



# ESG

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# Foreword

## Sustainability is central to our culture

Bellevue's distinctive profile is shaped by its core values – independent, entrepreneurial and committed. They lay the foundation for the sustainable, responsible and values-driven business practices that guide our employees every day and they are absolutely essential for creating long-term value for our stakeholders.

Based on these core values, we have established clearly defined, transparent ESG policies and corresponding investment guidelines that integrate binding environmental, social and governance aspects into our standards and conduct. This ESG Report provides detailed information about how we implement ESG measures at the company and product level.

At the company level, we measured Bellevue's carbon footprint for the first time in 2021. Business travel, commuting, heating and electricity are the main sources of our carbon emissions. We have introduced eco-friendly measures in all these areas. For example, video conferences are now a prioritized form of communication; we provide employees with free travel cards to encourage them to commute by public transport; and we use lake water to cool or heat our company headquarters in Küsnacht. Having offset its carbon emissions by supporting top-quality climate projects in Switzerland, Bellevue was a certified climate neutral company in 2021. Our 2030 climate strategy includes a pledge to reduce our carbon emissions per employee by 30%.

With regard to corporate social practices, we conducted a multi-site staff salary study that confirmed our equal pay policy. Furthermore, women accounted for 30% of the workforce as at December 31, 2021, 22% of all employees worked part-time, and a total of 15 nationalities were employed representing a wide diversity of countries, cultures and languages. We are very pleased with the low employee turnover (2.9%) and the particularly high levels of employee identification that have distinguished our company for years – in the knowledge that, ultimately, it is our employees who create value for our clients and shareholders.



Already in 2018, we launched the Bellevue Sustainable Healthcare Fund, a dedicated ESG strategy.

Our Group has embraced sustainability at the portfolio level for years. Already in 2018, we launched the Bellevue Sustainable Healthcare Fund, a dedicated ESG strategy. In the year under review, we launched the Bellevue Sustainable Entrepreneur Europe Fund, our second sustainability fund managed in accordance with internationally recognized ESG quality standards. Within the scope of our ESG integration approach, strict exclusion criteria are applied and environmental, social and governance factors are an integral part of our fundamental research and analysis across all portfolios and funds. At the same time, our experts strive to build climate-friendly portfolios and they maintain an active and constructive dialog on ESG aspects with company executives and relevant stakeholders.

We are committed to the UN Principles for Responsible Investment (UN PRI) and continuously adapt our ESG investment guidelines to meet the latest requirements.

Sustainable and responsible business practices are indispensable to enable us to deliver on our promise to create lasting value for clients, shareholders and employees alike.



**Veit de Maddalena**  
Chairman of the Board of Directors



**André Rüegg**  
Chief Executive Officer

# Materiality analysis

The materiality analysis supports the Group Executive Board and the management of the subsidiaries in identifying key sustainability issues by considering the expectations and needs of external and internal stakeholders. Results of the materiality analysis are used to continuously improve sustainability management by sharpening our understanding of stakeholder needs and their shifting perceptions of what they regard as material sustainability issues. The materiality matrix forms the basis for managing corporate processes and helps to identify and manage potential opportunities and risks.

## Methodology

The materiality assessment developed by Bellevue Group and Bellevue Asset Management is based on the needs and expectations of the following stakeholders:

- Shareholders
- Clients
- Business partners
- Portfolio companies
- Employees
- Regulatory agencies

In a first step, the internal, cross-functional ESG analysis team consisting of representatives of Bellevue Group and Bellevue Asset Management AG mapped out the firm's direct stakeholders and the channels through which the firm engages with each group. Informal feedback about the sustainability issues that each stakeholder group considered to be most critical was collected. Based on this information, topics for the materiality assessment were identified. In addition, the Group Executive Board and the management of the subsidiaries have some control were evaluated.

## Bellevue's material issues

	Material topic	Relevance*	Stakeholders	Definition and scope
Corporate Level	Company culture and values		Shareholders, clients, business partners, employees	Corporate culture / values / company purpose / reputation / trust
	Corporate governance and risk management		Shareholders, clients, business partners, regulatory agencies	Operational structure / governance framework / management team / compliance with regulations / prevention of market abuse / prevention of conflicts of interest / anti-corruption and anti-bribery / anti-money laundering and terrorist financing / tax compliance
	Work culture and compensation		Shareholders, employees	Diversity and inclusion / non-discrimination / health and safety / work-life balance
	Talent and human capital		Shareholders, employees	Training and skills management / attracting and retaining talent / health and safety / work-life balance
	Financial performance		Shareholders, business partners, employees	Sustainable investment performance / sustainable financial returns
	Climate action		Shareholders, employees, regulatory agencies	Reducing the carbon footprint of own operations / climate-related disclosures
	Digitalization and cybersecurity		Shareholders, clients, business partners, employees	Digitalization of the working environment, automation of repetitive and error-prone tasks
Portfolio Level	Responsible investment		Clients, portfolio companies	Integration of environmental, social and governance (ESG) factors throughout the investment process / ESG risk mitigation and value creation / ESG engagement
	Engagement and stewardship		Clients, portfolio companies	Direct dialog and involvement with portfolio companies
	Regulation		Clients, business partners, regulatory agencies	Broadest allocation funds & mandates according to Art. 8 EU SFDR 2019/2088 (light green)

