

Profond



Responsible  
investing 2022

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# Introduction

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For Profond, thinking and acting sustainably is an essential component of its corporate strategy. This is because, as a pension fund, we bear responsibility across generations. In 2021, we released a sustainability publication for the first time, which reflected the status and implementation of the sustainability strategy in all fields of action – management, employees, client care, investments.



## 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

This documentation highlights our efforts in the area of investments, summarises the measures already taken and shows the further elaboration of our sustainability strategy.

## Asset allocation

As a pension fund, we make an essential contribution to financial security in old age, in the event of disability and in the event of death. This is only possible with a sustainable return. We therefore focus on a long-term real value strategy, i.e. on equities and real estate. Since our formation over 30 years ago, we have invested at least 40% of our assets in equities. Our success confirms our strategy: For those insured with us, we have achieved an average net return in Swiss francs of 5.4% per year and an average interest rate of 4% per year since 1991.

## Responsible investing

The core principle of our investment strategy is to achieve a long-term return for our clients. In addition to the financial aspects, we also take account of environmental, social and governance (ESG) criteria when investing client funds. This is confirmed by our annual, systematic ESG portfolio analyses from external providers. Investments using the ESG approach follow ethical or sustainable values in addition to economic investment objectives. We follow a best/good-practice approach based on a holistic view of both return and impact. As of January 2019, we take the guidelines of the Swiss Association for Responsible Investments (SVVK-ASIR) as an orientation for investing. In addition – together with around 180 other investors – we support the initiative from Swiss Sustainable Finance. This requires index providers to exclude manufacturers of controversial weapons from their indices. As a member of the Swiss Pension Fund Association (ASIP), we also require our partners in the asset management business to comply with its Code of Conduct (ASIP Charter).

## How we engage

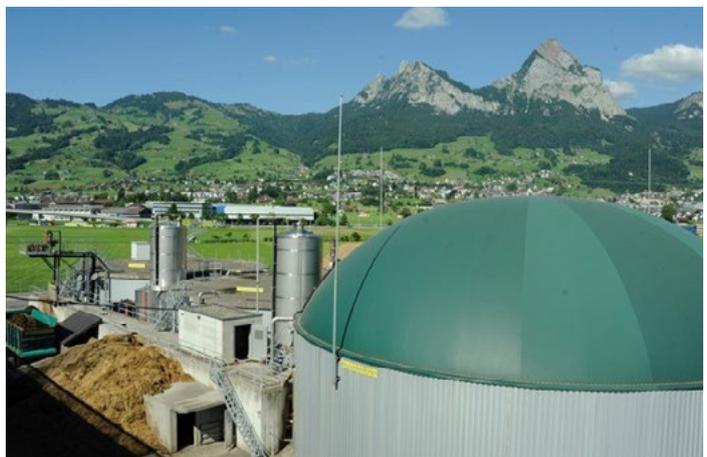
- We take our responsibility towards those insured with us, our employees, society and the environment seriously. We are implementing our sustainability strategy in stages.
- We are particularly committed to those asset classes that we can directly influence. In the case of directly held properties, we aim to become carbon neutral by 2050.
- In the asset classes in which we invest indirectly, we work to ensure that the companies concerned meet high ESG criteria. We also support the environmental transformation of companies with high carbon emissions that have a clear plan to reduce them.

# - 30%

Carbon footprint compared to 2015 (equities and real estate)

### Direct contribution to the energy transition

As a result of our proactive and responsible investment strategy, we managed to reduce the carbon footprint of equities and real estate by 30% compared to 2015. We were committed to the shift towards renewable energies at an early stage and, as the main shareholder in Agro Energie Schwyz AG, have made a direct contribution to the energy transition. This company, which was nominated for the Environmental Award in 2020, produces carbon-neutral green electricity and heat from regional biomass. By using natural resources for energy supply, Agro Energie Schwyz AG promotes the region's independence, creates jobs and reduces the use of fossil fuels and electricity for heat generation.



