

Investment Guideline ESG

Introduction

Bellevue Asset Management AG is a FINMA-regulated manager of collective assets pursuant to Art. 24 FINIG. This directive creates a binding framework for portfolio managers with regard to ethical, responsible and sustainable corporate practices.

1 PURPOSE AND SCOPE

1.1 Scope

This guideline applies to all employees of Bellevue Asset Management AG ("**BAM**") (including subsidiaries).

1.2 Purpose

This guideline creates a binding framework for employees with regard to portfolio investments with regard to ethical, responsible and sustainable business practices.

2 CORPORATE VALUES

With reference to the Bellevue Group ("**BG**") sustainability guideline, BAM is committed to sustainable, responsible and value-oriented corporate practices. It regards good corporate practices as a key success factor and an indispensable prerequisite for achieving strategic corporate goals and creating sustainable value for stakeholders such as customers, employees, shareholders, the interested public, the environment and society.

BAM recognises that all business activities inevitably have a direct or indirect impact on environmental, social and governance issues and that it must take responsibility for this. This includes the behaviour and principles according to which BAM invests the capital entrusted to it.

3 SCOPE OF THE ESG INVESTMENT GUIDELINE

These investment guidelines are binding for all investment strategies, mandates and funds managed by BAM. It relates exclusively to direct investments in equities and bonds as well as derivatives such as options and warrants on equities and bonds made in the investment strategies. Investments in target funds, ETFs, futures or similar securities are excluded, but these instruments must be selected to the best of our knowledge and belief with regard to the present ESG investment guideline.

4 ORIENTATION TO RECOMMENDATIONS OF THE ASSET MANAGEMENT ASSOCIATION SWITZERLAND (AMAS) AND SWISS SUSTAINABLE FINANCE

The following investment guidelines are based on the recommendations of AMAS (formerly SFAMA) and the Swiss Sustainable Finance Association (Sustainable Asset Management - Core Messages and Recommendations, June 16, 2020).

In addition to the Swiss regulations for the implementation of the Sustainable Investment Guidelines, BAM also takes into account the EU regulations with regard to sustainability, in particular the EU Disclosure Regulation¹ the sustainability preferences according to Mifid II² and other international rules and regulations to which BAM's foreign subsidiaries are subject.

5 ESG DATA BASIS

This directive is implemented in particular by means of third-party research by a specialised independent sustainability research partner. In the event of contradictory results in individual cases, the responsible portfolio manager must, to the best of his knowledge and belief, obtain his own picture of the facts of the case in question.

If a company is not covered by the ESG research partner, the portfolio manager must obtain his own overview of the key ESG aspects within the scope of his company analysis to the best of his knowledge and belief on the basis of publicly available data and document this accordingly.

In addition, further information such as exclusion lists of nationally or internationally established sustainability organisations can also be consulted.

6 ESG INVESTMENT GUIDELINES

6.1 Compliance with international norms

BAM is committed to adhering to internationally recognised norms and excludes companies with serious violations of human rights, environment, labor norms and involvement in corruption.

No investments may be made in companies that seriously violate UN Global Compact Compliance, Human Rights Compliance and Labor Compliance. If a portfolio company is downgraded to a "fail" status due to a serious violation of one or more of these standards, it must be sold within a reasonable period of time. The security may only be reintegrated into a portfolio once it has been reassessed and upgraded by the ESG research partner.

UN Global Compact Compliance

The UN Global Compact calls on companies to commit to a catalogue of basic values from the areas listed below, to support them and to put them into practice within their sphere of influence. The ten universally recognised principles of the UN Global Compact in the areas of human rights, labor norms, environmental protection and anti-corruption are the basis for this:

- the Universal Declaration of Human Rights,
- The Declaration on Fundamental Principles and Rights at Work of the International Labor Organisation,
- the principles of the 1992 Rio Declaration on Environment and Development, and
- the UN Convention against Corruption.