\*Relevance: on a scale from 1 -10, 1 being the least relevant and 10 being the most relevant

# Our responsibility

Independent – entrepreneurial – committed: This is what distinguishes Bellevue. We act responsibly. Strong corporate governance is just as central to this as sustainability aspects, whether at the company level or as an integral part of portfolio management.

## Independent

Our most important asset are our employees with top know-how we work in small, agile teams that are characterized by high levels of personal responsibility and short decision-making pathways. The portfolio management teams are given as much freedom as possible to develop their vision and assume a high degree of personal responsibility. This autonomy enables them to act optimally and respond flexibly to client needs. What they have in common is a set of rules anchored throughout the company with regard to sustainable corporate and investment practices.

## Entrepreneurial

Full of conviction, we also actively participate in investments ourselves – and thus in the success of our clients: "We eat our own cooking." The equality of interests with the investors promotes discipline as well as entrepreneurial thinking and conduct.

## Committed

We are performance-driven and passionate about pursuing common goals and believe in the power of respectful collaboration. We bring our expertise and competence to bear in important social issues and act responsibly.

Bellevue is committed to sustainable, responsible and values-driven business practices.

The graph below summaries the key areas where we apply our entrepreneurial responsibility and sustainability principles:



<sup>1</sup> UN GC = UN Global Compact, UN GPBHR = UN Guiding Principles for Business and Human Rights, ILO = International Labour Organization  
Source: Bellevue Group AG, as at December 31, 2021

# Sustainability at corporate level



Quelle: Bellevue Group, per 31. Dezember 2021

We consider good corporate practices, a binding framework for our organization, and social considerations to be indispensable success factors.

## Core values

Based on our core values («independent», «entrepreneurial», «committed»), we maintain a binding framework for our organization and our employees regarding ethical, responsible and sustainable business practices. This ESG policy governs standards and behaviors related to environmental, social and governance aspects.

## Corporate practices

We see good corporate practices as a key success factor and an indispensable prerequisite for achieving strategic corporate goals and creating sustainable value for stakeholders. We recognize that business activities inevitably have a direct or indirect impact on the environment, social affairs and governance, and that we are responsible for this.

## Environmental practices

Within the framework of our work processes, we attach importance to environmentally friendly practices and ensure this in particular with the following measures:

### Energy consumption

At Bellevue Asset Management's headquarters in Küsnacht/ZH, the building as well as the premises of our data centers are heated and cooled with natural lake water. In 2018 we had energy-efficient windows installed to reduce our energy consumption. Automatic awning systems also help to ensure efficient regulation of the interior building environment.



When procuring electronic devices such as computers, monitors, printers, etc., we make sure to use energy-efficient equipment. Wherever possible, power consumption settings are configured to automatically switch IT equipment, whether entire groups of systems or individual devices, to stand-by mode at certain times. The buildings are only lit when they are in use. We use additional energy consumers such as air conditioners or radiators only for extreme external weather conditions.

Over the weekends, the company premises are only heated to minimum levels.

## Transportation and mobility

Our locations are very easy to reach by public transport. Employees are motivated to travel by public transport. The company supports this through financial support by providing a half-fare Travelcard of Swiss public transport free of charge. Parking spaces are not subsidized and are charged at full market rates. Showers and changing rooms are available at company headquarters, which makes commuting to work by bicycle an attractive alternative.

Due to our global investment strategies and distribution activities with employees at different locations, international contacts are important. All locations have a video conferencing infrastructure. Most of the meetings are through telephone and video conferencing as a substitute for physical meetings to limit travel. Where possible and appropriate, we substitute air travel with public transportation such as train travel and coordinate joint site visits.

The Group Executive Board is regularly informed about the travel activities of the employees.

## Procurement process

When procuring materials, furniture, food, etc., we consider local suppliers and local products wherever possible in order to reduce the environmental impact. Likewise, when selecting suppliers and service providers, their environmental practices are taken into account. When procuring furniture and other office materials, we pay attention to durability.

