

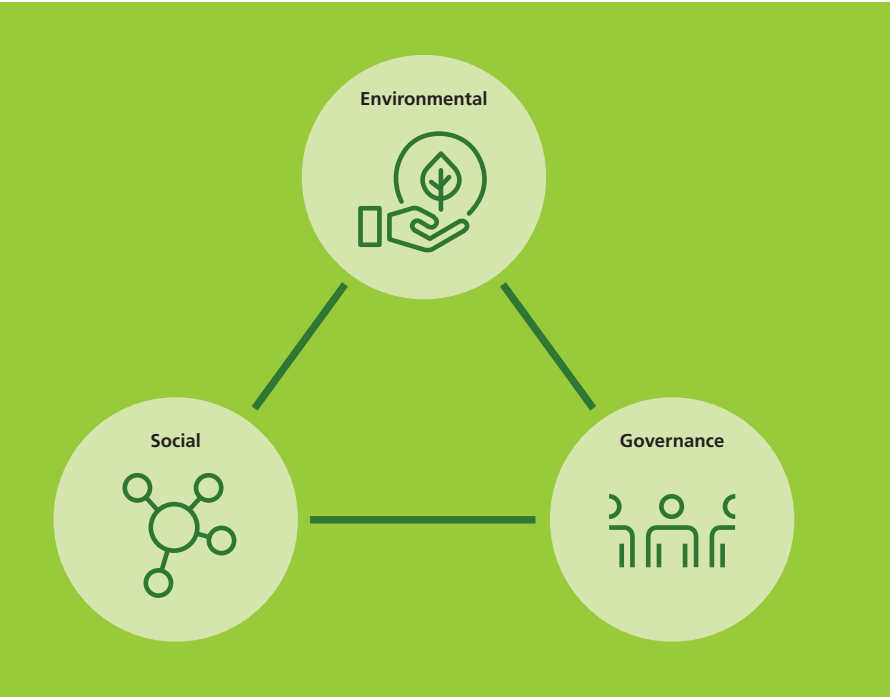


“Sustainability” focus
in e-asset management and
investment consulting plus

How we compile model portfolios
with a “sustainability” focus

In recent years, sustainable investments have attracted growing interest among investors and have become more important. Data relating to sustainability aspects is becoming increasingly transparent and accessible. But there is also increasing pressure from investors on providers of financial products and companies to make their products and business activities more sustainable. This is leading to a greater number of investment products with a sustainable focus being offered on the market. There are many different approaches to this, which makes it difficult for interested investors to find the right investment product. You can find more information on the different sustainability approaches and ESG risks in the [“Sustainable investment solutions” factsheet](#).

In e-asset management and investment consulting plus, PostFinance applies ESG investment criteria for its “sustainability” focus. Criteria for sustainable economic activity are examined here. In specific terms, ESG values make it possible to formulate a statement about how companies, states and government-related institutions perceive their responsibility with regard to the environment, social issues and responsible corporate management (governance). The adjacent figure provides an overview of which values are assessed in relation to ESG. (The list is not exhaustive.)



<h1 style="font-size: 4em; margin: 0;">E</h1> <p>Environment</p> <ul style="list-style-type: none"> - CO₂ emissions - Carbon footprint of products - Water consumption - Use of raw materials - Use of land reserves - Toxic emissions - Packaging materials, electrosmog - Utilization of opportunities for clean, renewable energies 	<h1 style="font-size: 4em; margin: 0;">S</h1> <p>Social</p> <ul style="list-style-type: none"> - Dealing with employees - Gender equality, diversity - Health management and safety - Supply chains and labour standards - Product quality and safety - Risks related to demographics and the health of society - Human rights - Access to communication 	<h1 style="font-size: 4em; margin: 0;">G</h1> <p>Governance (responsible corporate management)</p> <ul style="list-style-type: none"> - Diversity of management - Management pay - Accounting - Ethical conduct - Programmes for internal whistle-blowers, corruption, collusion and money laundering
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Benchmarks for the “sustainability” focus

PostFinance defines a benchmark for each instrument (fund or exchange traded funds) used in the e-asset management and investment consulting plus model portfolios. More information on the model portfolios and benchmark indexes used can be found in the [Sustainability focus factsheet](#).

In the case of equities and bonds, we already take sustainability aspects into account when selecting the benchmark index. This means that in the “sustainability” focus for equities and bonds, the respective fund provider can exclude certain companies from the investment universe on the basis of their ESG values. At the same time, we accept deviations in the portfolio’s performance compared to a classic standard index, which can have both a positive and negative impact on performance.

