

Profond

Annual Report

2017

Profond at a glance

112.6%

Cover ratio

6.9%

Conversion rate

CHF 7.4 bn

Assets under management

32 812

Active insured
members

0.35%

Total expenses for asset
management

3.5%

Interest

11.3%

Return

Contents

	Foreword
5	Mirjam Staub-Bisang and Laurent Schlaefli
	Sustained high interest rates
6	Mirjam Staub-Bisang
	Interview
8	Laurent Schlaefli
	Annual review
11	Summary of key points
12	Investment results
14	Segment reporting
	Sustainability and commitment
18	Profond prioritises sustainability
	Governance
21	Organisation structure
22	Members of the Board of Trustees and Executive Board
25	Governing bodies
28	External partners and management bodies
28	Management of risks, guidelines and voting rights
	Annual financial statements
31	Balance sheet
32	Operating result
34	Notes
52	Auditor's report
54	Pension insurance expert's report



Profond refines its strategy – and looks optimistically to the future

Dear Sir/Madam,

What sets us apart? How do we deal with change? What do we need to do to continue to be successful in the future? The main theme for the 2017 financial year was the strategic realignment. Last summer, Profond's Board of Trustees and Executive Board initiated a business strategy process and adopted the core values for the business strategy 2018 to 2021. In doing so, we defined Profond's vision:

"We are the leading, independent collective foundation thanks to sustained high benefits."

One of our main objectives is to be able to continue to offer you sustained high benefits in the future. Profond's financial stability and security is equally important to us. Our focus is therefore on healthy growth. We adhere to our investment strategy, which is based on a high proportion of real assets.

Profond has established its strategic course and thus laid the foundations for a successful future. The new business strategy will be gradually implemented in the new financial year. In addition to economic objectives, the issues of digital transformation, sustainability and communication will be high on the agenda.

The Board of Trustees and the Executive Board of Profond would like to thank our employees for the great commitment they have shown. We would like to thank you, our customers, for your trust and loyalty.

Zurich, June 2018



Mirjam Staub-Bisang
Chairwoman of the Board
of Trustees Profond



Laurent Schlaefli
Managing Director
Profond

Sustained high investment performance delivers sustained high interest payments

The investment environment could scarcely have been any better in 2017. The global economic recovery, low interest rates and rising corporate earnings provided investors with significant capital gains and very little price volatility. All asset classes performed well; all equity markets recorded double-digit growth. Only government bonds reported negative returns. 2017 was an excellent year for investors – provided they maintained their investment exposure. As Profond did. We achieved an impressive annual performance of 11.3%.

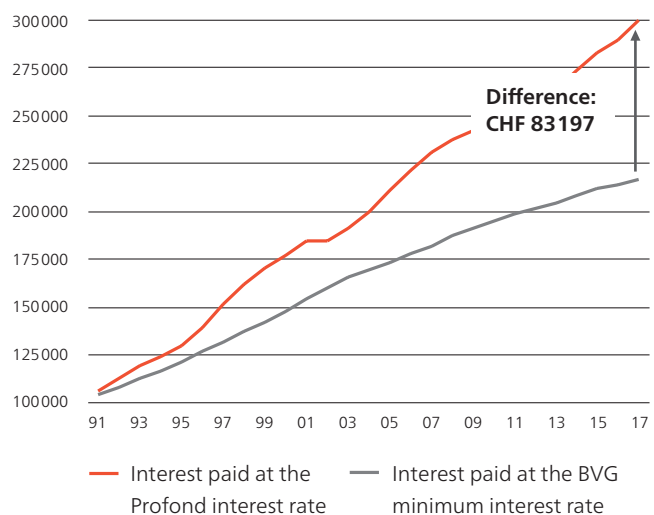
In October 2017, burgeoning fears of a stock market correction caused Profond's Board of Trustees to evaluate measures to reduce equity exposure and hedge against the risk of losses. However, following an in-depth analysis of the situation, we made the decision to abide by our principle of investing strategically and over the long term, even in a more volatile investment environment. We did this for two reasons. Firstly, because tactical measures designed to address short-term market movements generally have a negative effect on the performance of pension funds. This was demonstrated by a study conducted by the University of St. Gallen in 2016, which examined the effect of governance quality on the investment performance of 139 Swiss pension funds. Secondly, because Profond has very strong liquidity. We constantly generate high positive cash flows due to our favourable ratio of active members versus pensioners and our investment structure. Consequently, we can withstand a major correction on the equity markets without having to fear liquidity squeeze.

The investment philosophy that Profond has pursued since its inception in 1991 has proven its worth. Our investment strategy has always been characterised by a high proportion of investments in real assets with an equity ratio of approximately 50%.

Over the last 26 years, this strategy has resulted in an average annual performance of 5.3% – and thus financed the highest long-term interest rate of all collective foundations in Switzerland.

During the last financial year, the active members enjoyed an interest rate of 3.5% on their pension assets, a value significantly above the average of all collective foundations in Switzerland. Since its inception, Profond has paid above-average levels of interest, namely an average of 4.2% over the last 26 years. This value exceeds the average BVG minimum interest rate of 2.9% by an impressive 1.3% p.a. What does this mean? To give an example, the above-average interest rate, coupled with the compound interest effect, would have increased the pension fund assets of an insured member of Profond from CHF 100 000 to CHF 299 681 in the period between 1991 and 2017; this equates to CHF 83 197 or 38.4% more than if the respective BVG minimum interest rate had been paid on their retirement assets. The following graph illustrates this connection.

Significantly higher retirement assets (in CHF)





“Thanks to our investment strategy, we were able to finance the highest long-term interest rate of all collective foundations in Switzerland over the last 26 years.”

Mirjam Staub-Bisang

In addition, the Board of Trustees adopted a binding interest rate policy and reduced the technical interest rate from 3.5% to 3.0%. This meant that we invested substantially in the financial stability of the Foundation.

Sustainable benefits require a sustainable business. At Profond, we pursue a holistic approach to sustainability, addressing financial, environmental and social aspects in equal measure and taking into account the interests of future generations. In the year under review, we checked our equity investments for sustainability risks and initiated a systematic analysis in accordance with sustainability criteria.

As a pension fund, we fulfil an important legal mandate: that of providing an occupational pension. It is our objective to protect our insured members against the risk of death and invalidity in all situations and to ensure that retirement is financially secured based on the sustained high interest paid on their retirement assets. True to Profond’s mission: “We ensure prosperity in old age.”

Interview with Laurent Schlaefli

Laurent Schlaefli, you have been Managing Director at Profond for more than a year. What have been the most important milestones to date?

One of the most important measures involved restructuring Profond from an administratively oriented organisation to a customer-oriented one. We put the customer first so that we can identify even more effectively the needs of our insured members. To do this, we realigned our processes and the organisation. The customer-focused structure allows Profond to be more agile, dynamic and efficient in its activities.

Another important milestone was the adoption of a new, clearly defined interest rate policy. Profond strives to constantly achieve and maintain the target fluctuation reserve in order to keep sufficient leeway for setting the interest rate. The Board of Trustees also decided to improve the interest rate for the active members compared to the pensioners, as soon as the target fluctuation reserve is reached. With this new interest rate policy, we want to compensate our active members for their increased risk.

We ended last year with pension fund assets of more than 7 billion Swiss francs – another milestone in Profond’s history! This record amount is due to new affiliated companies and positive capital market developments.

Persistently low interest rates and regulatory requirements are just two of the many challenges facing pension funds. How does Profond hold its own in such an environment?

Increasing regulation and growing complexity are challenging issues for pension funds. Yet, these framework conditions also offer collective foundations like Profond opportunities for growth and thus the opportunity for structural improvements. Many company pension funds decide to give up their independence and affiliate themselves with a collective foundation. Ten years ago, there were 2208 company pension funds; five years ago, the figure was down to 1739. This trend is a clear indication of a progressive consolidation process.

Joining a collective foundation offers insured members many benefits. Economies of scale arise from the large number of affiliated companies and volume of assets. Asset management is more cost-effective and administrative costs and the risks for death and invalidity are spread among multiple individuals.

It’s not surprising therefore that competition among the collective foundations intensified. In order to be able to benefit from economies of scale and to keep the structure of insured persons attractive, growth is important to Profond. However, our goal is not to take on as many insured persons as possible but rather to grow qualitatively and thus continuously improve our structure. It is only in this way that our insured members will reap the benefits of qualitative growth.

Profond initiated a strategy process last year. What were the reasons for this?

There was a time when all that a collective foundation needed to be successful was a convincing investment strategy. That is no longer the case. Collective foundations now need to offer more: individual pension solutions with attractive terms, a favourable age structure and, above all, financial stability. They need to face challenges relating to benefits and investments – for example, arising from the demographic trend or persistently low interest rates – and to pro-actively tackle them. The digital transformation will also reach our industry and change our business model.

During the last financial year, Profond addressed its long-term goals and strategy in detail in order to be as well prepared as possible for the future and to position itself clearly in the market vis-à-vis the competition. Our vision is to be “the leading, independent collective foundation thanks to sustained high benefits”.

What are the most important findings of this strategy process?

Since the inception of the pension fund in 1991, it has been our objective to maintain above-average benefits for active members and pensioners. We want to continue to do this in the future. At the same time, we are focused on a high level of financial stability. Financial stability needs to be guaranteed at all times and over the long term, even during years of volatile capital markets. We achieve this by defining strategic cornerstones, such as acting sustainably and with a strong customer focus; engineering the digital transformation; and regularly reviewing technical parameters, such as the conversion rate and the technical interest rate, and adjusting them if necessary.



“We want to continue to offer our insured members the highest interest payments over the long term.”

Laurent Schlaefli

Last year, Profond made a number of organisational changes and expanded the Executive Board. Why?

The aim of the strategy process was to create the conditions to be able to maintain sustained high benefits for our insured members in the future and to be able to operate successfully in the market. This included implementing measures that place the customer centre stage so that we can align ourselves more effectively to our customers' needs. One of the changes we made was to merge the Business Consultancy and Key Account Management departments; within the Executive Board, I also took strategic responsibility for sales.

The position of Head of Finance and Administration is a new one on the Executive Board. The HR and Internal Services Manager as well as the Head of Business Development have joined the Extended Executive Board. One of the reasons we created the latter position was that we see the digital transformation as a major strategic opportunity for Profond. We are convinced that Profond is very well positioned as a result of the realignment of sales and the extension of the Executive Board.

What are Profond's most important objectives in the next three years?

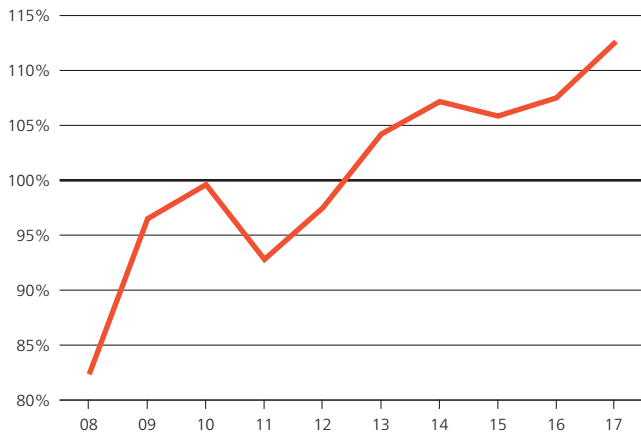
We want to continue to offer our insured members the highest interest payments over the long term compared to our competitors without endangering our financial security. A prerequisite for this is a sustained high investment return. Hence, we will also adhere to our investment strategy, which is based on real assets such as equities and real estate investments.

The digital transformation will be right at the top of the agenda for Profond over the next three years. This will help us to simplify operating and control processes for the benefit of the customer, while maintaining a high level of customer satisfaction and reducing administration costs sustainably.

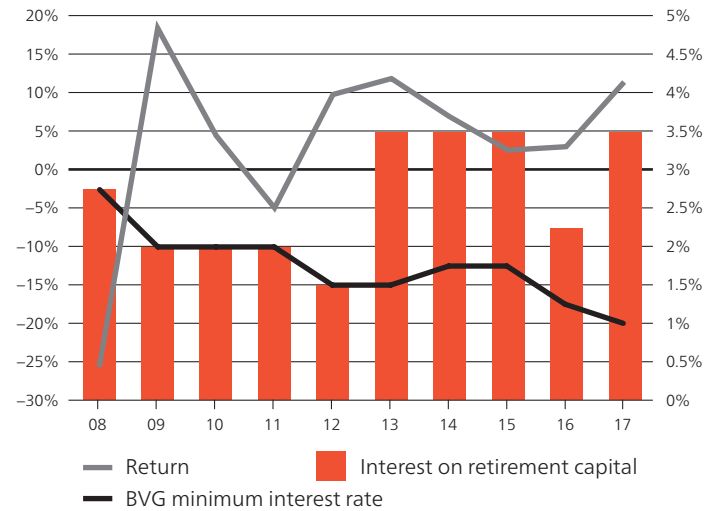
This is another important goal for us: we want to reduce the administration costs continually for all our insured members. In a comparison of costs with our competitors, we are striving for a position in the top third.