## CO<sub>2</sub> neutrality

Bellevue Group was certified as a climate-neutral company by Swiss Climate in 2021. By purchasing CO<sub>2</sub> emission certificates in the amount of the greenhouse gas emissions emitted annually, we support projects that remove the same amount of emissions released to the atmosphere. Bellevue Group has selected a project focusing on «Climate protection and sustainable management in the Swiss forest» for climate neutrality in 2021. The project ensures CO<sub>2</sub> storage and sustainable management of 7 279 hectares of forest in the canton of Schwyz. This protects the climate, preserves biodiversity in the Swiss forest and enables the production of energy wood for renewable energy production. As part of the certification, Bellevue Group has set a reduction target of 30% of emissions per FTE by 2030. The CO<sub>2</sub> emissions in 2020 adjusted for COVID-19 effects serve as a basis.

## Waste management and recycling

Systems are in place at all sites to collect and recycle a wide range of materials, including cardboard, PET, glass, paper, batteries and IT equipment. We separate waste and dispose of it properly. We take care at the procurement stage to avoid excessive waste or other unnecessary environmental impact (e.g. use of washable dishes instead of disposable cups/plates). In addition, water filtering devices are installed to reduce PET bottle consumption.

Paper consumption is a significant resource for a service company. We take appropriate measures to ensure that paper consumption is constantly reduced and can be replaced by other means (e.g. customer presentations on notebooks/tablets instead of printed handouts, video calls for customer meetings, annual reports printed on FSC paper, shipping only on

request). Print programs are initialized so that printouts are two-page and black and white by default.

## Environmental indicators

The environmental indicators were determined for the first time in 2021 for the 2020 financial year. In the future, the updated values will be published with the semi-annual financial statements for the following year.

<b>Total emissions (in t CO<sub>2</sub>)</b>	<b>2020</b>
CO <sub>2</sub> -emissions scope 1	32.3
CO <sub>2</sub> -emissions scope 2	44.3
CO <sub>2</sub> -emissions scope 3	186.4
Total CO <sub>2</sub> -emissions	262.9
CO <sub>2</sub> -emissions/full-time position	2.7
Scope 1: Direct greenhouse gas emissions	
Scope 2: Indirect energy-related greenhouse gas emissions	
Scope 3: Energy supply (energy-related emissions not received in scope 1 or 2): business travel (external vehicles), commuting, IT equipment, paper, print jobs, waste, water	

Source: CO<sub>2</sub> report for Bellevue Group AG issued by Swiss Climate AG (November 2021)

## Total emissions at a glance

In the future, the 2020 balance with normalized data in the categories commuter trips and business flights will be used as the reference base to assess the efficiency of the measures implemented as part of the climate policy and to show improvements in the CO<sub>2</sub> emissions.

<b>Total emissions (in t CO<sub>2</sub>)</b>	<b>Base year*</b>	<b>2020</b>
Business trips	505	99
Heating	58	58
Commuting	130	55
Electricity	32	32
IT equipment (computers, laptops, monitors, cell phones, phones, tablets)	14	14
Waste	2.5	2.5
Water	1.5	1.5
Paper and printing	0.9	1.2
Total emissions	744	263
Emissions Total / FTE (t CO <sub>2</sub> /FTE)	7.7	2.7

\* Base year: 2020 adjusted for COVID-19 effects (travel / home office).

Source: CO<sub>2</sub> report for Bellevue Group AG issued by Swiss Climate AG (November 2021)

Bellevue Group's operations include four focus areas related to CO<sub>2</sub> emissions: Business travel, commuting, heating and electricity. These account for 93% of emissions. The effects of the measures to contain COVID-19 are particularly evident in business travel. Air travel and commuting account for over 85% of CO<sub>2</sub> emissions in a normal year. Since air travel was limited since March 2020 and work from home recommendations or requirements massively reduced commuting, CO<sub>2</sub> emissions in 2020 were reduced by about 65% due to COVID-19. Significantly more business travel is expected from 2022 on.

## Social practices

For a service company like Bellevue Group, employees are the most important asset for the company's long-term success.

### Employee selection process

The added value that Bellevue creates for its clients is inextricably linked to the expertise, motivation and high level of identification of its employees with the company. Accordingly, we place great emphasis on the careful selection of suitable talent. The suitability of a candidate is usually assessed over several selection stages and assessments. In addition to professional competence, soft skills, team spirit and compatibility with corporate values are also assessed. From the employees' point of view, the manageable size of the company and the resulting personal contacts are a key success factor. Criteria such as age, religion, origin and gender must not lead to discrimination.

### Compensation policy

The following basic compensation principles apply throughout Bellevue Group:

The methods used to determine compensation for the Board of Directors and the Group Executive Board and for all company employees are transparent, understandable, fair and reasonable. All pay packages are well-balanced and take into consideration the operational and strategic responsibilities of each individual role as well as individual performance levels and the demands placed on each individual. Compensation is commensurate with the position held and should reflect individual achievement of specific quantitative as well as qualitative goals as well as the operating results of Bellevue Group and of relevant Group companies. Pay packages should be appropriate and competitive compared to the compensation offered by companies operating in the same field and labor market, and they must be sound and sustainable irrespective of the current course of business. Variable compensation will be reduced or forfeited in the event of serious violations of internal or external rules, regulations or the law (incl. ESG/sustainability policy).