Human Rights and Labor Compliance

The United Nations Guiding Principles for Business and Human Rights (UNGPHR) describe the responsibilities of companies to respect human rights. The UNGPHR make explicit reference to the UN International Human Rights Charter and the Declaration of International Labor Standards (ILO) on Fundamental Principles and Rights at Work.

¹ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector

² Delegierten Verordnung (EU) 2021/1253 according to MiFID II – Sustainable preferences (Art.9)

6.2 Value-based Exclusions

In contrast to the exclusion of companies due to violations of global norms, value-based exclusions are based on social, ethical and moral views. Companies with activities in areas that are considered controversial according to prevailing societal views are to be excluded from investment portfolios if generally accepted sales tolerances are exceeded:

Business segment	Turnover limit
Controversial weapons	0%
Conventional weapons	10%
Thermal coal	5%
Fracking / oil sands	5%
Tobacco production	5%
Tobacco sales	20%
Pornography	5%
Gambling	5%
Palm oil	5%

In accordance with the Swiss Federal Law on War Material (KMG) of December 13, 1996 and its revision of February 1, 2013, BAM does not invest in companies with activities in the field of controversial weapons (incl. chemical weapons; biological weapons; cluster munitions; land mines; nuclear weapons; depleted uranium; blank weapons, incendiary bombs, undetectable fragments/shards).

Exceptions to exclusions of issuers with bonds are only possible if such issuers issue Green Bonds, Sustainable Bonds, Social Bonds or Sustainability-linked Bonds. In the case of Green Bonds, Sustainable Bonds and Social Bonds, the issuer must use the new financial resources for a specific purpose or they must serve a sustainable purpose. This means that the capital raised must be used for specific activities to reduce or prevent negative impacts on the environment or, in the case of Sustainable Bonds and Social Bonds, additionally to reduce or prevent negative impacts on society. In the case of Sustainability-linked Bonds, the amount of contractually agreed interest is additionally linked to the achievement of specific sustainability targets.

For individual strategies, more extensive and/or stricter value-based criteria can be applied. Often, these include a corporate reference to animal testing, red genetic engineering and embryonic stem cell research. As an investment specialist for healthcare investments, the experts at Bellevue Asset Management AG choose a differentiated approach.

Animal testing: It is to be stated that world-wide, no medicines may be certified without animal testing. Although animal experiments are indispensable in research, there is agreement to limit them to a necessary minimum. The ethical principle of the "3Rs" applies as a guideline: Replace (avoid), Reduce and Refine. Within the framework of its health strategies, BAM ensures, as far as possible, compliance with the corresponding principles.

Gene editing: Any intervention in the human germline for cloning purposes is prohibited. Likewise, in the technique of genetic engineering, a distinction must be made between changes in somatic or germ line cells. With the gene editing of somatic cells, diseases can be successfully treated. These changes typically only affect the cells of one organ and are not inheritable to the next generation. The intervention in the germ line, however, has consequences for all subsequent generations and is associated with possible risks that do not allow any investment today.

Embryonic stem cells: The ethical / moral discussion essentially refers to the dilemma of using embryonic stem cells to prevent or reduce human suffering while respecting human life. In embryonic stem cell research, these aspects are presumably contradictory. On one hand, it is inevitable to destroy an embryo at an early stage of development in order to obtain embryonic stem cells. On the other hand, embryonic stem cell research can be used to develop new medical treatments that relieve human suffering. Which moral obligation should be given more weight in the case of this dilemma cannot therefore be answered a priori. From today's perspective, we consider the use of embryonic stem cells for medical research purposes to be possible and make our judgement in each individual case with the companies concerned, weighing all available information and arguments. As far as the principles of diversification, risk/return targets

and investment themes permit, the above-mentioned value-based areas should be avoided or underweighted in the portfolios wherever possible. In accordance with generally accepted investment practice, an exclusion is deemed to be fulfilled if a company does not generate more than 5% of its annual turnover in the respective area.

6.3 Corporate controversies

Before investing in a company, portfolio managers check whether there are other severe environmental, social and governance controversies not mentioned under 6.1. An investment in a company with a severe controversy is at the discretion of the respective teams.

