

Profond



Sustainability –
here's what we
are doing

Foreword

For the first time, in addition to its annual report, Profond has published a separate document on sustainability. In addition to digitisation, focussing on a more sustainable corporate management and investment policy is a development that is constantly gaining in importance. For us, sustainability has long been an integral part of our business strategy and corporate culture. Sustainability can only be successful if both our customers and we, as a company, derive direct and measurable benefit from it. As a pension fund, our focus is, by definition, long-term. A holistic integration of ecological, social and governance-related success factors (ESG criteria) is, therefore, considered essential for the Foundation Board and Executive Board. The ESG approach, comprising the Environment (E) Social (S) and Governance (G) criteria, comprises investments that take into account not only the economic investment objectives of return, security and availability, but also ethical and/or sustainable values.

“We take our responsibility to the insured, employees, society and the environment seriously. That is why we are systematically continuing down the path we have chosen – and are implementing additional sustainable measures.”

This document reflects the current state of our sustainability strategy and its implementation but is not to be taken as a report for any given period. The publication provides information on strategy and goals, leadership, customer service and our conviction as a responsible employer. Ever since 2018 our sustainability strategy has been based on a detailed materiality analysis that includes all our businesses and areas of activity. We are convinced that with our deliberate sustainability strategy, combined with a real value strategy in investment policy that has been successful for many years, we create added value for our customers, partners, employees and the environment.



Laurent Schlaefli
Chief Executive Officer of Profond

Strategy and goals

Profond offers financial stability and security, above-average benefits and high-quality service. We follow this credo every single day and continually check our activities against our values, ambitions and goals. Our value system is based on openness, reliability and partnership.

Sustainability in corporate management

Since 2018, sustainability has been one of the strategic pillars of our corporate management. This is why it plays a decisive role not only in our investments, but also in our pensions sector and in the operational business. The materiality analysis, on which the sustainability strategy is based, has identified the fields of action and priorities below, which we have been working on, reviewing, adjusting and integrating into our day-to-day operations in a rolling process ever since.

Based on the positive experience that Profond has gained in recent years from its initial measures in the field of sustainability, in 2018 the decision was made to maintain or expand these measures and consolidate them in our Vision 2026.

Aspects and guidelines based on ESG criteria are at the heart of Profond's sustainability strategy, particularly when it comes to the allocation of customer funds.

Since 2018, sustainability has been one of the strategic pillars of our corporate management.

Areas of sustainability strategy actions



Management

- Corporate Governance
- Integrity & compliance
- Transparency



Employees

- Employee competencies
- Responsible employer



Customer service

- Consistent digitisation and customer orientation



Investments

- Tighter voting practices in line with ESG criteria
- Introduction of ESG benchmarks

Management

Corporate governance – or simply “Governance”, as the ESG concept is called – covers various aspects of management and review in the company. This includes transparency, integrity, compliance and communication, as well as how management structures, with their management bodies and committees, are designed. Our management structure consists of a broad-based Executive Board and a Foundation Board with extensive expertise and which is, in the final analysis, elected by the customer base. We are also the only pension foundation to publish segment reporting.

