages for the first time the creation of value for a whole range of stakeholders. It is against this that we ultimately wish to be measured, within the context of our value creation model.

## SUCCESSFUL COMPLETION OF THE STRATEGY PHASE TO 2021

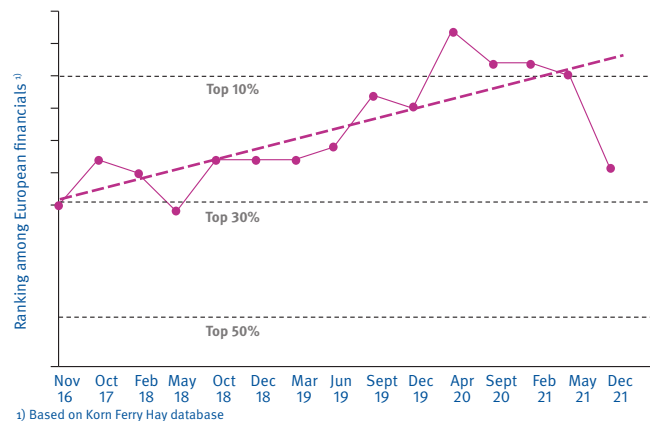
As the 2021 financial year drew to a close, we reached an important milestone in our ‘Simply Safe’ strategy. Although we were always confident about the ambitious objectives for employees, customers and shareholders, we are nevertheless pleased to be able to present the successes of the strategic phase after five years of intensive work.

### EMPLOYEES

Baloise had set itself the target of becoming an industry leader in terms of employer attractiveness and being among the top 10 per cent of the best employers to work for in the European finance industry. We firmly believe that employees are the key to implementing our corporate strategy. Progress was measured by a key performance indicator that shows how frequently Baloise is recommended as a good place to work by its employees. From its starting position of being among the top 30 per

cent of employers, Baloise managed to break into the top 8 per cent in 2020 thanks to a number of measures. Aspects particularly appreciated by employees include the excellent working relationships and the high level of commitment. These outstanding results continued until early summer 2021, but in the December survey, Baloise slipped down the rankings to be among the top 24 per cent of employers. This fall was primarily due to the increased workload arising from the once-in-a-century summer storms and the ongoing pandemic situation. However, a clear trend has emerged over recent years. In Switzerland, the high recommendation rate remained in the excellent 90 per cent range, while Germany and Luxembourg saw steady improvements from 58 per cent to 80 per cent and 61 per cent to 77 per cent respectively.

### EMPLOYEE TARGET (2017–2021)

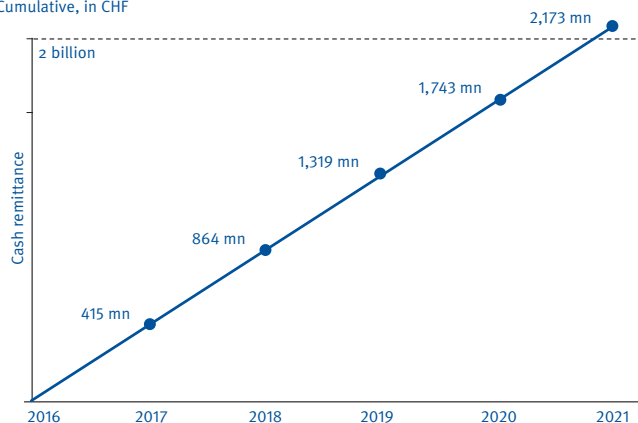


## CUSTOMERS

On Investor Day in 2016, we announced our target of one million additional customers by 2021. We wanted Baloise to be the first choice for people who want to feel ‘simply safe’. An even stronger focus on customer needs, tailored omnichannel communication and innovative products and services in the areas of insurance, assistance and pensions helped us to achieve strong growth. Between 2017 and 2021, Baloise gained 961 thousand new customers through organic growth. The number of customers grew by a further 500 thousand or so as a result of our acquisitions in Belgium. This is not included in the target attainment. By adding around one million new customers through organic growth, we have achieved considerable success and reversed what had previously been a downward trend. It is particularly encouraging that this has happened through new initiatives and in all business units. Moreover, cross-selling and up-selling provide us with further potential to increase business with the new customers. Bolstered by this success, we are ratcheting up our ambition even further for the next strategic phase and are aiming to attract an additional 1.5 million customers within four years.

## SHAREHOLDERS TARGET (2017–2021)

Cumulative, in CHF

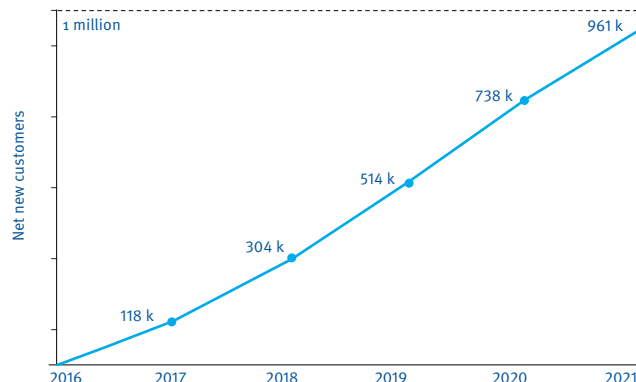


## SHAREHOLDERS

Baloise set itself the target of transferring a total of CHF 2 billion in cash to the holding company by 2021. This is based on well diversified and sustainable improved earnings power from the life and non-life business, and from asset management & banking. Shareholders benefited directly from the cash generated by the rigorous adherence to an attractive and sustainable dividend policy and from the repurchase and cancellation of three million treasury shares. Furthermore, investments were made in new strategic projects that open up new opportunities to generate additional income. During the ‘Simply Safe’ strategic phase, Baloise transferred a total of CHF 2,173 million in cash to the holding company, thereby exceeding its objective.

## CUSTOMER TARGET (2017–2021)

Cumulative



## IN THE STARTING BLOCKS FOR ‘SIMPLY SAFE: SEASON 2’

‘Simply Safe: Season 2’ marks the start of Baloise’s next strategic phase and sets out the ambitions and targets of the Company for the period from 2022 to 2025. Over the next four years, Baloise aims to:

- ▶ break into the top 5 per cent of the best companies to work for in Europe
- ▶ attract 1.5 million new customers
- ▶ generate CHF 2 billion in cash

The targets for ‘Simply Safe: Season 2’ also cover the three stakeholder groups – employees, customers and investors – but are even more ambitious than those of Season 1. This phase is also one year shorter than the previous five-year strategy, and the new-customer target has been increased by 50 per cent to 1.5 million. Based on the successes achieved and insights gained from Season 1, the following four strategy areas have been defined:

- ▶ Focus: focusing on the core insurance business
- ▶ Reimagine: improving the customer experience
- ▶ Diversify: moving into new business areas
- ▶ Transform: harnessing the corporate culture and agility as key drivers of the transformation

The ‘Focus’ strategy area encompasses all life and non-life initiatives in the core insurance business, as well as matters relating to cash and capital. In the non-life business, Baloise is aiming for a combined ratio of around 90 per cent (previously: 90 to 95 per cent) to further improve profitability. In the life business, the target is EBIT in excess of CHF 200 million annually and a further substantial contribution to cash flows. For cash and capital, Baloise intends to distribute 60 to 80 per cent of cash as dividends and invest 10 to 30 per cent in innovation and capital management.



The objective of ‘Reimagine’ and the related aim of ‘improving the customer experience’ is to make collaboration even easier for the Company’s customers and partners. Baloise is looking to provide a simpler and more enjoyable experience for customers by systematically harnessing their feedback and doing more to understand their needs. Cutting-edge data analysis and further investment in digital technologies will help it to do this. It also aims to establish the new customers it will have attracted by 2025 (target: + 1.5 million) as loyal, long-term, and profitable sources of revenue by engaging in cross-selling and up-selling activities. Third-party business in the asset management segment is to be increased by a minimum of CHF 10 billion in net new assets.

‘Diversify’: Diversification of the business will be key to long-term competitive success in the insurance market. Baloise has therefore set itself the ambition of further unlocking the substantial growth potential of its digital insurer FRIDAY and generating revenue of more than CHF 150 million by 2025. The Home and Mobility ecosystems will be significantly expanded with revenue in excess of CHF 200 million targeted for 2025. The Company aims to reach a total value creation figure of approximately CHF 1 billion for all Baloise innovations by 2025,

making this a third key pillar alongside the insurance and asset management & banking businesses.

‘Transform’ encompasses Baloise’s unique corporate culture that has been both a resource and a driver for the ambitious strategic realignment that began with the launch of ‘Simply Safe’. In addition to the ambition of using agile working methods to be a consistently innovative and effective business, Baloise also aims to be an employer that fulfils the needs of its employees and provides opportunities for continuous personal and professional development.

With the new ‘Simply Safe: Season 2’ phase, Baloise intends to become a technology-driven financial services provider and leading provider of ecosystems that – in a rapidly changing world – fulfils the needs of its customers in the best possible way. Baloise wants to be more than an insurance company – it aims to play a key role in people’s lives.

## The Baloise brand as a strategic asset

The Baloise brand is more than just marketing. It creates a link between customers and Baloise and its services by communicating the brand promise and strengthening trust in the Company’s services. The brand builds trust, which enables Baloise to stand out in the market and communicate its strategy accordingly. Baloise wants to add to the trust it has already established and systematically develop the brand as a strategic asset.

The Baloise brand has been continuously refined over many years and today stands for safety, simplicity and partnership. Safety is the core: it forms the basis of everything we do – of every service and every product. Simplicity expresses our aim to deliver an exceptional customer experience with straightforward solutions, streamlined processes and clear communication. Our focus on partnership is one of our greatest emotional strengths and is predicated on value creation and mutual respect. We nurture and deepen our relationships with all our stakeholders.

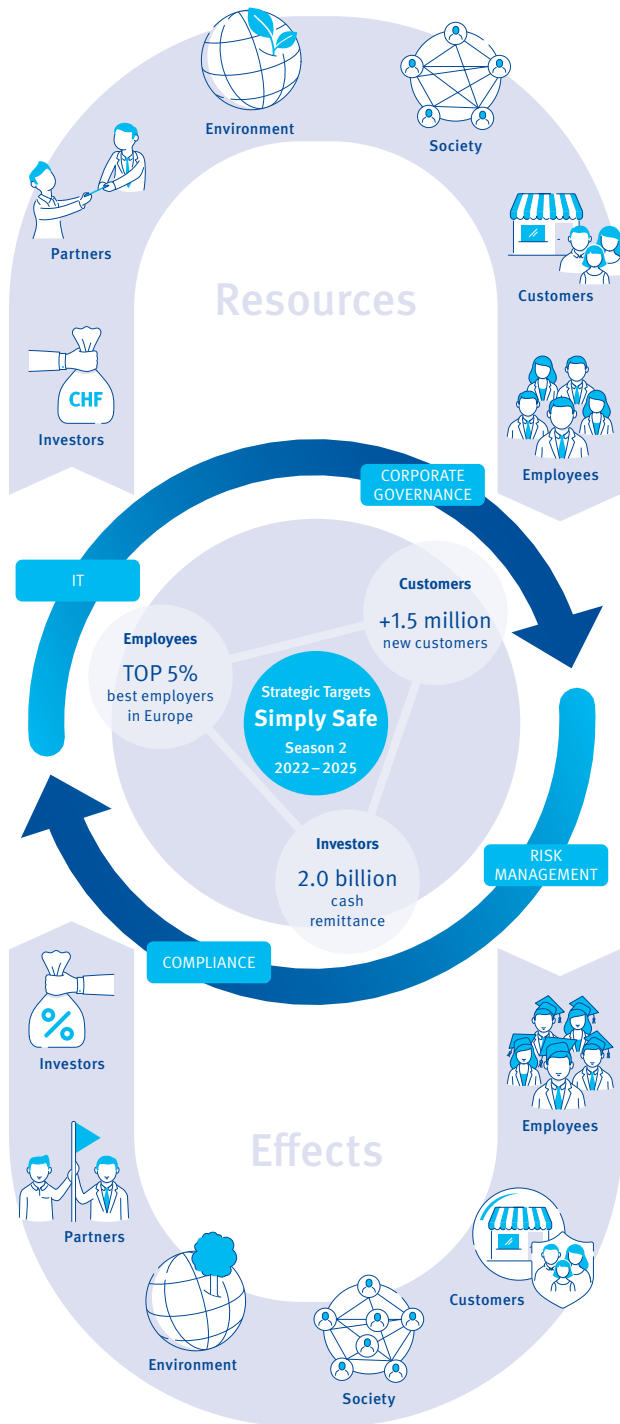
### THE BRAND MAKES STRATEGY VISIBLE

In the next strategic phase, the aim is to use the brand more consistently as a strategic asset. It will make the strategy more visible and more tangible, internally and externally. Brand ambi-

tions will be defined to emphasize the strategic importance of the Baloise brand. The ambitions will serve as a beacon for the development of the brand and the contribution to the next strategic phase ‘Simply Safe: Season 2’ from 2022 onwards. They will also guide the proactive and sustainable management of our reputation. The brand ambition will consist of internal and external perspectives. The internal perspective aims to support the implementation of the next strategic phase while the external perspective exerts a kind of multiplier effect on the work of Baloise. It is intended to influence the way that external stakeholders perceive Baloise.

# Baloise value creation model

## Baloise's approach to sustainable value creation



-  **Investors**  
Institutional and private investors and shareholders, who invest in Baloise
-  **Partners**  
Innovation partners such as start-ups, outsourcing partners, suppliers, brokers and agents
-  **Environment**  
The direct natural environment at all Baloise sites and the global environment that we influence through our business decisions and activities
-  **Society**  
The communities in which we operate at all Baloise sites, and the society of each country in which we operate
-  **Customers**  
Retail and corporate customers at all Baloise sites
-  **Employees**  
Baloise employees at all Baloise sites

-  **Employees**  
Greater well-being
-  **Customers**  
Increased customer satisfaction
-  **Society**  
Valued member of society
-  **Environment**  
Climate protection
-  **Partners**  
Responsible and successful cooperation
-  **Investors**  
Attractive, reliable and responsible investment

# The Baloise value creation model

Baloise practises sustainable business management in accordance with the Company's value creation model (see illustration on the left). This, in turn, is based on the integrated reporting framework of the International Integrated Reporting Council (IIRC), but is specifically aligned with the Baloise business model, the aspects that are important to the Company and its corporate values. Corporate responsibility covers a broad range of activities and involves an equally broad range of resources – from shareholders and investors to employees and customers, partners, society and the environment around us.

## STRATEGIC INTEGRATION THROUGH VALUE CREATION MODEL

Insurance companies grew out of the idea of risk sharing. The strength of a community sharing the 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 organised. This is precisely where Baloise has seen its role ever since it was founded in the 19<sup>th</sup> 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.

At the heart of Baloise's value creation model is its 'Simple Safe' strategy, which emphasises that matters of sustainable business management cannot be viewed in isolation from the commercial management of a company. In its role as an insurance and pension provider with product and service ecosystems that cut across insurance, banking and asset management, Baloise not only looks after individuals but also protects companies, economies and communities and helps them to function properly – every day of the year. In doing so, it boosts economic and social stability in the countries where it operates. Baloise must be able to offer customers the sort of long-term security that cannot be sustained by the pursuit of short-term profits alone. Through the key parameters of corporate governance, compliance, information security and risk management, Baloise can make a lasting impact and, in so doing, create value for employees, customers, society, the environment, partners and investors. In the value creation model, which is based on the integrated reporting framework of the International Integrated Reporting Council (IIRC), these stakeholders and the environment are described as resources. The newly created value benefits the aforementioned resources and Baloise itself. It becomes fresh input for the ongoing value creation process and thus contributes to the achievement of long-term sustainable development goals.

[www.baloise.com/sustainability](http://www.baloise.com/sustainability)

[www.baloise.com/strategy](http://www.baloise.com/strategy)

## STRATEGIC INTEGRATION THROUGH COMMITMENTS IN THE AREA OF SUSTAINABILITY

At the heart of Baloise's belief is sustainable value creation, with a promise not to create value for certain individuals that causes losses to others in the process. Baloise has therefore assumed six commitments in the area of sustainability that cover all the resources in our value creation model. During the course of the strategic phase 'Simply Safe: Season 2', which runs until 2025, these six commitments will add to the three strategic goals relating to employees, customers and investors. Baloise will report annually on its progress in these six areas, starting in the annual report for 2022.

## UN SUSTAINABLE DEVELOPMENT GOALS

Baloise's value creation process is guided by the United Nations' sustainable development goals (SDGs). The following SDGs have been identified as material for the Company:



# Commitments

## COMMITMENTS



### 1. Employees: Greater well-being

We offer our employees an inspiring and collaborative work environment that they find motivating and that encourages their productivity and continuous development.



### 2. Customers: Increased customer satisfaction

We make the lives of our customers safer and simpler. In this way, we will increase customer satisfaction and support our customers in their personal and professional development.



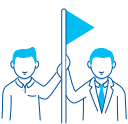
### 3. Society: Valued member of society

As a member of society, we are committed to social responsibility as a good corporate citizen. We offer protection, safety and security, and support (e.g. through taxes, sponsorships, donations and corporate citizenship) in normal times and during times of crisis, and aim to increase the number of employees who do voluntary work.



### 4. Environment: Climate protection

It is important to us that we continue to reduce our carbon emissions, for the sake of the environment. From 2021, 100 per cent of our electricity will come from renewable sources. In addition, we will expand and intensify our responsible approach to investment.



### 5. Partners: Responsible and successful collaboration

It is important to us that we are the preferred partner for brokers, agents, suppliers and business partners, such as outsourcing and innovation partners, who share our values and with whom we can convert synergies into mutual, measurable success.



### 6. Investors: Attractive, reliable and responsible investment

Baloise is an attractive, reliable and responsible investment. We want to further increase the generation of cash from our operating activities and pursue a transparent, balanced and value-creating strategy for the application of funds.

## SUSTAINABLE DEVELOPMENT GOALS (SDG)



## STAKEHOLDER DIALOGUE

We maintain a regular dialogue with stakeholders. In 2021, various internal and external stakeholders were surveyed as part of a materiality analysis. For this dialogue, we used a combination of qualitative individual interviews and an online questionnaire. The surveyed stakeholder groups included employees of Baloise, industry associations, customers, brokers and agents, non-profit organisations and media representatives. In addition, twelve interviews with individual Baloise investors were conducted in 2021, which focused on environmental, social and corporate governance (ESG) topics and the general approach to sustainability adopted by Baloise.

Baloise is also an active member of the following associations and groups where it regularly compares notes with other companies on sustainability-related matters:

- ▶ Local network of the State Secretariat for International Finance (SIF)
- ▶ Swiss Sustainable Finance (SSF)
- ▶ Swiss Business Council for Sustainable Development (oebu)
- ▶ Association for Environmental Management in Banks and Insurance Companies (VfU)
- ▶ Principles for Sustainable Insurance (PSI)
- ▶ Principles for Responsible Investment (PRI)
- ▶ Swiss Insurance Association (SVV)
- ▶ German Insurance Association (GDV)
- ▶ Assuralia in Belgium
- ▶ Association des Compagnies d'Assurances (ACA) in Luxembourg.

# Materiality assessment

## MATERIALITY ASSESSMENT APPROACH

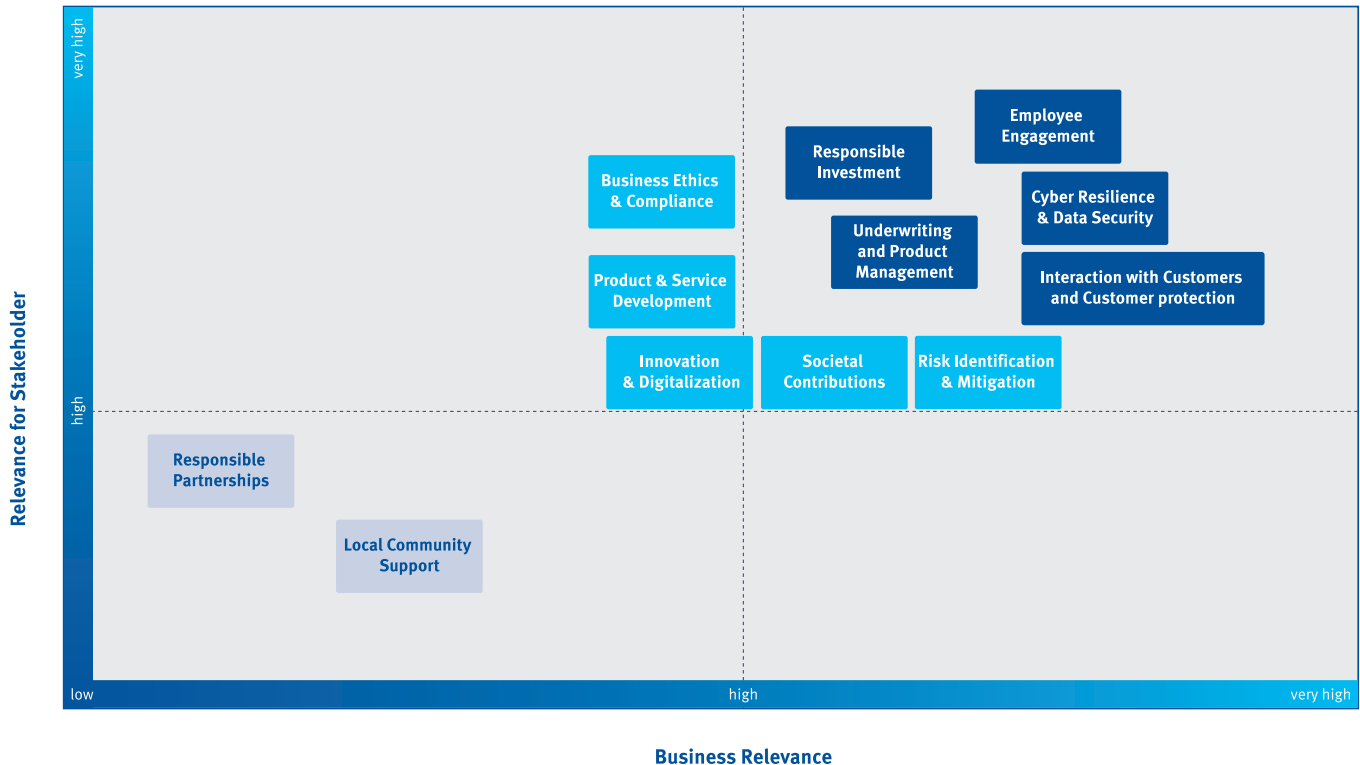
A structured and focused approach to sustainability is important to Baloise. That is why, in 2020, we began work on a detailed materiality assessment for the relevant aspects in the area of sustainability. This analysis is guided by the requirements of the Integrated Reporting Framework, the sector-specific requirements of the Sustainability Accounting Standards Board (SASB) and a dialogue with stakeholders based on our value creation model.

## IDENTIFICATION OF MATERIAL ISSUES AND INTERNAL ASSESSMENT

Baloise combines external and internal sources to identify a wide range of material topics. The first step was to collect material topics using the sources listed below, and these were then consolidated in a second step:

1. Sector analysis to identify relevant sector-specific topics.
2. Analysis of external expectations and requirements in the market, relevant regulations and financial market demands. Inclusion of ESG ratings and standards such as SASB, GRI and the Integrated Reporting Framework.
3. Combination with internal material topics that were identified by the Baloise sustainability network.
4. The sustainability experts at Baloise brought the two above assessments together and reviewed them. This resulted in 21 potential material topics for Baloise.

## MATERIALITY MATRIX



## COMPREHENSIVE ASSESSMENT OF THE MATERIAL TOPICS

5. Two-phase assessment of the materiality of the topics identified by departments within the internal sustainability network as relevant to their area of responsibility:
  - ▶ In the first phase, a general technical assessment was provided to establish the extent of the identified topics' impact on Baloise and its business activities.
  - ▶ Then in the second phase, an assessment was carried out using the Future-Fit Business Benchmark\* to establish the impact of the identified topics and thus of the business activities of Baloise on society as a whole.
6. Review and initial assessment by the Corporate Executive Committee of the potentially material topics identified.
7. Quantitative survey of a total of 711 internal and external stakeholders in all countries in which Baloise operates, and of the Corporate Executive Committee, to assess the potentially material topics identified. The internal and external stakeholders were selected in accordance with the Baloise value creation model, with equal numbers of customers and employees making up the largest groups of survey participants. Evaluation of the quantitative survey.
8. Interviews with experts from the following areas of the Baloise value creation model as part of a stakeholder dialogue: partners (SIBA), society (NZZ), investors (Vontobel, zCapital), environment (WWF) and employees (Swiss Association of Commercial Employees [KFMV]). Assessment by the experts of the relevance and impact of the material topics identified.
9. Analysis of the assessment and conclusions based on the results to produce a materiality matrix for the whole Baloise Group. Country-specific materiality matrices were also created to enable the results of the analysis to be adapted in practice to local business activities and to encourage their use for specific initiatives (operationalisation).

\* The Future-Fit Business Benchmark is an open source tool that was developed by the Future-Fit Foundation in the UK and published in May 2016. This approach shifts the focus away from today's best practice in sustainability management and reporting and towards the practice that will be required tomorrow.

## RESULTS OF THE MATERIALITY ASSESSMENT

As described above, the potentially material topics were assessed from three perspectives:

10. Business relevance – quantitative assessment by the Baloise management.
11. Relevance for stakeholders – quantitative assessment by the internal and external stakeholders in accordance with the Baloise value creation model.
12. Impact on sustainable development – qualitative assessment by external experts in accordance with the Baloise value creation model.

The materiality assessment produced twelve topics, five of which were assessed as extremely relevant.

The materiality assessment and the materiality matrix derived from it are intended to help the Company to prioritise sustainability issues. The matrix is not a marketing tool that flags up areas of general importance for Baloise. All the topics listed and those that go beyond this analysis are important. Out of 21 topics investigated, the twelve topics shown were identified as the ones that will enable Baloise to create the greatest value within the area of sustainable development.

The materiality assessment is carried out at regular intervals (every 2–3 years) because of the rapid pace of change in this area. Changes resulting from the assessments are explained in the disclosure: they highlight topics from a multi-stakeholder perspective that represent Baloise's most effective levers for influencing sustainable development and are thus an important element of the disclosure.

The following section sets out the topics that are considered material for Baloise.

## Topics with the greatest materiality

### Staff engagement

We want to promote the wellbeing, health and satisfaction of all our employees at every stage of their career. We offer a modern working environment and flexible work models. Our employees can also actively participate in processes, innovations and strategic projects. We train and develop our employees in accordance with Baloise requirements; this also includes strategic talent management and the development of future leaders. The staff development measures take place both in and away from the workplace. We create a working environment that encourages collaboration between employees in different departments and countries. This collaboration is based on values such as fairness, equality and partnership.

- ▶ SDG 3, 4, 8

### Cyber-resilience and data security

For Baloise, this means handling sensitive data relating to stakeholders such as customers or employees in a secure and responsible way, with the aim of protecting their security and privacy and ensuring compliance with statutory requirements. This also includes ensuring business continuity in the event of a cyberattack and making sure employees are aware of these issues.