6.4 ESG integration

As part of ESG integration, environmental, social and governance factors are included in the fundamental assessment of a company and evaluated in terms of their financial risks or opportunities for future share price development. This gives our portfolio managers a holistic picture of a company.

The environmental area includes, for example, whether a company systematically measures and discloses its environmental footprint. The area of society includes, for example, product quality, data security or employee development. Good governance includes, for example, independence and compensation of the board of directors or business ethics.

Assuming that sustainability risks can have a negative impact on returns, this approach aims to identify ESG risks in order to take them into account in the investment process. The analyses are then also used by portfolio managers to anticipate developments in the area of sustainability and to take account of the findings in their investment decisions.

Portfolios at BAM are regularly monitored for their respective sustainability profile, and a corresponding report is prepared for the attention of the Executive Board. Particularly in the case of the so-called "Laggards" (rating CCC, B), it is important to examine to what extent a below-average ESG rating can actually lead to an increased financial risk. The aggregated ESG ratings used for this purpose must be interpreted with caution and critically scrutinised, because most ESG rating methodologies are based on predefined systems that do not always lead to an objective or "fair" risk assessment. Especially small-capitalised and young companies, for example those still in the start-up phase, are typically systematically disadvantaged compared to large companies. A lack of human resources, a lack of experience in dealing with ESG issues can be the cause of a disadvantage, as can a catalog of criteria defined by the methodology that cannot be easily applied to all companies within a sector. Accordingly, our portfolio managers take a critical look at potential or alleged "ESG laggards" and repeatedly seek interaction with the ESG specialists of our cooperation partners as well as the companies concerned. Investments in such issuers must be documented in detail. However, Bellevue Asset Management refrains from a so-called "best-in-class" approach for the reasons described above, unless otherwise defined at the level of the investment strategy.

6.5 Investments with "sustainable characteristics" / "Sustainable investments" (impact-related)

The EU Disclosure Regulation 2019/2088 Regulatory Product Disclosures (Art. 10) and the Delegated Regulation (EU) 2021/1253 on MiFID II - Sustainability Preferences (Art.9) contain additional requirements in the area of sustainability. These are summarised in publicly available disclosure reports, each for a single strategy or a group of strategies with uniform ESG characteristics. Among other things, the disclosure reports include minimum ratios that are binding for the portfolio managers. Further details can be found in the respective ESG disclosure reports.

Link: <https://www.bellevue.ch/ch-de/private/esg/nachhaltigkeit/nachhaltigkeit-auf-portfolioebene>

6.6 ESG exclusion list

The Compliance Office maintains and updates at least quarterly an exclusion list of companies that do not meet the criteria mentioned in 6.1, 6.2 and 6.3. In addition to the usual ESG research sources, further recommendations, such as the Swiss Association for Responsible Investments, can also be taken into account. The ESG exclusion list is deposited in the Portfolio Management System (PMS) and trade execution on these securities is excluded.

6.7 Climate change factors

In accordance with the Paris Climate Agreement of December 2015, BAM is committed to the climate goals and supports measures to reduce global warming. The Paris Agreement pursues three goals:

- The states set themselves the global goal of limiting global warming to "well below" two degrees Celsius compared to the pre-industrial age with efforts to limit it to 1.5 degrees Celsius.
- The ability to adapt to climate change is to be strengthened and is established as an equal goal alongside the reduction of greenhouse gas emissions.
- In addition, financial flows are to be brought into line with the climate targets.

BAM attaches great importance to climate-friendly or CO₂-efficient portfolios that contribute to achieving the goals of the Paris Climate Agreement. In this sense, it welcomes initiatives at the level of individual portfolio management teams to reduce CO₂ emissions over time at the portfolio level. This can be done either by underweighting individual stocks accordingly or by actively influencing them through a constructive dialogue with the company (engagement). CO₂ intensity is regularly measured at the portfolio level and assessed against the relevant investment universe or fund benchmark. In accordance with the principles of materiality and proportionality, the CO₂ intensity per portfolio is also compared to the emissions measured on the world's stock and bond markets.