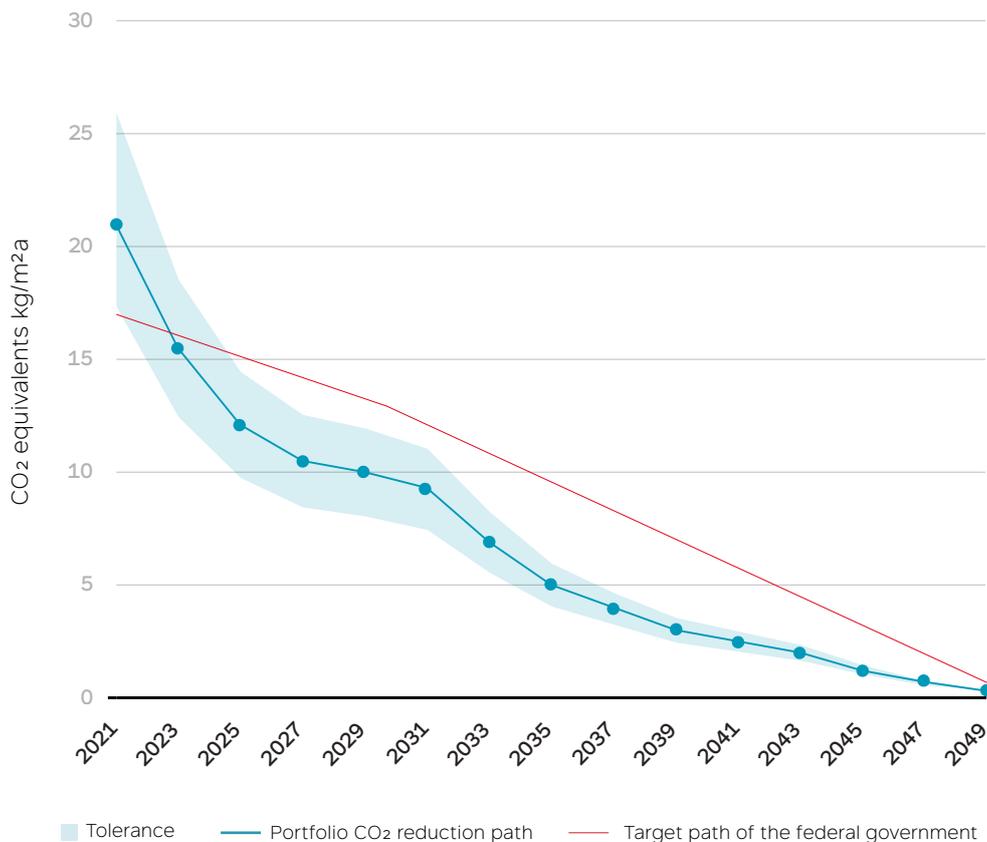
# Real estate

Investments in directly held real estate make up more than 20% of our portfolio. Our goal is to reduce carbon emissions with ongoing and comprehensive refurbishments, while paying attention to long-term returns. To achieve this, we rely on three measures:

1. With additional insulation of the building envelopes, we are reducing energy requirements
2. By switching to renewable energies for heat generation, we are reducing carbon emissions.
3. Ongoing optimisation of the operation of the technical facilities ensures further energy savings.

We are developing and reviewing our ESG and climate measures with our external partner Wüest Partner. In 2021, we determined the CO<sub>2</sub> reduction path across the entire real estate portfolio in Switzerland and developed a separate ESG rating per property. This year has seen the determination of the CO<sub>2</sub> reduction path, the carbon footprint and the ESG rating of the properties in Germany.

## CO<sub>2</sub>-reduction path real estate Switzerland



According to current modelling, the carbon emissions of our Swiss properties are falling significantly faster than the federal government is aiming for in its targets.

