

Profond



Financial Report 2021

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Balance Sheet

	Notes	31.12.2021	31.12.2020
	No.	CHF	CHF
Assets			
Investments			
Liquidity		818 346 939	688 952 287
Nominal assets		1 161 510 823	1 165 469 805
Equities		5 667 040 221	5 145 235 635
Real estate		2 910 698 969	2 458 366 035
Alternative investments		585 674 397	379 954 663
Total investments	6.4	11 143 271 349	9 837 978 425
Other assets			
Receivables from employers		28 742 782	22 176 178
Other receivables		15 870 804	21 785 355
Total other assets	7.2	44 613 586	43 961 533
Accrued income and prepaid expenses		101 418	380 496
Total assets		11 187 986 353	9 882 320 454
Liabilities			
Liabilities			
Termination benefits and pensions		191 280 636	200 636 768
Separate free capital for pension funds	5.1	27 033 708	28 959 795
Other liabilities		10 787 923	11 903 036
Total liabilities	7.3	229 102 267	241 499 599
Deferred income and accrued expenses		545 400	1 763 153
Employer-paid contribution reserve	6.7.4	72 541 473	66 738 700
Non-technical reserves	7.4	2 060 000	2 060 000
Pension capital and technical reserves			
Actively contributing members' pension capital	5.3	5 871 733 114	5 364 338 214
Pensioners' pension capital	5.5	3 137 954 085	2 968 270 564
Technical reserves	5.6	365 695 597	398 539 609
Total pension capital and technical reserves		9 375 382 796	8 731 148 387
Value fluctuation reserve	6.3	1 348 180 046	839 110 615
Uncommitted funds			
As of the beginning of the period		0	0
Income surplus (+) / expense surplus (-)		160 174 371	0
Total uncommitted funds	6.3	160 174 371	0
Total liabilities		11 187 986 353	9 882 320 454

Operative account

	Notes	2021	2020
	No.	CHF	CHF
Employee contributions	7.1	193046264	189177092
Employer contributions	7.1	255403527	253092220
Withdrawal from employer-paid contribution reserve to finance contributions	6.7.4	-19037506	-19410138
Financing by BVG Security Fund subsidies		-2619081	-2447815
One-time payments and purchase amounts		74732184	70184689
Transfers to employer-paid contribution reserve	6.7.4	31972605	15482595
Security Fund subsidies		2619081	2447815
Ordinary and other contributions and transfers-in		536117074	508526459
Termination benefit transfers	5.3	370209433	419366473
Reimbursements for early withdrawals for home ownership promotion/divorce	5.3	15699267	6329577
Transfers following take-over of insured persons	7.7	108077983	432155711
Entry benefits		493986683	857851761
Inflow from contributions and entry benefits		1030103757	1366378219
Retirement pensions		-183484624	-168410843
Survivors' pensions		-28590365	-27693284
Disability allowances		-17883628	-18064436
Divorce pensions		-162316	-148260
Lump-sum payments on retirement		-96574265	-78516566
Lump-sum payments on death or disability		-10576658	-8424708
Use of free capital		-7040372	-32519722
Regulatory benefits		-344312228	-333777819
Termination benefits for leavers	5.3	-465457140	-508843531
Transfer of additional funds in case of collective termination	7.8	-114906421	-33903798
Early withdrawals for home ownership promotion/divorce	5.3	-24299287	-23678258
Termination benefits		-604662848	-566425587
Outflow for benefits and early withdrawals		-948975076	-900203406
Decrease (+)/increase (-) in actively contributing members' pension capital		-95962655	-436939172
Decrease (+)/increase (-) in pensioners' pension capital		-169683521	-174263919
Decrease (+)/increase (-) in technical reserves		32844012	-86581362
Interest on retirement savings capital		-411432246	-90509521
Decrease (+)/increase (-) in contribution reserves		-5447880	5856300
Decrease (+)/increase (-) of free capital for pension funds		2068518	6572014
Decreases (+)/increases (-) in pension capital, technical reserves and contribution reserves		-647613772	-775865661

	Notes	2021	2020
	No.	CHF	CHF
Insurance benefits		1 524 875	2 417 579
Income from insurance benefits		1 524 875	2 417 579
Contributions to Security Fund		- 2 671 150	- 2 600 972
Insurance cost		- 2 671 150	- 2 600 972
Net result of insurance activities		- 567 631 366	- 309 874 240
Income from liquidity		- 4 471 275	- 6 023 089
Income from nominal assets		- 4 137 402	17 389 313
Income from equities		1 064 839 201	203 841 861
Income from real estate		176 148 574	75 500 572
Income from alternative investments		74 848 552	10 457 426
Income from capital investments		1 307 227 650	301 166 085
Investment administration expenses		- 46 746 225	- 36 078 368
Net return on investments	6.7	1 260 481 425	265 087 717
Other income	7.9	414 153	375 089
General administration		- 15 697 668	- 14 554 273
Marketing and advertising		- 2 855 500	- 2 789 837
Agents and brokerage		- 5 219 399	- 5 354 548
Auditor and occupational pension expert		- 158 153	- 146 059
Supervisory authorities		- 89 690	- 108 776
Administration expenses	7.6	- 24 020 410	- 22 953 493
Income surplus (+) / expense surplus (-) before adding to or releasing from value fluctuation reserve		669 243 802	- 67 364 928
Decrease (+) / increase (-) in value fluctuation reserve	6.3	- 509 069 431	67 364 928
Income surplus (+) / expense surplus (-)		160 174 371	0

Notes

1. General information and organisation

1.1 Legal form and objectives

Profond Pension Fund is a foundation within the meaning of Art. 80 ff. ZGB, Art. 331 OR and Art. 48 (2) BVG. The purpose of the Foundation is to administer the occupational pension within the framework of the BVG and also to counter the economic consequences of old age, death and disability as well as those in special emergencies caused by illness, accident or unemployment.

