

Baloise Senior Secured Loan Fund: ESG Portfolio Reporting

June 2020



1. Our Responsible Investment Policy

We are convinced that the integration of ESG factors throughout the investment process leads to lower risks and therefore to a better risk-return profile. Through exclusion, active engagement or a sophisticated ESG-integration, we can therefore create value for our investors, our society and our planet. The fund is therefore subject to the Responsible Investment (RI) Policy in accordance with the Baloise Group's guidelines. The portfolio of the Baloise Senior Secured Loan Fund is managed by external specialists (loan managers) who must comply with the Baloise investment principles. The following investments strategies are therefore applied:

- 1 Exclusion
Producers of controversial weapons (including SVVK-ASIR list) and coal producers (min 30% of turnover) are excluded.
- 2 ESG-Integration
The selected loan managers must consider and integrate ESG factors in their entire investment process.

Compliance with the RI Policy is regularly and thoroughly reviewed. The Baloise RI Policy can be accessed via the following link: <https://www.baloise-asset-management.com/de/ch/ueber-uns/verantwortungsbewusstes-investieren.html>

This fund is purely responsible, i.e. we ensure that 100% of the investments comply with our RI Policy.

« By integrating sustainability, we are able to achieve a more stable financial basis for the Baloise Senior Secured Loan Fund. »

– Samuel Müller, Portfolio Manager



2. Status Quo: what has been achieved?

Baloise Asset Management is committed to invest responsibly and to do so has made great strides among three distinct dimensions. This facilitates an ESG-integrated approach with more informed decisions, and ultimately leading to better performance. We combine our skills with the expertise of three carefully selected, independent loan managers Bain, Barings and Octagon to achieve the best results for our clients.



3. Specific investment decisions made by our loan managers

Environment, Social and Governance (ESG) refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business.

E Environmental factors

Provider of returnable plastic container pooling solutions for the transport of primarily fresh produced goods

Claim

Almost all plastics are made from chemicals that come from the production of planet-warming fuels (gas, oil and even coal).

Approach

The investment team investigated whether the solution would result in more efficient use of resources: Reusable plastic containers are used to ship fresh products between growers, warehouses and retailers efficiently. Efficient transportation reduce food waste. Compared to single-use plastic, the company's solutions use 64% less energy and 80% less water and produce 86% less solid waste.

Decision Invest

E Environmental factors

US provider of consumer products

Claim

The company's large share of revenue from plastic products required further investigations.

Approach

Direct assessment of relevant third-party ESG reports identified positive factors such as the company's end-to-end approach to reduce carbon footprint and the increase in the use of renewable materials. 43% of the company's products sold in U.S. are recyclable and/or made from recyclable material. Furthermore, the company does not produce plastic bags that have been selectively banned by States and Municipalities, and utensils and other single-use plastics cups. In recent years, the Company has also significantly reduced the portion of its waste sent to landfills.

Decision Invest

S Social Factors

Healthcare provider that operates urgent care centers in the U.S.

Claim

Providing medical care is beneficial to the society but excessive prices prevent many people from accessing it.

Approach

The investigation showed that the company is willing and able to provide high quality, firsthand medical assistance to the public in a cost-efficient manner and lower when compared to a general hospital visit. Running urgent care centers with convenient access (365 days and open until midnight) grants access to population with less flexible working hours. The company is currently one of the leaders in COVID-19 testing in the NYC metro area.

Decision Invest

S Social Factors

Provider of regulated waste management services

Claim

Good competitive positioning of the company in well-regulated environments.

Approach

The analysis revealed that the company was facing a high level of criticism from local communities close to its medical waste incineration plants which resulted in high reputational risk. It was also identified that the company has some internal control weaknesses regarding accounting policies for revenue recognition and had previously appeared to make excessive severance payments.

Decision Do not invest

G Governmental factors

Provider of aviation and training services

Claim

Strong financial case with signs of misconducts.

Approach

As part of the diligence process there was a high number of instances of historical misconduct identified at the company and still a lot of instances still pending resolution. The management could not convince their ESG team that governance would improve.

Decision Do not invest

G Governmental factors

Provider of telecommunication services

Claim

Strong credit profile.

Approach

During the due diligence it came out that the company was involved for an attempt to conceal a bribe made to the head of the Romanian football league in exchange for exclusive football content rights via a series of commercial transactions.

Decision Do not invest

4. Outlook

We will continue to further develop the RI Policy with our loan managers in the future. This will require more measures such as creating transparency and the use of ESG data. Our clients will continue to benefit from our integrated investment approach.



Enhancing transparency and comprehensive reporting ways to effectively integrate ESG matters into existing communication. (Octagon)



Building out portfolio management ESG reporting tools into the existing portfolio management system. (Barings)



Rolling out loan specific ESG scores and a standardized ESG questionnaire. (Bain)



Buying in new data input («RepRisk») and conducting an analysis of further ESG data providers and testing their offerings complementing the current data set. (Bain)



Rolling out of an ESG engagement tool that will allow analysts to record and track all their ongoing engagement activity with individual companies. (Barings)



We offer our customers a responsible approach to investing, allowing them to contribute to environmental and social causes and support sustainable corporate governance.



– Dr. Agnes Neher, Head of Responsible Investment

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