- ▶ SDG 8, 9, 10, 12

### Responsible investment – combating climate change and contributing to society

This topic includes the scope and depth of the rules for responsible investment by Baloise Asset Management, including the ESG priorities (E=Environment, S=Social, G=Corporate Governance). Our guideline for responsible investment covers aspects such as the exclusion of certain investment areas, the factoring of climate and environmental aspects into investment decisions and active dialogue with investees. In addition to climate and environmental aspects, we also include social aspects such as respect for human rights and workers' rights.

- ▶ SDG 1, 7, 8, 9, 10, 12, 13

### Interaction with customers and customer protection

We aim to build long-term relationships with our customers and to continuously improve these relationships; we use online and offline interactions to achieve this. Securing the loyalty of existing customers and attracting new ones through actively engaging with customers is important to us. We endeavour to offer products and services that meet the needs of our customers and to avoid providing misinformation or making sales based on misleading information.

- ▶ SDG 1, 3, 4, 12

### Underwriting and product management – combating climate change and contributing to society

We take climate and environmental aspects into account in our decision-making processes for the selection of our customers and the design of our products. We also include social aspects such as respect for human rights and workers' rights.

- ▶ SDG 1, 7, 8, 9, 10, 12, 13

### Other material topics

#### Identification and mitigation of risk

This is about promoting risk awareness and identifying and assessing potential risks. It also covers the mitigation of risk, which includes the acceptance of risk. It covers sustainability risks and climate risks.

- ▶ SDG 8, 13

#### Business ethics and compliance

This includes internal and external audits and the internal control system as well as rules and measures to prevent money laundering, corruption and tax evasion. We also use it to describe activities of Baloise that go beyond the legal requirements and serve the needs of our stakeholders.

- ▶ SDG 8, 10, 1

#### Contributing to society

For Baloise, this means paying taxes, creating and maintaining jobs and paying out on claims arising from loss events. We also offer products and services that create added value for the environment and /or society. In addition, we embed social aspects such as respect for human rights and workers' rights across our entire value chain and support charitable organisations that tackle social challenges.

- ▶ SDG 1, 3, 4, 8, 10, 13

#### Development of products and services

We develop new products and services and optimise existing ones with the aim of meeting the present and future needs of our customers. These include products and services that contribute towards preventing damage from natural disasters or clearing up damage that has occurred.

- ▶ SDG 1, 3, 7, 8, 9, 10, 12, 13

#### Innovation and digitalisation

This aspect includes innovative processes in the areas of customer advice, provision of information, sales and marketing. In this way we create a corporate culture that is open to innovation and allows both employees and external third parties (such as universities or start-ups) to participate in the development of innovative ideas.

- ▶ SDG 4, 9, 12, 17



### Responsible partnerships

We extend and deepen important partnerships in order to promote innovation and sustainable solutions and to meet current and future customer requirements. This includes carrying out assessments based on environmental, social and corporate governance criteria for suppliers, outsourcing partners, brokers and innovation partners in accordance with our code of conduct to create a responsible supply chain. It also includes the evaluation and selection of third party suppliers and a transparent process in the way that our suppliers set their prices.

- ▶ SDG 9, 10, 12, 17

### Supporting the local community

This covers activities for charitable organisations in the areas of environment and society, support for voluntary activities, knowledge transfer and the sponsorship and funding of cultural development in the communities where we have offices.

- ▶ SDG 1, 3, 4, 8, 10, 13

### CONCLUSIONS FROM THE MATERIALITY ASSESSMENT

The topics rated as being of high or very high relevance for Baloise and its stakeholders and assessed by the expert surveys as having a strong impact on sustainable development, coincide with the three strategic targets for customers, employees and investors. The analysis thus validates the three strategic targets determined by Baloise for the 'Simply Safe: Season 2' strategic phase and extends them to include social aspects in various areas, as well as cyber-resilience, data security, responsible investment, underwriting, product management, interaction with and protection of customers, the identification and mitigation of risk, innovation and digitalisation, business ethics and compliance, the development of products and services and innovation and digitalisation. This affirms our strategic expansion of the three targets to include commitments derived from our value creation model.

In relation to the **environment and climate**, our focus is on investment and underwriting, including product management. Reducing the carbon footprint of our own business activities is regarded as an obvious step with relatively little impact on sustainable development. Our activities in the area of investment – with regard to the continuous development of our responsible investment policy – and the Group-wide integration of ESG criteria into the underwriting process and product management reflect these priorities. In the area of underwriting and product management, we are at the start of the integration process. We will gather experience as this progresses and make use of this experience as we continue to drive integration forward. Reducing our carbon footprint is part of doing business sustainably. It is generally accepted that this part of our business

has a lesser impact on our commitment to climate change mitigation than the integration of climate and environmental criteria into investment and underwriting.

**Social factors** are extremely relevant to Baloise as a provider of insurance and financial services. They include topics relating to employees and customers as well as social aspects in the areas of investment, underwriting, partnerships, compliance and business ethics. The fact that social aspects are not only viewed through the lens of our CSR activities, but are in fact part of our core business, is illustrated by the integration of social criteria into our investment decisions through our responsible investment policy, the extension of these criteria through our active ownership strategy, the factoring of social criteria such as human rights and workers' rights into our underwriting decisions, and the progressive integration of these criteria into our supply chains. The results of the materiality assessment confirm that the key to further progress with regard to sustainability within Baloise also lies in these areas and that the focus should be on social aspects.

The topics in the area of corporate **governance** with the greatest relevance are the identification and mitigation of risk, business ethics and compliance, and cyber-resilience and data security. This is consistent with our efforts with regard to the recommendations of the Task Force on Climate-Related Financial Disclosure, our strong corporate governance and compliance culture and the stepping up of activity in connection with our digital responsibility.

# Sustainability-related memberships and ratings

## BALOISE ESG RATINGS

Explanations of our current ESG ratings are part of transparent sustainability communication. In 2021, we actively supplied and verified data for the following ESG rating providers:

- ▶ MSCI
- ▶ Sustainalytics
- ▶ SAM Score (Dow Jones Sustainability Index)
- ▶ Corporate Knights
- ▶ FTSE Russell (FTSE4Good Index Series)
- ▶ EhticsGrade (ethos, corporate digital responsibility)

By communicating the measures we have taken – such as the expansion and deeper integration of our responsible investment approach through a dedicated climate policy and an active ownership policy – and sharing information regarding our ongoing customer satisfaction measurements and the integration of sustainability and climate risks in our risk management policies, Baloise earned itself a rating upgrade by MSCI from BBB to A (on a scale from CCC to AAA) in 2021. This means that MSCI ranks Baloise among the top 37 per cent of companies in its global peer group with regard to ESG performance. In addition, Baloise improved its Sustainalytics ESG rating by 3.2 points, from a score of 23.6 to a score of 20.4. It therefore remained in the ‘medium’ risk category of this model. In 2020, Baloise supplied data to S&P for the SAM Corporate Sustainability Assessment (CSA) for the first time. This enabled Baloise to start its journey of continuous improvement by increasing its score from 23 to 34 (inclusion in the Dow Jones Sustainability Index World requires a score of 85). These improvements represent important progress towards our goal of being ranked among the top third of our industry in the ESG ratings of MSCI, Sustainalytics and the SAM CSA by S&P. As evidenced by the three aforementioned ESG ratings, Baloise is not involved in any controversies in the environmental (E), social (S) or corporate governance (G) spheres.

The Company will carry on using the information from its ESG ratings to continuously improve its sustainability activities.

[www.baloise.com/ratings](http://www.baloise.com/ratings)

## BALOISE MEMBERSHIPS

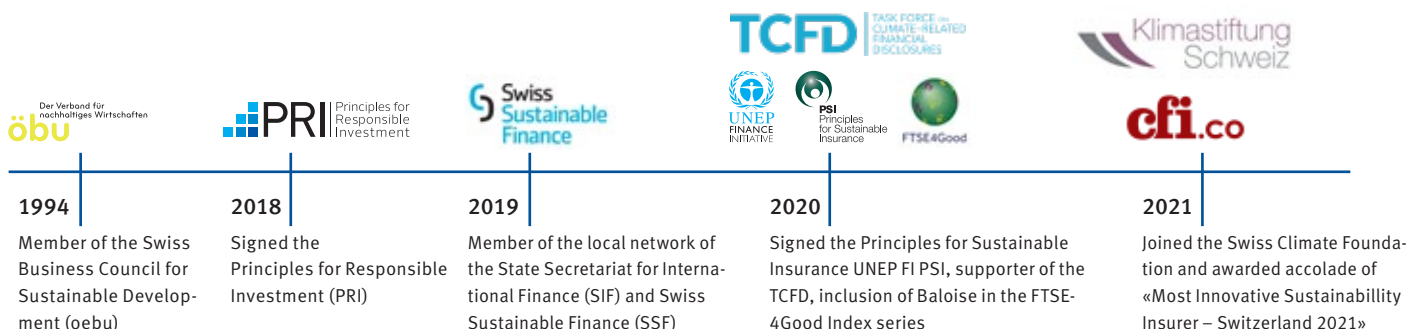
Collaboration with other companies, institutions and organisations is essential to drive sustainable development forward. That is why we support sustainable development goal (SDG) no. 17 of the United Nations (partnerships for achieving the goals). We regard partnerships as a fundamental requirement for the achievement of sustainability objectives. After signing up to the Principles for Responsible Investment (PRI) in 2018, Baloise therefore also subscribed to the Principles for Sustainable Insurance UNEP FI PSI in 2020. Moreover, Baloise has been a member of the local network of the State Secretariat for International Finance (SIF) and Swiss Sustainable Finance (SSF) since 2019 and a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD) since 2020. As a member of the Swiss Insurance Association (SVV), we work on standards relating to sustainability for the entire Swiss insurance sector, act jointly on matters relating to regulation and share expertise relating to responsible investment and risk management. In 2021, we actively participated in the preparation of the SVV’s industry reporting on sustainability topics, as we had also done in 2020. In addition, Baloise joined the Swiss Climate Foundation in 2021. Through this foundation, we provide financial support to small and medium-sized businesses in Switzerland and Liechtenstein that actively contribute to the mitigation of climate change through their products and services. Baloise is an active member of the advisory council of the Swiss Climate Foundation.

[www.klimastiftung.ch](http://www.klimastiftung.ch)

In September 2021, Baloise was named ‘Most Innovative Sustainability Insurer – Switzerland 2021’ by Capital Finance International. Among other things, the award recognises Baloise’s innovations and partnerships that promote a society focused on long-term thinking and sustainability.

[www.baloise.com/most-innovative-sustainability-insurer](http://www.baloise.com/most-innovative-sustainability-insurer)

[www.cfi.co](http://www.cfi.co)



# UNEP FI PRINCIPLES FOR SUSTAINABLE INSURANCE (UNEP FI PSI)

The Principles for Sustainable Insurance (PSI) of the United Nations Environment Programme Finance Initiative (UNEP FI) serve as a global framework for the insurance industry to integrate environmental, social and governance aspects into business processes and identify the associated risks and opportunities. Baloise signed up to the principles in 2020.



“Joining the UNEP FI Principles for Sustainable Insurance Initiative strengthens our ability to create value for a decent future, as the Principles provide the entire industry with a framework to integrate environmental, social and governance aspects into the insurance business, enabling collective action and initiatives. For Baloise, joining the PSI initiative was a logical next step after signing up to the PRI, as it demonstrates our commitment to playing an active role in sustainable development.”

Gert De Winter, CEO Baloise Group

## OVERVIEW AND REFERENCES TO RELEVANT INFORMATION

### Principle 1

We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.

- ▶ Business model, strategy and brand  
Page 20 – 25
- ▶ Our commitments  
Page 28
- ▶ Materiality assessment  
Page 30 – 33
- ▶ Creating value for investors, employees, customers, partners, society and environment  
Page 39 – 99
- ▶ Corporate Governance  
Page 101 – 103
- ▶ Risk management  
Page 105 – 109
- ▶ Compliance  
Page 111 – 113
- ▶ IT  
Page 115 – 117

### Principle 2

We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

- ▶ Materiality assessment  
Page 30 – 33
- ▶ Sustainability-related memberships and ratings  
Page 34
- ▶ Creating value for customers  
Page 63 – 71
- ▶ Creating value for partners  
Page 73 – 75
- ▶ Creating value for society  
Page 77 – 85
- ▶ Creating value for environment  
Page 87 – 99
- ▶ See also:  
[www.baloise.com/vendor](http://www.baloise.com/vendor)

### Principle 3

We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

- ▶ Sustainability-related memberships and ratings  
Page 34
- ▶ Materiality assessment  
Page 30 – 33
- ▶ Risk management  
Page 105 – 109
- ▶ Creating value for environment  
Page 87 – 99
- ▶ Creating value for society  
Page 77 – 85

### Principle 4

We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

- ▶ Sustainability-related memberships and ratings  
Page 34
- ▶ Materiality assessment  
Page 30 – 33
- ▶ Annual reports:  
[www.baloise.com/annual-report](http://www.baloise.com/annual-report)
- ▶ Website:  
[www.baloise.com/sustainability](http://www.baloise.com/sustainability)
- ▶ Blog posts:  
[www.baloise.com/media](http://www.baloise.com/media)
- ▶ PRI transparency report  
Baloise Asset Management<sup>1</sup>

<sup>1</sup>[www.unpri.org/signatory-directory/baloise-asset-management/3718.article](http://www.unpri.org/signatory-directory/baloise-asset-management/3718.article)

# RECOMMENDATIONS OF THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE (TCFD)

The Task Force on Climate-related Financial Disclosures (TCFD) is an initiative that was founded in December 2015 by the Financial Stability Board (FSB), an international body created by the G20 member states with the aim of promoting international financial stability. The TCFD’s recommendations help investors, lenders and insurance companies like Baloise to identify the information that is needed in order to appropriately assess and evaluate climate-related risks and opportunities, and develop suitable measures to address them. We have been an official supporter of the TCFD’s recommendations since 2020 and are progressively integrating them into our reporting processes.



## OVERVIEW AND REFERENCES TO RELEVANT INFORMATION

### Governance

- ▶ Sustainability Governance  
Page 101 – 103
- ▶ Risk management – a key pillar of our value creation  
Page 105 – 109
- ▶ How we create value for the environment  
Page 87 – 99

### Strategy

- ▶ Business model, strategy and brand  
Page 20 – 25
- ▶ Risk management – a key pillar of our value creation  
Page 105 – 109
- ▶ How we create value for the environment  
Page 87 – 99
- ▶ How we create value for our customers  
Page 63 – 71

### Risk management

- ▶ Risk management – a key pillar of our value creation  
Page 105 – 109

### Metrics and targets

- ▶ Taking responsibility and creating value  
Page 27 – 28
- ▶ How we create value for our customers  
Page 63 – 71

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# Investors

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# How we create value for our investors

## RESOURCE: BALOISE'S SHAREHOLDERS (INSTITUTIONAL AND PRIVATE INVESTORS)

### COMMITMENT: ATTRACTIVE, RELIABLE AND RESPONSIBLE INVESTMENT



#### Elements of value creation

- ▶ A broadly diversified shareholder base, including institutional investors from Europe and the US (most with a long-term investment horizon)
- ▶ Open and transparent communication with all capital market participants
- ▶ 'ECCO' (Earnings, Cash, Capital, Optionality) values-based management system
- ▶ High operational profitability and good income diversification between the non-life, life and asset management & banking operating segments
- ▶ Strong balance sheet
- ▶ Focused and value-based innovation strategy

#### Impact of value creation

- ▶ Attractive total shareholder return through reliable dividends based on the ECCO value drivers
- ▶ One of the most profitable non-life portfolios in Europe, a life insurance business that is well positioned to weather a challenging interest-rate environment, and steady and reliable contributions from asset management and banking
- ▶ Strong and well diversified operational cash generation and generation of a cash upstream of CHF 2 billion to Baloise Holding between 2017 and 2021
- ▶ High financial stability and flexibility
- ▶ Optionality thanks to innovation as a source of future value



## CREATING VALUE FOR INVESTORS

As a European insurance company with Swiss roots, we have a robust and profitable business model. Its value generation is anchored in the Baloise value creation model, which is based on the six resources of employees, customers, partners, investors, the environment and society. Our commitment to our investors is that we will use the capital they make available to us efficiently and in their interests and thereby generate value. The strong operational profitability and good income diversification between the non-life, life and asset management & banking operating segments are important, not least because they also result in strong and well diversified cash generation. Our focus on cash generation enables Baloise to pursue an attractive and reliable dividend policy and to pay the surplus portion of the capital made available to us by the shareholders back to them in the form of dividend payments and share buy-backs. The strong balance sheet and high degree of financial flexibility are key factors in Baloise's ability to weather adverse market conditions and, at the same time, its ability to benefit from promising growth opportunities. Its very strong capital base was acknowledged again in the reporting year by the ratings agency Standard & Poor's, which confirmed the very good

credit rating of 'A+' with a stable outlook. The outlook for the German business unit Basler Sachversicherungs-AG was upgraded from 'stable' to 'positive' in light of its improved profitability.

As a provider of insurance and pensions, a long-term perspective is at the heart of everything Baloise does. Every day it helps companies, communities and economies to function effectively. Sustainability therefore plays a key role both in Baloise's values-based management and in the corporate strategy. This ties in with Baloise's firm conviction that motivated and satisfied employees are the key to happy customers, who in turn are what make the business an attractive investment for shareholders. Together with the Company's efforts in the area of sustainable development, these factors make Baloise not only an attractive and sustainable investment target but also a responsible one.

[www.baloise.com/rating](http://www.baloise.com/rating)

[www.baloise.com/risk-management](http://www.baloise.com/risk-management)

[www.baloise.com/investors](http://www.baloise.com/investors)



## OUR VALUE CREATION SYSTEM FOR OUR INVESTORS

Baloise has a stable and broadly diversified base of providers of equity capital and borrowing. 100 per cent of Baloise shares are free float. Institutional investors from Switzerland, the rest of Europe and the US (most with a long-term investment horizon) play an important role. Baloise communicates openly and transparently with all capital market participants and thereby ensures that a solid basis of facts is available at all times to enable investors to make informed investment decisions.

Baloise has developed the ‘ECCO’ values-based management system in order to offer its shareholders consistently high levels of added value and to achieve its financial objectives. The system is based on four value drivers that are also key factors in Baloise’s total shareholder return:

- ▶ **Earnings:** Strong operational profitability and one of the most profitable non-life portfolios in Europe
- ▶ **Cash:** Strong and well diversified operational cash generation
- ▶ **Capital:** Strong capitalisation, conservatively managed investment portfolio and high financial flexibility
- ▶ **Optionality:** Full innovation pipeline and well positioned for the digital age

## STRATEGY AND OBJECTIVES

Our ‘Simply Safe’ strategy is based on an excellent track record over the past decade: one of the most profitable non-life portfolios in Europe, strong market positions, forward-looking capital management, state-of-the-art IT systems and an attractive dividend policy.

In the ‘Simply Safe: Season 1’ strategy phase that ran until the end of 2021, Baloise built on this to pursue the goal of further strengthening the core business while also developing the business model to take account of changing customer needs for security and services in the digital age. This ties in with Baloise’s firm conviction that satisfied employees are the key to happy customers, who in turn are what make our Company an attractive investment for investors. On this basis, Baloise launched its ‘Simply Safe’ strategy in 2017 with a focus on future growth, and set three strategic objectives for the five-year period 2017 to 2021:

- ▶ to break into the **top 10 per cent of the best companies** to work for in the sector
- ▶ to attract **one million new customers**
- ▶ to generate **CHF 2 billion in cash**

In October 2020, Baloise announced the new strategic phase – ‘Simply Safe: Season 2’ – to start in 2022. This time, Baloise has set its sights even higher and over the next four years aims to:

- ▶ break into the **top 5 per cent of the best companies** to work for in Europe

- ▶ attract **1.5 million new customers**
- ▶ generate **CHF 2 billion in cash**

Baloise has also added six sustainability commitments for its resources:

- ▶ Employees: greater wellbeing
- ▶ Customers: increased customer satisfaction
- ▶ Society: valued member of society
- ▶ Environment: climate protection
- ▶ Partners: responsible and successful collaboration
- ▶ Investors: attractive, reliable and responsible investment

In order to achieve the ambitious targets of ‘Simply Safe: Season 2’, four strategy areas have been defined based on the insights gained from Season 1:

- ▶ **Focus:** focusing on the core insurance business
- ▶ **Reimagine:** improving the customer experience
- ▶ **Diversify:** moving into new business areas
- ▶ **Transform:** harnessing the corporate culture, sustainability and agility as key drivers of the transformation

We want to be more than just an insurance company: we want to be an important part of people’s lives. The ‘Strategy’ chapter contains more information on our corporate strategy.

## IMPACT OF OUR VALUE CREATION

In 2021, Baloise successfully achieved the targets it had set itself for the ‘Simply Safe: Season 1’ phase:

- ▶ We moved into the top 10 per cent of the best companies to work for in the sector.
- ▶ We gained 961 thousand new customers.
- ▶ We generated CHF 2,173 million in cash.

Furthermore, through its ‘Simply Safe’ strategy Baloise has secured a leading and now multi-award-winning position in recent years with regard to innovation and the use of digital technologies. This is reflected in the core business through the optimisation of processes and the customer experience, and through product and service innovations. The insurtech business FRIDAY, which was launched in 2017, also achieved another substantial increase in its business volume, and the Home and Mobility ecosystems were significantly expanded through selected investments and new partnerships.

[www.baloise.com/innovation-story](http://www.baloise.com/innovation-story)

In the capital markets, too, Baloise was able to position itself more strongly as a sustainable investment in 2021, as this was the year in which we successfully issued our first green bond. This enabled Baloise to further diversify its investor base. The green bond also contributes to Baloise's sustainability strategy, as the capital raised with the issuance of the bond will be used to finance green properties under Baloise's recently established green bond framework.

Thanks to the strong levels of cash generated, Baloise has been able to pursue an attractive dividend policy over the past five years. The dividend increased by 34.6 per cent over the course of 'Simply Safe: Season 1'. In March 2020, Baloise also ended the buy-back programme for three million shares that was initiated in 2017. As a result of this programme, CHF 481.2 million was returned to shareholders. The attractive dividend payments, the buy-back of shares and the increase in the Baloise share price means that shareholders have benefited directly from the Company's success in recent years. This is reflected in the total shareholder return (TSR), which amounted to a total of 51 per cent over the 'Simply Safe: Season 1' strategic period (from the 2016 Investor Day until the end of 2021).

# Baloise key figures

	2020	2021	Change (%)
CHF million			
<b>Business volume</b>			
Gross non-life premiums written	3,802.5	4,063.4	6.9
Gross life premiums written	3,291.3	3,389.7	3.0
Sub-total of IFRS gross premiums written <sup>1</sup>	7,093.8	7,453.1	5.1
Investment-type premiums	1,832.7	2,138.0	16.7
<b>Total business volume</b>	<b>8,926.5</b>	<b>9,591.1</b>	<b>7.4</b>
<b>Operating profit (loss)</b>			
Profit / loss for the period before borrowing costs and taxes			
Non-life	302.2	303.9	0.6
Life <sup>2</sup>	282.2	406.7	44.1
Asset Management & Banking	79.4	82.5	3.9
Other activities	-61.0	-70.5	15.6
Consolidated profit for the period	428.3	583.3	36.2
<b>Balance sheet</b>			
Technical provisions	48,585.0	48,661.4	0.2
Equity	6,985.7	7,299.9	4.5
<b>Ratios (per cent)</b>			
Return on equity (RoE)	6.4	8.3	-
Gross non-life combined ratio	91.7	99.3	-
Net non-life combined ratio	91.2	92.6	-
New business margin (life)	42.7	39.0	-
Investment performance (insurance) <sup>3</sup>	3.0	1.4	-
<b>New life insurance business</b>			
Annual premium equivalent (APE)	294.5	340.5	15.6
Value of new business	125.9	133.1	5.7
<b>Key figures on the Company's shares</b>			
Shares issued (units)	48,800,000	45,800,000	-6.1
Basic earnings per share <sup>4</sup> (CHF)	9.65	13.06	35.3
Diluted earnings per share <sup>4</sup> (CHF)	9.63	13.05	35.5
Equity per share <sup>4</sup> (CHF)	155.1	161.7	4.3
Closing price (CHF)	157.50	149.10	-5.3
Market capitalisation (CHF million)	7,686.0	6,828.8	-11.2
Dividend per share <sup>5</sup> (CHF)	6.40	7.00	9.4

1 Premiums written and policy fees (gross).

2 Of which deferred gains / losses from other operating segments (31 December 2020: CHF -3.2 million; 31 December 2021: CHF -2.5 million).

3 Excluding investments for the account and at the risk of life insurance policyholders.

4 Calculation is based on the profit for the period attributable to shareholders and the equity attributable to shareholders.

5 2021 based on the proposal submitted to the Annual General Meeting.

## Another year in the shadow of the Covid-19 pandemic

2021 was another year dominated by COVID-19, although the start of the global vaccination campaign sparked hopes of an early end to the pandemic, and this was reflected in upward movement in the equity markets. The leading Swiss index, the SMI, was already back to its pre-crisis level at the very start of 2021 and by the end of the year had hit a new all-time high. The Baloise share \* price had proven relatively resilient in 2020, but over the past year came increasingly under pressure and ended 2021 around 5.3 per cent below the previous year's closing price. Nevertheless, for the period from the start of the 'Simply Safe' strategy to the end of 2021, the Company's total shareholder return was 51 per cent. Operational profitability also improved. The Board of Directors proposes to raise the dividend for 2021 by 9.4 per cent to CHF 7.00. Baloise is thus continuing its reliable and attractive dividend policy.

The last two years of trading have been dominated by the COVID-19 pandemic. Following the sharp price drops and immense turbulence in 2020, the equity markets recovered appreciably in 2021. This was due in large part to an economic upturn that was primarily driven by consumer spending, boosted by pent-up demand following the turbulence of the previous year. The SMI reached a new all-time high in November 2021 and the record was broken again in mid-December. One of the main reasons for this was that demand for goods remained strong despite ongoing concerns about COVID-19 and this, in turn, was reflected in full order books for industrial enterprises. However, the ongoing bottlenecks in worldwide production and supply continue to hamper the global economy. In some places, production capacity was restricted due to local outbreaks of the virus, leading to longer delivery times and increased costs. Outbreaks of new variants of the coronavirus also repeatedly put the equity markets under pressure, not least on 26 November when the outbreak of the Omicron variant first identified in South Africa and thought to be extremely infectious caused share prices to slump around the world. The comprehensive fiscal and monetary policy measures introduced to contain the economic effects of the pandemic significantly increased inflationary pressure, which was further fuelled by the supply shortages. By way of illustration, the debt of the industrialised nations has now reached a level that was last seen during the Second World War. The risk of the tangible rise in prices developing into a sustained period of rising inflation also spooked the markets, even though the ECB, among others, has repeatedly stressed that it believes the rise in inflation is only temporary. By the end of the year, however,

interest rates had risen worldwide in line with the expectation that monetary policy will gradually become more restrictive.