Annual review

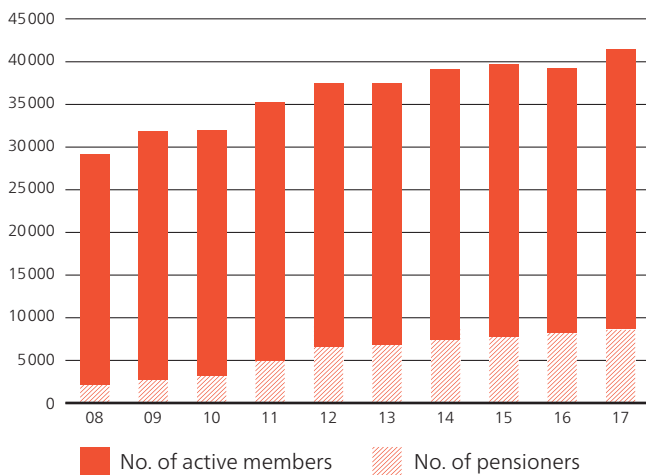
Cover ratio



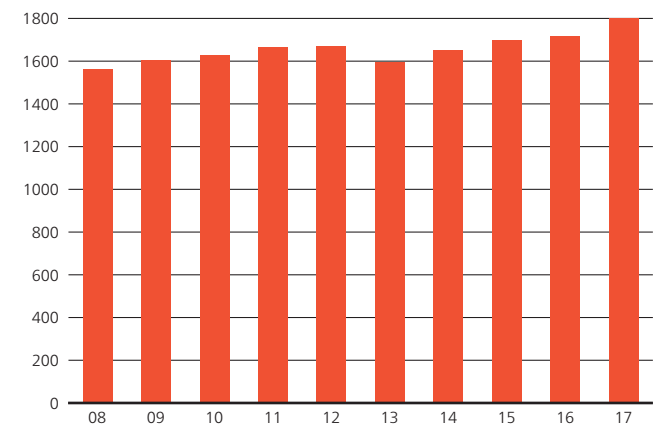
Annual return and interest on retirement capital



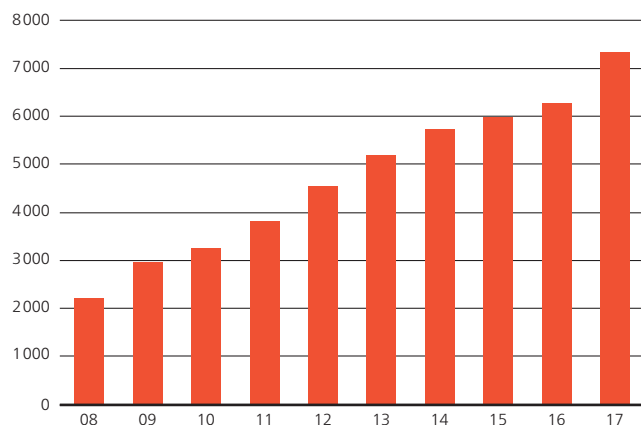
Number of beneficiaries



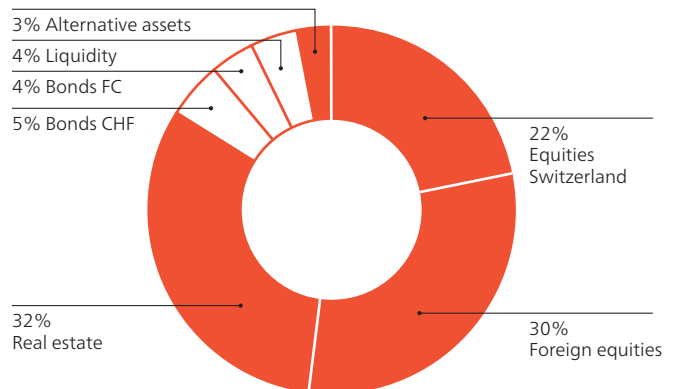
Number of affiliation partners



Assets (in CHF m)



Distribution of assets under management



Summary of key points

The long-term investment strategy with a high allocation to real assets (equities, real estate) has once again proved successful. In 2017 Profond achieved a net return of 11.3%. Since it was founded 26 years ago Profond has generated an average annual investment return of 5.3%.

Active members received significantly above-average interest payments in a sector comparison, with 3.5% p.a. on the retirement assets in both mandatory and supplementary insurance.

The Board of Trustees has decided to reduce the technical interest rate from 3.5% to 3.0%. This reduction in the technical interest rate resulted in the reduction of the funding ratio by 3 percentage points. With the new technical interest rate of 3.0%, the funding ratio after payment of interest is 112.6% (2016: 107.5%).

The number of insured members increased by 5.5% over the previous year to a total of 41 449. Of these, 8 637 received a pension. Invested assets grew by 16.8% or CHF 1.1 billion, amounting to approximately CHF 7.4 billion at the end of 2017.

The conversion rate for the calculation of old-age pensions upon ordinary retirement was 6.9% for men and 6.7% for women. Because of the increasing life expectancy, the Foundation Board decided to gradually reduce the conversion rate in stages until the year 2021, by 0.2% per year to 6.2% for male and 6.0% for female insured persons.

Administrative costs per insured person were reduced by 6.8% in 2017, and asset administration costs by 11.8%.

A new business strategy under the new management

In 2017 the Board of Trustees appointed a new Managing Director and a new Chairwoman of the Board of Trustees. Together with the Executive Management, the Foundation Board developed a new business strategy. This is based on the vision that Profond should become the leading independent collective foundation thanks to sustained high benefits. Profond not only aims to ensure an above-average return on retirement assets, but at the same time to invest in strengthening the financial stability.

Digital transformation

As part of the strategy process, a digitalisation project was launched to drive forward the necessary change in the business model by 2020. The goals of digital transformation are to increase efficiency in the organisation, to simplify the operating and control processes for the benefit of customers and to maintain a high degree of customer satisfaction.

Investment result

2017 was a very good year for investors in the financial markets. Almost all asset classes recorded a positive performance. At the same time, the year was very quiet and market volatility reached record lows, such as have not been seen for a long time.

The positive development on the financial markets was driven by robust global economic growth and rising corporate profits. In the USA, the economic growth of 2.3% in 2017 was higher than in 2016 (+1.5%). One pillar of growth was private consumption, which benefited from positive developments on the labour market. The economy of the euro zone also grew healthily in 2017 (+2.4%). The companies' investment activity increased noticeably despite the political uncertainties. In Switzerland, growth is estimated at only 1% for 2017, due to the weak first half of the year.

Thanks to its real assets investment strategy – with a high allocation to equities and real estate – Profond achieved a respectable return of 11.3% (our own benchmark 12.4%). As expected, equities made the largest contribution. With a performance of 25.4%, Swiss shares performed significantly better than foreign shares with a performance of 20.7%. The structure of the Swiss portfolio, with a very broad diversification and a relatively high proportion of equities of medium-sized companies, paid off: it significantly outperformed the Swiss Market Index (SMI).

Even though bonds were able to generate a slight positive performance, they contributed little to the total investment return in 2017. In some cases our portfolio managers were able to exceed their respective benchmarks here as well, mainly thanks to a skilful selection of securities.

Liquidity yielded a better interest rate than its benchmark and made a neutral contribution to the overall result, which given the current negative interest rate environment is quite remarkable.

Summary of investment result

Asset class	Ø Proportion	Contribution to the result	Performance	Benchmark
Equities	51.9%			
Domestic	22.6%	5.4%	25.4%	25.8%
Foreign	29.3%	5.7%	20.7%	19.7%
Bonds	10.8%			
Swiss francs	7.0%	0.0%	0.3%	0.1%
Foreign currency	3.8%	0.0%	0.6%	-0.3%
Real estate	28.6%	0.1%	0.4%	5.4%
Alternative investments	3.1%	0.1%	4.0%	9.1%
Liquidity	5.7%	0.0%	0.0%	-0.7%
Total*	100.0%	11.3%		

*figures rounded

Real estate contributed a total of 0.1% to the overall result in the year under review. Our broadly diversified Swiss real estate portfolio, consisting of residential and commercial properties, generated an operating return of 3.8% in line with market returns. The net return on investment was negatively affected by tax effects following the purchase of a portfolio of real estate companies in 2016. These negative tax effects will be incurred over the next three years. The portfolio of commercial properties in Germany and Austria, which was purchased in the year under review, and which is broadly diversified in terms of location and use, suffered from substantial one-off transaction charges and property acquisition taxes as well as only partial rental income for the year. The indirect real estate portfolio, consisting of investment foundations and funds in Switzerland and abroad, generated a return on investment of 5.3% in the year under review.

The return on alternative investments last year was 4.0%. Here the largest contribution came from investments in the private equity sector. Infrastructure investments delivered an operating performance of 4.0%, but were slightly devalued due to changes in the valuation approach.

The standard deviation of the portfolio as an indicator of risk fell again in 2017 to just 4.2% (2016: 7.5%). The volatility of Profond's portfolio is in line with the financial markets as a whole.

Composition of assets

At 52%, the proportion of equities was slightly above the strategic ratio, both as an annual average and at the end of the year – driven by the constant appreciation of the stock markets. The overweight in equities consisted of both Swiss and foreign shares.

Real estate accounted for 32% of the total portfolio at the end of the financial year.

Because the bonds' yield to maturity continued to be negative this year, suggesting that no positive returns are technically possible in the next few years, Profond again reduced its bond portfolio slightly this year. Thus the total allocation to bonds (domestic and foreign) was just 9% at the end of December. However, this allocation will be maintained for reasons of risk management, diversification and liquidity management.

Profond increased its share of alternative investments to 3% by purchasing another photovoltaic system.

With regard to currency risk, Profond resolutely pursues the strategy of hedging foreign currency bonds, foreign real estate and infrastructure investments. Foreign stocks, on the other hand, are mostly not hedged. Some 70% of the total portfolio is invested in Swiss francs overall.

Liquidity was approximately 4% at the end of the year. Due to the positive cash flow structure, Profond is required to find investment opportunities with attractive risk/return characteristics in a timely manner.

Segment accounting

Since the 2014 financial year Profond has reported the results for the three business segments "Savings", "Risk" and "Administration process" separately. This segment reporting shows how the funds are used. The aim is for the risk and administration processes to cover costs, and for all savings contributions to benefit the savings process. A positive net result of the three segments is made available for the so-called savings process and, as Profond is an independent collective foundation, it is always passed on in full to the beneficiaries.

Savings process

The main income comes from the contributions, "entry benefits" (starting contributions brought in from previous pension plans) and deposits and the return on assets. Profond uses this income primarily to finance lump-sum and pension benefits, termination benefits, interest and provisions, and asset administration costs.

Risk process

Almost all the income comes from customers' risk contributions. Because Profond stopped taking out reinsurance in 2013 it only receives minor compensation for old claims. This income is used to finance lump-sum benefits in the event of death and disability and for associated widows' and orphans' pensions.

Administrative process

This segment includes activities relating to general customer care (such as preparing documents and statements for insured members or affiliated companies) and customer advice on entry or departure (for example regarding voluntary purchases or retirement). The contributions to administrative costs are used to pay employees, rental and other expenses.

Overall result for 2017

In 2017 earnings exceeded expenditures by CHF 372.7 million. This resulted in an increase of the fluctuation reserve to CHF 796.1 million, a value which corresponds to approximately 12.6% of the pension capital of CHF 6.3 billion which has to be covered.

Operating liquidity as the balance of (+) income from contributions, (+) entry benefits and deposits, (-) termination benefits and (-) lump-sum and pension benefits, amounts to CHF 316.3 million, which has risen significantly compared to the previous year.

Net income from investments amounted to CHF 729.3 million. This corresponds to an increase of CHF 499.3 million compared to the previous year, which is attributable to the higher returns.