Further information is given in the [annual compensation report](#) published by Bellevue Group.

### Work culture

We foster a clearly entrepreneurial culture that emphasizes personal responsibility and is distinguished by flat hierarchies and flexibility as regards work hours and work location and even the basic contract hours. The company's organization encourages employees to develop and deploy their professional skills in the best interests of the company's stakeholders while taking into account their family or personal situations (e.g. by offering part-time employment contracts, IT infrastructure for telecommuting, or support for employee training and development).

Our daily interaction with all employees and the formal employee performance reviews that take place on a regular basis are distinguished by a respectful and responsible conduct. These performance reviews also serve as a general means of personal orientation and as a career planning tool. We support targeted training and development where employees can benefit from constructive and stimulating learning environments, contributing both ideas and funds.

### Health

The health and safety of our employees and all people affected by our business activities is our top priority. As an employer, we can have a significant impact on the health of our employees through various measures and support them in remaining healthy and motivated in the long term.

We promote motivation and health through various measures. For example, employees in Küssnacht are offered a breakfast of rolls and fruit every day free of charge. Coffee, tea and other beverages are available at no cost. Furthermore, Bellevue offers employees annual memberships at a professional medical gym and the opportunity to take yoga classes at reduced cost. Acting on their own initiative, employees have organized team sports activities ranging from jogging to stand-up paddle boarding to weekly crossfit workouts.

All workplaces are equipped with height-adjustable desks and have sufficient exposure to natural sunlight.

Employees are offered free annual flu vaccinations conducted onsite at Bellevue's headquarters by an external physician.

The «Bellevue Team Spirit» is promoted and strengthened through regular social events such as joint lunchtime barbecues, summer parties and skiing events in winter.

Analyzing and investing in healthcare companies is an important part of Bellevue. Our experts regularly lecture both internally and externally on current health topics. Discussions on relevant issues (e.g. increases in diabetes due to poor diet and lack of exercise, liver diseases, etc.) stimulate awareness of health among employees.

## Equality (diversity, equal opportunities and non-discrimination)

Bellevue Group provides equal employment and advancement opportunities to all individuals regardless of age, race, ethnicity, gender, sexuality, disability, religion or other characteristics. That's why we benefit from a diverse workforce and the competitive advantages that offers: With their different perspectives and approaches, experiences, ideas and skills, employees inspire each other and learn from each other. As a result, the company gains creativity, innovation and vision to remain future-proof and agile.

We foster a culture of gender equality and promote a balanced mix of gender and age across all hierarchical levels and functions of the company. Employee compensation is periodically reviewed for unjustified differences and adjusted if necessary. The last analysis was carried out in August 2021 using the standard Swiss analysis tool («Logib»). No gender effect was identified.

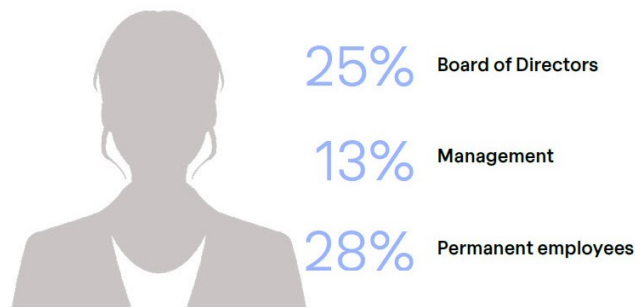
Both genders should be represented in the executive management board and on the Board of Directors. Discriminatory behavior will not be tolerated; incorrect behavior will be punished by superiors.

## People indicators

People indicators	2021	2020
Average length of service of employees	6.4 years	5.7 years
Average age	45 years	44.5 years
Part-time employees	22%	23%
Employee turnover	2.90%	2.60%