Although the Baloise share price proved relatively resilient in 2020, last year it came increasingly under pressure. By 8 March 2021, Baloise shares had climbed from CHF 157.50 to CHF 168.80, but then slid downward and ended the year at CHF 149.10 (down by 5.3 per cent). While the shares outperformed both the European insurance sector index (STOXX Europe 600 Insurance Index – SXIP) and the Swiss Exchange Supersector Insurance (SMINNX) in 2020, during the reporting year they were below both these benchmarks, which recorded increases (in CHF) of 15.4 per cent and 10.3 per cent respectively. However, the 'Simply Safe: Season 1' strategy phase overall was very successful. Total shareholder return for the period from the launch of the strategy in October 2016 to the end of 2021 was 51 per cent. The share price also enjoyed a positive start to 2022, ending January 8.5 per cent up on its value at the start of the year.

\* Baloise shares = shares in Baloise Holding Ltd

## DIVIDENDS PAID TO SHAREHOLDERS

The Board of Directors of Baloise Holding Ltd will propose to the Annual General Meeting on 29 April 2022 that a cash dividend of CHF 7.00 per share be paid for the 2021 financial year, an increase of 9.4 per cent compared with the dividend for 2020. This represents an attractive dividend yield of 4.7 per cent of the year-end share price.

During the 'Simply Safe: Season 1' strategy phase, the dividend per share thus rose by 34.6 per cent from CHF 5.20 in 2016 to CHF 7.00. The three million shares repurchased under the buyback programme between April 2017 and March 2020 were cancelled over the course of 2021 by means of a capital reduction. Over the 'Simply Safe: Season 1' strategy phase,

Baloise has thus returned CHF 481 million of capital to shareholders via the share buy-back programme.

	Cash dividends	Share buy-backs	Total
Year (CHF million)			
2017	273.3	63.3	336.6
2018	292.8	135.1	427.9
2019	312.3	190.0	502.3
2020	312.3	92.8	405.1
2021	320.6 <sup>1</sup>	–	320.6
<b>Total</b>	<b>1,511.3</b>	<b>481.1</b>	<b>1,992.5</b>

All figures stated as at 31 December.

<sup>1</sup> Proposal to the Annual General Meeting on 29 April 2022.

## STATISTICS ON BALOISE SHARES

	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021
Price at year-end (CHF)	151.70	135.40	175.00	157.50	149.10
High (CHF)	159.40	159.40	186.60	182.10	168.80
Low (CHF)	121.35	131.60	135.80	107.90	137.60
Market capitalisation (CHF million)	7,403.0	6,607.5	8,540.0	7,686.0	6,828.8
Basic earnings per share (CHF)	11.50	11.14	15.02	9.65	13.06
Diluted earnings per share (CHF)	11.48	11.12	14.99	9.63	13.05
Price / earnings (p / e) ratio <sup>1</sup>	13.19	12.15	11.65	16.32	11.42
Price / book (p / b) ratio <sup>1</sup>	1.14	1.07	1.20	1.02	0.92
Number of shares issued (units)	48,800,000	48,800,000	48,800,000	48,800,000	45,800,000
Minus the number of treasury shares (units)	1,327,993	2,218,134	3,238,607	3,750,453	648,730
Number of shares in circulation (units)	47,472,007	46,581,866	45,561,393	45,049,547	45,151,270
Average number of shares outstanding <sup>2</sup>	47,641,577	46,979,421	46,219,774	45,031,594	45,062,127
Dividend per share <sup>3</sup> (CHF)	5.60	6.00	6.40	6.40	7.00
Dividend payout ratio <sup>3</sup>	48.7	53.9	42.6	66.3	53.6
Dividend yield <sup>3</sup>	3.7	4.4	3.7	4.1	4.7

<sup>1</sup> Calculation is based on the profit for the period attributable to shareholders and the equity attributable to shareholders.

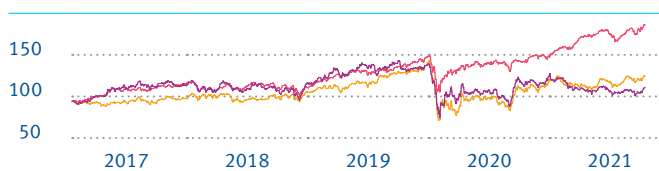
<sup>2</sup> Relevant for calculation of earnings per share (see page 218 of the Financial Report).

<sup>3</sup> 2021 based on the proposal submitted to the Annual General Meeting.

## BALOISE SHARES

Security symbol	BALN
Nominal value	CHF 0.10
Security number	1.241.051
ISIN	CH0012410517
Exchange	SIX Swiss Exchange
Security type	100% registered shares

## INDEXED SHARE PRICE PERFORMANCE<sup>1</sup> BALOISE HOLDING REGISTERED SHARES 2017 – 2021



<sup>1</sup> 31 December 2016 = 100

■ Baloise Holding registered shares (BALN)  
 ■ SWX SP Insurance Price Index (SMINNX)  
 ■ Swiss Performance Index (SPI)

## SHAREHOLDER STRUCTURE

The shares in Baloise Holding Ltd are widely held and their free float remains unchanged at 100 per cent. There were no material changes in the Company's shareholder base in 2021. Further information on Baloise's significant shareholders as at 31 December 2021 can be found in the Annual Report 2021 in table 15 on page 249.

## Baloise heads into the ‘Simply Safe: Season 2’ strategic phase with a strong profit for the period

In 2021, we successfully completed the first stage of our ‘Simply Safe’ strategy. We made tremendous strides with our three strategic targets in relation to employees, customers and shareholders while also reporting robust results from operations over the entire period. This is an incredibly positive outcome given that we faced huge challenges during this strategic period in the shape of two once-in-a-century events: the COVID-19 pandemic and the storms in summer 2021. At the same time, we pushed ahead with Baloise’s cultural and digital transformation. We collaborate more efficiently, have become faster, make greater use of digital technologies, are easier to interact with for our customers and by establishing the Home and Mobility ecosystems, have laid the foundations for our future business model.

### OVERVIEW, PROFIT AND BUSINESS VOLUME

#### Profit

Profit attributable to shareholders for 2021 amounted to CHF 588.4 million, a substantial year-on-year increase of 35.5 per cent (2020: CHF 434.3 million). The life business made a significant contribution to this growth.

In summer 2021, torrential rain and flooding in Baloise’s markets resulted in the biggest volume of claims in the Company’s history. Expenses were also incurred in connection with measures to contain the COVID-19 pandemic. Baloise has thus helped tens of thousands of customers to cushion the financial impact of these crisis situations over the past two years.

The upturn in the capital markets, the rise in interest rates, a slightly reduced tax burden and the strong profitability of the life and non-life businesses – underlining the Company’s operational excellence – are counteracting the effects of the once-in-a-century claim events.

Earnings before interest and tax (EBIT) increased by 19.8 per cent to CHF 722.5 million (2020: CHF 602.9 million) thanks to the very strong earnings of the life business. Switzerland accounted for the biggest share of the Group’s EBIT, reporting a figure of CHF 584.6 million. The EBIT of the German unit deserves particular mention as it more than doubled year on year to reach CHF 42.5 million, despite the high volume of flood-related claims.

#### Business volume and combined ratio

The growth in the volume of business was again encouraging. The volume generated by all the business units together, across the

non-life and life businesses, rose by 7.4 per cent to CHF 9,591.1 million (2020: CHF 8,926.5 million). This equated to an increase of 6.9 per cent in local currency terms. The main driver was the good level of organic growth in all national subsidiaries, particularly the attractive non-life business. Another contributing factor was the full integration of the non-life portfolio of Athora in Belgium. The sustained profitability of this growth can be seen from the net combined ratio of 92.6 per cent, which includes the exceptionally high level of claims incurred (approximately CHF 120 million) in connection with the summer storms. These claims added 3.2 percentage points to the ratio. The fact that the combined ratio maintained this satisfying level despite the exceptionally high claims is a sign of the excellent quality of the portfolio and mitigation of risk in this business and is the result of the ongoing optimisation of the portfolio.

#### BUSINESS VOLUME

	2020	2021	+/- %
CHF million			
Total business volume	8,926.5	9,591.1	7.4
Life	3,291.3	3,389.7	3.0
Non-life	3,802.5	4,063.4	6.9
Investment-type premiums	1,832.7	2,138.0	16.7

### BUSINESS VOLUME IN 2021 (GROSS) BY STRATEGIC BUSINESS UNIT

As a percentage

→ Switzerland	44.2
→ Germany	14.7
→ Belgium	24.0
→ Luxembourg	16.5



### Equity, dividend and capitalisation: raising of the dividend by 9.4 per cent to CHF 7.00 requested

Consolidated equity went up by 4.5 per cent year on year to reach an all-time high of CHF 7,299.9 million at the end of 2021 (31 December 2020: CHF 6,985.7 million). In June 2021, Standard & Poor's confirmed its rating of A+ for the Baloise Group. It awarded this credit rating in recognition of Baloise's excellent capitalisation – which is comfortably above the AAA level according to the S&P capital model – as well as its high operational profitability, robust risk management and solid competitive position in its profitable core markets. The rating of the German business Basler Sachversicherungs-AG was upgraded from A (with a positive outlook) to A+ (with a stable outlook) thanks to sustained improvements in its profitability. In the Swiss Solvency Test (SST)\*, a ratio of over 210 per cent is expected as at 1 January 2022.

The repurchase programme for more than three million shares that was initiated in April 2017 reached completion in March 2020 and the shares were cancelled in July 2021 as had been announced. As a result of this programme, CHF 481.1 million was returned to shareholders.

The Board of Directors of Baloise Holding Ltd recognises the success of the strategic phase up to 2021 and the Company's strong performance in the past year. It therefore intends to propose to the 2022 Annual General Meeting that the dividend be raised by CHF 0.6, or 9.4 per cent, to CHF 7.00 per share. In the period between the announcement of 'Simply Safe' in October 2016 and the end of 2021, a robust total shareholder return of 51 per cent was generated. This is made up of a return on equities of 25 per cent and a dividend yield of 26 per cent.

\* The SST ratio will be published at the end of April 2022.

### DEVELOPMENT OF NET COMBINED RATIO

As a percentage

2021	92.6
2020	91.2
2019	90.4
2018	91.7
2017	92.3

### CORE INSURANCE BUSINESS

#### Non-life: volume of premiums exceeds CHF 4 billion for first time; high profitability despite record claims

The volume of premiums in the non-life insurance business passed the threshold of CHF 4 billion for the first time in 2021, advancing by 6.9 per cent year on year to CHF 4,063.4 million (2020: CHF 3,802.5 million). This was due to the full inclusion of the acquired non-life portfolio of Athora and, in particular, organic growth in all business units. As a result, the premiums of the attractive non-life business have jumped by a quarter since the start of 'Simply Safe'. In Switzerland, gross premiums written rose by a healthy 1.8 per cent to CHF 1,392.7 million (2020: CHF 1,368.4 million). Since the purchase and integration of Fidea and the Athora portfolio, the Belgian unit has had the largest non-life business in the Group, with gross premiums written of CHF 1,644.3 million in 2021. This constitutes a year-on-year rise of 10.6 per cent (2020: CHF 1,487.4 million).

The German unit also generated solid organic growth. Premiums in this business swelled by 5.7 per cent to CHF 821.0 million (2020: CHF 776.4 million). Luxembourg delivered very healthy growth of 7.2 per cent to reach CHF 148.5 million (2020: CHF 138.6 million).

EBIT in the non-life business came to CHF 303.9 million, which was slightly higher than the prior-year figure (2020: CHF 302.2 million) despite the unprecedented level of claims. Especially given the summer storms, the non-life portfolio's net combined ratio was impressive at 92.6 per cent (2020: 91.2 per cent). The natural phenomena during the summer added 3.2 percentage points to the ratio. Baloise experienced two once-in-a-century events in succession during the 2017 – 2021 strategic phase: the COVID-19 pandemic and the storm and flooding claims in summer 2021. The fact that the combined ratio held steady within the target range of 90 per cent to 95 per cent during this period demonstrates the excellent quality of the portfolio and the careful selection of risk-mitigating measures.

### Life: very strong earnings thanks to the uptrend in the capital markets, easing of the interest-rate situation and optimisation of the business mix

The volume of business in the life insurance business jumped by 7.9 per cent year on year to CHF 5,527.7 million (2020: CHF 5,124.0 million) owing to increased premium income in the traditional life business and, in particular, a rise in investment-type premiums.

Despite a selective underwriting policy, the volume of traditional life business advanced by a solid 3.0 per cent to CHF 3,389.7 million (2020: CHF 3,291.3 million), with Switzerland recording particularly strong growth. The Swiss unit has the biggest life business, with a volume of CHF 2,847.2 million.

In Germany, an increase in new business in the target segments of biometric risk products and pension products, combined with a lower lapse rate, enabled premium growth of 4.7 per cent to CHF 397.9 million. Intensified collaboration with brokers was one of the main reasons for the German unit's successful sales.

Gross premiums written in Belgium remained largely unchanged year on year at CHF 189.3 million owing to selective underwriting.

Business in Luxembourg expanded by 2.8 per cent to CHF 74.5 million.

The volume of investment-type premiums advanced by a substantial 16.7 per cent year on year to CHF 2,138.0 million (2020: CHF 1,832.7 million). The main reason for this strong growth was the rebound in the 'freedom of service' business, which in previous years had suffered badly as a result of market volatility. In Luxembourg, Baloise notched up very strong growth of 32.9 per cent to reach CHF 1,362.2 million in 2021 and is positioning itself as a major player in this segment with assets under management of more than CHF 13 billion.

EBIT in the life business amounted to excellent CHF 406.7 million in 2021, which was up by 44.1 per cent year on year (2020: CHF 282.2 million). This exceptionally high figure can be explained by the uptrend in the capital markets in 2021 and the higher level of interest rates. Moreover, the ongoing optimisation of the business mix, with a shift towards investment-linked products and risk cover, is helping to boost the profitability of this business. If the positive trend in respect of interest rates is sustained and the capital markets maintain their uptrend, we anticipate that the earnings of the life business will again be well above the stated minimum level of CHF 200 million in 2022.

The new business margin in the life business was a very healthy 39.0 per cent in 2021 and thus at a similar level to the previous year (2020: 42.7 per cent).

The interest margin improved to a solid 108 basis points (2020: 102 basis points). The reason for this rise is that current income declined less sharply than in previous years, while the average guaranteed rate of return in the portfolio continued to fall. The guaranteed rate of return decreased from 1.1 per cent to 1.0 per cent in 2021 due to the improved business mix.

#### PROPRIETARY INVESTMENTS BY CATEGORY <sup>1</sup>

	31.12.2020	31.12.2021	+/- %
CHF million			
Investment property	8,410.3	8,464.5	0.6
Equities	3,574.6	3,946.4	10.4
Alternative financial assets	911.4	1,236.9	35.7
Fixed-income securities	35,092.4	34,886.3	-0.6
Mortgage assets	11,250.6	11,269.3	0.2
Policy loans and other loans	5,764.3	4,829.6	-16.2
Derivatives	493.2	583.3	18.3
Cash and cash equivalents	2,590.1	2,577.3	-0.5
<b>Total</b>	<b>68,086.8</b>	<b>67,793.5</b>	<b>-0.4</b>

<sup>1</sup> Excluding investments for the account and at the risk of life insurance policyholders and third parties.

#### INVESTMENT COMPONENTS IN 2021

As a percentage	
➤ Fixed-income securities	51.5
➤ Mortgage assets	16.6
➤ Investment property	12.5
➤ Policy loans and other loans	7.1
➤ Equities	5.8
➤ Cash and cash equivalents	3.8
➤ Alternative financial assets	1.8
➤ Derivates	0.9





## ASSETS HELD BY BALOISE

as at 31 December 2020	Non-life	Life	Asset Management & Banking	Total for the Group
CHF million				
Investments for own account and at own risk	10,926.3	49,875.2	8,522.2	68,086.8
Asset portfolio for the account and at risk of life insurance policyholders and third parties		15,564.1		16,050.1
<b>Total recognised assets</b>	<b>10,926.3</b>	<b>65,439.3</b>	<b>8,522.2</b>	<b>84,136.9</b>
<b>Third-party assets</b>				<b>11,758.8</b>

as at 31 December 2021	Non-life	Life	Asset Management & Banking	Total for the Group
CHF million				
Investments for own account and at own risk	10,593.7	49,528.2	8,599.6	67,793.5
Asset portfolio for the account and at risk of life insurance policyholders and third parties		17,309.2		17,879.0
<b>Total recognised assets</b>	<b>10,593.7</b>	<b>66,837.3</b>	<b>8,599.6</b>	<b>85,672.6</b>
<b>Third-party assets</b>				<b>13,422.8</b>

## Key figures for the national Baloise companies

## KEY FIGURES FOR SWITZERLAND

	2020	2021	+/- %
CHF million			
Business volume	4,130.8	4,239.9	2.6
Of which: life	2,762.4	2,847.2	3.1
Of which: non-life	1,368.4	1,392.7	1.8
Net combined ratio (per cent)	88.5	89.2	0.7
Profit before borrowing costs and taxes	386.3	584.6	51.3

## KEY FIGURES FOR GERMANY

	2020	2021	+/- %
CHF million			
Business volume	1,339.0	1,406.4	5.0
Of which: life	562.6	585.4	4.1
Of which: non-life	776.4	821.0	5.7
Net combined ratio (per cent)	94.9	96.8	1.9
Profit before borrowing costs and taxes	20.9	42.5	103.3

## KEY FIGURES FOR BELGIUM

	2020	2021	+/- %
CHF million			
Business volume	2,188.7	2,302.5	5.2
Of which: life	701.3	658.2	-6.1
Of which: non-life	1,487.4	1,644.3	10.6
Net combined ratio (per cent)	90.9	93.0	2.1
Profit before borrowing costs and taxes	245.8	149.0	-39.4

## KEY FIGURES FOR LUXEMBOURG

	2020	2021	+/- %
CHF million			
Business volume	1,236.1	1,585.3	28.2
Of which: life	1,097.5	1,436.7	30.9
Of which: non-life	138.6	148.5	7.2
Net combined ratio (per cent)	89.3	93.9	4.6
Profit before borrowing costs and taxes	28.9	12.5	-56.7

## ASSET MANAGEMENT &amp; BANKING

For the economy and the stock markets, 2021 was a year of recovery. The equity markets were buoyed by exceptionally strong economic growth, enabling equity investors to benefit from double-digit returns. However, strong demand in the economy came up against restricted production capacity as a result of the pandemic. This led to shortages of materials and supply chain bottlenecks, thereby pushing up inflation rates worldwide. As a result, yields on long-dated paper rose in the bond market. Corporate bond spreads were at a similarly low level at the end of the year as they had been at the start of the year.

## Insurance assets: attractive investment yield in an encouraging trading year

Gains on the investment of insurance assets amounted to CHF 1,351.2 million, which was above the 2020 level of CHF 1,270.5 million. This was partly due to the favourable conditions in the markets and partly to the systematic shift in the investment strategy towards asset classes with high and stable current returns. The transition continued in 2021, with further reallocation from bonds to private debt. This meant that current income fell only slightly, from CHF 1,101.0 million in 2020 to CHF 1,088.0 million in 2021, despite interest rates remaining low.

At CHF 507.4 million, the gains recognised in the income statement were down by CHF 71.7 million compared with the prior year. Impairment losses fell by CHF 177.6 million year on year, driven by the uptrend in the markets in 2021.

The net gains and losses relating to currency hedging costs and currency effects arising on unhedged currency exposures amounted to a gain of CHF 74.9 million in 2021, which was unchanged year on year.

The stabilisation of the investment yield on insurance assets could also be seen from the net yield of 2.2 per cent, which represented a slight improvement on the prior-year figure of 2.1 per cent. Unrealised gains fell by CHF 489.7 million because of the higher interest rates. The rate of return on insurance assets according to IFRS – which includes unrealised net gains and losses on investments but excludes gains and losses on held-to-maturity debt instruments – was 1.4 per cent, representing a decrease on the 3.0 per cent rate of return according to IFRS in 2020.

## Asset management &amp; banking: further growth in fee income

As at 31 December 2021, the total assets under the management of Baloise Asset Management stood at CHF 65.7 billion, a small decrease of 0.8 per cent on the figure a year earlier. The reduction in volume was entirely due to the change in interest rates and the resulting impairment of the bond portfolio in respect of insurance assets.

Returns increased because the average volume of assets under management for the year was higher than in 2020.

#### Continued expansion of business with external customers

Net new assets in the business with external customers amounted to CHF 986.5 million in 2021. Assets under management swelled by 14.2 per cent to CHF 13.4 billion (2020: CHF 11.8 billion).

The strategy of further expansion of the business with external customers is being facilitated by targeted investment in partnerships and employees and in building up expertise and establishing systems. In summer 2020, for example, we acquired a stake in Tolomeo Capital AG. A strategic alliance with Tolomeo enabled us to significantly improve the quality of the BFI Systematic fund products and adapt them to the changing conditions in the capital markets through the use of an innovative rules-based approach.

The real-estate asset class contributed to the positive performance of business with external customers. The Baloise Swiss Property Fund (BSPF) carried out a capital increase of CHF 135 million in August 2021. The issue met with strong demand and was fully subscribed. The proceeds of the capital increase were used to acquire a property portfolio with a value of CHF 185 million and integrate it into the fund. This transaction further enhanced the quality and level of diversification of the portfolio. On 1 November, the fund went public on the SIX Swiss Stock Exchange. This step had been planned since the launch of the fund and its IPO proved very popular.

The further growth of asset management mandates at Baloise Bank SoBa also made a significant contribution to net new assets. The number of asset management mandates increased to 4,315 (up by 34.3 per cent), highlighting the benefits of the bank's unique offering in Switzerland of insurance, banking and asset management from a single source, and of integrating pension and wealth management services.

#### OUTLOOK

The first phase of 'Simply Safe' ended at the close of 2021 and was immediately followed by the start of 'Simply Safe: Season 2', which runs from 2022 to 2025. As we announced on Investor Day in autumn 2020, we are building on the successes of the first phase of the strategy and continuing to focus our ambitious objectives on our stakeholders: customers, employees and shareholders. By 2025, we are aiming to be in the top 5 per cent of the best companies to work for in Europe, to have gained 1.5 million new customers and generated CHF 2 billion in cash. Of this cash, we intend to distribute 60 to 80 per cent as dividends. As part of our sustainability measures, we are continuing to work on the implementation of our value creation model, which is an integral element and cornerstone of our corporate strategy. The

value creation model adds partners, society and the environment to the existing stakeholder groups (customers, employees and shareholders), as these aspects have been identified as additional key factors in the success of Baloise. The new strategic phase ending in 2025 deliberately puts the focus on the creation of value for a whole range of stakeholders. It is against this that we ultimately wish to be measured, within the context of our value creation model.



# Employees

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# How we create value for our employees



## RESOURCE: EMPLOYEES

### COMMITMENT: GREATER WELLBEING

#### Elements of value creation

- ▶ Modern and future-oriented working models
- ▶ Fair and competitive basic salaries as well as attractive profit-sharing programmes and employee retention schemes
- ▶ A work environment that promotes good health
- ▶ A learning organisation that gives employees a say in the further development of their professional skill set
- ▶ A culture of curiosity, integrity and constructive criticism as the foundation for the creation of a comprehensive network within Baloise
- ▶ Promotion of an agile way of working: ‘smarter together’
- ▶ Modern corporate executive development focusing on areas such as reflection and self-organisation
- ▶ Promotion of diversity and strategic staff development planning
- ▶ Open innovation process for all employees



#### Impact of value creation

- ▶ Financially secure and healthy employees
- ▶ Strong sense of loyalty in the workforce, resulting in long average periods of employment at the Company
- ▶ Opportunity to establish an extensive network and, as a result, to work in different positions over time
- ▶ Increasing the employability of Baloise employees
- ▶ Among the top 5 per cent of employers in Europe by 2025
- ▶ Collaboration between employees enables us to respond quickly and flexibly to a changing business environment and customer requirements
- ▶ Modern leadership with flat hierarchies and coaching role for managers
- ▶ Improved customer experience thanks to employees with skill sets that are focused on future needs, working in diverse teams
- ▶ Innovative solutions for our customers, supported by employees with a high level of personal responsibility

## CREATING VALUE FOR OUR EMPLOYEES

The end of ‘Simply Safe: Season 1’ marks the completion of the first strategy phase of Baloise’s journey into the future as it strives to transform itself into a learning organisation. The past five years have substantially changed the corporate culture of Baloise, making it a more attractive place to work and increasing the satisfaction of its employees. Numerous Group-wide initiatives, underpinned by a shared story and vision, were put in place to point the way forward and to prepare Baloise for future challenges.

## HR KEY PERFORMANCE INDICATORS

- ▶ 7,944 (2020: 7,693) employees
- ▶ 44.2 per cent of all employees are women (2020: 44.1 per cent).
- ▶ The Baloise Group employs 300 apprentices, trainees, interns and student interns (2020: 262).
- ▶ 72 per cent of eligible staff members working in our main market of Switzerland took part in our employee share plan (2020: 70 per cent).
- ▶ Baloise employees work at the Company for an average of 11.6 years (2020: 12.1 years).
- ▶ Staff turnover as at 31 December 2021 amounted to 5.8 per cent (end of 2020: 6.1 per cent).
- ▶ In the most recent employee survey, the proportion who would recommend Baloise as an employer was 81 per cent.

HIERARCHY LEVELS AND THE PROPORTION OF WOMEN IN 2021	Total in 2021	Of which women	Total in 2020	Of which women
Senior management	422	67 (15.9%)	425	65 (15.3%)
Members of the management team	1,207	304 (25.2%)	1,161	285 (24.5%)
Employees	6,315	3,161 (50.1%)	6,107	3,042 (49.8%)

AGE DISTRIBUTION OF EMPLOYEES	2021	2020
Under 35	27.2%	25.7%
35 – 49	34.7%	35.2%
50 and above	38.1%	39.2%
Average age	43.1 years	43.9 years

Our aim in ‘Season 1’ was to break into the top 10 per cent of the best employers in the financial sector. Five years ago, Baloise was in the top 30 per cent and has risen a long way up the rankings since then, thanks to the immense efforts of all employees across all hierarchy levels and the many measures implemented. Engagement surveys conducted in the last two years have consistently confirmed that Baloise has reached its target: during the period from April 2020 to May 2021, Baloise was placed in the top 10 per cent of the best companies to work for on four occasions. Excellent scores, achieved during a period of huge transformation.

The increase in employee satisfaction has been accompanied by various awards, including the Friendly Work Space label in Switzerland. This encouraging development is also manifested in a number of very practical ways. For example, in Switzerland we saw a marked increase in new hires resulting from recommendations by our own employees. And the innovative strength of Baloise has increased. This is crucial for the implementation of the ‘Simply Safe’ strategy as we transform ourselves into a next-generation financial services provider.

