

Baloise Group

Type of Engagement: Annual Review

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Introduction

Baloise Group (“Baloise” or the “Company”) issued green bonds (the “Green Bonds”) in September 2021, July 2022 and January 2023 aimed at financing or refinancing low-carbon building assets. In 2023, Baloise engaged Sustainalytics to review the assets funded through the issued Green Bonds and provide an assessment as to whether the assets met the criteria and the reporting commitments outlined in the 2021 Baloise Group Green Bond Framework¹ (the “Framework”). Sustainalytics provided a Second Party-Opinion² on the Framework in 2021. This is Sustainalytics second annual review of Baloise Group Green Bonds following the previous review in August 2022.^{3,4}

Evaluation Criteria

Sustainalytics evaluated the assets funded with proceeds from the Green Bonds as of 31 July 2023 based on whether they:

1. Met the use of proceeds and eligibility criteria outlined in the Framework; and
2. Reported on at least one key performance indicator for each use of proceeds criteria category of the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators
Green Buildings	<ul style="list-style-type: none"> • Construction or acquisitions of buildings certified or to be certified to one of the following certification levels: <ul style="list-style-type: none"> – Minergie: “Minergie”, “Minergie-P”, “Minergie-A” or “Minergie ECO”; – LEED: “Gold” or “Platinum”; – SNBS 2.0: “Gold” or “Platinum”; – BREEAM: “Excellent” or “Outstanding”; – DGNB: “Gold” or “Platinum”. • Redevelopments, reconstruction, renovations, and refurbishments of existing buildings which lead to: (i) the building obtaining one of the above listed certification levels, or (ii) a reduction of GHG emissions by 30% compared to baseline 	<ul style="list-style-type: none"> • The difference of the selected assets’ greenhouse gas emissions compared to a benchmark asset. • The reduction of greenhouse gas emissions due to redevelopments, reconstruction, renovations and refurbishments.

¹ Baloise Group, “Baloise Group Green Bond Framework”, (2021), at: <https://www.baloise.com/dam/baloise-com/documents/de/anleihen-ratings/green-bond/allgemeine-dokumente/baloise-group-green-bond-framework.pdf>

² Baloise Group, “Baloise Group Green Bond Framework Second-Party Opinion”, (2021), at: [baloise-group-green-bond-framework-second-party-opinion.pdf](https://www.baloise.com/dam/baloise-com/documents/de/anleihen-ratings/green-bond/allgemeine-dokumente/baloise-group-green-bond-framework-second-party-opinion.pdf)

³ Baloise Group, “Baloise Group Annual Review”, (2022), at: <https://www.baloise.com/dam/baloise-com/documents/de/anleihen-ratings/green-bond/allgemeine-dokumente/second-party-opinion-sustainalytics-2022>

⁴ Allocation and environmental impact of assets funded by 2021 and 2022 Green Bonds issuances, as of 31 July 2022 was covered in the Annual Review provided in August 2022.

Issuer's Responsibility

Baloise is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings to investors, conducted the verification of the use of proceeds from Baloise's Green Bond. The work undertaken as part of this engagement included collection of documentation from Baloise employees and review of said documentation to assess conformance with the 2021 Baloise Green Bond Framework.

Sustainalytics relied on the information and the facts presented by Baloise. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by Baloise.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,⁵ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Baloise Green Bond Framework. Baloise has disclosed to Sustainalytics that a total of CHF 485.0 million in proceeds have been raised through the issuance of three Green Bonds, of which 60.2% of proceeds were allocated until 31 July 2023 and the remaining 39.8% of the proceeds⁶ will be temporarily invested in accordance with the 2021 Baloise Green Bond Framework.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the Green Bonds as of July 2023 to determine if assets aligned with the use of proceeds criteria of the Framework.	All assets reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the assets to determine if reporting was done in line with the KPIs outlined in the Framework.	All assets reviewed reported on at least one KPI per use of proceeds category.	None

⁵ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

⁶ Unallocated net proceeds of outstanding Green Bonds will be invested on a temporary basis in accordance with Baloise's liquidity management activities and relevant internal policies. On a best-efforts basis, Baloise intends to fully allocate proceeds within 36 months of issuance.

Appendices

Appendix 1: Allocation Reporting⁷ by Eligibility Criteria

In September 2021 and July 2022, Baloise raised CHF 309.9 million through issuance of two Green Bonds. As of 31 July 2022, the total amount allocated to eligible assets was CHF 209.8 million. In January 2023, additionally Baloise issued a new Green Bond of CHF 175.2 million. Thus a total of CHF 485.0 million have been raised through the issuance of three Green Bonds. As of 31 July 2023, the total amount allocated to eligible assets was CHF 292.2 million.