Integrity and Compliance

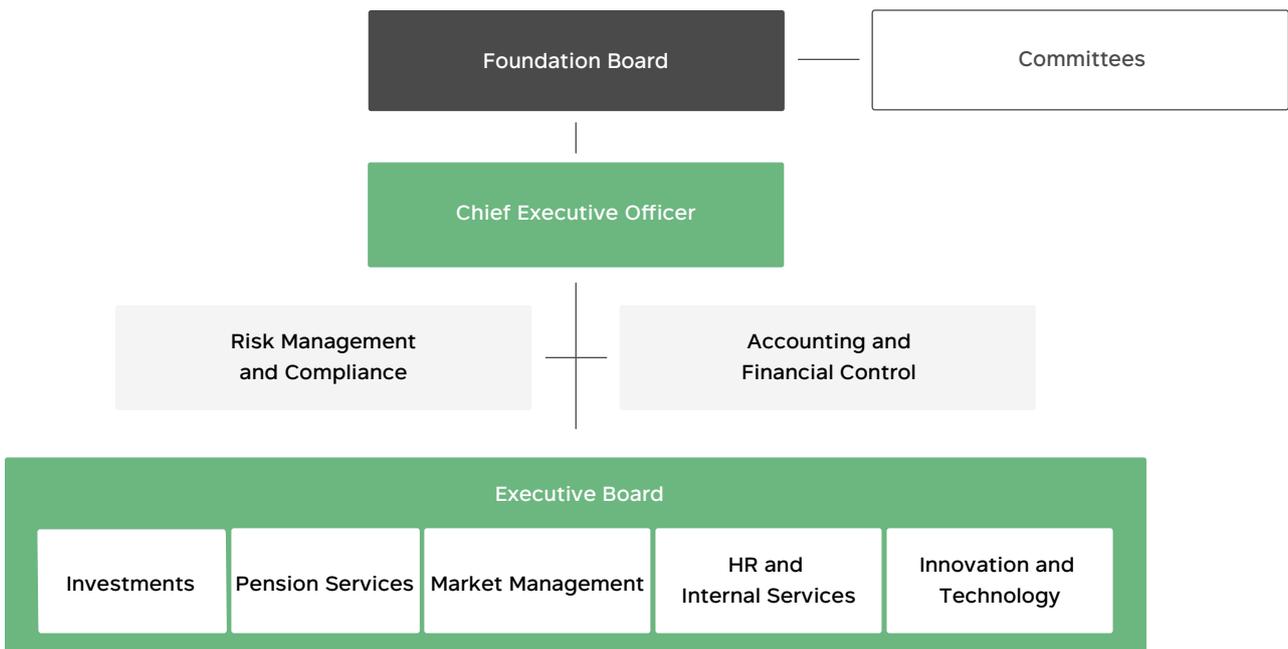
When implementing integrity and compliance requirements, we seek to comply with the charter of the Swiss Pension Fund Association ASIP. Due to the fiduciary duties of pension fund managers, their behaviour must meet the highest ethical standards. ASIP has, therefore, issued a binding [charter and technical guidelines](#) for its members. Implementation should ensure that all loyalty and integrity provisions of the BVG are met. In addition, we have been publishing our [Organizational Rules](#) on our website since 1 January 2019.

Management pays particular attention to the Investment Committee. A long-term real value strategy for a portfolio with a high stock and property make-up requires a far-sighted and competent analysis of markets and investment objectives.

As a socially open and progressive company, Profond affirms diversity in the composition of its governing bodies as well as in all its employees

Our management structure consists of a broad-based Executive Board and a Foundation Board with extensive expertise.

The governing bodies of Profond



Employees

As a responsible employer, we pursue a far-sighted personnel policy, characterised by appreciation. Our 2021–2023 personnel strategy “The future of work” sets a target benchmark for employee satisfaction to rank among the top 20% companies. This is designed to be achieved with the qualitative targets “fit for the job”, “take personal responsibility”, “work should be designed to meet the needs and interests of the employees” and our employees should be “good contact persons for our customers”. In this respect, Profond must find the right balance between generosity as an employer and responsibility in dealing with insured persons’ money. The annual employee satisfaction survey shows significant improvement between 2016 and 2021.

Advancement

The promotion of employees is based both on close supervision and support (e.g. through the tried and tested Swiss ‘godparent-like’ (“Götti”) tradition or involvement in project tasks) as well as training and further education in specialist and soft skill areas, e.g. communication skills for executives.

Ecology and health

Health, ecology and sustainability in the workplace are also important for us. All workplaces are organised according to ergonomic criteria. In the office, glass bottles and purified tap water are used instead of mineral water in PET bottles. In addition, the number of printers has been reduced to one device for every 20 employees. Since 1 May 2021, Profond sources electricity exclusively from sustainable production, all locations are intentionally sited near a train station and public transport or car sharing is used for travel to work and for customer visits.