#### WELLBEING IN THE WORKPLACE REMAINS IMPORTANT, ESPECIALLY IN CHALLENGING TIMES

During the second half of 2021, the unprecedented severe weather in all countries where Baloise operates stretched our resources to the limit and led to massively increased workloads for our staff. Their wellbeing was put under even more strain by the need to work from home because of the ongoing pandemic. The effects of various restructuring measures in connection with the process of

making our organisation more agile and the integration of acquisitions in Belgium are also being felt. A survey of employee satisfaction at the end of the year put Baloise in the 24<sup>th</sup> percentile.

The focus on employees will be further sharpened in the upcoming strategy phase ‘Simply Safe: Season 2’. Baloise is aiming to be among the top 5 per cent of all employers in Europe by 2025. Partnership and wellbeing in the workplace are front and centre here: explicitly with regard to health, finding enjoyment and meaning in and at work, and opportunities for further development.

This objective will be supported by important changes:

- ▶ The surveys will be even more tightly focused to help us to better understand the needs of the employees and to implement necessary measures promptly.
- ▶ The analyses will be supported by AI-based approaches. This helps us to better identify areas where action is needed.
- ▶ User-friendly evaluation and implementation tools will be used to ensure that all findings can be applied where they have the greatest effect.

An initial trial was carried out in Q4 / 2021 to test this approach. In addition, a pilot involving new employees was conducted to help us to better understand the employee experience, as well as the level of employee engagement. The results of both surveys form an important basis for the prioritisation of improvement measures at all levels of the organisation.

**Change is part of everyday life and every day is different.**

The world is changing rapidly, there is an increasing amount happening simultaneously and the challenges are enormous. The growing use of digital technologies is accompanied by changing customer needs and new expectations on the part of our employees. Our everyday working world is changing – not least because of the pandemic.

## TRANSFORM BALOISE, 'SMARTER TOGETHER' FOR OUR CUSTOMERS

We are continuously adapting the way we work with one another so that we can always respond quickly and flexibly to the disruptively changing business environment and remain successful as an organisation. Agility is not the end goal, but is an essential capability for us, as a company, to be able to deal with uncertainty and permanent change. We need to steadily develop and strengthen this capability over the next few years as part of a shared learning journey.



One of the themes in the third year of Baloise's successful employer campaign is diversity. How do we work #smartertogether?

## NEW SKILLS, NEW WAYS OF WORKING TOGETHER

As a company, we are actively embracing this transformation and pursuing the clear vision and mindset of a learning organisation. Sharing information across units and functions, we are learning from and inspiring one another with regard to practical approaches, helpful methods and necessary organisational parameters. This requires us to regularly challenge our management philosophy, develop new areas of expertise and adapt our processes and collaboration methods accordingly. We do this iteratively, communicating closely in ongoing development dialogues, planning learning loops, experimenting, responding quickly, and consciously developing new, interdisciplinary ways of working together across the Group. Agile methods go hand in hand with the design of new organisational structures and the adaptation of processes. We build on our existing culture of cooperation and ensure that the methods chosen and the pace of the process are

appropriate to the situation, guided by need, and respectful of all those involved.

### Agile means many things to many people, but agility is a shared path

The interpretation of agile can vary from unit to unit. Some Baloise divisions are already working hard on their transformation and using agile methods and values consistently. Others are still in the process of examining the strategy to work out what specific adjustments to their way of working make sense. What all units have in common is that we are consciously setting out on this journey together.

### The Baloise 'beacon' escape room

Being curious, shouldering responsibility, working effectively together – these are the values on which Season 2 of our 'Simply Safe' strategy will build. Every Baloise employee has a part to play in achieving the Company's objectives and ambitions. The same principles apply in an escape room: approaching a challenge from multiple different angles and using the individual strengths of all team members enables the whole team to solve the clues and succeed.

The escape room is a fun, interactive way for employees to find out more about the new phase of Baloise's corporate strategy. It is available in four languages and its mobile format means it can be set up in practically any meeting room. Players can sign up in teams of three to five people. The game takes around one hour and is hosted by a trained game master. Between its launch in July and the end of December 2021, around 550 employees in Switzerland and Liechtenstein pitted their wits against the escape room. Baloise plans to take it to the other countries in which it operates next year.



### MANAGING THE PANDEMIC WITH NEW WORK METHODS: THE CRISIS AS AN OPPORTUNITY

In 2021, Baloise used the pandemic crisis as an opportunity to establish new work structures, based in part on the use of Microsoft 365 as collaboration software. This had been rolled out across the Group in spring. The Company also invested in a modern, high-tech meeting room infrastructure at the Baloise Park headquarters in Basel, in Belgium and in Germany, making the hybrid working model within the Baloise Group considerably simpler.

### GROUP-WIDE SWITCH TO A HYBRID WORKING MODEL

In order to retain the positive aspects of remote working after the pandemic, in August 2021 a hybrid working model was agreed for the whole Group. Employees can now decide for themselves where they work – in the office or somewhere else (at home or another location) – in consultation with their teams and taking the requirements of the business into account. When choosing how and where to work, the key question employees need to consider is which option offers the most effective way of carrying out the work and thereby safeguarding the interests of our customers. However, the hybrid model also emphasises the importance of coming into the office regularly to enable face-to-face interaction and to maintain and nurture the special Baloise culture.

On the basis of this shared framework, the national units in the Baloise Group developed individual policies that meet their local needs. At the end of the year, there were no signs of a normalisation of the situation and thus a natural transition to our hybrid working model.

### Digitalise, integrate hybrid formats and video learning

In 2021, we were able to build on the experience of the first lockdown and offer various forms of learning and dialogue in order to establish new ways of working. We have integrated hybrid formats, ‘video learning nuggets’ and Group-wide online courses into our curriculum. We concentrated on the development of digital skills, creating a broad internal network of digital coaches and offering digital coaching and workshops on the new working methods. Various training courses, particularly for Sales but also for all employees, were successfully migrated to a virtual format.



Baloise’s successful employer campaign is about looking for a curious mindset. What skills will be needed in future and how can we build up these capabilities?

## PERSONAL RESPONSIBILITY AND TRUST

The Baloise culture is based on a high degree of trust and personal responsibility. During all phases of the crisis, employees could broadly choose the way of working that was best for them, depending on the individual situation and their personal perception of risk. This liberal approach of Baloise as an employer – combined with explicit (country-specific) support services such as coaching, case management advice, office equipment vouchers and virtual healthcare services – helped to make employees feel safe and well looked after.

### Example of Baloise corporate health management (CHM) in Switzerland

CHM offers case management in a safe and supportive environment. If an employee is suffering from illness, stress, overwork, anxiety, etc., they can consult a specially trained and very experienced internal case manager at any time. CHM is a permanent member of the pandemic crisis management team (first point of contact for all questions about symptoms / isolation / quarantine; overview of Covid cases, pooling tests, vaccination, etc.). An anonymous pandemic mailbox and various additional healthcare services (some of which are virtual work@home) are available: advice on workplace ergonomics, yoga, meditation, Pilates and a breathing course.

## NEW MINDSET, NEW MANAGEMENT PHILOSOPHY: NO MORE HIERARCHIES

We are looking for a smarter way of working together so that we can react more rapidly to changing customer needs and increasing complexity. More closely connected, more networked. This also applies to our management philosophy. We want management to become a dialogue between equals, where decisions are made by whoever is best placed to make them. Hierarchical management is then increasingly focused on creating frameworks, giving employees the necessary latitude and providing coaching support. Employees need confidence in their skills and expertise and are increasingly being encouraged in this regard. In other words: on this shared learning journey, managers learn to let go. That does not mean that we need less leadership overall. It means we want to empower more people than ever across the whole of Baloise to take responsibility. Our aim for the future is that leadership should be shared more widely.

## LEADERSHIP DEVELOPMENT (LD) PROGRAMMES, BALOISE CAMPUS: ENCOURAGING REFLECTION FOR MORE INDIVIDUAL LEADERSHIP

Baloise is supporting this process from a leadership development perspective by encouraging dialogue and reflection on the subject of leadership that clarifies the relevant dimensions of leadership and develops the necessary skills. Not all leadership is the same. There is no one concept that is equally suitable for all employees. Leadership is becoming increasingly individualised, depending on the degree of independence employees already exercise in organising their day-to-day work.

## LEARNING IN AND ON THE SYSTEM

We offer Group-wide leadership programmes on the system (for employees in leadership roles who are actively involved in our transformation) and leadership programmes in the system, ideally for employees who want to develop within their management roles. In 2021, a total of 140 employees from all units took part. On an intensive learning journey, they reflected on their own leadership style and found ways of dealing with their own specific leadership challenges in the context of the Baloise transformation. Our programmes thus combine two strategy areas: 1) Line managers are helped to find a coaching mindset that allows them to work with employees on an equal footing to develop their strengths and to address their weaknesses in a constructive and respectful manner. 2) Employees with dotted-line management roles, for example in project management or as agile coaches, are helped to assume full responsibility in their roles.

**Specific leadership programmes with different approaches**

**New Baloise Campus format with a focus on self-organisation**

While the range of courses and the investment in learning is as high as ever, the approach of the programmes has been adapted to our new ways of working. This now takes the form of self-organised small development groups that build a strong support network, learn all year round in a collaborative environment and assume a high degree of responsibility for their own learning journey.

**Group-wide coaching courses in various languages**

As part of the Group-wide collaboration between all LD functions, we are increasingly using synergies in our training courses. For example, we offer a series of courses on coaching and decision-making to assist with the induction of new managers.

**Season2Action | Start of a new strategy phase**

Individual learning is linked to strategic goals in structured circles based on the ‘Working Out Loud’ method. Mentors support the programme, which around 75 Baloise employees signed themselves up for in 2021.

**NEW PERSPECTIVES, NEW CAPABILITIES, DIVERSITY AND UPSKILLING**

We believe that finding a smarter way of working together – and thereby ensuring a better customer experience – requires as many different perspectives and skills as possible. Baloise encourages diversity in teams and consciously looks for different skill sets, in both cases to create a broader base for collaboration. We continued our policy of ensuring the advancement of women and implemented appropriate measures in the recruitment process. Particular attention was also paid in the talent management and succession planning process to developing female talent for promotion to management positions at all levels. The Baloise Diversity Board was extended to ensure that the policy is embedded in the sustainability strategy. Our target for our Swiss operations is for one third of promotions and new hires to be women, with a particular focus on the upper hierarchy levels.

We took another step forward in the ‘strategic skilling’ process (more information in the 2020 Annual Report), which was systematically implemented in the Executive Committee and in all Executive Committee divisions in 2021. Considerable progress was made with strategic staff development planning in the Corporate Division Switzerland. The experience gained here will be actively applied to the group project.



Baloise’s successful employer campaign stresses the importance of diversity. How do we bring different perspectives together internally to benefit our customers?

**Internal sources of pride**

The Baloise ‘change of perspective’ initiative was continued. For a temporary period of between one month and two years, employees move to different teams or work on projects for between 10 and 100 per cent of their time. They become familiar with different styles of working and develop a broader overall understanding of the business. For example, at Baloise in Belgium 45 positions were filled under the ‘change in perspective’ initiative in 2021. Part-time working was encouraged at all levels. Baloise was labelled a Friendly Work Space for the third time in a row.

Focus Fridays were introduced, based on the Belgian Baloise model. Focus Fridays are one day or one half-day a month when we don’t plan any meetings and focus on one specific theme instead. The aim is to encourage people to step away from their screen and to work in a focused manner.

### EMPLOYER BRANDING: COMMITMENT TO THE ADVANCEMENT OF WOMEN IN THE RECRUITMENT PROCESS

As part of its efforts to promote diversity, in 2020 Baloise began paying particular attention to the use of gender-appropriate language in its job ads. And since April 2021, ads written in German have used the feminine form of job titles as standard, with the addition of (m / f) in brackets. This formulation includes male applicants who are of course still very welcome. The number of applications from women rose by 20 per cent relative to 2020, while the proportion of male applicants remained the same. We see this as a positive sign that the conscious use of gender-appropriate language in recruitment is not only sensible but also effective.

### APPRECIATION AND MUTUAL RESPECT. WE NEVER FORGET THAT RECRUITMENT IS A TWO-WAY PROCESS

We want to communicate authentically and honestly and we want candidates to feel appreciated and respected when they apply for a job with us. We continuously adjust and refine the recruitment process, taking feedback into account. Recent changes include a) the introduction of a mechanism that has reduced the time applicants spend on hold by around 40 per cent, b) revising all email templates used in the recruitment process in Germany and rewriting them in a more human tone, c) ongoing efforts to improve the candidate experience, particularly when contacting potential candidates again. We stay in touch with candidates through personalised job subscriptions and a monthly blog newsletter about the Baloise culture, the workforce and career tips.

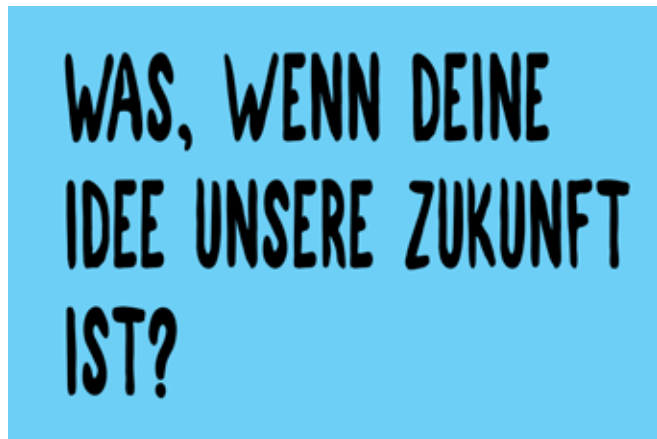
### EMPLOYER POSITIONING

We ran our successful employer campaign under the hashtag #worklifebaloise for the third time in 2021. This time, the key themes were diversity and female leadership. Once again, we underlined our commitment to the advancement of women and stressed how we want the broadest possible skill set and the inclusion of as many perspectives as possible in order to achieve better results in our collaboration. The campaign achieved a total of 5.5 million impressions and 11,000 clicks.

**Smarter together** is a Group-wide campaign to combine forces, build capabilities and learn from one another across international borders. The creation of an employer positioning circle and a candidate experience circle will enable us to further intensify this collaboration going forward.

### EMPLOYEE ENGAGEMENT, NEW IDEAS, OWN IDEAS: MORE INDIVIDUAL RESPONSIBILITY AND SELF-MOTIVATION

Across the Group, Baloise employees are encouraged within various innovation formats to contribute their own ideas for implementation within the Company or beyond. They pitch their ideas to committees and – if their idea is approved by a panel of judges – are given a budget to pursue their vision and translate it into practice. In 2021, 67 ideas were submitted, six were followed up and one (parcandi.ch) was implemented. We believe that employees who are allowed to pursue their own ideas find greater meaning in their work, are more motivated and committed, form more extensive networks and develop an entrepreneurial mindset within the Company. This ultimately results in a deeply embedded, newly learned self-confidence that culminates in greater personal responsibility.



Sabrina Bogaert (27), Baloise Belgium: “We would not want to have missed out on this great time. We learned to think strategically and have developed a vast network. Our hearts and minds were completely filled with our idea. I could not be any more satisfied with my work. I would do it again in a heartbeat.” Els van Eynhoven (26), Baloise Belgium: “It is an unbelievable opportunity that Baloise is offering us. Employees are allowed to contribute their own ideas in line with the bottom-up principle. If we all put our heads together, it will help us on the way to our future!”

### REWARDING PERFORMANCE: A HOLISTIC APPROACH

Baloise takes a holistic approach to remuneration, in which pay is determined with a view to market value and fairness within the Company while taking account of qualifications, experience, behaviour, performance and development. This is based on our conviction that performance does not simply manifest itself by measuring the achievement of unilaterally set targets. Rather, performance is the result of intrinsic motivation applied within an environment of individual responsibility and freedom of action. Managers and employees are engaged in a continuous dialogue about focus, targets, performance, behaviour and development. In a world that is undergoing rapid and permanent change, a

regular dialogue ensures that performance targets are adjusted; and it also tackles the question of how to provide ongoing development for employees in order to enable them to improve their performance on a long-term basis. This individual focus also has an impact on the annually defined team objectives, as each individual's efforts contribute to the overall performance. Shared responsibility leads to greater personal responsibility and initiative by the individual employees.

The overall level of remuneration is not regarded as a strategic selling point. Competitiveness in the marketplace; individual performance and the Company's success; fairness and sustainability are the relevant remuneration principles. Baloise attaches great importance to rewarding its employees for their performance, including through monetary compensation. The total remuneration package consists of competitive base salaries, a range of variable remuneration components, fringe benefits and attractive employee incentives and loyalty bonuses. Further information on the remuneration system and the remuneration paid in the reporting year can be found in the remuneration report on pages 57 to 79.

#### **EQUAL PAY ANALYSIS FOR 2021 IN SWITZERLAND: EQUAL PAY FOR EQUAL WORK!**

In December 2018, the Swiss parliament adopted the amendment to the Equality Act. Companies with 100 or more employees are now required to review whether they pay men and women equally for equivalent work. Before that, equal pay reviews were voluntary. In spring 2021, an analysis was conducted and evaluated using the 'EQUAL-SALARY' methodology. The analysis did not find any relevant (i.e. above the tolerance / materiality threshold of 5 per cent), unexplainable gender-specific differences in salary. Baloise therefore meets the equal pay requirements. The findings were reviewed and confirmed both by an independent audit firm (E&Y) and by Baloise's employee commission.



Careers website:

[www.baloise.com/jobs](http://www.baloise.com/jobs)

Careers blog:

[www.baloise.com/karriereblog](http://www.baloise.com/karriereblog)



Facebook:

[www.facebook.com/baloisegroup](http://www.facebook.com/baloisegroup)



YouTube:

[www.youtube.com/baloisegroup](http://www.youtube.com/baloisegroup)



Instagram:

[www.instagram.com/baloisejobs](http://www.instagram.com/baloisejobs)



LinkedIn:

[www.linkedin.com/company/baloisegroup](http://www.linkedin.com/company/baloisegroup)



Twitter:

[www.twitter.com/baloise\\_jobs](http://www.twitter.com/baloise_jobs)



# Customers

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# How we create value for our customers

## RESOURCE: RETAIL AND CORPORATE CUSTOMERS OF BALOISE

### COMMITMENT: INCREASED CUSTOMER SATISFACTION



#### Elements of value creation

- ▶ Collaborating with partners in the Mobility and Home ecosystems in order to provide a fully integrated offering
- ▶ Checking in with customers on a regular basis to ascertain their preferred communication channels
- ▶ Drawing on innovative strength, originality and valuable partnerships to further develop and enhance the business model of Baloise on an ongoing basis
- ▶ Measuring the Net Promoter Score (NPS) and customer satisfaction at regular intervals
- ▶ Providing continuing professional development for customer advisors in the form of courses, tests on specific topics and training in the rules of conduct and procedures of Baloise’s internal advisory approach
- ▶ Ensuring the quality of Baloise’s advisory approach through periodic spot checks and customer surveys
- ▶ Using an omnichannel approach
- ▶ Automating marketing processes and providing platforms for customers to create a more convenient overview of contracts and add-ons that offer customer-specific added value

#### Impact of value creation

- ▶ Practical and innovative products and services for customers that go beyond the established financial services portfolio and provide added value
- ▶ Fulfilment of existing and future customer needs
- ▶ Gold and silver Efma Awards in the categories ‘Product & Service Innovation’ and ‘Connected Insurance & Ecosystems’
- ▶ NPS results, satisfaction measurements and other dialogue outcomes inform our customer service approach, the customer journey, our internal understanding of customer benefits and our cooperation with brokers
- ▶ Certified advisory quality
- ▶ Use of a mix of online and offline channels and excellent, innovative digital solutions in order to optimise communication and offer customers simplified dialogue formats
- ▶ Ability to respond to customer needs quickly and efficiently with products and services that are tailored to these needs



## HOW WE CREATE VALUE FOR OUR CUSTOMERS

Customer focus is central to Baloise’s strategy. We want to be more than just a traditional insurance company and aim to be an important part of people’s lives. This aspiration requires us to take account of the wider social environment in which our customers live. One of the ways in which we seek to achieve this goal is by collaborating closely with selected partners in what we call ‘ecosystems’. What we mean by ‘ecosystem’ is a platform centred around a core topic. Customers can use this platform to find services relating to that topic area which go beyond the financial services previously offered by Baloise and which are positioned upstream, downstream or completely independently of the insurance product itself. To be able to satisfy our customers’ needs, we reassess these on a regular

basis and support our customers closely via their preferred communication channels. Moreover, it is of paramount importance to us to be there for our customers when they need us most, i.e. in the event of a claim.

## ECOSYSTEMS FOR A FULLY INTEGRATED SERVICE OFFERING THAT CREATES ADDED VALUE

Baloise sees its ecosystems as sociotechnical systems. This means that such a system is not based purely on technology, but also includes people and organisations and the relationships between them. The aim is to create added value for all through close collaboration between the participants in the ecosystem, benefiting customers and service / infrastructure providers alike. Thanks to the innovations of our Home and Mobility ecosystems,



we offer our customers products and services that complement the existing core services (insurance, pensions and asset management) through specific solutions or offer non-captive services. We intend to further expand our Home and Mobility ecosystems, both of which are hugely relevant to our customers in their daily lives. These innovation initiatives will join insurance and asset management & banking in becoming a key pillar that we hope will make a substantial contribution to the business and value of Baloise. The target is for these initiatives to be creating CHF 1 billion of value by 2025.

### MOBILITY ECOSYSTEM

Mobility is one area of our lives that has changed dramatically over recent decades. Think for example of the technological advances around self-driving cars and of changes in user behaviour – moving away from car ownership in favour of the sharing economy. Greater environmental awareness is an important aspect in these trends.

The most recent addition to Baloise's portfolio is Mobiko, a German provider of 'mobility budgets' for companies and their employees. Mobiko seeks to revolutionise the concept of company cars. Instead of following the traditional scheme whereby the employer provides a vehicle, Mobiko offers a flexible mobility budget that allows employees to decide freely how they wish to spend the money on travel. The concept rewards users for choosing environmentally friendly options. At the same time, relevant data is compiled and can be used to calculate the CO<sub>2</sub> efficiency of the company. A fundamental shift in employees' behaviour regarding their transport choices has already started to emerge and will likely become more pronounced.

In April 2021, Baloise continued its strategic expansion of the Mobility ecosystem by acquiring a stake in GoMore, an established provider of car sharing and leasing services in several European markets. In autumn 2021, the company successfully launched its services in the Swiss market with support from Baloise. GoMore enables its members to share private cars through car rental and ridesharing options. Many of the cars are also available to lease at low cost via GoMore. This offering perfectly complements the existing portfolio of services in the Mobility ecosystem. With more than 2.6 million members in Denmark, Sweden, Finland, Spain and now Switzerland, GoMore is one of the key players in the sustainable transformation of personal transport in Europe. Sustainability is an important element in the establishment of a European mobility ecosystem so that this can play its part in the necessary reduction of CO<sub>2</sub> emissions. Another way of making personal transport sustainable – in addition to developing more environmentally friendly modes of transport – is to use existing vehicles more efficiently. GoMore continuously develops new car sharing concepts that meet the needs of private

individuals, residential property developers and companies and enable as many people as possible to choose not to have a car of their own while still enjoying complete mobility. This creates added value for our customers and a positive benefit for the environment.

In addition to our partnerships with and investments in innovative companies, we also develop innovative new concepts inhouse that contribute significantly to the success of Baloise. Parcandi AG was established as a spin-off from the Baloise Group. It enables property owners to rent out their parking spaces simply and flexibly. True to its mission statement "We change the way people park", Parcandi takes the stress out of finding a parking space and reduces traffic resulting from cars looking for somewhere to park. The future of parking should be simple and convenient, which fits in very well with our 'Simply Safe' strategy. The service is available via the app of Touring Club Switzerland (TCS), a corporate partner of Baloise.

### HOME ECOSYSTEM

The Home ecosystem essentially comprises all the products and services that our customers need in relation to their house and home. In 2017, Baloise began to invest in start-ups in Switzerland in order to meet customers' needs and generate additional business growth. Early on, we recognised the potential benefits of being present at different customer contact points and using these for our core business. Examples include the house moving platform MOVU, a subsidiary of Baloise, and investments in Devis.ch, a marketplace for tradespeople and cleaning services, the laundry and dry-cleaning start-up Bubble Box, the cleaning service booking platform Batmaid, and Houzy, a digital platform for home owners. Customers thus have access to an ecosystem of services for house and home that can make their lives considerably simpler.

The next step we aim to take is to link up the different contact points from the customer's perspective in order to offer new, truly all-encompassing customer journeys in the house and home-related business together with our strategic partner UBS. This will enable us to further establish our presence in the huge and highly relevant real estate and mortgage market, which has a lot of untapped distribution potential. Platforms are already playing an important role in major European markets, so it is likely that similar trends will emerge in Switzerland.

In Belgium, too, customers are at the core of the Baloise Home ecosystem. We want to make the lives of our customers – home owners, tenants and real estate experts – safer and easier by giving them access to a broad range of services and solutions for the needs they experience on their customer journey. Our portfolio in the Home ecosystem includes services such as the digital property management solution Keypoint, the lettings management platform Rentio and ImmoPass, a building control office carrying

out technical audits for properties. In addition, we were able to add a high-quality insurance offering to our range of services in the Home ecosystem when we acquired B'Cover, an established provider of insurance solutions for offices and residential properties.

### INNOVATION AND PARTNERSHIPS

Innovation is a key component of Baloise's strategy aiming to make the lives of its customers easier and safer. Drawing on innovative strength, originality and valuable partnerships, we continuously develop and enhance the business model of Baloise while maintaining our firm customer focus. In 2021, Baloise secured accolades in two categories of the internationally renowned Efma Awards, proving that we are one of the most innovative insurance providers in the world. Both Inshareance – a modular insurance product for sharing platforms – and Drive Electric – an insurance solution designed especially for chargeable hybrid and electric cars – were singled out among the 460 innovation projects that were entered in the competition. We received a gold and silver award respectively in the categories 'Product & Service Innovation' and 'Connected Insurance & Ecosystems'.

### THE OPINION OF OUR CUSTOMERS IS IMPORTANT

To measure its Net Promoter Score (NPS) and customer satisfaction metrics, Baloise has been actively asking end customers (retail and corporate) and brokers about their experience with Baloise. Feedback is requested automatically and immediately every time a customer has been in contact with Baloise, and randomly selected respondents are asked to rank Baloise relative to its competitors.

The NPS programme helps us to see the world through the eyes of our customers. Our strategic business planning approach uses internal key performance indicators for monitoring and improvement purposes. This strengthens Baloise's customer-oriented culture. Our approach is based on three core principles:

#### 1. Dialogue

The NPS is a data-driven dialogue. The programme that we use to record customers' experiences enables us to analyse data and respond appropriately to our customers' feedback, which leads to lasting improvements in the customer relationship and the customer experience.