6.8 Documentation

Each portfolio management team documents key findings from the ESG analysis at the individual security level and updates them when a new security is added or at least once a year as part of its regular company analysis. At least the following criteria from the above-mentioned investment guidelines must be recorded in writing for each individual security:

- Compliant with the BAM Exclusion List (YES/NO)
- Current ESG-Rating (AAA - CCC)
- Key findings of the ESG analysis
- Additional justification for an investment in a "Laggard" (rating B, CCC) according to MSCI ESG (e.g. insights/progress from engagement activity with ESG research provider and/or company)

The ESG documentation is preferably carried out in the ESG Questionnaire provided for this purpose or is integrated into the existing, team-specific documents.

7 ESG Stewardship (Active ownership)

7.1 Engagement policy

Portfolio managers engage in an active and constructive dialog with the management or other relevant stakeholders of the invested companies regarding environmental, social and governance aspects. If, in the run-up to the company discussions, indications of material development areas in the area of ESG and/or of adverse effects on sustainability factors (Principle Adverse Indicators / PAI) (e.g. improvement in ESG transparency, lack of CO₂ reduction targets, below-average representation of women in management, deficiencies in the area of product safety, etc.) arise, the portfolio managers are required to address these in the course of the dialogue. The portfolio managers are required to constructively raise these in the context of the corporate dialog and to document progress (e.g. strategy and process adjustments, improvement of ESG rating) over time.

Engagement activities can be carried out directly and bilaterally with the respective company or bundled with other co-investors as part of a so-called collaborative engagement process.

ESG engagement activities are recorded as part of the regular documentation of the company meetings and centrally recorded in the ESG engagement tool provided for this purpose and continuously updated. BAM reports periodically and in aggregated form on the ESG engagement activities, whereby individual case studies can also be presented in short form.

7.2 ESG Voting Policy

We welcome the active exercise of our voting rights at portfolio level. In this respect, reference is made to the "BAM Voting Policy" instruction.

8 MONITORING OF COMPLIANCE WITH THE ESG GUIDELINES

The portfolio manager is primarily responsible for monitoring compliance with the above ESG guidelines. In addition, BAM Compliance checks their compliance. In addition, BAM Product Management prepares an ESG reporting to the Executive Board at least quarterly and informs the Board of Directors appropriately.

9 MEMBERSHIPS

BAM is a signatory of the UN PRI - Principles for Responsible Investment. As an institutional investor, it is thus obliged to act in the best interests of its stakeholders in the long term. In this fiduciary function, BAM is convinced that environmental, social and governance (ESG) factors influence the performance of investment portfolios. BAM also recognises that the consideration of these principles can better align the interests of investors with the broader goals of society.

In summary, BAM is currently committed to the following elements:

- Incorporation of environmental, social and governance (ESG) criteria into the investment process
- Consideration of ESG criteria for investments in BAM's proprietary assets
- Require ESG disclosures from companies in which BAM invests
- Promote the acceptance and implementation of the UN PRI in the investment industry
- To work with the PRI representatives and other signatories to improve the effectiveness of the implementation of the principles
- To report on activities and progress in implementing the principles

Furthermore, BAM has held the Austrian Ecolabel for Bellevue Sustainable Healthcare (Lux) since 2018 and the FNG seal for Bellevue Sustainable Entrepreneur Europe (Lux) since 2021. For both funds, the company is also a signatory to the Eurosif Transparency Code for sustainable investment products, which represents a clear commitment to additional transparency in the area of sustainability at the investment process level.

10 IMPLEMENTATION AND RESPONSIBILITY

Responsibility for implementing this ESG investment guideline is a central management task. Supervisors at all levels are aware of their role model effect. All employees are responsible for compliance with these guidelines.

BAM's management appoints one member as ESG officer. Within the Board of Directors of Bellevue Group AG, one member also assumes an ESG sponsoring function.