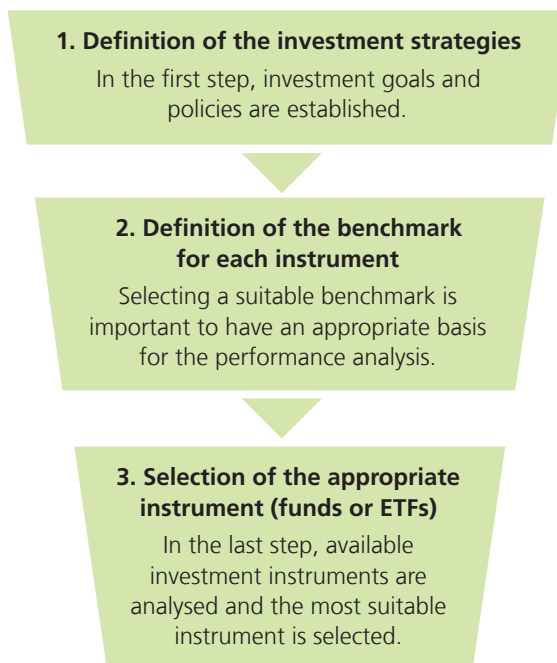
We do not use explicitly sustainable benchmarks for the asset classes Liquidity and Alternative Investments. This is due to the lack of explicitly sustainable standard indices and the fact that such benchmarks are not yet common practice for these asset classes.

After defining the appropriate benchmark, we then look for a suitable instrument. In doing so, we take into account the publicly available investment universe of funds and exchange traded funds (ETFs) that is authorized for distribution in Switzerland. Subsequently, the suitable funds or ETFs are selected whilst taking into account financial and non-financial section criteria, such as ESG values.

How we select equity and bond funds

When selecting a fund or ETFs, we rely on data from the rating and analysis companies Morningstar® and Sustainalytics®, which assess the sustainability risks of companies, states and government-related institutions based on ESG values. For this we only consider ESG values aggregated on the fund level.

In the case of equities, PostFinance uses the “SPI ESG Index®” as a benchmark for Swiss equities. For global equities, the MSCI ESG Leaders index family is used. These indexes use ESG values to measure a company’s resilience to ESG risks. Rule-based methods are used to show to what extent companies are exposed to ESG risks and how well they manage these risks compared to other companies. The inclusion of these ESG indexes limits the investment universe of the relevant fund without changing the sector and country allocation to the reference index (traditional, not explicitly sustainable benchmark index). This means that no sectors are explicitly excluded. The investment universe is limited by the “best-in-class” approaches



to companies that achieve the best ESG values within their industry. It is worth noting that each fund can use its own exclusion criteria and approaches. You can find additional information on the “best in class” approach, as well as what exclusions might look like, in the [“Sustainable investment solutions” factsheet](#).

In the case of bonds, PostFinance uses the “SBI ESG Index®” for Swiss bonds, the “Bloomberg MSCI Global Aggregate ESG Weighted Index®” for global bonds and the “J.P. Morgan ESG EMBI Global Diversified Index®” for emerging market bonds. In a similar way to equities, these sustainability indexes are designed to positively filter out issuers based on ESG values. ESG values are used to evaluate issuers (debtors) such as companies, states and government-related institutions in terms of environmental, social and responsible corporate management criteria. The relevant fund provider then uses this information to select issuers in accordance with the criteria defined in the fund order.



What we consciously do or don't do: our principles governing our "sustainability" focus

- When selecting equity and bond funds, we follow ESG indexes (e.g. MSCI ESG Leaders for global equities or Bloomberg MSCI ESG for global bonds). For the bonds and equities asset classes, we only use instruments in the portfolios that take ESG investment criteria into account.
- Due to the energy-intensive nature of gold mining, we have excluded the "gold" asset class, in contrast to other focus areas, for sustainability reasons.
- In the case of equities and bonds, we take into consideration funds or EFTs which use various ESG investment criteria, meaning we don't adopt a purely ecological approach.
- We adopt a best-in-class approach when selecting benchmarks. This means that when it comes to bond and equity funds, the companies, states and government-related institutions which have achieved the highest ESG values are considered by the relevant fund provider. This means we focus on the benchmarks and don't exclude any sectors or companies by default. It is worth noting that each fund can use its own exclusion criteria and approaches.

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