#### 2. Responding to data

We use the insights we gain into our customers' thoughts and opinions and translate them into actionable data. This provides the basis for strategic decisions and their practical implementation in our operations. We discuss our progress with ongoing initiatives and set priorities for new initiatives aimed at improving the customer experience.

#### 3. Promoting change

An internal core team made up of members from different national markets was created to collate experience relating to customer focus. This allows us to use the NPS internally in order to bring customer experiences to the forefront of our attention across the Company and to generate excitement about the opportunities that we unlock by gaining insights into these experiences. The local management teams at all of our sites receive regular updates on progress made regarding the loyalty of our customers and brokers and the quality of their experience. This information is then used as a basis for decisions on, and the implementation of, strategic and operational adjustments. By promoting close collaboration between all national units, subject matter experts and senior management, we strengthen Baloise's customer-oriented culture. Baloise operates in various different markets and adapts its loyalty assessments to market-specific conditions. In Switzerland and Luxembourg, for example, end customers and brokers are surveyed after various types of contact with Baloise, whereas in Belgium and Germany, surveys are mostly focused on brokers.

### End customer satisfaction

In Switzerland and Luxembourg, all operating segments ask new customers upon joining to rate their satisfaction with Baloise's customer onboarding process. Moreover, customers in all locations are prompted to provide feedback at the end of a claims process. The Swiss and Luxembourg units conduct these surveys in all operating segments. In Belgium, Baloise started by implementing the approach in the fire insurance business, while motor vehicle and buildings insurance were the first segments in Germany to conduct satisfaction surveys.

In 2021, the Swiss business took an important step forward regarding the application of survey results in operations. Since 2021, the handling of negative customer feedback has been taken into account when determining the variable remuneration of sales and marketing staff. This creates a stronger incentive to provide high-quality advice and customer support.

In Luxembourg, we used customer feedback to draw conclusions about our customers' future needs and expand our insurance offering in 2021. For example, we launched products such as Drive Electric, an insurance solution for electric-powered vehicles with a range of tailored complementary services from Baloise partners, and Switch Plan, the first 100 per cent sustainable life insurance solution in Luxembourg.

In Belgium, Baloise focused on gaining a better understanding of customer benefits in 2021. We introduced the 'exploded view' workshop method in order to promote customer benefits as a starting point for the design of our processes. As part of an 'experience mapping' process, we developed customer journeys

and defined improvements that were derived directly from customer feedback. The first application scenario was focused on the medical approval process. Certain insurance products require customers to undergo a medical screening before they can obtain cover. In its current form, this screening process is very complex and opaque for customers. The insights we gained through workshops with customers, brokers and Baloise staff helped us to create a customer-oriented process. We received positive feedback from the project team and the workshop participants, who now feel more involved in the process. Another case where we applied this method in Belgium focused on the quotation process for business customers.

In Germany, customer satisfaction surveys were again conducted at regular intervals in 2021. This helped Baloise to review its service offering and assess its performance relative to its competitors. Customer journeys provide an opportunity for Baloise to gain deeper insights into what optimisation measures might be relevant and useful to different target groups. This approach examines the customer journey in a way that takes account of all groups, sales points and staff involved in the process. The information obtained through this assessment may flag up potential obstacles for customers and aspects of the process that could be improved.

### Satisfaction of our brokers

In Belgium and Germany, the brokers with whom Baloise collaborates are surveyed about their satisfaction with Baloise at least once per year as part of the NPS programme. The Swiss business also measures the satisfaction of brokers.

### PRODUCTS THAT MEET OUR CUSTOMERS' NEEDS

What makes a product a good product? It is the fact that it meets the customer's needs. Especially in Switzerland, we use our dual role as a bank and insurance provider to combine the benefits of both worlds. This enables us to create simple, tailored solutions for our customers in the areas of safety and security, financial planning, pension provision and asset management. Our solutions always take account of the customer's personal circumstances and individual objectives.

We have been seeing growing demand for sustainable and responsible insurance products among our customer base. In addition to the application of our responsible investment policy for various investment and insurance products, Baloise began to integrate ESG criteria into its product management processes in 2021. To this end, an internal analysis of existing products was conducted across all areas of business. In 2022, the findings from this analysis will be used for product-specific sustainability communications and serve as a starting point for the development of new products, services and claims processes. The focus will be on products, services and claims processes that have

an impact on the sustainability of our customers' lifestyle and that address and mitigate societal challenges such as climate change.

In a ranking of top insurers and top banks in 2021 compiled by *SonntagsZeitung* and *Le Matin Dimanche* in 2021, Baloise took first place in the categories of satisfaction, trust, insurance terms and service for its motorcycle insurance and home builders' and developers' liability insurance products, second place for residential buildings insurance, and third place for motor vehicle insurance. In western Switzerland, Baloise was also ranked first for mortgages and retail customer services.

The product range for retail customers comprises a large number of insurance solutions and partner offerings in the Home and Mobility ecosystems as well as products relating to pension provision, wealth management, payments and saving. It is important to us to offer products that our customers need and to further develop them in ways that make them even better suited to customers' requirements. One particularly attractive product for customers is our motor vehicle insurance cover based on the vehicle's replacement value. If a vehicle no older than two years is insured under this policy, the customer is paid out the full purchase price of the vehicle if it is written off as a total loss or stolen within the first seven years of use. Another example of an insurance product with added value for customers is our add-on cover for buildings insurance. Under this insurance policy, Baloise pays out 10 per cent of the property value to customers as a modernisation budget in the event of a total loss. With this cover, Baloise wants to ensure that the customer can give due consideration to important aspects of the reconstruction, such as compliance with Minergie standards, the selection of materials that do not cause harm to the environment or human health, heating systems based on renewable energies and improved comfort.

For corporate customers, Baloise offers package solutions that are tailored to different customer needs and help customers to select the right product. ECO packages are solid, basic solutions for price-sensitive customers that focus on the essential features. SMART packages offer a broad level of insurance cover at excellent value for money, while TOP packages also include add-on services and are ideal for customer with a very high need for protection. The business insurance cover for small and medium-sized enterprises has been revised and modernised. Another key focal topic in 2021 was our cyber insurance, a comprehensive insurance solution that covers everything from prevention to claims support and is designed specifically for SMEs. Many of our products also come with add-on cover options that provide significant added value, for example the accident insurance helpline that policyholders and their employees can contact around the clock in various languages to get support with personal or business matters. A standout product in the group life business is the collective foundation *Perspectiva*, a partially autonomous occu-

pational pension solution for SMEs of all sizes. The concept of this foundation capitalises on the benefits of collective investment. A dynamic investment strategy allows for flexible responses to current capital market trends, which benefits both policyholders and their employees.

In the life insurance business, insurance customers benefit from the successful launch of our Baloise Swiss Property Fund (BSPF). The inclusion of the BSPF in the unit-linked life insurance product Baloise Fonds Plan has also made the fund accessible to retail customers since 2019. The concept has proven highly popular and enabled retail customers to benefit from the stable performance of the BSPF in recent years.

Another key milestone reached in the reporting year was the successful listing of the BSPF on the SIX Swiss Exchange on 1 November 2021. And we are delighted that our insurance customers had the exclusive opportunity to participate in the successful launch phase of the BSPF before it became publicly traded.

Baloise Belgium is taking steps to tackle the concerning trend of the steadily growing prevalence of burnout. According to data published by the National Institute for Health and Disability Insurance (NIHDI), the number of cases of long-term burnout and depression increased by 39.23 per cent over the four-year period from 2017 to 2020. In 2020, burnout and depression accounted for 23.72 per cent of patients with a long-term illness or disability. Baloise’s disability cover offers policyholders greater financial security, regardless of whether or not this policy is combined with a life insurance contract. The contractual terms were recently amended as follows: The personal risk born by the policyholder

was reduced from the previous standard duration of one year to a period chosen by the policyholder. This change helps to grant a higher level of income protection to policyholders who become unable to practise their profession due to burnout.

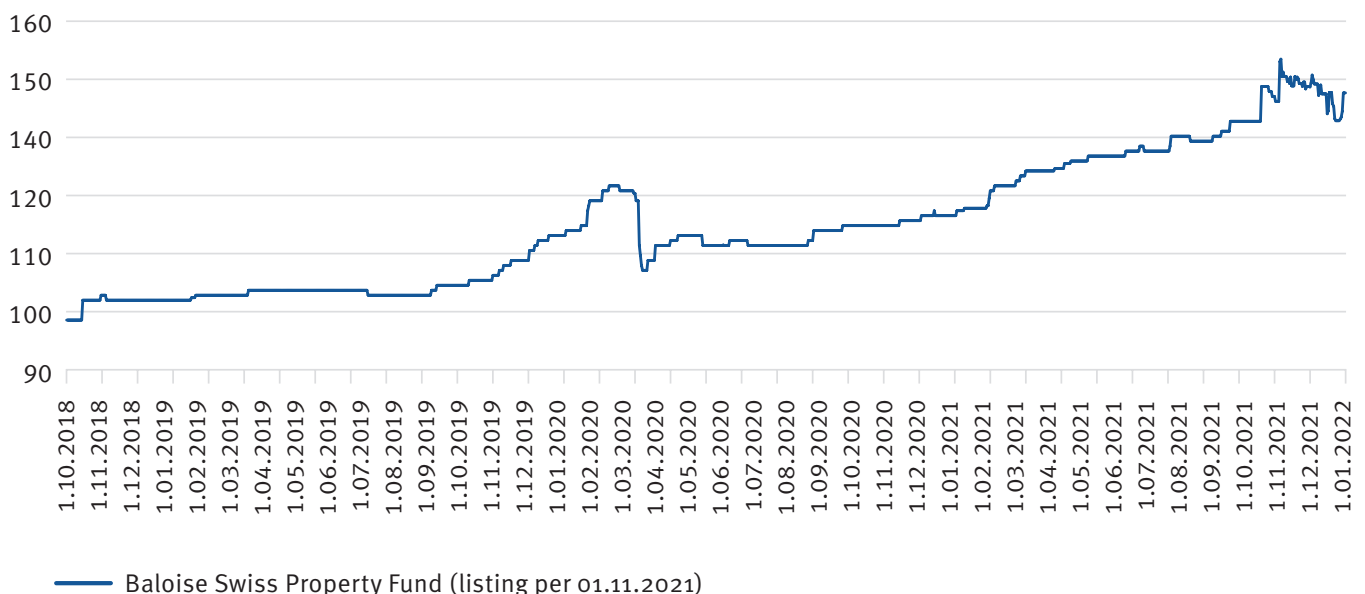
Baloise Luxembourg offers property and indemnity insurance solutions, retirement pension and savings products, and other pension and investment solutions in various EU countries for retail and business customers. Its aim is to deliver simple, intuitive insurance services with a human touch, to continually adapt the offering to changes in customer needs and to provide services that go beyond the traditional insurance business.

In the life insurance business, Baloise Germany focuses on tailored solutions that provide flexibility at attractive premiums. Its personal pension solutions comprise various products with investment-type premiums that offer policyholders security and maximum flexibility. Customers can choose from a range of funds and investment packages that focus on objectives such as environmental protection, social responsibility and sustainable corporate governance.

#### ADVISORY QUALITY IS KEY

When it comes to advising customers, Baloise applies the principle of lifelong learning to ensure that customers always get to enjoy the benefits of new concepts and solutions. Cicero certification (Swiss quality seal for advisory standards) requires customer advisors to undergo continuing professional development, and Baloise offers a huge range of training and education options for this purpose.

#### PERFORMANCE OF THE BALOISE SWISS PROPERTY FUND (%)



One of the most effective levers for ensuring high quality in the advisory service is the internal ‘Baloise-like’ quality seal. Every customer advisor is obliged to act in accordance with the procedures and rules of conduct of this advisory approach. Quality assurance spot checks and customer surveys are conducted at regular intervals. During their basic training, advisors also have to pass regular tests on specific subjects, which ensure that they have the expertise they need to be able to provide competent advice, especially in heavily advice-focused business lines.

### OMNICHANNEL APPROACH – USING ALL CHANNELS TO SUPPORT CUSTOMERS

The key to a seamless customer experience lies in the integration of physical and digital sales and communication channels. Whenever possible, we aim to communicate with our customers through their preferred channel. A strong insurance sales force that acts as an important point of contact for customers and their individual needs is essential to this approach. It is complemented by our telephone-based advisory service Baloise Direct Line (BDL). In addition to these traditional channels, we use a variety of digital channels such as email, video consultations, our website, the myBaloise customer portal, social media and IT solutions such as the Baloise Bank SoBa messaging service. Our goal is to make it as easy as possible for customers to reach out to us and interact with Baloise.



At the Best of Swiss Apps awards in autumn 2021, Baloise Bank SoBa scored third place in the ‘Enterprise’ category with its messaging service and the app’s integrated chat bot. Since the messaging service was launched one and a half years ago, it has garnered more than 12,000 users. The tool enables customers to access services around the clock. In order to ensure that the staff of Baloise Bank SoBa can respond to customer enquiries in record time, the service has an integrated chat bot. The bot can proactively contact customers in order to support them with banking activities such as mortgage extensions or investments in pension funds. And the most recently released feature, the bot builder, enables employees without technical know-how or programming experience to create new chat bot processes. Going forward, Baloise plans to further expand its chat and self-service offering and to use digital tools to further supple-

ment the personal advisory service, especially in complex fields such as pension provision, wealth management and financing.

Baloise Belgium is placing emphasis on products that can be purchased online, which have been very well received by customers. Compared with 2020, online purchases increased by just over 500 per cent. When disseminating information, we pay attention to its seasonality and relevance to our customers. Following the launch of products relating to cybersecurity, events, travel and safe cycling, we already have another online product in the pipeline for next year.

### CUSTOMER ENGAGEMENT – PERSONALISED AND INDIVIDUAL CONTACT

We maintain personalised and individual contact with our customers. Marketing automation enables us to respond to customers’ needs quickly and efficiently and to offer them relevant information and solutions. Trigger-based measures, for example in the event of a change of address, help us to approach our customers with the right content at the right time via the customer’s preferred channel, allowing us to address our customers’ needs as effectively as possible. We also continuously develop customer journeys that support our customers on their path through life. From the initial contact, Baloise stays by the side of its customers every step of the way and creates a positive customer experience through close support and well-coordinated communications. Becoming even better in this regard requires curiosity, the courage to abandon ideas, and the ability to quickly adapt various measures in response to customer feedback. In addition, we periodically analyse our customer experience measures in order to assess their effectiveness.

In summer 2021, Baloise Germany introduced a customer relationship management portal from software provider BSI in its retail customer business. This tool provides a 360° view of customers and all of their contracts and enables staff to process customer requests in a much more service-oriented way. Plans to expand the use of the portal to business customers and customer relationship management in the life insurance business have been developed and are already being implemented in some areas.

In May 2021, Baloise Belgium launched [Gezinsplan.baloise.be](https://www.gezinsplan.baloise.be). New Gezinsplan customers, i.e. those who have taken out at least one contact from a range of three product lines, receive a welcome letter from Baloise and their broker along with a small gift and an invitation to register on the website. Registered customers can then benefit from attractive discounts and partner offers. This creates positive contact experiences for end customers and brokers. So far, more than 3,000 customers have registered on the site. The aim is to reach more than 20,000 registrations by the end of 2022. An enhancement to the online platform Gonna-be in collaboration

with the University of Leuven is another means by which customers can be contacted in line with their needs. The platform offers information and guidance on financial matters and pension-related topics. It provides simulations, blog articles and tutorials that are designed to help customers make informed decisions and access the advice they need. Since its launch at the end of 2019, the platform has already been used by 395,000 customers.

**SWIFT RESPONSE TO STORM DAMAGE**

More than 12,000 storm-related claims for battered roofs, dented bonnets, broken car windows and other damage were submitted in Switzerland during summer 2021. Most cases related to motor vehicles. In order to provide quick and convenient support for our customers, we set up ‘drive-in hail checkpoints’ at various locations in Switzerland where assessors with expert knowledge of hail damage inspected vehicles and quantified the damage in record time. Within a few weeks, we organised and put into operation a total of 24 checkpoints at 19 locations. More than half of the customers who submitted a claim of this type used the drive-in assessment and were able to bring their claim to completion or take the necessary further steps in a swift and hassle-free manner.



However, hail damage to vehicles was not the only thing that kept Baloise busy. We also supported customers with damage to buildings they had insured with us. Images such as that of a flooded nursery in Giubiasco whose children urgently required alternative premises remain etched in our memories.

The 2021 summer storms were the biggest loss event in the history of Baloise. During this stressful time, our employees were by our customers' side and ready to support them. The event weighed on the earnings of Baloise, which recorded net claims incurred of CHF 120 million.







# Partners

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# How we create value for our partners

## RESOURCE: PARTNERS OF BALOISE

### COMMITMENT: RESPONSIBLE AND SUCCESSFUL COLLABORATION



#### Elements of value creation

- ▶ Establishing and expanding a network of partners (innovation partners, start-ups, outsourcing partners, suppliers, brokers and agents) and linking them up in an intelligent manner
- ▶ Driving Baloise’s own start-ups and innovation processes
- ▶ Measuring the Net Promoter Score (NPS) and the satisfaction of brokers with Baloise at regular intervals
- ▶ Maintaining a dialogue with suppliers on the subject of sustainability, including the imposition of the vendor code of conduct
- ▶ Making investments and forming partnerships that promote sustainability-oriented solutions
- ▶ Signing the Principles for Sustainable Insurance (UNEP FI PSI) in 2020
- ▶ Supporting the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in 2020
- ▶ Becoming a partner of the Swiss Climate Foundation with a seat on the advisory council in 2021

#### Impact of value creation

- ▶ Knowledge is shared among the partners in Baloise’s network, which increases their collective success
- ▶ Reduction of product development lead times
- ▶ The risk that newly developed concepts might not prove successful is spread across all partners, which creates scope to pursue a wider range of innovations simultaneously
- ▶ Protection of competitiveness and facilitation of future growth
- ▶ Increase in innovative strength
- ▶ Quick and targeted fulfilment of the needs of customers and partners
- ▶ NPS results, satisfaction measurements and other dialogue outcomes inform our collaboration with brokers
- ▶ Collaboration with suppliers to ensure sustainability along the supply chain
- ▶ Provision of, and support for, innovative sustainability solutions that contribute to the green transformation of the economy and a sustainable lifestyle
- ▶ Promotion of the implementation of global principles and industry-specific standards



## CREATING VALUE FOR OUR PARTNERS

Baloise has a broad network of partners with which it maintains cooperative relationships. Its links with different partners, such as innovation partners, start-ups, outsourcing partners, suppliers, brokers and agents, form a network that unlocks synergies, promotes knowledge transfer and creates added value for everyone involved by increasing collective success. This pooling of expertise enables Baloise to keep development times very short and quickly offer its customers new, innovative products that are tailored to their needs.

To ensure that our suppliers and outsourcing partners also comply with our sustainability principles, we integrate the

approval of our vendor code of conduct by the relevant partners into our processes. The code includes provisions on conflicts of interest, gifts & hospitality, environmental aspects, procurement ethics, freedom of association, child labour, human rights, health & safety, discrimination and procedures for reporting violations.

[www.baloise.com/vendor](http://www.baloise.com/vendor)



### PARTNERSHIPS THAT ACCELERATE THE IMPLEMENTATION OF SUSTAINABILITY-ORIENTED SOLUTIONS

In 2021, Baloise entered into numerous partnerships and brought a variety of solutions to the market that help our existing partners to operate more sustainably.

Our Inshareance solution, for example, supports efforts to utilise goods more efficiently. Sharing platforms enable the shared use of goods, but also entail specific claims risks. To cover these risks, Baloise has designed the Inshareance modular product for digital sharing platforms. It is based on low premiums, and policies can be taken out in real time. Platforms such as MyCamper and GoMore benefit from this Baloise solution because the comprehensive risk cover is a perfect fit for these motorhome and vehicle rental models. Vehicle owners who rent their vehicle to others say that the most important factors for sharing are trust and good insurance cover.

When we select co-investors for our long-term equity investments, we choose partners that regard sustainability as a key priority. One such partner is German energy supplier EnBW. The collaboration focuses on the supply of renewable energies and on the expansion of infrastructure for electric vehicles across Europe.

In other areas, Baloise forms partnerships with specialists and innovators. In 2021, Baloise teamed up with Futurice, a business with expertise in strategy development, design and technology that helps organisations to shape their future proactively. The joint endeavour was a project on sustainable transport solutions of the future. Priority topics included battery recycling and the development of the bicycle market in Europe, taking account of customer preferences. A new solution for companies in the area of ‘mobility budgets’, which will be offered as part of Baloise’s service portfolio, is already in the process of being implemented. This solution focuses on moving away from the established, inflexible company car schemes that are currently very prevalent in Belgium, Germany and Luxembourg. Instead, it promotes the use of a flexible mobility budget that employers make available to their employees.

In order to be able to collaborate with innovators at the earliest possible stage, we ran our first accelerator programme for early-stage businesses in 2021. Baloise’s accelerator is an online programme that is based on the core idea of putting founders in contact with experts and mentors very soon after the foundation of their business. The programme uses a combination of practical, customer-oriented approaches, personal feedback and access to Baloise’s network of experts in the fields of personal transport and financial services. The winner of the 2021 programme was Ayes, a team that aims to make it much easier for people with visual impairments to navigate and travel around cities. Another priority topic of the accelerator programme was measuring transport-linked carbon emissions.

### PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT

At Baloise, we are convinced that partnerships are absolutely essential to long-term success. Especially in the last two decades, our customers have had increasingly high expectations of our products, driven by new, digital experiences. Intelligent networks can speed up product development significantly. With the help of partners, successful services and products can be scaled up more quickly and thus reach a broader audience. The risk that newly developed concepts might not prove successful is spread across all partners, which creates scope to pursue a wider range of innovations simultaneously. Sustainability-related concepts often involve the exploration of new fields and can therefore benefit greatly from the advantages of partnerships and networks.

Sharing knowledge is another important element of partnerships that helps to generate new ideas and, ultimately, new solutions. Knowledge becomes most useful and effective when it is shared, or rather pooled. Collaboration between partners creates a larger community in which knowledge is pooled, resulting in a constantly evolving knowledge base. As a general principle, sharing knowledge also helps us to achieve our ambition of being a learning organisation. Achieving this together with partners is an extremely worthwhile endeavour. In this sense, we believe that the added value of partnerships lies in the creation of a group of like-minded entrepreneurs who support each other in their pursuit of continuous development.



# Society

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# How we create value for society

## RESOURCE: SOCIETY

### COMMITMENT: VALUED MEMBER OF SOCIETY



#### Elements of value creation

- ▶ Compliance with approval requirements, relevant legal provisions and fundamental rights (such as human rights), including monitoring by regulatory authorities
- ▶ Baloise business model, which protects customers from falling into financial distress through claim payments, pension benefits and similar
- ▶ Inclusion of ESG criteria in the investment process since 2018, with the addition of a climate strategy and an active ownership strategy in 2021
- ▶ Payment of taxes and support (financial and non-financial) for charitable and environmental organisations (CSR)
- ▶ Sponsorship for sport, culture and art (including the Baloise Art Prize, art collection, donations of art)



#### Impact of value creation

- ▶ Affirmation of the rule of law from a corporate perspective
- ▶ Ensuring a solid and trust-based relationship between the business sector and the public
- ▶ Strong reputation in all markets (RepTrak© score)
- ▶ Maintaining a stable risk-sharing community and the prosperity of society and preventing potential inequality as a result of financial circumstances
- ▶ Minimising risk in the investment process and financially supporting – through investment – companies that factor ESG criteria into their decision-making
- ▶ Dialogue with companies on ESG issues, focusing on human rights, working conditions and diversity as priority topics in the area of society
- ▶ Increasing the public sector’s ability to provide social support through financial contributions
- ▶ Supporting community and good causes, environmental protection and climate action, healthcare, education and research and innovation and safety
- ▶ Encouraging voluntary work and corporate citizenship among employees
- ▶ Promoting cultural diversity
- ▶ Supporting young artists, providing access to art and preserving artworks as a cultural asset

## HOW WE CREATE VALUE FOR SOCIETY

Baloise sees itself as part of the sustainable development of a stable society and a healthy environment and therefore believes it has a responsibility to society in its role as a corporate citizen. Baloise conducts its business activities in accordance with the relevant legal provisions and in compliance with the basic rights enshrined in the constitution of the Swiss Confederation, such as human rights. The approval requirement enshrined in Swiss financial markets legislation, which demands an assurance of proper business conduct, stipulates among other things that the approved institutions and their key decision-making bodies must comply with all applicable laws (statutes, regulations, etc.) and have an organisation that ensures such compliance. The

Swiss Financial Market Supervisory Authority (FINMA) monitors compliance with this approval requirement, which must be fulfilled at all times.

The business model of Baloise, which – among other things – protects customers from falling into financial distress, plays an important part in maintaining society’s prosperity. At the same time, it prevents potential inequalities as a result of financial circumstances. We fulfil our responsibility to society by sharing risks and costs and operating our business in a forward-looking and innovative way. This means weighing up the positive and negative consequences of our decisions and actions on fundamental issues for our business, society and the environment.

**CLAIMS AND BENEFITS PAID**

	2019	2020	2021
CHF million			
Non-life	2,184.4	2,338.3	2,541.8
Life	3,906.0	3,844.3	3,271.6
<b>Total</b>	<b>6,090.4</b>	<b>6,182.6</b>	<b>5,813.4</b>

The payments shown for the non-life business mainly refer to claim payments including claims handling costs, while those for the life business refer to claims and benefits paid and surrenders. The payments for the non-life and life businesses are reported on page 166 of the 2021 Annual Report ('Segment reporting by operating segment') and the total is shown on page 86 ('Consolidated income statement').

**RESPONSIBLE INVESTMENT FOR SOCIETY**

As part of its responsible investment policy, Baloise takes account of environmental, social and corporate governance issues. It factors sustainability risks into its investment decisions because Baloise could be exposed to risk if investee companies fail to deal with these matters adequately. We also take our role in society as a responsible custodian of assets seriously. Baloise Asset Management uses the ESG rating and the data provided by MSCI Ltd. for this. Social issues such as healthcare and safety, human capital development and human rights play a role in the assessment of sustainability. The relevant data is supplied to the portfolio managers for ESG integration.

The responsible investment policy of Baloise Asset Management was extended once again in 2021, and a dedicated climate strategy was launched in March 2021, providing greater depth in relation to an area of utmost importance for society. Companies that generate more than 10 per cent of their revenue from coal are now excluded from the investment universe.

As part of the active ownership strategy, the exercising of voting rights held by Baloise in Swiss companies was extended to include engagement. We have set ourselves the following priorities with regard to social issues: human rights, working conditions and diversity. Baloise and its partners engage in dialogue with companies on these and other matters, including environmental and corporate governance issues.

These activities also include political engagement at sector level through active involvement in leading initiatives for sustainable investment and organisations in Switzerland:

- ▶ Swiss Insurance Association (SVV)
- ▶ Asset Management Association Switzerland (AMAS)
- ▶ Principles for Responsible Investment (PRI)
- ▶ Swiss Sustainable Finance (SSF).