## Diversity indicators 2021

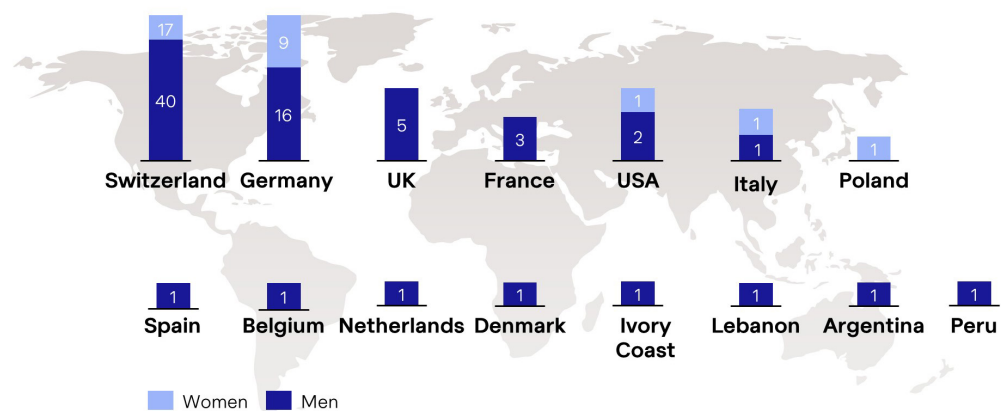
### Proportion of women



Source: Bellevue Group AG, as at December 31, 2021

Gender diversity: The Board of Directors has set the goal of continuously increasing the proportion of women at all levels, particularly at senior management levels, in the company by promoting the development and retention of women.

### 15 nationalities



Source: Bellevue Group AG, as at December 31, 2021, 15 nationalities incl. dual citizenships

## Employee stock ownership plan

In the spirit of identification with the company and the entrepreneurial activities of each employee at his or her level, we give employees across all hierarchical levels a share in the success of their own company.

Part of the variable salary components (profit-sharing) are distributed in the form of treasury shares or fund units and remain blocked for a predefined period. In this way, the interests of employees are to a large extent aligned with the interests of investors, shareholders and other stakeholders.

Furthermore, Bellevue periodically offers an employee share ownership program. The Board of Directors periodically offers voluntary employee stock ownership plans under which employees are entitled to purchase company shares at a discount to the market price.

The compensation system for Bellevue Group employees is conceived to motivate employees at all operating units to do excellent work. This is «entrepreneurial compensation with commitment» – a meritocratic model. An attractive entrepreneurial profit-sharing bonus is available as variable compensation. This profit-sharing is directly linked to the operational financial performance of Bellevue Group. In addition, part of this variable profit-sharing is paid out in the form of blocked shares and commitments in managed products (credo: «We eat our own cooking»). This approach promotes a long-term performance culture. Further details and numbers are publicly disclosed in the audited annual compensation report of Bellevue Group AG.

## Education and training

Lifelong learning is becoming increasingly important. We attach great importance to encouraging employees to take responsibility for their own professional development. Bellevue Group supports its employees in external training courses where this makes sense. These mainly include business-specific qualifications such as CFA, CAIA, etc. as well as language courses. Depending on the educational objective, we also participate in external training courses by releasing working hours and/or providing financial support. The cost of individual one-day seminars is covered in full by the employer. All Bellevue Group employees are regularly required to complete e-learning modules in the area of cybersecurity.

## Self-management of company pension fund

Employees' pension assets are held in a separate pension fund, managed by Bellevue Asset Management AG. Employer contributions are above the legally required minimum. Funds of the pension foundation are also invested in companies and investment funds that we manage. In this way, we underline our own convictions, which we represent to our clients and investors.

## Employee perks

In order to succeed, we believe that our employees need to be agile and connected: Employees who depend on the use of a tablet and/or a cell phone for business purposes can, with the approval of their superiors, claim a pro rata reimbursement for the purchase of a tablet and/or a cell phone every two years. The communication and data plans are ordered centrally by Bellevue Asset Management. The corresponding costs are borne by the employer with a minor contribution of the employees in accordance with the expense regulations approved by the cantonal tax office.

## Work from home policy

Bellevue Asset Management, as a modern employer, allows its employees to work from home. Employees appreciate the flexibility and the fact that there is less commuting burden as well as an improved work-life balance.

## Digitalization

Internal processes are optimized and the use of new technologies is promoted to meet the constantly changing demands of clients and employees. The digital transformation leads to new forms of communication, promotes transparency and efficiency, and is intended to make the entire company more agile in order to ensure the company's long-term competitiveness.

In the course of this ongoing process, several projects and initiatives have been launched: a new integrative portfolio management system offering consistent data management, reporting and risk management on a single platform, a dedicated tool for the private equity team, and the introduction of company-wide communication and working tools.

## Donations and charities

Bellevue Group selectively supports a number of organizations devoted to charity, sports, culture, or social issues. We do so out of conviction and therefore generally forgo any public mention of these actions.

## Governance practices

As a listed company, we report transparently on governance topics in the annual report as part of our compliance with the Corporate Governance Directive (DCG). An independently audited Remuneration report provides information on compensation paid to the Board of Directors and Group Executive Board. The four-member Board of Directors is international and interdisciplinary in its composition and has in-depth expertise in various areas. An important element of corporate governance is the clearly defined, balanced distribution of responsibilities between the Board of Directors and the Group Executive Board. The country-specific requirements of each location are taken into account. More information is available in Corporate Governance report.