Segment accounting (in 1000 CHF)

	Savings process	Risk process	Administrative process	Total 2017	Total 2016
Income from contributions	268 632	31 589	15 854	316 075	299 257
Entry benefits and deposits	606 354	0	0	606 354	450 233
Income from investments (net)	729 304	0	0	729 304	229 967
Income from insurance benefits	0	2 469	0	2 469	3 247
Out-of-period revenue	0	0	0	0	9 580
Total income	1 604 290	34 058	15 854	1 654 202	992 284
Termination benefits	-364 618	0	0	-364 618	-439 108
Lump-sum and pension benefits	-239 782	-1 742	0	-241 524	-227 825
Formation of pension capital, technical reserves and contribution reserves	-642 214	-14 458	0	-656 672	-219 359
Insurance expenses	0	-3 495	0	-3 495	-1 914
Administrative costs	0	0	-15 158	-15 158	-16 158
Change in fluctuation reserves	-372 735	0	0	-372 735	-87 920
Total expenses	-1 619 349	-19 695	-15 158	-1 654 202	-992 284
Result	-15 059	14 363	696	0	0

The risk process again produced a surplus, which at CHF 14.4 million was CHF 3.6 million higher than in 2016, and this was passed on to the insured members. Claims fell sharply again in 2017, by a total of CHF 5.1 million, with an increasing number of insured members.

Net income in the administrative process has improved significantly. This resulted in a surplus of CHF 0.7 million.

Savings process

Fixed assets increased again in 2017, by a total of CHF 1.1 billion. Income from investments also increased, by CHF 499.3 million to CHF 729.3 million. The resulting net return of 11.3% significantly exceeds the long-term target return of 4.3%.

Savings process (in 1000 CHF)

	2017	2016
Income from savings contributions	268 632	253 093
New affiliated companies	190 498	91 385
Vested benefit payments	278 846	287 557
Purchases	44 856	38 979
New affiliated companies	92 154	32 312
Entry benefits and other deposits	606 354	450 233
Investment income	754 826	254 748
Asset management costs	-25 522	-24 781
Income from investments (net)	729 304	229 967
Out-of-period revenue	0	9 580
Out-of-period revenue	0	9 580
Total income	1 604 290	942 873
Terminated contracts	-3 566	-64 526
Vested benefit payments for individual departures	-329 012	-339 355
Other withdrawals and benefits	-32 040	-35 227
Termination benefits	-364 618	-439 108
Lump-sum benefits on retirement	-59 581	-60 201
Old-age, spouse's and children's pensions of those drawing pensions	-162 439	-150 815
Disability, child disability, orphan's allowances	-17 762	-15 373
Lump-sum and pension benefits	-239 782	-226 389
Change in pension capital	-260 942	-57 998
Ordinary interest on the pension capital	-34 534	-43 006
Supplementary interest on the pension capital	-87 801	-31 280
Change in pension capital/technical reserves according to the actuarial report	-261 271	-60 863
Change in contribution reserves and uncommitted funds	2 334	-6 212
Formation of pension capital, technical reserves and contribution reserves	-642 214	-199 359
Change in fluctuation reserves	-372 735	-87 920
Total expenses	-1 619 349	-952 776
Result	-15 059	-9903

The income from savings contributions increased again by CHF 15.5 million, in the year under review. Entry benefits and deposits rose by CHF 156.1 million compared to the previous year, to CHF 606.4 million. This was mainly due to the large number of new affiliated companies. The amount of vested benefits paid in was about the same as in the previous year.

The entry benefits were higher than termination benefits by CHF 241.7 million. This positive effect is due to the fact that the number of new affiliated companies was higher than in the previous year, and that there were hardly any terminations. Paid-out lump-sum and pension benefits increased again, by CHF 13.4 million.

On the expenditure side, pension capital had to be formed in 2017 (–CHF 260.9 million). Of this, CHF 155.5 million resulted from the reduction in the technical interest rate from 3.5 to 3.0%. The remaining amount is due to higher entry benefits from new affiliated companies and fewer termination benefits from terminated contracts.

Overall, income exceeded expenses, so that CHF 372.7 million could be added to the fluctuation reserve.

Risk process

The positive result was again up on the previous year, at CHF 14.4 million. This was due to significantly fewer claims (–CHF 5.1 million) than in the previous year.

A reserve was formed in 2015 because a number of affiliation agreements were extended following the changes in tariffs. This reserve is being released over the years 2016 to 2018 (CHF 4.3 million in 2017), to benefit the affiliated companies in the form of premium discounts. This release of reserves also contributed to the good result.

The claims burden, which has been very low generally, again decreased by CHF 5.1 million compared to the previous year and now stands at CHF 17.9 million. For several years now, it has fallen below the calculated actuarial figures according to the tariff base, and this was the trigger for the said reduction in risk premiums.

Overall expenses were some CHF 3.7 million lower than in the previous year. The reason for this is again the lower number of claims despite an increasing number of insured persons.

Risk process (in 1000 CHF)

	2017	2016
Income from risk contributions	31 589	30 915
Income from insurance benefits	2 469	3 247
Total income	34 058	34 162
Lump-sum benefits in the event of death	–1 742	–1 436
Change in pension capital/technical reserves according to the actuarial report	3 464	3 041
Claims resulting from death or disability	–17 922	–23 041
Formation of pension capital, technical reserves and contribution reserves	–14 458	–20 000
Risk premiums, reinsurers	–124	–119
Risk + Health and case management	–1 778	–521
Contributions to Guarantee Fund	–1 593	–1 274
Insurance expenses	–3 495	–1 914
Total expenses	–19 695	–23 350
Result	14 363	10 812

Administrative process

We are pleased to report a surplus of CHF 0.7 million. The revenues of CHF 15.9 million are set against expenses of CHF 15.2 million.

Since 2015, sales remuneration for directly served clients – which was booked previously in the risk process – has been included in the administrative process, and this had a positive effect of CHF 2.5 million on the result. Income from administrative contributions was slightly higher than in the previous year (+CHF 0.4 million), which is primarily attributable to additions from new affiliated companies. As in the previous year, administrative cost contributions accounted for around 60% of revenues in the administrative process, and some 40% came from the remuneration of brokers and sales personnel.

Marketing and advertising costs (including sales) rose again in 2017. The increase in sales personnel, which is included in this item, contributed significantly to this. On the other hand, brokerage fees were lower by CHF 0.9 million than in the previous year. This is attributable to the new provisions for brokers' remuneration in place since 1 January 2017.

The lower administrative costs in absolute terms, compared to the previous year, despite a higher number of insured members, led to significantly lower average costs per insured person. For the year under review, these costs amount to CHF 366 (previous year CHF 393) per person.

Administrative process (in 1000 CHF)

	2017	2016
Contributions for brokers' remuneration	3 895	4 819
Included fees for sales of directly served affiliated companies	2 513	1 354
Administrative cost contributions	9 446	9 076
Total income	15 854	15 249
General administration costs	-9 006	-9 435
Marketing and advertising (incl. sales)	-3 061	-2 279
Agents and brokerage	-3 895	-4 819
Audit, experts and supervisory authority	-298	-217
Other expenses/income	1 102	592
Administrative costs	-15 158	-16 158
Out-of-period expenses	0	0
Total expenses	-15 158	-16 158
Result	696	-909

Sustainability and commitment

Profond pursues a comprehensive approach to sustainability, addressing financial, environmental and social aspects equally.

We endeavour to take into account the interests of future generations.

Profond prioritises sustainability

Thinking and acting sustainably is an integral element of our corporate culture. We are committed to treating resources responsibly when it comes to both pensions and investments and also to operating activities. Profond pursues a comprehensive approach to sustainability, addressing financial, environmental and social aspects equally. We endeavour to take into account the interests of future generations.

Our long-term investment strategy, and its high exposure to real assets, is the basis for generating sustained high investment returns which will be passed on to our insured members in the form of sustained high benefits. In order to be also able to provide future generations with high benefit levels and a high degree of security, we support the fair distribution of benefits between pensioners and active insured members.

Responsible investment is very important to us. It entails the following:

Exercising voting and shareholders' rights in listed companies in Switzerland

By using our voting and shareholders' rights, we help to ensure that the companies in which we invest act sustainably. When exercising our voting and shareholders' rights in Switzerland, we take advice from the independent Swiss sustainability rating agency Inrate. Profond's voting behaviour can be viewed on our website.

Implementing risk analyses

In the period under review, for the first time, Profond subjected all equity investments to a screening. Based on the criteria set out by the Swiss Association for Responsible Investments (SVVK-ASIR), Profond examined whether it was holding equities in companies that the SVVK had recommended excluding. On concluding the analysis, Profond decided to implement appropriate measures.

In addition, Profond initiated a systematic review of its portfolio's sustainability. This review was conducted in spring 2018 by the external provider Conser Invest SA. These two analyses provide us with a basis for defining a comprehensive sustainability strategy across all asset classes.

Code of conduct

Because of its fiduciary role, Profond's behaviour must meet high ethical standards. As a member of the Schweizerischer Pensionskassenverband (ASIP) (Swiss pension fund association), Profond is subject to the ASIP Charter as a binding code of conduct. Profond is committed to observing the principles of the ASIP Charter and to taking the appropriate measures. The implementation of the ASIP Charter is ensured by means of declarations of loyalty and statements of integrity that are signed with all employees and external service providers who are entrusted with investments.

Profond works only with business partners in the asset management business that undertake to observe the principles of the ASIP Charter.

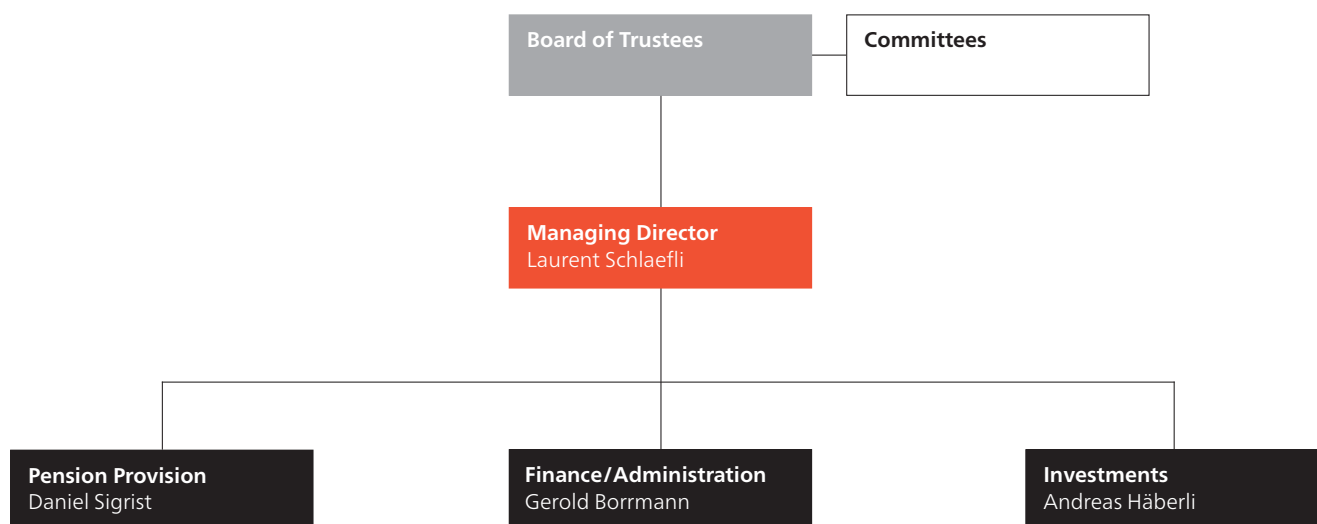
Sustainability is a priority for Profond, not only in its investment business but also in its operational activities. Actions in the operational area include the following:

- As a responsible employer, we attach great importance to attractive working conditions and a high level of employee satisfaction. We gauge employee satisfaction using an annual survey and specify measures to improve it. Employee development is important to us. For this reason, we conduct training and support employees with continuing education.
- We strive to keep our ecological footprint small. We therefore manage natural resources carefully and focus on the use of sustainable products. At our premises in Zurich, we source our electricity from 100 per cent renewable energy. The paper used by Profond for printing and copying is FSC certified. We also use centralised printer stations to further improve our life cycle assessment.

Governance

Profond ensures that the interests of the various stakeholder groups are taken into account in a well-balanced manner, both internally and externally. Its organisation and control comply with the provisions of Art. 48 et seq. of the BVG.

Organisation structure



Status as at: 1 February 2018

Profond's governance aims to consider the interests of its various stakeholders in a balanced way. The focus is on the organisation of the management and its control. According to Art. 51a BVG (Occupational Pensions Act), the Board of Trustees is responsible for the overall management and the supervision of the Executive Board. It delegates tasks to the Executive Board and committees. The delegation of tasks to third parties is restricted by law. The committees consist of members of the Board of Trustees, members of the Executive Board, Profond employees and external experts.