1.2 BVG registration and registration with the Security Fund

The Foundation is entered in the register of occupational pension funds of the Canton of Zurich under reference number ZH 1227 and is affiliated with the Security Fund.

1.3 Plan statutes and regulations

Foundation deed	of 24.08.2017
Organisational Regulations	of 01.01.2021
Pension Fund Regulations	of 01.01.2021
Partial Liquidation Regulations	of 31.12.2019
Investment Regulations	of 01.11.2018
Regulations on the Formation of Provisions and Reserves	of 01.01.2021

1.4 Supreme body, management and authorised signatories

Foundation Board – Employer Representatives	Position	Current term of office
Bodmer Peter E.	President	2020 to 2024
Murer-Chevalier Werner	Vice-President	2020 to 2024
Goetschmann Frédéric E.	Member	2020 to 2024
Schelling Stephan	Member	2020 to 2024

Theilacker Willy, until July 2020 Member, since August 2020 Assessor/Participant in an advisory capacity.

Foundation Board – Employee Representatives	Position	Current term of office
Stohler Dieter	Vice-President	2020 to 2024
Bitterli Brigitte	Member	2020 to 2024
Nitz Bernhard	Member	2020 to 2024
Platz Aldo	Member	2020 to 2024

Executive Board

Schlaefli Laurent
Fuchs Christian (from July 2021)

Schmidt Svenja (until April 2021)

de Capitani Petra

Häberli Andreas

Immler Marco

Nowacki Robert

Position

Chief Executive Officer

Head of Pension Plans,

Deputy Chief Executive Officer

Head of Pension Plans,

Deputy Chief Executive Officer

Head of Human Resources and

Internal Services

Investment Director

Head of Innovation and Technology

Head of Market Management

All members of the Foundation Board and members of the Executive Board are authorised to sign jointly with a minimum of two signatures.

Remuneration Committee

Murer-Chevalier Werner

Bodmer Peter E.

Stohler Dieter

Position

Chair

Member

Member

Investment Committee

Schelling Stephan

Bodmer Peter E.

Gysin Franz

Häberli Andreas

Position

Chair

Member

Member

Member

Management Committee

Bodmer Peter E.

Murer-Chevalier Werner

Schlaefli Laurent

Stohler Dieter

Position

Chair

Member

Member

Member

Risk Committee

Bitterli Brigitte

Häberli Andreas

Platz Aldo

Schlaefli Laurent

Stohler Dieter

Position

Chair

Member

Member

Member

Member

Profond has an internal control system (ICS) and risk management in line with the size and complexity of the pension fund.

**1.5 Experts, auditors,
advisors, supervisory
authority**

Occupational pension expert

Keller Experten AG, contracting party
André Tapernoux, mathematics degree, responsible expert
Altweg 2
8500 Frauenfeld

Auditor

KPMG AG
Badenerstrasse 172
8036 Zurich

Supervisory authority

Supervisory Authority for BVG Pensions and Foundations of the Canton of Zurich (BVS)

1.6 Affiliated employers

	2021	2020
As of 01.01.	2134	1999
New insured persons	107	227
Departures	- 56	- 92
As of 31.12.	2185	2134

The departures of 56 affiliated employers were a matter of technical departures, company closures, mergers and terminations.

1.7 Affiliated companies

Directly held majority interests:

Agro Energie Schwyz AG
B+B Holding AG in liquidation
Profond Investment Foundation
Profond Finanzgesellschaft AG
Tekag Holding AG in liquidation

2. Actively contributing members and pensioners

	2021	2020
2.1 Actively contributing members		
As of 01.01.	45 883	42 556
New insured persons	12 948	15 847
Retirements, deaths, disability	- 877	- 774
Departures	- 10 997	- 11 746
As of 31.12.	46 957	45 883

	2021	2020
2.2 Pensioners		
As of 01.01.	10 008	9 592
Actively contributing members taking retirement	745	847
Acquisition of pensioners transferred	15	84
Departures	- 505	- 515
Total number of pensions 31.12.	10 263	10 008

Breakdown by pension type

	2021	2020
Retirement pensions	6 972	6 704
Spouse's pensions	1 684	1 659
Bridging pensions	46	43
Disability allowances	982	1 018
Children's pensions	561	571
Divorce pensions	18	13
Total number of pensions 31.12.	10 263	10 008

3. Implementation of objectives

3.1 Characteristics of the pension plan

Profond Pension Fund provides both mandatory and supplementary cover. It operates defined contribution plans. The Foundation benefits are described in detail in the Pension Fund Regulations (valid from 01 January 2021) and specified in the pension plan for each affiliated entity.

The benefits are calculated based on the contributed vested termination benefits, deposits, savings credits and interest credits less any early withdrawals for home ownership or divorce payouts. On retirement, the insured persons have the choice of drawing their pension capital as a lifelong retirement pension (2021 conversion rate: 6.2% for men at 65 years old and 6.0% for women at 64 years old) or drawing part or all of it as a lump sum.

The conversion rate will be gradually reduced until 2024. The 2024 conversion rate (normal retirement age) is 5.6% for men (age 65) and 5.4% for women (age 64).

3.2 Financing, financing method

The financing is regulated in the Pension Fund Regulations.

The composition and amount of the contributions against the risks of death and disability, the administration costs, and the retirement credits, are regulated in the pension plans of the affiliated companies.

Average contributions are charged to cover administration costs. The risk costs vary by pension fund based on the expected losses. Retirement provision is financed by means of contributions in the amount of the retirement credits.

The Pension Fund Regulations also regulate the purchase and supplementary financing of contribution years, the purchase of salary increases and the pre-financing of bridging benefits.