# Sustainability at portfolio level

Consideration of sustainability risks and integration of ESG criteria in investment processes and portfolios.



<sup>1</sup>UN GC = UN Global Compact, UN GPBHR = UN Guiding Principles for Business and Human Rights, ILO = International Labour Organization

Source: Bellevue Group, as at December 31, 2021

Bellevue addresses sustainability at the portfolio level as well as at the corporate level. All investment portfolios and investment funds are systematically screened for sustainability risks and violations of basic human rights (e.g. in accordance with the UN Global Compact Guideline). Besides upholding strict exclusion criteria – such as serious controversies that violate universal norms regarding the environment, human rights or good corporate governance – environmental, social and governance factors are integrated into the fundamental analysis of every company through an ESG integration process in which the associated financial risks or opportunities are evaluated with respect to future stock market performance. ESG ratings compiled by global leading ESG research providers are included in this process, which are interpreted with some degree of caution and, in certain cases, with a rather critical eye.

Bellevue endorses the goals of the Paris climate agreement adopted in December 2015 and supports measures to mitigate global warming. Bellevue thus attaches considerable importance to green investment portfolios which can help to achieve the climate goals of the



Paris Agreement. Carbon intensity is measured regularly at the portfolio level and scored based on the relevant investment universe or fund benchmark.

Portfolio managers are engaged in an active and constructive dialog with the executives and other relevant stakeholders of portfolio companies on environmental, social and governance issues (engagement). Voting rights at annual general meetings of shareholders are actively exercised through proxy voting.

## Management of sustainability risks and ESG integration approach

### Transparency

In accordance with Regulation (EU) 2019/2088 of the European Parliament and the Council of the European Union of November 27, 2019, on sustainability-related disclosures in the financial services sector, Bellevue Group is committed to transparency with respect to:

- Policy for managing sustainability risks
- Adverse sustainability impacts at entity level
- Compensation policies in relation to the integration of sustainability risks
- Integration of sustainability risks
- Adverse sustainability impacts at portfolio level
- Promotion of environmental or social characteristics in pre-contractual disclosures
- Sustainable investments in pre-contractual disclosures
- Promotion of environmental or social characteristics and of sustainable investments on websites
- Promotion of environmental or social characteristics and of sustainable investments in periodic reports

### Sustainability risks

«Sustainability risks» is defined in Regulation (EU) 2019/2088 of the European Parliament and of the Council of the European Union of November 27, 2019, on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation, SFDR) as an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

Bellevue Asset Management AG and its subsidiaries have integrated sustainability risks into the investment decision-making processes of all their actively managed strategies and associated funds with the aim of identifying, assessing and, if possible and appropriate, mitigating such risks.

While every investment strategy can be exposed to such sustainability risks to varying degrees, the projected impact of sustainability risks on the returns of the investment strategies will depend on the specific investment strategy.

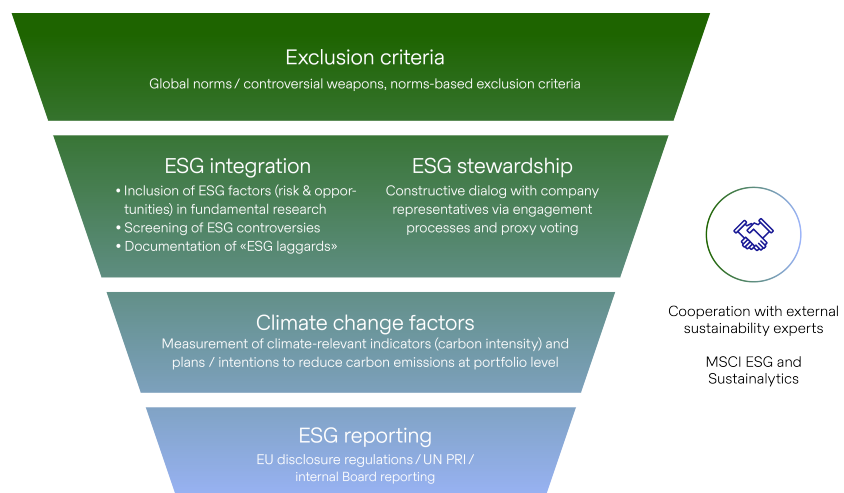
The results of this integration and evaluation are summarized as follows:

For those investment strategies that promote environmental or social characteristics in the sense of SFDR, the projected negative impact on financial returns is lower compared to «non-ESG» investment strategies. This is attributed to the risk-mitigating ESG investment strategies, their future-oriented investment approach, their emphasis on sustainable financial frameworks, their activism in dealings with companies/issuers as well as their avoidance of non-compliant companies/issuers.