The Board of Trustees has entrusted the Managing Director with all essential tasks related to pension provision, finances/administration and investments. Each member of the Executive Board reporting to the Managing Director is responsible for the results of his/her own division.

In addition, the Board of Trustees has special monitoring tasks, which are organised as a cross function across all the business divisions, such as risk management and the internal control system. These tasks are performed by the Risk, Remuneration and Management Committees.



From left to right: Peter E. Bodmer, Frédéric E. Goetschmann, Denis Mazouer, Beda Mrose

Board of Trustees

Peter E. Bodmer (since August 2017), Employee Representative; lic. oec. publ., MBA IMD; Chairman & CEO BEKA Group; member of the Real Estate Committee; other mandates: Chairman of the Board of Trustees of Profond Investment Foundation*, member of the Board of Directors (BD) Arbonia Holding AG, BD Peach Property Group, BD Helvetica Property Investors AG, BD Brüttsch/Rüegger Holding AG, BD Kuratle Group, BD Inovetica Holding AG, BD Klinik Schloss Mammern AG, BD Wilhelm Schulthess Foundation, Delegate of Board of Trustees of Innovationspark Zürich, Delegate of the Executive Council of Canton Zurich for strategic development planning of Zurich University Hospital and overall coordination of the university quarter

Frédéric E. Goetschmann (since 2016), Employee Representative; lic. rer. pol.; CFO Quickline Holding AG; other mandates: Board of Trustees of Profond Investment Foundation* (since 2016), BD QL AG, QL Business AG, QL Net AG, QL Regio Basel AG and QL Münchenbuchsee AG

Denis Mazouer (since 2016), Employee Representative; lic. ès. sc. éc., Pension Fund Expert SKPE, Actuary SAV; Consulting Actuary, Partner at Péricle's Group; member of the Risk Committee (since 2016)

Beda Mrose (since 2016), Employer's Representative, lic. iur. RA Attorney-at-Law, M.B.L.-HSG, chkp. ag solicitors and notaries; member of the Risk Committee (since 2016); other mandates: Board of Trustees of Profond Investment Foundation*, BD B+B Holding AG* and B+B Vorsorge AG*

* Entities that are fully or partially owned by Profond Collective Foundation



From left to right: Werner Murer-Chevalier, Mirjam Staub-Bisang, Aldo Platz, Willy Theilacker

Werner Murer-Chevalier (since 2015), Vice Chairman, Employer's Representative; Dr. phil. I, Occupational and Organisational Psychology; Managing Partner and Chairman mpw Beratungsteam AG; member of the Remuneration and Management Committee (since 2016); other mandates: Board of Trustees of mpw-Stiftung

Mirjam Staub-Bisang (since 2015), Chairwoman, Employer's Representative; Dr. iur. RA Attorney-at-Law, MBA INSEAD; CEO and BD Independent Capital Group AG, member of Management and Remuneration Committees, member of Securities Investment Committee and Alternative Investments Committee (since 2016), and member of the Investment Allocation Committee (ad interim Chairwoman since July 2017); other mandates include: BD Profond Finanzgesellschaft AG, Agro Energie Schwyz AG*, Bellevue Group AG, ABN Amro Investment Solutions and INSEAD

Aldo Platz (since 2008), Employee Representative; eidg. dipl. Accountant; Head of Administration, Center da sandà Engiadina Bassa

Willy Theilacker (since 1992), Vice Chairman, Employer's Representative; eidg. dipl. Accountant/Controller; Theilacker & Partner AG; member of Management and Remuneration Committees (since 2013); other mandates: Chairman of the Board of Trustees of Stiftung RgZ, B+B Holding AG* and B+B Vorsorge AG*, BD Linkgroup

* Entities that are fully or partially owned by Profond Collective Foundation

Executive Board



Gerold Borrmann



Andreas Häberli



Laurent Schläefli



Daniel Sigrüst

Gerold Borrmann (since August 2017), Head of Finance/Administration; Master of Science in Business Management WWU Münster, Postgraduate Diploma in Business, Massey, New Zealand; many years of experience in the finance and insurance sector, including senior positions at Farmers' Mutual Group and Credit Union North, New Zealand

Andreas Häberli (since February 2018), Head of Investments; Business Economist KSZ; CIO Profond Collective Foundation (2014 to 2016); member of the Securities Investment Committee (Chairman since 2014) and Asset Allocation Commission (since July 2017); over 25 years of experience in banking, including at UBS as Head of Trading, Equities and Investment Bank of Switzerland, former board member of SIX, EUREX and Virt-x London

Laurent Schläefli (since January 2017), Managing Director; eidg. dipl. Business Economist and EMBA from HEC Paris; member of the Management Committee (Chairman since January 2017), member of the Risk Committee (since January 2017); more than 25 years of experience in the insurance sector, including senior positions at Winterthur, Zurich, Swiss Life and Generali in various management, strategy and sales positions

Daniel Sigrüst (since 2016), Head of Pension Services; Deputy Managing Director; eidg. dipl. Private Insurance Expert and eidg. dipl. Pension Fund Manager; over 30 years of experience in the pensions sector, including senior positions at Allianz Suisse in Geneva and Zurich, member of the Executive Board of the Cantonal Pension Fund, Managing Director of the pension fund of a group foundation and member of the Board of Trustees. Executed external mandates: including seven years as an expert examiner for federal examinations in Bern

Governing bodies

Members listed alphabetically

Board of Trustees

The Board of Trustees is responsible for the overall management and control of the Foundation, ensures that the legally required tasks are fulfilled and determines the strategic goals and principles as well as the means for their fulfilment. It establishes the organisation of the Foundation, ensures its financial stability, supervises the Executive Board and elects the auditors and the occupational pensions experts. The term of office of the members of the Board of Trustees is four years. The current term of office ends on 31 May 2020.

Peter E. Bodmer (since August 2017),
Employee Representative

Frédéric E. Goetschmann (since 2016), Employee Representative

Denis Mazouer (since 2016), Employee Representative

Beda Mrose (since January 2017, prior to that attendee since 2016), Employer's Representative

Werner Murer-Chevalier (since 2015), Vice Chairman (since July 2017), Employer's Representative

Aldo Platz (since 2008), Employee Representative

Mirjam Staub-Bisang (since 2015), President (since July 2017), Employer's Representative

Willy Theilacker (since 1992), Vice President, Employer's Representative

Resigned

Andreas Höchli (from 1992 to January 2017),
Vice President, Employer's Representative

Olaf Meyer (from 2012 to June 2017), Chairman,
Employee Representative

Number of meetings in the year under review: 13

Management Committee

The Management Committee ensures the flow of information between the Board of Trustees and the Executive Board in the intervals between the Board of Trustees meetings, prepares the resolutions of the Board of Trustees in cooperation with the Executive Board, and prepares the meetings of the Board of Trustees.

Werner Murer-Chevalier (since 2016), Member
Laurent Schlaefli (since January 2017), Chairman (since August 2017)

Mirjam Staub-Bisang (since July 2017), Member
Willy Theilacker (since 2013), Member

Participation in an advisory capacity

Gerold Borrmann (since September 2017)

Andreas Häberli (since February 2018)

Daniel Sigrist (since September 2017)

Resigned

Christina Böck (from August 2017 to January 2018),
Member

Olaf Meyer (from 2013 to June 2017), Chairman

Bendicht Rindlisbacher (from September 2017 to
January 2018), Member in an advisory capacity

Number of meetings in the year under review: 11

Remuneration Committee

The Remuneration Committee advises the Board of Trustees on the appointment and payment of members of the Board of Trustees, the committees and the Executive Board. It prepares budget proposals for personnel costs in consultation with the Board of Trustees and the executive management.

Werner Murer-Chevalier (since 2016),
Chairman (since July 2017)

Mirjam Staub-Bisang (since July 2017), Member

Willy Theilacker (since 2013), Member

Participation in an advisory capacity

Petra de Capitani (since 2016)

Laurent Schlaefli (since January 2017)

Resigned

Christina Böck (from September 2017 to January 2018),
Member

Olaf Meyer (from 2013 to June 2017), Chairman

Number of meetings in the year under review: 2

Risk Committee

The Risk Committee monitors and manages the main risks at Profond. It also monitors the implementation of measures proposed by the risk owners, and reports to the Executive Board and the Board of Trustees.

Denis Mazouer (since 2016), Member
Beda Mrose (since 2016), Member
Aldo Platz (from July 2017 to May 2018 Member),
Chairman (since June 2018)
Laurent Schlaefli (since January 2017), Member
Mirjam Staub-Bisang (from July 2017 to
May 2018), ad interim Chairman

Participation in an advisory capacity

Gerold Borrmann (since September 2017)
Andreas Häberli (since February 2018)

Resigned

Christina Böck (from July 2017 to January 2018),
Member
Andreas Höchli (from 2015 to January 2017), Member
Olaf Meyer (from 2015 to June 2017), Chairman

Number of meetings in the year under review: 5

Asset Allocation Commission

(active since July 2017)

The core task of the Asset Allocation Commission is the implementation of the strategic allocation of investments and the tactical monitoring of the investment allocation and its range. The actual investment activity and selection of managers is assigned to the respective investment committees.

Franz Gysin (from August 2017 to January 2018
participation in an advisory capacity),
Member (since March 2018)
Andreas Häberli (since July 2017), Member
Mirjam Staub-Bisang (since July 2017),
ad interim Chairwoman

Participation in an advisory capacity

Peter Birchmeier (since July 2017)
Simone Farinelli (since September 2017)
Christian Fitze (since July 2017)

Always invited

Markus Bienhold (since October 2017)

Resigned

Christina Böck (from July 2017 to January 2018),
Member

Securities Investment Committee

The Securities Investment Committee is entrusted by the Board of Trustees with the implementation of the investment strategy in the securities area. It selects the portfolio managers, manages its own mandates, maintains contact with the custodian bank, and reports each month to the Board of Trustees. In particular, it develops specifications and administrative instructions for the portfolio managers, makes proposals for improvements to the Investment Regulations and the general investment guidelines, especially concerning the strategic investment allocation. It monitors investment activity and performance.

Franz Gysin (from August 2017 to January 2018
participation in an advisory capacity), Member
(since March 2018)

Andreas Häberli (since 2012), Chairman
Mirjam Staub-Bisang (since 2016), Member

Participation in an advisory capacity

Peter Birchmeier (since 2012)
Simone Farinelli (since September 2017)

Always invited

Markus Bienhold (since October 2017)

Resigned

Christina Böck (from 2016 to January 2018), Member
Olaf Meyer (from 2013 to June 2017), Member

Number of meetings in the year under review: 6

Committee for Real Estate Investments

The Committee for Real Estate Investments, as a strategic committee in the area of real estate, is a body of the Pension Fund and forms one of Profond's special committees. Profond Pension Fund established the Profond Investment Foundation [Profond Anlagestiftung] on 19 January 2016. All directly held properties of the Pension Fund were transferred to this Foundation. Profond Pension Fund is the sole owner.

Peter E. Bodmer (since August 2017), Member
Herbert Meierhofer (since 2010), Chairman
Hansjörg Pedrett (since 2010), Member
Roland Vögele (since September 2017), Member

Participation in an advisory capacity
Peter Birchmeier (since 2015)
Gerold Borrmann (since August 2017)
Alex Schärer (since 2016)

Always invited
Andreas Häberli (since February 2018)
Mirjam Staub-Bisang (since September 2017, before that, since July 2017, Member)

Resigned
Christina Böck (from 2016 to January 2018), Member
Andreas Höchli (from 2016 to January 2017), Member
Florian Kuprecht (from 2016 to December 2017), Member
Olaf Meyer (from 2016 to June 2017), Member

Number of meetings in the year under review: 7

Investment Committee for Alternative Investments

The Committee for Alternative Investments develops the strategy for alternative investments, for the attention of the Board of Trustees. It is involved in the acquisition of direct holdings and the holdings management of the alternative investments.