4. Significant accounting policies and valuation methods, consistency

4.1 Statement of compliance with Swiss GAAP FER 26

The balance sheet, operative account and notes to the annual financial statements comply with the professional accounting recommendations of Swiss GAAP FER 26.

4.2 Significant accounting policies and valuation methods

The bookkeeping, accounting and valuation comply with the provisions of the Swiss Code of Obligations and the BVG. The annual financial statements, consisting of the balance sheet, operative account and notes, present the actual financial situation, as required by the occupational pension legislation. In the annual financial statements the assets are valued as follows:

Balance sheet items	Valuation method
Liquidity, term deposits, receivables	Nominal value (less necessary impairment)
Bonds and equities	Market value
Indirect real estate and investment foundations	Net asset value/stock exchange price
Direct real estate	Discounted cash flow method (DCF)
Real estate companies	Capitalised earnings value, net value of the company
Alternative investments (indirect)	Market value/net asset value
Alternative investments (direct)	Fair value
Pension capital and technical reserves	Expert opinion of the pension fund expert

Assets denominated in foreign currencies are translated at the exchange rate on the reporting date, transactions at the respective daily exchange rate.

4.3 Changes in accounting policy, bookkeeping and accounting

No changes were made in the reporting year.

5. Actuarial risks/risk benefit coverage/funding ratio

5.1 Type of risk benefit coverage, re-insurance

The risks of death, disability and longevity are fully covered by the Foundation.

There is an expiring insurance contract for pension payments.

5.2 Comments on assets and liabilities from insurance contracts

There are surrender values of CHF 27 567 938.84 (previous year: CHF 28 501 694.80) from an expiring insurance contract. The pension payments are paid to Profond by the insurance company and paid on to the pensioners.

5.3 Development and interest rate of actively contributing members' pension capital

Development of and interest on savings capital	2021	2020
	CHF	CHF
Savings capital at the start of the year	5 364 338 214	4 836 889 521
Plus		
Employee savings contributions	171 102 068	166 201 781
Employee savings contributions (exemption from contributions)	5 500 214	3 746 346
Employer savings contributions	219 671 438	215 559 385
Employer savings contributions (exemption from contributions)	5 709 764	4 672 503
Termination benefit transfers	370 209 433	419 366 473
Termination benefit transfers for new affiliations	99 069 639	397 315 001
One-time payments and purchase amounts	69 999 786	43 512 036
Deposits from the release of uncommitted funds	4 732 398	26 672 653
Reimbursements for early withdrawals for home ownership promotion/divorce	15 699 267	6 329 577
Interest on savings capital	411 432 246	90 509 521
Other credits	173 782	5 165 946
Minus		
Termination benefits for leavers	- 465 457 141	- 508 843 531
Termination benefits from terminated contracts	- 102 454 848	- 29 809 461
Early withdrawals for home ownership promotion/divorce	- 24 299 287	- 23 678 258
Lump-sum payments on retirement/death	- 106 309 034	- 84 971 759
Transfer of retirements with pension benefits	- 170 887 636	- 200 152 955
Change in pensioners' pension capital (disability or death)	- 287 9937	- 4 146 566
Change in pension capital (vested benefits higher than specified in the regulations)*	6 382 749	0
Savings capital at the end of the year	5 871 733 114	5 364 338 214

* This item consists of vested benefits under the Vested Benefits Act that are higher than the members' retirement assets specified in the regulations (differential value).

The Foundation Board decided on an interest rate of 8.00% (previous year: 1.75%) for the retirement assets of actively contributing members.

	2021	2020
	CHF	CHF
5.4 Total retirement assets in accordance with BVG		
Retirement assets in accordance with BVG (sample accounting)	2 940 051 065	2 809 498 331
BVG interest rate	1.00%	1.00%

	2021	2020
	CHF	CHF
5.5 Development of pension capital for pensioners		
Status of pension capital at the start of the year	2 968 270 564	2 794 006 645
Transfer of retirements with pension benefits	1 708 876 366	200 152 955
Acquisition of pensioners transferred	3 750 071	10 254 532
Payment of pension capital to new pension fund	- 4 964 355	- 2 486 193
Change in pension capital of active members (disability or death)	2 879 937	4 146 566
Pension payments	- 230 120 933	- 214 316 823
Readjustment of technical basis	696 396 355	64 475 740
Adjustment for recalculation of pension capital	157 611 530	112 037 143
Total pensioners' pension capital	3 137 954 085	2 968 270 564

The Foundation Board reviews the granting of a cost of living allowance annually. In light of the lack of uncommitted funds and the environment of historically low inflation that has existed for a prolonged period the Foundation Board decided not to grant a cost of living allowance on pensions as of 01 January 2022. Retirement pensioners (apart from pensioners from the insurance contract) are, however, being paid a supplementary one-off pension of CHF 1 000 in the first quarter of 2022 on account of the good financial situation (accrual in 2021).

	2021	2020
	CHF	CHF
5.6 Composition of, development of and explanation regarding technical reserves		
Conversion rate reserve for actively contributing members	239 344 623	226 291 790
Risk fluctuation reserve for the risks of disability and death	41 244 000	51 715 000
Provision for increased life expectancy	14 733 006	84 077 786
Provision for pending and latent pension claims	70 373 968	36 455 033
Total technical reserves	365 695 597	398 539 609

The following applies to the individual reserve items:

- Conversion rate reserve for active members: The "liquidation method" is used to calculate retirement pension losses. This applies to all actively contributing members from the age of 58. With this method, the existing retirement assets are converted into retirement pensions that start immediately in accordance with the Regulations, resulting in the corresponding conversion loss. The effective lump-sum withdrawal ratio of approximately 25% (previous year: 25%) is taken into account.