All investment strategies invest in accordance with international environmental, social and corporate governance standards (hereinafter referred to as «ESG»). The investments or securities selected in accordance with such criteria can entail a significant subjective element. ESG factors that are integrated into the investment process may differ with respect to investment themes, investment categories, investment philosophy and the subjective application of ESG indicators that determine portfolio design and the underlying assets. Accordingly, no guarantee is made that every investment by an investment strategy will meet all of the ESG criteria.

## ESG investment guidelines

### ESG framework in portfolio management



Quelle: Bellevue Asset Management AG, as at December 31, 2021

## Exclusion of breaches against global norms

Bellevue Asset Management AG is committed to adhering to internationally recognized 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 are implicated in serious environmental, human rights and business ethics issues. Compliance with the principles and guidelines of the UN Global Compact Compliance and the UN Guiding Principles on Business and Human Rights and with the standards and rights of the International Labour Organization serves as an indicator in such cases.

## Value-based exclusions

In contrast to exclusions based on violations of global principles and standards, value-based exclusions are based on social, ethical or moral values. Thresholds have been defined for the percentage of overall revenues that can be generated from business areas with high ESG risk scores such as conventional weapons, thermal coal or tobacco production. Companies that exceed the generally accepted annual revenue thresholds in the business areas below are excluded from Bellevue's investable universe:

Business area	Revenue threshold
Controversial weapons	0%
Conventional weapons	10%
Thermal coal	5%
Fracking/oil sands	5%
Production of tobacco	5%
Sale of tobacco	20%
Pornography	5%
Gambling	5%
Palm oil	5%

Company affiliations with animal experiments, medical genetic engineering and embryonic stem cell research may also fall into this category. As a healthcare investment specialist, Bellevue Asset Management applies a nuanced approach in this respect. Their healthcare strategies accommodate generally recognized principles where possible. They categorically rule out investments in companies associated with illegal activities, an example of which would be intervention in the human genome for cloning purposes. However, nowhere in the world can medical products be approved without animal testing, even today. Our healthcare experts prioritize compliance with humane animal research principles in line with the principle of the 3Rs: Replace, Reduce and Refine.

## ESG integration

Environmental, social and governance factors are integrated into the fundamental analysis of every company through an ESG integration process in which the associated financial risks or opportunities are evaluated with respect to future stock price development. This approach gives our portfolio managers a holistic picture of an enterprise.

The Environment sub-category focused on aspects such as whether a company systematically measures its carbon footprint and discloses the related data. The Social sub-category covers aspects such as product quality, data privacy policies and employee development. Examples of Governance issues are board independence, board compensation and corporate ethics.

Based on the premise that sustainability risks can have a negative impact on returns, the aim of ESG integration is to identify and address such risks within the scope of the investment process. The data gained through ESG screening is also used by the asset manager to anticipate new developments with respect to sustainability and to incorporate these findings into its investment decisions.

A system of ESG ratings forms the basis by which sustainability criteria are integrated into the asset manager's investment decision process. Every issuer of securities in its investment universe is assigned an ESG rating based on various sub-scores. These sub-scores are based on data from independent third-party providers (currently MSCI ESG Research Inc, [www.msci.com](http://www.msci.com)). Subsequently, the relevant ESG factors for an industry or individual company, examples of which are product quality, data privacy, human capital development and corporate ethics, are qualitatively integrated into the regular fundamental research process, in which metrics such as valuation multiples, sales growth rates, profit margins and competitive positions are examined, and thus help the asset manager to make sound security selection and portfolio weighting decisions.

The aggregate ESG scores generally used for this purpose are often interpreted with caution and critically examined. Most ESG rating methods are based on a predefined systematic approach that does not always result in an objective or «fair» assessment of a company's ESG risks. In fact, such methods often systematically disadvantage start-ups and small cap

companies relative to large cap companies. A lack of manpower and experience in handling ESG issues can result in a company being underrated, and the rating methodology used might not be equally applicable to every company in a given sector. Early-stage companies still in the drug research and development stage may be systematically underrated because they are not yet generating (much) revenue from the sale of medicines, which naturally puts them at a disadvantage versus established healthcare giants in the highly weighted «access to healthcare» criterion. It is also not unusual for a newly listed company to have a weaker ESG rating, simply because the ESG data available is still insufficient. That is why our portfolio managers always take a closer look at potential or ostensible «ESG laggards» (CCC, B rating) and reach out to the ESG specialists at its external ESG research providers and at the companies with lagging ESG ratings. Investments in «ESG laggards» are to be avoided and any justified investments in alleged «ESG laggards» must be documented in detail. Bellevue Asset Management does not apply a «best-in-class» approach for the reasons mentioned above, unless otherwise dictated by a specific investment strategy.

Evaluation of good governance practices, such as sound management structures, employee relations, compensation practices, and tax compliance is part of the overall assessment of ESG ratings and compliance with global norms. As an active, fundamentally oriented asset manager, good corporate governance is also an elementary component of our investment research process.