Fair employer

The equal treatment of all employees is a central concern of ours. That is why we constantly review our employment terms. In 2019, we voluntarily had the University of St. Gallen (HSG) audit us for equal pay and we received the “We pay fair” seal of approval.

Whenever possible, Profond offers part-time employment at all job levels. Around 44 per cent of employees benefit from a reduced workload as a result. As an employer, we offer our employees excellent occupational pension benefits, with Profond paying two thirds of the contributions.

Employees in the future should assume greater personal responsibility.

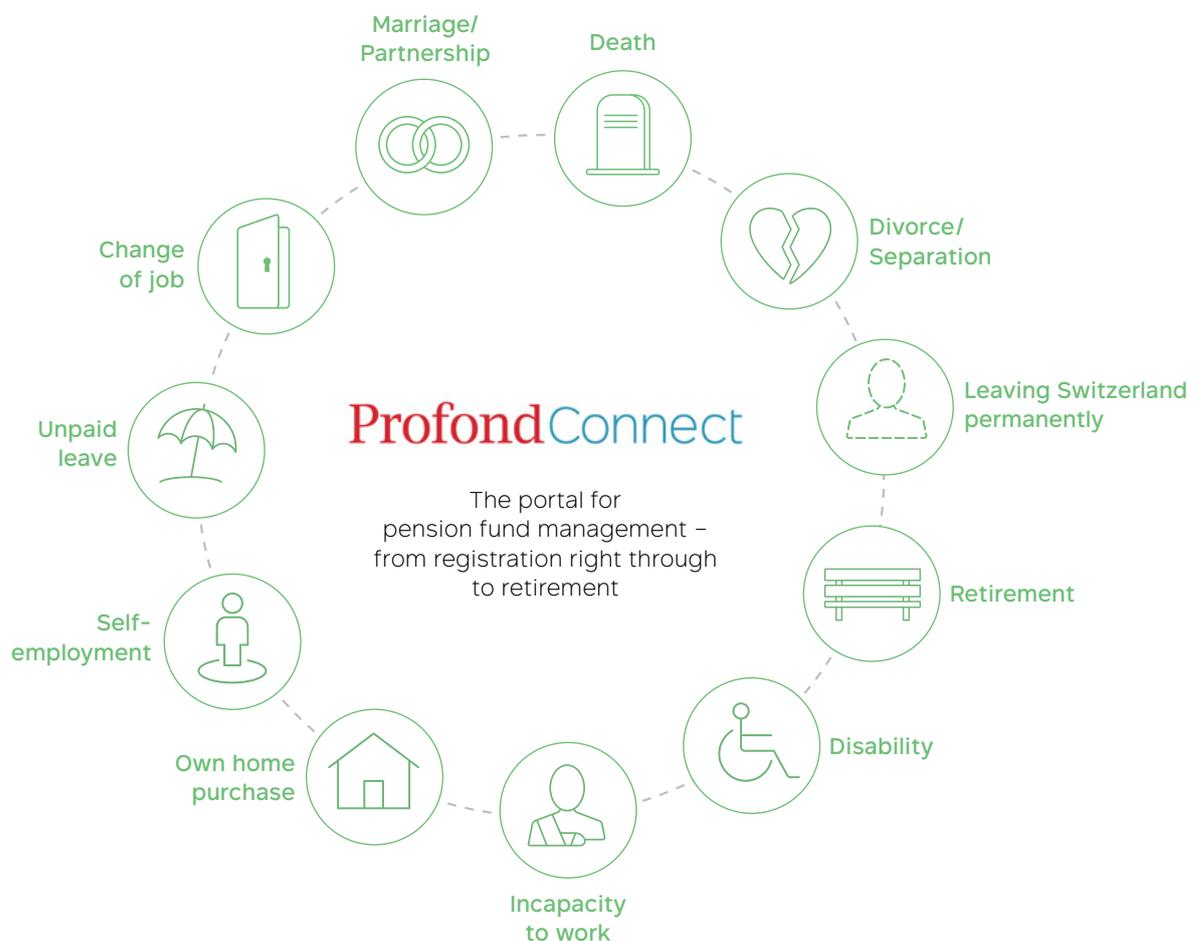
Customer service

We pursue long-term customer relationships. Customer loyalty is 99 per cent. Terminations are systematically examined and their causes evaluated. Often it is external circumstances – such as an acquisition or merger – that lead to a change of pension fund for our customers.