- Risk fluctuation reserve for the risks of death and disability: The reserve was recalculated based on the current number of active members as of 31 December 2021 with a 99% level of security.
- Increased life expectancy: The actuarial reserve for current pensions has been increased by 0.5% per annum since 2021; this has resulted in a total increase of 0.5% as at 31 December 2021 (previous year: 3.0%). On account of the conversion of the technical principles, it was possible to reverse part of this provision.
- Provision for pending and latent pension claims: This reserve covers the expected formation of actuarial reserves for pending and latent pension cases.

5.7 Conclusions of the last actuarial report

The last actuarial report was produced as at 31 December 2021 and includes the following assessment:

	2021	2020
	CHF	CHF
Pension capital to be covered	9 375 382 796	8 731 148 387
Available pension fund assets	10 883 737 213	9 570 259 002
The funding ratio was	116.1%	109.6%

Excerpt from the report of the Swiss accredited pension actuary on the 2021 annual financial statements: “As occupational pension experts, we audited Profond Pension Fund in accordance with Art. 52e BVG and can confirm, based on this, that the Foundation is able to meet its underwriting liabilities in accordance with the regulations, financial security exists and the pension capital and technical reserves are sufficient.”

5.8 Actuarial principles and other significant actuarial assumptions

The actuarial calculations are based on the following:

- technical interest rate: 2.00% (previous year: 2.25%)
- technical basis: BVG 2020, 2021 mortality tables (previous year: BVG 2015, 2012 mortality tables)
- reserves for increased life expectancy and risk fluctuations

The target value fluctuation reserve is calculated using the financial-economic method in accordance with the Investment Regulations.

5.9 Changes in actuarial principles and assumptions

The technical interest rate was lowered from 2.25% to 2.00% in 2021 (previous year: lowered from 2.50% to 2.25%) and the technical principles were changed to BVG 2020, 2021 mortality tables (previous year: BVG 2015, 2012 mortality tables). As a result of this change, the pensioners' pension capital had to be increased by an additional CHF 69 639 635 (previous year: CHF 64 475 740) and the technical reserves had to be increased by an additional CHF 62 383 477 (previous year: CHF 56 548 613).

**5.10 Separate free capital
for pension funds**

	2021	2020
	CHF	CHF
Free capital at the start of the year	28 959 795	35 451 593
Contributions by new affiliations	4 971 854	25 627 096
Conversion of employer-paid contribution reserves into free capital	0	320 613
Contributions to active members' pension capital	- 4 732 398	- 26 672 653
Other uses	- 2 307 974	- 5 847 069
Interest rate	142 431	80 216
Free capital at the end of the year	27 033 708	28 959 795

In total, accounts with free capital were kept for 292 pension funds as of 31 December 2021 (previous year 287). Interest of 0.50% was paid on the free capital in the year under review (previous year: 0.25%).

**5.11 Funding ratio under
Article 44 BVV 2**

	2021	2020
	CHF	CHF
Total assets	11 187 986 353	9 882 320 454
Liabilities	- 229 102 267	- 241 499 599
Deferred income and accrued expenses	- 545 400	- 1 763 153
Employer-paid contribution reserve	- 72 541 473	- 66 738 700
Non-technical reserves	- 2 060 000	- 2 060 000
Available pension fund assets	10 883 737 213	9 570 259 002
Actively contributing members' pension capital	5 871 733 114	5 364 338 214
Pensioners' pension capital	3 137 954 085	2 968 270 564
Technical reserves	365 695 597	398 539 609
Pension capital to be covered	9 375 382 796	8 731 148 387
Surplus cover	1 508 354 417	839 110 615
Breakdown of surplus cover		
Value fluctuation reserve	1 348 180 046	839 110 615
Uncommitted funds, Profond	160 174 371	0
Funding ratio	116.1%	109.6%

6. Explanatory notes on investments and net return on investments

6.1 Organisation of investment activities, investment advisor, investment manager and investment regulations

The Foundation Board decides on the nature and execution of the asset management and supervises the investment activities. It has recorded the organisation of the asset management and the objectives, principles and competencies in the Investment Regulations. Profond Pension Fund is also currently Profond Investment Foundation's sole investor.

Asset manager

Ardian Investment Switzerland AG

Artico Partners AG

BlackRock Investment Management (UK) Limited
Credit Suisse (Schweiz) AG

Credit Suisse Investment Foundation 2

Partners Capital LLP
PK Assets AG

Profond Investment Foundation

Profond Pension Fund

Schroder Investment Management (Switzerland) AG
Swiss Life Asset Management AG

UBS Asset Management (Schweiz) AG

UBS Investment Foundation 3

VI Vorsorgeinvest AG

Type of authorisation

Swiss Financial Market Supervisory Authority (FINMA)

Swiss Financial Market Supervisory Authority (FINMA)

Financial Conduct Authority (FCA)

Swiss Financial Market Supervisory Authority (FINMA)

Occupational Pension Supervisory Commission

Financial Conduct Authority (FCA)

Occupational Pension Supervisory Commission - FINMA as per Art. 74 FinIA (registration applied for)

Occupational Pension Supervisory Commission

Supervisory Authority for BVG Pensions and Foundations of the Canton of Zurich (BVS)

Swiss Financial Market Supervisory Authority (FINMA)

Swiss Financial Market Supervisory Authority (FINMA)

Swiss Financial Market Supervisory Authority (FINMA)

Occupational Pension Supervisory Commission

Swiss Financial Market Supervisory Authority (FINMA)

Global Custodian

Credit Suisse (Schweiz) AG

Authorisation

Swiss Financial Market Supervisory Authority (FINMA)

6.2 Expansion of investment possibilities (Article 50 paragraph 4 BVV 2) with coherent explanation of the compliance with certainty and risk allocation (Article 50 paragraphs 1–3 BVV 2)

	Category limit pursuant to Art. 55 BVV 2 as a % of the total assets	Category limit pursuant to the Investment Regulations as a % of the total assets	Current holdings as a % of the total assets
Equities	0–50	30–55	50.9
Foreign currencies without currency hedging	0–30	15–43	30.4

Equities, foreign currencies without currency hedging: The ranges of the investment categories are set up so that the investment ratios would passively exceed the BVV 2 limits in the event of (major) market movements with no costs being incurred for immediate rebalancing. These increased ratios are to be viewed as temporary and not strategic in nature.