We are also a member of expert groups on this issue at the State Secretariat for International Finance (SIF) and the Swiss Financial Market Supervisory Authority (FINMA).

**SOCIAL RESPONSIBILITY AT BALOISE**

Corporate social responsibility is the part of Baloise's approach to sustainability that focuses on society and the environment in the Baloise value creation model. Baloise has also been a committed advocate of voluntary work for many years. In 2015, Baloise became a signatory to the declaration by economiesuisse (the umbrella organisation representing Swiss business) and the Swiss Employers' Association. The declaration requires companies to offer flexible working conditions and working time models that enable employees to participate in voluntary work. Baloise not only encourages its employees to engage in voluntary activities by holding annual events but it also meets its own responsibility to society as a commercial organisation. Six Baloise employees in Switzerland are currently members of cantonal parliaments, and many others are involved in politics at local level. Furthermore, the Company creates and preserves jobs that add value and it pays taxes from its profits that help to fund the public sector.

**TAXES PAID**

	2020	2021
CHF million		
Taxes paid	106.9	95.7

See 2021 Annual Report page 88 'Consolidated cash flow statement'.

The profits we generate enable us to be an active partner in many areas of society. Baloise runs a number of charitable projects and initiatives in its national subsidiaries that benefit society and the environment. These can be roughly divided into the following categories:

1. **Community and good causes**  
Baloise provides financial support and carries out voluntary work for organisations, both for the general common good and for people who are in need.
2. **Environmental protection and climate action**  
Baloise supports organisations that focus on environmental protection and climate action, both by providing financial backing and by allowing its employees to volunteer.
3. **Healthcare**  
Baloise provides funding for research in various healthcare sectors and to organisations that work to improve the well-being of people with health problems and to promote general health.

#### 4. Environmental protection and climate action

Baloise supports organisations that focus on environmental protection and climate action, both by providing financial backing and by allowing its employees to volunteer.

#### 5. Healthcare

Baloise provides funding for research in various healthcare sectors and to organisations that work to improve the well-being of people with health problems and to promote general health.

#### 6. Education and research

Baloise regards education and research as a cornerstone of sustainable development. That is why it supports a range of projects with financial contributions and volunteers, including projects that focus on the political education of young people.

#### 7. Innovation and safety

Baloise supports organisations and initiatives dedicated to developing innovative technologies, products and services. These innovations span a broad range of areas, from road safety to digitalisation.

Within its corporate social responsibility (CSR) activities, Baloise favours local initiatives and institutions that it believes need urgent support. In 2021, all national Baloise companies signed up to a joint corporate social responsibility (CSR) charter that covers the Baloise values and priorities in the area of CSR. The national companies have to decide which projects they wish to be involved in within the scope of the Baloise CSR Charter.

[www.baloise.com/csr-charta](http://www.baloise.com/csr-charta)

Baloise made total donations of around CHF 1,029,000 in 2021, which equates to around CHF 130 per employee. This sum includes only financial donations that were given in 2021 to organisations that serve the common good or a charitable purpose or which promote environmental protection. It does not include donations of goods, expenses incurred for the organisation of volunteer workers, support for events staged for the common good, or financial support for organisations and events that serve an educational purpose.

Once again, Baloise employees at all the Company's offices took part in voluntary activities for the benefit of society and / or the environment in 2021. Employees were allowed to carry out some of these activities during working hours.

One of the largest donations is made each year by Baloise Bank SoBa. Every year, the Executive Committee and the Board of Directors of Baloise Bank SoBa agree to make 1 per cent of the bank's profit for the period available for donations. This is a financial commitment to support a cultural, charitable or research project. 1 per cent of the profit for the prior year is thus used to fund projects in the current year.

[www.baloise.com/csr](http://www.baloise.com/csr)

In 2021, Baloise commissioned reputation analysis company RepTrak© to measure its reputation. One of the criteria measured was 'Citizenship' and Baloise was rated as 'strong' by just under 2,500 respondents in Baloise's core markets for the following three attributes of this criterion:

- ▶ 1. Cares about the environment
- ▶ 2. Supports good causes
- ▶ 3. Has a positive impact on society

This translates into a score of between 70 and 79 points in the RepTrak© model. The reputation assessment will be carried out annually from 2021 and Baloise will use the findings to develop measures to improve its reputation.



## BALOISE'S SPONSORSHIP ACTIVITIES

Baloise helps to promote the cultural diversity of society through its sponsorship activities. The primary focus of our activity in **Switzerland** is on music, and we have brought together various commitments in this area under the umbrella of 'Baloise goes music'. The main event is the 'Baloise Session' music festival with its intimate club table atmosphere and unique proximity to the international stars on the stage. The concerts, which are broadcast in more than 140 countries across five continents, are extremely popular and often sell out within minutes. But exclusive concert evenings for customers, our own national concert tour and a staff concert ensure that music can be enjoyed all year round – because music brings us together and touches us all. Of course the impact of the COVID-19 pandemic meant that a number of concerts had to be cancelled in 2021, but the expansion of 'Baloise Session@home', an innovative music format with monthly live-streamed concerts and an accompanying nationwide communications campaign, meant that Baloise was able to live up to its commitment to music even in these difficult circumstances. This delighted music lovers, customers and employees but also benefited the artists and people working in the events sector. As part of its commitment to its local communities, Baloise has been involved with the football club FC Basel for a number of decades. The illustrious football club was established in 1893 and is now one of Switzerland's most successful teams.

In **Belgium**, Baloise is a major sponsor of cycling. The Company provides financial backing to Sport Vlaanderen-Baloise and Baloise Trek Lions, two professional cycling teams for young up-and-coming riders that concentrate on the Benelux races on the pro tour circuit and the international calendar for professional cycling teams in Europe. The teams' overriding objective is to provide professional support for talented young riders.

In Belgium, Baloise also sponsors the Baloise Belgium Tour, a racing event similar to the Tour de France but on a smaller scale, and held in Belgium. In addition to cycling, Baloise also sponsors football in Belgium. Baloise in Belgium sponsors the two well-known Belgian teams KAA Gent and Standard Liège. In the area of arts and culture, Baloise encourages cultural dialogue among the public through the Noordstarfonds in Belgium. The Noordstarfonds is a charitable organisation run by Baloise in Belgium that was established in the middle of the 20<sup>th</sup> century to promote art, culture and the Dutch language among the Flemish population. This non-profit organisation has its own concert hall, the Handelsbeurs, in Ghent. The Noordstarfonds currently focuses on promoting various music genres and creating a bridge between these genres.

In **Luxembourg**, Baloise signed a three-year partnership with the Škoda Tour de Luxembourg organisation in 2020 to promote cycling – a very popular sport in the Grand Duchy – at national and European level. Baloise Luxembourg is thus one of the major partners of the Škoda Tour de Luxembourg and the sponsor of the yellow jersey for the winner of the overall classification.

Baloise Luxembourg is also a proud sponsor of the Fédération Luxembourgeoise de Triathlon (FLTRI), whose mission is to promote triathlon in Luxembourg. Since 2018, Baloise Luxembourg has been one of the main sponsors of the Rockhal, the largest concert hall in the Grand Duchy of Luxembourg.

The Baloise companies outside Switzerland also play their part in social, sporting and cultural life in their regions by supporting numerous institutions and events. Some of the Baloise activities and initiatives that enrich socio-cultural life are listed here:

### WEBLINKS TO THE ACTIVITIES OF THE NATIONAL COMPANIES

- ▶ Baloise Group and Switzerland  
[www.baloise.com/nachhaltigkeit](http://www.baloise.com/nachhaltigkeit)  
[www.baloise.ch/de/ueber-uns/engagement](http://www.baloise.ch/de/ueber-uns/engagement)
- ▶ Belgium  
[www.baloise.be/nl/over-ons/csr-en-sponsoring](http://www.baloise.be/nl/over-ons/csr-en-sponsoring)
- ▶ Germany  
[www.basler.de/de/ueber-uns/nachhaltigkeit](http://www.basler.de/de/ueber-uns/nachhaltigkeit)
- ▶ Luxembourg  
[www.baloise.lu/unsere-verantwortung](http://www.baloise.lu/unsere-verantwortung)

## The Baloise Group's commitment to art

Art provides a space for reflection and a lens through which to view the world in a different way. It enriches our lives and stimulates discussion. The Baloise art collection is an important part of the Company's corporate culture, as Baloise believes that the privilege of owning art comes with an obligation to make it accessible to the wider public. In an extension of this principle, the Company operates a website that covers all aspects of Baloise's activities in the arts sector. As well as presenting the themed exhibitions at the Baloise Art Forum, the website [www.baloiseart.com](http://www.baloiseart.com) also provides some glimpses into the collection itself, showcasing a growing selection of artists and their work. It also includes a section that features all recipients of the Baloise Art Prize, now in its 23<sup>rd</sup> year.

### CORPORATE COLLECTING – AN IMPORTANT ASPECT OF THE CULTURE AT BALOISE

The primary objective of the collection is not to achieve monetary gain, but to integrate spiritual and creative values into the Company's corporate culture. Baloise is of the opinion that the works of art it owns ought to be seen so that they enrich lives, inspire reflection and provoke discussion. They are on display in foyers, corridors, meeting rooms and offices, as well as in reception rooms that are open to the public.

### BALOISE ART PRIZE

Encouraging an understanding and enjoyment of art is as much a part of the corporate culture as fostering new talent – both within Baloise and externally, in the arts sector. For many years, Baloise training and development programmes have provided access to careers with substance. For all of these people, Baloise offers a launchpad for a long and successful future.

Its commitment to sponsoring modern art – through acquisitions for its own collection and in the form of the Baloise Art Prize – also represents part of this approach. It is Baloise's way of supporting the development of young and emerging artistic talent.

Since 1999, Baloise has been awarding the annual Baloise Art Prize at Art Basel, an international art fair. Two talented emerging artists each receive CHF 30,000 in prize money, which is awarded during a ceremony at the fair. After the announcement at the Art Basel media conference, both the winners and the galleries enjoy considerable attention at this globally significant event.

The art fair was cancelled in 2020 due to the pandemic. The cancellation also meant that the competition entries could not be judged and that Baloise was not able to award its prize. Much to

the delight of everyone involved, Art Basel announced that the fair would go ahead in September 2021.

The coveted 2021 Baloise Art Prize was presented to two talented and up-and-coming artists, Hana Miletić (born 1982) and Cameron Clayborn (born 1992). Interviews are available on [www.baloiseart.com](http://www.baloiseart.com). The panel of judges explained their decision as follows:

**Hana Miletić's** work strikes a deep, albeit discreet, chord in today's world. Her woven transcriptions of commonplace repairs on cars and buildings speak of economic hardship and personal resilience, as does the transnational dimension of her project between Pristina and Basel. Her process itself, the slow and attentive act of weaving, meaningfully echoes the deeper task we are all engaged in.

**Cameron Clayborn's** sculptures in his 'Homegrown' series hang suspended from the ceiling like cocoons. By appearing to be standing on tiptoe, they command distance, and yet their materiality lures viewers into taking a closer look. Thus seesawing between distance and closeness, solidity and fragility, Clayborn informs his work with great vitality and an impressive physical presence.

### ART AT THE BALOISE PARK COMPLEX

In keeping with the Baloise corporate philosophy, the upper floors also display works from the collection in specially provided spaces – the 'etagères'. Two themed exhibitions are mounted every year in the Art Forum on the ground floor, which is open to the public. The opening exhibition with works from the private collection of Thomas Schütte, on display until 2 July 2021, was followed by another exhibition without a direct connection to the Baloise collection.

Édouard Vuillard (1868–1940), who, alongside his friends Pierre Bonnard and Félix Vallotton was among the most audacious precursors of the avant-garde in fin-de-siècle Paris, is closely connected to the villa in the park in Aeschengraben 21 in Basel, now the site of Basler Insurance’s headquarters. After the First World War, the villa had passed into the hands of the Basel entrepreneur Camille Bauer and his French wife. The extensive remodelling of the villa was completed with a series of paintings Vuillard created in 1921–22 for the vestibule. The four wall paintings reflect the development of art across the millennia, from Antiquity to French rococo painting. The two overdoors turn the spotlight on the artist’s own art collection.

Édouard Vuillard’s Au Louvre cycle is remarkable as much for its outstanding artistic quality as for the richness of its content. Yet neither scholars nor the art-loving public has paid it more than scant attention to date. Art Forum Baloise Park is proud to be furthering the rediscovery of this unique cycle of paintings a century after its creation.

#### GROUPS AND SPOTS AT THE FRANZ GERTSCH MUSEUM IN BURGDORF

Following its principle of making the collection accessible to a wider public, Baloise made a focused selection of more than 250 works available to the Franz Gertsch Museum in Burgdorf. The basis for this six-month exhibition was the publication of a volume on the collection the previous year. The extensive display, curated by Anna Wesle, Martin Schwander and Beat Wismer, spread across three rooms and was very well received. Baloise employees took

advantage of the generous offer of free entry and were delighted with the perfectly executed presentation of ‘their’ works.

#### ACQUISITIONS FOR THE ART COLLECTION

New acquisitions for the collection are made by the Baloise art commission, which comprises seven art-loving employees from various parts of the company and one external adviser. They focus on acquiring works on paper by contemporary artists. The decisive factor for inclusion in the collection is the persuasive quality of the work. This acquisition policy also allows the art commission to include the winners of the Baloise Art Prize in the collection, and thus to help shape the way in which it promotes art. Works by 2021’s winner, **Cameron Clayborn**, have been added to the collection, for example. Clayborn had just graduated from Yale University when he and the Simone Subal Gallery, which exhibits his work, presented it in the Statements category to the Art Basel judges. The art commission acquired works on paper for the collection that explore the complexity of identities and the relationship between vulnerability and power.

The Baloise collection includes a significant selection of works by **Ulla von Brandenburg**, to which the art commission has now added ‘Nicolas, 2018’, a portrait of Nicolas Zverev, the Russian-French dancer and ballet master. The commission considers it a complement to the collection’s ‘Mary, 2018’, a portrait of Mary Wigman, the German dancer, choreographer and pioneer of expressionistic dance. Both Mary and Nicolas played a leading role in the development of modern dance.



Cameron Clayborn

*a father #4, 2021*

Colored pencil and watercolor

15 x 20 inches (38.10 x 50.80 cm)

Courtesy the artist and Simone Subal Gallery, New York



Cameron Clayborn

*fractal #3, 2021*

Colored pencil, oil pastel, and watercolor, on paper

12 x 9 inches (30.48 x 22.86 cm)

Courtesy the artist and Simone Subal Gallery, New York

For some 20 years now, Ulla von Brandenburg has been developing a body of work that is centred on filmed and sung performance, and on installations in which she stages the artistic and societal revolutions in the time around 1900 as a reflection of contemporary questions. Not as well-known as her films, more discreet than her installations, von Brandenburg's drawings nevertheless play a significant role in her approach. The themes and figures seen in the films appear in her graphic work as collages of monochrome silhouettes and as large drawings streaked with a rainbow of watercolours.

**Zilla Leutenegger** is a nationally and internationally famous Swiss artist. Her works have been shown in numerous solo and group exhibitions. She explores space, the person in relation to space and the relationship between space and light. Zilla Leutenegger is particularly renowned for her characteristic style of drawing, which consists of clear, strong lines and vivid accents of colour. The collection's works by Leutenegger, the first of which was acquired back in 2006, follow this style. In recent years, the artist added monotype to her repertoire, and the Baloise art commission has since acquired three of her works in this medium.

[www.baloiseart.com](http://www.baloiseart.com)



Zilla Leutenegger

*Stick to the plan*, 2019

Oil on cotton paper (monotype)

108 x 107.5 cm, framed

Courtesy the artist and Galerie Peter Kilchmann,  
Zurich



Zilla Leutenegger

*Alpküche*, 2020

Oil on Somerset Paper (monotype), mounted on  
canvas

250 x 153 cm

Courtesy the artist and Galerie Peter Kilchmann, Zurich



Zilla Leutenegger

*Treuer Hund*, 2021

Oil on cotton paper (monotype)

133.5 x 90.5 cm, framed

Courtesy the artist and Galerie Peter Kilchmann, Zurich



# Environment

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# How we create value for the environment

**RESOURCE: ENVIRONMENT**  
**COMMITMENT: CLIMATE PROTECTION**



## Elements of value creation

- ▶ Publication of the environmental audit since 1998
- ▶ Commitment to use natural resources in a responsible way and to reduce the carbon footprint of the business on an ongoing basis with ultimate responsibility resting with the Corporate Executive Committee and the Board of Directors
- ▶ Carbon offsetting for non-avoided CO<sub>2</sub> emissions
- ▶ Responsible investment that includes a climate policy and a real estate policy; focus topics in relation to the environment as part of the Baloise active ownership strategy
- ▶ 100 per cent demand for renewable energy within our energy mix
- ▶ Signing the Principles of Responsible Investment (PRI) in 2018
- ▶ Signing the Principles for Sustainable Insurance (UNEP FI PSI) in 2020
- ▶ Support for Climate Action 100+
- ▶ Becoming a partner of the Swiss Climate Foundation with a seat on the advisory council in 2021



## Impact of value creation

- ▶ Continuously reducing the carbon footprint of business activities
- ▶ Conserving resources by reducing water consumption, waste and energy consumption, as well as increasing the proportion of recycling
- ▶ Raising awareness of environmental issues and educating staff about relevant topics
- ▶ Promoting certified carbon offset projects
- ▶ Promoting renewable energies through our own energy consumption and through investments
- ▶ Combating climate change through responsible investment including climate strategy and dialogue with companies on ESG issues (Baloise active ownership strategy), focusing on: the green transition, reducing carbon emissions, and biodiversity
- ▶ Climate change mitigation and promoting other environmental aspects by integrating ESG criteria into underwriting and product management
- ▶ Helping to combat climate change through the selection of suppliers and their products and services
- ▶ Contact with the largest global emitters of CO<sub>2</sub> via Climate Action 100+ in order to develop solutions for the future
- ▶ Financial support via the Swiss Climate Foundation for small and medium-sized enterprises that contribute to climate change mitigation

## CREATING VALUE FOR THE ENVIRONMENT

Baloise has had its own environmental mission statement since 1999. From the outset, it was important to embed sustainability throughout the Company and in all day-to-day business activities. The environmental mission statement became an integral element of the Baloise value creation model for sustainable development in 2018 and was thus incorporated into the Company's overall sustainability management. The environmental mission statement is part of our efforts to create value in relation

to the environment. We commit to and support the achievement of the 2015 Paris Agreement and the UN's sustainable development goals, in particular no. 7 (affordable and clean energy), no. 9 (industry, innovation and infrastructure), no. 12 (responsible consumption and production) and, as a priority, no. 13 (climate action).



## PRINCIPLE

The environment is one of the most comprehensive resources in the Baloise value creation model. In managing this resource, Baloise's environmental policy focuses on promoting renewable energies, developing infrastructure in a way that adds value and taking action to combat climate change. We focus on the responsible use of natural resources and the continuous reduction of CO<sub>2</sub> emissions within the Company and within our business activities. Our responsibility to the environment and to the associated idea of value creation relates to our own energy requirements but also extends to our investments, the procurement of products and services, and our underwriting policy.

## ORGANISATION

The Corporate Executive Committee bears ultimate responsibility in environmental matters and is supervised in this role by the Board of Directors. Each Group company has a coordination unit that implements environmental measures. The agile organisation of Baloise Asset Management, led by the Head of Responsible Investment, is responsible for implementing responsible investment measures. The implementation of underwriting guidelines and product management is the responsibility of each national organisation.

## ENERGY EFFICIENCY AT BALOISE

The total energy and resource consumption revealed by the environmental audit shows the amounts used by the Baloise Group's large office buildings at all sites and at its computer centres. The figures reported thus relate to the energy and resources used by 72.4 per cent of the 7,600 or so people working for the Baloise Group. Per-employee consumption of heating has been reduced by around 33 per cent and of electricity by 42 per cent over the last ten years through various energy-saving measures. With the objectives of the Paris Agreement in mind, a wide range of energy-saving measures have been analysed which will be implemented in each country over the coming years.

## Pandemic still having a positive impact on the environmental footprint

The pandemic had a major impact on domestic and international business travel in 2020 and this phenomenon continued in 2021. Bookings fell to between 10 and 20 per cent of their 2019 level, depending on transport type.

The work-from-home (WFH) orders imposed by governments in various countries also resulted in a sharp drop in commuter travel. The average office attendance rate in 2021 varied from country to country but was between 15 and 30 per cent. This has had a lasting positive impact on the environment.

## Carbon emissions less than two tonnes per employee

Carbon emissions per employee remained below two tonnes per year for the second year in a row – the first time this has happened since the Baloise Group began recording this metric in 1998 (1.986 tonnes per employee in 2021). In 2021, the WFH days necessitated by the pandemic were included in the electricity consumption figures. Due to the pandemic, business travel remained at a similarly low level as in the prior year. It is likely that the successful use of videoconferencing over the past two years will have a long-term effect, as more conscious consideration is given to the need for business trips. The volume of waste has gone back down to a normal level, primarily because construction work at Baloise Park and the relocations of previous years have finished.

## Continuous reduction of CO<sub>2</sub> emissions since 2000

Climate change is without doubt the challenge of the century. Since the 1997 Kyoto conference in Japan, Baloise has been publishing key figures on energy and resource consumption, calculating its absolute and relative CO<sub>2</sub> emissions in accordance with the directives issued by the Association for Environmental Management and Sustainability in Financial Institutions (VfU) and documenting sustainability measures. The 2015 Paris Agreement, the successor to the Kyoto Protocol, has spurred the Company on in its ambition, and future measures will be based on the Paris objectives and the UN's sustainable development goals. Both absolute and relative CO<sub>2</sub> emissions have been reduced massively at Baloise since the year 2000. Over this period, Baloise has cut absolute CO<sub>2</sub> emissions from 53,580 tonnes to 12,473 tonnes in 2021. This is equivalent to a 76.7 per cent reduction in CO<sub>2</sub> emissions, while emissions per employee fell by 50.7 per cent over the same period, from four tonnes to just under two tonnes.

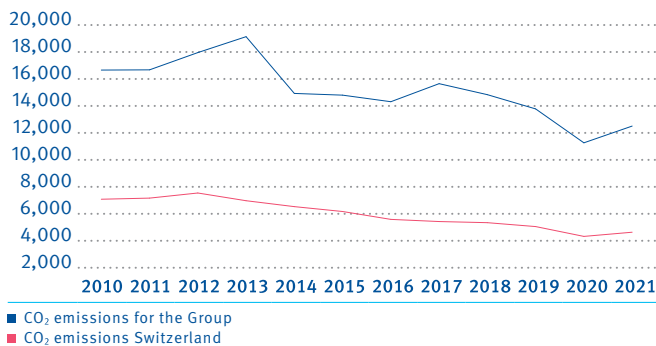
## Carbon offset and promotion of climate action innovations

Since 2020, we have retrospectively offset the CO<sub>2</sub> emissions within the Company that we were unable to avoid through optimisation and reduction measures. For 2020, we offset around 11 thousand tonnes of carbon through three certified projects. The modalities and methods of the projects were assessed against the following standards and certified:

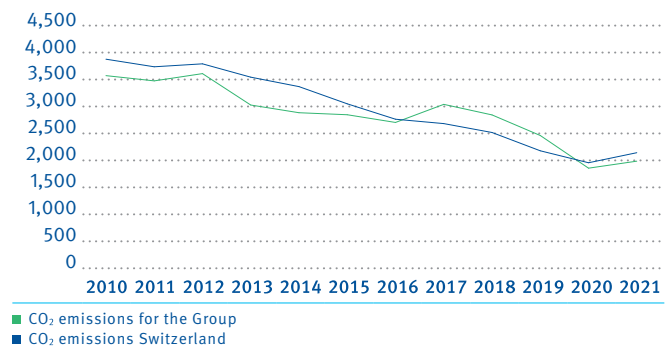
- ▶ Verified Carbon Standard (VCS)
- ▶ The Climate, Community & Biodiversity Alliance (CCB Standards)
- ▶ ISO 14064-2, validated by TUEV NORD

[www.baloise.com/co2-kompensation-swiss-climate](http://www.baloise.com/co2-kompensation-swiss-climate)

TOTAL CO<sub>2</sub> EMISSIONS IN TONNES



CO<sub>2</sub> EMISSIONS PER EMPLOYEE IN KILOGRAMMES



In addition to optimising our processes, cutting our emissions and offsetting our carbon footprint, the promotion of climate action-related innovation is a key priority for us. Since 2021, we have been investing the net annual amount from the CO<sub>2</sub> levy distribution through our membership of the Swiss Climate Foundation. The foundation uses these funds to support SMEs in Switzerland and Liechtenstein that develop innovative climate solutions or improve their energy efficiency. In 2021, the funding contribution amounted to just under CHF 80,000.

**Climate-friendly office buildings and working**

As we are an insurance company, our operations are not fundamentally energy-intensive by comparison with a manufacturing company, for example. At our sites, we predominantly require energy for electricity and heating. We cut down further on travel in 2021 through the introduction of hybrid meeting formats.

Baloise applies the latest building standards and renovation methods to ensure that its office buildings are climate-friendly and operates them in as resource-efficient a manner as possible. We now get all our electricity from 100 per cent renewable sources in Switzerland, Germany, Belgium and Luxembourg in the buildings where we control our own electricity mix. All sites also have centralised recycling stations for paper, aluminium, PET and other waste. These replace the individual waste containers at individual workstations. All employees in Luxembourg, Germany and Belgium and at Group headquarters in Switzerland have been given reusable bottles.

**Switzerland: New Group headquarters and various optimisation measures**

Baloise Park in Basel (Switzerland): The construction of the new headquarters in Baloise Park complies with the standards for sustainable construction in Switzerland (SNBS) and so comfortably exceeds the legal requirements. District heating already covers 100 per cent of the heating needs of the office in Basel.

In the staff restaurant we have new suppliers for meat from 100 per cent free range or free roaming animals.

We also implemented the following technical measures at the building at Baloise Park in cooperation with AUE Basel-Stadt (Office for Environmental Protection and Energy), which were agreed in a roadmap:

- ▶ New speed regulators on ventilator motors
- ▶ Replacement of drives with frequency converters
- ▶ Replacement of condensate pumps in refrigeration machines
- ▶ Replacement of drive units in heat recovery pumps
- ▶ Replacement of motors for office ventilation systems

This will save an estimated 50,000 kWh per year in electricity. At our agencies in Switzerland, we have also switched to flex office arrangements at various new premises or when offices have been modernised, thus optimising running costs and consumption.

**Luxembourg: The making of 'Wooden'**

The new office building in Leudelingen, Luxembourg, will be the first in the country to be made entirely of wood. The wood used in the building, which has been given the name Wooden, is sourced exclusively from sustainably managed forests in Luxembourg. The building will be equipped with a photovoltaic system and aims to achieve a BREEAM Excellent rating.