### ESG stewardship

Portfolio managers are engaged in an active and constructive dialog with the executives and other relevant stakeholders of portfolio companies on environmental, social and governance issues. If there are any indications of a significant controversy related to ESG issues before a company representative is contacted, the portfolio managers constructively discuss the issue with the company and document subsequent developments (e.g., change in strategy or processes, improvement of ESG rating) over time. Engagement will be undertaken taking into account materiality and proportionality considerations. The level of engagement can vary depending on the size of the position held by an investment strategy, the market capitalization of the company, the stage of corporate development an entity is in and other factors. Written records of ESG engagement activities are maintained as part of the regular documentation of conversations with company representatives. Individual case studies may be suitable for external publication and thus for distribution to a wider audience.

Bellevue Asset Management AG also protects the long-term interests of its investors by making active use of its voting rights at the general meetings of shareholders of the companies in its portfolios via proxy voting.

Voting guidelines issued by third parties, for example by independent sustainability and voting rights organizations, can be taken into consideration. Bellevue Asset Management AG is under no obligation to take such guidelines or recommendations into consideration. It may go against the voting recommendations of third parties if it determines that these are not in the best interests of the investors.

Bellevue Asset Management AG actively exercises its voting rights as a rule.

It generally votes in line with the recommendations of company boards regarding agenda items that will not have a material impact on the long-term development of the company in question. Agenda items that we believe could have a material impact on the long-term development of the company will be examined in detail before deciding how to vote. Below are typical examples of such items:

- Mergers and acquisitions
- Divestment of business units
- Changes in capital structure or outstanding voting rights
- Corporate governance matters (acquisitions, restructuring projects, etc.)

The responsible portfolio managers will conduct this analysis. The analysis is based on the currently available information from various sources, for example, analyst reports or media releases and other reports published by the company itself.

Voting rights can be exercised directly through active participation in a general meeting; via an online voting platform (e.g., Broadridge or ISS) or through one or several representatives / proxy advisory firms.

### Climate change factors

Bellevue Asset Management AG endorses the goals of the Paris climate agreement adopted in December 2015 and supports measures to mitigate global warming. Considerable importance is attached to green investment portfolios which can help to achieve the climate goals of the Paris Agreement. Carbon intensity (tons of carbon emitted per USD 1 mn of revenues) is measured regularly at portfolio level and scored based on the relevant investment universe or fund benchmark. It is also noted that more than 80% of our assets under our investment are invested in the healthcare sector, which is characterized by lower levels of carbon emissions than the manufacturing, commodities or energy sectors and the broadly diversified global equity indices.

## Principal adverse impacts on sustainability factors (PAI)

Bellevue Asset Management AG currently does not take the adverse impact of its investment decisions on sustainability factors (so-called principle adverse indicators) into consideration due to the lack of the relevant market data required to determine adverse sustainability impacts and the corresponding weightings. Bellevue Asset Management AG will provide information on whether and how the most important adverse effects of investment decisions on sustainability factors will be taken into account by December 31, 2022, at the latest.

## Signatory of UN PRI

Our commitment to sustainability is reflected in Bellevue Asset Management AG and StarCapital AG's status as a signatory of the UN Principles for Responsible Investment (UN PRI). As a responsible institutional investor, we have always been bound to act in the best interests of our stakeholders over the long run. In this role, we believe that environmental, social and corporate governance (ESG) topics will have a growing impact on the risk-return profiles of investment portfolios and on their performance. We acknowledge that adherence to these basic ESG principles will lead to a better alignment between investor interests and the broader aims and interests of society.

As a signatory to the UN PRI, we continuously adapt our investment processes to the latest industry findings regarding sustainability aspects and are in constant dialog with our investment specialists regarding the integration of ESG. In addition, our experts actively share their experience and convictions in this regard at international sustainability conferences.

For the 2021 reporting cycle, PRI tested a new reporting system for signatories designed to streamline and improve the reporting process. However, due to the feedback from a large number of signatories, the release of UN PRI reporting results has been delayed. The next reporting cycle has also been postponed to 2023. We will publish the final report on our website as soon as it is ready.

## Strategies with a focus on sustainability

Bellevue Asset Management AG applies stricter ESG criteria for two dedicated sustainability strategies that it offers which are aligned with sustainability labels recognized throughout Europe and which are audited and certified annually by external consultants. The Bellevue Sustainable Healthcare (Lux) which was launched in June 2018 complies with the strict requirements of the Austrian Ecolabel (UZ49) and the Bellevue Sustainable Entrepreneur Europe (Lux) which was relaunched in October 2021 meets the requirements of the FNG label. For both funds, Bellevue Asset Management AG is also a signatory to the Eurosif Transparency Code for sustainable investment products.