The Foundation manages all of its investments with the same level of care, irrespective of whether they are traditional investments or alternative investments. Overall, the investments are sufficiently diversified and this ensures the purpose of the pension fund. The asset allocation is confirmed by means of an ALM study.

6.3 Target value fluctuation reserve and calculation of the reserve

The target value fluctuation reserve is calculated using the so-called financial-economic method. With this method, the value fluctuation reserve is determined on the basis of the risk/return characteristics of the investment categories for the investment strategy in order to provide the required interest rate on the liabilities over a one-year horizon with adequate security. The target amount of the value fluctuation reserve is expressed as a percentage of the pension capital (including technical reserves), aiming at a 97.5% level of security for the year. This target amount is reviewed annually and adjusted according to the current situation, while observing the principle of consistency in the calculation method.

The target value of the value fluctuation reserve is 14.38% (previous year: 14.08%) of the pension capital based on volatility of 7.31% (previous year: 7.13%).

	2021	2020
	CHF	CHF
Status of the value fluctuation reserve at the start of the year	839 110 615	906 475 543
Decrease (-)/increase (+) charged to the operative account	509 069 431	- 67 364 928
Value fluctuation reserve at the end of the year	1 348 180 046	839 110 615
Target value fluctuation reserve	1 348 180 046	1 229 345 693
Reserve deficit in the value fluctuation reserve	0	- 390 235 078
Uncommitted funds as per balance sheet at 31 Dec.	160 449 371	0

6.4 Breakdown of investments into investment categories

	Assets 2021	Effective proportion	Strategy	Range	Assets 2020	Effective proportion
	CHF'000	%	%	%	CHF'000	%
Liquidity / receivables	818 347	7.3	2	0–10	688 951	7.0
Liquidity	818 347				688 951	
Nominal assets	1 161 511	10.4	18		1 165 470	11.8
CHF-denominated bonds	386 156	3.5	12	3–20	377 384	3.8
Foreign currency bonds	775 355	6.9	6	2–10	788 086	8.0
Equities	5 667 040	50.9	49	30–55	5 145 236	52.3
Domestic equities	2 404 350	21.6	20	15–30	2 136 026	21.7
Foreign equities	2 729 968	24.5	24	15–30	2 472 252	25.1
EMMA equities	532 722	4.8	5	0–8	536 958	5.5
Real estate	2 910 699	26.1	28	15–40	2 458 366	25.0
Swiss real estate	2 005 019	18.0	19	10–30	1 653 106	16.8
Direct real estate	1 577 371	14.2			1 276 702	13.0
Indirect real estate	427 648	3.8			376 404	3.8
Real estate in other countries	905 680	8.1	9	5–15	805 260	8.2
Direct real estate	498 781	4.5			511 589	5.2
Indirect real estate	406 899	3.6			293 671	3.0
Alternative investments	585 674	5.3	3	0–15	379 955	3.9
Private equity	1 119	0.0	0	0–3	6 618	0.1
Private markets	355 848	3.2	1	0–10	244 398	2.5
Infrastructure	228 707	2.1	2	0–5	128 939	1.3
Investments	11 143 271	100.0			9 837 978	100.0

Total assets include unhedged foreign currencies in the amount of CHF 3.392 bn or 30.4% (previous year: CHF 3.074 bn or 31.2%). The investment limits under Articles 54, 54a and 54b BVV 2 were complied with or extended in accordance with the information given in note 6.2.

Direct properties broken down by ownership

	2021	2020
	CHF	CHF
Switzerland		
Properties owned by Profond Investment Foundation	100.00%	100.00%

Directly-owned properties

	2021	2020
	CHF	CHF
As of 01.01.	0	15 550 000
Transfer at market value	0	-15 550 000
As of 31.12.	0	0

The properties were transferred to Profond Investment Foundation in 2020.

Profond Pension Fund is currently the sole investor in Profond Investment Foundation. Profond Investment Foundation owns real estate in Switzerland, Germany and Austria. Profond Investment Foundation consists of the two investment groups:

Properties owned by Profond Investment Foundation

	2021	2020
	CHF	CHF
Swiss investment group		
Net assets	1 577 371 386	1 276 725 970
Germany/Austria real estate investment group		
Net assets	498 780 925	511 589 380

Profond Investment Foundation's Foundation Board is composed of members of Profond Pension Fund's Foundation Board and an assessor of Profond Pension Fund. The investment decisions are, in particular, taken by the Real Estate Committee. This consists of three external real estate experts and three members from Profond Pension Fund.

Key figures Profond Investment Foundation

	2021	2020
Swiss investment group		
Return on investment	5.59%	4.90%
Average discount rates	2.89%	3.08%
Borrowing ratio	7.16%	18.77%
Loss of income ratio	7.29%	7.36%
Operating profit margin (EBIT margin)	33.39%	73.88%
Operating expense ratio (TERISA(NAV))	0.51%	0.58%
WAULT (weighted average unexpired lease term)	4.86	5.24
Germany/Austria investment group		
Investment return (in EUR)	3.81%	0.04%
Average discount rates	4.08%	4.19%
Borrowing ratio	0.00%	0.00%
Loss of income ratio	6.02%	5.33%
Operating profit margin (EBIT margin)	63.99%	63.70%
Operating expense ratio (TERISA(NAV))	0.65%	0.79%
WAULT (weighted average unexpired lease term)	8.27	8.89

Wüest Partner AG was tasked with the valuations (method of estimation: market value based on discounted cash flow) of the properties.

