

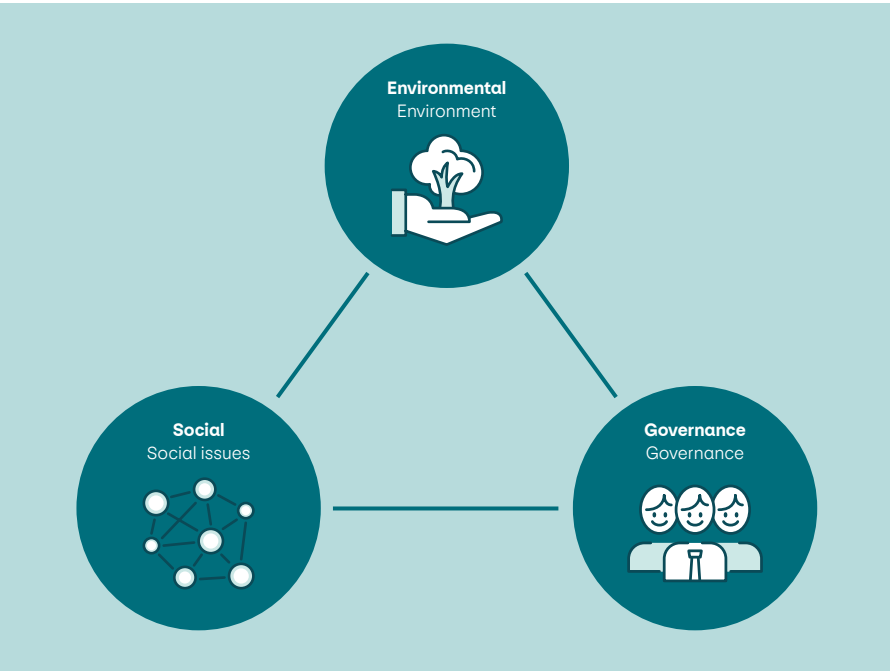
“Responsible” focus in e-asset management and investment consulting plus

How we compile model portfolios with a “responsible” focus



PostFinance distinguishes between three types of investment: conventional, responsible and sustainable. Conventional investments do not take any sustainability or ESG factors into account. Responsible investments focus on integrating environmental, social and governance factors (known as ESG factors) into the traditional investment process and consider the potential impact on investment performance. Sustainable investments also integrate ESG factors into the investment process, however they also focus on the sustainability impact of investments. This means investors make sure that their investments are compatible with one or more sustainability goals or that they contribute towards reaching these goals. You can find more information in the ["Sustainable and responsible investment solutions" factsheet](#).

The "responsible" focus of e-asset management and investment consulting plus falls into the category of responsible investment solutions. To this end, PostFinance takes account of ESG factors in the investment process. Environmental, social and governance factors (ESG) allow the sustainability-related financial risks of investments to be measured and minimized. The illustration provides an overview of possible factors that can be taken into account. These factors allow you to assess the extent to which a coffee-producing company analyses and considers the impact of climate change on coffee production, for instance. These analyses are designed to persuade investors to favour companies that have a better grip on risks of financial relevance, such as climate change. This is because climate change can have a seriously adverse impact on coffee production and, in turn, the company's profitability.



<div>E</div> <div>Environmental</div> <div>Environment</div>	<div>S</div> <div>Social</div> <div>Social issues</div>	<div>G</div> <div>Governance</div> <div>Responsible governance</div>
<ul style="list-style-type: none">• CO₂ emissions• Carbon footprint of the product• Water consumption• Use of raw materials• Use of land reserves• Toxic emissions• Packaging materials, electrosmog• Utilization of opportunities for clean, renewable energies	<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	<ul style="list-style-type: none">• Diversity of management• Management pay• Accounting• Ethical conduct• Programmes for internal whistle-blowers, corruption, collusion and money laundering

Composition of the “responsible” focus

PostFinance defines a benchmark (comparative index) for each financial instrument (fund or exchange traded fund) 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 equity and fixed income, we already take ESG aspects into account when selecting the benchmark. This means that in the “responsible” focus for equities and fixed income, the respective fund provider must exclude certain companies from the investment universe on the basis of their ESG factors. At the same time, we accept potential deviations in the portfolio’s performance compared to a classic standard index, which can have both a positive and a negative impact.

We do not use any explicit ESG benchmarks for the “Liquidity” and “Alternative investments” asset classes. This is due to an absence of explicit ESG standard indexes and the fact benchmarks like it are not a market standard 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 are authorized for distribution in Switzerland. Subsequently, the most suitable funds or ETFs are selected whilst taking into account financial and non-financial section criteria, such as ESG factors. 70 percent of the instruments selected absolutely must meet the following three criteria¹:

- The brochure for the financial instrument clearly refers to the goal of reducing sustainability-related financial risks.
- Over the course of the investment process, at least two other sustainable investment approaches are used, in addition to exclusions.
The annexe to the factsheet “[Sustainable and responsible investment solutions](#)” contains descriptions of these sustainable investment approaches: ESG integration, best-in-class, thematic investments, engagement and voting.
- ESG factors are taken into account for at least 70 percent of the invested assets of the financial instrument, and all three sustainable investment approaches applied.



1. Definition of the investment strategies

First of all, the investment goals and guidelines are defined.



2. Definition of the benchmark for each instrument

It is important to select a suitable benchmark in order to have an appropriate benchmark index for the performance analysis.



3. Selection of the appropriate instrument (fund or ETF)

During this stage, the available investment instruments are analysed and the most suitable instrument selected. The three criteria outlined above (on the left) must be met. The instrument with the highest value is selected.

As long as the instruments comply with these criteria, we consider them investible.

¹ 70 percent because the corresponding ESG benchmarks do not currently exist for the “Alternatives” and “Real estate” asset classes. If, however, ESG financial instruments are available and the financial expectations are met, PostFinance can invest in such an instrument.

How we select equity and bond funds

In the case of equities, PostFinance uses the “SPI ESG Index®” as a benchmark for Swiss equities. For global equities, the MSCI selection index family is used. These indexes use ESG factors to measure a company’s resilience to sustainability-related financial risks. 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 explicit ESG benchmark index). This means that no sectors are explicitly excluded. The investment universe is limited by the “best-in-class” approach to those companies that achieve the best ESG values within their industry. Each fund selected can use its own exclusion criteria and approaches that are not derived from the MSCI selection index. You can find more information about each sustainable investment approach in the [“Sustainable and responsible investment solutions” factsheet](#).

In the case of fixed income, PostFinance uses the SBI ESG Index® for Swiss fixed income, the Bloomberg Barclays MSCI Global Aggregate ESG Weighted Index® for world fixed income and the J.P. Morgan ESG EMBI Global Diversified Index® for emerging market fixed income. In a similar way to equities, these 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 governance 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 “responsible” focus

- When selecting equity and bond funds, we follow ESG-linked indexes (e.g. MSCI selection indexes for world equities or Bloomberg Barclays MSCI ESG for world fixed income). For the fixed income and equity asset classes, we only use instruments in the portfolios that take ESG investment criteria into account.
- 70% of the financial instruments invested must meet all three criteria for an instrument to be labelled as “responsible” within PostFinance.
- Given that gold mining is energy-intensive, we exclude the “gold” asset class (in its entirety).

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PostFinance Ltd
Mingerstrasse 20
3030 Bern
Switzerland

Telephone +41 58 448 14 14
www.postfinance.ch