Mirjam Staub-Bisang (since 2016), Member
(since July 2017 ad interim Chairwoman)

Participation in an advisory capacity
Markus Bienhold (since October 2017)
Peter Birchmeier (since 2015)
Gerold Borrmann (since August 2017)

Resigned
Hans-Christian Angele (from 2016 to September 2017), Member
Christina Böck (from 2016 to January 2018), Member
Valentin Gerig (from 2016 to July 2017), Member
Andreas Höchli (from 2015 to January 2017), Member
Olaf Meyer (from 2015 to June 2017), Chairman

Number of meetings in the year under review: 10
Number of conference calls in the year under review: 7

Executive Board

The Executive Board manages the operational business within the framework of the guidelines laid down by the Board of Trustees, and issues the directives necessary for the internal organisation. The Executive Board is composed as follows as of 1 February 2018:

Gerold Borrmann (since August 2017), Head of Finance/Administration
Andreas Häberli (since February 2018), Head of Investments
Laurent Schlaefli (since January 2017), Managing Director, Chairman of the Executive Board
Daniel Sigrist (since 2016), Head of Pension Services

Resigned
Christina Böck (from 2016 to January 2018), Managing Director Investments
Bendicht Rindlisbacher (from 2015 to January 2018), Head of Market Management

External bodies and partners

Auditor

The auditors are Progressia Wirtschaftsprüfung AG, Au. Roger Boccali, Chief Auditor, has been in charge of the mandate since 2010. The auditors are elected by the Board of Trustees for a term of one year at the request of the Executive Board. They perform their work within the framework of the legal regulations, in accordance with the principles of the profession and the requirements of the national auditing standards, and prepare a comprehensive report for the attention of the Board of Trustees.

Occupational pensions expert

The occupational pensions expert is Beratungsgesellschaft für die zweite Säule AG. The leading expert Ernst Sutter is approved as an occupational pensions expert by the Supervisory Commission for Occupational Pensions.

External supervision

Profond is an occupational pension institute under the supervision of the Supervisory Authority for BVG Pensions and Foundations of the Canton of Zurich [BVG- und Stiftungsaufsicht].

Handling of risk, guidelines and voting rights

Risk management

The generation of investment returns, as well as all other activities of a pension fund are subject to numerous risks. In order to identify, analyse, evaluate and prioritise these risks, and specify the resulting measures to be taken and controls, Profond has developed an integrated risk management system, which was introduced in 2016. Risk management assesses risk by applying the following six metrics: qualitative and quantitative extent of the loss, time until an event is detected, handling in the event of an incident, control of and awareness of the risk exposure. This approach allows for risks to be differentiated and changes to be identified.

Internal control system

Profond uses an internal control system (ICS) that is continuously adapted and developed to meet Profond's requirements. It is aligned with international standards. All employees are informed about the ICS and are trained in it. An internal audit is carried out annually with random tests to see whether the measures defined in the ICS are being adhered to.

Since 2016 Profond has prepared a report each year in accordance with the International Standard on Assurance Engagements (ISAE) 3402, Assurance Reports on Controls at a Service Organisation. This report is reviewed and confirmed by an independent auditor.

Integrity and loyalty

Profond applies the rules of the ASIP association for the sector, namely the ASIP Charter and the professional guidelines, which are based on compliance with the loyalty and integrity regulations of the BVG. Upon joining, members of the Board of Trustees, of the Executive Board and employees confirm that they will adhere to these regulations. The members of the Board of Trustees, the committees and the Executive Board also confirm each year that they meet the legal and regulatory requirements and comply with the loyalty regulations.

Exercise of voting rights for listed Swiss companies

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.

For companies domiciled abroad, voting rights are not actively exercised, but are left to the managers entrusted with the task of asset management.

Annual financial statements as of 31 December 2017

Balance sheet

	Notes No.	31.12.2017 CHF	31.12.2016 CHF
Assets			
Investments			
Cash and cash equivalents		228 107 556	175 674 082
Receivables	7.1	14 571 786	17 129 434
Receivables from members		21 034 148	25 169 781
Current accounts	7.2	46 740 512	88 741 250
Capital investments		7 067 092 141	6 010 805 373
Total investments		7 377 546 143	6 317 519 920
Accrued income and prepaid expenses	7.3	4 394 212	5 179 261
Total assets	6.3	7 381 940 355	6 322 699 181
Liabilities			
Accounts payable	7.4	180 807 986	148 481 368
Deferred income and accrued expenses		2 128 200	1 645 639
Employer contribution reserves for pension plans	5.10	63 572 766	59 568 752
Non-technical reserves	7.5	3 587 250	3 119 697
Pension capital and technical reserves			
Pension capital of active insured members	5.2	3 745 849 688	3 379 516 945
Pension capital of pensioners	5.5	2 361 787 468	2 136 673 131
Technical reserves	5.7.1	186 934 596	125 017 853
Separate free capital for affiliated companies	5.8	38 967 859	45 306 530
Separate reserves for pension plans	5.9	2 200 000	0
Total pension assets and technical reserves		6 335 739 611	5 686 514 459
Fluctuation reserves	6.2	796 104 542	423 369 266
Total liabilities		7 381 940 355	6 322 699 181

Income statement

	Notes No.	2017 CHF	2016 CHF
Employee contributions	5.3	132 051 565	125 470 706
Employer contributions	5.3	184 024 629	173 785 429
Withdrawals from employer contribution reserves to finance contributions		-8 003 026	-6 194 832
Single deposits and voluntary contributions		52 074 810	43 155 495
Deposits in employer contribution reserves		13 213 940	12 446 648
Ordinary and other contributions and deposits		373 361 918	348 663 446
Vested benefits		469 344 261	378 942 219
Deposits in uncommitted funds on acquisition of portfolios of insured persons		5 500 328	7 157 591
Deposits for early withdrawals for home ownership/divorce		4 027 755	3 805 295
Deposits in pension capital of pensioners on acquisition of portfolios of insured persons		67 035 107	10 921 219
Deposits in technical reserves on acquisition of portfolios of insured persons		959 793	0
Deposits in separate reserves for pension plans		2 200 000	0
Entry benefits		549 067 244	400 826 324
Inflow from contributions and entry benefits		922 429 162	749 489 770
Retirement benefits		-138 963 438	-127 915 556
Surviving dependants' pensions		-24 239 585	-23 706 244
Disability allowances		-16 991 214	-14 565 372
Divorce pensions		-6 672	0
Lump-sum benefits on retirement		-56 415 771	-57 633 267
Lump-sum benefits in the event of death or disability		-4 906 887	-4 003 988
Regulatory benefits		-241 523 567	-227 824 427
Non-regulatory benefits	7.6	-12 541 076	-16 500 889
Vested benefits on leaving the scheme		-332 578 092	-403 881 049
Carry-over of additional funds in the event of collective departure		-1 050 831	-851 619
Early withdrawals for home ownership/divorce		-18 448 486	-17 874 222
Termination benefits		-364 618 485	-439 107 779
Outflow for benefits and early withdrawals		-606 142 052	-666 932 206
Formation of pension capital for active insured members		-260 942 268	-57 997 807
Formation of pension capital for pensioners		-211 611 610	-136 123 680
Formation of technical reserves (release in previous year)		-64 116 744	55 260 864
Interest on savings capital		-122 335 116	-74 286 243
Formation of contribution reserves		-13 371 992	-12 583 146
Release of contribution reserves to finance contributions		8 003 026	6 194 832
Release of contribution reserves		1 364 693	717 909
Release of uncommitted funds (formation in previous year)		6 338 672	-542 148
Formation of pension capital, technical reserves and contribution reserves		-656 671 339	-219 359 419

	Notes No.	2017 CHF	2016 CHF
Insurance benefits		2 469 314	884 677
Surplus distributions from insurance policies		0	2 362 205
Income from insurance benefits		2 469 314	3 246 882
Risk premiums		-124 179	-118 550
Cost premiums		-1 777 710	-521 811
Contributions to Guarantee Fund		-1 593 559	-1 273 916
Insurance expenses		-3 495 448	-1 914 277
Net result from the insurance section		-341 410 363	-135 469 250
Income from capital investments		754 826 175	254 747 966
Investment administration expenses		-25 522 521	-24 780 690
Net income from investments	6.4	729 303 654	229 967 276
Other income	7.7	1 101 672	10 172 102
General administration costs		-9 005 947	-9 435 720
Marketing and advertising		-3 061 429	-2 278 623
Agents and brokers		-3 894 534	-4 819 343
Auditor and occupational pension expert		-210 277	-184 559
Supervisory authorities		-87 500	-32 094
Administration expenses		-16 259 687	-16 750 339
Income surplus prior to formation of reserves		372 735 276	879 197 89
Formation of fluctuation reserves		-372 735 276	-879 197 89
Surplus expense or income		0	0

Notes

1. Principles and organisation

1.1 Legal form and purpose

Under the name "Profond Pension Fund" there is established a Foundation within the meaning of Art. 80 et seq. of the Swiss Civil Code (ZGB), Art. 331 Code of Obligations (OR) and Art. 48 (2) BVG (Occupational Pensions Act).

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 special emergencies caused by illness, accident or unemployment.

1.2 BVG registration and Guarantee 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 Guarantee Fund.

1.3 Details of Foundation documents and regulations

Foundation Deed	of 13.06.2008
Organisational Regulations	of 01.01.2017
Pension Fund Regulations	of 01.01.2017
Regulations on Partial Liquidation	of 01.01.2005
Investment Regulations	of 29.06.2017 (valid from 01.08.2016)
Regulations Concerning the Reserves	of 31.12.2017

1.4 Governing body

The Board of Trustees comprises the following members:

Employer's Representative	Position	Term of office
Höchli Andreas (to 18.01.2017)	Vice President	1992 to 2017
Mrose Beda (from 24.01.2017)	Member	2017 to 2020
Murer-Chevalier Werner	Vice President	2015 to 2020
Staub-Bisang Mirjam	President	2015 to 2020
Theilacker Willy	Vice President	1992 to 2020
Employee Representative	Position	Term of office
Bodmer Peter E. (from 24.08.2017)	Member	2017 to 2020
Goetschmann Frédéric E.	Member	2016 to 2020
Mazouer Denis	Member	2016 to 2020
Meyer Olaf (to 30.06.2017)	President	2012 to 2017
Platz Aldo	Member	2008 to 2020
Securities Investment Committee	Position	
Böck Christina	Member	
Häberli Andreas	Chairman	
Meyer Olaf (to 30.06.2017)	Member	
Staub-Bisang Mirjam	Member	
Investment Committee for Real Estate	Position	
Böck Christina	Member	
Bodmer Peter E. (from 24.08.2017)	Member	
Kuprecht Florian (to 31.12.2017)	Member	
Meierhofer Herbert	Chairman	
Meyer Olaf (from 29.03.2017 to 30.06.2017)	Member	
Pedrett Hansjörg	Member	
Vögele Roland (from 24.08.2017)	Member	

Investment Committee for Alternative Investments	Position
Angele Hans-Christian (to 30.09.2017)	Member
Böck Christina	Member
Gerig Valentin (to 31.07.2017)	Member
Höchli Andreas (to 18.01.2017)	Member
Meyer Olaf (to 30.06.2017)	Chairman
Staub-Bisang Mirjam (Chairwoman from 01.07.2017)	Chairwoman

Address

Profond Vorsorgeeinrichtung
Zollstrasse 62
8005 Zürich

1.5 Expert, auditor, custodian bank, supervisory authority, asset management

Expert for occupational benefit plans

Beratungsgesellschaft für die
zweite Säule AG
Dornacherstrasse 230
4018 Basel
Ernst Sutter
Dipl. Math. ETH
Qualified pension insurance expert

Auditor

Progressia Wirtschaftsprüfung AG
Moosacherstrasse 21
8804 Au
Roger Boccali, Chief Auditor
Certified Accountant
Licensed audit expert

Administration and Accounting

Profond Vorsorgeeinrichtung
Zollstrasse 62
8005 Zürich

Custodian Bank

Credit Suisse AG
Giesshübelstrasse 40
8070 Zürich

Asset Manager

ARTICO Partners AG ¹⁾
Credit Suisse AG ¹⁾
PK Assets AG ²⁾
Swiss Life Asset Management AG ¹⁾
UBS AG ¹⁾
VI VorsorgeInvest AG ¹⁾

¹⁾ Approved by FINMA

²⁾ Approved by OAK

Property Manager, direct real estate investments

Apleona GVA AG, Wallisellen

Supervisory Authority

BVG- und Stiftungsaufsicht des
Kantons Zürich (BVS)

Affiliated companies (status as at 31.12.)