In addition to its structural qualities, Wooden will also be the second building in Luxembourg to take part in the WELL Building Standard® certification process. Unlike similar schemes in the construction sector, the focus here is on the users. WELL looks at ten areas that enable a holistic approach to wellbeing in and around the building: air, water, food, light, physical activity, temperature, noise, materials, mind and community. The new office building will be easier to get to on public transport,

which will help to further reduce indirect CO<sub>2</sub> emissions. Baloise also uses a system of strict waste separation at its site in Luxembourg to ensure that materials can be recycled and returned to the production cycle, and we have adopted a ‘zero paper’ goal for our employees and in customer communications. With ten charging stations for electric vehicles at the Baloise office in Luxembourg, we are encouraging our staff to change the way they travel.

#### Belgium: The Link

The Link, Antwerp (Belgium): In Belgium, Baloise is investing in a prototype for the office life of the future, and in March 2019 it bought the sustainable building THE LINK, making Baloise the largest owner of office space in Antwerp. The office block was awarded the BREEAM Excellent certificate for sustainability, The building is virtually energy-neutral and the energy used in the building is entirely from renewable sources.

With beehives on the roofs of our office buildings, we have been contributing to greater biodiversity since 2014.

Through the ongoing expansion of charging facilities for electric vehicles at our office in Belgium and support for the expansion of charging stations for electric cars in private households, we are helping to widen the use of electric vehicles.

#### Germany: Various optimisation measures and the commissioning of our solar farm

Various measures such as highly efficient pumps for heating and ventilation, smart heating and cooling systems, adaptive light controls in lifts and the replacement of old, defective lighting with more energy-efficient LED lighting have helped us to steadily reduce our energy consumption.

The administration building in Bad Homburg has been certified by ECOPROFIT since 2010. It qualified for certification through the continuous reduction of resource consumption in the Company, particularly water and energy, including through the installation of a photovoltaic system in October 2021.

Since June 2020, all company buildings in Germany have been powered with green electricity. Baloise also offers insurance products in Germany that encourage our customers to switch to electric vehicles, as a further contribution to the decarbonisation of the economy.

In the Zielke ranking of sustainability reports carried out by Zielke Research Consult GmbH in 2021, Baloise in Germany achieved third place in the Environment category, scoring 3.11 out of a possible 4.25. Overall, we came second out of 50 German insurance companies with our measures in the area of sustainability, scoring 3.5 (out of a possible 4.54).

#### EMPLOYEES AND THE PUBLIC

We support organisations that focus on environmental protection and climate action, both by providing funding and by allowing our employees to volunteer. The environment, including ecosystem services, are a cornerstone of the future and long-term success of Baloise and the continued existence of our Company.

[www.baloise.com/csr](http://www.baloise.com/csr)

We also focus on raising the awareness of our staff and providing them with background knowledge and information on various topics relating to sustainable development, including what they can do at home. In Luxembourg, for example, we work with our partner OUNI (= without waste, operator of Luxembourg’s first packaging-free grocery store) to educate our employees on environmentally responsible behaviour. In Germany, the Green Team is on hand to offer tips and advice to help employees adopt a sustainable and eco-friendly lifestyle at work and at home. This provides a forum for staff to share their knowledge and ideas with others. In Switzerland, an inaugural Sustainability Day was held for trainees from all the Swiss offices. The aim was to provide trainees with information about combating climate change and to relate this to the Baloise business model.

Employees are aware of Baloise’s ecological targets and the most important initiatives for achieving them. They are kept regularly informed about the implementation of the environmental mission statement and encouraged to suggest measures of their own. Regular employee surveys are part of an active dialogue with employees on various sustainability-related matters.

To encourage our employees to choose climate-friendly forms of transport, further measures have been added:

- ▶ From November 2021, only electric vehicles will be available to senior managers in Germany as a company car. The cash alternative is also still available.
- ▶ In Belgium, the CO<sub>2</sub> emissions limit for company cars was further reduced. From 2023, all new additions to the company car fleet will be electric.

## Existing measures:

- ▶ Introduction of a bike leasing service for employees in Belgium and Germany
- ▶ Employees and customers can charge their electric cars in Basel and Zurich (Switzerland) using solar power.
- ▶ Internal electric car fleet including charging station at Baloise Bank Soba (Switzerland)
- ▶ Provision of electric bikes for our loss adjusters in Switzerland
- ▶ Encouraging the use of public transport through subsidised tickets in all countries
- ▶ Electric cars are freely available to employees in Luxembourg at work.

Baloise works hand in hand with other companies, organisations and public authorities across all countries in which it is active to find solutions to environmental problems. In Luxembourg, Baloise teamed up with etika, an association for alternative financing that provides advice to business on sustainability issues, raising employee awareness and developing sustainable products. Baloise particularly encourages the sharing of information within the sector through memberships in insurance associations such as the Swiss Insurance Association (SVV), the German Insurance Association (GDV), Assuralia in Belgium and the Association des Compagnies d'Assurances (ACA) in Luxembourg. It maintains an open dialogue with the public and regularly reports on environmental projects and what has been achieved. The environmental audit is presented on page 94.

**SUSTAINABILITY CRITERIA IN THE UNDERWRITING POLICY**

Through our products and services, we have influence over the sectors, companies and individuals whose activities we support with our offering. From 2022, Baloise will also apply environmental, social and corporate governance criteria in its underwriting guidelines. This means that certain sectors and activities will no longer be supported by Baloise or that customers will be allowed a transition period during which they will be shown how to develop a sustainable business model so that they can continue to use Baloise products and services. In addition, Baloise sees itself as a reliable insurance partner for customers whose business model is currently undergoing a transformation.

**PROCUREMENT PRINCIPLES**

We also pursue a sustainable approach when purchasing goods and using resources. This requires sustainable principles in our procurement policies when purchasing services from third parties.

[www.baloise.com/vendor](http://www.baloise.com/vendor)

**INNOVATIVE PRODUCTS AND SERVICES FOR OUR CUSTOMERS**

When it comes to innovations in the area of sustainability, Baloise focuses on the Home and Mobility ecosystems. For the environment in particular, innovations in the area of Mobility are especially relevant for our customers. We offer insurance for electric vehicles, solar panels and other environmentally friendly alternatives. Our responsible investment (RI) policy for insurance assets sets out the rules for the integration of environmental, social and corporate governance criteria into investment decisions. These criteria also apply to self-managed assets of external customers.

**Mobility**

- ▶ Innovations in Mobility  
[www.baloise.com/innovationen-nachhaltigkeit](http://www.baloise.com/innovationen-nachhaltigkeit)
- ▶ Examples of products include our electric vehicle insurance  
Switzerland  
[www.baloise.ch/de/privatkunden/fahrzeuge-reisen/autoversicherung/elektroauto-versicherung](http://www.baloise.ch/de/privatkunden/fahrzeuge-reisen/autoversicherung/elektroauto-versicherung)  
Luxembourg  
[www.baloise.lu/de/Privatekunden/Mein-Versicherungsbedarf/versicherung-elektroauto](http://www.baloise.lu/de/Privatekunden/Mein-Versicherungsbedarf/versicherung-elektroauto)  
and our (electric) bike insurance  
Switzerland  
[www.baloise.ch/de/privatkunden/fahrzeuge-reisen/veloversicherung/e-bike-versicherung](http://www.baloise.ch/de/privatkunden/fahrzeuge-reisen/veloversicherung/e-bike-versicherung)  
Luxembourg  
[www.baloise.lu/de/Privatekunden/Mein-Versicherungsbedarf/InsureMyBike](http://www.baloise.lu/de/Privatekunden/Mein-Versicherungsbedarf/InsureMyBike)  
Belgium  
[www.baloise.be/fr/prive/velo/assurance-velo-electrique](http://www.baloise.be/fr/prive/velo/assurance-velo-electrique)

**Home**

- ▶ Innovations in Home  
[www.baloise.com/innovationen-nachhaltigkeit](http://www.baloise.com/innovationen-nachhaltigkeit)
- ▶ Insurance for photovoltaic and more climate-friendly heating systems  
Switzerland  
[www.baloise.ch/de/privatkunden/magazin/wohnen-eigenheim/photovoltaik-sonnenenergie-fuers-eigenheim](http://www.baloise.ch/de/privatkunden/magazin/wohnen-eigenheim/photovoltaik-sonnenenergie-fuers-eigenheim)  
Germany  
[www.basler.de/de/privatkunden/photovoltaikversicherung](http://www.basler.de/de/privatkunden/photovoltaikversicherung)

**Customers of insurtech firm FRIDAY increase carbon offsetting by 72 per cent**

Since October 2018, FRIDAY customers have been able to make their own contribution to combating climate change by offsetting the CO<sub>2</sub> emitted by their cars. Through its FRIDAY+ECO product, a joint development with the well-known climate action organisation myclimate, Baloise's German online mobile insurer FRIDAY offset 2,200 tonnes of CO<sub>2</sub> and other damaging greenhouse gases, including methane and nitrous oxide, between April 2020 and March 2021. That is an increase of around 900 tonnes or more than 70 per cent compared to 2019. The climate change mitigation projects selected for the offset meet the highest standards (Gold Standard, CDM, Plan Vivo).

[www.friday.de](http://www.friday.de)

## ENVIRONMENTAL AUDIT

	2019 absolute	2020 absolute	2021 absolute	Relative	Unit	+/- %
Employees	5,590	6,052	6,280		headcount	3.8
Energy reference area	155,853	167,571	162,701		ERA m <sup>2</sup>	-2.9
Locations	15	18	18		number of buildings	18
Electricity consumption	16,381,853	14,703,323	15,963,123	2,542	kWh / employee	8.6
Heating consumption	9,553,480	9,813,735	10,272,130	63	kWh / m <sup>2</sup>	4.7
Water consumption	41,341 m <sup>3</sup>	33,677 m <sup>3</sup>	25,331 m <sup>3</sup>	16	l / employee / day	-24.8
Paper consumption	318 t	232 t	310 t	49	kg / employee	33.6
Paper types				2.0%	recycled	
				98.0%	chlorine-free-bleached	
				0.0%	chlorine-bleached	
Copy paper consumption	62.7 million A4 sheets	35.2 million A4 sheets	37.6 million A4 sheets	5,989	A4 sheets / employee	6.7
Amount of refuse	922 t	1,124 t	575 t	92	kg / employee	-48.8
Types of refuse				41.0%	paper / cardboard	
				8.0%	other materials	
				1.0%	special waste	
				50.0%	misc. Waste / refuse	
Business travel	20.7 million km	12.9 million km	14.0 million km	2,229	km / employee	8.2
Mode of transport				6.1%	km by air	
				53.7%	km by road	
				40.2%	km by public transport	
CO <sub>2</sub> emissions	13,731 t	11,247 t	12,473 t	1,986	kg / employee	10.9

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# Responsible Investment

## A SUSTAINABLE APPROACH IN INVESTMENT

The asset management team of Baloise, which manages the Group's assets, is getting behind the Group's sustainability strategy and taking responsibility for investment strategies in relation to both the investment of insurance assets of the Baloise Group and the investment of assets from external customers such as pension funds.

With its responsible investment (RI) policy, the asset management team plays an important role in sustainable value creation for the Baloise Group. It is important that assets are managed in a forward-looking way with a clear focus on the risk-return profile, and also responsibly in the interests of all stakeholders.

The asset management team took a further step forward in the area of responsible investment in March 2021 with the launch of a dedicated climate strategy. As part of the active ownership strategy, the exercising of voting rights held by Baloise in Swiss companies was extended to include targeted engagement activities. The RI policy has been continuously developed since 2019.

As an asset manager with a long-term perspective, Baloise is confident that integrating environmental, social and corporate

governance (ESG) criteria into the investment process will have a positive impact on the risk / return profile. It will also enable Baloise to reduce ESG risks that have an adverse financial impact. On this basis, we regard the integration of ESG criteria as an additional risk management instrument. We want to manage long-term climate risks and make a positive contribution to the transformation process. With regard to the UN sustainable development goals, we are therefore focusing primarily on climate mitigation, i.e. sustainable development goal no. 13 (climate action).

## OUR APPROACH TO RESPONSIBLE INVESTING

Our approach to responsible investing involves factoring ESG criteria into the investment decision-making process. Baloise Asset Management has developed a responsible investment (RI) policy to provide guidance on implementation of the responsible investment approach. This policy governs the implementation of the responsible investment approach and is based on three strategic pillars, as illustrated below.

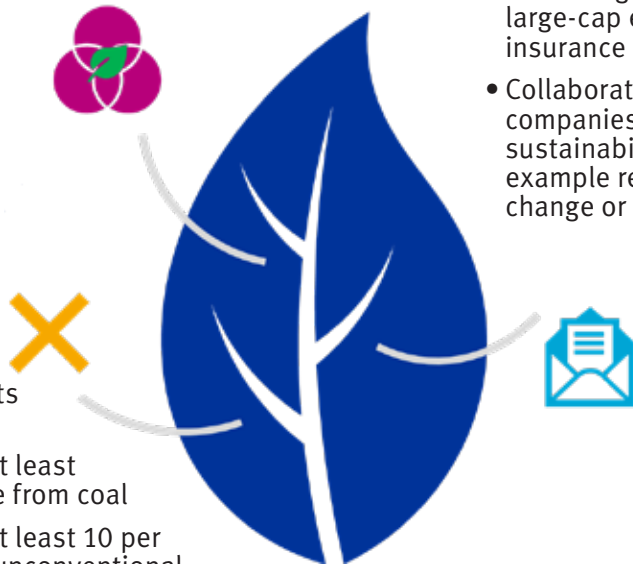
## BALOISE ASSET MANAGEMENT RESPONSIBLE INVESTMENT POLICY

### Integration of ESG factors\*

- Securities with at least B rating
- Provision of detailed ESG data for portfolio management

### Exclusion\*

- Manufacturers of controversial weapons (incl. Swiss Association for Responsible Investments (SVVK-ASIR) list)
- Companies that generate at least 10 per cent of their revenue from coal
- Companies that generate at least 10 per cent of their revenue from unconventional oil and gas
- Manufacturers with a high level of stranded assets and inadequate management



### Active Ownership

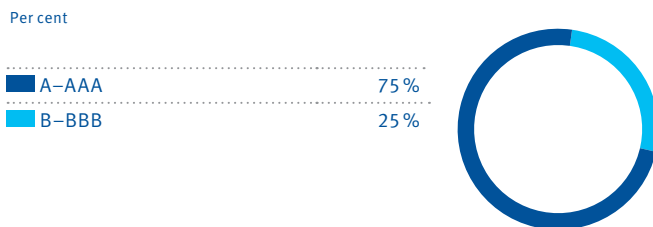
- Exercising voting rights for Swiss large-cap equities in the insurance portfolio
- Collaborative dialogue with companies on specific or general sustainability topics, for example relating to climate change or human rights

\*Based on the data supplied by data provider MSCI Ltd., where available. Investments without adequate base data are not excluded from the investment universe.



1. **Exclusion:** We may exclude companies from the investment universe. Companies can be excluded if their business activities are linked to controversial weapons. We have also added or expanded the following exclusions through our new climate strategy: companies involved in coal (at least 10 per cent of their total revenue), producers of unconventional oil and gas (at least 10 per cent of their total revenue) and manufacturers with a high level of stranded assets that are likely to suffer substantial write-downs during the transition to clean energy.
2. **Integration:** We integrate sustainability factors into our investment analysis by requiring companies to have at least a B rating (according to data from MSCI Ltd.) for inclusion in the investment universe. We also provide our portfolio managers with detailed ESG information so that they can factor these aspects into their investment decisions. We place a particular focus on a low carbon transition score.
3. **Active Ownership:**
  - ▶ Proxy Voting: We exercise our voting rights for Swiss large-cap equities in the insurance portfolio.
  - ▶ Engagement: As part of our active ownership policy, we engage in collaborative dialogue either directly with companies or with the public sector via our membership of various industry associations (such as PRI, SSV, AMAS, SSF) to discuss specific or general ESG topics.

### DISTRIBUTION OF THE ESG RATINGS OF OUR INSURANCE INVESTMENTS



Source: Baloise Asset Management, MSCI / data basis 31 December 2021, equities and bonds with available MSCI rating

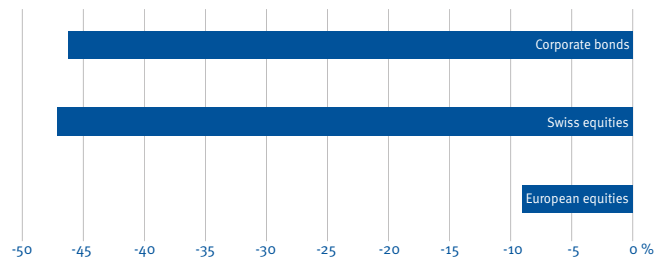
### NEW IN 2021: BALOISE ASSET MANAGEMENT CLIMATE STRATEGY

Under the new climate strategy, a positive contribution to climate change will be made by reducing the negative impact on society and the environment, while the risks arising in connection with climate change are managed prudently in the portfolio. In addition, opportunities created by the shift to clean energy are

identified and used in a profitable and forward-looking manner. We provide our portfolio managers with climate data from MSCI Ltd. and use relevant MSCI data points for exclusions in the areas of coal, unconventional oil and gas and climate-related stranded assets coupled with inadequate management.

Reduction of CO<sub>2</sub> emissions, decarbonising the economy and biodiversity are also among the focus areas of our active ownership strategy where we use proxy voting and collaborative and public policy engagement to bring about positive change at the companies in which we invest.

### THE INSURANCE PORTFOLIO IN COMPARISON TO THE CO<sub>2</sub> BENCHMARK (weighted average tonnes of CO<sub>2</sub>/SM revenue)



Source: Baloise Asset Management, MSCI / data basis 31 December 2021: Swiss equities relative to SMI, European equities relative to EuroStoxx 50 and corporate bonds relative to Bloomberg Global Aggregate Index

At the end of the year, Baloise Asset Management launched a climate-themed fund, the Baloise Fund Invest (CH) – Equity World ESG Low Carbon. This fund has a global, factor-based equity strategy. In addition to the application of exclusion criteria, the fund is specifically focused on equities with a lower carbon footprint than classic investments.

In accordance with the Baloise Asset Management climate strategy, a carbon reduction plan was drawn up for the majority of real-estate properties. Climate action and environmental protection will remain important in 2022 for all non-current assets, as we will be recording and publishing our financed emissions (Scope 3) for the first time.

[www.baloise-asset-management.com/klimastrategie](http://www.baloise-asset-management.com/klimastrategie)

### BALOISE ACTIVE OWNERSHIP STRATEGY

The active ownership approach introduced in 2021 enables us to use our financial strength to better manage ESG risks and have a positive impact. We focus on collaborative dialogue with companies on specific or general sustainability topics, for example relating to climate change. In this context, we began participating in Climate Action 100+ this year. Climate Action 100+ aims to develop solutions for the future through contact with the 167 largest global emitters of CO<sub>2</sub>, who together are responsible for 80 per cent of industrial emissions globally. More

than 500 investors and asset managers with assets under management valued at more than US\$ 65 trillion are part of this initiative, thus giving it huge reach and prominence.

Political engagement at sector level is an important element of the Baloise active ownership strategy. Baloise has signed up to the Principles for Responsible Investment (PRI), which are supported by the United Nations, and joined the Swiss Sustainable Finance (SSF) network. In addition, representatives of our asset management team participate on the sustainability committee of the Swiss Insurance Association (SVV), the Asset Management Association Switzerland (AMAS), the Swiss Sustainable Finance (SSF) network and in working groups that are tasked with further developing and promoting responsible investment in the Swiss market. We are also a member of expert groups on this issue at the State Secretariat for International Finance (SIF) and the Swiss Financial Market Supervisory Authority (FINMA). With regard to the third pillar of the Baloise active ownership strategy, proxy voting, last year Baloise Asset Management also amended its proxy voting policy to better reflect its responsible investment strategy.

[www.baloise-asset-management.com/active-ownership](http://www.baloise-asset-management.com/active-ownership)

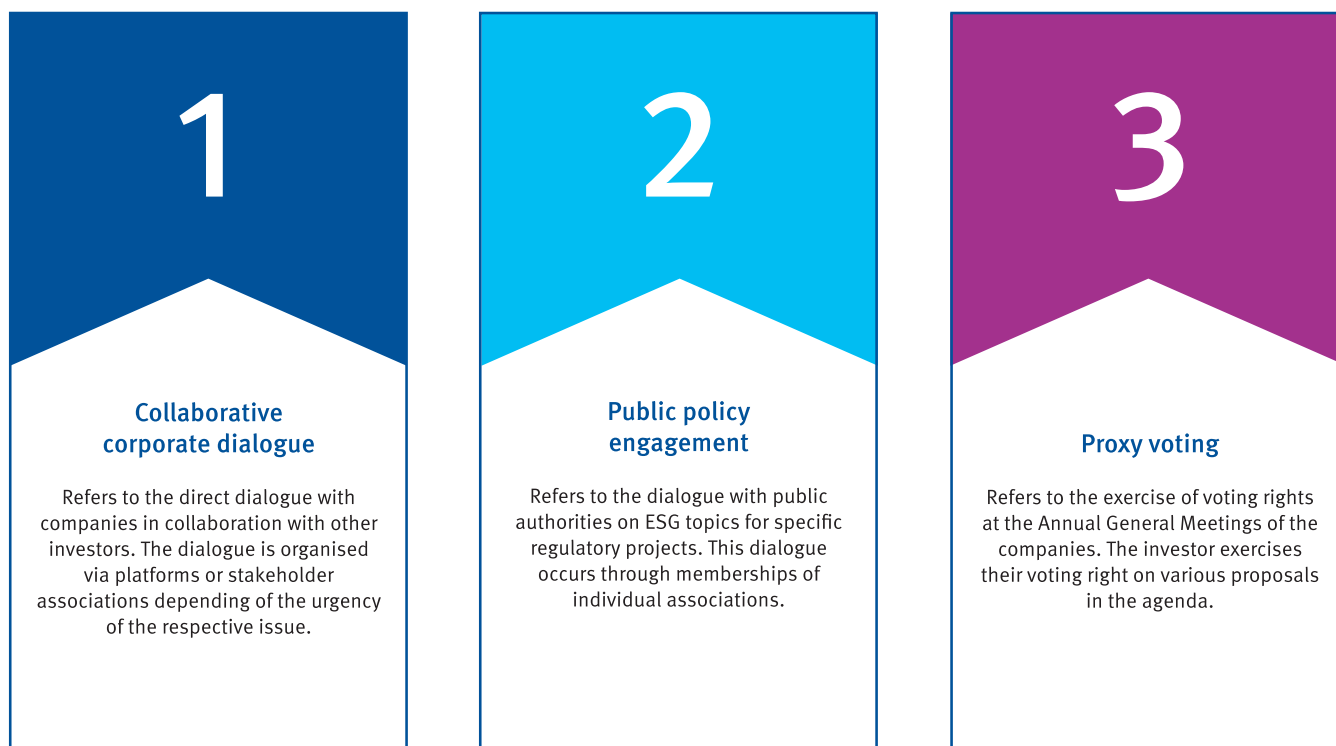
### RESPONSIBLE REAL ESTATE MANAGEMENT

Baloise is one of the biggest property owners in Switzerland. As a responsible investor, we see a close link between sustainable property investment and long-term returns. To benefit our policyholders and investors, we work with responsible property management companies to secure our profitability for the long term and increase the value of our properties.

In order to optimise the energy efficiency of our property portfolio, we make every effort to reduce energy consumption, primarily by refurbishing and replacing older buildings as well as acquiring additional properties, portfolios and new construction projects. Our tenants benefit from lower running costs. This can help to retain existing tenants and attract new ones.

Our investment decisions factor in financial objectives, environmental considerations and challenges facing society. We aim to achieve certification for new construction projects, while refurbishments are examined on a case-by-case basis. In 2021, in accordance with the Baloise Asset Management climate strategy, a carbon reduction plan was drawn up for the insurance portfolio for the first time with support from Wüest Partner AG. Initial results show local CO<sub>2</sub> emissions of 13.7 kg / year / m<sup>2</sup>,

### Baloise Active Ownership Strategy



below the Swiss average of 15.2 kg based on the median CO<sub>2</sub> emissions of PACTA members in 2020. The assessments will be further analysed and the findings used to develop an action plan.

Wüest Partner AG also helped us to draw up a second CO<sub>2</sub> reduction plan for the Baloise Swiss Property Fund (BSPF). Another important element for the implementation of the sustainability strategy is the analysis of the BSPF portfolio using GEAK Plus. The BSPF fund managers also participated in the Global Real Estate Sustainability Benchmark (GRESB) for the first time in 2021. The GRESB is currently the world's leading rating system for measuring the sustainability performance of real estate funds and assesses all three sustainability aspects: environmental, social and corporate governance.

### ROBUST GOVERNANCE FOR RESPONSIBLE INVESTMENT

Baloise Asset Management has adapted its governance structures to reflect the responsible investment approach and the associated integration of ESG criteria into its investment decision-making process and to incorporate the necessary monitoring of the responsible investment rules. The Insurance Investment Committee is the decision-making body for the responsible investment strategy with regard to insurance assets, while the Baloise Asset Management Executive Committee performs this role for external customers' assets. Our established Responsible Investment Committee (RIC) is a senior-level advisory body for the responsible investment strategy. The responsible investment core team is in charge of the implementation and specification of the responsible investment policy.

The sustainability strategy of Baloise Asset Management is closely tied to the strategy of the Baloise Group. The Head of Responsible Investment is part of the Group sustainability network and is thus also the link to the Insurance Investment Committee and the Baloise Asset Management Executive Committee. The Group responsibility officer for sustainability is a member of the RIC.

### THE NEXT STEPS IN 2022

Going forward, Baloise Asset Management will continue to press ahead with the development of its sustainable investment strategy. It recognises and very much welcomes the current growth of responsible investment and is well placed to benefit from it.

The expansion and broadening of the RI policy will focus on the private-assets and real-estate asset classes. Regulatory requirements will play a key role in determining the next steps in the area of responsible investment in 2022. These include the implementation of the Taxonomy Regulation (EU) 2020 / 852,

Regulation (EU) 2019 / 2088 on sustainability-related disclosures in the financial services sector and the requirement to establish customers' sustainability preferences under MIFID II. In Switzerland, new FINMA requirements to avoid greenwashing will have to be implemented. Baloise Asset Management wants to be able to offer the right products to customers with sustainability preferences and welcomes the additional requirements for greater transparency. That is why it will be publishing the first active ownership report in 2022 and why we will be recording and publishing our financed emissions for the first time this year.