Consistent digitisation

As the core of our digital strategy, which we initiated in 2018, on 1 January 2021 we were able to migrate 80 per cent of our customers on to our new management system. These customers and their employees have access to our new portal “ProfondConnect”, which makes managing occupational pensions faster, easier and safer for insured persons and partners. Consistent digitisation enables our customers to interact with us more efficiently and we can carry out our internal processes even more cost-effectively. These customers benefit directly from this and have since saved up to 25 per cent of their contributions to administrative expenses. We also send out our documents, wherever possible, directly via the portal and accept the return of almost all documents electronically. This makes our work even more sustainable through the noticeable reduction in paper and printed matter.

The “ProfondConnect” portal makes managing occupational pensions faster, easier and more secure for companies, insured persons and partners.



Investments

The central principle in our investment strategy is to achieve long-term sustainable returns. When investing customer funds, we rely on so-called real values, i.e. shares and real estate. We do so, because these enable us to achieve above-average returns over the long term. We have been investing at least 40% of our investment assets in equities for around 20 years – and with great success. Persons insured with us have benefited from an average return of 5.1% since we were founded 30 years ago. For that reason, we believe firmly in this strategy. Every three years, the strategy and allocation of managed pension fund assets are subjected to a critical review and adjusted, where necessary.

The Profond investment strategy takes into account ecological, social and governance criteria.

Responsible investments

Our investment strategy takes into account environmental, social and governance criteria (ESG approach), based on annual, systematic ESG portfolio analysis by external providers. We pursue a holistic approach, both with respect to returns and to effect. For Swiss equities, Profond always invests directly and does not own any managed fund units. In addition, we actively take our responsibility and our role as an investor seriously and have exercised our voting rights at general meetings since 1999. In doing so, we rely on voting recommendations from external service providers, such as “Inrate” for Swiss equities and “ISS” for foreign equities. For sensitive stocks, recommendations are tracked again internally and tested separately.

We do not invest in commodities and we do not speculate in foodstuffs, either. The companies in which we invest have reduced their CO₂ emissions worldwide by a third since 2015. The aim is to further reduce this proportion. With a majority stake in Agro Energie Schwyz AG, we are also making a direct contribution to energy transition. The Agro Energie Schwyz AG, which was nominated in 2020 for the Environmental Award, provides CO₂-neutral green electricity and heat from regional biomass. With the use of natural and local resources for energy Agro Energie Schwyz AG promotes the region's independence, creates jobs and reduces the use of fossil fuels and electricity for heat generation.

About 93% of equity investments and 87% of alternative investments comply with the United Nations (UN) PRI criteria **PRI = Principles for Responsible Investment** [↗](#), The proportion of so-called “stranded assets”, i.e. positions that only insufficiently meet ESG criteria, is currently only 0.23% of the assets under management and we are reducing this further.

Where the exclusion criteria for individual equities are concerned, Profond adheres to the official guidelines of the Swiss Association for Responsible Investments (**SVVK** [↗](#)). The aim of the SVVK is to support its members in taking their responsibility towards the environment, society and economy holistically.