Agro Energie Schwyz AG
B+B Holding AG (acquisition by Profond
as at 01.07.2013)
BEKA – Küsnacht AG
chkp. ag Rechtsanwälte Notariat
Independent Capital Group AG
mpw Beratungsteam AG
Profond Investment Foundation
Profond Finanzgesellschaft AG
Quickline Business AG

1.6 Affiliated employers

	2017	2016
As of 01.01.	1 718	1 696
New members	104	59
Departures	-20	-37
As of 31.12.	1 802	1 718

2. Pensioners and actively contributing members

2.1 Actively contributing members

	2017	2016
As of 01.01.	31 091	31 983
New members	9 241	8 300
Retirements, deaths	-517	-550
Departures	-7 003	-8 642
As of 31.12.	32 812	31 091

2.2 Pensioners

	2017	2016
As of 01.01.	8 197	7 877
Active members taking retirement	570	681
Acquisition of pensioners transferred	297	50
Departures	-427	-411
Total number of pensions 31.12.	8 637	8 197
Breakdown by pension type		
Old-age pensions	5 609	5 246
Spouse's pension	1 587	1 537
Bridging pensions	45	41
Disability allowances	896	866
Child benefit	499	507
Divorce pensions	1	0
Total number of pensions 31.12.	8 637	8 197
Total number of pensions 31.12.	8 637	8 197
Pensioners with more than one type of pension	-131	-130
Total number of pensioners 31.12.	8 506	8 067

3. Fulfilment of objective

3.1 Note on the pension plan

The Foundation benefits are described in detail in the Pension Fund Regulations (valid from 1 January 2017) and specified in the pension plan for each affiliated entity. An overview of the benefits is provided below:

Risk provisions

Disability

- Disability allowance
- Child benefit

Payable at death

- Spouse's pension/civil partner pension
- Orphan's allowance
- Lump-sum payable at death

Old-age provisions

Retirement

- Old-age pension
- Child benefit
- Bridging pension
- Spouse's old-age pension
- Divorcee pension

Departure and early payments

- Termination benefits
- Early withdrawal, pledging and divorce

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 amounts are charged to cover risk and administration costs. Retirement benefits are financed by means of contributions in the amount of the retirement credits.

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

3.3 Further information on the work of the pension fund

The Foundation performs the following functions independently:

- Management
- Actuarial administration
- Advice, support and sales
- Financial and securities accounting
- Risk + Health Service
- Investment controlling and reporting

4. Valuation and accounting principles

4.1 Confirmation of accounting according to Swiss GAAP FER 26

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

4.2 Accounting and valuation principles

The accounting, reporting and valuation comply with the provisions of the BVG (Occupational Pensions Act). The annual financial statements, consisting of the balance sheet, income statement 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:

Assets	Valuation method
Nominal values	
Liquidity	Market value
Receivables	Nominal value
Bonds in Swiss francs	Market value
Foreign currency bonds	Market value
Equities	
Equities: Switzerland	Market value
Equities: other countries	Market value
Real estate	Market value
Alternative investments	Market value or capitalised earnings value
Accrued income and prepaid expenses	Nominal value

Assets denominated in foreign currencies are converted at the rate on the effective date, expenses and income at the respective daily rate.

Valuations of directly owned properties are carried out by an external company using the discounted cash flow method.

Contrary to the guidelines of the Investment Regulations, investments in infrastructure are not valued at their capitalised earnings value. The investment in Agro Energie Schwyz AG is reported at the acquisition value including capital increases. The investment in Profond Finanzgesellschaft AG is reported at the nominal value of the share capital, and the loans minus value adjustments at their nominal value.

Alternative investments also include direct investments. They are reported at the acquisition value if purchased after 30 June.

4.3 Change in valuation, bookkeeping and accounting principles

The valuation principles have not been changed since the previous year. Reclassifications were made to some of the positions in the annual financial statements. These positions are:

	Adjusted	Previous	Difference
	CHF	CHF	CHF
Single deposits and voluntary contributions	43 155 495	54 076 714	-10 921 219
Deposits of pension capital of pensioners on acquisition of portfolios of insured persons	10 921 219	0	10 921 219
			0

Capital investments are shown in one item on the balance sheet. The breakdown is shown in the notes. The investments are also summarised in the income statement. The investment income and asset management expenses are shown. The details are again shown in the notes.

5. Actuarial risk / risk cover / funding ratio

5.1 Type of risk cover, reinsurance

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

For an affiliated company, there is a separate reinsurance agreement without surrender values (only risk insurance).

5.2 Development of pension capital for active members

Development of savings and interest	2017 CHF	2016 CHF
Savings capital at the start of the year	3 379 516 945	3 259 821 756
Plus		
Employee savings contributions	114 089 438	108 010 768
Employee savings contributions (exemption from contributions)	3 568 305	3 437 431
Employer savings contributions	154 542 953	145 082 359
Employer savings contributions (exemption from contributions)	4 009 878	3 950 201
Transferable vested benefits	278 846 468	287 557 059
Transferable vested benefits for new affiliated companies	190 497 793	91 385 159
Single deposits and voluntary contributions	44 852 203	38 979 139
Deposits from the release of uncommitted funds	7 222 607	4 176 900
Deposits for early withdrawals for promoting home ownership/divorce	4 027 755	3 805 295
Interest on savings capital	122 335 116	73 426 797
Other credits	694 764	56 149
Minus		
Vested benefits on leaving the scheme	-329 006 540	-339 345 400
Vested benefits from termination of contracts	-3 565 577	-64 526 128
Early withdrawals for home ownership/divorce	-18 448 486	-17 874 222
Lump-sum payments on retirement/death	-59 580 598	-60 201 008
Transfer to pensioners' pension capital	-134 262 400	-148 369 169
Transfer of pensioners' retirement assets to pensioners' pension capital (disability or death)	-13 490 936	-9 856 141
Savings capital at the end of the year	3 745 849 688	3 379 516 945

The Board of Trustees decided on a supplementary interest rate of 2.5% for 2017. Overall, the retirement assets of active members bore interest at 3.5%.

5.3 Breakdown of pension plan contributions

	2017 CHF	2016 CHF
Employee savings contributions	114 089 438	108 010 768
Employee risk contributions	14 696 656	14 305 207
Employee administrative contributions	3 265 471	3 154 731
Total employee contributions	132 051 565	125 470 706
Employer savings contributions	154 542 953	145 082 359
Employer risk contributions	23 300 418	22 782 862
Employer administrative contributions	5 278 229	5 076 879
Basic contributions	857 667	814 747
Cost contributions for extraordinary expenses	45 362	28 582
Total employer contributions	184 024 629	173 785 429

5.4 Total BVG retirement assets

	2017 CHF	2016 CHF
BVG retirement assets (sample accounting)	2 015 991 582	1 864 751 354
BVG interest rate	1.00%	1.25%

5.5 Development of pension capital for pensioners

	2017 CHF	2016 CHF
Status of pension capital at the start of the year	2 136 673 131	1 990 693 310
Transfer of new pensioners from active members	134 262 400	148 369 169
Acquisition of pensioners transferred	67 035 107	10 921 219
Transfer of pension capital to new pension fund	-291 073	0
Transfer of pensioners' retirement assets	13 490 936	9 856 141
Adjustment for recalculation of pension capital	10 616 967	-23 166 708
Status of pension capital at the end of the year according to detailed calculation by the expert	2 361 787 468	2 136 673 131

5.6 Result of the last actuarial report

The last actuarial report was produced as at 31 December 2017 and includes the following assessment:

	2017 CHF	2016 CHF
Pension capital to be covered	6 294 571 752	5 641 207 929
Available pension assets	7 090 676 294	6 064 577 195
The funding ratio was	112.6%	107.5%

5.7 Technical basis and other relevant actuarial assumptions

The actuarial calculations are based on the following:

- technical interest rate: 3.0% (previous year: 3.5%)
- technical basis: BVG 2015, 2012 mortality tables
- reserves for increased life expectancy and risk fluctuations

The regulatory and technical differences at the time of pension conversion are compensated by the conversion rate reserves. The lump-sum withdrawal ratio is approximately 30%.

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

5.7.1 Technical reserves

	2017 CHF	2016 CHF
Asset conversion rate reserve	120 707 518	68 473 194
Risk fluctuation reserve for risk of death and disability	28 788 711	27 968 065
Provision for increased life expectancy	33 124 967	19 978 451
Provision for refund of risk contributions	4 313 400	8 598 143
Total technical reserves	186 934 596	125 017 853

The following applies to the individual provision items:

- Asset conversion rate reserve: The “liquidation method” is used to calculate retirement pension losses. This applies to all active insured members from the age of 58. In this method, the existing retirement assets are converted into old-age pensions that start immediately, in accordance with regulations, and the corresponding conversion loss is determined. The effective lump-sum withdrawal ratio of approximately 30% is taken into account.
- Risk fluctuation reserve for risk of death and disability: The reserve was recalculated based on the current active insured pool as of 31 December 2017 with a 99% level of security.
- Increased life expectancy: The actuarial reserve for current pensions has been increased by 0.5% per annum since 2015; this has led to an increase by 1.5% as of 31 December 2017.
- Refund of risk contributions: A reserve was formed for the affiliation agreements which were concluded in 2015 because of the new sector-dependent pricing policy introduced on 1 January 2016. The reserve will enable settlement payments to be made in the form of contribution discounts from 2016 to 2018, in accordance with the new affiliation agreements.

All the technical reserves have been set up fully and sufficiently.

5.8 Separate free capital for affiliated companies

	2017 CHF	2016 CHF
Uncommitted funds at the start of the year	45 306 530	44 764 382
Contributions by new affiliated companies	5 500 328	7 157 591
Use	–11 754 795	–6 450 871
Release in the event of collective departure	–181 345	–273 828
Interest rate	97 141	109 256
Uncommitted funds at the end of the year	38 967 859	45 306 530

Accounts with uncommitted funds were managed for a total of 384 pension plan providers (previous year: 390) as of 31 December 2017. The uncommitted funds accrued interest at 0.25% in the year under review.

5.9 Separate reserves for pension plans

	2017 CHF	2016 CHF
Balance at the start of the year	0	9 909 900
Formation	2 200 000	0
Release	0	-9 909 900
Balance at the end of the year	2 200 000	0

5.10 Employer contribution reserves for pension plans

	2017 CHF	2016 CHF
Employer contribution reserves for individual pension plans without waiver of use, status as at 01.01.	59 568 752	53 898 347
Deposits	13 213 940	12 446 647
Use for financing contributions	-8 003 026	-6 194 832
Release in the event of collective departure	-578 412	-577 791
Interest rate	157 793	136 499
Other uses	-786 281	-140 118
Total employer contribution reserves without waiver of use	63 572 766	59 568 752

There are no employer contribution reserves with waiver of use. The employer contribution reserves accrued interest at 0.25% in 2017.

5.11 Funding ratio as per Art. 44 BVV 2 (Ordinance on the Swiss Occupational Pensions Act)

	2017 CHF	2016 CHF
Total assets	7 381 940 355	6 322 699 181
Accounts payable	-180 807 986	-148 481 368
Deferred income and accrued expenses	-2 128 200	-1 645 639
Employer contribution reserves for pension plans	-63 572 766	-59 568 752
Non-technical reserves	-3 587 250	-3 119 697
Separate free capital for affiliated companies	-38 967 859	-45 306 530
Separate reserves for pension plans	-2 200 000	0
Available pension assets	7 090 676 294	6 064 577 195
Pension capital of actively contributing members	3 745 849 688	3 379 516 945
Pension capital of pensioners	2 361 787 468	2 136 673 131
Technical reserves	186 934 596	125 017 853
Pension capital to be covered	6 294 571 752	5 641 207 929
Surplus cover	796 104 542	423 369 266
Funding ratio	112.6%	107.5%

6. Note on investments and net income from investments

6.1 Organisation of investment activities, Investment Regulations

The Board of Trustees decides on the organisation 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.

6.2 Target size and calculation of the fluctuation reserve

The target size of the fluctuation reserve is calculated using the "financial-economic" method. In this method, the fluctuation reserve for the investment strategy is derived according to the risk/return characteristics of the investment categories, to provide a minimum required interest rate on the liabilities over a one-year horizon, with adequate security. The target amount of the fluctuation reserve is expressed as a percentage of the liabilities, 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 volatility of the investments is 7.01% (previous year: 6.88%), and the target size of the fluctuation reserve is 13.51% of the pension capital (previous year: 13.23%).