[www.baloise-asset-management.com/en/ch/about-us/responsible-investment](http://www.baloise-asset-management.com/en/ch/about-us/responsible-investment)



# Corporate Governance

SUSTAINABILITY GOVERNANCE ..... 102

# Sustainability Governance

## Corporate governance objectives

- ▶ Ensuring good and proper corporate management
- ▶ Implementing, and regularly reviewing, structures and processes to ensure the achievement of objectives
- ▶ Ensuring compliance with the Swiss Code of Best Practice for Corporate Governance issued by *economiesuisse* (umbrella organisation representing Swiss business)
- ▶ Embedding strategically relevant topics such as sustainability in the business strategy, including control mechanisms
- ▶ Promoting transparency and trust

## Impact of value creation

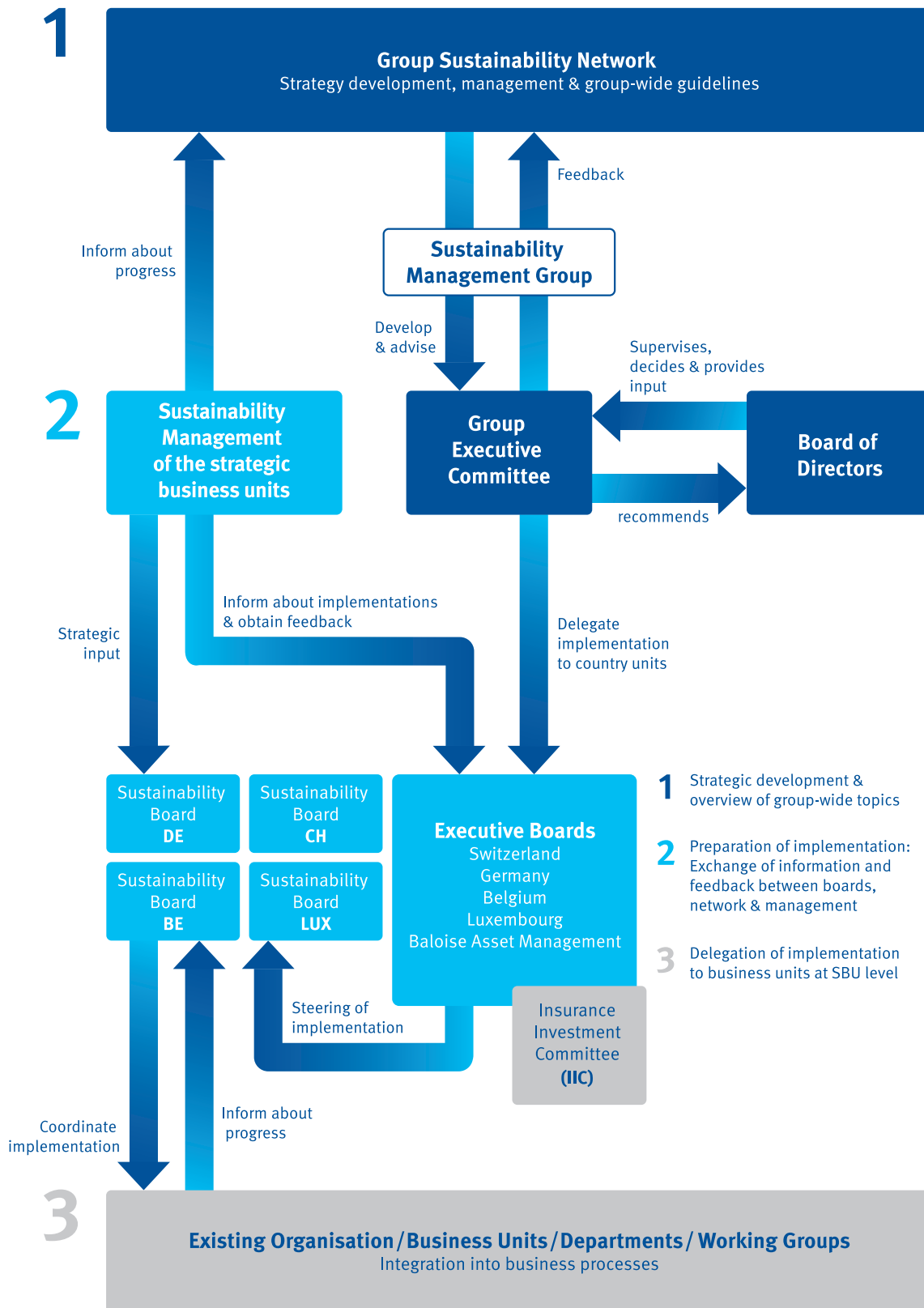
- ▶ Integration of sustainability aspects in the corporate governance system
- ▶ Development of a shared strategic vision and paving the way for the strategy to be implemented at operational level
- ▶ Establishment and operational implementation of the strategic focus across the organisation
- ▶ Open and transparent communication that inspires confidence in our activities as a company and is reflected in sustainability ratings

Since 2019, a sustainability network has been in place at Baloise, which comprises representatives from all operating segments that have an impact on, or are impacted by, aspects of sustainability. This working group has the necessary expertise to draw up the content of the sustainability approach, including elements such as the Baloise value creation model, and to update it on a regular basis. Decisions about how the content is implemented are taken by the Corporate Executive Committee. The Board of Directors is responsible for developing a detailed concept for the sustainability approach, for integrating it into the overall strategy and for monitoring it. The specified corporate governance model was adopted by the Corporate Executive Committee and the Board of Directors at the end of 2019. From 2022, the Board of Directors' Strategy and Governance Committee will take on the function of a sustainability committee that oversees activities in the field of sustainable corporate governance. The outlined corporate governance process was applied four times in 2021. Consequently, the Board of Directors discussed sustainable corporate management four times as an agenda item – twice at meetings of the Board of Directors' Chairman's Committee and twice at meetings of the full Board of Directors. The subject featured in discussions concerning the 'Simply Safe: Season 2' strategic phase for the period from 2022 to 2025 and also constituted an agenda item in its own right where decisions needed to be taken regarding the ongoing integration of ESG aspects into Baloise's business processes.

In 2021, the outlined sustainability governance model was expanded. As illustrated in the diagram below, further personnel resources were allocated to and, in some cases, newly hired to work on sustainability matters. They managed country-spe-

cific working groups (Board Sustainability) that focus on implementing sustainability-related plans in the most appropriate manner for their specific market. This ensures the involvement of the Group's Executive Committee and Board of Directors, local management teams and the country units.

For further information relating to corporate governance, please refer to the separate Corporate Governance Report of Baloise on page 38 et seq. of the Annual Report.







# Risk management

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## Risk management – a key pillar of our value creation

Risk management is a key element of a sustainability-focused corporate governance system and, as such, plays an important role in Baloise's value creation. It helps to ensure a strong balance sheet, a high level of operational profitability, a well-developed risk culture, consistent risk processes and a sustainable investment policy.

### Risk management objectives

- ▶ Identification and measurement of key risks
  - ▶ Carefully considered management and mitigation of risks
  - ▶ Involvement of employees from different departments and operating segments in the risk management system
  - ▶ Active communication about the risk situation
  - ▶ Integration of sustainability and climate risks into the risk management system and in the investment and underwriting process
- ▶ **Impact of value creation**
  - ▶ Understanding current and future risks
  - ▶ Ensuring the stability of Baloise and the proper functioning of its business operations
  - ▶ Enhancing risk awareness at all levels of the organisational structure
  - ▶ Providing transparency about risks taken
  - ▶ Reducing sustainability and climate risks and contributing to society and environmental protection in positive ways

Risk management plays an important role in the overall value creation process of Baloise. It involves managing risk and value, and is based on innovative standards so that Baloise can always keep its promise to its customers. Our risk management is a standardised strategic and operational system that is applied throughout the Baloise Group and covers the following areas:

### ▶ Risk governance and risk culture

Standards that apply across the Group form the backbone of Baloise's risk strategy and define – in the form of a risk map – the fundamental risk issues, such as actuarial risk and market risk, as well as the operational risk arising from business activities. The detailed risk map can be found on pages 124 and 125 of the 2021 financial report. Risk awareness – i.e. a sense of readiness to detect and respond to risks – is encouraged and embedded throughout the organisation. One way in which we achieve this is by involving employees from different departments and operating units in the risk management system (e.g. in the assessment of risks and in the allocation of responsibility for risks).

### ▶ Risk measurement

Risk is identified and quantified in all business and financial processes according to common internal standards. This enables appropriate priorities to be set for senior management in respect of the risks taken on.

### ▶ Risk processes

Leadership, reporting and evaluation processes are supported by risk processes in order to ensure that the risk perspective is factored into all important business decisions.

### ▶ Risk management

Risks are managed and mitigated carefully in keeping with the defined risk tolerance. Upside potential is optimised in consideration of relevant risks, resulting in sustainable value creation for Baloise's investors.

### ▶ Risk reporting

Risk reporting ensures that the current risk situation is presented transparently in our internal and external communications.

Sustainability risks – including climate risks – are identified along the risk map and integrated into the existing risk management processes and frameworks. This ensures that the results of our regular analyses and assessments are incorporated into the strategic risk management approach.

## RISK MANAGEMENT SYSTEM AND RISK CULTURE

The end-to-end risk management system and risk culture ensure that all material risks are identified, measured and adequately addressed. Risks that have been taken on are consciously managed and unwanted risks are actively reduced for Baloise and for its stakeholders.

A key part of the risk management system is the identification and assessment of risks. Group-wide individual risks are plotted on the risk map according to their likelihood and their expected impact. Baloise's corporate database of specific risks – which contains a detailed description of the risks concerned, their position on the risk map, early-warning indicators and the quantitative evaluation – is generated from this standardised process. Risks are documented together with the measures needed to mitigate them. Clear responsibilities are defined across all departments. Each risk is assigned to a risk owner (with overall responsibility) and to a separate risk controller (responsible for risk monitoring and control). Based on this database, which is regularly updated, it is possible to check whether the risks that have been taken on are within the limits of acceptable risk. This allows unwanted risks with possible negative consequences for Baloise and its stakeholders to be identified at an early stage and mitigated in a targeted manner. Strategic decision-makers are brought into the risk management process, along with system managers, process managers and specialists, which creates risk awareness and a risk culture among the employees.

## COMPLIANCE WITH REGULATORY OBLIGATIONS AND DISCLOSURE REQUIREMENTS

By complying with regulatory obligations and disclosure requirements in risk management, Baloise demonstrates that it is a reliable partner to regulatory authorities, customers, investors and society.

Baloise meets various regulatory obligations such as the Swiss Solvency Test (SST), Solvency II, the Own Risk and Solvency Assessment (ORSA) and the requirements for internal control systems, and in doing so provides regular reports on its risk and solvency situation to the regulators. Fulfilment of these requirements ensures that Baloise reduces unwanted risks to the greatest possible extent and remains solvent even under adverse circumstances so that it is always able to meet its obligations to its customers.

The calculation methods stipulated by the Swiss Solvency Test and the Solvency II guidelines provide the basis for the quantitative risk measurement of all business and financial market risks. Risk measurement metrics are used to calculate a target capital figure (capital requirement). The available capital, or risk-bearing capital, is continuously compared against this target capital.

This combination of risk modelling and analysis of specific risks as described above ensures that Baloise maintains an adequate overview of the prevailing risk situation at all times. The overall risk situation is presented in the Own Risk and Solvency Assessment (ORSA), which is discussed with the decision-makers as a basis for developing appropriate measures. The ORSA reports are also sent to the regulatory authorities.

The purpose of the internal control system is to ensure compliance with laws and regulations, the reliability of the financial reporting and the effectiveness of the business processes in order to support the Company in achieving its goals. In implementing the internal control system, Baloise is pursuing a strategy of increasing risk awareness at all levels of the Company and focusing on the identification and management of key risks faced by the Company that could pose a threat to the proper functioning of business operations and thus to the success of the Company. Using the internal control system, risks for Baloise and its stakeholders can be identified at an early stage and effectively mitigated.

Disclosures made in the financial condition report (Baloise Group and its Swiss companies) and the Solvency and Financial Condition Report (European Economic Area) inform the market, customers and investors about the most important findings of the quantitative solvency measurement and thus the capital strength and the risks taken. This reporting also promotes market discipline and thus also the stability of the financial sector.

Baloise's risk management team proactively participates in discussions with its partners, thereby contributing to society and to a better understanding of the future risks for the insurance industry. Baloise is a member of the Swiss Insurance Association (SVV), for example. It fulfils its responsibilities through its work with the association, and also in direct cooperation with the regulatory authorities, by providing support in the form of data, analyses and assessments in subject-specific industry surveys and in the further development of the regulatory system.

## RISK MANAGEMENT

The ongoing optimisation of income through risk / return criteria as part of strategic risk management will secure the long-term stability of Baloise and be of benefit to customers and investors.

The risk models, which use quantitative methods to assess all business risks and financial market risks in all strategic units, form the basis for strategic discussions about Baloise's risk appetite. Strategic risk management within the scope of the established risk appetite offers a clear picture of the risks involved in opening up new business lines and of how to optimise the risk / return profile of existing business. In the area of investment, for example, the aim is to achieve the highest possible expected return with the lowest possible risks. This will ensure the long-term

stability of Baloise, benefiting both its customers and its investors.

### GROWING INTEGRATION OF SUSTAINABILITY AND CLIMATE RISKS

As the integration of sustainability and climate risks into the risk management framework of Baloise progresses, the Company's risk profile is becoming more nuanced. Over the long term, the inclusion of sustainability aspects in risk-related strategic considerations will improve the creation of value for investors and customers and reduce the Company's environmental impact.

In order to facilitate an efficient assessment from different angles, sustainability-related risks are integrated into Baloise's existing risk processes. To this end, sustainability risks are classified as pertaining to the environmental, social or corporate governance (ESG) dimensions and are identified, recorded and assessed within the established risk categories (e.g. market risk and actuarial risk) along the risk map. In addition, sustainability aspects that are of strategic relevance in terms of risk are addressed as a separate risk type in the context of the business strategy.

In 2021, various sustainability risk clusters (e.g. storm and flood disasters) were analysed and the findings were used to identify potential or actually existing risks for different operating segments. Material risks that were identified by means of this process were then included in the Group-wide frameworks.

Long-term sustainability-related trends are examined and evaluated as part of the analysis of emerging risks, which forms part of the Own Risk and Solvency Assessment. Based on the commonly used typology, the following emerging risks have been identified:

- ▶ **Physical risks**  
Environmental risks arising from the increasing prevalence of natural phenomena such as hurricanes, floods, hailstorms and fires.
- ▶ **Transitional risks**  
Implications of changes in the expectations of stakeholders with regard to sustainability, such as a shift in demand for financial and insurance products.
- ▶ **Liability risks**  
Liability of companies for the environmental damage they cause (pollution, endangering of biodiversity, breaches of environmental standards).

The integration of sustainability risks into existing risk management processes ensures that the results of our regular analyses and assessments are incorporated into the strategic risk management approach. In addition, general risk awareness is strengthened through the involvement of employees from different departments and operating segments.

The ongoing integration of sustainability and climate risks into strategic risk management at Baloise constitutes an important step in implementing the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD). In 2022, various parts of the Baloise Group will conduct analyses and preparations in order to drive forward the further implementation of the TCFD's recommendations.

### EMBEDDING SUSTAINABILITY CRITERIA IN THE INVESTMENT AND UNDERWRITING PROCESS

By embedding sustainability criteria in the investment and underwriting process as part of the strategy, the risks for customers and investors are reduced and opportunities are identified, so that a positive contribution to society and environmental protection can be achieved.

The integration of environmental, social and corporate governance (ESG) factors into risk-related strategic processes benefits the environment, society, customers and investors. Investment risks are reduced in the long term by investing in companies whose management of ESG risks is categorised as good to excellent. These companies are more resilient in times of crisis and downside risks in particular can be mitigated. This benefits the environment and society as a whole, as these companies reduce their negative impact or even generate a positive impact. Customers and investors benefit indirectly from the positive impact on society as a whole and directly from the long-term positive effects of this investment strategy on the risk / return ratio.

From 2022, underwriting operations will also increasingly take account of sustainability criteria, especially in new insurance business with industrial and large corporate customers. In addition, Baloise sees itself as a reliable partner for customers whose business model is currently undergoing a transformation. We have launched a process in product management that identifies opportunities in the field of sustainability, which can then be addressed through products and services. This allows us to make a positive contribution to society and environmental protection.

## **EXTERNAL VIEW OF CAPITALISATION AND RISK MANAGEMENT**

Baloise's capitalisation, which has a positive impact on the security of investors and customers, is also highly rated outside the Company.

The Standard & Poor's rating of 'A+ with a stable outlook' is evidence that Baloise's excellent capitalisation is also recognised by third parties. Standard & Poor's also takes a favourable view of the Group's strategic risk management, risk culture and risk controls. These are aspects that have a positive impact on the security of our investors and our customers.

[www.baloise.com/risk-management](http://www.baloise.com/risk-management)



# Compliance

COMPLIANCE CULTURE CREATES VALUE ..... 112

## Compliance culture creates value

### Compliance targets

- ▶ Organisational measures to ensure compliance with laws, standards and instructions
- ▶ Raising employee awareness through communication on instructions, regular training and concerted action plus a clear process in the event of violations
- ▶ Multiple channels – including anonymous whistleblowing channel for employees and outside parties – are available for reporting suspected violations
- ▶ Group-wide cooperation across the Baloise compliance framework
- ▶ Ultimate responsibility rests with the Corporate Executive Committee and the Board of Directors

### Impact of value creation

- ▶ Risks relating to data protection, money laundering, antitrust law, corruption and insider trading are systematically monitored and minimised through internal control mechanisms
- ▶ We have established a compliance culture that promotes and strengthens ethical conduct
- ▶ We promote a sense of responsibility in employees to secure their support in cases of suspected violations
- ▶ Creation of a shared Group-wide understanding of compliance
- ▶ Regular and ad hoc assessment of compliance risks and development of appropriate measures

Within a company's day-to-day operations, compliance refers to all organisational measures designed to ensure that laws, standards and instructions are respected. It covers all strategies required to ensure the proper conduct of a company which in turn includes both following laws and regulatory standards, and having internal company policies and instructions. This encompasses areas such as data protection, money laundering and corruption. Compliance is a key element of creating sustainable value for stakeholders such as customers, partners, employees and shareholders. A distinctive aspect of our compliance culture is that a basic attitude of self-responsibility has been created to ensure that employees fully understand the guidelines and are able to operate within the set framework.

Compliance requirements in a regulated company are strict and becoming ever stricter. New regulations and tighter controls by regulatory authorities pose a challenge for the whole organisation.

Our goal is to establish and promote a strong compliance culture and standards of ethical behaviour within Baloise. This is achieved firstly by raising the awareness of employees through specific instructions and regular training (every one to three years) on matters such as data protection, money laundering, antitrust law, and bribery and corruption. The participants and the degree to which the training is completed is monitored in the internal training system. At the same time, a rigorous approach in the event of violations is important in order to increase employees' awareness of ethical behaviour. Suspected violations can be reported via a number of channels, including an anonymous whistleblower platform. This platform is also open to external parties. The procedure for dealing with reports and incidents is clearly defined and managed at Group level. In addition, the giving and acceptance of gifts and hospitality is clearly regulated – and approval processes defined – in internal instructions and the Baloise Code of Conduct.



Within the compliance framework, Group Compliance works with the local compliance managers to develop Group-wide policies and minimum standards in accordance with a risk-based approach. In this way, we create a shared, Group-wide understanding of compliance. The framework is structured in such a way that the greater the business risk, the stronger compliance must be. This includes, among other things, strategic tasks, advice and support, control and monitoring, and reporting – always from a Group perspective. Group Compliance is responsible for the early identification of new risks in respect of existing compliance matters (such as new regulation, new business areas or new partners) and of potential new compliance matters. It is also responsible for compliance standards (defined in the compliance policy and the financial planning and reporting standards), for drawing up a compliance plan and for issuing new instructions and rules on compliance matters. We support the Executive Committee in the performance of compliance-related duties by specifically advising, developing operational parameters and identifying compliance risks periodically and on an ad hoc basis and, if necessary, escalating concerns. Group Compliance is the central point of contact for employees for questions and reports relating to compliance matters defined in the Code of Conduct. Group Compliance assesses and reviews the local compliance plans and the implementation of the standards by means of appropriate controls. We monitor important legal developments and provide information about the status of the implementation of and adherence to the internal and external legal and regulatory provisions. Existing compliance risks are also identified, assessed and monitored. Every six months, reports on all the above matters are submitted to the local Executive Committees and, in consolidated form, to the Corporate Executive Committee and the Audit and Risk Committee of the Board of Directors.

[www.baloise.com/compliance](http://www.baloise.com/compliance)

[www.baloise.com/compliance-controlling-standards](http://www.baloise.com/compliance-controlling-standards)

[www.baloise.com/code-of-conduct](http://www.baloise.com/code-of-conduct)



# IT

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# Information security and data protection

## IT targets – information security and data protection

- ▶ Effective information security and guaranteeing data protection
- ▶ Combination of people, processes and technology
- ▶ Groupwide discussion and education, together with training and professional development of employees, on the topics of data protection and information security
- ▶ Deployment of effective technologies with increasingly more intelligent automation
- ▶ Adherence to key data protection principles, including checks
- ▶ Early detection and identification of, and rapid and efficient response to, cyber attacks; regular resilience checks
- ▶ Groupwide crisis team for cyber risks

## Impact of value creation

- ▶ Protection of Baloise's information and data from misuse, unintentional disclosure, destruction, alteration and interference at all times
- ▶ Foundation for the future success of Baloise operations and of our value-creating activities
- ▶ Balance between security, data protection, risk-based measures and user-friendliness
- ▶ Strengthening trust between Baloise and its customers, partners and employees with regard to the protection and use of data
- ▶ Appropriate security culture and an understanding of individual responsibility in relation to data protection and information security
- ▶ Supporting mechanisms for enforcing the rules and procedures, and for identifying threats
- ▶ Continuous strengthening of cyber resilience
- ▶ Ability to react appropriately and effectively in the event of a crisis

## IT – INFORMATION SECURITY AND DATA PROTECTION ARE KEY FACTORS

Effective information security and data protection are key elements in the digital transformation and are essential to achieving the Baloise Group's business objectives. The purpose of information security and data protection is to defend Baloise's information and data against misuse, unintentional disclosure, destruction, alteration and interference at all times. The aim is to ensure comprehensive, long-term protection by focusing on the principles of our 'Simply Safe' strategy. The areas of IT, corporate governance, risk management and compliance are essential elements underpinning our 'Simply Safe' strategy. They provide the basis for the future functioning of Baloise and for value creation for all of our resources.

Our 'Simply Safe' strategy aims to strike a balance between security, data protection, risk-based measures and user-friendliness. Customers, partners and employees should be confident that all the information and data they entrust to Baloise will be adequately protected from threats and misuse, and only processed in accordance with the law.

The implementation of reliable information security and data protection in compliance with the law requires a combination of people, processes and technology. The human part of the equation relies on establishing a culture focused on security.

This requires groupwide discussion, education and ongoing training and development, as all Baloise employees are responsible for exercising the basic elements of information security and data protection. Reliable information security and data protection are only possible if they are supported by all Baloise employees.



Processes are the key to implementing an effective information security and data protection strategy. They are critical to how an organisation's activities, roles and documentation are used to mitigate information risks.

The technology part of the equation means implementing the most suitable systems in the right way in order to automate processes and make them more sophisticated and effective. This creates the supporting mechanisms for enforcing the rules and procedures, and for identifying threats.

The following principles of Baloise's information security strategy provide guidance with this:

▶ **Risk-based approach**

Baloise carries out a reality-based, continuously analysed risk assessment from which the security measures are derived that ensure that any risk matches the risk tolerance defined by the organization. This enables the systematic identification of information security risks and IT risks so that weak points can be fixed.

▶ **Integral security**

To ensure that our services and products are secure, information security must be considered from the planning and design stage right through to the creation of new products, services, IT platforms and software solutions.

▶ **Security framework**

Baloise refines and expands its information security management system (ISMS) in order to comprehensively manage information security across the Group. The ISMS and its standardised information security controls and processes are used to efficiently organise the three pillars of information security: people, processes and technology.

▶ **IT compliance**

Baloise and its employees understand, and proactively and efficiently comply with, the legal and regulatory requirements.

▶ **Security culture**

Baloise fosters a culture in which security is considered the responsibility of all and is understood by all employees to be part of their job. Awareness of security risks is regularly boosted among all employees through annual training sessions. Building on these, security consciousness is further heightened through frequent adaptive, situational training.

Baloise also adheres to the following key data protection principles, among others:

▶ **Transparency**

Data subjects receive clear information regarding the processing of their data. Privacy by design: business processes and systems work together in a way that supports data protection.

▶ **Appropriateness**

Personal data is only processed to the extent necessary to complete the task communicated.

Strengthening cyber resilience is another key aspect of Baloise's information security strategy. Cyber resilience is based on the ability to effectively protect against potential cyber events, but also to promptly detect, identify and respond quickly and efficiently to such events, and recover from them if they occur.

To regularly assess the resilience targets it has set, Baloise routinely reviews its resilience and uses the insights gained for continuous improvement. Penetration tests of defined scope and duration are scheduled at regular intervals as part of this assessment. Baloise has also started reviewing its resilience more comprehensively by conducting cutting-edge, realistic and unannounced cyber security tests. Resilience also entails the ability to react immediately, appropriately and effectively in the event of a crisis in order to minimise downtime and damage. A well-drilled, experienced and capable crisis management team is part of this. Baloise's insight from the analyses conducted in 2021 was that a groupwide crisis management team is needed to deal with cyber crises that affect the entire Group. The groupwide crisis management team was established in 2021. The first comprehensive cyber crisis exercise will take place in spring 2022. Going forward, these exercises will take place annually.

[www.baloise.com/it-security](http://www.baloise.com/it-security)

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# Information on the Baloise Group

This publication was produced by the Baloise Group and may not be copied, amended, offered, sold or made available to third parties without the express authorisation of the Baloise Group. The 2021 Annual Review and Annual Report is also available in German. Only the German text is legally binding. The Financial Report contains the audited 2021 annual financial statements together with detailed information. The annual report contains all of the elements that, in accordance with section 961c of the Swiss Code of Obligations, make up the management report. Amounts and ratios shown in this annual report are generally stated in millions of Swiss francs (CHF million) and rounded to one decimal place. Consequently, the sum total of amounts that have been rounded may in some cases differ from the rounded total shown in this report.

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The 2021 Annual Review and Annual Report and the Summary of the 2021 Annual Report will be available from 29 March 2022 on the internet at

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Detailed information and data on Baloise shares, the IR agenda, the latest presentations and how to contact the Investor Relations team can be found on the internet at [www.baloise.com/investors](http://www.baloise.com/investors) This information is available in German and English.

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You will find the latest media releases, presentations, reports, images and podcasts of various Baloise events as well as media contact details at [www.baloise.com/media](http://www.baloise.com/media)

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# Financial calendar and contacts

**29 APRIL 2022**

**Annual General Meeting**

Bâloise Holding Ltd

**25 AUGUST 2022**

**Half-year financial results**

Conference call for analysts and the media

Publication of the 2022 half-year report

**9 MARCH 2023**

**Preliminary annual financial results**

Media conference

Conference call for analysts

**28 MARCH 2023**

**Annual Report**

Publication of the 2022 annual report

**28 APRIL 2023**

**Annual General Meeting**

Bâloise Holding Ltd

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