Real estate: assessment according to sustainability criteria

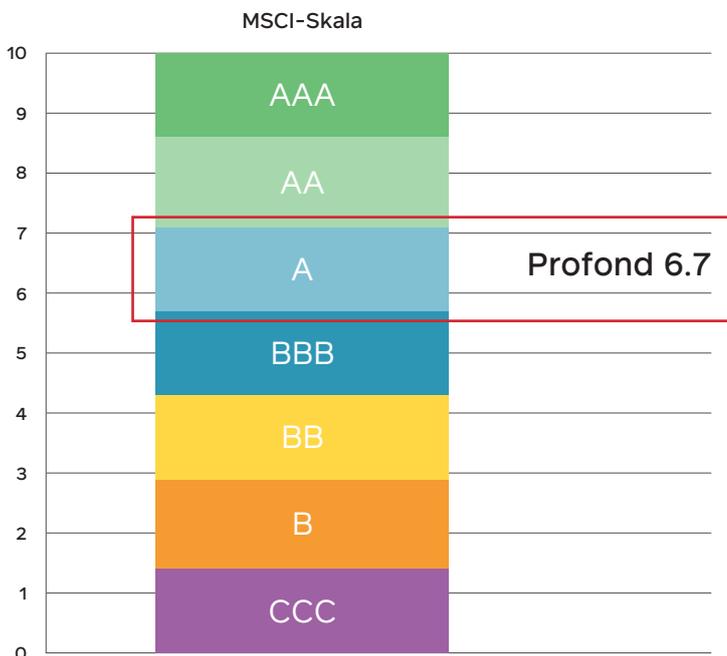
Investments in directly held real estate make up around 20% of the portfolio. When acquiring and renovating real estate, we take our entrepreneurial responsibility seriously by employing predefined sustainability criteria. A good example of this is the Eulachhof, in Winterthur, which Profond co-financed as the first zero-energy heated housing complex in Switzerland.

Capital market in upheaval

The capital market is in a state of upheaval with regard to sustainability and ESG criteria. Customers, the public and politicians will continue to pay more attention to a sustainable investment strategy. However, there is still a lack of standardisation in the analysis and disclosure of sustainability strategies, as well as the minimum legal requirements. We are following the developments and take our responsibility towards society and the environment seriously. That is why we will continue on the path towards consistent sustainability in the future and implement further measures.

Customers, the public and politicians will continue to pay more attention to a sustainable investment strategy.

Our portfolio meets high ESG standards



MSCI Environmental, Social and Governance Score Database.
Profond Portfolio: Equities and Bonds
July 2021

Reproduced by permission of MSCI ESG Research LLC
©2020. All rights reserved.
No further reproduction or dissemination
is permitted.

We have already been taking responsibility – for 30 years

1991

Since our creation, we have been providing significant long-term benefits as well as security and stability for our insured persons. Here we adhere to a holistic approach, with respect to returns and effect.

1999

Since then, we have actively been taking our responsibility as an investor seriously and exercise our voting rights at general meetings. Since 2013, we have relied on voting recommendations from “Inrate” for Swiss equities and “ISS”, since 2019, for foreign equities.

2007

Co-financing of the Eulachhof, in Winterthur, the first Swiss zero-energy heated housing complex.

2009

When implementing integrity and compliance requirements, we are guided by the charter of the Swiss Pension Fund Association ASIP, which came into force at the end of 2008.

2015

We ensure that pension benefits are guaranteed not only for today's pensioners, but also for future generations. It is precisely for this reason that in 2015 we began to moderately reduce the conversion rate.

2016

Majority stake in Agro Energie Schwyz AG. We are thus making a direct contribution to energy transition.

2018

Sustainability is a strategic pillar of our corporate management.

2019

When investing, we follow the guidelines of the Swiss Association for Responsible Investments (SVVK-ASIR).

2021

Investments in directly held real estate items are assessed individually according to ESG.

2021

Implementation of a digital strategy saves effort and costs for our customers and reduces paper and printed matter.

2021

We source electricity exclusively from sustainable production, all locations are near a train station and public transport or car sharing is used for customer visits.

Profond

Head office

Profond Vorsorgeeinrichtung
Zollstrasse 62
8005 Zurich
058 589 89 81

Office in Western Switzerland

Profond Institution de prévoyance
Avenue de la Rasude 5
1006 Lausanne
058 589 89 83

Office

Profond Vorsorgeeinrichtung
Hans-Hugi-Strasse 5
2502 Biel/Bienne
058 589 89 83

Office

Profond Vorsorgeeinrichtung
Vadianstrasse 59
9000 St. Gallen
058 589 88 00

info@profond.ch
www.profond.ch