	2017 CHF	2016 CHF
Status of fluctuation reserve at the start of the year	423 369 266	335 449 477
Formation is deducted on income statement	372 735 276	87 919 789
Fluctuation reserve at the end of the year	796 104 542	423 369 266
Targeted amount for fluctuation reserve	850 396 644	746 331 809
Reserve deficit in the fluctuation reserve	-54 292 102	-322 962 543

6.3 Presentation of investments by investment category

	Assets 2017	Proportion effective	Strategy	Range	Assets 2016	Proportion effective
	CHF thousands	%	%	%	CHF thousands	%
Liquidity	228 108	3.1	2	0–10	175 674	2.8
Cash accounts	228 108				175 674	
Receivables, accrued income and prepaid expenses	86 741	1.2		0–10	136 219	2.2
Current accounts	46 741				88 741	
Other receivables	35 606				42 299	
Accrued income and prepaid expenses	4 394				5 179	
Investments in nominal value assets	671 109	9.1	17		873 244	13.8
Bonds in Swiss francs	384 970	5.2	13	5–25	637 727	10.1
Foreign currency bonds	286 139	3.9	4	0–10	235 517	3.7
Equities	3 839 294	52.0	49	30–55	3 239 103	51.2
Domestic equities	1 627 648	22.0	20	15–30	1 398 978	22.1
Equities: other countries	2 211 646	30.0	29	15–30	1 840 125	29.1
Real estate	2 328 332	31.5	27	10–40	1 708 460	27.0
Real estate in Switzerland	1 576 730	21.4	24	10–30	1 450 992	22.9
<i>Direct real estate</i>	<i>1 282 690</i>	<i>17.4</i>			<i>1 164 921</i>	<i>18.4</i>
<i>Indirect real estate</i>	<i>294 040</i>	<i>4.0</i>			<i>286 071</i>	<i>4.5</i>
Real estate in other countries	751 602	10.2	3	0–15	257 468	4.1
<i>Direct real estate</i>	<i>479 351</i>	<i>6.5</i>			<i>0</i>	<i>0.0</i>
<i>Indirect real estate</i>	<i>272 251</i>	<i>3.7</i>			<i>257 468</i>	<i>4.1</i>
Alternative investments	228 356	3.1	5	0–15	189 999	3.0
Private equity	32 334	0.4	1	0–3	38 678	0.6
Direct infrastructure	165 003	2.2	4	0–10	119 657	1.9
Other ^{*1}	31 019	0.4	0	0–6	31 664	0.5
Total assets	7 381 940	100.0			6 322 699	100.0

Total assets include unhedged foreign currencies in the amount of CHF 2.126 bn (28.8%).

^{*1} This item includes bonds which must be reported under “alternative investments” according to BVV 2 and the Investment Regulations.

These include investments with employer

	31.12.2017 CHF	31.12.2016 CHF
Profond Investment Foundation		
Current accounts	44 074 993	86 406 067
Holdings	1 749 546 699	1 148 073 582
Asset dedication	100 000	100 000
Total Profond Investment Foundation	1 793 721 692	1 234 579 649
Agro Energie Schwyz AG		
Holdings	50 455 317	52 777 276
Total Agro Energie Schwyz AG	50 455 317	52 777 276
Profond Finanzgesellschaft AG		
Current accounts	2 665 519	2 335 183
Accrued interest	674 184	487 664
Holdings	1 000 000	1 000 000
Loans *1	114 752 122	66 742 116
Total Profond Finanzgesellschaft AG	1 190 918 25	70 564 963

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

*1 One loan to Profond Finanzgesellschaft AG is subject to a subordination in the amount of CHF 10 000 000.

Directly owned properties

	2017 CHF	2016 CHF
As of 01.01.	16 747 000	668 638 078
New additions	0	10 818 840
Transfer to Profond Investment Foundation	0	-661 563 845
Adjustment to market value	-287 000	-646 073
Advance payments	0	-500 000
As of 31.12.	16 460 000	16 747 000

For the valuation of the properties in Brugg (on Hauptstrasse and on Annerstrasse), capitalisation interest rates of 3.55% and 3.63%, respectively, were applied. It is planned to transfer these properties to Profond Investment Foundation at a future date.

Report as required by Art. 54 BVV 2

We can confirm compliance with the investment restrictions for individual debtors stipulated under Articles 54, 54a and 54b BVV 2.

Report as required by Art. 50 BVV 2

The Investment Regulations put into effect by the Board of Trustees extend the limits of BVV 2 with their tactical ranges.

a) Evidence of compliance with Art. 50 (1) BVV 2

(Selection, management and monitoring)

The principles of the Investment Regulations regarding security, income in line with the market and diversification were complied with during the year under review.

The portfolios are divided into individual investment categories. Asset management is monitored by a qualified investment committee, which refers, among other things, to documents provided by the internal investment-controlling body. The investment committee of the Foundation provides periodic reports to the Board of Trustees about the composition and performance of the portfolio.

b) Evidence of compliance with Art. 50 (2) BVV 2

(Risk capacity, no compromise of the pension fund objective)

The investment strategy for the year under review was drawn up using modern portfolio theoretical approaches based on risk and return ratios, and was reviewed and approved by the Board of Trustees. Investments remained within the tactical range during the year under review.

The Investment Regulations stipulate that a fluctuation reserve has to be formed.

The purpose of the fund is not jeopardised by the partial deviation from the investment guidelines under BVV 2.

c) Evidence of compliance with Art. 50 (3) BVV 2

(Risk diversification in different investment categories, regions, sectors and debtors)

Debtor diversification is ensured. Risk diversification in different investment categories, regions and sectors, in accordance with the Investment Regulations, mitigates the risk of losses.

d) Evidence of compliance with Art. 50 (4) BVV 2

(Extended investment options)

Based on the above findings and basic considerations, it is hereby stated that Art. 50 BVV 2 was complied with during the year under review.

6.4 Notes on the net income from investments

	2017 CHF	2016 CHF
Liquidity	-309 146	-1 722 360
Interest income	-463 316	-912 777
Foreign currency adjustments	738 087	-2 384
Interest on vested benefit deposits	-583 917	-807 199
Investments in nominal value assets	2 860 481	10 725 496
Interest income	7 866 481	11 067 959
Net currency gains	-5 006 000	-342 463
Equities	736 598 200	185 516 411
Dividends	99 964 349	89 999 446
Net currency gains	636 633 851	95 516 965
Real estate	8 132 634	54 974 028
Distribution of profits	17 805 727	15 318 062
Valuation gains and net currency gains	-9 673 093	39 655 966
Alternative investments	7 544 006	5 254 391
Distribution of profits	5 737 165	2 559 063
Valuation gains and net currency gains	1 806 841	2 695 328
Administrative costs for investments	-25 522 521	-24 780 690
Administration expenses	-2 668 197	-1 837 970
Asset management costs	-5 360 084	-8 074 446
Third-party costs	-2 611 398	-1 162 504
TER costs	-14 882 842	-13 705 770
Net income from investments	729 303 654	229 967 276

These include net income from investments with the employer

	2017 CHF	2016 CHF
Profond Investment Foundation		
Valuation adjustment	-20 130 291	20 463 234
TER costs	-7 850 599	-6 898 244
Total Profond Investment Foundation	-27 980 890	13 564 990
Agro Energie Schwyz AG		
Valuation adjustment	-2 321 959	2 321 959
Total Agro Energie Schwyz AG	-2 321 959	2 321 959
Profond Finanzgesellschaft AG		
Interest income	4 705 223	735 887
Valuation adjustment	-5 942 178	0
TER costs	-67 800	0
Total Profond Finanzgesellschaft AG	-1 304 755	735 887

Foreign currency valuations are not included in the above table.

Notes on asset management costs

	2017 CHF	2016 CHF
Transparent investments	7 377 546 143	6 316 519 920
Non-transparent investments	0	1 000 000
Total investments	7 377 546 143	6 317 519 920
Cost transparency ratio	100.00%	99.98%

The non-transparent investments in the previous year are those of Profond Finanzgesellschaft AG, which issued its first results as of 31 December 2017.

Investments

	2017 CHF	2016 CHF
Directly booked asset management costs	10 639 679	11 074 920
Total of all key figures in Swiss francs for collective investments	14 882 842	13 705 770
Booked asset management costs according to the income statement	25 522 521	24 780 690
As a percentage of cost-transparent investments	0.35%	0.39%

6.4.1 Performance of total assets

	2017 %	2016 %
Asset management performance	11.3	3.7

6.4.2 Loyalty provisions and treatment of retrocessions

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

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

The Foundation received no retrocessions during the year under review.

As per the loyalty provisions, and pursuant to Art. 48f and 48g BVV2, loyalty declarations were requested from the persons and institutions charged with investing and managing the pension assets. Some confirmations were answered incompletely. The Board of Trustees is pursuing the matter.

7. Notes on other items in the balance sheet and income statement

7.1 Receivables

	2017 CHF	2016 CHF
Withholding tax/tax at source securities	12 790 140	14 818 373
Receivables from foundations (loss reserves)	0	3 836 612
Other credited assets	1 225 599	2 393 387
Movable goods, IT, renovation	1 490 426	1 489 414
Rent deposits	1 686 21	1 986 48
Total receivables	14 571 786	17 129 434

7.2 Current accounts

	2017 CHF	2016 CHF
Current account Profond Investment Foundation (CHF)	18 268 946	39 832 245
Current account Profond Investment Foundation (EUR)	25 806 047	46 573 822
Current account Profond Finanzgesellschaft AG	2 665 519	2 335 183
Total current accounts	46 740 512	88 741 250

7.3 Accrued income and prepaid expenses

	2017 CHF	2016 CHF
Accrued interest	3 403 198	4 456 737
Accrued interest to related parties	674 184	487 664
Miscellaneous accrued income	316 830	234 860
Total accrued income	4 394 212	5 179 261

7.4 Accounts payable

	2017 CHF	2016 CHF
Commitments to departed members	91 122 917	72 633 560
Commitments to pensioners	7 154 239	7 469 267
Early receipt of vested benefits	4 628 870	2 895 107
Early receipt of new affiliated companies	69 803 382	57 771 696
Other creditors	8 098 578	7 711 738
Total accounts payable	180 807 986	148 481 368

7.5 Non-technical reserves

	2017 CHF	2016 CHF
Provisions for deferred real estate capital gains tax from transfer to Profond Investment Foundation	2 525 000	2 000 000
Provisions for deferred real estate capital gains tax	1 062 250	1 119 697
Total non-technical reserves	3 587 250	3 119 697

7.6 Non-regulatory benefits

	2017 CHF	2016 CHF
Use of employer contribution reserves	786 281	140 118
Use of uncommitted funds	11 754 795	6 450 871
Use of separate reserves for pension plans	0	9 909 900
Total non-regulatory benefits	12 541 076	16 500 889

7.7 Other income

	2017 CHF	2016 CHF
Income from the release of separate reserves	0	3 033 000
Income from the termination of reinsurance PKRück	0	5 725 573
Release of unnecessary reserve for previous year interest	0	640 387
Income from services and other income	1 101 672	773 142
Total other income	1 101 672	10 172 102

8. Further details of the financial situation

8.1 Partial liquidations

The partial liquidations are being duly processed in accordance with the partial liquidation regulations approved on 31 December 2010 and valid from January 2005. The pending and completed partial liquidations are presented in a separate listing covering a period of two years. This list forms the basis for the auditor's review of the cases of partial liquidation, in addition to the partial liquidation regulations.

In 2017, the following suspected cases of partial liquidation as of 31 December 2016 were reviewed and executed:

Current status regarding partial liquidation	Decrease in number of members	Restructuring	Termination of affiliation agreements	Total
Number of affiliated companies examined				1907
Suspected cases	30	10	55	95
Positive decision	7	5	32	44
Negative decision	21	4	20	45
Decision pending	2	1	3	6
Executed	28	9	49	86
Pending	2	1	6	9

A total amount of CHF 2 971 429 was transferred to the fluctuation reserves from terminated contracts.

8.2 Financial commitments

Profond Pension Fund has entered commitments to Limited Partnerships in the amount of CHF 57 490 456, in connection with investments in private equity holdings. Following the deduction of the previously paid sum of CHF 49 924 969, an outstanding liability of CHF 7 565 487 remains as of the balance sheet date.

There are contingent liabilities of up to CHF 7 000 000 (performance-related increase in purchase price) in connection with investments in the alternative investment "Infrastructure".

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.

8.3 Pending issues with the supervisory authority

Letter dated 18 December 2017 regarding the reports for 2016:

– All pending issues and directives in connection with the annual financial statements have been implemented.

Letter dated 6 November 2017 concerning the "Energy infrastructure" investments:

– The matter is being attended to.

8.4 Ongoing legal proceedings

An appeal to the Federal Administrative Court is pending in connection with a request to review a partial liquidation. A ruling is expected in the course of 2018. The amount in dispute is approximately CHF 19 000. No reserve has been set aside for this amount.

Two requests to review partial liquidation, concerning the partial liquidation of a pension fund, are pending with the Supervisory Authority for BVG Pensions and Foundations of the Canton of Zurich (BVS). A decision is expected in 2018. The amount in dispute is in approximately CHF 866 000. As this is already included in the liabilities, no reserve has to be set aside for this.