Direct properties by type of use

	Area	Income
Swiss investment group		
Residential	52.4%	50.6%
Commercial	47.6%	49.4%
Germany/Austria real estate investment group		
Residential	1.2%	1.2%
Commercial	98.8%	98.8%

6.5 Current (open) financial derivative instruments

Exposure effect of currency forwards	Market values 2021	Market values 2020	Level of exposure 2021	Level of exposure 2020
	CHF	CHF	CHF	CHF
CHF	0	0	975 444 445	953 482 988
AUD	0	- 227 623	0	- 6 115 123
EUR	11 447 708	- 2 480 820	- 524 408 351	- 540 131 866
USD	1 300 165	4 065 339	- 442 939 951	- 395 590 843
GBP	- 77 298	- 186 245	- 80 961 143	- 11 645 157

In order to reduce foreign currency risk, foreign currencies are strategically hedged with currency forwards.

6.6 Open commitments

In connection with private market investments, infrastructure investments and real estate investments, an open commitment of CHF 351 935 123 (previous year: CHF 462 918 845), which is made available on demand, remains as of the balance sheet date.

6.7 Comments on net return on investments

	2021	2020
	CHF	CHF
Liquidity	- 4 471 275	- 6 023 089
- Interest income	- 3 860 426	- 4 486 847
- Foreign currency adjustments	- 102 815	- 293 359
- Interest, free capital	- 142 431	- 80 216
- Interest, employer contribution reserve	- 354 893	- 182 784
- Interest on termination benefits	- 10 710	- 979 883
Nominal assets	- 4 137 402	17 389 313
- Interest income	12 578 116	22 610 409
- Net currency gains	- 16 715 518	- 5 221 096
Equities	1 064 839 201	203 841 861
- Dividends	97 117 205	114 381 431
- Net currency gains	967 721 996	89 460 431
Real estate	176 148 574	75 500 572
- Distribution of profits	13 717 052	26 657 842
- Valuation gains and net currency gains	162 431 522	48 842 730
Alternative investments	74 848 552	10 457 426
- Distribution of profits	127 083	18 482 283
- Valuation gains and net currency gains	74 721 469	- 8 024 857
Administration expenses for investments	- 46 746 225	- 36 078 368
- Administration expenses	- 5 263 240	- 2 487 864
- Asset management costs	- 7 367 917	- 6 194 215
- Third-party costs	- 688 295	- 1 397 955
- TER costs	- 33 426 773	- 25 998 333
Net return on investments	1 260 481 425	265 087 716

Notes on asset management costs

Investments	2021	2020
	CHF	CHF
Transparent investments	11 143 271 349	9 837 978 425
Non-transparent investments	0	0
Total investments	11 143 271 349	9 837 978 425
Cost transparency ratio	100.00%	100.00%

Investments	2021	2020
	CHF	CHF
Directly booked asset management costs	13 319 452	10 080 035
Total of all key cost figures in Swiss francs for collective investments	33 426 773	25 998 333
Booked asset management costs according to the operative account	46 746 225	36 078 368
As a percentage of cost-transparent investments	0.42%	0.37%

	2021	2020
Asset management performance	12.8%	2.7%

Performance is calculated based on the time-weighted rate of return (TWR) calculation method.

6.7.1 Dealing with retrocessions

The companies commissioned with asset management have made a contractual commitment not to collect any retrocessions, or if they have received retrocessions, to pass these on in full to Profond Pension Fund.

The Foundation has also sought confirmations from the institutions regarding any retrocessions that they received or paid. These confirmations have been received and do not indicate that any retrocessions were paid to any closely related or third parties.

The Foundation received no retrocessions during the year under review.

6.7.2 Loyalty provisions

Profond applies the rules of the ASIP sector association, namely the ASIP Charter and the professional guidelines, which are based on compliance with the loyalty and integrity regulations of the BVG. When joining, the members of the Foundation Board, committees and Executive Board and employees confirm that they will comply with these regulations. In addition, they confirm each year that they will meet the legal and regulatory requirements and comply with the loyalty regulations.

As per the loyalty provisions, and pursuant to Art. 48f and 48g BVV 2, loyalty declarations were requested from the persons and institutions charged with investing and managing the pension fund assets. These were submitted in full.

6.7.3 Exercise of voting rights

Profond exercises its voting rights for listed Swiss companies. Profond's voting behaviour can be viewed on its website. In all transactions to be voted on, efforts are made to see that the interests of the shareholders or beneficiaries are taken into account as far as possible. Profond's voting behaviour is based on the recommendations of Inrate, which supports institutional investors in exercising their shareholder rights by providing detailed corporate governance research and voting recommendations. In the case of foreign investments, the voting right is exercised via portfolio managers.

6.7.4 Comments on employer-paid contribution reserves

	2021	2020
	CHF	CHF
Employer-paid contribution reserves for individual pension funds without waiver of use, status as at 01.01.	66 738 700	72 412 216
Deposits	31 972 605	15 482 595
Use for financing contributions	- 19 037 506	- 19 410 138
Release in the event of collective termination	- 7 487 219	- 1 608 144
Interest rate	354 893	182 784
Conversion of employer-paid contribution reserves into free capital	0	- 320 613
Total employer-paid contribution reserves without waiver of use	72 541 473	66 738 700

There are no employer-paid contribution reserves with waiver of use. The employer-paid contribution reserves accrued interest at 0.50% in 2021 (previous year: 0.25%).