# Equities

## Our portfolio meets high ESG standards

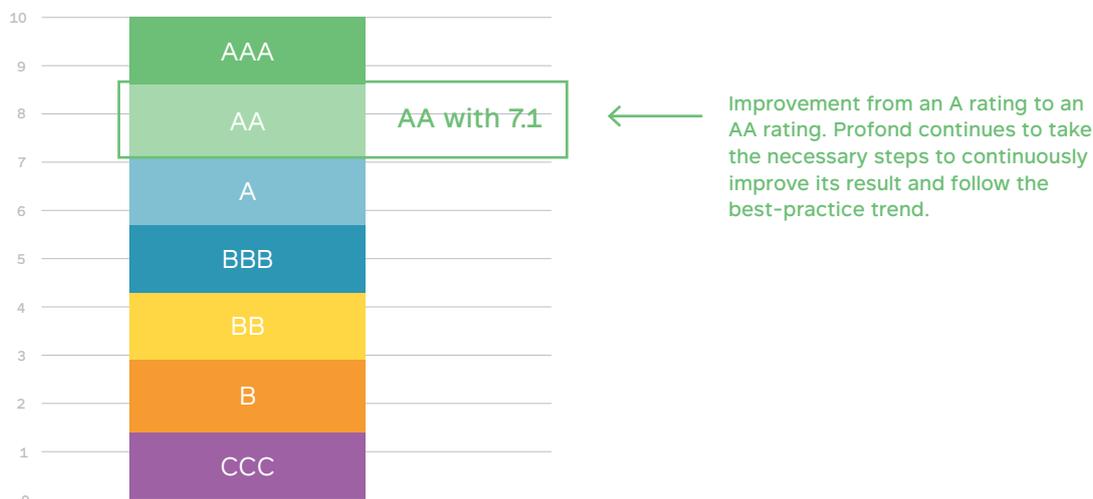
We keep our promise of best/good practice and take account of our sustainability criteria when selecting a fund. Where we identify a need for action, we instruct the asset managers of our single-investor funds to exclude the securities. In doing so, we are fulfilling our overall responsibility for the transition to a sustainable economy. From a climate standpoint, we generally prefer companies with a low CO<sub>2</sub> intensity or a climate-positive business orientation. The ESG rating for equities, bonds and parts of our real estate has already reached an AA rating of 7.1 points.

## MSCI valuation

Since 2018, we have had our equity portfolio measured and reviewed annually.

**E**nvironmental, **S**ocial and **G**overnance Score MSCI database.

Profond portfolio: October 2022



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## In 2022, we are further expanding our climate commitment

As of 30 November 2022, we are converting our Equities World portfolio worth around two billion Swiss francs to a climate-friendly investment solution. With the switch in the World Equities ex Switzerland segment to the UBS Climate Aware Solution engagement pool, the carbon footprint (intensity) can be reduced by 40% for the Equities World portfolio and by 10 to 15% for the entire equity portfolio.

**-40%**  
for the Equities World portfolio

# Stewardship

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We have been fulfilling our responsibility as an investor and exercising 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; for foreign equities, fund management casts its votes on the basis of recommendations from ISS. For sensitive securities, we review the recommendations individually.

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## Engagement – Profond prefers dialogue to exclusion

By participating in engagement pools, we enter into an active dialogue with companies with the aim of improving their climate strategy and promoting transparency regarding their climate risks. In this way, we advocate for effective change and support companies on their path to sustainability. This is different from excluding a security, where the need for change is eliminated.

### **UBS Climate Aware Solution**

UBS's climate engagement focuses on areas where particular challenges with regard to climate change have been identified. At the moment, this concerns 50 companies that are responsible for 27% of global carbon emissions. The engagement process aims to improve companies' understanding of their climate change-related risks.

### **Joining the Responsible Shareholder Group (RSG)**

Profond joined the Responsible Shareholder Group in 2022. This body engages in a recurring exchange in the areas of environmental, social and governance (ESG) with listed companies in Switzerland. Every member can propose topics and vote on which problems are tackled. Joining together as a group increases the impact and reduces the resources required. In this way, the "big" challenges can be addressed to promote sustainable business practices and long-term value creation in Swiss companies.

“We rely on dialogue to encourage companies to be more sustainable.”

# Brief overview

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## Real estate

- Specific CO<sub>2</sub> reduction path via the direct real estate portfolio
- Reduction of energy consumption through ongoing refurbishments
- Regular reporting by our partner Wüest Partner

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## Equities

- Carbon footprint today 30% lower than in 2015 (equities and real estate)
- Switch in the Equities World ex Switzerland segment to UBS Climate Aware Solution as of 30 November 2022
- This reduces the carbon footprint for the Equities World portfolio by an additional 40%

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## Stewardship

- Profond prefers dialogue to exclusion and participates in engagement pools
- Participation in the UBS Climate Aware Solution
- Joining Inrate's Responsible Shareholder Group
- Voting rights exercised in listed Swiss companies since 1999

# Profond

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