9. Events after the balance sheet date

No significant events occurred in the period between the balance sheet date and the approval of the annual financial statements by the Board of Trustees, which might impair the informative value of the 2017 annual financial statements or which would have to be disclosed here.

PROGRESSIA

WIRTSCHAFTSPRÜFUNG AG

Moosacherstrasse 21
CH - 8804 Au
Telefon +41 44 783 20 50
Telefax +41 44 783 20 55
www.progressia-au.ch

An den Stiftungsrat der

Profond Vorsorgeeinrichtung, Zürich

Bericht der Revisionsstelle zur Jahresrechnung

Als Revisionsstelle haben wir die beiliegende Jahresrechnung der Profond Vorsorgeeinrichtung bestehend aus Bilanz, Betriebsrechnung und Anhang für das am 31. Dezember 2017 abgeschlossene Geschäftsjahr geprüft.

Verantwortung des Stiftungsrates

Der Stiftungsrat ist für die Aufstellung der Jahresrechnung in Übereinstimmung mit den gesetzlichen Vorschriften, der Stiftungsurkunde und den Reglementen verantwortlich. Diese Verantwortung beinhaltet die Ausgestaltung, Implementierung und Aufrechterhaltung einer internen Kontrolle mit Bezug auf die Aufstellung einer Jahresrechnung, die frei von wesentlichen falschen Angaben als Folge von Verstössen oder Irrtümern ist. Darüber hinaus ist der Stiftungsrat für die Auswahl und die Anwendung sachgemässer Rechnungslegungsmethoden sowie die Vornahme angemessener Schätzungen verantwortlich.

Verantwortung des Experten für berufliche Vorsorge

Für die Prüfung bestimmt der Stiftungsrat neben der Revisionsstelle einen Experten für berufliche Vorsorge. Dieser prüft periodisch, ob die Vorsorgeeinrichtung Sicherheit dafür bietet, dass sie ihre Verpflichtungen erfüllen kann und ob die reglementarischen versicherungstechnischen Bestimmungen über die Leistungen und die Finanzierung den gesetzlichen Vorschriften entsprechen. Für die für versicherungstechnische Risiken notwendigen Rückstellungen ist der aktuelle Bericht des Experten für berufliche Vorsorge nach Artikel 52e Absatz 1 BVG in Verbindung mit Artikel 48 BVV 2 massgebend.

Verantwortung der Revisionsstelle

Unsere Verantwortung ist es, aufgrund unserer Prüfung ein Prüfungsurteil über die Jahresrechnung abzugeben. Wir haben unsere Prüfung in Übereinstimmung mit dem schweizerischen Gesetz und den Schweizer Prüfungsstandards vorgenommen. Nach diesen Standards haben wir die Prüfung so zu planen und durchzuführen, dass wir hinreichende Sicherheit gewinnen, ob die Jahresrechnung frei von wesentlichen falschen Angaben ist.

Eine Prüfung beinhaltet die Durchführung von Prüfungshandlungen zur Erlangung von Prüfungsnachweisen für die in der Jahresrechnung enthaltenen Wertansätze und sonstigen Angaben. Die Auswahl der Prüfungshandlungen liegt im pflichtgemässen Ermessen des Prüfers. Dies schliesst eine Beurteilung der Risiken wesentlicher falscher Angaben in der Jahresrechnung als Folge von Verstössen oder Irrtümern ein. Bei der Beurteilung dieser Risiken berücksichtigt der Prüfer die interne Kontrolle, soweit diese für die Aufstellung der Jahresrechnung von Bedeutung ist, um die den Umständen entsprechenden Prüfungshandlungen festzulegen, nicht aber um ein Prüfungsurteil über die Wirksamkeit der internen Kontrolle abzugeben. Die Prüfung umfasst zudem die Beurteilung der Angemessenheit der angewandten Rechnungslegungsmethoden, der Plausibilität der vorgenommenen Schätzungen sowie eine Würdigung der Gesamtdarstellung der Jahresrechnung. Wir sind der Auffassung, dass die von uns erlangten Prüfungsnachweise eine ausreichende und angemessene Grundlage für unser Prüfungsurteil bilden.

PROGRESSIA

WIRTSCHAFTSPRÜFUNG AG

Prüfungsurteil

Nach unserer Beurteilung entspricht die Jahresrechnung für das am 31. Dezember 2017 abgeschlossene Geschäftsjahr dem schweizerischen Gesetz, der Stiftungsurkunde und den Reglementen.

Berichterstattung aufgrund weiterer gesetzlicher und anderer Vorschriften

Wir bestätigen, dass wir die gesetzlichen Anforderungen an die Zulassung (Art. 52b BVG) und die Unabhängigkeit (Art. 34 BVV 2) erfüllen und keine mit unserer Unabhängigkeit nicht vereinbaren Sachverhalte vorliegen.

Ferner haben wir die weiteren in Art. 52c Abs.1 BVG und Art. 35 BVV 2 vorgeschriebenen Prüfungen vorgenommen. Der Stiftungsrat ist für die Erfüllung der gesetzlichen Aufgaben und die Umsetzung der statutarischen und reglementarischen Bestimmungen zur Organisation, zur Geschäftsführung und zur Vermögensanlage verantwortlich.

Wir haben geprüft, ob


- die Organisation und die Geschäftsführung den gesetzlichen und reglementarischen Bestimmungen entsprechen und ob eine der Grösse und Komplexität angemessene interne Kontrolle existiert;
- die Vermögensanlage den gesetzlichen und reglementarischen Bestimmungen entspricht;
- die Alterskonten den gesetzlichen Vorschriften entsprechen;
- die Vorkehrungen zur Sicherstellung der Loyalität in der Vermögensverwaltung getroffen wurden und die Einhaltung der Loyalitätspflichten sowie die Offenlegung der Interessenverbindungen durch das oberste Organ hinreichend kontrolliert wird;
- die freien Mittel oder die Überschussbeteiligungen aus Versicherungsverträgen in Übereinstimmung mit den gesetzlichen und reglementarischen Bestimmungen verwendet wurden;
- die vom Gesetz verlangten Angaben und Meldungen an die Aufsichtsbehörde gemacht wurden;
- in den offen gelegten Rechtsgeschäften mit Nahestehenden die Interessen der Vorsorgeeinrichtung gewahrt sind.

Bezüglich den Bewertungsgrundlagen für Anlagen in Infrastruktur verweisen wir auf die Erläuterung unter Ziffer 4.2 des Anhangs zur Jahresrechnung.

Wir bestätigen, dass die diesbezüglichen anwendbaren gesetzlichen, statutarischen und reglementarischen Vorschriften eingehalten sind.

Wir empfehlen, die vorliegende Jahresrechnung zu genehmigen.

Progressia
Wirtschaftsprüfung AG


R. Baccal
dipl. Wirtschaftsprüfer
zugelassener
Revisionsexperte
(Leitender Revisor)


P. Waibel
dipl. Steuerexperte
zugelassener
Revisor

Au, 6. April 2018

Beilage: Jahresrechnung bestehend aus Bilanz, Betriebsrechnung und Anhang



Beratungsgesellschaft
für die zweite Säule AG
Dornacherstrasse 230
4018 Basel
www.berag.ch

Bericht des Pensionsversicherungsexperten zur Jahresrechnung 2017

Das per 31.12.2017 erstellte Versicherungstechnische Gutachten basiert unverändert auf den Rechnungsgrundlagen BVG 2015 Periodentafel 2012. Der technische Zinssatz ist per 31.12.2017 von 3.5% auf 3.0% gesenkt worden, was einmalige Kosten für die Erhöhung des Rentendeckungskapitals sowie die Verstärkung der technischen Rückstellungen von CHF 155 Mio. verursacht hat. Diese Kosten haben vollumfänglich zulasten des Ergebnisses des Berichtsjahres finanziert werden können.

Mit dem im Berichtsjahr 2017 ausgewiesenen Ergebnis von CHF 373 Mio. war es zudem möglich, den Deckungsgrad innert Jahresfrist von 107.5% auf 112.6% anzuheben. Die realisierte Erhöhung des Deckungsgrades hat gegenüber dem Vorjahr somit zu einer Verstärkung der Wertschwankungsreserve um CHF 373 Mio. auf CHF 796.1 Mio. geführt. Zur Erreichung der Ziel-Wertschwankungsreserve von CHF 850.4 Mio. fehlen nunmehr noch bescheidene 6.4% oder CHF 54.3 Mio. Die Stiftung ist damit trotz der guten Verzinsung der Altersguthaben mit 3.5% im 2017 am 31.12.2017 in anlagetechnischer Hinsicht nahezu uneingeschränkt risikofähig.

Der Verlauf der versicherungstechnischen Risiken im aktiven Versichertenbestand ist unverändert gut bis sehr gut. Der nachgewiesene Risiko- und Kostenüberschuss ist trotz der im Vorjahr vorgenommenen Reduktion der reglementarischen Risiko- und Kostenbeiträge nochmals höher ausgefallen als im Vorjahr. Mit zu diesem erfreulichen Ergebnis beigetragen haben die niedrigere Nettoschadenbelastung sowie etwas niedrigere Verwaltungsaufwendungen.

Auch im Rentnerbestand verlaufen die versicherungstechnischen Risiken für die Stiftung günstig. Für das abgelaufene Jahr kann wiederum ein kleiner Sterblichkeitsgewinn ausgewiesen werden. Es ist auch erfreulich feststellen zu können, dass dank der Veränderungen im aktiven Versichertenbestand und im Rentnerbestand sich das Verhältnis zwischen den Vorsorgekapitalien im aktiven Versichertenbestand und im Rentnerbestand kaum verändert hat. Die minimale Verschlechterung dieser Verhältniszahl im Jahr 2017 – der Rentneranteil stieg von 38% auf 39% leicht an – ist allein auf die Senkung des technischen Zinssatzes von 3.5% auf 3.0% zurückzuführen. Ohne Zinssatzsenkung wäre der Rentneranteil gar auf unter 38% gesunken.

Eine systematische Verlustquelle bildet nach wie vor die Verrentung von Altersguthaben bei allen Neupensionierungen mit Rentenbezug, weil der reglementarische Umwandlungssatz von derzeit 6.9% deutlich zu hoch ist. Derzeit ist für Neupensionierungen mit einem jährlichen Verlust von ca. CHF 20 Mio. zu rechnen. Ein Betrag, welcher jeweils zulasten des Ergebnisses verbucht wird, so dass alle Renten der neu Pensionierten bei der Pensionierung abschliessend finanziert sind. Ausserdem wird in der Stiftung eine Rückstellung für künftige Umwandlungsverluste geführt. Diese stellt sich aktuell auf ca. CHF 120 Mio., was in etwa dem Bedarf an Nachfinanzierung von Neupensionierungen für 6 Jahre entspricht, sofern nicht bereits vor Ablauf dieser Frist der Umwandlungssatz gesenkt wird. Nachdem bereits beschlossen ist, den Umwandlungssatz in den nächsten drei Jahren schrittweise weiter zu senken, erachten wir diese Rückstellung für ausreichend.

Aufgrund der gemachten Feststellungen und Ausführungen zur Sollrendite, zur erwarteten Rendite sowie zu den historischen Performancezahlen der Stiftung erachten wir die Senkung des technischen Zinssatzes nicht als ein vordringliches Anliegen. Eine Senkung wäre jedoch kein Fehler; aus technischen Gründen ist eine Anpassung per 01.01.2019 vorzusehen.

Summarisch können wir abschliessend bestätigen, dass die Stiftung ihre reglementarischen versicherungstechnischen Verpflichtungen erfüllen kann, keine Finanzierungsdefizite bestehen und die technischen Reserven und Rückstellungen ausreichend sind. Es drängen sich keine Sofortmassnahmen auf.

Basel, 27.03.2018

Beratungsgesellschaft
für die zweite Säule AG

Ernst Sutter
dipl. Pensionsversicherungsexperte
Diplom Mathematiker ETH

Malgorzata Zielinska
Aktuarin SAV
Diplom Mathematikerin Univ.

Publication details

Issued by

Profond Pension Fund

Editing and production

Dynamics Group AG

Photography

Marc Wetli

Translation

Translation-Probst AG

Printed by

Cavelti AG

Circulation

200 English / 2450 German / 800 French / 200 Italian
The German version takes precedence.



Profond

Profond Vorsorgeeinrichtung
Zollstrasse 62
8005 Zürich
T 058 589 89 81

Profond Institution de prévoyance
Rue de Morges 24
1023 Crissier
T 058 589 89 83

www.profond.ch
info@profond.ch