7. Notes on other balance sheet and operative account positions

	2021	2020
	CHF	CHF
7.1 Breakdown of pension fund contributions		
Employee savings contributions	171 102 068	166 201 781
Employee risk contributions	18 291 480	18 550 937
Employee administrative contributions	3 652 716	4 424 374
Total employee contributions	193 046 264	189 177 092
Employer savings contributions	219 671 438	215 559 385
Employer risk contributions	28 687 363	29 296 767
Employer administrative contributions	5 836 327	7 117 669
Basic contributions	1 101 575	1 062 534
Cost contributions for extraordinary expenses	106 824	55 866
Total employer contributions	255 403 527	253 092 220

	2021	2020
	CHF	CHF
7.2 Other assets		
Receivables from employers	28 742 782	22 176 178
Withholding tax	15 105 766	17 317 461
Other credited assets	664 221	692 009
Rent deposits	82 320	33 208
Receivables from pension funds	13 534	141 619
Cash and cash equivalents from operating activities	4 963	6 306
Movable goods, IT, renovations	0	3 594 752
Total other assets	44 613 586	43 961 533

	2021	2020
	CHF	CHF
7.3 Liabilities		
Commitments to departed members	159 637 062	138 155 417
Separate free capital for pension funds	27 033 708	28 959 795
Early receipt of termination benefits	14 909 830	37 611 469
Other creditors	10 787 923	11 903 036
Commitments to pensioners	10 481 734	2 566 782
Obligations from new affiliations*	6 252 009	6 253 202
Early receipt of new affiliations	0	16 049 898
Total liabilities	229 102 267	241 499 599

* As of 31 December 2021, it was not yet possible for one new affiliation from 2018 to be definitively finalised. This relates to the takeover of a foundation where the takeover agreement is pending.

7.4 Non-technical reserves	2021	2020
	CHF	CHF
Provisions for deferred real estate capital gains tax from transfer to Profond Investment Foundation	2 060 000	2 060 000
Total non-technical reserves	2 060 000	2 060 000

The real estate capital gains tax is calculated on the basis of the difference between the taxable acquisition cost and the current market value.

7.5 Investments with the employer	2021	2020
	CHF	CHF
Profond Investment Foundation		
Current accounts	1 537 770	12 708 316
Holdings	2 066 201 930	1 790 676 202
Asset dedication	100 000	100 000
Total Profond Investment Foundation	2 067 839 700	1 803 484 518

Forward exchange transactions for foreign currency hedging are not included in the investments with the employer.

Net return on investments with the employer	2021	2020
	CHF	CHF
Profond Investment Foundation		
Valuation adjustment	100 400 850	57 058 892
TER costs	- 10 901 185	- 11 225 579
Total Profond Investment Foundation	89 499 665	45 833 313

Foreign currency valuations are not included in the above table.

	2021	2020
	CHF	CHF
7.6 Administration expenses		
Administration expenses according to the operative account	24 020 410	22 953 493
Expenses for insurance benefits paid	- 4 651 437	- 3 081 837
Other income (relevant to administration costs)	- 414 153	- 375 089
Total administration expenses (adjusted)	18 954 820	19 496 568

Profond Pension Fund is a fully autonomous foundation. All insurance services (e.g. for disability) are therefore provided internally and, pursuant to Swiss GAAP FER 26, are recognised as administration expenses instead of insurance cost. The administration expenses are therefore reduced by this item.

Other income comprises income from services that the Foundation provides and thus reduces the administration expenses.

	2021	2020
	CHF	CHF
7.7 Additions to number of insured persons		
Transfers of termination benefits	99 069 640	397 315 001
Contributions, free capital	4 971 854	24 586 178
Transfers of pensioners' pension capital	3 750 071	10 254 532
Transfers of technical reserves	286 418	0
Total transfers following takeover of insured persons	108 077 983	432 155 711

	2021	2020
	CHF	CHF
7.8 Departures of insured persons		
Transfer of termination benefits	102 454 848	29 809 461
Transfer of pensioners' pension capital	4 964 355	2 486 193
Transfer, employer-paid contribution reserves	7 487 219	1 608 144
Total transfer of funds in case of collective termination	114 906 421	33 903 798

	2021	2020
	CHF	CHF
7.9 Other income		
Other income	152 745	22 914
Withholding tax commission	7 583	48 650
Home ownership promotion fees	91 325	84 064
Services to third parties	162 500	219 460
Total other income	414 153	375 089

8. Supervisory authority requirements

There are no supervisory authority requirements.

9. Further information regarding financial situation

9.1 Partial liquidations

The partial liquidations are being duly processed in accordance with the Partial Liquidation Regulations approved on 31 October 2019 and valid from 31 December 2019. The pending and completed partial liquidations are presented in a separate listing covering a period of two years.

In 2021, the following suspected cases of partial liquidation as of 31 December 2020 were reviewed and executed:

<u>Current status regarding partial liquidation</u>	<u>Decrease in number of members</u>	<u>Restructuring</u>	<u>Termination of affiliation agreements</u>	<u>Total</u>
Number of affiliations examined				39
Suspected cases	25	0	14	39
Positive decision	0	0	1	1
Negative decision	25	0	13	38
Decision pending	0	0	0	0
Executed	25	0	13	38
Pending	0	0	1	1

In 2021, as in the previous year, there were no transfers to the value fluctuation reserve on contract terminations.

9.2 Contingent liabilities

A rent guarantee of CHF 130 000 was issued for the office premises in Zurich instead of a rent deposit account.

In the previous year, there were additionally contingent liabilities (performance-related increase in purchase price) of up to CHF 5 000 000 in connection with investments in the alternative investment "Infrastructure".

9.3 Pledge of assets

A deed of pledge in the amount of CHF 150 000 000 was agreed in the framework agreement for loans between Profond Pension Fund and Credit Suisse AG, dated 11 December 2016. As of 31 December 2021, CHF 1 737 059 of this had been used.