Use of Proceeds Category	Property	Project Type	Financing /Refinancing	Net Bond Proceeds Allocation (CHF million)
Green Buildings	4051 Basel, Baloise Park BFC	Development	Refinancing	28.4
			Financing	0.4
	4002 Basel, Baloise Park BFB	Development	Refinancing	25.4
			Financing	4.7
	6010 Kriens, Nidfeld B2	Development	Refinancing	13.6
			Financing	22.9
	6010 Kriens, Nidfeld B1	Development	Refinancing	6.3
			Financing	7.1
	8956 Killwangen, Zürcherstrasse	Development	Refinancing	8.7
			Financing	19.4
	1030 Bussigny, Chemin de la Mochettaz	Development	Refinancing	17.9
			Financing	51.9
	8600 Dübendorf, Überlandstrasse	Development	Refinancing	75.4
			Financing	0.4
8154 Oberglatt, Chlirietstrasse 5-11 / Allmendstrasse 32	Renovation	Refinancing	0.7	
		Financing	8.3	
8046 Zürich, Riedhaldenstrasse 255- 263	Renovation	Refinancing	0.1	
		Financing	0.5	
Allocated net proceeds				292.2
Unallocated net proceeds				192.2
Total net proceeds outstanding as of 31 July 2023				485.0

⁷ Reported allocation and impact data is as of 31 July 2023.

Appendix 2: Reported Impact^{8,9} by Eligibility Criteria

Table 3: Avoidance of GHG emissions (Acquisitions and developments)

Projects	Total ERA (in m ²)	Allocated Energy Reference Area (ERA) (in m ²)	Yearly GHG emissions in kgCO ₂ /m ² ERA/year		Yearly avoided GHG emissions in kgCO ₂ /m ² ERA/year
			of the object	of the benchmark ¹⁰	
Development of 4051 Basel, Baloise Park BFC	11,163.0	5,498.9	2	16	14
Development of 4002 Basel, Baloise Park BFB	10,239.0	4,472.8	2	16	14
Development of 6010 Kriens, Nidfeld B2	4,061.0	3,672.9	2	16	14
Development of 6010 Kriens, Nidfeld B1	8,421.0	6,023.1	2	16	14
Development of 8956 Killwangen, Zürcherstrasse	9,896.6	6,768.8	2	16	14
Development of 1030 Bussigny, Chemin de la Mochettaz	22,633.0	15,637.4	1	16	15
Development of 8600 Dübendorf, Überlandstrasse	52,307.1	15,865.4	1	16	15
Total of acquisitions and developments (in m²)		57,939.5	Weighted average yearly avoided GHG emissions in kgCO₂/m² ERA/year		14.5
Estimated yearly GHG emissions avoided¹¹ by acquisitions and developments as of 31 July 2023 (in tCO₂)					843

⁸ Acquisitions and developments plus renovations and refurbishments combined achieved an estimated yearly GHG avoidance reduction of 953 tCO₂ as of 31 July 2023.

⁹ See Footnote No 7.

¹⁰ In 2021, Baloise mandated the consulting company Wüest Partner AG to elaborate appropriate benchmarks for its real estate portfolio. The benchmark was elaborated for a broadly based Swiss real estate investors reference portfolio.

¹¹ Estimated yearly GHG emissions avoidance was calculated based on the weighted average avoidance in tCO₂/m² ERA of the invested green buildings and the total allocated ERA of the outstanding Green Bonds.

Table 4: Reduction of GHG emissions (Renovations and refurbishments)

Projects	Total ERA (in m ²)	Allocated ERA (in m ²)	Yearly GHG emissions in kgCO ₂ /m ² ERA/year ¹²		Yearly reduction of GHG emissions in kgCO ₂ /m ² ERA/year
			After renovation	Before renovation	
Renovation of 8154 Oberglatt, Chlirietstrasse 5-11 / Allmendstrasse 32	5,824.0	3,264.1	1	32	31
Renovation of 8046 Zürich, Riedhaldenstrasse 255- 263	4,056.0	263.5	1	38	37
Total of renovations and refurbishments (in m²)		3,527.5	Weighted average yearly reduction of GHG emission in kgCO₂/m² ERA/year		31.3
Estimated yearly GHG emissions avoided¹³ by renovation and refurbishments as of 31 July 2023 (in tCO₂)					110

¹² GHG emission savings following renovations / refurbishments were calculated by comparing yearly GHG emissions of each object before renovation (annual cost bill) and after renovation.

¹³ See Footnote No 11.

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