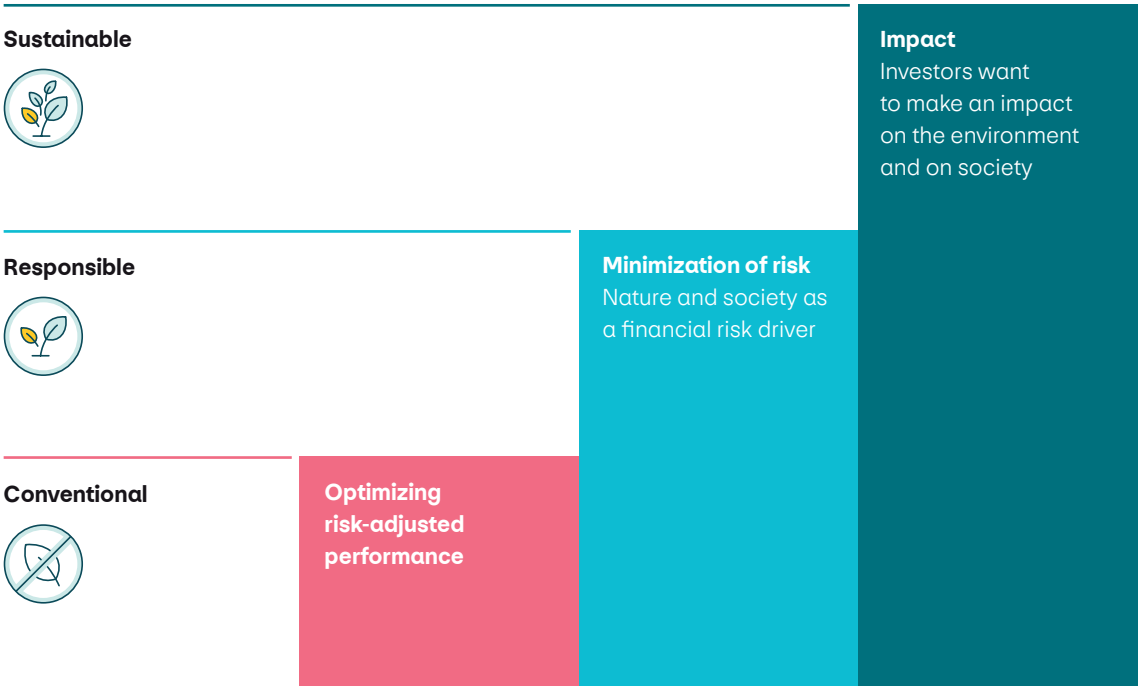
“Sustainable” focus in e-asset management

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 in e-asset management belongs to the category of “sustainable” investment solutions and strives to be compatible with the climate net zero target by 2050. To this end, e-asset management invests in funds and ETFs which are selected according to a defined selection process. Each fund and ETF selected pursues a credible climate reduction path towards net zero in 2050. The sustainability target of “Sustainable” e-asset management focuses on the climate compatibility of the overall portfolio. Among other things, this is intended to drive the economic transition toward lower CO_2 emissions. Accordingly, the aim is to achieve a corporate impact and not an investor impact (see “Sustainable and responsible financial investments” brochure from PostFinance, page 9). Other environmental and/or social goals are not taken into account in a targeted manner.

Composition

The “Sustainable” focus is made up of various funds and ETFs managed by external asset managers, each of which pursues a climate net zero target by 2050 and is therefore consistent with that climate target.[1] At least 80% of the funds managed in the “Sustainable” focus portfolio are invested in funds and ETFs from external asset managers that meet the climate criteria defined by PostFinance. The majority of the investments are compatible with the climate net zero target by 2050.[2] PostFinance has set up a stringent selection process to ensure that the net zero climatetarget is adhered to and that potential returns can be achieved in line with the market. For sustainability reasons, we do not currently invest in the “gold” asset class. The external asset managers of the funds and ETFs used also follow their own engagement and voting strategies. This enables them to encourage companies to consistently implement their climate targets and support the transition to a climate-friendly economy.

[1] 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.

[2] PostFinance is committed to ensuring that all funds and ETFs for strategic asset allocation have been selected in accordance with the climate criteria and strive to be compatible with the 2050 climate net zero target. Due to the 80% minimum scope requirement, funds and ETFs that do not pursue a sustainability target may also be included for tactical asset allocation. These may not account for more than 20% of the total allocation. PostFinance endeavours to keep the proportion of non-sustainable investments as low as possible.

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 graphic on the right explains 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 requirements for ETFs and funds from external asset managers

- 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 climate net zero target.
- Coverage: the climate reduction path and targets must apply to at least 80% of all invested funds from the relevant financial instrument and the entire portfolio.
- Verification of the net zero climate target: the external asset manager must review the achievement of the defined climate net zero target for the financial instrument at least once a year.
- Climate impact disclosure: the external 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.
- Sustainable investment approaches: in addition to exclusions, at least three other sustainable investing approaches are implemented for the specific financial instrument (e.g. voting rights, engagement with companies, best-in-class, climate focus, etc.).

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, 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.

Assessment and selection using the climate score
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 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.

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, Expert, 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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