9.4 Legal proceedings in course

There are currently no substantial legal proceedings in course.

10. Events subsequent to the balance sheet date

None.



KPMG AG
Badenerstrasse 172
PO Box
CH-8036 Zurich

+41 58 249 31 31
kpmg.ch

Report of the Statutory Auditor to the Board of Foundation of the Profond Vorsorgeeinrichtung, Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Profond Vorsorgeeinrichtung, which comprise the balance sheet, operating account and notes for the year ended 31 December 2021.

Foundation Board's Responsibility

The Foundation Board is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and with the foundation's deed of formation and the regulations. This responsibility includes designing, implementing and maintaining an internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Foundation Board is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Responsibility of the expert in occupational benefits

In addition to the auditor, the Foundation Board appoints an expert in occupational benefits to conduct the audit. The expert regularly checks whether the occupational benefit scheme can provide assurance that it can fulfil its obligations and that all statutory insurance-related provisions regarding benefits and funding comply with the legal requirements. The reserves necessary for underwriting insurance-related risks should be based on the latest report provided by the expert in occupational benefits in accordance with Article 52e paragraph 1 of the Occupational Pensions Act (OPA) and Article 48 of the Occupational Pensions Ordinance 2 (OPO 2).

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2021 comply with Swiss law and with the foundation's deed of formation and the regulations.



**Profond Vorsorgeeinrichtung,
Zurich**

Report of the Statutory Auditor
to the Board of Foundation

Report on additional legal and other requirements

We confirm that we meet the legal requirements on licensing (Article 52b OPA) and independence (Article 34 OPO 2) and that there are no circumstances incompatible with our independence.

Furthermore, we have carried out the audits required by Article 52c paragraph 1 OPA and Article 35 OPO 2. The Foundation Board is responsible for ensuring that the legal requirements are met and that the statutory and regulatory provisions on organisation, management and investments are applied.

We have assessed whether

- organisation and management comply with the legal and regulatory requirements and whether an internal control exists that is appropriate to the size and complexity of the foundation;
- funds are invested in accordance with legal and regulatory requirements;
- the occupational pension accounts comply with legal requirements
- measures have been taken to ensure loyalty in fund management and whether the Governing Body has ensured to a sufficient degree that fund managers fulfil their duties of loyalty and disclosure of interests;
- the available funds or discretionary dividends from insurance contracts have been used in compliance with the legal and regulatory provisions;
- the legally required information and reports have been given to the supervisory authority;
- the pension fund's interests are safeguarded in disclosed transactions with related entities.

We confirm that the applicable legal and statutory requirements have been met.

We recommend that the financial statements submitted to you be approved.

KPMG AG

***This is the English translation of the
German Report of the Statutory Auditor***

Erich Meier
Licensed Audit Expert
Auditor in Charge

Carole Gehrler
Licensed Audit Expert

Zurich, 29 March 2022



Keller Experten AG
Altweg 2
8500 Frauenfeld
Limmatstrasse 50
8005 Zurich
Phone 052 723 60 60
info@kexp.ch
www.kexp.ch

Frauenfeld, 2. June 2022

Report of the Swiss accredited pension actuary on the 2021 annual financial statements

The actuarial report prepared as at 31.12.2021 is based on a technical interest rate of 2.00%, which is 0.25% lower than the previous year. This generated one-off costs for the increase in the actuarial mathematical reserves of CHF 195 million, which is equivalent to 2.4 funding ratio percentage points. For the first time, the calculations are made using the BVG 2020, Periodic Table 2021 mortality tables as an actuarial basis. This leads to a reduction in liabilities of CHF 153 million, which is equivalent to 1.9 funding ratio percentage points.

The funding ratio rose from 109.6% to 116.1 % within a year, which is primarily due to extraordinarily high performance on assets. The recognised investment fluctuation reserve is at target value. In addition, CHF 160 million is reported as free funds.

The current funding is actuarially correct and, taking account of the technical bases, Profond's benefit commitments are secured by contributions, reserves, pension liabilities and expected income from assets. As the expected return on assets exceeds the target return of 2.8%, it can be assumed that the financial position will remain good in the medium term.

Concerning funding, the savings process is balanced as the savings contributions match the retirement credits. Like in the previous years, the financial obligations for the newly arising death and disability benefits of active members are smaller than the risk contributions provided for this purpose. As a result, a profit arises in this risk process. The cost process is slightly negative, as the cost contributions combined with all remunerations and income somewhat exceed the administration expenses. In addition, the costs of pension losses amounted to CHF 26.3 million in 2021 and were covered by the return on assets.

The Foundation Board adopted the changes we requested in the Reserving Regulations and in the actuarial bases. From the actuary's point of view, no further measures need to be implemented immediately.

As pension experts, we confirm that the actuarial principles are appropriate, financial security is given as of the reporting date, the regulatory actuarial requirements comply with the legal requirements, the measures taken to cover the actuarial risks are sufficient and the target value of the investment fluctuation reserve is appropriate.

Keller Experten AG (contractual partner)

André Tapernoux
SKPE Pension Fund Actuary
Executive actuary

Patrick Baeriswyl
SKPE Pension Fund Actuary



Matthias Keller

Patrick Baeriswyl

Roland Schorr

André Tapernoux

Profond

Head office

Profond Vorsorgeeinrichtung
Zollstrasse 62
8005 Zurich
058 589 89 81

Office in Western Switzerland

Profond Institution de prévoyance
Avenue de la Rasude 5
1006 Lausanne
058 589 89 83

Office

Profond Vorsorgeeinrichtung
Hans-Hugi-Strasse 5
2502 Biel
058 589 89 81

Office

Profond Vorsorgeeinrichtung
Vadianstrasse 59
9000 St. Gallen
058 589 89 81

info@profond.ch
www.profond.ch