

“Sustainable” focus in e-asset management

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 aim to achieve a measurable sustainability impact. 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](#).



“Sustainable” investment focus

The “sustainable” focus of e-asset management belongs to the category of sustainable investment solutions and is compatible with the climate target of net zero by 2050. This consists of the following elements:

- No investments are made in companies and states with a serious negative impact on the climate.
- The transition to a climate-friendly economy is promoted in a targeted manner: investments are made in companies and states that have demonstrably set credible climate targets, are implementing appropriate measures effectively and, as such, are on the path to transformation.
- Investments are made in solutions and to promote companies and states that already offer climate-friendly products and services or, in the case of states, have a climate-friendly regulatory framework.

Composition

The “sustainable” focus is made up of various funds and ETFs managed by external asset managers that implement a climate reduction path to net zero. PostFinance has set up a stringent selection process to ensure that the net zero climate target is adhered to and that potential returns can be achieved in line with the market. For sustainability reasons, we do not currently invest in gold. The selected financial instruments have their own engagement and voting rights policy, which they use to influence the companies invested in towards achieving the net zero target.

Swiss climate policy aims to ensure that the Earth does not warm up by more than 1.5 degrees. To achieve this goal, Swiss greenhouse gas emissions are to be reduced to net zero by 2050.

Selection process

PostFinance has established a multi-level selection process in order to integrate only financial instruments into the “sustainable” focus that credibly pursue the net zero climate target and are expected to generate returns in line with the market. The diagram opposite illustrates the selection process.

Once the investment strategy has been defined, the second step is to check the minimum criteria. These criteria ensure that only financial instruments with a climate reduction path are taken into account.

Minimum criteria

- Climate-reduction path: the financial instrument must pursue a binding climate reduction path. This means that the asset manager regularly checks the attainment of targets and takes appropriate measures to guarantee the net zero target.
- Coverage: the climate reduction path and targets must apply to at least 80% of all invested funds.
- Verification of the net zero climate target: the asset manager must review the achievement of the defined net zero climate target for the financial instrument at least once a year.
- Climate impact disclosure: the asset manager must disclose the climate impact for the financial instrument.
- Stewardship: for equity investments, the asset manager must follow a publicly accessible stewardship policy. This policy describes the asset manager’s responsibility to actively exert influence on companies. This includes exercising voting rights, engaging in corporate dialogue on climate issues and applying an escalation strategy if targets are not met.
- Exclusions: financial instruments may not invest in coal, oil and gas (turnover threshold: 5%).
- Sustainable investment approaches: in addition to exclusions, at least three other sustainable investment approaches are pursued.

Based on the analysis of the minimum criteria, the third step is to classify all pre-selected financial instruments using the internally developed climate methodology. This measures the credibility of the

1. Definition of the investment strategies

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

2. Verification of the minimum criteria

In a multi-stage selection process, PostFinance identifies instruments that invest in a given asset class (e.g. Swiss equities). In doing so, PostFinance ensures that only financial instruments that meet the defined climate criteria are included in the comparison group.
(This includes a binding climate reduction path, disclosure of the climate impact, fossil fuel exclusions, active stewardship and other sustainable investment approaches.)

3. Assessment and selection using climate methodology

All pre-selected instruments are evaluated using climate methodology developed by PostFinance, which measures the credibility of the climate focus. Quantitative financial key figures such as volatility, returns and other qualitative key figures on funds/ETFs are also taken into account. The most suitable instrument is selected on the basis of these key figures.

fund/ETF and the external asset manager in achieving the net zero climate target. The higher the credibility, the higher the value. The quality of the external asset manager’s reduction path, of the financial instrument’s climate reduction path and of exclusions or stewardship activities are analysed in detail for this purpose. PostFinance defines a maximum number of points for each of these criteria. The criteria have different weightings and affect the final climate value accordingly. The weightings vary depending on the asset class, e.g. no voting rights can be exercised in bond funds. The climate methodology represents the basis for achieving the net zero climate target. PostFinance endeavours to achieve a corporate impact (i.e. a climate impact by the portfolio companies).





Validation and plausibility of the net zero climate target

During the validation process, we check once a year whether the information provided by the asset manager (on the financial instrument, exclusions and stewardship activities) continues to apply and whether the climate methodology remains plausible. If we determine that the minimum criteria are not being met, we contact the asset manager and insist on measures to ensure that the minimum criteria are met again. If the status does not improve within a year, we consider replacing the financial instrument. In addition, external asset managers are contacted each year to suggest new products for the selection process, which are reviewed in accordance with our climate methodology and included if they are found to be suitable.

The climate methodology developed by PostFinance is reviewed annually by an external sounding board. If the sounding board identifies potential for improvement, it makes recommendations that PostFinance can implement. Documentation is kept on all modifications, any potential for improvement identified and the relevant implementation decisions.

Sustainable e-asset management sounding board

The sounding board is made up of four experts.

- Vivien Buechler-Bezzola, Swiss Post, Co-Head of Sustainability. Specialist areas: sustainable corporate development, transformation management and the entire climate management process, from setting objectives to implementing them
- Michael Diaz, Wavestone, Principal Consultant. Specialist areas: sustainable investing, third-party fund selection
- Fabian Etter, SwissCleantech, Co-President. Specialist areas: net zero climate targets of Swiss companies, regulatory developments
- Eleanor Willi, rezonanz, CEO. Specialist areas: corporate dialogue and voting rights, analysis of third-party funds based on stewardship information

The sounding board meets at least twice a year and focuses primarily on the verification of PostFinance's "climate methodology". The sounding board has no authority to issue instructions or make decisions with regard to PostFinance.

Disclosure of progress towards meeting the net zero climate target (2050)

Relevant climate indicators are disclosed in the ESG and Swiss Climate Score reports. Customers also have the possibility to consult the indicators in e-finance. The key figures shown promote transparency and are intended to make it possible to track progress towards the net zero climate target (2050). External asset managers do not necessarily use the same climate and sustainability indicators for the construction and monitoring of their financial instruments.

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